**TOURISM AND HOSPITALITY MANAGEMENT**

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INTANGIBLES AS FUTURE VALUE CREATORS: 
THE CASE OF THE HOTEL INDUSTRY

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Abstract: The paper aims to provide evidence about the significance of intangibles in the hotel industry. The research investigates their importance for Croatian, Slovenian and Austrian hotel industry in the period 2004–2008. The results prove that despite their growing significance, accentuated by recent research, there is no presence of major growth related to intangible assets in the hotel industry. More detailed analysis further demonstrates that the hotel industry does not operate with a major share of intangibles in comparison with the largest domestic companies. Additional results point to the fact that larger companies possess a greater extent of intangibles in comparison with smaller companies. Therefore further research approaches could analyze the reasons that lead to these results and possible solutions that could stimulate the awareness of intangibles as a source of competitive advantages.

Key words: hotel industry, intangible assets, financial accounts, comparative analysis.

INTRODUCTION

Based on the evidence provided by recent research (Eskildsen et al. 2003, Lev and Daum 2004), intangible assets are becoming more and more important in today’s business environment. Furthermore, case studies and analysis have provided evidence that intangible assets are the fundamental source of competitive advantages for firms in most industries (Garcia-Ayuso 2003).

The characteristics of the economy changed from the industrial one to today’s more service and information oriented. Consequently in the last decades the composition of assets has changed. Accounting changes in recent years have increasingly recognized the importance of intangibles, such as intellectual capital and

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goodwill (Dunse et al. 2004). Recent research emphasises the importance of intellectual
capital also for the hotel industry (Nemec 2002, Engstroem 2003, Krambia-Kapardis
and Thomas 2006). Furthermore, a strong impact of intellectual capital (as a whole) on
the financial results of touristic enterprises was discovered by Nemec (2008).

The paper investigates the importance of intangible assets for the Croatian,
Slovenian and Austrian hotel industry in the period 2004–2008. In accordance with the
fact that a major part of intellectual capital of a company can not be recognized in the
balance sheet (a major part of these elements can be recognized just in cases of mergers
and acquisitions), the research investigates the importance of intangibles that meet the
criterion for their recognition in the financial accounts of selected hotels. In accordance
with the rising phenomenon of intangible assets the following hypothesis was formed:

\[ H_1 = \text{Intangible assets constitute an increasingly important asset for the hotel}
industry. \]

The paper additionally compares the results of the hotel industry with the
largest domestic companies (250 largest companies) in selected countries. The aim of
the paper is to ascertain if intangibles really do constitute a more important basis of
value creation for hotels in comparison with other industries. The hotel industry has
unique characteristics. The importance of employees as one of the most important
elements of intellectual capital for the hotel industry was already emphasised by many
researches (Jones and Lockwood 1998). To that end we can presume that hotels
actually employ a greater proportion of intangibles in comparison with the largest
domestic companies. The sample of the largest companies was selected due to their
more frequent mergers and acquisition activity, which leads to a larger extent of
recognized intangible assets (by the acquirer) in comparison with smaller companies.
The comparison with larger companies is to that end more reasonable, instead of a
sample that would include also smaller companies. The comparative analysis will
disclose if hotels, due to their characteristics, really do possess a major share of
intangibles in comparison with the largest companies from different industries.
Consecutively we assumed the following hypotheses:

\[ H_2 = \text{The hotel industry employs a greater proportion of intangibles in comparison}
with the largest domestic companies.} \]

As larger companies have more numerous opportunities to perform mergers
and acquisitions (they are more exposed to external growth in comparison with smaller
companies) and consequently to recognize more numerous intangibles, the analysis
furthermore examines if larger companies possess a greater extent of intangibles; i.e. if
the size of a company really influences the share of intangibles that a company
possesses.

\[ H_3 = \text{Larger companies have a greater proportion of intangibles in comparison with}
smaller companies.} \]
The paper is structured as follows. After the introduction the literature review is presented. In the second part the data collection and research methodology is explained. The results of the analysis and the discussion follow in the third part. Finally the major conclusions are presented.

1. LITERATURE REVIEW

In the current literature we can find an abundance of definitions as to what intangible assets are, but there is still no general accepted definition that could be adopted internationally (Kristandl and Bontis 2007). IFRS define intangible assets as identifiable non-monetary assets without physical substance (IAS 38.8), while Lev and Daum (2004) define intangibles as capabilities and “potential” for future growth and income.

Recent researches frequently deal with the concept of intellectual capital (Chaharbagi and Cripps 2006). This concept captures a broader aspect of intangibles that a company deals with. The generally used determination of intellectual capital includes: human, structural and customer-relationship capital. Unfortunately, there is still no generally accepted dividing line between the elements of intellectual capital and intangible assets.

The analysis of Nemec Rudez and Mihalic (2007) demonstrated a significant impact of intellectual capital on the financial performance of Slovene hotels. The value of intangibles not only provides useful information for external stakeholders, but is also according to the research of Roubi (2004), an indispensable source of information for internal users, especially in cases of hotel investments.

In accordance with the analysis of Nemec Rudez and Mihalic (2007), the part of intellectual capital in Slovenian hotel enterprises that has the strongest direct impact on their financial results is related with the end-customer relationship. Their analysis additionally demonstrates that the intellectual capital should be improved with major investments in human capital and information technology. Empirical researches confirm also a possible future convergence between human capital and sustainability reports (Pedrini 2007). Human capital, with particular emphasis on human resource management (HRM), is essential for the financial success of the hotel industry, although studies have shown that HRM practice was often correlated with the size of the hotel (Worsfold 1999). Positively related to business performance was also a corporate culture which emphasizes innovations (Gray et al. 2000).

Despite the fact that intangibles affect the firm’s value, there are still many problems related to the existing accounting practice with particular emphasis on external reporting (Roslender 2004). The traditional accounts still face many problems concerning their initial recognition and subsequent measurement. The accounting system will have to be upgraded to assure appropriate information for users of financial accounts (Kavcic et al. 2005, Kavcic and Ivankovic 2006). Decision-making information must be adjusted to business decisions which for hotel organizations have a very special nature and differ to those in other business organizations (Ivankovic
Undoubtedly it is going to be a future challenge for existing accounting practice also in the hotel industry (Kavcic and Mihelcic 2006).

2. DATA COLLECTION AND RESEARCH METHODOLOGY

The analysis investigates the importance of intangibles for Croatian, Slovene and Austrian hotels. The data were selected on the basis of Classification of Economic Activities in the European Community (NACE) H 55.100–Hotels and similar establishments. Croatia was selected as a sample of a pre-accession country to the European Union. It was compared with Slovenia as a post-transition economy and Austria as a traditional market economy.

The collected data were selected on the basis of data provided from the database Amadeus (for Croatian and Austrian companies) and iBon (for Slovene companies). Slovenian data were collected for the whole hotel industry, while large samples of Croatian and Austrian hotels data were also collected. The selected data were collected for the period 2004–2008. The data collected for the purposes of the analysis are presented in table 1.

<table>
<thead>
<tr>
<th>Country/Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tr>
<td>Croatia</td>
<td>245/406</td>
<td>270/457</td>
<td>294/509</td>
<td>298/564</td>
<td>290/666</td>
</tr>
<tr>
<td>Slovenia</td>
<td>196/196</td>
<td>203/203</td>
<td>217/217</td>
<td>251/251</td>
<td>274/274</td>
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<tr>
<td>Austria</td>
<td>444/1171</td>
<td>866/1171</td>
<td>984/1171</td>
<td>970/1171</td>
<td>275/1171</td>
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Note: the total number of companies that form part of the Croatian and Austrian hotel industry is provided by the database Amadeus.

The means of the share of intangibles in the structure of intangibles were calculated as an arithmetic mean. The share of intangibles was calculated as follows:

\[
\text{Intangible}_{\text{share}} = \frac{VI_t}{VA_t} \times 100; \text{ where}
\]

\[VI_t = \text{Value of intangibles at time } t,\]
\[VA_t = \text{Value of total assets at time } t.\]

Furthermore, possible differences between the shares of intangibles in hotels between selected countries were calculated. To that end the analysis of variance was performed. For this purpose two hypotheses were formed:

\[H_0 = \text{There is no difference in the means, and}\]
\[H_1 = \text{The means are not equal.}\]
For testing the second hypothesis, the independent t-test was carried out. The independent t-test was used to test a difference between two independent groups on the means of a continuous variable. The t-test was used to test the differences between groups of companies. For the purposes of testing the differences between groups of selected companies on the means of the share of intangibles, two hypotheses were formed:

\[ H_0 = \text{The means of the two groups are not significantly different, and} \]
\[ H_1 = \text{The means of the two groups are significantly different.} \]

For the comparison between hotels and the largest domestic companies, data of 250 largest companies in each of the selected countries were collected. All selected data were collected from the database Amadeus. Due to the very small sample of data that could be collected for the year 2008, testing of the second hypothesis was performed for the period 2004–2007.

The current literature indicates that the number of employees is the most relevant parameter to define the size of a company. The largest domestic companies were selected on the basis of their number of employees. In accordance with the fact that the share of intangibles was not provided by the whole sample of companies, the number of actually collected data was the following:

| Table 2: Number of selected data for the 250 largest companies |
|------------------|-----------------|-----------------|-----------------|-----------------|
| Country/Year     | 2004            | 2005            | 2006            | 2007            |
| Croatia          | 212/250         | 227/250         | 233/250         | 236/250         |
| Slovenia         | 220/250         | 233/250         | 239/250         | 246/250         |
| Austria          | 98/250          | 186/250         | 219/250         | 207/250         |

To test the third hypothesis; i.e. if larger companies possess a greater extent of intangibles (if the size of a company influences the share of intangibles) the linear regression was performed. For this purpose two hypotheses were formed:

\[ H_0 = \beta = 0 \]
\[ H_1 = \beta > 0 \]

The analysis of the hotel industry and the largest domestic companies was carried out separately, for both groups of companies.

3. RESULTS AND DISCUSSION

On the basis of selected data the average shares of intangibles for the hotel industry are as follows in table 3. The results are surprising, as the current literature accentuates their rising importance. In the period 2004–2008 their importance did not grow significantly, but even diminished (the case of Croatia and Slovenia). In Austria
an increase was notable, but just for 0.85 percentage points. Despite the fact that more and more researches expose intangibles as increasingly important value creators, they do not constitute an important asset in the case of the Croatian, Slovene and Austrian hotel industry. The maximum share of intangibles reached 3.79% in Slovenia in 2004. The highest average share was present in Austria where it reached just 3.11%. On the other hand the smallest average share was present in Croatia, where it attained a poor 2.35%.

Table 3: The share of intangible assets for the hotel sector in the period 2004 – 2008 (in %)

<table>
<thead>
<tr>
<th>Country/Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>2.22</td>
<td>2.31</td>
<td>2.53</td>
<td>2.51</td>
<td>2.16</td>
<td>2.35</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3.79</td>
<td>3.42</td>
<td>3.1</td>
<td>2.45</td>
<td>2.46</td>
<td>3.04</td>
</tr>
<tr>
<td>Austria</td>
<td>2.43</td>
<td>3.73</td>
<td>3.24</td>
<td>2.85</td>
<td>3.28</td>
<td>3.11</td>
</tr>
</tbody>
</table>

On the basis of our results we can reject the first hypothesis and can conclude that intangibles do not constitute increasingly important assets for the hotel industry. Their share in financial accounts is negligible.

A more detailed analysis demonstrates that shares of intangibles between countries do not statistically differentiate (sig. > 0.05). For this purpose, the One-way ANOVA test was performed. The results are presented in table 4. On the basis of the results we can not reject the null hypothesis, so we can not affirm that the shares of intangibles between countries differ. All three selected hotel sectors have a negligible value of intangibles.

Table 4: Results of the One-way ANOVA

<table>
<thead>
<tr>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>share2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>19735,061</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within groups</td>
<td>8063779,357</td>
<td>842</td>
<td>1.03</td>
<td>0.357</td>
</tr>
<tr>
<td>Total</td>
<td>8083514,417</td>
<td>844</td>
<td></td>
<td></td>
</tr>
<tr>
<td>share2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>17845,092</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within groups</td>
<td>8176024,375</td>
<td>1300</td>
<td>1.419</td>
<td>0.242</td>
</tr>
<tr>
<td>Total</td>
<td>8193869,467</td>
<td>1302</td>
<td></td>
<td></td>
</tr>
<tr>
<td>share2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>14118,972</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within groups</td>
<td>8183299,465</td>
<td>1475</td>
<td>1.272</td>
<td>0.28</td>
</tr>
<tr>
<td>Total</td>
<td>8197418,436</td>
<td>1477</td>
<td></td>
<td></td>
</tr>
<tr>
<td>share2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>10181,276</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within groups</td>
<td>8174791,464</td>
<td>1497</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8184952,739</td>
<td>1499</td>
<td>0.93</td>
<td>0.395</td>
</tr>
<tr>
<td>share2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>12430,473</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within groups</td>
<td>8106767,68</td>
<td>830</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8119198,153</td>
<td>832</td>
<td>0.636</td>
<td>0.529</td>
</tr>
</tbody>
</table>
3.1. Comparative analysis of the share of intangibles between hotels and the largest domestic companies

The analysis additionally compares the importance of intangibles between hotel companies and the largest domestic companies. We presumed that the hotel industry employs a greater extent of intangibles in comparison with the largest domestic companies. For this purpose the shares of intangibles were the subject of comparison with the 250 largest companies that did report the share of intangibles.

Firstly the share of intangibles of the largest companies was calculated. A brief look at the table 5 shows that their average shares are lower in comparison with the hotel industry, but big differences are not evident. The share of intangibles did not evidence a major change in the period 2004–2007, for the largest companies. Their constant growth for the analyzed period was evident only in the case of Slovenia. In the case of Austria the share did grow in the first three years, while in 2007 it evidenced a minor decrease. In the case of Croatia a constant decrease was present over the whole period. The higher average share of intangibles was present in Austria, followed by Slovenia and Croatia.

<table>
<thead>
<tr>
<th>Country/Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>1.90</td>
<td>1.71</td>
<td>1.55</td>
<td>1.55</td>
<td>1.68</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.74</td>
<td>1.89</td>
<td>1.90</td>
<td>2.35</td>
<td>1.97</td>
</tr>
<tr>
<td>Austria</td>
<td>2.40</td>
<td>3.15</td>
<td>3.33</td>
<td>3.14</td>
<td>3.00</td>
</tr>
</tbody>
</table>

A more detailed analysis was made with the independent sample t-test used to test the differences between hotel companies and the largest national companies. Additionally tested were also the differences between the largest companies of the selected countries.

The results of the independent t-test prove that there are no significant differences in the share of intangibles between hotel enterprises and the largest national companies in the selected countries. In accordance with the results we can reject the second hypothesis, as we did not demonstrate a statistical difference in the share of intangibles between these two groups of companies. We can not conclude that hotels operate with a higher share of intangibles in comparison with the largest domestic companies.

The t-test for equality of means was additionally performed also for the comparison between large companies that operate in different economies, to test if significant differences exist between them. The comparison between Croatia and Austria demonstrates that differences are present in years 2006 and 2007. The largest Austrian companies did employ a greater extent of intangibles in comparison with the Croatian ones. On the other hand differences between Slovenia and Austria were not ascertained.
Table 6: Results of the t-test for equality of means

<table>
<thead>
<tr>
<th></th>
<th>Sig. (2-tailed)</th>
<th>Croatia</th>
<th>Slovenia</th>
<th>Austria</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td>.690</td>
<td>.745</td>
<td>.561</td>
</tr>
<tr>
<td></td>
<td>Croatia</td>
<td>X</td>
<td>.079</td>
<td>.242</td>
</tr>
<tr>
<td></td>
<td>Slovenia</td>
<td>X</td>
<td>X</td>
<td>.974</td>
</tr>
<tr>
<td></td>
<td>Austria</td>
<td>.425</td>
<td>.712</td>
<td>.053</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td>x</td>
<td>.145</td>
<td>.059</td>
</tr>
<tr>
<td></td>
<td>Croatia</td>
<td>.183</td>
<td>.433</td>
<td>.025</td>
</tr>
<tr>
<td></td>
<td>Slovenia</td>
<td>x</td>
<td>X</td>
<td>.434</td>
</tr>
<tr>
<td></td>
<td>Austria</td>
<td>x</td>
<td>X</td>
<td>.055</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>.183</td>
<td>.116</td>
<td>.028</td>
</tr>
<tr>
<td></td>
<td>Croatia</td>
<td>x</td>
<td>.889</td>
<td>.231</td>
</tr>
<tr>
<td></td>
<td>Slovenia</td>
<td>x</td>
<td>X</td>
<td>.752</td>
</tr>
</tbody>
</table>

Sig. (2-tailed)-differences between hotels and the largest national companies
Sig. (2-tailed)-comparison of the largest companies between countries

3.2. Do larger companies really employ a greater proportion of intangibles?

Finally, the results of the linear regression performed for the hotel sector as a whole (Croatia, Slovenia and Austria) demonstrate that we can reject the null hypothesis (sig. < 0.05) and confirm that the regression coefficient is greater than zero (β > 0). Larger hotels have actually a greater proportion of intangibles in comparison with smaller ones. The size of a company influences the state of intangibles. Despite the fact that the regression coefficient is greater than zero, the determination coefficient (R² = 0.005) demonstrates that the size of a company has a minimal influence on the state of intangibles. The results prove that there are many other factors that influence the state of intangibles.

A similar situation is present also in the case of the largest companies (analysis was performed for the Croatian, Slovenian and Austrian largest companies as a whole). The regression coefficient is greater than zero (β > 0). In the case of the largest companies the coefficient of determination is R² = 0.045 and demonstrates once again that many other factors have an influence on the state of intangibles, beside the size of a company.

The findings demonstrate that we can confirm the third hypothesis; i.e. larger companies do have a greater proportion of intangibles in comparison with smaller ones. An obvious question that arises at this point is: how come that smaller companies (the majority of selected hotels are small or medium-size enterprises) do not employ a major proportion of intangibles? The reason that could lead to these results might be related to non-recognized elements of intellectual capital. Smaller companies mostly do not grow externally and to that end the possibilities of recognizing more numerous
intangibles are limited. Irrespective of the limitations the state of intangibles might be really insignificant for the hotel industry. These speculations are worth examining in the future.

For the hotel industry the human resources and customer satisfaction are of vital importance, but there is no information on this concern in traditional financial accounts. Unless we provide useful information about the hotel’s value creator, we will not be able to manage them efficiently. On this matter many efforts have already been made to assure reliable information for users of financial accounts. Many companies have already composed the statement of intellectual capital, but unfortunately these are still voluntary disclosures, which are not yet a good practice in the hotel industry.

CONCLUSION

The analysis proves that intangibles do not constitute an important asset for the hotel industry. Furthermore, a further analysis provides evidence that hotels do not possess a major share of intangibles in comparison with the largest domestic companies. Instead of an expected major growth, a minor decrease was notable in the period 2004–2008 for the Croatian and Slovenian hotel industry. On the other hand Austrian hotels registered a growth, but still the extent of intangibles in the structure of total assets did not change significantly.

The results of the linear regression furthermore demonstrate that larger companies do really employ a greater proportion of intangibles, although the size of a company has just a minimal influence on the state of intangibles. Future research should provide evidence about factors that moreover affect the state of intangibles as increasingly important value creators.

We believe that the principal problem that leads to these results is the current accounting approach that allows the recognition just of a smaller part of intangibles. In accordance with the fact that more and more researches emphasise the importance of intellectual capital for the financial performance of companies, we are undoubtedly facing a gap between intangibles that can be recognized in financial accounts and the integrity of intellectual capital that represents a brother aspect of intangibles. Current accounting practice will have to accept a more dynamic accounting approach that will provide more information about the state of intellectual capital as a whole and not only the value of intangible factors that meet the criteria for their recognition. Only the acceptance of a more dynamic accounting approach will provide evidence about the effect of intangibles on the financial performance of today’s enterprises. A further step forward could be made by disclosing non-monetary measures that could provide more reliable information about the future growth potential of hotel companies. This will be undoubtedly a challenge for the future accounting practice for hotel enterprises.
REFERENCES


STRATEGIC NETWORKS OF SMALL HOTELS – EVIDENCE FROM CROATIA

Smiljana Pivcevic
University of Split, Croatia

Abstract: Most tourism theoreticians and practitioners agree that small hotels present one of the most vital segments of accommodation facilities arguing that they are able to react more promptly and effectively to market changes and capable of offering high-quality, differentiated and personalized services. They also agree that they are facing specific problems arising from their size which can concisely be summed in difficult access to all business resources. Thus, it is believed that their survival and long-term success depend upon their ability to strengthen their market position while preserving their core strengths - independency and flexibility. The main idea of this paper is that networking, especially in horizontal direction, is the solution. To support the idea, an empirical research was conducted with the goal of determining the extent of implementation and the features of networking i.e. cooperation in the small hotel sector in Croatia.

Key words: networking, tourism, small hotels, Croatia.

INTRODUCTION

In recent years in Croatia an increasing attention has been drawn to the phenomenon of small hotels which have received significant support from the state. Although importance of these accommodation facilities is beyond discussion, it is also a fact that their market position is rather specific and unfavourable compared to other types of hotels. For that reason, it is believed that besides relying on governmental support, they should also pull their strengths together and cooperate in order to improve their position. In fact, effective networking may turn out to be not only a possibility but a necessity for their survival.

1. FIRM NETWORKS – DEFINITION AND THEORETICAL BACKGROUND

Networks are nowadays used in many areas of human life. That often leads to confusion about what the term stands for. Therefore, precise defining is an inevitable beginning of any serious discussion on networks, which have always been an interesting topic for academics, especially those engaged in economic and management

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1 Smiljana Pivcevic, MSc, Assistant, University of Split, Faculty of Economics, Split, Croatia.
theory. An overview of the literature reveals an abundance and heterogeneity of approaches to this phenomenon. The organizational-behaviouristic school emphasises the social character of the network and studies the division of roles, interdependence, trust and norms as the key elements that define behaviour in the network (Benhaim 1995, 4). In the institutional economics firm networks are defined as a hybrid organizational form between the market and the hierarchy while in the industrial organization study networks are seen as a coordination form that acts as a counterpart to the dichotomy of the market and the hierarchy (Williamson 1991, according to Frey 2002, 24). In strategic management networks are a way of conquering the aimed market position through which firms, using the "zero sum game", try to improve their competitive position on behalf of that of their competitors (Benhaim 1995, 16).

Still, a unique and generally accepted definition of network was not delivered. The author embraces the descriptive definition given by Sydow who emphasises the strategic importance of network saying that "the strategic network presents to the realization of competitive advantages aimed, polycentric, by one or more enterprises strategically lead organizational form of economic activities between market and hierarchy characterized by complex-reciprocal, rather cooperative then competitive and relatively stable relations between legally independent and economically interdependent enterprises." (Sydow 1992, 82).

As far as theoretical explanations are concerned, most frequently used are the transaction costs theory, the game theory and the approaches of strategic management. In transaction costs theory, the reason for interorganisational cooperation is found in potential for transaction costs reduction for the firms involved (Sydow 1992, 143; Frey 2002, 52). The game theory explores the problems of strategic interdependence of firms and using the famous prisoner's dilemma demonstrates the terms in which cooperation leads to better results compared to individual action (Axelrod 1984) and emphasises trust as an important element upon which cooperative arrangements are based. In the strategic management literature, firms’ networks are seen as a potential source of competitive advantages for the firms involved. As such, they are defined as "long term purposeful agreements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantages vis-à-vis their competitors outside the network" (Jarillo 1988, 32).

2. SMALL HOTELS – DEFINITION AND CONTEMPORARY MARKET POSITION

On the other hand, there is also the issue of small hotel definition. Namely, as opposed to common criteria used for defining small enterprise, such as the balance sum after the loss deduction, annual sales amount and annual average of number of employees (Cetinski 2003, 4), the hotel sub-sector classification is often based upon the number of rooms or beds in the establishments. These are also not generally accepted
and vary substantially so the upper limit for small hotels is usually between 40 to 70 rooms; for middle-sized hotels from 70 to 200 rooms and for large hotels more than 200 rooms (Avelini-Holjvac and VrtoduSic 1999, 43-49; Avelini-Holjvac 2002, 128). Given the size and the structure of Croatian hotel industry, threshold level applied in this article is 100 beds.

There is a general consensus about the importance of small firms in tourism, due to their high share in the industry and advantages inherent to their size. Most authors agree these advantages are flexibility, competition stimulation, wide variety of services offered, services and products with character as opposed to the more and more standardized service in mass tourism and ability to initiate multiple linkage effects in the local economy (Armstrong and Taylor 2000, 64; Bastakis et al. 2004, 151; Buhalis and Cooper 1998, 324; Shaw and Williams 1998, 235). These are also attributed to small hotels but in fact the core strength of small hotels' in comparison to their big counterparts and hotel chains is personal touch i.e. the ability to provide individualized, differentiated service. Namely, recent developments in tourism demand manifested through transformation from the mass, extensive, so-called "hard tourism" into the intensive, so-called "soft-tourism" (cf. Petric 2003, 83-85; European Commission 2003, 13) favour this kind of tourist services. Contemporary tourists look for accommodation with home atmosphere and tailor-made services and that corresponds to the profile of small hotels. As a result, one of the main features of contemporary tourism offer is the emergence of small and medium sized accommodation facilities, especially those of family type.

Although current tourism market trends go in favour of small hotels, their size is also the source of their major problems. While it enables them to provide services shaped by their guests’ individual needs, it also makes their access to necessary resources (finance, staff and material inputs) more difficult and costly and puts them in an unfavourable negotiation position towards other subjects of tourism offer and governmental bodies. Therefore it can be concluded that the small hotel is deprived of advantages generated by size i.e. its biggest advantage is at the same time its biggest flaw.

In order to make the best of this tricky situation, small hotels need to implement strategies that will enable them to overcome the difficulties they encounter while preserving or even strengthening their advantages. That is exactly why networking is seen as a potential solution - working together strengthens their market and negotiating position while enabling them to preserve the necessary independency and flexibility in individual business. The networking strategy is frequently used as a competitive tool by small hotels in other countries (Frey 2002; OECD) but the scope of its implementation in Croatia has not been researched yet. Therefore, the empirical research was conducted with the goal of determining the extent of implementation and the features of cooperations in the sector of small hotels in the Republic of Croatia.
3. HOTEL INDUSTRY AND SMALL HOTELS IN CROATIA

Croatian hotel sector is characterized by a big proportion of large hotels and respectively, large average number of beds in hotel establishments, especially compared to other Mediterranean countries considered as country’s main competitors (Table 1).

In recent years a significant increase in the number of small hotels is evident, mostly due to the incentive program “Incentive for success” launched by the Ministry of tourism in 2002. During the eight years of programme, 434 credits worth 1.58 billion kunas were realized out of which 274 were investments into hotel-type establishments resulting in employment of around 3636 people (http://www.mint.hr/UserDocsImages/080901-stanje-pzu.pdf; 01.10.2008.).

**Table 1:** Average number of beds in hotels and similar establishments in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Average number of beds in hotels and similar establishments (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>178*</td>
</tr>
<tr>
<td>Italy</td>
<td>61.8</td>
</tr>
<tr>
<td>Spain</td>
<td>88.23</td>
</tr>
<tr>
<td>France</td>
<td>69.15</td>
</tr>
<tr>
<td>Austria</td>
<td>40.78</td>
</tr>
<tr>
<td>Greece</td>
<td>76.06</td>
</tr>
</tbody>
</table>

* data for 2008


Accordingly, the share of small hotels in the overall hotel sector is increasing (Table 2).

Another important fostering factor is the national Association of Small and family hotels whose work and lobbying had significant effect upon the realization of the above programme and the overall support of the state. In fact, the Association itself is an excellent example of horizontal networking and a pioneer of its sort in Croatian accommodation sector.

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3 Horizontal cooperation refers to cooperation with firms engaged in the same economic activity. In this case, it would mean hotels cooperating with other hotels. Vertical cooperation refers to cooperation with firms belonging to a same value chain, i.e. hotels cooperating with tour operators or transport firms while diagonal cooperation denotes cooperation with firms from other economic sectors like hotel cooperating with insurance companies or fashion stores.

4 For further information see http://www.omh.hr/default.aspx?id=76
Table 2: The structure of Croatian hotel industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of hotels</td>
<td>Share (%)</td>
<td>Number of hotels</td>
<td>Share (%)</td>
</tr>
<tr>
<td>Small hotels (up to 100 beds)</td>
<td>240</td>
<td>47.43</td>
<td>276</td>
<td>53.28</td>
</tr>
<tr>
<td>Medium-sized hotels (101-500 beds)</td>
<td>230</td>
<td>45.46</td>
<td>205</td>
<td>39.58</td>
</tr>
<tr>
<td>Large hotels (more than 500 beds)</td>
<td>36</td>
<td>7.11</td>
<td>37</td>
<td>7.14</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>506</td>
<td>100</td>
<td>518</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Author's calculation based on the list of categorized hotels on 13.10.2005 and on 13.06.2007 available at http://www.mint.hr/default.aspx?ID=2505

4. EMPIRICAL RESEARCH ON NETWORKING OF SMALL HOTELS IN CROATIA

4.1. Research design

The empirical research was conducted by the use of mail questionnaire sent to all small hotels in the Republic of Croatia based on the list of the categorized hotels of the Ministry of sea, tourism, traffic and development (www.mmtpr.hr). At the time, the list included 249 hotels with up to 100 rooms which were all sent the questionnaire addressed to the hotel owner/manager. The research was conducted in the period from December 2005 until the end of February 2006. Response rate was 26.05% which is considered to be statistically relevant. The collected data were processed by the use of Microsoft Excel and SPSS program packages.

The main research objective was to determine the extent, forms and characteristics of cooperations of small hotels in Croatia. In order to achieve it, following hypotheses were tested:

**H1:** Small hotels in Croatia do not use networking sufficiently as an instrument of their goals achievement.

**H2:** Cooperations small Croatian hotels engage in are primarily of horizontal direction, based upon front-stage activities and characterized by a low level of mutual interdependence.

**H3:** Reasons why cooperations are rather undeveloped are primarily low level of knowledge about them and mental barriers (prejudice, fear, avoiding the dependence).

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5 The pilot questionnaire revealed that it is preferable to use the term «cooperation» rather than «networking». Namely, in business practice, networking is usually associated with use of information and communication technologies and thus it would cause misunderstanding.
H4: Significant incentives to cooperative relations forming would be diverse professional and financial help provided by the formal bodies (Tourism Board, local government).

4.2. Research results

Most of the surveyed hotels belong to the three star category (58.10 %), a quarter the two star category (25.80 %) while the other three categories make only 16.10 %. Most hotels (90.16 %) are opened all year and are mostly located on the seaside (50.61%). Majority have 51-100 rooms, average annual occupancy of 151-200 days and employ up to 10 employees. Also, there is a small prevalence of family owned hotels and in more than 60% hotels the managerial function is performed by the owner itself.

Research results have shown that only 14.5 % of small hotels are involved in cooperative arrangements with other firms⁶ (Figure 1). For comparison, similar research conducted in Switzerland in 2002 showed that the percentage of small and medium-sized hotels engaged in cooperation was 63.9% (Frey 2002: 174).

Figure 1: Small hotels' involvement in cooperation

![Graph showing small hotels' involvement in cooperation](image)

Crossing the status/willingness to cooperate with number of beds it is evident that the share of hotels that cooperate, as well as of those that do not cooperate but are opened to the idea, increases with the increase of number of beds in hotels. These two groups make 40% of hotels with less than 25 beds, 47.6% of hotels with 26-50 beds and almost 60% of hotels with 51-100 beds. In order to test the possible statistical significance of the relationship between these two variables, Spearman's correlation coefficient was applied. It confirmed statistically significant correlation at the level of empirical significance of 2%.

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⁶ Low level of alliances involvement by Croatian tourism firms was also reported by Zakarija (2003, 1740) whose results suggest that only a quarter of tourism firms are involved in strategic alliances while one third cooperates in less important projects.
Examining the current engagement of hotels in cooperation in connection to the number of employees, positive correlation up to the level of 100 employees is noticeable, after which the number of cooperating hotels decreases to zero. Possible statistical significance of the relationship between these two variables was tested applying Spearman’s correlation coefficient which showed that the significant correlation exists at the level of empirical p-value of 0.8%. Therefore, the results indicate that the hotel size and number of employees (up to 100) are positively correlated to engagement in cooperative activities. Finally, no correlation has been found between the willingness to cooperate and the average hotel occupancy.

4.2.1. The characteristics of small hotels cooperation

Most surveyed hotels (77.77%) are engaged in horizontal cooperations which is the case found in most countries. This finding is quite expected since in the business practice vertical and diagonal cooperation are mostly formed by extending the existing horizontal groups.

As far as location is concerned, most of the sampled hotels are engaged in national cooperations, specifically in the National Association of Small Family Hotels. As far as the contractual form of cooperation us concerned, the research revealed the prevalence of cooperation based on partial agreement. After it, cooperation with mutual enterprise and cooperation without any form of contract follow. Other forms of cooperation with higher degree of interdependence are not found at all. These results clearly show that Croatian small hotels are not willing to give up their business autonomy and therefore prefer cooperation forms with lower degree of connection intensity and lower interdependence.

Figures 2 and 3: Cooperation direction and location of partners

An important network feature is the range of activities it involves. The empirical results show that Croatian small hotels most often cooperate in the area of marketing and supply management (77.78%), and in the area of guest accommodation and accompanying activities. At the same time, they rarely cooperate in the area of food and beverages and finance.
Research results revealed that respondents perceive "rules of the game within the cooperation" as the most important elements of cooperation’s success and they all rate it as "very important" (Table 3). Next by importance is “trust among network partners with the average rate of 4.67. High rates have also been given to “even distribution of duties among partners” and “mutual information exchange” while, surprisingly, “evaluation and control of results” has received the lowest average rate.

Table 3: Elements affecting cooperation success

<table>
<thead>
<tr>
<th>Element</th>
<th>Most frequent rank</th>
<th>Average grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear rules of cooperation</td>
<td>5</td>
<td>4.44</td>
</tr>
<tr>
<td>Detailed planning</td>
<td>4</td>
<td>4.00</td>
</tr>
<tr>
<td>Clear rules of the game</td>
<td>5</td>
<td>5.00</td>
</tr>
<tr>
<td>Even distribution of duties and responsibilities</td>
<td>5</td>
<td>4.56</td>
</tr>
<tr>
<td>Mutual information exchange</td>
<td>5</td>
<td>4.56</td>
</tr>
<tr>
<td>Intense contacts</td>
<td>4,5</td>
<td>4.22</td>
</tr>
<tr>
<td>Trust between the partners</td>
<td>5</td>
<td>4.67</td>
</tr>
<tr>
<td>Evaluation and control of results</td>
<td>4</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Source: Author’s research

On the other hand, as the element with the highest impact on cooperation failure, respondents name "unwillingness to except obligations", which received highest rate from almost 70 % of cooperating hotels. Following are elements "low learning capability of partners" and "desire to make fast results". Interestingly and contrary to theoretical explanations, hotels find that egoism, envy and lack of trust are characteristics of partners that have a rather weak influence on cooperation failure.
Table 4: Elements affecting cooperation failure

<table>
<thead>
<tr>
<th>Most frequent rank</th>
<th>Average grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire to make quick results</td>
<td>5</td>
</tr>
<tr>
<td>Envy and lack of trust</td>
<td>5</td>
</tr>
<tr>
<td>Too high expectations</td>
<td>4.5</td>
</tr>
<tr>
<td>Low learning capability of partners</td>
<td>5</td>
</tr>
<tr>
<td>Egoism</td>
<td>5</td>
</tr>
<tr>
<td>Passivity</td>
<td>5</td>
</tr>
<tr>
<td>Unwillingness to except obligations</td>
<td>5</td>
</tr>
<tr>
<td>Inequal development of partners</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Author’s research

4.2.2. Elements affecting the decision to cooperate

Questions in this section were addressed to all hotels, regardless of their present involvement in cooperation. Summary of findings is given in Table 5.

Small hotels’ managers perceive better market access (average rate 4.21; 50% of hotels rate it with 5) as the most important cooperation advantage. Following are know-how advantages and better usage of resources. Advantages that are perceived as less important are flexibility and time savings. Additionally, differences in perception of importance of these elements among hotels with different attitude towards cooperation were looked into. The analysis has shown that advantages with the highest difference in perceived importance among cooperating hotels, cooperation sceptics and hotels opened to the idea of cooperation are those of better use of resources, time savings and flexibility development. In order to statistically test the possible statistical significance of these relationships, F-test with variance analysis (ANOVA) and Kruskal-Wallis test were used. Both confirmed statistically significant difference in arithmetic middles and average ranks of the three advantages in relation to the attitude of hotel towards cooperation.

The research results clearly indicate that most Croatian small hotels are, for the time being, not involved in any form of cooperation but are opened to the idea. The share of such hotels is three times higher than of those involved in cooperations. This leads to the conclusion that these hotels would, in adequate circumstances, be willing to collaborate with other firms and that stresses the importance of careful programming and implementation of incentive measures. For this reason, hotels were asked which activities would be an important impulse for them to become “cooperative”. The results show that it would be professional and financial help to cooperations in the area of quality improvement and during the big capital investments. Professional and financial help in the process of cooperation founding is also perceived as significant incentive while all other measures were seen as rather unimportant. Kruskal-Wallis test confirmed no significant difference in importance in connection to hotel’s attitude towards cooperation.
Table 5: Summary of data for questions on advantages of cooperation entering, factors influencing the decision not to enter cooperation and potential cooperation incentives

<table>
<thead>
<tr>
<th></th>
<th>GRADE FREQUENCY (%)</th>
<th>AVERAGE RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1  2  3  4  5  K  N  S  A</td>
<td></td>
</tr>
<tr>
<td><strong>Advantages derived by cooperation entering</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better resources use</td>
<td>6.5 1.6 19.4 35.5 37.1</td>
<td>4.78 4.07 3.52 3.95</td>
</tr>
<tr>
<td>Know-how advantages</td>
<td>4.8 3.2 19.4 32.3 40.3</td>
<td>4.44 4.04 3.8 4.0</td>
</tr>
<tr>
<td>Costs reduction</td>
<td>4.8 6.5 25.8 21.0 41.9</td>
<td>4.11 3.96 3.72 3.89</td>
</tr>
<tr>
<td>Better market access</td>
<td>4.8 1.6 16.1 22.6 54.8</td>
<td>4.78 4.21 4.00 4.21</td>
</tr>
<tr>
<td>Time savings</td>
<td>8.7 6.5 25.8 35.5 24.2</td>
<td>4.33 3.82 3.12 3.61</td>
</tr>
<tr>
<td>Flexibility development</td>
<td>9.7 4.8 35.5 25.8 24.2</td>
<td>4.33 3.54 3.16 3.50</td>
</tr>
<tr>
<td><strong>Factors influencing the decision not to enter cooperation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock of cooperations</td>
<td>4.8 9.7 33.9 35.5 16.1</td>
<td>3.78 3.61 3.24 3.48</td>
</tr>
<tr>
<td>Workshops</td>
<td>4.8 8.1 35.5 37.1 14.5</td>
<td>4.00 3.4 3.28 3.48</td>
</tr>
<tr>
<td>Professional and financial help in the process of cooperation founding</td>
<td>6.5 4.8 22.6 35.5 36.6</td>
<td>4.22 3.71 3.72 3.79</td>
</tr>
<tr>
<td>Help in the area of information and communication technology</td>
<td>8.1 4.8 25.8 35.5 25.8</td>
<td>4.11 3.79 3.36 3.66</td>
</tr>
<tr>
<td>Professional and financial help during capital investments</td>
<td>4.8 3.2 21.0 29.0 41.9 4.33 4.00 3.88 4.00</td>
<td></td>
</tr>
<tr>
<td>Professional and financial help in the area of quality management</td>
<td>4.8 3.2 17.7 33.9 40.3 4.56 4.07 3.76 4.02</td>
<td></td>
</tr>
</tbody>
</table>

Legend:  
C – hotels cooperating at the moment  
N – hotels not cooperating at the moment but opened to the idea of cooperation  
S – cooperation sceptics i.e. hotels not cooperating at the moment and with no intent to do so in the future  
A – all respondents  

Source: Author’s research
As far as subjects to be in charge of incentive measures are concerned, most of small hotels owners/managers (61.30%) think that entrepreneurs themselves should be in charge of them and 48.40% think that it should be in the domain of professional associations. Having in mind that these are in fact associations of enterprises i.e. entrepreneurs, this just adds weight to their “trust in themselves”. Local government and Tourism Board did not gain too much trust so it is obvious that small hotels don’t rely upon their support and some respondents have explicitly written that as a comment to the questionnaire.

Figure 5: Subjects to be in charge of cooperation fostering

![Graph showing percentages of subjects responsible for cooperation fostering]

Source: Author’s research

4.3. Hypotheses testing

Research results indicate that H1 and H2 can be accepted, H3 cannot be accepted and H4 can partially be accepted (Table 6).

Table 6: Hypotheses testing results

| Hypothesis | Description | Acceptance
|-------------|-------------|-------------
| H1          | Small hotels in Croatia do not use networking sufficiently as an instrument of their goals achievement. | + |
| H2          | Cooperations small Croatian hotels engage in are primarily of horizontal direction, based upon front-stage activities and characterized by a low level of mutual interdependence. | + |
| H3          | Reasons why cooperations are rather undeveloped are primarily low level of knowledge and mental barriers (prejudice, fear, avoiding the dependence). | - |
| H4          | Significant incentives to cooperative relations forming would be diverse professional and financial help provided by the formal bodies (Tourism Board, local government). | +/- |

Source: Author’s research
Hypothesis H1 is accepted because only 14.50% of the sampled hotels are at the time using this business strategy. The H2 is also accepted since three out of four most often collaborative activities fall into the category of front-stage activities. Furthermore, the hypothesis is confirmed by the findings on directions and intensity of small hotel's cooperations.

Hypothesis H3 cannot be accepted because the most important elements for not entering cooperations are satisfaction with business results and uncertainty about benefits of cooperation while low level of knowledge and mental barriers, as presumed by the hypothesis, are perceived as less important. Finally, H4 can only be partially accepted. Namely, the research findings confirmed that the most appreciated cooperation incentives would be diverse professional and financial help to cooperations but they did not confirm that the subjects to be in charge of them are formal bodies like Tourism Board and/or local government, but to the contrary, that it should be entrepreneurs themselves.

**RESEARCH IMPLICATIONS AND CONCLUSIONS**

Available statistics demonstrate that in most countries, tourism industry is dominated by small and medium enterprises. Although their advantages are multiple, so are their weaknesses. Cooperation is a potential strategy for small hotels (and small tourism firms in general) which can help them enhance their competitive position. Namely, working together creates virtual size, strengthens their market and negotiating position and produces synergy effects while preserving the necessary autonomy and flexibility in their individual business. As such, it is especially convenient for overcoming difficulties resulting from firm size and attempt of small firms to compete with the large ones in the area of resources and market access.

International practice has proven that tourism networks can substantially improve small business performance. The empirical results in this paper have shown that it is a rather undeveloped concept in Croatia and that only a small proportion of small hotels are at the time involved in collaborative arrangements. Still, more than a half of them are opened to the idea of cooperation. That calls for an investigation into the barriers that hinder this kind of behaviour and measures to eliminate them. Exchange of experiences and best practice from abroad would be a good step forward. Also, continuous education of owners/managers of small hotels on benefits of networking is needed. If these activities would be accompanied by advisory, organisational, promotional and/or financial incentives and support to networking from state and/or regional level, it is believed that the number of “cooperation” sceptics would decrease substantially.
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FURTHER READING


THE FEATURES OF THE NATURIST CAMPING MARKET

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Valamar d.o.o., Croatia

Abstract: This report examines the characteristics, the current situation and the perspectives of the European naturist camping market with the aim of defining future strategies and tactics for further development in this field. The first part engages with the definition of naturism, its historical evolution and the system of European demand for naturism by looking at the main European naturist associations, clubs and largest specialised tour operators and tour agencies. Additionally, this thesis examines the direction of the naturist offer over the past 10 years in Europe and Croatia. By means of a comparative analysis of the characteristics of the Croatian demand for camping and Croatian demand for naturist camping, trends, similarities and differences between the two were established. On the basis of this research, the CARE method was used, which provides guidance on how to Create, Amplify, Reduce and Eliminate certain aspects of the supply of naturism in order to define future strategies and tactics for achieving competitiveness on the naturist market.

Key words: naturism, naturist demand, naturist camping market, management.

INTRODUCTION

This report aims to revisit the definition and the evolution of naturism. It looks at the characteristics of the market for naturism on the demand side. It provides an overview of international and key national naturist organisations, as well as an overview of naturist tour agents and tour operators specialised in naturism. 15.64% of all camping capacity in Croatia is designed for naturism, hence the analysis of the main characteristics of Croatian naturist offer.

1 Dora Smolcic Jurdana, PhD, Associate Professor, Ines Milohnic, PhD, Assistant Professor, University of Rijeka, Faculty of Tourism and Hospitality Management, Opatija, Croatia, Josipa Cvelic - Bonifacic, MSc, Valamar d.o.o., Zagreb, Croatia.
In this work, we deliver a comparative analysis of the characteristics of the Croatian demand for camping and the demand for naturist camping, which ought to enlighten the similarities and differences of features of the demands as well as help identify suggestions for the improvement of the sector and the creation of added value in naturist camping sites. The results of the research are delivered in the form of a series of conclusions about the features of the naturist market in Europe and about the prospective of further growth of this segment of the Croatian tourist offer.

1. RESEARCH METHODOLOGY

The basis for this work are the results of a research of the European and Croatian naturist markets, carried on in summer 2008. The first part of the research was a one-off round of telephone interviews with a carefully chosen sample of the 5 most important European naturist federations and 6 main tour operators or specialised naturist agents. The target group was chosen from the wider population recorded in the INF-FNI (www.inf-fni.org/pages.php?id,2/05.08.2009/) (International Naturist Federation) database and the criteria used for definition the sample of the naturist federations was the number of their members and for tour operators, it was their size among the national network of tour operators in a range of European countries. The second part of the research is the analysis of the supply of naturism in Europe on the basis of secondary data about the fluctuations of the naturist camping capacity in Croatia. A single research was conducted in the form of a comparative analysis of the naturist camping capacity published in the ADAC guide in the years 2000 and 2009. The method used was telephone interview with the aim of checking the capacity in the naturist camps of a diversified nature, for both naturist and „textile” guests.

In order to identify the defining features of a typical naturist guest in relation to an average camping guest, 2 published researches were used. Firstly, the TOMAS research carried out by the Croatian Institute for Tourism and the Croatian Camping Association in 2007 and secondly, a research conducted among the naturists in a large naturist resort in Istria. The characteristics of the demand for camping with the features of the demand for naturist camping were compared with the purpose of establishing similarities and differences among them, as well as identifying suggestions for the improvement of the sector and the creation of added value in naturist camping sites.

2. CAMPS – CHARACTERISTICS OF THE NATURIST DEMAND

The rising trend for travelling caused the demand for camping facilities to rise proportionally. They were considered to be places for a spiritual recovering and change, as a result of a prolonged stay in the nature. Camping sites became available to a wider range of people as uncomplicated and cheaper types of accommodation, as well as places of mass tourism. During the 1980s, there is a rising demand from campers for a wider scope of facilities in camps, especially higher quality, opportunities for social interaction and a search for the feeling of a changed lifestyle.
Subsequently, in the 1990s, the market underwent a significant diversification. As the main motives for camping, clients now identify nature, experience and freedom. The demand for comfort, luxury, facilities, arranged outdoor environment and the quality of equipment. The technology of travel is being modernised with the invention of new forms of travelling, which enable increased mobility of guests.

Modern campers have several motives for travelling (Birin, 2009, 32):

- The freedom of choice – campers have the choice to create their own itinerary, to decide about the timing of movement, the stops, the camp sites which to use and the length of the stay.
- The experience – every journey into the unknown is a new adventure and a new experience for a camper. Similarly, being around other campers with similar experiences means spiritual richness for him/her.
- The change – camping allows a lifestyle completely far different from that of a daily routine. It brings relaxation, leisure and a move away from the time spent under strict time schedules.
- The nature – to live in and with the nature, to share sounds and absorb feelings, to see the stary sky, to feel the smell of the dew and to enjoy the wind has become a kind of luxury in the world of today which is difficult to find in urban centres.
- Simplicity – in relation to other forms of accommodation, camping ensures simplicity. Relaxation allows for a less conventional dress code, behaviour, addressing mode and an easy access to communication, friendship and relationships.
- Sociability – camping makes communication easier, encourages association and sociability.
- Spirituality – time spent in the nature and meditation.

Modern camp sites tend to orient towards a high level of environmental, infrastructural and quality values. The differentiation and the specialisation of camp sites target certain market segments and create diversification of the naturist camping offer.

3. DEFINITION AND CHARACTERISTICS OF NATURISM

The naturist market came to being in the second half of 20th century. Naturism is referred to as a branch of tourism, which evolved from the need and desire for a special kind of rest and recreation. There is no single understanding about this type of tourism. Some see it as an ideological movement, whilst others see it as a commercialisation of a particular idea.

Naturism can be defined as: self-respect, respect for other beings of any nature, respect for those people who we do not share our opinion with, acceptance of differences and confrontation with others without the tendency to indoctrinate them, independence of political and religious thought, lack of discrimination on the basis of
race, nationality, gender or age; rejection of pornography, paedophilia or any deviating behaviour that could degrade naturism by associating nudity with a naked sex object (Sladoljev, 2001). The most broadly accepted definition of naturism today is as follows: Naturism is a new life style, which celebrates the culture of the free body, free soul and social interaction. Naturism is a lifestyle in harmony with nature, expressed through social nudity and characterised by self-respect of people with different opinions and of the environment (MINTeL 2005, 5).

Naturists believe that social nudity has multiple benefits (MINTeL 2005, 5), as:

- Allowing the skin to benefit from exposure to the sun, air and water
- Rendering everyone equal regardless of age, gender, race or class
- Learning self-respect (this emerges from the self-acceptance needed to shed your clothes in front of other people) and
- Teaching respect for others (through the trust required to allow them to see your naked body and through the acceptance of their nudity)

It can be concluded that naturism is a kind of ideology, whereas nudism is the practice of the nude lifestyle outdoors in the nature and elsewhere. Nudism is often depicted as an antidote for demystifying sex itself and assigning healthy, vital and real dimensions to it (Dressen 1995, 7).

International Naturist Federation defines naturism as a return to the basic values. Without any clothes, people rely on their personalities and tend not to judge others on the basis of their clothes. Stripping off clothes is a way of stripping off the everyday stress (PROMO–CAMP 1983, 17).

Naturism is a global movement with a long standing tradition and a large number of followers. As such, it presents a significant potential for tourism, especially in Croatia, which as a country, holds the honourable position of the initiator of organised naturist tourism in Europe.

4. DETERMINANTS OF THE NATURIST DEMAND AND THE KEY ELEMENTS FOR SUCCESS IN THE NATURIST MARKET

The umbrella organization of world naturists is the “International Naturist Federation” (INF-FNI) with its headquarters in Bonn, Germany. The membership comprises of ordinary members such as national naturist organizations and extraordinary members made up of individuals from those countries which are not represented by national federations.

In the table 1, an overview of the largest generating naturist federations is provided, alongside their views on naturism, as collected via the interview method. The development of the naturist market is reflected in the fluctuations of the INF-FNI membership numbers.
In the given period (1998-2007), there was a significant fall of 25.66% in the membership numbers of national naturist associations, mainly as a result of the fall in the membership numbers of the French naturist association, whilst the membership of other federations remained stable. Other federations show a relatively stable membership with slower rates of decline. Naturism in northern Europe declines, while it increases in South Europe.

### International and national naturist associations

The following is an overview of those generating naturist federations of highest significance to Croatia. The data were collected in phone interviews and the result was the identification of trends, threats and possibilities for the development of the naturist demand.
Figure 1: Comparative study of different European national naturist federations

<table>
<thead>
<tr>
<th>Federation</th>
<th>Foundation year</th>
<th>Number of associations</th>
<th>Membership</th>
<th>Factors of success</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>French federation of naturists (Federation Francaise de Naturisme FFN)</td>
<td>1950</td>
<td>160 and 85 summer resort</td>
<td>19000</td>
<td>Climate, efficient service, price, quality, segmentation of guests according to age and interests</td>
<td>Textilisation</td>
</tr>
<tr>
<td>Naturist Federation of Netherlands (Naturisten Federatie Nederland NFN)</td>
<td>1986</td>
<td>80 clubs and 60 locations for recreation</td>
<td>70000</td>
<td>Climate, nature, beaches, better service and programme, entertainment, high quality accommodation</td>
<td>Sexual tourism, discrimination on the basis of sex</td>
</tr>
<tr>
<td>Central Council for British Naturism</td>
<td>1964</td>
<td>130 clubs and private societies</td>
<td>16000</td>
<td>Nature, sea, family orientation, social events, safety</td>
<td>Sexuality, danger for children</td>
</tr>
<tr>
<td>Slovenian association of naturists (Zveza drustev naturistov Slovenije)</td>
<td>1977</td>
<td>5</td>
<td>1000</td>
<td>Climate, beaches, nature, comfortable accommodation, safety, new forms of accommodation like bungalows and hotels</td>
<td>Bad accommodation, unfriendly atmosphere, textilisation</td>
</tr>
<tr>
<td>Swedish association of naturists (Sveriges Naturistforbund)</td>
<td>1936</td>
<td>20 clubs</td>
<td>2950</td>
<td>Climate, nature, beaches, naturist rules, high quality of accommodation and environment</td>
<td>Gender and racial discrimination, unsafe environment for children</td>
</tr>
<tr>
<td>Danish federation of naturists (Dansk Naturist Union - DNU)</td>
<td></td>
<td></td>
<td>1000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norwegian federation of naturists (Norsk Naturistforbund)</td>
<td>1963</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finnish federation of naturists (Suomen Naturistiliitto Ry)</td>
<td>1999</td>
<td></td>
<td>350</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s research

Key differentiated naturist agencies and tour operators

Provided below is an overview of naturist agencies and tour operators, as well as a summary of the research on opinions, views, chances, challenges and perspectives for naturism. The views were collected in interviews with key representatives of agencies and tour operators.
**Figure 2:** Tour operators and naturist tour agents’ key features

<table>
<thead>
<tr>
<th>TOUR OPERATORS</th>
<th>KEY FEATURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nudist Cruises in Croatia – Netherlands</td>
<td>Main target group: mainly of younger age and couples who book online Main success factors: climate, quality of service, competitive prices, simple way of booking</td>
</tr>
<tr>
<td>Internatuur – Netherlands</td>
<td>Main target group: couples over 50 seeking increasingly luxurious accommodation and younger couples and families seeking the standard camping accommodation Key success factors: availability of information, nice climate, “near nature feeling” competitive prices Threats: combining of textile and naturism in the same resort</td>
</tr>
<tr>
<td>Bosmere Travel – UK</td>
<td>Main target group: couples with no children and people recently retired Key success factors: climate, quality, competitive prices, information, the feeling of open nature and entertainment Potential lies in nautical tourism and eco-friendly resorts which could attract young people. Homosexual tourism also shows a great potential, under the condition of socially accepted behaviour Threats: aging clientele and lack of investment</td>
</tr>
<tr>
<td>Naturist Travel – Italy</td>
<td>Main target group: younger couples with no children, families with children Key success factors: entertainment, competitive prices, availability of information about the destination, accessibility of the destination, quality of service and attractive climate Threats: sexual tourism</td>
</tr>
<tr>
<td>Vidy reiser – Norway</td>
<td>Main target group: older, recently retired couples and increasingly younger generations. The first group is seeking peace, safety and a safe environment, whereas the latter demands more entertainment Key success factors: climate, quality of service, entertainment, availability of information Threat: Prejudices and of sexual tourism</td>
</tr>
<tr>
<td>Oboena – Germany</td>
<td>Key success factors: quality of service and competitive prices, easy way of booking and availability of information Threats: lack of quality and unrealistic prices</td>
</tr>
<tr>
<td>Specialised French tour agents</td>
<td>“I-Tour, 3 Rue Meyerbeer, F-75009 France”; “Soleil et naturisme, 20 Avenue de Nice, F-06800 Cagnes-sur-Mer”</td>
</tr>
<tr>
<td>Further British naturist tour agents</td>
<td>“Peng travel”; “Bosmere travel”</td>
</tr>
</tbody>
</table>

Source: Author’s research

The above leads us to conclude that Europe hosts a system of naturist clubs and organizations, as well as a system of naturism as a whole. National federations of naturists provide a structure to this system, which is further crowned by the international organisation of FICC (Federation Internationale de Camps et de Caravanning).

Additionally, Europe has a system of specialized tour operators and tourist agents, offering services of specially tailored travels for naturists.

From the research, several suggestions can be drawn for further improvement of the sector.
5. NATURIST OFFER

According to the information from THR Barcelona and the WTO (THR, 2008, 11), the growth of the European naturist market between 1995 and 2005 witnessed a total of 3 new naturist centres. Simultaneously, the developments in France as the largest receptor of naturists were as follows: 33 naturist camping sites were either shut or turned into textile camping sites, whereas a total of 37 new naturist camping sites opened or turned from textile to naturist camps.

Table 2: An estimate of naturist accommodation units 1995-2005

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>1995</th>
<th>2005</th>
<th>DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>22</td>
<td>21</td>
<td>-1</td>
</tr>
<tr>
<td>Belgium</td>
<td>10</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>12</td>
<td>8</td>
<td>-5</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td>136</td>
<td>139</td>
<td>3</td>
</tr>
<tr>
<td>Denmark</td>
<td>6</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Spain</td>
<td>12</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Finland</td>
<td>1</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>France</td>
<td>164</td>
<td>170</td>
<td>6</td>
</tr>
<tr>
<td>Scotland</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>England</td>
<td>68</td>
<td>58</td>
<td>-10</td>
</tr>
<tr>
<td>Greece</td>
<td>4</td>
<td>1</td>
<td>-3</td>
</tr>
<tr>
<td>Croatia</td>
<td>15</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Hungary</td>
<td>9</td>
<td>5</td>
<td>-4</td>
</tr>
<tr>
<td>Italy</td>
<td>7</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>52</td>
<td>57</td>
<td>5</td>
</tr>
<tr>
<td>Norway</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Sweden</td>
<td>12</td>
<td>10</td>
<td>-2</td>
</tr>
<tr>
<td>Slovenia</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>539</td>
<td>542</td>
<td>3</td>
</tr>
</tbody>
</table>


As evident from the above table, the growth of the naturist offer market is marginally positive. There is however no statistically relevant information about the capacities in individual countries or the number of overnights in naturist centres from year to year, from which it would be possible to draw more accurate conclusions about the trends in the development of the naturist offer. In summary, the naturist offer in Europe is stable and it has not undergone significant declines in the chosen period of time. Nevertheless, it is important to note that there was also no significant positive trend identified.
Naturist camping sites in Croatia

According to the data from the National Institute for Statistics in 2008, the capacity of Croatian camps was 224,438 people or the corresponding (3 people per accommodation unit) 74,813 accommodation units. The aggregate capacity measured in the total number of accommodation units in naturist camps equaled 15,471 or 22,11% in year 2000 and 11,703 or 15,64% of overall accommodation units in year 2009. Over the past 9 years, naturist accommodation capacity fell by 3,768 accommodation units which equal 24 %. (Tourism in 2001, 2002; Camping Association of Croatia for 2009).

Provided below is a comparative overview of the accommodation capacity in naturist camping sites in Croatia for the years 2000 and 2009.

Table 3: An overview of accommodation capacity in naturist camps in 2000 and 2009
(measure: camping units)

<table>
<thead>
<tr>
<th>Camping sites</th>
<th>2000</th>
<th>2009</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>KANEGRA, Umag</td>
<td>422</td>
<td>426</td>
<td>101</td>
</tr>
<tr>
<td>SOLARIS, Porec</td>
<td>1584</td>
<td>1747</td>
<td>110</td>
</tr>
<tr>
<td>ULIKA, Porec</td>
<td>1170</td>
<td>1063</td>
<td>91</td>
</tr>
<tr>
<td>ISTRA, Porec</td>
<td>841</td>
<td>1000</td>
<td>119</td>
</tr>
<tr>
<td>KOVERSADA, Vrsar</td>
<td>3370</td>
<td>2035</td>
<td>60</td>
</tr>
<tr>
<td>VALALTA, Rovinj</td>
<td>1980</td>
<td>2313</td>
<td>117</td>
</tr>
<tr>
<td>MONSENA, Rovinj</td>
<td>1367</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>POLARI, Rovinj</td>
<td>840</td>
<td>175</td>
<td>21</td>
</tr>
<tr>
<td>VESTAR, Rovinj</td>
<td>20</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>KAZELA, Medulin</td>
<td>1150</td>
<td>626</td>
<td>54</td>
</tr>
<tr>
<td>KOVACINE 25%, Cres</td>
<td>188</td>
<td>265</td>
<td>141</td>
</tr>
<tr>
<td>BALDARIN 70%, Cres</td>
<td>339</td>
<td>301</td>
<td>89</td>
</tr>
<tr>
<td>POLITIN, Krk</td>
<td>300</td>
<td>270</td>
<td>90</td>
</tr>
<tr>
<td>KONOBE, Punat</td>
<td>720</td>
<td>512</td>
<td>71</td>
</tr>
<tr>
<td>BUNCULUKA, Baska</td>
<td>480</td>
<td>400</td>
<td>83</td>
</tr>
<tr>
<td>STRASKO, Novalja</td>
<td>300</td>
<td>100</td>
<td>33</td>
</tr>
<tr>
<td>NUDIST, Hvar</td>
<td>150</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>SOVINJE, Pasman</td>
<td>200</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>MLASKA, Hvar</td>
<td>50</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>15,471</td>
<td>11,703</td>
<td>76</td>
</tr>
</tbody>
</table>

Croatia witnessed one naturist camping site close down and a decline in the camping unit capacity for naturists in some camping sites. Mostly it was those which offered accommodation facilities to both naturists and campers with the consequence of the number camping units reserved for naturists steadily decreasing. In other camping sites, the difference in camping capacity appeared as a result of categorization or the raising of quality and diversification of camping facilities.

Table 4: A comparison between the overnights in camping sites overall and overnights in naturist camps

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camping sites</td>
<td>13,062,605</td>
<td>13,095,657</td>
<td>12,634,032</td>
<td>13,017,215</td>
<td>13,349,431</td>
</tr>
<tr>
<td>Naturist camping sites</td>
<td>2,096,291</td>
<td>2,146,639</td>
<td>2,081,551</td>
<td>2,026,449</td>
<td>2,024,356</td>
</tr>
<tr>
<td>Fraction in %</td>
<td>16,04%</td>
<td>16,39%</td>
<td>16,47%</td>
<td>15,56%</td>
<td>15,16%</td>
</tr>
</tbody>
</table>

Source: Author’s analysis, Reports from DZS RH (2004-2008), Tourism – cumulative data; 4.4.2/11.

Table 5: Arrivals of tourists to camps and naturist camps in Croatia

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camping sites</td>
<td>1,934,685</td>
<td>1,933,989</td>
<td>1,856,218</td>
<td>1,948,703</td>
<td>1,941,679</td>
</tr>
<tr>
<td>Naturist camping sites</td>
<td>209,240</td>
<td>213,198</td>
<td>206,521</td>
<td>205,608</td>
<td>202,761</td>
</tr>
<tr>
<td>Fraction in %</td>
<td>10,81%</td>
<td>11,02%</td>
<td>11,12%</td>
<td>10,55%</td>
<td>10,44%</td>
</tr>
</tbody>
</table>

Source: Author’s analysis, Reports from DZS RH (2004-2008), Tourism – cumulative data; 4.4.2/11.

From the data above it is evident, that although the number of nights in Croatian camping sites rose for 2,19 % between 2004 and 2008, the number of overnights in naturist camps fell by 3,5 % and the number of arrivals fell by 3,1 %.

Table 6: Overnights and arrivals to camping sites and naturist camping sites in 2008.

<table>
<thead>
<tr>
<th></th>
<th>Overnights 2008</th>
<th>Ratio</th>
<th>Arrivals 2008</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>57,103,494</td>
<td>100,00%</td>
<td>11,260,087</td>
<td>100,00%</td>
</tr>
<tr>
<td>Camping sites</td>
<td>13,349,431</td>
<td>23,37%</td>
<td>1,941,679</td>
<td>17,24%</td>
</tr>
<tr>
<td>Naturist camping sites</td>
<td>2,024,356</td>
<td>3,55%</td>
<td>202,761</td>
<td>1,80%</td>
</tr>
</tbody>
</table>

Source: Author’s analysis, Reports from DZS RH (2004-2008), Tourism – cumulative data; 4.4.2/11.

In 2008, 23,37% of overnights in Croatia took place in camping facilities, out of which 3,55% happened in naturist camping facilities.

A closer look at the comparative developments in camping and naturist camping overnights in the period 2005-2008 allows us to identify the following discrepancies outlined in table 7.
Table 7: Comparative overnights in camping sites and naturist camping sites in 2005 and 2008

<table>
<thead>
<tr>
<th></th>
<th>Overnights 2005</th>
<th>Overnights 2008</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camping sites</td>
<td>13,095,657</td>
<td>13,349,431</td>
<td>101,93</td>
</tr>
<tr>
<td>Naturist camping sites</td>
<td>2,146,639</td>
<td>2,024,356</td>
<td>94,30</td>
</tr>
<tr>
<td>Ratio</td>
<td>16.39 %</td>
<td>15.16 %</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s research, Reports from DZS RH (2004-2008), Tourism – cumulative data; 4.4.2/11.

The data above shows that the accommodation facilities in naturist camps have undergone a decline over the past 10 years so that the capacity of naturist centres went down from 22.11% to 15.64% of overall tourist accommodation capacity in Croatian camping sites. Equally, the overnights in naturist camping sites between 2004 and 2008 show a decline of 3.5% in comparison to a rise in overnights in overall Croatian camping facilities of 2.19% in the time period between 2005 ad 2008.

In conclusion, there is evidence to show stagnation and no significant growth of the Croatian naturist offer. However, there is a relevant amount of tourist demand comprising 15.16% of overall camping overnights in Croatia.

6. COMPARATIVE ANALYSIS OF THE CHARACTERISTICS OF THE CROATIAN DEMAND FOR CAMPING AND THE DEMAND FOR NATURIST CAMPING

With the purpose of examining the features of the naturist demand and the identification of the motives and behaviour of naturists in relation to standard campers, the aim is to show the similarities and differences between the tourists in naturist camps and those campers in the classical sense. The results of the following researches have served as the basis for this examination:

a) TOMAS summer 2007 (TOMAS summer, 2008): The research of the Institute for Tourism Zagreb and the Croatian Camping Association was conducted on a sample of 1298 families in all coastal regions of Croatia. The method used was identical to the standard methods that TOMAS uses for specialised researches. The focus was on the characteristics of campers in Croatia and the result was a report published by the Croatian Camping Association and the Institute for Tourism Zagreb. Both researches were conducted in the form of oral interviews based on a predetermined set of survey questions.

b) HENDEL, 2008 (HENDEL, 2008): a research carried out in August 2008, in a large naturist camping village in Istria. The focus was to determine the features of the tourist demand in naturist camping sites. The sample comprised of 421 guests which took part in oral interviews. The targeted population from which the sample was drawn were three groups, the guests in the camping site, the apartment guests and the guests using hotel accommodation.
The nationality of guests in the sample reflected the nationality ratios of guests in the same resort in 2007. The survey questions were 15 minutes long and highly structured. The survey was prepared in the following languages: Croatian, English, Italian and German.

The results of the two researches allow us to do a comparative analysis, which shows differences and similarities between campers and naturists in Croatia. From this comparison it is apparent that in the naturist camping sites the average age of clients is higher than the average in Croatian camping sites, as well as in Croatia in general. The share of clients who took part in the questionnaire with finished higher secondary education or university degree is significantly higher in naturist camping sites as a contrast to classical campers in Croatia where majority has a secondary school qualification only.

In general, Croatian tourists as well as Croatian campers use media as a primary resource for collecting information about holiday options, which is followed by friends’ recommendation, internet and experience of previous holidays. Naturists, as a contrast to average campers, trust their friends and previous experiences more. Organised stay through the agencies is more often chosen by naturists than other campers in Croatian camping sites, especially naturists that choose an accommodation in an apartment and rooms within a camping site.

Naturists in camping sites mostly stay for longer than three weeks, i.e. longer than other campers in Croatian camping sites which is possible to explain by large numbers of long term guests in naturist camping sites. Passive holiday and relaxation are the main motivation for guests’ holiday in Croatian camping sites. On the other hand, guests in naturist camping sites see beauty of the nature as the main reason for coming. A research has shown that naturists see health, freedom and love towards the nature as the main reasons for partaking in naturism. They also point out that they want to continue taking part in naturism as guests of naturist camping sites.

On the basis of already mentioned, significant differences in demand of naturists and the guests in Croatian (textile) camping sites could be noticed, which tells a lot about the big challenges for management of naturist camping sites in the sense of specific adjustment for specific demand of naturists.

7. SUGGESTIONS FOR THE IMPROVEMENT OF THE SECTOR AND THE CREATION OF ADDED VALUE IN NATURIST CAMPING SITES

Key determinants of camping tourism growth, which also apply to naturist camps in Croatia, are the following:

- To enrich the camping offer and the tourist offer of the destinations where camps are located with added facilities and services (gastronomic offer as
well as different activities and programmes during the stay, the supply side on the international camping market may serve as a model)

- To focus on the quality of the camping offer in Croatia (harmonisation with the European standards, increase the number of camp sites of higher standards)
- To adjust the equipment and the pitching of camp sites to a larger number of motor homes and mobile homes, as well as to offer renting of already set up tents
- To carry out a diversification of the camping offer to make it more competitive on the market (for instance, eco-camps, strictly controlled naturist camps or camps specifically for motorists)
- To ensure high ecologic standards and make use of adequate ecological solutions in the management of camping sites, as well as to devote a lot of attention to the maintenance of hygiene
- To create the conditions for a larger number of „Blue flags“ on beaches or in the vicinity of camping sites
- To increase the usage of camping ground
- To make use of local and international organisations to pursue the goal of improving camping tourism in the country (for instance to carry out quality tests, comparisons with the competition in the market, to regulate prices, promote in the media and on the internet)
- To intensify promotional activity and the reputation of the Croatian camping product on the Internet
- To acknowledge the contribution of camping to the extent that the camping realistically deserves to change the negative prejudice in the eyes of the public by showing the transformation in quality, which has already been identified on the international market
- To welcome camping tourism as an important segment which complements and enriches the entire tourist offer of a country which genuinely attracts attention on the generating side of the market. (Hendija 2006, 86)

The findings of the analysis among the carriers of the demand for naturism point towards the fact that naturism is changing. Naturist sector does not show a tendency to grow significantly in Europe nor in Croatia. The membership numbers of national federations are falling, which on the other hand, does not scientifically prove that the overall numbers of naturists is decreasing. The overall number of naturist centres is slowly decreasing, but showing stable figures in the past 10 years. In conclusion, the market could be said to be stagnating, but it is still significant.

Of crucial importance for the sector are the following factors:

- New demand: younger families with small children, aging couples and same-sex couples
• New requirements: the need for safety and absolute protection, above all of children; the demand for privacy and elimination of all forms of discrimination (race, religion, sexual orientation); the need to dilute some old and strict naturist rules, an emphasis on the increasingly important social aspects of naturism, such as tolerance, respect, sensibility for friendship and interaction; recognition of the positive influence of naturism on children, the need for a mental and physical „good feeling“, and the reinstatement of the fact that naturism is unrelated to sexuality.

• New possibilities: Naturism is being discovered by those who do not necessarily consider themselves naturists, but nevertheless choose naturist resorts. An increasing number of guests dislikes to identify as members of a strictly defined group of naturists, but they nevertheless opt for that „dress code“ in certain situations. Naturism is turning into a „life style“. The method, referred to as CARE, can inform the supply side of naturism. This method helps group the main suggestions for marketing management of naturism.

Figure 3: CARE method of recommendation for management of naturist offer

<table>
<thead>
<tr>
<th>C- CREATE</th>
<th>A-AMPLIFY</th>
<th>R- REDUCE</th>
<th>E- ELIMINATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>Quality of service</td>
<td>Hippy image</td>
<td>Naturism = sex</td>
</tr>
<tr>
<td>The spiritual side: yoga, pilates</td>
<td>family image</td>
<td>image of a tourism for the aging population</td>
<td>rugged non-attended natural environment and replace with more advanced horticulturally attended environment</td>
</tr>
<tr>
<td>Safe environment guaranteeing privacy</td>
<td>appeal to the youth</td>
<td>too traditional activities</td>
<td>Gender-, race-, sexual orientation-based discrimination</td>
</tr>
<tr>
<td>New sports activities</td>
<td>activities for children</td>
<td></td>
<td>Unacceptable social behaviour (e.g. pornography, paedophilia, etc)</td>
</tr>
<tr>
<td>Environment full of tolerance</td>
<td>healthy environment (eco-tourism)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“body care” – spa, massage, aesthetics</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The suggestions for rejuvenation, creation of new values and redesign of the naturist offer ought to ensure the growth of the demand for naturist centres. Ideally, centres of naturist tourism ought to accept the more modern ways of meeting the naturists’ demand and create new values by means of new methods of marketing and management.
CONCLUSION

The market for naturism is a significant and specific segment of the tourist demand and supply. The system of demand has a wide reaching network of federations, clubs as well as an organised distribution through the network of specialised agents. The European naturist market hasn't been showing signs of a growth over the last 10 years, but it has a tendency towards stagnation. The Croatian naturist offer, on the other hand, is showing signs of a decline and unlike the European market, it is stagnating more significantly. The naturist demand is specific and changing in the same way as its needs and desires change. The experts in this economic branch consider the sea and the beaches as significant pull-factors; however the destination, facilities, cultural happenings and experience are becoming equally important. The results of the research show attempt to show that there is the need for a reorientation of the naturist offer towards new programmes: wellbeing, health, ecological environment and attractions. New naturist demand ought to be fostered among families with small children, newly retired couples and same sex couples without any discrimination and with maximal safety and mutual respect.

The conducted research for the needs of this thesis shows that the characteristics of naturists are different from those of classical Croatian campers. Whilst creating the naturist offer and building competitiveness it is crucial to take these differences into account.

The conducted researches allow us to draw suggestions with the objective of creating a high quality and competitive tourist product of naturist camping sites. The creators of the naturist offer will need to reconstruct the naturist experience. It will involve new activities, guarantee privacy among guests, reduce the image of naturism as a tourism for the „old age“, eliminate any connection between naturism and sex, enhance the feeling a „good lifestyle“ in a controlled environment, the feeling of individuality, safety and guaranteed privacy. Finally, this thesis aims to deliver suggestions for Croatian naturist centres to avoid textilisation, highlight the good image of naturism as a specific culture and lifestyle and increase the quality and the content of this specific sector of the tourist offer.

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QUALITY AND SAFETY - TWO SIDES OF THE SAME COIN IN HOSPITALITY AND TOURISM

Anders Steene
H B Olsson International, Tourism Consultants, Sweden1

Abstract: This paper will discuss some methodical aspects in doing research in the field of hospitality and tourism. Quality aspects have been dominant subjects for a long time in the industry, safety and security aspects were more or less not on the agenda in the early 90-ies. According to how society has developed, the experience of risk and danger has changed in the society over time and nowadays both safety and security as well as quality aspects has become important elements in the tourism products. The question is, if those two different approaches can be used as mutual methods.

Key words: tourism, quality, safety, assessment, management, hospitality.

INTRODUCTION

In the field of hospitality, tourism and travel, quality aspects have been the predominant subjects for a long time in the industry. Safety and security were more or less not on the agenda in the early 90-ies in the business.

First after facing disasters, like the terrorist attack at Luxor Egypt 1992 and 1993, the shipwreck of m/s Estonia in the Baltic Sea on the 28th of September 1994 when 852 passengers died, the terrorist attack on the 11th of September 2001 in New York, the Iraq war and the SARS epidemic in 2003 or the Tsunami disaster on the 26th of December 2004 in Thailand, the industry became fully aware of safety and security matters. Today more or less all companies in the business of tourism have a security plan as well as a quality plan.

Risk management/assessment as well as quality management/assessment focuses on improving the possibilities for a business to produce a product in a safe way and with a high quality, and finally to deliver it to their customers.

The question is, if those two plans can be merged together into one single plan, because quality and safety might be considered as two sides of the same coin. This paper will discuss that question.

1 Anders Steene, PhD, Senior Advisor, H B Olsson International, Tourism Consultants, Täby, Sweden.
1. RISK MANAGEMENT

According to how society has developed, the experience of risk and danger has changed in the society over time. In the agrarian society the human being experienced the surrounding world as full of risks and dangers in many ways. Everything from bad harvest, poverty and a wicked sudden death, to the fear of the unknown and factors beyond his control, like natural disasters and plagues. Those risk experiences were mainly of individual and local character. It was the individual and his closest surroundings that were affected of what they considered as a risk or threat. Furthermore, the experience of risk or danger was closely related to the local place where the person was living and working.

Today, in the modern or post-modern society the individual sense of risk or threat still exists. But today this sense of risk is not only depending on the individual relationship to risk and danger. Nowadays risks often arise from a collective or global action, which the individual not can affect or influence in the same way as in the agrarian society. This globalisation of risks is discussed more extensively by U Beck in his book Risk Society. In the agrarian society one could via own activities minimise or remove possible risks or dangers. In today’s society it is not enough to take your own precautions to avoid or minimise an experienced risk. Driving a car can be a good example of this statement, it does not matter how carefully you are driving your car if not all the other road-users also are careful drivers. Here the risk experience is not linked only to the individual in the same way as in the agrarian society.

It is the same way with the claim that the experience of risk was local in the agrarian society. It was the local conditions, which caused the experience of risk, and often it could be affected in many ways. In the modern society the source of the experience of risk is rarely local; it is very often the opposite. What is experienced as a risk or danger can emanate or origin from a quite another part of the globe. Dust from an earthquake in India or an emission of hazardous waste in USA can fall down in Scandinavia with negative effects. One can say that the experience of risks have been collectivised and globalised in our modern society.

Thus, society has become more complex with new types of risks, dangers and threats at the same time as the man, more obvious than before, wishes to control the situation. From this wish and from the experience of risks people will make their own risk assessment and make their own decisions how to act. The consciousness of risk is discussed more extensively in the book The Consequences of Modernity.

The research of risks has mainly been focused on medical, technical and natural science aspects with the human being as an actor, exposed to different kinds of risks as well as contributing to creating risks in the society and for him-self.

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Examples can be drawn from nuclear plants, environment pollution and gene manipulation. In that kind of research one can see a focus on accidents. “Technology is a source of help as well as harm”. With a brief survey of literature and research reports within the field of risk research it is quite obvious that the reports focus on threats, dangers and risks as mentioned above. The main part of the studied reports and books describes different types of consequences of what will happen if man does not change his habits and behaviours. In other words, a very much quantified and technological description of future consequences, for man, and suggestions in which way he has to act to avoid these future negative consequences. More seldom appear descriptions of how man experience and interpret different signals about danger, threat and risk in his own environment and in his specific situation. When these descriptions occur it is often in a very brief way and more as a complement to the main track in medical, technical and natural sciences.

According to many opinions it is too much of medical, technical and natural sciences aspects in risk research and too little of aspects from human and social sciences. Even if there have been reported some aspects about “social related vulnerability,” which relates to equitable patterns of action. Furthermore, one can discuss the question of social changes and how man exposes himself to greater risks than before. The risk experience is discussed both in books about Risk analysis and in books about quality management. “The perception of risk is a social process. All society depends on combinations of confidence and fear”. It is not always the rational man who creates the systems, with it’s built in human weaknesses and omissions, who will be the one to help the human being to control and minimise experienced risks and threats. Anyhow, in the last years, it can be noted an increase of reports and books with focus on how human beings experience and interpret threats, dangers and risks.

One can say that there are essentially three different interest groups in a risk discussion, having expectations, needs and demands that should particularly be considered. These groups are the tourists, the owners/managers and the society/customer.

A way to illustrate how risk assessment can be seen by the tourist will be summarised in the figure below.

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The tourist assesses the security at the destination and the reliability of the tour operator before he makes his decision to go to a certain destination with a specific tour operator. In the same way the tour operator assesses the security and safety at the destination before opening up this new destination. And in the same way the destination probably has to assess the tour operator as a reliable partner to start cooperates with.

One can say that safety and security concerns will prevail. Whether terrorism, natural disasters or pandemics, the industry will face shocks, which will impact performance. On the positive side, tomorrow’s traveller will take greater ownership of his or her safety and security through increased use of internet for travel risk assessment.9

2. QUALITY MANAGEMENT

Quality management is a social process in the same way as Douglas and Wildavsky10 describes risk analysis. In risk analysis one tries to predict possible accidents or incidents in the daily work, in quality management one tries to predict what kind of quality a customer wants to have when he/she buys a product or service.

The roots of quality management can be traced to early 1920’s production quality control ideas. In the early 1950’s, quality management practices developed rapidly in Japanese plants, and become a major theme in Japanese management philosophy, such that, by 1960, quality control and management had become a national preoccupation.11

“...In 1969 the first international conference on quality controls, ..... was held in Tokyo.’ In a paper given by Feigenbaum, the term 'total quality' was used for the first time, referring to wider issues such as planning, organisation and management

11 www.businessballs.com
responsibility. Ishikawa gave a paper explaining how ‘total quality control’ in Japan was something different, meaning “company wide quality control”, and describing how all employees, from top management to the workers, must study and participate in quality control in the production process. Management of company wide quality control was common in Japanese companies by the late 1970’s.¹²

The quality revolution in the West was slow to follow, and did not begin until the early 1980’s, when companies introduced their own quality programmes and initiatives to counter the Japanese success. Total quality management (TQM) became the most common method for these efforts.¹³

A Swedish researcher in quality defines the concept of quality as:

- Quality is a nuance concept. Someone has said that quality is like beauty - it lies in the eye of the beholder. It emphasizes the key role of the customer. Quality in service lies, to a large degree, in the eye of the customer.
- Quality is defined in ISO 9004-2:1919 (E) as - all the combined characteristics of a product, which gives it the ability to satisfy the expressed and understood, need. A common definition of service quality is that a service shall meet the customer’s expectations and satisfy their needs.¹⁴

In quality discussions, there are essentially three different interest groups with expectations, needs and demands, who should be particularly considered. They are the customers, the personnel and the owners/managers. Quality is therefore defined as satisfying the needs and expectations of these three groups.

A Finish researcher provides another definition of quality: “The quality experience can be seen as the consumer’s subjective comparison between what he expected and the service he felt he experienced”.¹⁵

Why is the concept of quality so hard to define? Because the question of what quality is depends upon who is defining it. Grönroos separates technical quality and functional quality. He states that the customer gets something through the service that Grönroos calls the technical quality, for example the check-in process and other technical processes. There is also the functional quality, which refers more to the interplay between the actors on the providing side and the actors on the receiving side. These two dimensions build, according to Grönroos, the total quality. Grönroos describes the experienced quality because it is often hard to discuss and measure actual quality. The experience of the service varies depending upon the people who are part of the providing as well as the receiving sides.

¹² www.dti.gov.uk/quality/evolution
¹³ ibid.
In a report about service quality makes a simple statement: "The central aspect is a service quality which can be seen to be the result of the difference between the expectations and the experience". Quality is maybe no more difficult than so, the question is how to measure the difference which occurs between the customer’s expectations and the experienced quality, a difference which can have both positive and negative implications.

The above can be described and summarised in the figure below.

**Figure 2: Quality assessment by the customer**

Here can be seen that figure 2 shows, more or less, the same structure as in the earlier figure 1. The customer assesses the business reliability to keep a high quality in their products as well as he assesses the stakeholder’s long-term interest that the business keeps a high quality in their delivering of the products. In the same way stakeholders and business have to assess each other’s interest in delivering high quality products over a long-time.

### 3. METHODS – QUALITY AND RISK ASSESSMENTS

This part is not going to discuss methods of quality and risk assessments in detail; it will only make some brief comparisons and try to find some similarities between the two fields of quality and risk.

One model, or method, suitable for both risk and quality assessments, can be the *Ishikawa diagrams*. This method is used both in developing total quality with an emphasis on the human side, and in risk assessments when looking at individual unwanted accidents. This method is also called *Fishbone* diagram where you look at causes and its effects, and analyses the real causes behind a problem or defect and how to improve quality.

Another method is *Problem Detection Study* (PDS). In this method one goes through every step in the production of the business commodities to find the weak points and then make improvements, either from a quality or risk perspective.

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A very common method both in quality and risk assessments is to build *checklists*, which can be the basis of analyses and evaluation of a system or activity, which then can be compared and evaluated against an established standard. This method is quite common both in quality and risk assessment, but it can be used only if there is some kind of general standards for the business trade.

Talking about methods of measuring quality, something has to be mentioned about *Benchmarking*. This is a method to compare, on key factors, how your own organisation performs in comparison with the standard in the business trade or with the best competitors in the same trade.

In a *Core process* you describe your business process, like what needs to be done to deliver success in your performance. Working with core processes one can either do it from a quality perspective or from a risk perspective.

When working with the quality perspective one starts from a vision and mission statement that describes what the organisation wishes to be in the future, wants to achieve. Then the *Critical Success Factors, CSF’s*, for reaching this vision, had to be identified. Thereafter one has to identify the *Key Performance Indicators, KPI*, which are used to indicate whether the CSF’s are being achieved or not.

This core process can be used also when working with risk assessment but instead of using CSF’s one now uses the *Critical Incident Factors, CIF’s*. Here one has to identify what happened when things went wrong and one faced an incident or failure.

Another technique to use is *Brainstorming*, a group creativity technique designed to generate a large number of ideas for the solution to a problem. During the work the group has to focus on quantity, no criticism, unusual ideas are welcome as well as combining and improving ideas. When the group creativity slows down it is time to summarize and evaluate the ideas and find a strategy to implement the idea.

A technique similar to Brainstorming is the *Delphi technique*. A research team creates a scenario of a wished future, which a panel of individual experts has to consider and make a judgement whether this scenario is probable. The research team collects all different responses and re-write a new scenario based on the responses from the experts and then the experts have to respond for a second time on the new scenario. This will go on till the experts reach some kind of congruence about the scenario, which will be the most likely in the future.

Finally *Self-assessment or Gap analysis* has to be mentioned. Self-assessment is a method assessing your own organisation or performance against a trade standard or a set of requirements made up by internal audit. Gap analysis identifies the differences in experienced quality/risk between managers, employees or customers, and identifies the sources of the problems to finally reduce the gap. Self-assessment and Gap analysis are quite similar and can be used on the same kind of problems.
Talking about the management level in general and specifically in the Gap analysis, one has to mention Management by walking around (MBWA) established by T Peters. He says that leadership is central to the quality improvement process, discarding the word “Management” for “Leadership”. The new role is of a facilitator, and the basis is MBWA, enabling the leader to keep in touch with customers, innovation and people, the three main areas in the pursuit of excellence. This is valid for the area of risk assessment as well.

CONCLUSION

One striking difference between risk assessment and quality assessment is that we have seen much more of discussions on a macro level when we are studying risk assessments and not so much when we are looking at quality assessments.

Risk, safety and security concern all inhabitants in a society, but quality concerns only those who are directly involved in a transaction or a production process, mainly the business managers, the employees and the customers, sometimes also the stakeholders. Because of that, we have seen two different discussions, and in neither area has anyone recognised the similar discussions in the other area. As a consequence of that we also have developed two different research fields and quite similar research methods for studying more or less the same kind of problems. It is just the starting point that differs.

On a micro level both risk, safety and security research and quality research have a focus on internal aspects of a business, but in quality research also external considerations to customers, stakeholders etc. have to be taken.

Figure 3: Merging two models into one combination of assessments.

Risk assessment as well as quality assessment focuses on improving the possibilities for a business to produce a product in a safe way and with a high quality, and finally to deliver it to their customers.

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The question is, if these two plans can be merged together into one plan only, because one can consider quality and safety/security as two sides of the same coin. A further elaboration of the methods discussed above will probably verify that assumption, so the answer can to some extent be a Yes, but more research has to be done, applied on the business, before we can say that a plan for quality and risk management can be the same.

A graphical summarization of the paper will be shown below on a macro-level!

**Figure 4: A graphical summarization of the paper**

Quality and Risk Assessment in Hospitality and Tourism

**A Macro Perspective for Understanding**

- **Assess security**
- **Assess reliability**

Destination & tour operator + Stakeholders & business assess each other

A flow chart showing the interplay between quality and risks assessment can probably look like the chart below.

A very important thing, from the above discussion, will be to brake down the model to a micro level, so the model will be a useful tool in daily work for scholars as well as for practitioners.
At the moment we have to be satisfied with the knowledge that when we are working to create a quality plan or a safety plan we can take advantage from what has been done in the other field.

But in the future the above ideas have to be elaborated much more to create some useful tools for the hospitality, tourism and travel industries.
REFERENCES


Internet articles
TRENDS ON THE TOURISM LABOUR MARKET∗

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Abstract: Tourism is an important sector in the Croatian economy. To retain its unique position in global markets, Croatian tourism has to compete with other world destinations and to attract travellers worldwide. This will not be possible without efficient human resource development policies and practices. The main problems in tourism are very similar across countries: low pay, very high demand for staff flexibility and mobility, high staff turnover, high share of informal employment arrangements and persistent skill shortages.

Key words: tourism sector trends, employment in Horeca, employment by occupational fields and by qualification needs for tourism.

INTRODUCTION

Tourism is a sector of great importance in the Croatian economy. It accounts for about 6% of all employed persons and generates about 19% of Croatia’s GDP (2004-2007). To keep its position as a special destination on the global market, Croatian tourism must compete with other world destinations and it has to be appealing to travellers worldwide. This will not be possible without efficient human-resources development policies and practices that would take into account the influence of global social and economic trends and their direct effect on the tourism sector. From a long-term view, the competitive advantage of Croatian tourism on the global market cannot be based on low labour prices; instead, it should focus on the quality, diversity and uniqueness of tourism services and the travel experience. The importance that the skills and competencies of tourism workers have in achieving this goes without saying. The main problems of Croatia’s tourism are similar to problems found in the tourism of EU countries and around the world: poorly paid jobs, very high demands on flexibility and mobility, high worker turnover, a high share of seasonal employment and a persistent shortage of qualified staff.

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The paper is divided into three parts. The first part analyses Croatia’s tourism sector in relation to the EU with regard to the effects of tourism in encouraging employment. The second part demonstrates how employment in hotel and restaurant trade, the qualification pattern of employees by level of education, the age structure of employees and the duration of employment in Croatia lag considerably behind the EU’s leading tourism countries. However, when comparing changes on the labour market in tourism in Croatia relative to trends in the qualification and skills of tourism workers in countries such as Greece, Spain, Germany and France (the third part of the paper), a similarity can be observed in the general job requirements that employees are required to fulfil, in particular with regard to the qualification level of the workforce.

1. IMPACT OF THE TOURISM SECTOR ON EMPLOYMENT IN CROATIA IN COMPARISON WITH EU TRENDS

In most countries, tourism is considered a sector that contributes to increasing aggregate domestic wealth and creating new jobs, in particular where traditional economic activities are in decline. Tourism is expected to considerably help to increase a country’s GDP and its total employment, while reducing unemployment, in particular, at the regional level. In today’s world, tourism has made its mark as the number-one industry in many countries and as the fastest growing economic sector when it comes to generating foreign currency earnings and creating new jobs. According to the 2006 data of the WTO, tourism and related industries account for 8.3% of global employment, 9.3% of foreign investment, 12% of exports, and 3.6% of world GDP (Vujic et al. 2007, 107).

Tourism is especially important for the European economy. Tourism in Europe continues to be an internal phenomenon, considering that about 87% of tourists visiting the EU are, in fact, tourists from European countries. Most travels are related to leisure, while only 20% are business travels. Trends in Europe’s tourism indicate that tourist arrivals will double in the next 25 years and will be related to travelling within Europe. This means that, by the end of 2020, the annual number of tourists crossing European borders and travelling within Europe could amount to more than 720 million (WTO, 2001). At the same time, the number of senior tourists is expected to increase considerably, with the fastest growing segment of tourism being cultural and historical tourism (natural and cultural heritage), and the main driving forces of future EU tourism will be liberalisation, the internal market and the euro (Jonckers 2005, 8).

According to data from the EC DG Enterprise and Industry, tourism generates about 4% GDP of the EU; with about two million companies, it provides employment for about 4% of the total workforce (meaning 8 million jobs). When other sectors are included in the calculation, it is estimated that tourism contributes to the EU GDP with about 11% and provides employment for more that 12% of all employed persons (24 million jobs) (Mushtaq and Gregory 2007, 8).

Tourism vigorously helps towards achieving the goals of the Lisbon strategy that refer to boosting employment. Tourism is a powerful engine for creating jobs in other sectors of the EU’s economy: the number of people employed in the HORECA
Tourism is becoming an increasingly important sector of the Croatian economy. Either directly or indirectly, it contributes to a significant extent to increasing the country’s gross domestic product and it affects the growth and development of other industries. The outcome of analysing the tourism sector’s development over the past decade leads to the conclusion that Croatian tourism is showing good results in the form of a strong growth tourism-generated revenue, a decline in unit cost of labour, and an increase of work productivity, employment and the GVA in the Hotel and Restaurant Sector. (Vizek 2008, 51).

The Hotel and Restaurant Sector makes a significant contribution towards increasing the gross value-added (GVA) of the Croatian tourism sector in total GDP. The share of the H Sector in total GVA has grown from 3.2 in 1997 to 3.8 in 2006. This sector recorded its highest GVA growth rate and, in turn, its greatest contribution to GDP growth in the years 2000 and 2003, when its real GVA growth rates amounted to 15.7% and 10.2%, respectively. In the same period, the average real GVA growth in the H Sector amounted to 5.3%, which is by 1.3 percentage points higher than the average growth rate of total GVA (Vizek 2008, 54).

In addition to the Hotel and Restaurant Sector generating a high real growth rate of GVA, it also generates a fairly high growth on employment. In the 1998-2006 period, the number of persons employed with legal entities and in trades (the H Sector) cumulatively grew by 11.5%, while total employment in the Croatian economy grew by only 6% in the same period, meaning that this sector has realised an above-average growth rate of employment (Vizek 2008, 55).

The tourism sector also contributes to the growth of employment at the regional level. The EU regions that have recorded a high rate of “tourism intensity” (measured in the number of tourist overnights/resident, or the number of beds/1000 residents) have also observed a trend of lower unemployment rates relative to unemployment rates at national levels. A similar trend has been noted in Croatia’s tourism regions as well.
2.1. Employment in Tourism (Hotels and Restaurants)

Tourism traffic trends in Croatia affect the number of persons employed in the Hotel and Restaurant Sector. In the 2002-2006 period, the number of employed persons ranged below 90 thousand (Table 1).

**Table 1**: Employment in Tourism sector, Croatia, 2002-2006, in 000

<table>
<thead>
<tr>
<th>Years</th>
<th>Hotels and restaurants</th>
<th>Total employment</th>
<th>Share of employed in the Hotels in restaurants in total employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>87</td>
<td>1,521</td>
<td>5.72</td>
</tr>
<tr>
<td>2003</td>
<td>83</td>
<td>1,538</td>
<td>5.40</td>
</tr>
<tr>
<td>2004</td>
<td>87</td>
<td>1,583</td>
<td>5.50</td>
</tr>
<tr>
<td>2005</td>
<td>84</td>
<td>1,566</td>
<td>5.36</td>
</tr>
<tr>
<td>2006</td>
<td>82</td>
<td>1,548</td>
<td>5.43</td>
</tr>
</tbody>
</table>

Source: Eurostat, CBS

A comparison of employment trends in Croatia by economic activity in 2006 with trends in EU member states (Table 2) reveals a high share of women (44.8%) in total employment (EU27: 44.5%). In the Hotel and Restaurant Sector in 2006, Croatia shows an employment trend similar to that in the EU: a high share of women (51.0% of total employment).
Table 2: Total employment by economic activity, 2006, in thousands

<table>
<thead>
<tr>
<th></th>
<th>All economic activities*</th>
<th>Hotels and Restaurants*</th>
<th>Other tourist accommodation sector*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Persons employed</td>
<td>Persons employed</td>
<td>Persons employed</td>
</tr>
<tr>
<td></td>
<td>Persons employed</td>
<td>Share of Women (%)</td>
<td>Share of Women (%)</td>
</tr>
<tr>
<td>EU 27</td>
<td>213,649</td>
<td>44.5</td>
<td>8965</td>
</tr>
<tr>
<td>BE</td>
<td>4,216</td>
<td>44.1</td>
<td>138</td>
</tr>
<tr>
<td>BG</td>
<td>3,139</td>
<td>46.9</td>
<td>158</td>
</tr>
<tr>
<td>CZ</td>
<td>4,826</td>
<td>43.3</td>
<td>189</td>
</tr>
<tr>
<td>DK</td>
<td>2,792</td>
<td>46.7</td>
<td>77</td>
</tr>
<tr>
<td>DE</td>
<td>37,267</td>
<td>45.7</td>
<td>1371</td>
</tr>
<tr>
<td>EE</td>
<td>650</td>
<td>50.3</td>
<td>26</td>
</tr>
<tr>
<td>IE</td>
<td>2,017</td>
<td>42.4</td>
<td>116</td>
</tr>
<tr>
<td>EL</td>
<td>4,453</td>
<td>38.8</td>
<td>301</td>
</tr>
<tr>
<td>ES</td>
<td>19,693</td>
<td>40.6</td>
<td>1424</td>
</tr>
<tr>
<td>FR</td>
<td>24,743</td>
<td>46.3</td>
<td>891</td>
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<tr>
<td>IT</td>
<td>23,187</td>
<td>39.3</td>
<td>1163</td>
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<tr>
<td>CY</td>
<td>356</td>
<td>34.5</td>
<td>26</td>
</tr>
<tr>
<td>LV</td>
<td>1,072</td>
<td>50.0</td>
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<td>MT</td>
<td>152</td>
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<td>NL</td>
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<td>PL</td>
<td>14,459</td>
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<td>266</td>
</tr>
<tr>
<td>PT</td>
<td>5,181</td>
<td>46.0</td>
<td>277</td>
</tr>
<tr>
<td>RO</td>
<td>9,449</td>
<td>46.0</td>
<td>145</td>
</tr>
<tr>
<td>SI</td>
<td>969</td>
<td>46.2</td>
<td>38</td>
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<tr>
<td>SK</td>
<td>2,295</td>
<td>43.8</td>
<td>103</td>
</tr>
<tr>
<td>FI</td>
<td>2,461</td>
<td>48.4</td>
<td>76</td>
</tr>
<tr>
<td>SE</td>
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<td>134</td>
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<td>UK</td>
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<td>46.6</td>
<td>1221</td>
</tr>
<tr>
<td>HR</td>
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<td>44.8</td>
<td>84</td>
</tr>
<tr>
<td>CH</td>
<td>4,051</td>
<td>45.4</td>
<td>160</td>
</tr>
<tr>
<td>NO</td>
<td>2,346</td>
<td>47.2</td>
<td>69</td>
</tr>
</tbody>
</table>

Source: Eurostat, LFS
* Other tourist accommodation sector EU-27 for countries BE, DK, IE, CY, LV, SI, UK are estimate. "": data not available
The employment pattern in hotels and restaurants in the Hotel and Restaurant Sector – H55, H55.1 and H55.2 – by level of education in the 2005-2006 period (Table 3) indicates a high percentage of employed persons with secondary education qualifications, and a low share, with higher education qualifications. Compared to its major EU rivals such as France, Spain, Cyprus, Malta and Greece, Croatia lags considerably behind with regard to the education level of persons employed in hotels and restaurants.

Table 3: Employed persons in the hotel and restaurant sector by level of education attained, 2006, in % - aged 15 years and over

<table>
<thead>
<tr>
<th></th>
<th>h_55 Hotels and restaurants</th>
<th>k551_h552 Hotels; camping sites, other provision of short-stay accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 25</td>
<td>43.0 48.7 8.3 100.0 7.0</td>
<td>57.7 27.1 152 100.0 8.0 57.2 22.2 20.6 100.0 1.7</td>
</tr>
<tr>
<td>GR 43.0</td>
<td>48.7 8.3 100.0 7.0</td>
<td>57.2 22.2 20.6 100.0 1.7</td>
</tr>
<tr>
<td>ES 57.7</td>
<td>27.1 152 100.0 8.0</td>
<td>30.1 45.8 24.1 100.0 1.0</td>
</tr>
<tr>
<td>FR 55.7</td>
<td>50.4 13.9 100.0 5.7</td>
<td>46.4 45.2 8.4 100.0 1.1</td>
</tr>
<tr>
<td>IT 52.5</td>
<td>43.7 3.8 100.0 5.2</td>
<td>7.4 1</td>
</tr>
<tr>
<td>CY 36.0</td>
<td>44.0 20.0 100.0 7.4</td>
<td>100.0</td>
</tr>
<tr>
<td>MT 72.7</td>
<td>27.3 100.0 7.5</td>
<td>100.0</td>
</tr>
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Source: Eurostat

There are many reasons for the disadvantageous education level in Croatia relative to leading tourist countries (rivals). Studies on human resources in tourism and analyses of employment trends in Croatia’s hospitality and tourism industry point to the following problems (Micic, 2006):

- **Temporary employment arrangements**
  - Over 80% of all work contracts represent temporary employment arrangements, even though they relate to jobs that are continuously needed (waiters, cooks, room attendants, etc.)
  - This situation fails to create favourable preconditions to enhancing service quality.
Employment through temporary and occasional employment agencies
- In recent times, this has become a very frequent form of employment, and it is used more often than the services of the Employment Office.
- It has a direct impact on job insecurity.

Low wages and “black” labour
- Wages are in average 13-16% lower than average wages in Croatia.
- In terms of “black” labour, this sector is ranked third behind construction and commerce.
- “Black” labour creates unfair competition.
- Inspection supervision needs to be intensified, and fines, increased.
- Because of the inertia of minor-offence courts, a great number of charges made by inspectors fall under the statute of limitations or are sentenced with minimum fines.

Lack of job standards
- Some foreign hotel owners in Croatia are setting standards against which workers are not able to do a job properly in the time set out.
- The Union has submitted to the Ministry of the Sea, Tourism, Transport and Development an initiative for developing national standards.

Minimum wages undefined
- In the national Hospitality Collective Agreement, it is necessary to establish minimum wages for all jobs.

Insufficient public and private sector collaboration
- Only a small number of employers grant scholarship to students attending secondary and higher education schools of hospitality and tourism.

Insufficient professional training
- In-service training is neglected both as a continuous quality-improvement program and as a lifelong learning program.
- Providing professional training is in the mutual interest of employer and employee. It creates a partnership relation: the employee gains job security, while the employer gains skilled staff for continuous work.

3. NEW OCCUPATIONAL PROFILES FOR WORK IN TOURISM

The trends affecting a tourism product and services are also reflected in the work of persons employed in tourism. A comparison of the results of studies conducted in the tourism sectors of leading tourism countries such as France, Spain, Greece and Germany reveals very similar disadvantages when dealing with the characteristics of the workforce with regard to new knowledge and skills and the professional ability of workers in tourism. At the same, practise in these countries indicates a distinctive need for staff to provide diverse services, a need that impacts on change expressed as a need for entirely new occupations and a level of skilled labour.
3.1. Trends in the German Tourism

A research study in the field of attaining work qualifications in Germany, conducted as part of the project *Trend qualifications as a basis for early identification of qualification development* (Abicht et al., 2002), funded by the Federal Ministry of Education and Research of Germany. Trend analysis has shown that training processes are adapted to change in job profiles on the labour market and to the requirements of job procedures. The entire process develops directly or indirectly dependent upon different interrelated variables changes (change in technology, the organisation of business, the political and economic environment under the impact of globalisation, as well as change in the needs of individuals and society). Development of the Internet, in particular in recent years, has brought about huge change in demand for new skills, influencing the constant presence of the need to provide training not only to people who already have jobs, but also to those who are entering the labour market for the first time.

The qualitative part of the research study on the early identification of skills and qualification development in tourism was based on a hypothesis stating that the required demands for training for new qualifications named “trend qualification” are described by demands that are just developing or have not yet been sufficiently developed in practise but which can indicate emerging trends in demand (course of movement). Various studies regarding the courses and the factors that determine qualifications (work ability) demonstrate that the development of the tourism sector as one of the service sectors is largely shaped under the influence of sociological trends such as: change in leisure behaviour, increased individualisation in society, demographic change and change related to health awareness. These trends are also reflected in change in the structure of products and services in tourism, as well as in change in the profile of qualification types for people working in tourism. At the same time, they influence change in requirements for professional improvement and training for persons already employed in the tourism sector. Tourism development is steadily accelerating and new types of tourists are constantly emerging. This, together with the rapid development of new technologies, is generating a growing demand on an individualised basis and is setting entirely new demands before tourism employees.

According to the relevant sources available, the tourism sector in Germany lacks properly schooled and trained staff for jobs with mid-level responsibility in organisations, with specific knowledge and skills for each individual segment of the offerings (for example, travel booking, designing vacations, organising business travel, travel support, guided tours). The most commonly listed weaknesses in the tourism sector are a lack of basic knowledge and skills regarding tourism products and services, target areas, marketing, selling, customer-orientation, electronic processing of booking data, booking and booking confirmation via the Internet. Employees also lack interpersonal skills, especially in jobs involving advising and direct contacts with customers.
3.2. Factors shaping professional occupation profiles in the tourism sector of Spain and Greece

Results from the FAME research project conducted in Greece and Spain have shown that the tourism sector is one of the most important sectors of the economies of these countries. An analysis of trends in a number of sectors of economic activities have shown that tourism is a major sector in the economies of both countries; its share in employment at the national level is high, and it provides huge potential for growth and the creation of value added. The challenges that face the tourism sector in both countries are very similar: wages in hotels and restaurants are quite below the national average; labour turnover is high; seasonal oscillations are a very important characteristic of the tourism offering.

In the region to which both these countries belong, the tourism sector has particularly distinctive demands on the functional flexibility and mobility of staff. Demands on flexibility are evident through the mounting pressure on the staff to possess a number of different types of skills in combination with different qualifications or in combination with specific skills that are generally related to different qualifications. This has influenced the development and appearance of new, hybrid forms of occupations, in which one individual does a variety of jobs for which special training, skills and specific knowledge are required. Such hybrid forms can especially be found in the smallest and small enterprises that have an inadequate number of employees. As a result, demand is developing based on ad hoc vocation substitution. Another form that also requires employees to possess multiple skills has been observed at the individual level due to horizontal mobility in the sector (evident as spatial mobility due to a change in the location of employment and/or mobility within a vocation) and due to high turnover of personnel. This in particular refers to temporary employment workers who work in different professions and temporary jobs, which leads to the fact that different practical and working experience is not formally recognised. Skills and qualifications are normally attained from the VET system; however, in additional to the usual skills needed for tourism jobs in these countries, there is also a growing demand for IT professionals, managers, and doctors and nurses in spa tourism, for example. On the other hand, unacceptable working conditions and the lack of opportunities for professional development on the job result in a high loss of staff and cause professionals to leave the sector. Hence, demands on personal flexibility come in direct conflict with demands on skills flexibility.

In neither of the countries are the systems of initial vocational education adjusted to the demands on the professional skills in this sector. Because of this, continued training in combination with practical experience acquired through work and on-the-job training are very effective in facilitating skills development. Despite this, most employers nevertheless fail to invest in the permanent improvement and training of their staff, no matter how important this is to the promotion, mobility and flexibility of employees. Employers refer work experience through formal education, in particular, in small firms that have neither a way of training employees on the job nor the funds to invest in the professional improvement of their employees.
3.3. Skill needs and competencies in the French hotel industry

According to the latest available Eurostat data for 2006, the sector “55 - Hotels and Restaurants” accounts for about 4% of all employed persons (or 909 thousand). Restaurants and cafes account for most persons employed in the tourism about 48%, while hotels and other forms of accommodation account for about 22% (Mériot 2005, 32). The number of hotel and hospitality jobs is generally underestimated because of the large number of self-service facilities (canteens) operated by private and special public operators that account for about 30% of all employees. In canteens, France is the leading country in Europe. The hotel and catering trade in France is characterised by high turnover and a predominantly young but insufficiently trained and skilled workforce.

One of the major activities in the hotel industry is maintenance, and it is carried out either by persons employed for this job or by external specialised companies. Luxury hotels also employ porters, door attendants and bellhops to take guests to their rooms. Although some members of this staff can be promoted to the position of work supervisor or chief, higher and top positions in the job hierarchy are reserved from people holding specialised diplomas in professional areas such as business, accounting, management, company strategy, etc. Career promotions for the operative staff are often limited, especially for those working in jobs that fall under the front desk. Only major hotels and gourmet restaurants recruit personnel with a good level of general education and training, such as waiters or other serving-related jobs, insisting that that they are “educated but not skilled” for the jobs they do (Mériot 2005, 34).

Apart from managerial positions, most jobs involve serving food (fast-food preparation and waiters), cooking, and housekeeping in hotels. The three main jobs in France’s hotel and catering industry are the jobs of cook, waiter and room attendant. Staff training and professional improvement in France, which is foremost based on luxury hotels, began in a large range of areas basically for the purpose of achieving the prestige and independence of the hotel and catering trade. Over the past 30 years, this professional improvement system has been restructured in several basic fields: cooking, table service, and hotel management. This level has improved, in recent times, confronted with demands in the management of hotel chains and catering establishments to provide services that are standardised but relatively differentiated in a range that broadens parallel with the range of clients. Education in the culinary art continues to prevail as an artistic ideal. There are two initial types of vocational improvement that begin around the age of 15 years (CAP, certificat d’aptitudes professionnelles/vocational aptitude certificate and BEP, brevet d’études professionnelles/vocational studies certificate) (Mériot 2005, 36).
CONCLUSIONS

Tourism is a sector of great importance in the Croatian economy. To keep its position as a special destination on the global market, Croatian tourism must compete with other world destinations and it has to be appealing to travellers worldwide. This will not be possible without efficient human-resources development policies in tourism. From a long-term view, the competitive advantage of Croatian tourism on the global market cannot be based on low labour prices; instead, it should focus on the quality, diversity and uniqueness of tourism services and the travel experience. The main problems of Croatia’s tourism are similar to problems found in the tourism of EU countries and around the world: poorly paid jobs, a very high demand on flexibility and mobility, high worker turnover, a high share of seasonal employment and a persistent shortage of qualified staff.

Employment in the Horeca Sector, the qualification pattern of employees by level of education, the age pattern of employees and the duration of employment (full time/temporary) in Croatia lag considerably behind the EU’s leading tourism countries. However, when comparing changes on the labour market in tourism in Croatia relative to trends in the qualification and skills of tourism workers in countries such as Greece, Spain, Germany and France, similarities can be observed in the general job requirements that employees are required to fulfil, in particular with regard to the qualification level of the workforce.

A comparison of the results of studies conducted in the tourism sectors of leading tourism countries such as France, Spain, Greece and Germany reveals very similar disadvantages when dealing with the characteristics of the workforce in the light of new knowledge and skills and the professional ability of workers in tourism. At the same, practise in these countries indicates a distinctive need for personnel to provide diverse services, a need that impacts on change expressed as a need for entirely new occupations and, in particular, a new level of skilled labour.

REFERENCES


BASICS FOR APPLYING A CONTEMPORARY CONCEPT FOR HUMAN RESOURCE MANAGEMENT∗

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Abstract: In the process of organizational adaptation to environmental demands, primarily through the anticipated outputs, human resources play a key role. The procuring of necessary human resources, their working commitment and development, are the basic assignments of the management of human resources. The appliance of a contemporary concept of management of human resources, based on theoretical and practical cognizance of successful organizations, contributes to a successful execution of these and other assignments. In order to develop such a concept it is necessary to provide, in addition to the relevant basics, a whole chain of professional and managerial activities.

Key words: management, human resources, organization, human resource management, changes.

INTRODUCTORY ANNOTATIONS

A feature of the new millennium, among other things, is its enhanced degree of changes in all fields of human activity. They are achieved under the great impact of a number of factors: political, economic, socio-cultural, technological et al. It is expected of the management of human resources to by means of pro-active activities eliminate or alleviate the threats and dangers, mitigate the weaknesses, utilize the strengths and create the chances that have a direct impact on the business results and development of the business organization. For this reason all successful business organizations dedicate special attention to the management of human resources that are expected to ascertain the correspondent (a) input of human resources, (b) increase of working potential of employees, (c) their maximal active and creative engagement, and (d) the effects of that engagement. The efficacious procurement of the mentioned elements, for the most part, contributes to the implementation of a contemporary concept of managing human resources, which implies to have a systematized knowledge of management of human resources – its elements (structures and

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processes) and their inter-relations. In this case the concept does not only represent an explanation of the role and function of management of human resources in theory and practice. It is at the same time the model of functioning with definite results in the actual business system.\textsuperscript{4}

To create this concept and its efficacious application, particularly in countries undergoing transition, it is necessary to procure the relevant social, organizational, technological and informational fundaments. A significant role in this process is played by the owners and managers of a business organization. The owners are primarily expected to express a positive attitude towards changes and to give support to the management to carry out these changes. The managers are also expected to form positive attitudes towards changes in the domain of management of human resources, but likewise to intensely get involved in the change process and create conditions for implementing the projected plans and promote development of this domain of management. In addition to them, a very important role in this process is played by specialists who deal in the domain of management of human resources. They need to provide the respective professional grounds for creating this concept, chiefly through contemporary theoretical cognizance of this domain, knowledge of universal practice, and to possess relevant informational basics. At the same time it is necessary to bear in mind that the changes in the sphere of human resource management must be conducted in continuity, because with the passage of time the old forms become outdated. New solutions are sought; ones that are expected to eliminate all perceived faults and considerably enhance effectiveness.

1. BASIC CHARACTERISTICS OF CONTEMPORARY HUMAN RESOURCE MANAGEMENT

Contemporary human resource management, as one of the sub-systems of the business organization, represents a set of processes within a framework in which the functions connected to the employees of the business organization are carried out (determining executive profiles, planning, procurement, training, development, security and so on).\textsuperscript{5} At the same time this field of management should also be observed as a separate concept that considers employees as the most important resource of the business organization, on basis of which it acquires a certain strategic and competitive advantage. Knowledge, skills, capabilities, personal characteristics and ambitions of employees become the dominant factor of development of the business organization, and in this context, of its adaptability to the demands of the environment. The manner in which we procure the necessary executives, carry out the division of working roles, route development and motivate them for work and creativity, to a great extent has an impact on the business results of the business organization. That is why economically developed countries pay special attention to human resources, since under the conditions of modern technology and high level of organization, only this organizational element can be a comparative advantage with regard to the incremental

growth and intense development of competition. The basic assignment of the personnel management boiled down to procurement of a relevant number and structure of employees, i.e. to coordination of technology, organization and human resources. The modern management of human resources is likewise expected to carry out this assignment successfully, but it is far more significant that in addition to this it creates the organizational, social, economic and other premises for maximal utilization of the creative and working potential of employees. In the modern organization, the focus is on creativity, and this pertains to all the sub-systems of the organization: development, marketing, manufacturing/servicing activities, economics, information management… For that reason the social dimension of the organization is often the actuating force of its development. In order to successfully fulfill this role, contemporary management of human resources is also expected to provide and coordinate the collective and individual aims of the employees, and this is through an implementation of two strategies: the strategy of development of the business organization and the strategy of development of human resources.

For application of a contemporary concept of management of human resources in the former socialistic business organizations it is necessary to carry out a sequence of important changes, which basically boil down to the following: (a) change of management’s attitudes towards human resources, (b) change of work order, especially in the segments connected to workplaces/workstations, (c) change in methods of performing managerial functions, (d) qualification training of managers for implementing new technologies in executing their functions, and so on.

Besides procuring an optimal number and structure of employees (firstly based on their work and creativity potential), some fundamental assignments of the management of human resources also include: the development of a corporative culture that conforms with the needs of the business organization; the selection of corresponding models to motivate employees for work, development and creativity; the improvement of interpersonal relations; the creation of positive attitudes towards changes; a proactive commitment of both management and employees in bringing about changes within the business organization; the achievement of desired and planned business results; the constant development of the business organization and its employees…. In order to fulfill the mentioned and other assignments that emerge due to the concrete needs of the business organization, it is indispensable to secure a chain of preconditions: optimize the organizational structure; utilize the procedural approach in organizing the performance of business and assignments of the business organization; execute the disposal of decision-making competencies with regard to human resources (primarily by means of decentralization of authorizations and stepping-up responsibility for the effects of the decisions); lay down the strategy and policy in the domain of human resources (as the grounds for bringing decisions and employee behavior); form appropriate teams of experts on human resources and treat the development of human resources as a priority assignment. At the same time it is essential to bear in mind the basic characteristics of contemporary management of human resources:

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• focusing on management needs to procure and engage human resources;
• planning, supervising and controlling as the dominant activities in relation to mediation;
• problems are solved with other management members involved in human resources, and not directly with employees or their representatives;
• the management of human resources is focused more on what has been done for the managers than what the managers have done for all the other employees;
• there is a preventive role of line managers;
• there is a managerial responsibility in the sense of culture. (Torrington 2004)

2. WHY ARE CHANGES IN THE MANAGEMENT OF HUMAN RESOURCES INDISPENSABLE?

The reasons for changes in the domain of management of human resources among the domestic business organization are primarily immanent in: (a) the demands of its environment, and in (b) the needs of the business organization.

The Environment acts upon the business organization through legal legislation, markets and other factors, to which it has to counteract by arranging its structures, organizing its performance of business processes and creating certain products and performing certain services respectively.

Basic changes in the environment, which have a great impact on the business organization as a business and legal entity and within it on the performance of management of human resources, occur in the following spheres: proprietary relations, business conditions, business decision-making, labor regulations, etc.

Transformation of the system of business decision-making and carrying out the function of management, are the driving force for a successful business activity of the organization of countries in transition. They are developing a new business philosophy founded on policies that are: commercialized, developmental and a human resource policy whose substance and scope have to be new.

The characteristics of doing business in a market economy are, among other things, of an intensely dynamic quality. Namely, they change constantly and rapidly, hence the business organizations must permanently coordinate all their structural and business elements accordingly. The market economy is based on competition, so that also for that reason the business organization is obliged to continually administer the process of adapting to this segment of the environment.

The system of business decision-making, particularly in the field of management of human resources, also undergoes great changes. In addition to the changes in the regulatory provisions of the rights, commitments and liabilities of employees, there are also the changes in the manner of carrying out processes associated with employees of the business organization. They fundamentally boil down to the creation of organizational and procedural conditions for enhancement of the quality of decisions on human resources, speeding up the decision-making procedure, linking decisions to expectation of the effects of the decisions that were brought, changes of the forms and contents of standard bylaws and enactments on labor, and so on. Within the structure of this process, specific importance is given to determining the authorization for making decisions on implementation of employee rights, obligations and responsibilities. With the increase of subjects who make decisions regarding human resources, their responsibility for the quality and effects of such decisions must also be heightened.

The business organization’s needs, as the second reason for change in the domain of management of human resources come forth to a great extent as the consequence of the effect of the environment. Namely, in order to reduce its entropy to a minimum, the business organization should coordinate all the elements of its business system: structure, manner of developing business procedures, the number and structure of employees, organizational relations established in the course of the workflow, and so on.

The reason calling for change is due to a sequence of evident faults that have shown up in personnel management. The basic flaws which, with the development of a modern concept of managing human resources, should be eliminated include the following:

- a lack of strategy and policy in the domain of human resources,
- the concentration of authority to make decisions concerning employee rights and responsibilities is in the hands of the top management,
- frequent implementation of formalism in decision-making regarding human resources, i.e. a predominance of labor law components in this domain,
- a low usage level of professional knowledge in preparing and making decisions on the attainment of employee rights, responsibilities and liabilities,
- a lack of responsibility for the effects of adopted decisions,
- inadequately developed organizational entities for human resources (deficiency of research and development processes and incomplete teams lacking in qualified experts),
- mainly engaged in administrative tasks and insufficiently in the performance of developmental processes, and so on.

A part of the requirements are linked to the specificity of the business organization. The nature of its activity, location of sectors of its business system, technological preparedness of its work process, state of development of its information...
3. THE MEANING OF CHANGES IN THE MANAGEMENT OF HUMAN RESOURCES

Changes in the domain of management of human resources that are underway in companies with higher organizational levels, and which should also be executed in organizations that have not yet begun carrying out this process, chiefly boil down to:

- establishment of the new philosophy on human resources;
- elaboration of a policy of procurement, labor engagement and development of human resources on new fundaments;
- transformation of competencies in decision-making on human resources;
- modification of contents and forms on the procedure of regulating employee rights, obligations and responsibilities;
- build-up of the new role and alteration of status of organization’s units involved in the business related to human resources;
- modifications in the manner of running the process related to human resources;
- consolidation of information techniques related to human resources, etc. (Figure 1).

Figure 1: Elements of change in the management of human resources
In the changed market conditions of the economy, the earlier concepts on the philosophy of human resources cannot be applied. It is necessary to constitute a new philosophy of organization in this field. The concept of that philosophy, as its key element, introduce its main perceptions, principal ideas, basic views, in other words the global vision of the aspects of human resources within an organization. It is at the same time a global aspect on the relations between human and other resources of an organization, as well as of interpersonal relations.

The application of philosophical views on the policy of procurement, engagement and development of human resources and interpersonal relations constitute the basis for guidance to the goal of accomplishing the aims in the domain. The purpose of the human resources philosophy basically boils down to the reason for its establishment, i.e. the intention to actualize definite global results in the domain.

In addition to the main perceptions regarding the forming of a definite business organization philosophy, a great impact is also achieved with regard to realization of values attached to human resources as a segment of the organization’s development and business affairs. The mentioned components of the Human Resources Philosophy have an essential influence on the course of action, way of thinking, behaving and conducting human resources in the organization (both in relation towards the organization, as well as in relations towards creativity and labor).

Management occurs as a key subject in decision making on human resources. Bearing in mind the different types of these decisions, it is necessary to institute a precise division of empowerment to make decisions. Thereby it is necessary to strive to bring decisions on the management level that pursues coordination of the workflow for the following reasons:

- this management level directly creates the information base for making decisions,
- enhances the speed of decision making,
- in case of changed conditions the decision can readily be corrected,
- managerial interest on this level for bringing optimal decisions is particularly pronounced,
- effects of conducting each of the decisions can directly and quickly be ascertained, and so on.

The tendency towards optimal decisions on human resources and a modern method of performing the jobs connected to human resources in the business organization, transforms the role and status of the organizational whole for the business affairs in human resources. Besides operational jobs it is expected that their major activities be carried out creative and professional assignments, chiefly of a developmental character. Within this transformation of basic activities these organizational units should have an appropriate organizational and material status.
Efficacious realization of the new concept of a policy of procurement, labor engagement and development of human resources, is mainly based on a greater degree of utilization of professional knowledge and comparative experience. For this reason the development of human resource management should also be founded on the enhancement of carrying out the basic processes in the field of human resource management, i.e., the application of modern technology (methods, procedures and facilities) in the performance of the process. The technology of applying certain activities is as a rule, determined through organizational procedures and instructions. These organizational documents are effective only if they are dynamic. They ought to reflect every change in technology and at a given moment represent the highest level of knowledge on how to best carry out a certain activity of the business organization. As soon as new knowledge and ideas emerge regarding how some activities can be done in a better way, a change in the respective document on procedures should be made.

The greatest share of activities in this domain is relevant to the transformation of information on human resource and processes that are done within the framework of human resource management. Therefore every progression of technology in this domain also accompanies the development of a corresponding system of information. This is of special importance for the process of decision making on human resources, which should be based on application of corresponding expert systems.

4. METHOD OF EXECUTING CHANGES IN HUMAN RESOURCE MANAGEMENT

Changes in the domain of human resource management are done in compliance with the changes in the system of management and changes in carrying out business processes within the organization. They are based on a research of all the elements that have an impact on the shaping of human resource management, as well as on the projection of development of the business organization and the human resource management.

A business organization’s capability to change is directly linked to the extent of its openness toward its own interior activities as well as toward the activities of its external environment. Changes are the process or result that accompany the life cycle of every organization. The application of a contemporary concept of human resource management factually boils down to changes in this domain of management. In order to efficiently cope with the process of change in human resource management it is essential that it is carried out in an organized mode and by competent persons from the organization and the organization’s environment.

The entire process of change, which represents the creation and application of a new concept of human resource management, unfolds through the following phases: initiation of the necessity for change; making the decision on accession to preparations for the change; research; planning the change; decision-making regarding the acceptance of the change; empowerment of the change and control of its empowerment.
The Initiators of the need for changes in the domain of human resource management can be the organizational units of the human resource management and their managers. The organizational unit for human resource management, in addition to carrying out entrusted assignments, is also obliged to conceptualize the development of human resource management.

Managers are the key persons in dealing with the functioning and development of the business organization. In the performance of their functions they often spot the need for changes in certain elements of the organization, hence it is quite understandable that they come to pass as the initiators of changes. That does not mean that their role for every initiative should be managerial in the process of creation and empowerment of the changes. Depending on the organization’s type of activity, the changes in the organization can be handled by other personnel in the organization or by external consultants.

According to the type of initiated change, the authority for decision-making on accession to preparations for the change in human resource management is ascertained. With this decision, the initiation is accepted, the objectives intended to be achieved by changing to a new concept of human resource management, a team for preparation of the change is formed, certain guidelines for the method of preparation are given, the activities for preparation and execution are defined, the necessary material and other indispensable resources for preparing the change are established. In essence, this decision contains all the elements of the projected assignment and plan for its realization.

After bringing the decision on accessing the preparations to carry out changes, a corresponding research is executed, its purpose being to accumulate relevant data for effecting the changes. The necessary information is assembled, both within the organization as well as from its environment. As methods for accumulation of data, the following procedures are used: interviews, polls, document analysis, measures, etc. The collecting and processing of information, as well as its interpretation in the research report can be carried out by the organization’s employees or external consultants, depending on the research subject matter that needs to be executed, available time and material means, as well as on the organization’s research potential.

On basis of research results, which in most cases exemplify the picture of prevailing conditions in the domain of human resource management, the prelude to the key phase of the change is: projecting (planning) of the new concept of human resource management. The designing of this concept boils down to creating and elaborating its key elements: the strategy and policy of human resources, unfolding of the decision-making process, establishment of organizational units of human resources, process elaboration of the domain of human resource management and development of a system of controlling the performance of the new concept of human resource management.
The decision to adopt a new concept on human resource management can be brought by the same body that launched the initiative, which again depends on the type of change and competencies for making decisions about it. When the issue is related to labor regulations, then the decision is brought in the form of a normative provision. If the issue is related to a change of technology for the execution of certain actions in the domain of human resource management, then the decision is brought in the form of relevant procedures for carrying out such actions, and so on. Besides adoption of the project of change, the decision also determines the competencies for its execution, the deadlines for its execution, the necessary resource for the execution and manner of controlling the execution and establishing the effects of the execution.

Figure 2: The Change Process in Human Resource Management
Control of execution of a new concept of human resource management has a dual function: ascertaining whether all the personnel are carrying out the entrusted assignments and ascertaining the effects of the change. Each change is done for the purpose of realization of certain objectives. Therefore it is of utmost importance to keep track of its execution and establish the results of the execution. On basis of following the execution and the established effects, we may assert a need to carry out certain corrections of the projected solution. The reasons for corrections may be diverse: failure to provide necessary material facilities, lesser effects than expected, strong opposition by workforce that can be neutralized quickly and easily, environmental alterations that were the inducement for the change and it therefore serves no useful purpose, etc. For effective control, it is indispensable that in addition to establishing the competencies to execute the controlling, to determine the methods of control and responsibility of reporting the results of the control to the decisive managerial structures. In that way the circle of change closes accordingly, while keeping track of the effects of a change, new initiatives to change certain elements of the new concept of human resource management emerge.

CONCLUSION

The turbulent changes, which arise in the environs of a business organization are reflected on all of its segments, hence in the domain of human resource management as well. Observed in the long run it is necessary to carry out a series of important operations in the domain of human resource management, starting firstly from the transformations that take place in the organization as a consequence of changes in its environs. In order to carry this out successfully, it is necessary to create the appropriate grounds, which consist of the following: establishment of the reason(s) for changes of the concept of human resource management; establishment of the contents of the changes and elaboration of methods and procedures that are in the function of efficacious transformation of the mentioned management. The utilization of positive experiences from the previous period can to a great extent contribute to a successful creation of the mentioned grounds, as well as utilization of the comparative experiences of economically developed countries.

Changes in this domain are performed in continuity. With the passage of time, old forms become superseded. New solutions are sought, which often contain (and quite justifiably) remains of previous practices, but nevertheless have far more elements that are new. Namely, parallel with the enrichment of practice, so does the development of the science that deals with the research and study of phenomena connected to human resources in business organizations. For this reason the contemporary concept of human resource management, which is to a great extent determined by the environs of the organization, can carry the attribute contemporary only in the sense of belonging to the present time. Every change in the environs, which has an effect on the human resource management, as well as the changes within the organization, demands an adaptation to such a change. In order to improve the effects of such changes regarding decisions and performance of the process in the domain of human resource management, it is indispensable on occasion of conceptualizing the changes and their execution to make use of comparative knowledge and experiences.
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EDUCATION FOR QUALITY TOURISM MANAGEMENT

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Abstract: In every analysis of the economic development of Croatia, education is pointed out as a key factor. With the share of highly educated in the workforce of less than 15 percent, Croatia is seriously lagging behind developed countries. Human resource management (HRM) is a philosophy, a way of thinking for each employee. It is especially important in service, work-intensive fields, such as tourism. Croatia should, as a country which declared itself tourism country, as soon as possible apply the good experiences, adopt ways of application and the practice and results of the HRM philosophy. It is impossible to manage the development of tourism without a strategically placed system of management of human resources. Since tourism, as a service field, rests for the biggest part on people, their work, serviceability, knowledge, abilities, education, motivation, intelligence, in short on the human potential, that potential should be treated as capital, not as an expense or a burden.

Key words: knowledge, human resources management, quality, lifelong education.

INTRODUCTION

“Man – key of success in tourism” is not just a successful marketing slogan, but before all, a true claim and a fact which tourism companies often neglect when they evaluate the contribution of their employees, that is the human capital to the quality of the whole.

There is no unique, generally accepted translation of human resources management (HRM) to Croatian since there has not been an accepted (or offered) corresponding translation for originally American management. Just like management

1 This article is the result of the scientific project “Management of Knowledge and Personnel in Tourism as a Feature of Croatian Identity” (116-0000000-0758), financed by Croatian Ministry of Science, Education and Sports.
2 Vinka Cetinski, PhD, Full Professor, University of Rijeka, Faculty of Tourism and Hospitality Management, Opatija, Croatia, Violeta Sugar, PhD, Juraj Dobrila University of Pula, Department of Economics and Tourism, Pula, Croatia.
3 Despite language controversy, that is the criticism by one part of linguists directed towards using “quality management” syntagm, in this work, in accordance with many cited sources, and with the lack of a corresponding replacement, quality management is used as the closest (if not ideal) translation of the expression. In Croatian, there is no corresponding and all-inclusive translation of the English term management. The solution of that problem is left by the author to translators and linguists.
is not just managing, or just leadership, so the term *human resources management* is wider than managing personnel, human resources or human potential. HRM is the subject of many scientific research projects and works, and especially, as an important bond of economic development, it interests the researchers of economic situation in the countries in transition and developing countries.

Planning, organising and management of human potential (resources) is the foundation on which the future should be built by countries in transition and those on the way towards the society of developed ones, and one of them is Croatia.

HRM is also a philosophy, a way of thinking of each employee. It is especially important in service, work-intensive trades, such as tourism. Croatia should, as a country declaring itself tourist, apply as soon as possible the good experiences, ways of applying and the practice and results of the HRM philosophy. With the development of tourism, it is not possible to manage without a strategically set system of human potential management, or more precisely human potential management.

Since tourism, as a service trade, rests for the most part and depends on people, their work, serviceability, knowledge, abilities, education, motivation, and intelligence, in short human potential, that potential should be treated as capital, not as an expense or a burden.³

**HUMAN RESOURCES MANAGEMENT (CAPITAL)**

At the beginning of the 20th century, during the transition from industrial into knowledge era, developed economies build their future more and more on service trades and making of non-material value. In that process, a very important role is played by the "knowledge worker," not only in sophisticated technological companies, but generally an increase of the share of educated workers in the contingent of working age population is noticeable. They are the ones from whom a successful creation of non-material value is expected (knowledge, service, experience, benefits, reputation), which then turn into material shapes like income, profits, added market value.⁴

"The story of successful tourism enterprises is one that is largely about people - how they are recruited, how they are managed, how they are trained and educated, how they are valued and rewarded, and how they are supported through a process of continuous learning and career development".⁵

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³ “People are the only business and economic resource which can self-develop..., and human knowledge and abilities are the only resource which does not shrink with use, but rather grows.” Bahtijarevic – Siber, F. (1998). Meaning and specificities of the function of human potential management in modern companies. *Racunovodstvo i financije*, no. 3, pp. 76-81.


HRM philosophy, as seen by Guest (Figure 1) emphasises three key and interdependent factors: integration of corporate and human potential strategies (vertical integration), focus on human potential and organisational results, and on the connection of HRM techniques with the goal of achieving those results (horizontal integration), as well as the development of the corresponding culture supporting the integration. Competitive advantage is achieved with a coherent strategy, completely determined goals of the policy of human potential, such as loyalty, quality, flexibility and strategic integration, supported by the combination of techniques of human potential from different areas – policy and practice which lead to the development of a more innovative, confident and change – prepared workforce.6

The cost-effectiveness of investing in humans is best shown by the results of research of a well-known American telecommunication company Motorola that every dollar invested into education comes back as 30 dollars, measured by productivity, quality and similar.7

**Figure 1:** Guest’s HRM (human resource management) model

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STRUCTURAL CHANGES, SUSTAINABILITY AND COMPETITIVENESS OF TOURISM INDUSTRY IN EUROPE

According to the Lisbon Strategy, there are three pillars on which the future full employment and competitiveness of the EU economy rest:

1. Economy pillar – preparation of the foundation for transition into a competitive, dynamic, knowledge-based economy; the accent is on a continuous adjustment in accordance with the changes in information society and on encouraging research and development;
2. Social pillar – the need for modernising of the European social model by investing into human resources and the struggle against social exclusion; from the member countries, it is asked for investment into education, leading of active employment policy and opening of paths towards the knowledge economy;
3. Ecology – turning attention to the fact that the economic growth has to be independent of natural resources use.

The EU policy in the future will be based on better regulation and coordination, better use of available European financial instruments and on actions pointed at specific questions (problems) regarding tourism.

Better regulation and coordination is related to the field of partnership and togetherness. The European Commission has started an ambitious initiative of lowering bureaucracy, simplifying the rules and improvement of influence (activity) evaluation. Günther Verheugen promised: “In 2005, there was an evaluation of 169 new regulations in order to establish whether they influence negatively the competitiveness of tourism. I would like to emphasise that we will not propose new regulations if it is not absolutely necessary. In order to make it happen, cooperation of all stakeholders is necessary. The same action is recommended on a national level of each of the members in order to avoid cumulating of administrative burdens on the tourism industry.”

Many factors and areas of different development policies influence tourism. During terrorist threats, for example, research in the area of European security policy can lessen the negative effects without distraction (prevention) of the attraction of European destinations. The security of citizens and tourists should not be saved on.

E-tourism is becoming bigger and bigger and it is growing twice as fast as other EU economic sectors. To that, e-business should be added, as well as innovations, which the European Commission is supporting through the programme Enterprise, Research and ICT Development.

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8 At the meeting of leaders of states and governments of EU members, held in the capital of Portugal in March, 2000, the so-called Lisbon Strategy was adopted, whose goals are full employment by 2010 and the EU as the most competitive economy in the world.

Health and protection of consumers, research, information society, law, trade, local market, environment protection, development, international and regional relations, employment, education, agriculture, competitiveness, culture, taxes, energy and transportation are all policies which, in this or that way, influence tourism in such a measure that tourism should be an integral part of each of those policies.

Sustainable development of tourism sector in the EU countries, especially in new members, makes an integral part of structural changes, whether they are rural areas or creating new tourist attractions in the areas which most of the population of western European countries have never visited, and now they are more and more open and accessible. Visitors of those destinations are offered possibilities of meeting new cultures and overcoming inherited fears and stereotypes.

Tourism takes an important place in Strategic Guidelines for Cohesion Growth and Jobs, as well as in the new regulations related to the support of rural development. In the period between 2007 and 2013, European Commission for reformed cohesion policy is asking for €336.1 billion.

If tourism would not develop in a sustainable way, it would jeopardise the natural and cultural environment. Therefore, active support for economical and social sustainability (of European) tourism is very important related to the environment. European Commission has founded the Tourism Sustainability Group, made up of representatives of all stakeholders interested in making Agenda 21 of European tourism.

Ethics and responsibility are also very important, it could be said the key components of competitiveness and attraction of European tourism. It relates equally to sustainability of tourism related to the environment, culture and local population, but also to explicit refusal of all forms of violence and using of women and children in what is called “sex tourism.” In accordance with affirmative attitudes towards ethics and responsibility, the behaviour of those who travel for the satisfaction of their sexual urges at the expense of the weaker, poorer and unprotected should not be called tourism at all if its positive perception as an activity with the goal of resting, learning, familiarising of the new, and not violence in any way is to be kept.

There is another important area in which partnership, cooperation and togetherness are expressed, and that is the promotion of Europe as a whole tourism destination. Internet portal European Tourist Destinations enables the access to internet pages of European national tourist organisations, and so from there with a click of the mouse on one of the stars on the map of Europe, one can also access the pages of the Croatian Tourism Association.

12 http://www.croatia.hr/English/Default.aspx (December 1, 2007)
Europe, the old continent, bases its attraction advantages on cultural richness and diversity. Without investment in preservation and protection of the inherited treasure, as well as incentives of making new cultural values, European tourism would become poor very soon and it would lose its attractiveness.

Another thing not to be neglected is the new forms of tourism, meant for different demand segments, such as older persons or special needs persons. As the life expectancy is becoming longer, health provision becoming better, the sense of accepting differences is becoming stronger and standards of quality are being developed, so the offer has to adjust in accordance with the new demand (older persons and disabled persons are more and more mobile).

The European Commission announces the European Destinations of Excellence Award\textsuperscript{13}, which will be given to the EU members for achieving high standards of quality. Promotion of sustainable tourism in different destinations, exchange of good experiences and practical results, improvement of the perception of European destinations without the influence on natural and expected competition between them, are some of the goals of the award.

**EDUCATION IN CROATIA**

In Croatia during the 1990s, the number of students grew by about 35%, which is the consequence of poorer opportunities for employment of people with a high school degree, but also of the increase in growth rate of return of investment into education. Nevertheless, if one observes the number of students, Croatia is still lagging behind well-developed countries (Figure 2). With a fifth of young people finishing higher education, Croatia is at the bottom of the list of developed countries, together with the Czech Republic and Italy.\textsuperscript{13}

According to the statistical data in 2006 only 12% of the Croatian population was highly educated, and the goal, set by the Action plan for increasing investment in science and research, was to reach the European average of 20% by the 2010.\textsuperscript{14}

\textsuperscript{13} http://www.ijf.hr/konkurentnost/sosic.pdf (December 12, 2007)
\textsuperscript{14} Ministarstvo znanosti, obrazovanja i sporta RH. (2008). Akcijski plan za poticanje ulaganja u znanost i istrazivanje. Zagreb.
Figure 2: Share of students within the age-appropriate population (%)

Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Sweden, USA, Average, Croatia


Figure 3: Return rate of investment into an additional year of schooling and the share of students

Education has to be carefully and strategically planned and adjusted to the needs of the economy and the market. When it comes to tourism, it has been shown by research of satisfaction of tourists with the services in Croatia that investments into education, new knowledge and skills have been neglected compared with those into tourist facilities. Each country whose income from tourism makes up more than 10% of GDP should point a part of that income to education, that is invest into human capital.

Dissatisfied and potentially quality personnel are leaving Croatia searching for the better working, living, and studying conditions. Director of the Croatian Tourist Association (HTZ), Niko Bulić says that, if Croatia will be hosting 11 million tourists by 2010 and making €6 billion from tourism, all forces must be directed towards making people able to give quality service to such a number of visitors and satisfy international quality standards. Investment into accommodation quality and a bigger number of facilities with 4 or 5 stars is in ever more greater discrepancy with the level of education of the service staff which is supposed to work there.

EDUCATION CONTENT AND COMPETITIVENESS OF EDUCATION IN CROATIA

In all analysis of economic development of Croatia, education is emphasised as a key factor. Ten years ago, the share of uneducated people (persons older than 15 which do not have any other education beyond primary school) in the adult population was 55%, which is rather unfavourable for European standards. According to the most recent information about the education structure of active population in Croatia (2001), the share of uneducated persons has fallen to 37.5%, which shows considerable improvement of the education structure of the population. Nevertheless, that improvement did not help Croatia in moving from the bottom of the education of EU member countries and advanced transition countries. With that, 14% of the population did not even finish the primary school.

The development strategy of Croatia in the 21st century has announced coordination and increase of the share of highly educated population. The basic and obligatory education is structurally and content-wise incompatible with the same education in developed European countries. Adult education, which in the world is the most dynamic sector of lifelong education, is the most neglected part of the education system in Croatia.

In its Yearly Report for 2006, the National Competitiveness Council emphasised education, technology and innovations (foundation – knowledge) as priorities for Croatia on the way towards 40 of the most competitive countries:

17 http://www.konkurentnost.hr/jesteliznali.asp (20.12.09)
1. Accelerate the technological structure changes of the economy on the basis of local business, a considerably bigger attracting of export-oriented foreign investments and public programmes which encourage educational and technological modernisation. In that regard, it is extremely important to use the entry into the EU and the accession and structural funds for strengthening primary factors of competitiveness.

2. Modernisation of universities has to grow from a narrow sector problem into a wider problem of scientific, technological, economic and business interest. One of the more important national goals has to be the raising of the quality of Croatian universities. In new conditions, universities have to become not only the sources of spreading knowledge through their traditional role of education places, but also places of generating new research as well as using and commercialising knowledge.

3. Constant trade development should be the concern not only of public institutions, but all companies which have a long-term business strategy. In that sense, it is necessary in a radically new way to think which programmes of public-private partnership would be the best for Croatia with which the company investment into trade development would be encouraged.

4. Expand the focus from the support of the new technologically-based companies to co-financing innovation projects of existing companies.

5. Think about how to use EU funds for promotion of local innovation activity, expansion and diffusion of quality programme and for innovation strategies on the regional level.18

In developed societies, the human capital is the main development resource, and its quality is determined by education and upbringing. Education and upbringing should contribute to the sustainable national and individual development. Because of that, in developed countries education is considered a national priority as well as upbringing development strategies which contribute the most to the economic, social and cultural development of society and a personal development of its members are applied (Figure 4, Figure 5).

The 2008 National Competitiveness Council Yearly Report19 recommends, among other, harmonizing the professional training and education with the market demands and needs, as well as development of the lifelong learning strategy for all segments of Croatian population.

18 http://www.konkurentnost.hr/dokumenti/Sazetak-godisnje_izvjesce_o_konkurentnosti_2006.pdf, (September 28, 2008)
ISCED = International Standard Classification of Education (Level 0 - Pre-primary education, Level 1 - Primary education or first stage of basic education, Level 2 - Lower secondary or second stage of basic education, Level 3 - (Upper) secondary education, Level 4 - Post-secondary non-tertiary education, Level 5 - First stage of tertiary education, Level 6 - Second stage of tertiary education)
Figure 4: Educational structure of workforce in 2007 (%)

<table>
<thead>
<tr>
<th></th>
<th>Less Secondary (ISCED 0-2)</th>
<th>Higher Secondary and Vocational (ISCED 3-4)</th>
<th>Higher Education (ISCED 5-6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hrvatska 25-74</td>
<td>31.5</td>
<td>53.3</td>
<td>15.1</td>
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<tr>
<td>EU25 25-74</td>
<td>33.1</td>
<td>44.4</td>
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<td>Hrvatska 25-59</td>
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<td>60.9</td>
<td>16.4</td>
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<td>EU25 25-59</td>
<td>27.9</td>
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<td>Hrvatska 25-29</td>
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<td>EU25 25-29</td>
<td>19.5</td>
<td>50.0</td>
<td>30.5</td>
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Source: http://www.konkurentnost.hr/dokumenti/godisnje-izvjesce-o-konkurentnosti-08.pdf (December 28, 2009)

Figure 5: Number of graduated students (ISCED 5-6) per 1000 citizens of age 20-29

Source: http://www.konkurentnost.hr/dokumenti/godisnje-izvjesce-o-konkurentnosti-08.pdf (December 28, 2009)
STRATEGIES AND GOALS OF EDUCATION IN CROATIA

Modern strategies of educational development are based on the concept of lifelong learning and the concept of a learning society. Those concepts have been developed during the 1970s and 1980s by international organisations OECD, UNESCO, ILO, European Council and European Commission, thinking about international development and the role of education in it, and recommended them to their members as the foundation for national education policy.20

One of the strategic goals of the government is the development of Croatia as the society based on knowledge.13 Investment in education and science is considered a highly productive state expenditure since it directly contributes to the economic growth of the country.

In the budget for 2007, the increase of investment in education and science has gone up by 9.3% related to 2006, and since 2003, investment in education and science was increased by 33.7% or HRK 2.6 billion.13 Unfortunately, due to the actual financial and economic crisis the public investment in science and education in Croatia are cut down in 2009 for 11% 21, while nearly all EU Member States (99%) are maintaining or increasing their R&D public investment in 2009. The four exceptions are Ireland, Latvia, Lithuania and Romania.22

Together with the investment in education, it is necessary to develop, improve and promote different forms and channels of communication. Thanks to technological achievements, learning is becoming more and more accessible and simple.

The learning process in school and academic environment is not connected only to individual efforts in acquiring knowledge and skills, but it is founded on the interaction between students and instructors, as well as between students themselves.

Participation in a group educational process for students is an opportunity for informal contacts and fulfilment of different social needs. The social aspect in group education is especially important because communication influences the motivation of students, as well as because the greater feeling of security and satisfaction when students participate in group kinds of instruction and because of acquired knowledge and skills.

With distance education, there is a trend of intensifying of social interactions, so-called we-learning systems with the support of social software, as well as tools for management of personal social networks on the internet.23

20 Entrepreneurship and Higher Education. (2008). OECD.
21 http://www.nsz.hr/novosti-aktualnosti-aktivnosti.php?NID=417 (December 28, 2009)
23 http://www.carnet.hr/referalni/obrazovni/mkod/naslovnica/zastokom? CARNetweb= (December 20, 2007)
Therefore, it can be concluded that the connecting string (or network) of all listed elements and strategies of quality management, from attraction management, human resource, space and perception (image) management to learning, is quality communication.

**CLASSICAL VERSUS E-LEARNING**

Classical, formal, and institutional forms of education which, even though they try to modernise their programmes and education and study models, in the environments in which they are not successful, lose their step with the technological development and unforeseen possibilities offered by the “network of all networks,” internet.

Without computers, nothing can be imagined anymore, from learning to business. Internet has a strong influence on educational models and the improvement of educational process; it facilitates and accelerates communication and discovering of necessary information.

E-learning is a new model of learning and education which enables the selection of any educational institution or course from around the world without leaving one’s own desk and computer.

One of the most famous Ivy League American universities, Cornell, enables the acquisition of theoretical and practical knowledge from the areas of tourism management, and it offers online classes24 with the possibility of entering programmes and taking exams at any time, when convenient for the e-student.

University of Zagreb has adopted the e-learning strategy25 in May, 2007, with which it defines e-learning as a component and integral part of the university education process, and with it, the university intends to realise the following goals:
- improve the university education quality,
- enable instructors and students to take new roles in the education process,
- increase the competitiveness of the university and university study programmes,
- enable students the use of lifelong learning technologies.

The goals of European eLearning programme26 are the use of information technology for improvement of quality of educational programmes and pointing Europe towards the knowledge society. Using the eLearning programme is a step towards the vision of future in which the technology serves for lifelong education. Promotion of electronic literacy, European virtual universities, e-Twinning schools27

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24 http://www.ecornell.com/ (December 22, 2007)
26 http://elearningeuropa.info (December 27, 2007)
27 http://www.etwinning.net (December 27, 2007)
for teacher education and activities pointed at the promotion of eLearning programme throughout Europe.

When it comes to tourism education of higher quality, educational programmes called Welcome to Excellence\(^{28}\), for education of tourism workers, managers and everybody interested to learn more about tourism and tourism services, have become a huge success in Great Britain. Several hundred thousand students, a wide palette of different societies and organisations, from small caterers to large national chains and organisations, such as Hotel de Vere and National Trust\(^{29}\) have participated in the programmes from their establishment in 1993. Programmes include the following:

- Welcome Host and Welcome Host Plus – for the basics of accommodation of visitors,
- Welcome International – for raising the confidence of persons who are in contact with foreign visitors,
- Welcome All – intended for provision of services of advising and leading of persons with a disability and special needs,
- Welcome Management – for helping managers and leaders (supervisors) who define standards of help for clients in their activities and are responsible for leading the team (personnel) at the “front line” (reception, etc.),
- Welcome Line – for improvement of help for clients and sales over the internet,
- Welcome E-business/Smarter Marketing – how to profit the most through the internet,
- Green Advantage – help for students to understand the environment and the principles of sustainable tourism development.

On top of that, there is a whole number of courses for specific needs of individual sectors. That is why there are Welcome Host for transportation, Welcome Walkers and Cyclists for pedestrians and cyclists, Welcome Farmer (for agrarians), Welcome Host for sports and leisure time and Marketing for Smaller Business.

Generally speaking, Welcome to Excellence courses are designed equally for new personnel as well as experts in the hotel management and catering sectors, attraction management, leisure and recreation centres, travelling and transportation, and tourist information centres. Participation at courses enables employees to maximise user service, achieve all expectations and needs of guests, create an ambiance of a high standard of hospitality, pleasantness and warm welcome, and to concentrate on self-development.

\(^{28}\) [http://www.welcometoexcellence.co.uk/welcometoexcellence/press/northernireland.htm](http://www.welcometoexcellence.co.uk/welcometoexcellence/press/northernireland.htm) (December 28, 2007)

\(^{29}\) Peter Lane, president of National Best Value Tourism Group, Great Britain, (March 2, 2006) [www.rete.toscana.it/sett/turismo/euromeeting_2003/peter_lane_ita.pdf](http://www.rete.toscana.it/sett/turismo/euromeeting_2003/peter_lane_ita.pdf)
The benefits of educational programmes can be measured by the return rate of guests to the destination, recommendations, and improvement of the personnel recruitment system and their retention.

Another example from Great Britain is Redcar, a small town on the northeast of England. The quality of tourist product, the level of provided service and industrial development efforts have caused great concern when in that place by the sea, which was advanced in the past, the role of a tourist Mecca was jeopardised by competition and chemical, iron and steel industry growth. The dramatic contradiction (conflict between tourism and heavy industry) at the end of 80s and 90s has caused the new valorisation of the economy of that space and brought about the realisation that tourism is still functioning, even in unfavourable conditions. Therefore, it was decided that the necessary activities be performed in order to improve the quality of urban tissue and form the tourism product. Nevertheless, not a lot of attention was given to the way of presenting the town to the outside world. The quality of available accommodation capacities was not satisfactory or sufficient, and not one facility was included in the National Outlines of financing. At the same time, tourist and other services related to tourism were mediocre.

Using the financial institution resources, such as National Initiative of financing, educational programmes and incentives were created, after which almost all accommodation facilities met the necessary conditions for inclusion into the national registration framework. The personnel of institutions related to tourism have attended the courses from the Welcome programme, as well as specific activities such as commercial development, marketing and e-business possibilities.

European project for professional education Leonardo da Vinci supports the efforts aimed at fulfilment of challenges set in Lisbon\(^\text{30}\) that Europe become an economy based on knowledge by 2010 through efforts for fulfilment of needs of people in all educational structures, developing possibilities for their mobility, supporting innovation and quality education development in tourism, especially developing the packages of e-learning for destinations\(^\text{31}\). The project partners come from Italy, Greece, Denmark, Germany, Hungary, Belgium, Spain and Great Britain. The first task of the project is selecting comparative information on tourist destinations in each of the partner countries.

Leonardo da Vinci HOT\(^\text{32}\) project, the European programme of professional education is financed for the biggest part (75\%) from the partner projects aimed at supporting national education strategies, encouragement of cooperation between

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\(^{30}\) "White paper on education and training: towards the learning society", European Commission programme created as a response to bigger and bigger needs for new knowledge, aimed at lowering the unemployment through constant studying and improvement, a key to strengthening the competitiveness of European businessmen,

http://www.leonardo.org.uk/ (February 25, 2006)

http://www.hcima.org.uk/content/education/documents/education_leonardo_projectwork.html;
http://www.hotframework.org/?sid=9712084c46e2ee744b1f3f0f0f0eef
organisations throughout Europe, included in professional education, and the goals are raising the level of education quality, new knowledge, workforce mobility, innovation stimulation and strengthening the competition of European tourism industry. There are two main goals of HOT projects:

- to establish the framework for benchmarking of instructors of hotel management and catering
- to create and coordinate the European syllabus for hotel management and catering students.

Analogue to the ability and a wide range of possibilities of educating a man, an individual, a person, so a society or a group of people, people in an organisation, can develop their abilities, expand possibilities, in short advance by learning. One man’s potential is realised through learning, new understanding and acquiring of skills. Learning society, observed as a group of units learning is a key for improvement, better results, individual and collective. In the partnership synergy of public and private sector, based on a common vision, consensus and knowledge, as well as learning, it is possible to achieve what is proclaimed from political podiums as knowledge society. Learning continuity (continuous, lifelong learning) is shown in Figure 6.

**Figure 6: Learning continuity**

![Learning Continuity Diagram](image)


Tourist destination, as a learning organisation, includes the partnership of the public and private sector, not only within the destination, perceived as an area/region with certain attributes, tourism infrastructure, attraction basis and other offer in that context, but also outside of its borders. EU encourages and promotes public-private partnership as a form of cooperation between the public administration and the economy, aimed primarily at large infrastructure projects, as well as providing public services. Newer research shows that in other areas, such as education and lifelong learning, the possibilities of cooperation between the public and the private sector have been opened.
CONCLUSION

Modern global strategies of educational development are based on the concepts of lifelong learning and a learning society. One of the strategic goals of Croatia is its development as a knowledge-based society. Investment in education and science is considered highly productive state expenditure because it directly contributes to the economic growth of the country. Nevertheless, indicators of educational structure in Croatia still do not produce real results of such a strategy.

When it comes to tourism and productivity, tourist destination can maintain its competitiveness by profitable investments and capital value growth of own resources and attractions, and destination capital value is directly connected to the way of management, maintenance and improvement of own resources and tourist attractions, and with capacity growth, planned and agreed upon through partnership.

Human resource productivity is tightly related to technological efficiency and service provision. Improvement of destination productivity and way of management of tourism resources encourages new investments, equally into technology and human capital, which requires the cooperation of the public and the private sector. European experiences and examples listed here can be a direction, a benchmark for strategic thinking and acting in the area of tourism quality and human capital management.

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ANALYSES OF THE COMPETITIVENESS OF NOVI SAD AS A REGIONAL CONGRESS DESTINATION

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Abstract: On the congress tourism market, especially in Europe where are held the largest number of congress, is extremely high competition between countries for the host role of the large international meetings that bring not only economic prosperity to the country, but can contribute to its destination image. Apart from the traditional congress destinations, many new congress destinations have been appeared on the European tourism market. The convention market worldwide, and especially in Europe with its wide range of traditional and new Meetings and MICE infrastructure, is extremely competitive. Identifying existing competitors as well as potential ones, is an integral part of successful management of tourism (congress) destination. The aim of the study is to analyse the competitive position of Novi Sad as a congress destination by comparison with the major competitors in the region.

Key words: congress destination, competitiveness, Novi Sad.

INTRODUCTION

Congress tourism is an important and rapidly growing segment of international tourism. Through developing of congress tourism a multiply goals for a destination could be reached, such as urban renewal, improving infrastructure, tourism capacity etc. Additionally, large international meetings can bring not only economic prosperity to the destination, but may increase international recognition and destination image. However, there is a great competitiveness between congress destinations who strive to enter to the European tourism market. In such a saturated market, the fundamental task of destination management is to understand how a tourism destination’s competitiveness can be enhanced and sustained. Thus, there is a strong need to identify and explore competitive advantages or disadvantages and to analyse the competitive position of a destination.
Congress tourism is in last few years recognized as one of the most important parts of tourism industry in Novi Sad as well as in other parts of Serbia. Serbian Congress Bureau formed in 2006, identified and promotes primary cities of Belgrade and Novi Sad as congress (meeting) destinations that have facilities for attracting international meetings.

Novi Sad, as administrative, economic, cultural, scientific and educational centre of the region of Vojvodina (northern part of Serbia) and known as “town of fairs” (it has long tradition in organizing fairs – since 1923) has strong potential for smaller international conferences. Novi Sad Fair is a member of ICCA (International Congress and Convention Association), UFI (Union of International Fairs), CEFA (Central European Fair Alliance) and EASE (Exhibition Association of South-east Europe). In 2006 Novi Sad Fair opened a new congress centre Master, capable for hosting up to 4,000 congress attendees and started to affirm congress industry in Novi Sad and in whole region of Vojvodina. The Novi Sad Fair also offers some 60,000 SQM of indoor exhibit space. From its opening (September 2006) by the end of 2008, more than 500 meetings, with 60,000 attendees from 60 countries worldwide, were held in Congress Center Master. At the same time, hotel “Park”, renovated into five-star hotel (in that time it was the only five-star hotel in Vojvodina), also, opened up-to-date congress centre with capacity of 1,200 seats.

Novi Sad University also provides an opportunity as its Agriculture school is one of the most respected in Europe. It is strong in the fields of genetic research, medicine, environmental sciences and engineering. In addition, SPENS (Sport and Business Center) is the largest sports centre in Europe and one of the three largest in the world. SPENS is host to major international championships in bowling, basketball, karate, volleyball and Davis Cup Tennis. This represents another congress opportunity for Novi Sad, as there are many sports related associations that hold congresses and would be interested in meeting there.

Due to good geographical location, up to date congress centre, increasing supply of hotel rooms with congress facilities and image of “unexplored” and attractive tourist destination, congress tourism in Novi Sad has developed rapidly since 2006. However, the competition in the region is intensive. Countries such as Hungary, Croatia and Slovenia offer a variety of congress venues and facilities to meeting planners. In order to develop competitive advantages and overcome its weaknesses, it is necessary to research strengths and weaknesses of main competitors. In this study, the comparative analyses of Novi Sad, as an international congress destination in the region, will be reported.

1. DESTINATION COMPETITIVENESS – THEORETICAL BACKGROUND

According to Scott and Lodge (1985) viewed national competitiveness as “a country’s ability to create, produce, distribute, and service products in international trade while earning rising returns on its resources” (p. 3). They also noted that this ability “is more and more a matter of strategies, and less and less a product of natural
endowments.” The Organization for Economic Cooperation & Development (OECD) (The World Competitiveness Report, 1994) defines competitiveness as “the ability of a country or company to, proportionally, generates more wealth than its competitors in world markets.” Competitiveness is viewed as combining both assets and processes where assets “are inherited (e.g., natural resources) or created (e.g., infrastructure)” and processes “transform assets into economic results (e.g., manufacturing).” A number of authors have provided some inputs into the understanding and practical research of competitiveness in tourism destinations (De Keyser, Vanhove, 1994; Evans, Johnson, 1995; Hassan, 2000; Ritchie, Crouch, 1993; 1999; Thomas, Long, 2000). But, there seems to be no generally accepted definition of competitiveness. It is perhaps too broad and complex concept, defying attempts to encapsulate it in universally applicable terms (Crouch, Ritchie, 1999). In order to measure competitiveness of the destination, different models were created. These models differ by the elements which are used to measure competitiveness. For example, the authors De Keyser and Vanhove in their competitiveness model (1994) argue that the analysis of a competitive position should take five groups of competitiveness factors into account: tourism policy, macroeconomic, supply, transport and demand factors. Mihalic (2000) studied destination competitiveness from environmental perspective. The environmental component was also considered in Hassan’s model (2000). The model defined a destination’s commitment to the environment as one of the four determinants of tourism competitiveness; and included also comparative advantage, industry structure and demand factors.

Figure 1: Destination Competitiveness Conceptual Model by Ritchie and Crouch (1999).
According to the well-known tourism competitiveness researchers Ritchie and Crouch (1999) the Destination Competitiveness Model should include five key determinants: destination policy, planning and development, destination management, core resources and attractors, and supporting factors and resources. It also points out the importance of the environment surrounding the destination: the global macro environment and the competitive microenvironment.

In congress tourism, the competition among destination is more intensive now than it used to be, as countries worldwide continuously put various congress venues and facilities on the market. According to Crouch and Weber (2002), the service provided in a destination and its facilities are critical to the success of the congress destination. Also, Baloglu and Love (2001) state that quality and responsive service are among the most important criteria in venue selection in the meeting industry.

According to Swarbrooke and Horner (2001), a business tourism destination has to offer a suitable venue for the meeting, sufficient accommodation (if a venue is non-residential), attractions, good accessibility to the generating markets and efficient transport system within the destination. Similar to their view of a business tourism destination, Grimmer (2005) in A Plan for the Establishment of the Serbia Convention Bureau cited that congress product includes all related infrastructure (venues, hotels), transport capabilities, local service levels, destination amenities (the facilities that offer leisure opportunities to congress attendees, such as restaurants, bars, nightclubs, shops, arts and cultural attractions, entertainment establishments and pre and post touring opportunities) and even its image.

Based on research from the meeting planner’s perspective, Crouch and Ritchie (1998) listed seven dimensions of importance for site (destination) selection: accessibility, local support, extra opportunities beyond, the conference (activities and opportunities), accommodation facilities, meeting facilities, information and site environment (Severt et al., 2007).

Although the literature has highlighted the importance of the available meeting facilities and aspects of the quality of accommodation facilities, it is clear from this figure that a number of additional destination attributes play critical roles. For example, accessibility of the congress site to the majority of attendees, attractive pre and post congress recreational or vacationing opportunities, appealing destination image are likely to have influence on congress site selection (Crouch, Weber, 2002).

In a study of the competitiveness of Hong Kong as an international conference destination in South-east Asia, Qu et al. (2000) examined importance of site selection criteria and limits of holding conferences in Hong Kong and its main competitor Singapore. They divided selection criteria into three groups: accommodation (hotel facilities, services and rates), convention facilities (large convention centres, modern audio visual equipment, services at venues etc.) and other (accessibility, safety, image, attractions, climate etc). The results of study show that accommodation, convention facilities, accessibility, safety and infrastructure system were perceived as important site selection criteria. Also, it is reported that space availability for holding large conferences, the design of large theatres and rooms for concurrent sessions are
important competitive advantages of a conference destination. Similar model for examining competitiveness of Serbia as a convention destination was used by Grimmer (2005). Also, in this study, congress facilities, accommodation facilities and accessibility of Novi Sad as an international congress destination will be analysed and compared with its main competitors in the region, to identify strengths and weaknesses of Novi Sad and develop competitive advantages.

2. COMPETITORS OF NOVI SAD AS A REGIONAL CONGRESS DESTINATION

According to Grimmer (2005), primary competitors to Serbia in attracting convention business are Slovenia (Ljubljana, Bled and Portoros), Croatia (Dubrovnik and Zagreb), Hungary (Budapest) and Czech Republic (Prague). In the ICCA (International Congress and Convention Association) category, in terms of how many international conventions are listed as being scheduled in the years 2004 – 2015, Serbia ranks 47th, with a total of 0.2% of the meetings, while neighbouring counties are better ranked. ICCA lists Hungary as having 76 international conventions on its calendar between 2004 – 2015, followed by Slovenia as having 41 international conventions, Croatia with 35 international conventions, versus Serbia with 13 international conventions on its calendar.

According to Strategy of Tourism of the Republic of Serbia (2005), Belgrade and Novi Sad are identified as primary destinations in Serbia for attracting international meetings, as these cities have necessary meeting and accommodation facilities and easy access.

Primary competitors to Novi Sad in the region are cities of Ljubljana (Slovenia) and Zagreb (Croatia), as these cities according to Grimmer (2005) have small population, accommodation and meeting capacity in comparison to Belgrade, Prague and Budapest. Novi Sad and its competitors represent administrative, economic, cultural, scientific and educational centres with great possibilities to attract international and especially regional convention business.

Zagreb is leading congress destination in Croatia. Zagreb Convention Bureau, ICCA member, provides maximum assistance to conference organizers and offers advice in all aspects of event planning including: complementary venue finding service, preparation of bid documents, familiarization visits and site inspections, suggestions for choice of Professional Conference Organizer or Destination Management Company, suggestions for social and partners programmes, pre and post-convention tours, assistance with in-bound and local transportation and provision of promotional materials (http://www.zagreb-convention.hr). According to data available at Zagreb Convention Bureau web site, 13 hotels offer conference and meeting rooms for accommodating from 100 up to 900 delegates in theatre style. Concert and Congress Hall Vatroslav Lisinski, opened in 1973 and renovated in 1999, represents Zagreb venue with the largest capacity in theatre style (1,851 seats). The venue is equipped with the latest sound technology and has a built-in system set for simultaneous interpreting, as well as other up-to-date technical features, but there is a
limit for holding large conferences. The venue can hold plenary sessions, but there is a lack of meeting rooms for concurrent sessions. Zagreb Fair, member of ICCA, offers two congress halls for meetings with up to 1200 participants, exhibition area and up-to-date equipment. In terms of accommodation, Zagreb hotels offer a total of 1,561 beds in five-star hotels, 2,143 beds in four-star hotels, 1,753 beds in three-star and 761 beds in two star hotels. According to data available at Zagreb airport website (http://www.zagreb-airport.hr), 14 airlines connect Zagreb with major European destinations.

The capital of Slovenia – Ljubljana has been working on developing its convention business for over 20 years, but it is still regarded as a new destination yet to be fully appreciated. One of its strengths is the fact that Slovenia has a large number of professors and medical researchers that are prominent in international associations, and who have “raised their hands” to help bid on their respective conventions and bring them there (Grimmer, 2005). Also, the advantage of Ljubljana compared to Novi Sad and Zagreb is the membership of Slovenia in EU. In the recent years, the ICCA meetings statistics rank Ljubljana in the top 50 congress cities worldwide. Another advantage is small city area that allows walking distances from the main venues to a number of hotels. The capital boasts the largest convention venues in Slovenia and is well geared to welcome congresses and meetings with up to 2,000 delegates. Culture and Congress Center Cankarjev Dom, member of ICCA, IAPCO (International Association of Professional Congress Organizers) and AIPC (Association Internationale des Palais de Congrès), offers 22 multi-functional rooms, with maximum capacity of 2,000 seats in theatre style. Since 2005, Ljubljana Exhibition and Convention Centre has been providing 17 rooms for meetings with up to 2,200 attendees. Also, Ljubljana Congress Bureau offers to meeting planners 9 convention hotels or hotels with conference facilities, special venues (museum, theatres) and other conference facilities. Ljubljana provides a good range of accommodation facilities of all categories and types, totalling to around 1,870 hotel rooms in 2008. The total number of properties in the city that are officially designated as hotels is 17, out of which one is a 5-star, 7 are four-star, 7 are 3-star and 2 are budget. Several hotels are centrally located and are either within walking distance or up to 3 km from the Old Town, the key institutions or the major congress and exhibition venues in the city (Cankarjev dom and GR – Ljubljana Exhibition and Convention Centre). Slovenia’s airport is situated halfway between Ljubljana and Bled, the country’s other conference destination, and about 20 minutes travel time from each. At less than two hours’ flight from the major European hubs, Ljubljana is easily accessible. Slovenia’s national carrier operates per week around 250 direct scheduled flights from Ljubljana to more than 20 destinations, mainly in Europe. There is also nine foreign airlines which operate flights to Ljubljana (http://www.visitljubljana.si).

3. ANALYSIS OF NOVI SAD COMPETITIVENESS AS A REGIONAL CONGRESS DESTINATION

In this part of paper the results of comparative analyses of Novi Sad as an international congress destination in the region will be interpreted. Is Novi Sad a competitive destination for holding meetings with 1,000 and more participants? The
question will be answered by comparing accommodation, congress facilities and accessibility of Novi Sad with its competitors.

Table 1 shows that Zagreb provides total of 3,545 hotel rooms, almost twice more than Ljubljana and five times more than Novi Sad. Zagreb has 893 rooms in three five star hotels, whereas Ljubljana has only one five star hotel (173 rooms) as does Novi Sad (225 rooms). Regarding hotel product quality, Zagreb is more competitive than Ljubljana and Novi Sad as it has more than 2,000 rooms in five and four star hotel, whereas Ljubljana provides a little more than 1,000 and Novi Sad less than 300 rooms. Although business travellers are not price-sensitive, Novi Sad could have the advantage on hotel rates.

Zagreb and Novi Sad could compete fairly on small meetings with up to 200 participants, as they would be both capable for accommodating all participants in one five star hotel, meanwhile Ljubljana should assemble one five star and one four star hotel, but this does not put Ljubljana at a terrible disadvantage.

For larger meetings which would require a block of 300 to 500 hotel rooms, Ljubljana and Novi Sad are less competitive than Zagreb, as while Zagreb can assemble room blocks in only two five star hotels, it will likely take five properties of five and four star category in Ljubljana and even capacities of three star hotels would be used in Novi Sad. Advantage of three stars and above hotels in Novi Sad is that they are centrally located and/or near major congress venues in the city.

Table 1: Hotel offer of Novi Sad, Zagreb and Ljubljana²

<table>
<thead>
<tr>
<th>Hotels</th>
<th>Novi Sad</th>
<th>Zagreb</th>
<th>Ljubljana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total rooms</td>
<td>745</td>
<td>3,545</td>
<td>1,868</td>
</tr>
<tr>
<td>5 star hotel</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4 star hotel</td>
<td>2</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>3 star hotel</td>
<td>4</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>5 star rooms</td>
<td>225</td>
<td>893 (3)</td>
<td>173 (1)</td>
</tr>
<tr>
<td>4 star rooms</td>
<td>54</td>
<td>1,330 (9)</td>
<td>937 (7)</td>
</tr>
<tr>
<td>3 star rooms</td>
<td>264</td>
<td>1,128 (14)</td>
<td>633 (7)</td>
</tr>
<tr>
<td>Total</td>
<td>543 (7)</td>
<td>3,351 (26)</td>
<td>1,743 (15)</td>
</tr>
<tr>
<td>Average Daily Rate (€)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 star hotel</td>
<td>from 55</td>
<td>155-255</td>
<td>160-185</td>
</tr>
<tr>
<td>4 star hotel</td>
<td>65-185</td>
<td>80-250</td>
<td>151-187</td>
</tr>
<tr>
<td>3 star hotel</td>
<td>43-90</td>
<td>33-195</td>
<td>90-120</td>
</tr>
</tbody>
</table>

² The authors used data available at the official website of Croatian National Tourist Board http://www.croatia.hr, Ljubljana Tourist Board http://www.visitljubljana.si and Dragicevic, V. (2008).
For meetings with up to 1,000 attendees, Novi Sad is at a real bidding disadvantage, as it provides total of 745 hotel rooms and capacities of apartments, hostels, B&B and other accommodation facilities should be used. Zagreb and Ljubljana could compete fairly as they could block 1,000 rooms in five and four star hotels. For meetings needing 2,000 rooms, neither Novi Sad nor Ljubljana could provide a quality service. Zagreb has that number of rooms but in at least 12 hotels.

Given the comparative nature of the hotel product between these cities, it is recommended that Novi Sad focus its efforts primarily on meetings requiring 500 rooms or less. For larger meetings, Zagreb and Ljubljana have competitive advantages as they could provide high quality hotel product.

Regarding congress facilities and especially plenary space (Table 2), Ljubljana has the largest number of seats. Disadvantage of Zagreb major plenary space Concert and Congress Hall Vatroslav Lisinski is that it couldn’t be divided into smaller rooms for concurrent sessions. Congress center Master in Novi Sad as well as Culture and Congress Center Cankarjev Dom in Ljubljana offers multifunctional rooms which could be arranged, thanks to mobile partitions, into smaller or larger rooms in order to provide organization of concurrent meetings. Although Novi Sad has the smallest plenary space in comparison with its competitors, it is not really a limiting factor, having in mind its flexibility and number of three star and above hotel rooms.

Table 2: Major venue capacity

<table>
<thead>
<tr>
<th>City</th>
<th>Novi Sad</th>
<th>Zagreb</th>
<th>Ljubljana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Plenary Space (Seats)</td>
<td>1,350</td>
<td>1,851</td>
<td>2,200</td>
</tr>
</tbody>
</table>

Accessibility of destination is an important competitive factor regarding especially international congress business. In terms of air access, Zagreb and Ljubljana are more competitive than Novi Sad, as these cities are located 20 – 30 minutes from its airports, meanwhile the Belgrade’s airport is 50 – 60 minutes far away of Novi Sad. This fact does not put Novi Sad in a great competitive disadvantage as almost all hotels and congress centre provide transfer service from the airport to Novi Sad.

Overall, Novi Sad should be competitive with Zagreb and Ljubljana for groups requiring 500 or fewer rooms. In terms of international standards of quality, Novi Sad is competitive in meetings requiring 200 or fewer rooms as a single five-star hotel near congress centre offers more than 200 rooms. For meetings requiring between 500 – 1,000 rooms, it is not generally competitive, as Zagreb and Ljubljana may offer a higher quality block if most of attendees are looking for five and/or four star hotels. On groups requiring 1,000 – 2,000 rooms, Novi Sad is likely to be faced with competition from cities offering higher hotel product quality (for example Belgrade, Zagreb, Budapest).
CONCLUSION

Congress tourism is recognized in Serbia as a tourist product which could bring benefits to national economy, development of whole tourism industry and to image of Serbia at world tourism market. Belgrade and Novi Sad are identified as Serbian primary congress destination. Since opening up-to-date congress centre in 2006, Novi Sad has been creating competitive congress product.

The competitiveness of Vojvodinian capital depends on whether the city can develop its strength and overcome its limitations. The results of comparative analysis of Novi Sad as a congress destination in the region show that quality of hotel product is the major limitation on holding large congresses. As there is less than 300 high quality hotel rooms and city’s congress centre could accommodate meetings with 1,000 and more attendees, for the future, the design of five and/or four stars hotel should be considered. Also, existing three star hotels should be renovated for higher categories, as they are located in the vicinity of city centre and/or congress centre. Novi Sad is capable of providing up to 500 rooms as a block for a congress and is well positioned to bid for international congresses of between 200 - 500 attendees, but for larger congresses Ljubljana and Zagreb are more competitive.

Image of “town of fairs”, modern design of congress centre according to international standards, its flexibility, state-of-the-art equipment and great exhibition area are the major strengths of Novi Sad as a congress destination. Also, the membership of congress centre in international associations confirms its high-quality service.

To improve its competitive position as a congress destination, Novi Sad should better promote itself as an attractive tourist and congress destination. Novi Sad doesn’t have convention bureau (with all congress facilities presented at website, available for on-line booking), like Zagreb and Ljubljana. As destination management and marketing weren’t the subject of this paper, but they are of great importance for congress destination competitiveness, some of the future researches should be related to the marketing of congress destinations in the region.

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MANAGING ORGANIZATIONAL KNOWLEDGE
WHILE DOWNSIZING ORGANIZATIONS

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Abstract: In this paper we investigate potential influence of organizational downsizing on organizational knowledge and learning. We discuss organizational downsizing in order to show that in large it is an issue of organizational design, and as such, managerial activity that must be coordinated with another - managing organizational knowledge. From this standpoint, we theorize that if these two managerial activities are not coordinated, organizational downsizing can lead to uncontrolled knowledge leakages, which can show to have unforeseen effects on organizational well-being in long term.

Key words: knowledge management, downsizing, organizational design, organizational learning.

INTRODUCTION

Downsizing is the program of radical organizational changes initiated by management with the intention to improve organizational efficiency, productivity and/or competitiveness (Cameron et al., 1993: 24). Companies have traditionally decided to downsize when facing laggings in the development, decrease in productivity, and low level of innovation, together with the lost of competitive edge. Downsizing was than implemented as a managerial response to declining performances, operationalized by reduction in workforce (number of employees) as well as by reduction in work processes (reduction of certain non core-activities and businesses). Although downsizing was initially interpreted as a synonym for organizational decline, layoffs and firings of the employees, important differences between these strategies have emerged, making them separate strategies of organizational change (Cameron et al., 1993: Fisher, White, 2000). Downsizing is also defined as an intentional reduction in the size of a workforce at all hierarchical levels with an intention to improve efficiency (Freeman, Cameron, 1993), or become a more attractive candidate for acquisition or merger (Kozlowski, 1991).
In this paper we explore potential negative side effects downsizing might have on organizational knowledge potentials of a company. We discuss both organizational downsizing and knowledge management from organizational design standpoint. As we see it, reduction in workforce and business activities that stand for downsizing, eventually result in changes in organizational structure, organizational systems and processes. Moreover, modern management literature recognizes knowledge management as an organizational design issue intended to "improve the efficiency and effectiveness of an organization and its people by sharing knowledge and information." (Burton and Obel, 2004: 10). Therefore, in this paper we investigate potential influence organizational downsizing has on organizational knowledge and organizational learning. The basic idea of our paper is to show that if not coordinated with knowledge management activities, organizational downsizing can lead to uncontrolled knowledge leakages which can in long term have unforeseen effects on organizational welfare.

1. DOWNSIZING AS A STRATEGY ORGANIZATIONAL CHANGE

Cameron et al. (1993: 25) define downsizing by highlighting its four distinctive attributes: (1) downsizing is an intentional activity, (2) downsizing involves reduction of the employees, (3) downsizing is intended to result in the increase of efficiency, and (4) downsizing affects work processes. Downsizing is an intentional strategic reaction initiated by top managers or owners, with the aim to reconsider the way business is done, work-processes are carried out, organizational units structured and people engaged. Downsizing as a process is mostly initiated by the influences from external environment, but might also come as a result of change in strategy (when company enters strategic partnership, merger or acquisitions, for instance).

This restructuring strategy was extensively applied by US organizations from the late 1980s and during 1990s. In Europe, companies showed different behavior in pursuing downsizing strategy, depending on whether they were driven by market or transition forces. Companies coming from Western Europe have started downsizing in order to fight against bureaucracies within organizations, massive administrative structures which developed over time, systems filled with procedures which suppressed personal creativity, initiative and changes, and procedures that became important per se and not for their purpose. Companies undergoing transition have faced true triggers for applying downsizing logics since they were in real need to decrease organizational hierarchy, number of employees on all organizational levels, restructure organizations, recognize core and non-core activities, reconsider strategic approach to market, increase organizational flexibility and change organizational cultures and habits.

The basic logic of downsizing is that through the decrease and concentration of organizational resources a company can fight crisis with higher chances for a success. The question is whether this logic proved to be correct in practice? The answer is quite expected: not always and not in all situations. In fact, annual surveys of American Management Association show that only about 40% of companies that downsized increased their productivity at the same time, while only 37% achieved long-term increase in value (Koretz, 1998 prema Fisher, White, 2000), which, in fact,
does not represent encouraging result. The finding of another longitudinal, long-scale
survey, report inadequate and unexpected results of the downsizing as well: only 46%
of the companies that downsized reduced expenses, 32% increased profits, 22%
increased productivity, and 17% reduced bureaucracy (Cameron, Freeman, 1994).
However, despite these not-promising results, companies keep announcing new
downsizings. Not long ago Siemens announced a restructuring plan that cut around
3,800 jobs, which came as a consequence of strategic decision of Siemens to move
from being a hardware supplier to a software and solutions provider”. As company’s
officials explained: ”…market's flux has made the transformation absolutely essential"
(Deffree, 2008).

In two papers of Cameron et al (1987a, 1987b) we can find a thorough
investigation of negative effects of organizational decline, with respect to their
potential similarities with negative effects of organizational downsizing. Cameron et al
have found 12 negative attributes of organizations that emerge in conjunction with
decline: centralization, short-term (crisis) mentality, loss of innovativeness, resistance
to change, decreasing morale, politicized special-interest groups, non-prioritized
cutback, loss of trust, increasing conflict, restricted communication, lack of teamwork,
and lack of leadership. When analyzed from the perspective of enterprises in transition,
eleven of these twelve negative attributes can be clearly recognized that have occurred.

2. ORGANIZATIONAL KNOWLEDGE

Knowledge is defined as "information that corresponds to a particular
context” (Burton et al, 2006: 92). This point of view is particularly important because
it addresses the difference between information and knowledge. Knowledge as a
construct is unavoidably related to information: knowledge of any kind is structured
and consisted of mutually related and logically connected groups of information. On
the other hand, not every piece of information can be considered as knowledge, but
only those that contribute to increase in overall level of organizational knowledge.

There are numerous typologies of knowledge. Winter (1987), for instance
suggests a typology which differentiates knowledge as (1) simple and complex, (2)
teachable and not teachable, and (3) observable and not observable. Anderson (1983),
on the other hand considers knowledge as declarative and procedural. Cummins
(2001), as well as some other authors, states that the basic characteristic of knowledge,
upon which we can classify different kinds of knowledge into different categories, is
knowledge transferability. For long time knowledge transfer has predominantly been
understood as the movement of existing technology or management practice, into an
organizational settings for which such transfer represents a new knowledge input
(Lindholm, 1997). Nowadays, it is more common to define knowledge transfer as
sharing ideas across boundaries both within and outside of an organization (Yeung et
al., 1999), which points to understanding of knowledge from a different perspective. In
that sense, knowledge is understood not only as technology, but as a wider concept.
Among all classifications of knowledge, the most influential is the one of Polanyi
(1966). Polanyi defines two basic forms of knowledge within organization: tacit and
explicit. Explicit knowledge is the one that can be easily transferred through
communication, while tacit knowledge can be transferred only through application and acquired through practice (Grant, 1996:111). The implicit logic that underlies previously stated is that people usually know more than they can show, explain or say (Polanyi, 1966; Cummings, 2001: 18). Tacit knowledge is embedded within a specific context whereas explicit knowledge is opened and achievable more easily. Knowledge can be embedded within an individual, group or organizational context, and accordingly knowledge can be analyzed and traced on these three different levels – individual, group and organizational.

At the same time, knowledge as a concept should be discriminated from the concept of learning. Learning is the process of knowledge accumulation through modification of existing and acceptance of new knowledge (Burton, Obel, 2004). Knowledge is the result of the process of learning and, at the same time, prerequisite for further learning. Later authors recognized the importance of including not only behavioral, but a cognitive dimension of learning as well. From the behavioral standpoint, learning occurs when there is a change in response of the subject prior and after learning process. From the cognitive standpoint, changes in behavior do not necessarily imply that learning process took place. This approach emphasis the learning occurs if cognitive understanding and pre-existing level of knowledge increased after learning process (Wong, 2002: 8). Today, the dominant approach without any doubts recognizes both cognitive and behavioral aspects of learning, pointing to the fact that learning occurs on the cognitive as well as on the behavior level. Arigirs and Schö'n (1996) propose a very specific point of view on how organizations learn, including both behavioral and cognitive aspect of learning. Their approach showed to be very influential on the further development of thought on how learning within organizations is understood and analyzed. Arigirs and Schö'n recognize two types of learning: single loop and double loop learning. They define single loop learning “as instrumental learning that changes strategies of action or assumptions underlying strategies in ways that leave the values of a theory of action unchanged.” Therefore, single loop learning assumes behavioral changes within organization, while cognitive changes are not included implying that people change their behavior in everyday organizational life, but do not change the way they look at organization, its role in business world, and the basic assumptions they have about its functioning. Mode of single loop learning has been recognized before by Cyert and March (1963), as well as March and Olsen (1976). Double loop learning, on the other hand, produces not only change in behavior, but “change in the values of theory-in-use, as well as in its strategies and assumptions”. Therefore, double loop learning assumes both cognitive and behavioral changes within organization; i.e. people’s change in behavior in everyday organizational life is followed by the corresponding changes in the way they look at organization, its role in the business world and the basic assumptions of its functioning (Argiris, Schö'n, 1996: 21).

The works published lately place emphasis on the group level of learning within organizations, so organizational learning in groups becomes an important segment of analysis. These research are based on the previous knowledge of a group as “a social systems that has the following properties: it is perceived as an entity by its members and nonmembers familiar with it; its members have a degree of interdependency; and a differentiation of roles and duties takes place in the group”
The first perspective of group learning starts from the classical functional organizational perspective, pointing to the well known silo effect, when organizational units are limited by their functional perspectives and for that reason do not have at the disposal the knowledge available to other organizational units. Dixon (1994), however, warns about another danger of functional approach to learning; that of alienation and the lack of exchange of knowledge between organizational units, which results with the problems in understanding their own information and their appropriate interpretation simply because they cannot see a total picture. The second perspective points to the difference between learning that occurs within group from learning occurring within teams. This perspective in fact makes a distinction between groups and teams as social systems. According to Marquardt (2002: 42) there are three prerequisites for team learning: (1) a complex issue has to be addressed through collective insight, (2) innovative action is coordinated within a team and (3) team learning has an ability to encourage and stimulate learning in other teams. The research done by Wong (2005) indicates that teams can learn both in explorative and in exploitative way. Exploitative learning implies that in the process of problems solving team members use their previous knowledge and experience extensively. In approaching a problem, they primarily start from the question whether a team member was previously involved with a similar situation and whether that knowledge could be exploited for the purpose of solving a specific problem in question. On the other hand, explorative or research approach to solving problems is based on facing new and creative problems, while at the same time the team is trying to come to a new, totally unexplored approach and generate a new solution to a specific problem.

3. THE IMPACT OF DOWNSIZING ON ORGANIZATIONAL LEARNING

In their extensive study on downsizing and organizational redesign Cameron et al. (1993) found three strategies that are used in the process of organizational downsizing: (1) workforce reduction, (2) organizational redesign and (3) systematic strategy focused on changing values, attitudes and organizational culture. We find the first two strategies essential from the organization design point of view.

The first strategy, workforce reduction, is very important for the analysis of relationship between knowledge potentials held within individuals and implications on organizational knowledge if these individuals leave organization. In this way, during the process of downsizing organization decreases number of people it employs. This means that downsizing process can lead to removal of those individuals who are in fact not supposed to be eliminated. One of the examples is that in the process of downsizing a company willingly or unwillingly looses an employee who possesses some specific knowledge that a company in fact needs heavily, so as it comes into a situation to rehire ex-employee, but now in a form of outsourcing, and therefore probably to pay much higher fees for these services than the cost of salaries of that employee were. Both domestic and foreign business cases report unexpected financial results of the downsizing alike. Cascio, for instance, reports an example of one of the Fortune 100 companies which downsized a bookkeeper paid 9$ per hour, to rehire it again but in a...
form of external consultant with a market fee of 42$ per hour (Cascio, 1993). It is very important to note that “the loss of an individual in downsizing is directly related to the quantity and value of the information held in that individual’s memory and not retained elsewhere in the organization” (Fisher, White, 2000:245). If we include the value of individual’s social network and contacts, the price of downsizing wrong individual is even higher. The observation of one automotive product team manager who says “I can’t remember exactly what percentage of the total cost direct labor is, but it’s about 5.6.7 percent. It’s peanuts. You know 85 percent is material costs. We concentrate like hell on the 7 percent, when there is more opportunity for cost savings in other places...” (cited after Cameron et al., 1993: 19) is in that context highly illustrative. On the other hand, the experience of the Serbian market also shows the tendencies of organizations to decrease the number of employees, but to withhold the same level and scope of activities. To pursue this in practice, organizations mostly apply strategy of job enlargement and job enrichment of those who survived downsizing. The effects of a restructuring alike are numerous. First, it is probable that the survivors will face increase in work loadings and work stress connected with new calls and job-requirements. Furthermore, this can result in systematic disregarding of certain business activities.

The other way to downsize is to reduce the number of businesses organization is in, so in that sense the reduction in the number of employees comes as a logical result of a decrease in organizational activities. One of the examples of companies pursuing this strategy is the case of Serbian Railways. Serbian Railways started the restructuring in 2001. At that time Serbian Railways had 33,741 employees. Financial support for the restructuring was provided by the EBRD resources in the form of loan. It is worth noting that the company started the restructuring process by applying the strategy of separating core from non-core business areas, and consequently four new entities as separated companies have been created. Reducing the number of employees in the Serbian Railways has been mostly directed by the following criteria: (1) the priority has been given to the employees that fulfil one of two conditions needed to retire and (2) the priority has been given to the employees that have two more years to satisfy one of the two conditions needed to retire. In order to control for individual and organizational effects of this restructuring, the Company created a team which worked together with the National employment service. This team of experts was obliged to observe the effects of restructuring and to resolve the problems that arose. Basically, the duty of that team was to meet once a month and to discuss the latest activities and their effects on the Company, as well as on the labor market in order to show care and control for the effect of “the victims of downsizing”. From the standpoint of our research, the downsizing in a situation alike is focused on organizational and group, and only afterwards on individual level. The first target of downsizing was an organization and its business activities – core and non-core, and only than individuals. This is a regularly practice in transition economies, especially when downsizing public companies. The public companies in Serbia, for instance, have been led by the principles “everything under one roof” which resulted in massive organisational structure, with large number of managing positions as well as the number of employees and centralised management. The diversification of these companies was forced during the period of sanctions and economic crises in 1990-is. From that period we have inherited the practice to find other possible sources of revenues and to employ more
people together with employing free capacities, and it resulted with the situation that we can find publishing business in Serbian Railways, tourism in Oil Industry of Serbia, mushrooms in the mines of the Electric Power of Serbia. When non-core activities are downsized as entities that become independent units, the company has higher level of control over knowledge base it looses. On the other hand, if the company offers to the employees the option to leave, as in a case of the Serbian Railways, it might happen that those individuals who have important knowledge and are highly attractive candidates on a labour market can take the money refund for being “downsized” and simply leave, while their know-how remains essential for their former organization. In order to prevent organization from loosing important knowledge while downsizing, companies today use different criteria when decreasing number of employees. The case of National Bank of Serbia is illustrative for that purpose. This important national institution combined the following criteria in estimating positions and individuals to be downsized: percentage of utilized working hours, level of personal motivation, and level of competency, absence from work, work-load, and finally, importance of the employee for the work unit. Each employee was evaluated upon these criteria by his manager. The practice alike helped organization downsize while controlling for organizational knowledge.

Effective downsizing from the perspective of knowledge management should show care for the downsizing survivors. Management is suggested to show a high level of competency with handling behavior of those employees that stay within a company after the process of downsizing. Kozlowski et al. (1993) note the effect that employees who remain with the organization will also be affected by downsizing strategies intended to improve organizational flexibility, increase employee responsibility, and streamline operations. If management does not show care for those who have “survived” the kind of antagonistic relationship within organization can occur, disturbing organizational trust and climate, which will negatively effect knowledge base and learning within organization. This notion is very important if we know that organizational learning cannot if individuals within an organization are not ready to apply their knowledge.

Another problem, quite typical for companies pursuing downsizing in transition countries, is freeze on hiring. In that situation, organizational knowledge base is exposed to double pressures. From one side, companies are forced to decrease their knowledge base by downsizing employees, but at the same time they cannot replenish this knowledge base since not allowed to replace individuals who have left. This dualism regarding employment was especially the case in downsizing public companies, which simultaneously had the need to reduce the number of employees (usually elder, less qualified workforce) and to employ highly qualified, skillful candidates; but they were not allowed to.

Furthermore, downsizing can have negative effects on group and organizational equilibrium. Very important implications of downsizing can be seen if analyzed from the perspective of social network analysis. This methodological approach can be of great help when analyzing the effects of downsizing on organization because it enables us to trace what happens if we eliminate certain organizational positions, organizational groups (units) or organizational connections.
The application of network analysis methods allows for deeper understanding and measuring the effects of elimination of certain positions, groups and linkages. From the network perspective, downsizing affects various network properties, such as network density, connectedness, reachability, reciprocity, properties of ego-networks and structural holes within existing network. Downsizing which leads to the increase in network density, connectedness, reachability, reciprocity, and size of individual ego-networks has positive effects on organizational potentials for learning and organizational knowledge base. Positive influence of downsizing in this way is that it makes tacit knowledge stronger and more embedded into organization.

CONCLUSION AND IMPLICATIONS FOR MANAGERS

During previous decades, organizations focused on material resources as the main source of their competitive advantage in the market. New economy brought new challenges, introducing the assumption that knowledge and the ability of an organization to implement that knowledge are the most important source of maintaining competitive advantage of a company in the market. Simultaneously, time dominant preoccupation with resource organizational perspective underwent a transformation so that instead of focusing on material resources of an organization, it started to focus more intensively on non-material resources, skills and competences of the employees and the in-built abilities of organizational units and an organization as a whole. Consequently, knowledge in general became a key issue, regardless of the fact whether it is individual, group or organizational knowledge. During the 1990s, intensive globalization of the markets, development of information technology, and other environmental changes forced companies worldwide to reconsider their strategies and organization designs. Expansion of the Internet economy set realistic foundations for the development of new organization forms, which are based upon smaller and flatter organizations. Numerous companies used the strategy of downsizing in order to improve their business.

In this paper we investigated the influence organizational downsizing has on organizational learning and knowledge. Perspectives derived from literature on organizational change and development emphasize various organizational benefits of downsizing. As previous analysis shows, downsizing is a program of radical organizational changes intended to improve efficiency, productivity and competitiveness of an organization. In that sense, downsizing can be a good opportunity for company to achieve double-loop learning. By reducing number of employees and radically changing organizational context, downsizing can prepare organization to change the dominant system of values, as well as its strategies and assumptions. At the same time, the scope and depth of organizational changes caused by downsizing can be very powerful mechanism for changing employees’ behavior in everyday organizational life, together with changing the way they perceive organization, its role in the business world and the basic assumptions of its functioning. Nevertheless, empirical results and practice point to the need of coordinated downsizing and knowledge management activities, because downsizing can lead to uncontrolled knowledge leakages which can in long term show to be a strategy with unforeseen effects on organizational welfare.
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SPECIFIC KNOWLEDGE FOR MANAGING ECOTOURISM DESTINATIONS

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Abstract: Management of ecotourism destinations is very demanding because of the specific and interdisciplinary knowledge that is necessary. Great knowledge, which consists of knowledge from human and natural sciences at the same time, emphasizes the need for permanent education, formal and informal of ecotourism destination managers. In should be generally stated that countries which have a great areas and resources for ecotourism development should create a specific program for education about the relevant and specific issues. Besides the availability of natural resources, knowledge is for sure the most important and basic element of ecotourism destination competitiveness improvement. In general these statements are applicable to all destinations which attractiveness arises from the quality and uniqueness of natural resources.

Key words: sustainable development, ecotourism, natural resources, knowledge.

INTRODUCTION

The ecotourism as a type of tourism is facing the growth of tourism demand, but also has to face a great challenge in order to protect the natural resources and participate at the tourism market at the same time. The natural environment is being increasingly recognized as a key factor in tourism.

1. TOURISM IMPACT ON THE NATURAL ENVIRONMENT

Very important aspect of sustainable development is environmental limitation i.e. the limited abilities of the natural surroundings to meet present and future needs. Tourism, as any other economic activity, has significant impact on the environment and that fact tourism managers must have in mind during tourism planning process. Therefore, modern instruments for minimizing negative impact must be accepted (carrying capacity, environmental impact assessment, limits of acceptable change, visitor flow management, code of conduct…). (Smolcic Jurdana, D., 2003).

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The Brundtland report points out the following content for sustainable development: (Laws, 2000)

- People themselves have a capacity to achieve sustainable development;
- A long-term perspective is necessary; there must be sufficient resources and a good environment for coming generations as well;
- There must be a balance between rich and poor countries; everybody’s basic needs must be provided for;
- We must all, in the rich world particular, change our attitudes and lifestyles to favour sustainable ecologically adapted development;
- Development is a process that can be steered towards sustainability.

Keeping the above in mind we can conclude that sustainable development is a process of changes aimed at enhancing the ability of meeting needs and aspirations, both today and tomorrow, through the mutual co-ordination of resource exploitation, investments, technological development and institutional changes. (Laws, 2000) In the foreground, the concept emphasizes qualitative improvements over quantitative growth.

**Figure 1:** Sustainable development – knowledge and a need for multidisciplinary approach

The concept of sustainable development promotes controlled growth and development through the maximum preservation and rational exploitation of resources. This would provide for long-term economic and social development. Development that would, in the long run, cause the disruption of the economic, social and ecological basis is not development based on the principles of sustainability.
Tourism enhances interest in the public utilization of the environment, which will further impact on the private sector, the regional and state government, and especially on the local communities, which are more susceptible to the issue of environmental preservation.

The interdependence of tourism and the environment in achieving sustainable development involves the following: (Coccossis, H., 1996)

- Integrating development policies with the management of natural resources based on projects, plans and programs.
- Developing natural resources management on a regional level, which will provide the framework for management programs for natural resources on a local level.
- Integrating the development of tourism and the policies of natural resources management on a local, regional and state level.
- Increasing local capacities in accordance with the actual possibilities of the environment (especially in areas with strong tourism tendencies).

The environmental policy is generally pointed out as the fundamental issue to consider in elaborating the concept of sustainable tourism development. It goes without saying that the importance of environmental management is incontestable, as it deals with the protection of nature and space, the fundamental resource basis of tourism. However, it should be underlined that it is impossible to competently speak of the sustainable development of tourism, without an analysis of the social, cultural and economic resources.

Just like any other economic activity, tourism has its positive and negative outcomes. Sustainable tourism development should maximize the benefits from tourism, while at the same time minimizing damages or expenses, and directing and limiting tourism development in accordance with the principles of sustainable development in tourism. There are several obstacles to the process of implementing sustainable tourism development in practice: (Muller, H., 1994)

- **Physical and natural limitations.** It is difficult to precisely estimate the tolerance threshold of nature and space, due to continuous changes.
- **The complexity of the relation.** Tourism development cannot be observed through the simplified relation of cause and consequence between two or more factors. Rather, it is a complex relation between various factors having different mutual connections.
- **Time deferred consequences.** There are certain consequences with causes that go back into the past and with effects that have appeared after a lengthy period of time (the ozone layer hole, for example).
- **The assimilation period.** A certain period of time is needed for both nature and humans to adjust to the new situation. The necessity of the assimilation period is often neglected in development projects, resulting in adverse consequences.
2. ECOTOURISM: ISSUES AND CONSEQUENCES

Although the concept of sustainable development is been accepted as the leading concept for planning tourism development in general, it has to be pointed out its’ special importance for ecotourism destinations.

Increasingly parks, nature reserves and natural settings are becoming popular tourist destinations. The most unique, beautiful natural setting are at the same time the most attractive for tourists and extremely sensitive to their impact.

The development of environmentally sensitive tourist resorts responds to the fast growing ecotourism markets and the general public’s awareness of environmental preservation and sustainability. Ecotourism is one of the fastest growing type of tourism. Trends indicate that the growth of ecotourism coupled with the larger market segment of nature tourism far surpasses that of tourism in general. While the lack of clear differentiation between ecotourism and other forms of nature tourism makes tracking ecotourism development difficult, it is obvious that travel to natural areas is increasing at a tremendous rate.

In order to measure ecotourism growth special set of indicators could be used, which do provide insight into the current and future magnitude of the sub-industry: growth in ecotourism education, international recognition and regional support, international funding opportunities, growth in tourism eco-certification and eco-labelling programmes. Each of these indicators provides a glimpse beyond the traditional statistical analysis, into the current position of ecotourism and its expected future growth. (Hawkins, D.E., Lamoureux, K., 2001)

Many destinations try to include some kind of eco-activities in their tourism offer in order to increase the attractiveness on the market. Demand for destinations that include natural elements such as national parks and local parks, forests, waterways and others continues to increase. As visitation to natural areas increases, including ecotourism visitation, so does the demand for travel professionals to accommodate these tourists. There have been an increase in tourism professionals, such as travel agents, tour operators, tour guides etc., that focus either on the ecotourism or at least, the nature tourism market. (Hawkins, D.E., Lamoureux, K., 2001)

Eco-tourists could be defined as tourists seeking nature-based learning experiences and behaving in an environmentally and socio-culturally sustainable manner. Nevertheless, eco-tourists are not a homogeneous market, but display a range of motivations, behaviour and other characteristics. Ecotourism spectrum could be seen from hard to soft eco-tourists. (see figure 2).
Figure 2: Characteristics of hard and soft ecotourists

The ecotourism spectrum

HARD (active, deep)
- Strong environmental commitment
- Enhance sustainability
- Specialized trips
- Long trips
- Small groups
- Physically active
- Physical challenge
- No services expected
- Deep interaction with nature
- Emphasis on personal experience
- Make own travel arrangements

SOFT (passive, shallow)
- Moderate or superficial environmental commitment
- Steady state sustainability
- Multi-purpose trips
- Short trips
- Larger groups
- Physically passive
- Physical comfort
- Services expected
- Shallow interaction with nature
- Emphasis on mediation
- Rely on travel agents and tour operators


Hard and soft eco-tourists also differ in the type of experiences and venues that they seek, which has important implications from a product perspective. Protected areas are of the great interest for eco-tourists throughout the world. The World Conservation Union (IUCN, 1994) defines a protected area as an area of land and/or sea especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or other effective means. The literature indicates that public protected areas, especially national parks, are the overwhelmingly dominant setting for ecotourism-related activity throughout the world. The World Conservation Union (IUCN) has responded by devising a simplified protected area classification scheme comprising just six basic categories. The basic logic of this IUCN classification system, which is now widely accepted as the international standard for protected areas, is that the lower the designated number of a site, the lower the amount of environmental modification and human intervention that is acceptable. Categories of protected areas according to the IUCN are: Ia Strict Nature Reserve, Ib Wilderness Area, II National Park, III Natural Monument, IV Habitat/Species Management Area, V Protected Landscape/Seascape, VI Managed Resource Protected Area.

3. THE POLICY OF GREENING THE TOURISM INDUSTRY

Tourism industry has to improve education for environmental management, which need interdisciplinary approach and close cooperation of social and natural science and professionals. Environmental management systems are the organizational structure, responsibilities, practices, procedures, processes and resources for determining and implementing environmental standards. (Neswsome, D. et al., 2002) What has to be pointed out is that the strict legal regulation is necessary to implement the principles of sustainable development and to achieve the environmental
management goals. Nevertheless, tourism has to be economically sustainable, because if tourism is not profitable that it is a mood question to ask whether is environmentally sustainable – tourism that is unprofitable and unviable will simply cease to exit. (Harris, B. et al., 2002)

### 3.1. Voluntary strategies and measures

Tourism industry can apply different strategies in order to connect tourism and environment protection. These may be voluntary strategies, such as codes of conduct, or they may be licenses and associated conditions administered by management agencies. (Newsome, D. et al., 2002) A range of means are available for assisting tour operators and those who manage tourism facilities, such as resorts, to conduct their business in ways that minimize its environmental consequences.

**Code of conduct and guidelines** is a set of expectations, behaviors or rules written by industry members, government or non-government organizations. Their aim is to influence the attitudes and behavior of tourists of the tourism industry. A code can be informal and adopted by a group, or more formal and instituted for industry members and/or tourists. The former are often referred to as codes of ethics and tend to be philosophical and value-based whereas the latter are usually known as codes of practice or conduct and are more applicable and specific to actual practice in local situations. Guidelines are also used to direct how tourism activities are undertaken and similarly to codes may be written by industry members, government or non-government organizations.

A code of ethics provides a standard of acceptable performance, often in written form, that assists in establishing and maintaining professionalism. (Jafari, J., 2000) (For example Pacific Asia Tourism Association’s code for environmentally responsible tourism.) World Tourism Organization WTO has adopted a Global Code of Ethics for tourism, outlining a sustainable approach to tourism development for destinations, governments, tour operators, developers, travel agents, workers and travelers themselves. Codes or guidelines for specific activities are intended to help tour operators and visitors improve their environmental management and minimize their impacts.

**Accreditation and certification** are other means of assisting tourism industry members to act responsibly. Accreditation involves an agency or organization evaluating and recognizing a program of study or institution as meeting certain predetermined standards or qualifications. (For example The Australian National Ecotourism Accreditation Program.) Certification is testing an individual to determine their mastery of a specific body of knowledge. In early 1999, the World Travel and Tourism Council’s Green Globe Program announced an environmental certification program – Green Globe 21. It is the worldwide benchmarking and certification program which facilitates sustainable travel and tourism for consumers, companies and communities. It is based on Agenda 21 and principles for Sustainable Development endorsed by 182 governments at the United Nations Rio de Janeiro Earth Summit in 1992.
Green Globe 21 sets international standards for travel companies and communities for good environmental performance. Objectives include protecting culture, tradition, wildlife and natural resources. The programme covers hotels, airlines, tour operators, travel agents, airports, visitor attractions, cruise ships and car rental companies. Its scope is geographically global and it is supported by a research capacity and set of advisory services. Accreditation and certification can benefit both the tourism industry and the natural environment.

*Best practice* is also encouraging responsible behavior of the tourism industry members. In tourism industry involves minimizing environmental impacts, especially through careful use of resources and their disposal. (for example Best Practice Tourism: A Guide to Energy and Waste Minimization, prepared by Australian government)

Hotel sustainability programmes of best practice have addressed waste reduction, energy conservation and water conservation. The airline industry has been active in greening programmes through addressing noise and emissions reductions and fuel efficiency. Restaurant programmes have focused on solid waste and energy reduction as well as broader community conservation issues.

### 3.2. Regulatory strategies and measures

*Regulatory strategies* are used together with voluntary strategies to manage tourism areas and protect the environment at the same time. Licenses with associated conditions are issued to tour operators, while leases are issued to tourism business occupying fixed premises for longer periods. Both provide legally based guidance to tourism companies as to how they must conduct their business.

License is a certificate of document giving official permission to undertake an activity. Licenses allow the governing agency to monitor access and use of the areas under its control and to ensure that conservation values are maintained. License holders agree to abide by a set of rules and regulations in regard to the areas (mostly environmental sensitive natural areas) in which they operate.

Leases are generally issued where operators require exclusive right to land of waters.

### 4. MANAGEMENT OF ECOTOURISM DESTINATIONS – SPECIFIC INDICATORS

Ecotourism embraces the principles of sustainable tourism, concerning the economic, social and environmental impacts of tourism. As it is pointed out in the above text protected areas are the most popular and important ecotourism destinations. The managers of protected areas must increasingly deal with dual mission – that of protection of the key natural and cultural assets which have led to the designation of the area and that of the accommodating those who visit and take advantage of those assets. (WTO, 2004)
Ecotourism is of particular interest to United Nations Environmental Programme (UNEP). Healthy ecosystems which offer opportunities for outdoor recreation and nature-based tourism are becoming an increasingly important economic resources. Far beyond providing an aesthetic experience only for privileged, ecotourism has great potential – and proven success in many parts of the world – for alleviating poverty and improving human well-being. (UNEP, 2009)

On of the key instruments for successful management of ecotourism destinations are indicators. Indicators are empirical quantitative measures and qualitative reports that serve as managerial tools in the process of tourism development.

The tourism industry needs not only economic indicators but also indicators of environmental and social change. Indicators do not simply measure current conditions but also serve as “early warning” devices to alert managers of imminent problems. (Smith, 1995) Indicators are empirical, qualitative and quantitative measurement/evaluation within the current situation can be detected, and it is the precious information in preparing the tourism development plans and decision considering tourism.

Developing effective indicators for ecotourism destinations, especially protected areas has been particularly challenging. Most protected areas have in place many specific indicators relating to the health of the specific assets, ecosystems and species which are the reason for which they were established, and to their own levels of management. As a most common list of indicators it can be emphasized: (WTO, 2004)

- Visitor numbers
  - Total number of visitors to park and to key sites
  - Peak numbers (peak day, month)
  - Length of stay
  - Use intensity on key sites
  - Revenue from paid visitors
  - Number of guides/operators permitted to use protected area
  - % of all visitors who are in controlled/guided visit

- Integrity of key protected systems
  - Number of sites/ecosystems/assets considered to be damaged of threatened
  - Indicators of health related to key plant and animal species
  - % of park hardened for visitors of other use
  - % of protected area subject to different levels of control (for example IUCN categories)

- Damage attributable to visitor activity
  - % of protected system in degraded condition
  - % of trails and routes in damaged condition
  - cost of repair to damaged systems (annually)
Ecotourism – Specific Knowledge and Skills

The need for specific education in order to manage the ecotourism destinations has been identified. In Queensland Ecotourism Plan is written: Ecotourism operators and their employees require specialized training in areas such as ecology, environmental education, environmental and resource management, communication and business skills. Training should be competency based, tailored to the particular requirements of the industry and provided in a culturally appropriate manner. (Lipscombe, N, Thwaites, R., 2001)

A range of knowledge, skills and attitude requirements were identified (see figure 3).
**Figure 3:** Educational requirements for ecotourism management

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<tr>
<th>KNOWLEDGE</th>
<th>SKILLS</th>
<th>ATTITUDES</th>
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<tr>
<td>Contemporary philosophy and ethics toward ecotourism</td>
<td>Ability to apply philosophical and ethical practice in ecotourism</td>
<td>An appreciation of ecologically sustainable development principles</td>
</tr>
<tr>
<td>Basic ecological and geomorphological principles</td>
<td>Skills in communicating the dynamics, interrelationship and management of natural and cultural heritage</td>
<td>An appreciation of ethical business practice</td>
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<tr>
<td>Wildlife and vegetation dynamics and interrelationship</td>
<td>Skills in business management and ecotourism business practices</td>
<td>An awareness of the importance of environment and heritage management to the ecotourism industry</td>
</tr>
<tr>
<td>Environmental impact occurrence and management relating to ecotourism</td>
<td>Skills in application of leadership theory</td>
<td>An appreciation of ethical ecotourism operations</td>
</tr>
<tr>
<td>Ecologically sustainable development and environmental management principles</td>
<td>Skills in recognizing, evaluating and resolving tourism-related environmental, social and cultural impacts</td>
<td>The encouragement of an ethical profile of ecotourism to the public</td>
</tr>
<tr>
<td>Cultural heritage and cultural heritage management principles</td>
<td>Ability to implement ecologically sustainable development principles pertaining to ecotourism</td>
<td>through environmentally responsible ecotourism operations</td>
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<td>Business management theory</td>
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<td>Ecotourism business practices</td>
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<td>Communication and interpretation theory relating to natural and cultural heritage</td>
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</tbody>
</table>


Environmental responsibility and environmental knowledge are two main foundation elements that help to explain how an environmental campaign works. In the model presented at figure 4 environmental responsibility is connected to environmental awareness, ethics and behavior. Environmental responsibility requires both an awareness of environmental problems and behavior that complies with environmental ethics. Thus, environmental behavior is only possible if environmental awareness and ethics exist. Second foundation element in the model is environmental knowledge. This model consists of two parts: environmental education, research and available information on the one hand and environmental know-how on the other. The latter refers to knowledge on appropriate criteria and the means of technical, financial, managerial and organizational implementation of environmental action.
CONCLUSION

Natural resources are in many cases the greatest attractiveness of the tourist destinations. Great interest of the contemporary tourists for areas of natural beauty and/or uniqueness implicate the obligation for tourism managers to use all available methods and instruments in the process of minimizing negative impacts that tourism has on the environment. In the process of tourism development in ecotourism destinations, the great task have the local authorities and tourist associations, because it is expected that initiative for actions come from them. They have to work on networking in order to implement the sustainable strategy and to protect the resources. Knowledge is a basic element in order to continuously improve the competitiveness of the ecotourism destination. Ecotourism destination managers must have knowledge form human and natural sciences, specific skills and attitudes.

REFERENCES


MEASUREMENT AND MANAGEMENT OF INTELLECTUAL CAPITAL∗

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University of Rijeka, Croatia¹

Abstract: Modern companies work in the conditions of so called New economy, where the knowledge becomes the basic economic resource. Traditional resources as land, capital and labour are determined by diminishing returns; knowledge instead is connected with increasing returns. Knowledge that can be used in the company for creating value represents the intellectual capital. By measuring intellectual capital, company can manage it. This paper shows concise overview of used methods for measuring intellectual capital. Authors measured intellectual capital in four companies in Croatia using Calculated Intangible Value (CIV) as a method. Results of measuring intellectual capital are complemented with traditional financial ratios. However, intellectual capital statement gives real outlook in competitive advantage of certain company. Every modern company should measure its intellectual capital value and report it as a supplement to traditional balance sheets.

Key words: intellectual capital, knowledge economy, measuring intellectual capital, Calculated Intangible Value.

INTRODUCTION

Huge transformations are taking place in the business environment of modern companies. These transformations are in progress in so called new, knowledge economy. New economy tries to explain business environment with constant changes, new laws of competitiveness, and new shapes of business organizations. New economy is based on two main trends – globalization and implementation of high technology in the business. Under such influence global tariffs are reducing, national markets opening and international trade increasing.

In the so called post-industrial society, traditional factors of production – land, labour and capital are replaced with factors of development – intellectual capital, machines, equipment, raw materials, social and natural environment. Now the knowledge becomes basic economic resource. Today company’s value added is derived...
from knowledge, abilities and skills of employees or business partners and outer associates. Knowledge in the company can be used as input and output.

The aim of this paper is to stress the importance of knowing the concept of intellectual capital, identification and measuring its components for the purpose of managing this strategically asset of modern company. Value of intellectual capital can be easily measured and compared by competitors. Measuring and reporting intellectual capital should be a supplement to traditional balance sheet. Accounting is the record of past events, however estimating intellectual capital is the future prediction.

1. INTELLECTUAL CAPITAL – THE BASIC RESOURCE OF THE COMPANY

The concept of intellectual capital is a relatively new approach. In 1990s with the market liberalization start its more intense development. Managers realized that competitive advantage of the company could not longer be based on exclusive rights on natural resources, skilled workforce and economies of scale. In competitive environment such as today, by developing, managing and possessing intangible asset (intellectual capital) company can create wealth and survive on the market.

Intellectual capital represents the sum of everything that everybody within the company knows and that enables the company to create a competitive advantage in the market. That is the knowledge of employees; the knowledge of the research team of experts or the knowledge of manual workers who developed thousands of different ways to improve the efficiency of a company. Intellectual capital represents knowledge as a dynamic human process transformed into something valuable for the company (Stewart 1997, 9).

Following Figure displays the model of intellectual capital.

Figure 1: Model of intellectual capital

In the Figure above can be seen that the market value of the company is formed on the basis of tangible but also intangible company assets. The intangible company assets are far more important for the company itself because they make a far greater market value. The intangible company assets consist of the intellectual capital of the company.

Some theorists define intellectual capital as a common part of three essential components (Pulic and Sundac 1998, 56).

- **Human capital** – capability, knowledge, skills and experience of the company employees and managers plus the activity dynamics of an intelligent organization applied to a competitive environment.
- **Structural capital** – support to the infrastructure of the human capital which includes the system of information technology, corporation image, the owner’s data basis, organizational concepts, patent rights, licence rights and copyrights.
- **Consumer (relational) capital** – interaction between the company and its clients.

Human capital is certainly the most important component and the driving force of the intellectual capital. However, only the synergy of human, structural and consumer capital can result in strong intellectual capital that becomes the source of the company’s competitive advantage.

### 2. MEASURING INTELLECTUAL CAPITAL

Increased interests of measuring intangibles i.e. intellectual capital derive from increased value of the company that is not showed in its balance sheet. Hence, managers have incomplete information. Today companies have large gaps between the value of its tangible assets recorded on its balance sheet and its stock market-value. This ratio, known as the “market-to-book-ratio”, has grown especially large for service and high-technology companies. These companies invest huge amounts of money in intangible assets: R&D and brands.

Baruch Lev, from the Stern School of Business at New York University estimates that US industrial companies now invest as much in intangible assets such as R&D and training as they do in physical plant and equipment (Leadbeater and London 1999, 13).

For these reasons experts work on development of new methods for measuring intellectual capital as a supplement to the traditional balance sheet. That would give more realistic overview on the firm’s value. There are certain numbers of methods for measuring intangibles that are already in use in companies worldwide, but none of them is yet universally accepted.

According to Karl-Erik Sveiby measuring approaches for intangibles fall into at least four categories of measurement approaches. The categories are an extension of the classifications suggested by Luthy and Williams (Sveiby 2004):
1. Direct Intellectual Capital methods (DIC) – where components are identified and valued,
2. Market Capitalization Methods (MCM) – where the difference between market capitalization and stockholders’ equity is calculated,
3. Return on Assets methods (ROA) – where tangible assets and the annual financial growth figures are compared to the industry average. Above average earnings are then utilized to estimate the value of intangible assets,
4. Scorecard Methods (SC) – where the various components of intellectual capital are identified and reflected in terms of scorecards and graphs.

Following Figure displays all methods for measuring intellectual capital according to organizational level and financial perspective.

**Figure 2:** Intangible assets measuring methods

![Diagram of intangible assets measuring methods](https://www.sveiby.com/Portals/0/articles/IntangibleMethods.htm)

Neither above mentioned method can fulfill all purposes for measuring intangibles i.e. intellectual capital. One must select method depending on purpose, situation and audience. However, the most important thing is to measure intellectual capital, so the managers would get insight on company’s inner power for managing it.

3. MEASURING INTELLECTUAL CAPITAL OF COMPANIES IN CROATIA BY USING CALCULATED INTANGIBLE VALUE METHOD

Calculated intangible value (CIV) method is a part of Return on Assets methods (ROA). Developed by NCI Research managed by Thomas Stewart, calculated intangible value allows a company to place a monetary/dollar value on intangible assets. Calculated Intangible Value is approved «to determined the fair market value on the intangible assets of business» by the U.S. Internal Revenue Service in its Revenue Ruling 68-609. (Stewart 2001, 318) This method calculates the fair value of the intangible asset. CIV computes the value of intangible assets by comparing the firm’s performance with an average competitor that has similar tangible assets. An advantage of the CIV approach is that it allows firm-to-firm comparisons using audited financial data and, as such, CIV can be used as a tool for benchmarking (Zambon 2002, 19). This method is very simple and applicable on the companies of different industries. Application of CIV method is inexpensive and available to all companies that would like to calculate its intangible assets i.e. intellectual capital. For this reasons CIV method is used in calculation of intangible assets of four companies in Croatia.

Determining CIV in seven steps:
1. Calculate average pre-tax profits (preferably all these steps should be done for a 3 year period so as to get a better result)
2. Get the average year-end tangible asset value
3. Divide earning by assets so as to get the return on assets (ROA)
4. Find out what the industry’s average ROA is
5. Multiply the industry average ROA by the company’s average tangible assets. This tells what the average company would have earned from that amount of tangible assets. Now subtract this result from the company’s pre-tax profits obtained in step 1.
6. Calculate the average income tax rate over the time period and multiply this by the excess return. Subtract this number from the excess return to get the after-tax number (giving you the premium attributable to intangible assets)
7. Calculate the net present value of the after-tax figure by dividing the premium by an appropriate percentage (for e.g. the company’s cost of capital). The result of CIV method is the value of intangible asset of the company or intellectual capital.

This final figure is not the amount left when one subtract the tangible assets from the market value. Rather, the amount reflects a measure of the company’s ability to use its intangible assets to outperform other companies in its industry. A rising CIV indicates that a business is generating the capacity to produce future wealth – even if
the market hasn’t recognized it yet. A weak or falling CIV may point to the fact that a company’s investments in intangibles aren’t paying off or that too much is still being spent on tangible fixed assets (Starovic 2008:17).

Large companies (with more than 250 employees) from different industries and with positive financial results (gain profit) are selected for calculation of intangible assets. These companies are differently knowledge- or capital-intensive.

Table 1: Croatian companies used in analysis

<table>
<thead>
<tr>
<th>COMPANIES</th>
<th>Industry*</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONSTRUKTOR – INZENJERING d.d., Split</td>
<td>Construction industry</td>
</tr>
<tr>
<td>KONZUM d.d., Zagreb</td>
<td>Wholesale and retail trade</td>
</tr>
<tr>
<td>ERICSSON NIKOLA TESLA d.d., Zagreb</td>
<td>Part of manufacturing, electric and optical equipment</td>
</tr>
<tr>
<td>PLIVA d.d., Zagreb</td>
<td>Part of manufacturing, chemicals and man-made fibre</td>
</tr>
</tbody>
</table>

* According to National Classification of Economic Activities, Construction industry and Wholesale and retail trade are industries, but manufacturing is divided into 14 parts so Ericsson Nikola Tesla and Pliva are participants of different part of the same industry.

Source: FINA

CIV method is calculated through seven steps. Dividing average pre-tax profits by average year-end tangible asset value one can get return on assets (ROA) of the company. That is presented in the following table:

Table 2: Average return on asset of the sampled companies (2002-2004)

<table>
<thead>
<tr>
<th>COMPANIES</th>
<th>ROA of the companies (average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONSTRUKTOR – INZENJERING d.d., Split</td>
<td>0.0901</td>
</tr>
<tr>
<td>KONZUM d.d., Zagreb</td>
<td>0.0279</td>
</tr>
<tr>
<td>ERICSSON NIKOLA TESLA d.d., Zagreb</td>
<td>1.4380</td>
</tr>
<tr>
<td>PLIVA d.d., Zagreb</td>
<td>1.7341</td>
</tr>
</tbody>
</table>

Source: Calculation based on data obtained from FINA

From the table above it can be seen that Konstruktor and Konzum have considerably smaller ROA in relation to the high technology companies such as Ericsson Nikola Tesla and Pliva. It means that by investing 1 Kuna in tangible asset, Konstruktor gain 0.09 Kuna pre-tax profits, Konzum 0.02 Kuna, Ericsson Nikola Tesla 1.43 Kuna, and Pliva 1.73 Kuna.

To get average industry return on assets, one has to divide average pre-tax profit by average industry tangible asset value. In the following table average ROA is presented:
Table 3: Average ROA for sampled industries in Croatia (2002-2004)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction industry</td>
<td>0.016</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>0.186</td>
</tr>
<tr>
<td>Part of manufacturing, electric and optical equip</td>
<td>0.667</td>
</tr>
<tr>
<td>Part of manufacturing, chemicals and man-made fibre</td>
<td>0.355</td>
</tr>
</tbody>
</table>

Source: Calculation based on data obtained from FINA

Table 3 shows that Construction industry on 1 Kuna invested in tangible assets gains in average 0.01 Kuna profit, Wholesale and retail trade 0.18 Kuna, companies in Manufacturing, electric and optical equipment 0.66 Kuna and companies in Manufacturing, chemicals and man-made fibre 0.35 Kuna. To stress the differences in average industry’s and company’s ROA following graph is presented.

Source: Data from Table 2. and 3.

All sampled companies, except Konzum, have bigger ROA in relation to average ROA of their industry. Konzum has significantly smaller ROA than wholesale and retail trade industry. That shortage probably exists because Konzum has huge tangible assets. Average opponent in the Wholesale and retail trade is more successful in using its tangible assets.

Industry’s average ROA than multiplies by the company’s average tangible assets. Result shows what the average company would have earned from that amount of tangible assets.
Table 4: Excess/shortage return for sampled companies with regard to Industry average ROA (in Kuna)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Industry average ROA x company’s average tangible asset (1)</th>
<th>Excess/shortage return* (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONSTRUKTOR – INZENJERING d.d., Split</td>
<td>2,467,584</td>
<td>11,848,064</td>
</tr>
<tr>
<td>KONZUM d.d., Zagreb</td>
<td>-193,546,646</td>
<td></td>
</tr>
<tr>
<td>ERICSSON NIKOLA TESLA d.d., Zagreb</td>
<td>111,016,377</td>
<td>88,813,101</td>
</tr>
<tr>
<td>PLIVA d.d., Zagreb</td>
<td>1,139,411,404</td>
<td></td>
</tr>
</tbody>
</table>

* This number is result of subtraction data from column (1) from the company’s pre-tax profits. Result can be bigger or smaller than zero.

Source: calculation based on data obtained from FINA

Excess return shows the ability of sampled company to earn more from its tangible asset that outperform other companies in its industry. All sampled companies except Konzum, accomplished excess return in relation to its average opponent. Excess return indicates the revenue from intangible assets that can gain a value added to the company. Pliva and Ericsson Nikola Tesla generated huge revenue from intangible assets, Konstuktor somewhat smaller, while Konzum generated negative value. One could not claim that Konzum has no intangible assets or there is no revenue that can be gain from. That would be incorrect, because every company has intangible assets. Negative excess return or shortage for Konzum indicates that this company spends a lot on tangible fixed assets and neglects its intangible assets. Konzum works as a part of concern Agrokor, so it can be assumed that “the real value” of intellectual capital – “the brain” is situated on the higher level of this corporation. It is possible that the board of directors consciously governs Konzum’s profit by strengthening other parts of this big Croatian concern. Probably, entire Concern uses Konzum as a “safe market” for distributing all their goods.

Table 5: Calculation of the premium attributable to intangible assets for sampled companies (in Kuna)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Excess/shortage return (1)</th>
<th>Profit tax (2)=(1)x0.2</th>
<th>Premium attributable to intangible assets (3)=(1)-(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONSTRUKTOR – INZENJERING d.d., Split</td>
<td>11,848,064</td>
<td>2,369,613</td>
<td>9,478,451</td>
</tr>
<tr>
<td>KONZUM d.d., Zagreb</td>
<td>-193,546,646</td>
<td>0</td>
<td>-200,563,209</td>
</tr>
<tr>
<td>ERICSSON NIKOLA TESLA d.d., Zagreb</td>
<td>111,016,377</td>
<td>22,203,275</td>
<td>88,813,101</td>
</tr>
<tr>
<td>PLIVA d.d., Zagreb</td>
<td>1,139,411,404</td>
<td>227,882,281</td>
<td>911,529,123</td>
</tr>
</tbody>
</table>

Source: Calculation based on data from Table 5.
Hereafter, calculated average income tax rate (20%) over the time period is multiplied by the excess return. This result is subtracted from the excess return to get the after-tax number.

All sampled companies paid 20% profit tax on excess return. Konzum had shortage return so profit tax was not paid. After-tax number actually is the premium attributable to intangible assets of sampled companies. Premium attributable to intangible assets could not be calculated for Konzum, because of shortage return. CIV calculations for Konzum hereby finish. Other companies can precede the analysis by calculating the value of intangible assets.

To get net present value of the after-tax figure, premium has to be divided by the company’s cost of capital (7% for sampled companies). Net present value actually is value of intangible asset i.e. intellectual capital.

Table 6: Net present value of the intangible asset’s premium or value of intellectual capital of the sampled companies (in Kuna)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Value of intangible assets or Intellectual capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONZUM d.d., Zagreb</td>
<td>0*</td>
</tr>
<tr>
<td>ERICSSON NIKOLA TESLA d.d., Zagreb</td>
<td>1.268.758.592</td>
</tr>
<tr>
<td>PLIVA d.d., Zagreb</td>
<td>13.021.844.616</td>
</tr>
</tbody>
</table>

* Konzum gains financial loss.
Source: Calculation based on data from Table 5.

Table 6 values of intellectual capital for companies that generated positive intangible asset’s premium. Above mentioned numbers represent the value of intangible assets that affect company’s financial success, but are not completely recorded on balance sheets. High technology companies as Ericsson Nikola Tesla and Pliva gained very high values of their intangible assets, while labour-intensive constructive company as Konstruktor generated substantially lower value. However, calculated values of intellectual capital for sampled companies can not be compared to each other, because companies work in different industries which are differently capital-intensive or knowledge-intensive.

By using CIV method companies can identify fair market value of their intangible asset comparing it by average company in industry. This method tries to utilize from market operations in order to set a price and value of assets which are expected to contribute company’s future benefits. CIV method provides the overview of future potential profits, as opposed to static balance sheets based on recording past events.
Intellectual capital value as a result of CIV method, companies use for determining their market position and their business potentials for future. After calculating value of intellectual capital companies should identify individual components of intangible assets or intellectual capital. In order to do that, companies can use Scorecard methods or Direct Intellectual Capital methods. It is important to stress that the company’s aim is not to identify precise values of individual components of intellectual capital but just to note and map that intangible asset. Management of intellectual capital is based on its measurement, and vice versa.

In above calculation by using CIV method average values for three years were taken. But, value of intellectual capital can be measured annually, so its trend would be identified. Values of intellectual capital for sampled companies are presented in the following table.

**Table 7:** Annual value of intellectual capital for sampled companies (2002-2004)

<table>
<thead>
<tr>
<th>Company</th>
<th>Value of intellectual capital</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONSTRUKTOR d.d.</td>
<td>40.044.202 176.229.941 190.244.015</td>
<td></td>
</tr>
<tr>
<td>KONZUM d.d.</td>
<td>Within sampled three years devaluation of intellectual capital is recorded!</td>
<td></td>
</tr>
<tr>
<td>ERICSSON NIKOLA TESLA d.d.</td>
<td>734.114.061 1.331.734.423 1.749.421.203</td>
<td></td>
</tr>
<tr>
<td>PLIVA d.d.</td>
<td>26.729.318.381 1.383.314.640 0*</td>
<td></td>
</tr>
</tbody>
</table>

* In 2004, Pliva gain financial loss, therefore value of intellectual capital by CIV method can not be calculated.

Values of intellectual capital can be compared with traditional financial ratios of sampled companies, as can be seen in the following table.

From above table it can be seen that the more important financial ratios for long term business (financial stability ratio, economic ratio, and profitability ratio) affect directly on increasing of company’s intellectual capital, and vice versa.

Companies familiar with importance of intangible asset i.e. intellectual capital for their long term growth and development should work on increasing above mentioned financial ratios. With business stability and constant progress company increases its intellectual capital.
**Table 8:** Comparison of financial ratios trends by values of intellectual capital for sampled companies (2002-2004)

<table>
<thead>
<tr>
<th>Company</th>
<th>KONSTRUKTOR</th>
<th>KONZUM</th>
<th>ERICSSON NIKOLA TESLA</th>
<th>PLIVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity ratio</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>Financial stability ratio</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>High - increasing</td>
<td>High - increasing</td>
<td>Low - increasing</td>
<td>Low - stagnating</td>
</tr>
<tr>
<td>Activity ratio</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>Economic ratio</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>Profitability ratio</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>Intellectual capital</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
</tbody>
</table>

Source: Calculation based on data obtained from FINA and Table 7.

**CONCLUSION**

Fast growth of science and technology bring the mankind on the “door-step” of fourth science-technological revolution. Hereby, business is more and more based on micro technology that completely changes company’s business environment. That environment becomes more globalize and based on informatics. Because of that, companies are faced with new roles of doing business – roles of so called new economy. New economy promotes new products, services and market that are based on computers, mobile communication and Internet.

In the post-industrial society tangible factors of production (labour, land and capital) are replaced with intangible factors of development. In order to create competitive advantage company uses its intangible components known as intellectual capital. Intellectual capital as a complex economic category consists of three components: human capital, structural capital and customer or relational capital. Only the synergy of human, structural and consumer capital can result in strong intellectual capital that becomes the source of the company’s competitive advantage and value added.

Every company has intellectual capital and all its components. Very often, companies are not aware of its value. Measurement and management of intellectual capital with assistance of ordinary accounting or managing procedures can not give correct information. Accounting is developed for manufacturing companies and
measure finance and tangible asset’s value. In the knowledge society, value of the company and its products and services is based on knowledge and intellectual capital. Because of that new methods for measuring intellectual capital have to be implemented in the companies.

About thirty methods for measuring intellectual capital are in use in companies around the globe. In this paper Calculated Intangible Value method is used on four big and profitable companies from different industries in Croatia. Results of CIV method show that three of four sampled companies are more successful than their average opponent. These three companies gain bigger return on tangible assets (ROA) than theirs average competitors. This excess returns result from more successful tangible asset’s management. Excess return in relation to average return on tangible assets represents the premium of intangible assets. After paying taxes and calculating net present value, one can get value of intellectual capital.

Comparing results of calculation financial ratios by those of CIV method can be concluded that these two methods are complements. In fact, long term oriented financial ratios (financial stability ratio, economic ratio and profitability ratio) affect directly on value of intellectual capital. Increase of before mentioned financial ratios are attended by increase of intellectual capital’s value. In order to identify and value individual components of intellectual capital, it is recommended to use CIV method in combination with Scorecard methods or Direct intellectual capital methods. Therewith, companies would get more reliable information about values of individual components of intellectual capital.

In measuring intellectual capital, companies should not tend to calculate exact values, but to identify trends. Hereby, continual measurement of intellectual capital forms the basis for its management and reinforcement of company’s competitive advantage.

REFERENCES

SECURITY AS A FACTOR OF COMPETITIVE ADVANTAGE IN TOURISM

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University of Novi Sad, Serbia

Abstract: Security and protection demands in tourism industry are very high due to the vulnerability of its infrastructure in light of security challenges and threats. Actual threats appear in the form of endangering the values that compose a train of products and services in tourism – from the moment of buying/selling a package tour, transfer of passengers and luggage to their destination, to stay in hotels and meeting different needs of tourists. This work addresses the criminal, terrorist, and economic threats to hotels. The effects of these and other threats may endanger the foreign investments in tourism industry and the arrival of foreign tourists who, as the newest polls show, prioritize security factor in their selection of tourist destination. The hotel security issue is addressed in light of its preference when selecting tourism supply and services, which is an important indication of competitive advantage.

Key words: tourism, threats, security, competitive advantage.

INTRODUCTION

The actual world economic and political situation is very volatile and unpredictable. The rivalry between the key international community actors (including non state subjects, as well as the state ones) in the ideological and political plane is being replaced by the rivalry in the economic plane that becomes the context to almost all other forms of confrontation. The result of such state of affairs is the fact that we live in a world in which there is a continuum of threats ranging in form from crime to terrorism and other dangers characteristic for countries in transition.

The contemporary security and protection threats in tourism industry become very high primarily due to the tourism infrastructure vulnerability in light of contemporary security challenges and threats. The fact that tourism is one of the development priorities in a large number of countries, thus any political risk that such a
country is exposed to might expose its tourism potentials to criminal or terrorist threats adds up to that. Large tourist resorts that represent the public and private sector development potential and the country’s ability to provide a safe investment environment are particularly exposed to such threats.

Very often, threats are present in the stage of building tourism infrastructure and hotel capacities. This is a signal to potential investors that the area is not safe for investment, and to future groups of tourists to avoid the actual resort. Further, this resort is permanently marked as being unsafe because it cannot be said for certain that no similar threats would repeat in the future instigated by similar or different motives.\(^2\) The statistical data relating to threatening show that many countries are facing a complex of threats that endanger tourism – natural disasters, terrorist attacks, and other catastrophes.\(^3\) This show how important is the existence of effective systemic measures for disaster management in order to save lives, alleviate the aftereffects, and reestablish the conditions necessary for the continuation of vital social functions. In the past, these measures were mainly directed to the protection of national infrastructure, or organization systems. Today, and in the future, the protection of endangered infrastructure demands a multinational and multiorganizational approach. The coordination between the organizations and agencies on different levels and with different roles in security management, disaster management, risk management, continuation of interrupted operation management, and crisis management is particularly stressed.

1. CATEGORIES OF THREATS AND CONSEQUENCES

All threats in the context of tourism industry and hotel infrastructure development and stability fall into several categories:

- **Criminal and terrorist threats**: terrorism; company property, including information, theft; sabotage; threats to managers and members of their families; illegal detaining of managers; extortion; bomb threat; hostage taking/kidnapping/abduction
- **Economic threats**: economic and industrial espionage: breaking the laws of fair competition; forced product or service taking off the market due to it having been compromised; merger, acquisition, strike, and protest rally risk; company land (property) taking; blockade; illegal strike; warning strike/employee rallying
- **Technical and technological, and ecological threats**

\(^2\) After the decision to build the Splendid Hotel, then the largest tourism investment on the Montenegrin Coast, had been made, it came to knowledge, by way of business magazine and newspaper articles, and various reports, that due to known economic conditions and criminal political activities in that area the hotel might become a target. The predictions were proven right during the building of the hotel. It was the target of criminal attacks in the form of setting explosive devices, and sporadic explosions that impeded the building process. The last in a series of attacks was prevented, and the members of the criminal group that attempted it apprehended. They are serving their sentences in prison.

\(^3\) According to the Indonesian Institute for Standardization data, only in 2007, there were 379 accidents such as flood, forest fire, earthquake, landslide, and hurricanes with potentially big consequences for the community. On this issue, please, see: http://www.bsn.or.id/index.php?&language=en
• Natural danger
• Human error, and hazard

The listed threats and dangers cause either direct loss or cost, or indirect consequences due to the loss of threatened organization reputation. As a rule, the latter threatens the hotel owning company’s relation to other actors on the market, and its ability to attract the client’s attention.

Consequence, loss, or cost categories divide into direct and indirect.

Direct consequence, loss, or cost include:

• Hotel guest, and employee injuring, poisoning, or death
• Financial damage relating to the event (the value of stolen or damaged property)
• Insurance premium increasing
• Expenses deducted from the insurance sum
• Business loss ensuing a crisis event
• Possible employee compensation cost as the event consequence
• Time lost in facing the crisis (e.g. relation to the media etc.)
• Applying penal policy measures not covered by insurance

Indirect consequence or loss manifests as:

• Negative publicity in the media
• Long-term negative perception by hotel guests
• Additional costs to by-pass the bad image problem
• The absence of insurance strategy pertaining to high risk categories
• Salary raise to additionally motivate a future employee
• Share-holder law suits for bad hotel managing
• A drop of moral attitude of the employees leading to lower productivity, high cash outflow, etc.

2. TERRORIST AND CRIMINAL THREATS

More and more, tourists become targets of terrorist attacks. Terrorists launch attacks on tourists or sites where there are tourists for many reasons, and the main one is economic. In different regions, such attacks are a big threat to national economy due to the fact that tourism is a significant item in the budget of many countries. Also, terrorist actions against tourists are taken because of their nationality, or the fact that they belong to a certain national or ethnic group. For that matter, American and British tourists are often advised by their tourist agency or ministry in charge not to go to certain region where they may be the target of terrorist actions. It is only natural that these and other groups of tourists prioritize security criteria to some others (e.g. the prize of tourism product, comfort, etc.). Such state of affairs is, by all means, an opportunity to those tourist destinations that include high security standards into their

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4 In the Western Balkan Region, the countries taking big revenue from tourism industry, such as Greece, Turkey, and Spain are especially threatened.
There is no doubt that the range of terrorist threats have enlarged considerably, both in sort and number.

Stealing weapons of mass destruction and nuclear material, and selling them to transnational terrorist groups is a real option in this day and age. The cases of smuggling nuclear and other hazardous materials and substances are higher in incidence. Hotel guests may be involved in such activities as accidental actors in a possible duel of two terrorist groups. So far, hotels have proven to be a very favorable ambiance for terrorist attacks. Further, apprehension of a criminal or criminals staying in a hotel must not be excluded. Indirectly, this threatens the reputation of the hotel. Direct endangerment reflects in the fact that the mentioned matters and substances may be used to the end of bioterrorism in a hotel or on the resort premises.

In reference to the terrorist activities directed to a hotel complex, it is possible to discern two situations. The first one involves groups of tourists from particular countries. Such groups of endangered guests are easy to identify. The probability that a sensitive group of guests may be in danger is in direct proportion to their country being politically exposed to risk and involved in international crises and conflicts. The goal of terrorist attacks is sending a symbolic message to a particular country that its citizens are in danger everywhere in the world due to their country’s politics. The security issue of flying to the destination adds up to this because terrorist take advantage of the fact that approximately one third of international tourists take a plain as the means of transport.

Also, tourists are a target of terrorist threatening whenever tourism is an important industry and a source of income for the destination country. In such case, every guest may be a potential victim, and hotels are a very suitable target. The brutal massacre of 58 foreign tourists and 4 Egyptian citizens the Islamic terrorists made in the Luxor Hotel in November 1997, destabilized Egypt by destroying Egyptian tourism industry, the corner stone of their economy and basic source of foreign currency. It was estimated that the Luxor massacre cost Egyptian tourism approximately 50% of their annual turnover.

Besides the mentioned, exclusively external, or internally oriented terrorist strategies, there also exist the so called combined forms. The perpetrators of such acts may be domestic opposition groups, separatist movement supporters, etc. and political motives are in the background.

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5 The Buskin terrorist organization ETA that chooses tourist objects as targets of its attacks since 1980 is considered to be the pioneer of such activities. In this case, Spain as a state, and not directly the tourists, should suffer the damage.
7 E.g. Since the eighties, the IRA have chosen targets within the UK economic system and among the British tourists in Northern Ireland.
The preparation and tactics for a terrorist threat fulfillment are similar to other criminal threats. Detailed preparation that entail coming of perpetrators in the vicinity of the hotel, entering the hotel for a close observation, and making contact with some of the employees, as well as gathering intelligence by the third party i.e. hotel guests about the categories of tourists staying at the hotel.8

Besides the fact that the ramifications of a fulfilled threat may be serious injuries and even deaths of guests and/or employees, potential guests and business partners may perceive and classify the hotel, chain of hotels, and the resort as being dangerous. Perceiving and labeling a specific destination and hotel unsafe results in a drop of the number of stays, especially when the groups of better off tourists are in question. On the other hand, this fulfilled threat may be used for marketing by way of stressing the security preferences of other hotels or contending tourist locations, resulting in great benefits for the economy of a specific country and its security and tourist image in the region and in the world.

Criminal attacks on hotels, some of them extremely brutal ad with lethal consequences, take international proportions in mass media. In effect, this rapidly changes the foreign tourist sensibility towards crime, but also towards other forms of endangering tourism industry facilities. These other forms entail civil and other unrests with destructive and potentially deterring effect when tourist visits are in question. The number of visits plummets in those European destinations in which tourists are recognized as being the victims of violent crime (murder and plundering). This state of affair results in huge financial losses not only in tourism industry, but also in the economy of every country in which tourism is one of the basic sources of revenue and industry in which many people find their jobs.10

Crime is an everyday life component, but in the context of tourism it is increasing considerably. Criminal activities make tourist a particularly vulnerable target. Table 1 shows the classification and victimization of criminal activities.

<table>
<thead>
<tr>
<th>Type 1</th>
<th>The crime scene is connected with the nature of location (its suitability). The victims of criminal act are the hotel guests (thefts outside)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 2</td>
<td>Hotel location and infrastructure are attractive for criminal activities because the tourists are soft targets and easy victims of criminal actions against business people (abductions and kidnappings)</td>
</tr>
<tr>
<td>Type 3</td>
<td>Organized criminal and/or terrorist groups take violent actions against specific groups of tourists and/or tourist facilities (diversions, sabotages, biological, nuclear and chemical weapon threats, explosive device settings, RPG launching)</td>
</tr>
</tbody>
</table>

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8 There are cases of terrorists posing as community service or civil construction workers during the building of a hotel.
9 Citizens’ unrests and protests in Greece, at the end of 2008 discouraged a large number of tourists from visiting Greek tourist centers during Christmas and the New Year’s holidays.
10 The number of German tourists to the U.S.A. dropped from 608000 in 1993 to 411000 in 1994 due to their fear from crime. On the other hand, tourism industry grossed 28 billion US dollars in 1993 and was the largest source of US economy income. A research done in the U.S.A. in 1995 shows that the security factor takes the second or third place in choosing a tourist destination. See: Glaeser, D. (2003). Crisis Management in the Tourism Industry. Butterwarth Heinemann, Oxford, p. 52.
Criminal activities Type 1, according to official police reports, show a trend of crime increase in summer. This trend will continue to be on the rise in proportion to the increase in intensity of capital flow into the tourism industry and the stay of well off guests from abroad. It is known from the experience of other countries in transition that these trends are evident in the regions where business is blooming and that the attacks on foreigners, especially women and business people are increasing in number.

The motives for criminal attacks on hotel guests may be different, and the attacks made take the following forms: theft, petty theft, grand theft, armed robbery and robbery. In most cases, jewelry and other very expensive possessions are stolen from hotel rooms, but laptop computers containing corporate financial and project material, that hotel guests take with them, may also become objects of stealing. All these are cases of grand theft or burglary. However, these criminal offenses are often staged to serve as cover for some other criminal offense made prior to the staged one by the person who is doing the staging.

Attacks that are especially increasing in number are the attacks on wealthy hotel guests done by teenagers who demand or snatch money, jewelry and credit cards from their victims outside the hotel. Foreign individuals and organizations that are the target of criminal organizations have large sums of money in their possession, but also electronic devices, computers and other pieces of equipment and products that may be reshaped or recycled and then sold on the black market. This issue is of security interest to the hotel management too because the sources of information about the hotel guests may be accessible in the very hotel.

Along with those made outside, the thefts made inside a hotel also may be expected. The offenders may be the employees as well as the guests of the hotel. These threats are real when there is no protocol according to which hotel-room keys are taken to the purpose of servicing the rooms, or when other vulnerabilities are present relating to access control and card-key system of room accessing.

Within the framework of Type 2 threats, business people abductions may be expected done by crime organizations the members of which are individuals involved in previously made thefts of cutting edge technologies and products. Kidnapping their family members, who are also the guests of the hotel, may be expected too, to the end of blackmailing them. The motive for this may be revenge, prisoner releasing, or ransom taking.

The Type 3 criminal activities become organized by exploiting certain types of tourist demand and competitive edge (e.g. president apartments). In this context, a very interesting thing is diversion that may be created by demolishing, setting fire on, and destroying or damaging objects. This last form of criminal activity consists of changing the substance and shape of certain objects that are a part of tourist offer or logistics so that they lose their basic purpose. A diversion is created mainly by setting an explosive device in certain rooms or objects and detonating it in order to destroy or demolish them. In view of the fact that in every hotel there are a number of access restricted rooms and objects the security of which determines the functioning of the hotel, the lack of appropriate security measures increases the number of options for creating a
diversion or sabotage with which servicing the tourists and meeting their basic needs will be impeded, or their security will be compromised.

3. ECONOMIC THREATS

Economic and industrial (competition) espionage

Economic espionage that has foreign elements in itself (it is funded by foreign countries or intelligence services) and is criminally sanctioned differs from competition espionage performed by a competitive company. Competition espionage is a part of offensive strategy of competitive companies that capitalize on their competition weak points. However, even the defensive competition espionage is used as a defense from competitive organizations. In fact, it is offensive at the same time, by its effort to preemptively protect from competition. Breakthroughs in the field of communication and computer technology creates actors of criminal and competitive strategies opportunity to carry out sophisticated operations utilizing (command, control, communication, and intelligence) systems that exceed the possibilities of detection and surveillance.

Why would economic or competition espionage be interesting from the standpoint of hotel security? Investments in tourism infrastructure, especially in hotels, are a boost or even a positive turning point in the tourism supply, and a part of the prestige of a country in a specific region, underpinning the trade, transport, and other economy branches in the area. In this sense, competition activities in the closer and wider surroundings are considered to be an actual threat. According to some studies, these activities extend all the way to actions of commercial terrorism as a method to nullify competition advantages. Such assessments are based on existing literature, historical intelligence sources, and known priorities of intelligence services.

The forms of economic espionage are nothing new to academic circles that deal with intelligence issues. They are immanent to all economy activities whenever a country or a foreign intelligence service has a special interest to get into possession of intelligence information. In literature, these forms are known as humint, litint, imint, and sigint threats.

The source of HUMINT threats is the human factor, and the carriers are intelligence officers. Hotels are attractive residing places for guests with VIP treatment and this has a big effect on the attractiveness of intelligence information sources. Employees who work on permanent basis, embassies of foreign countries, missions, and councils may provide access to intelligence sources. Although there may not be intelligence cells on the premises, the possibility of existence of intelligence cells in hotels must not be discarded. Due to great glamour that accompanies hotel advertising campaigns, there is a number of options for gathering information from hotel inside sources. At the same time, there are always cells among the people, business people, competition, and tourists in the region that might be a HUMINT threat.
As a rule, the most important intelligence information are known priorities that may have a detrimental effect on the quality of service and turnover quantity:

- Business strategy information
- Contracts
- Software information
- Technical manuals on protection equipment and technology
- Feasibility studies of confidential and delicate nature

Competitive companies skillfully use the following categories of individuals for gathering intelligence:

Service providers or purchased equipment deliverers to come into possession of important information about hotel companies. By all means, there exists a possibility that the deliverers or equipment maintenance workers use their position for a restricted access to different information and technology to the detriment of the company. To this end, particularly effective are the methods of social engineering, as combined information gathering techniques that contain elements of espionage, fraud, and sabotage. In practice known as deceits, these techniques use ignorance and lack of security consciousness of the employees, and the information that can be gathered in this way may be very simple – from the organization structure of a hotel company to detailed information about security and protection protocols, and personal records of employees. In many hotels, it is not stipulated what a proper procedure is, nor are the managers certain that every serious accident is reported to the team of managers or authorized persons. Therefore it is safe to say that deceiving is very probable, and that there is no way of sanctioning such behavior.

Insiders who belong to the following categories of employees:

- **Traitors** – persons with bad intentions to damage, destroy, or sell information
- **Fanatics** – persons who are convinced that they do the right thing if they fight against their company by making privileged information public even though they are not authorized to do so
- **Snoops** – persons very inquisitive by nature. They do their best to break the holy rule “on need to know basis”
- **Benevolent insiders** – persons who break security rules out of ignorance and thus become unintentional accomplices

The employed in their own companies. It is said that employees often know more about their competition than about their own hotel company. Employees with and advanced or unique knowledge of technology and technological achievements very often know much about what their colleagues in other companies do. Also, they may know what is being done in other hotels and may be acquainted with people who have useful information.11

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Sector managers are excellent, although not enough used sources of business intelligence about competitive companies. They interact with chief executives of other companies by doing business, directly or through business associations, by having the same hobbies, etc. What can be learnt and perceived in such contacts very often has a competitive value.

Marketing. People who are in marketing business are close with consumers and business partners because they are in business contact with them on daily basis. This interaction makes them a potentially useful source regarding business information and competition espionage.

Legal advisors. Since they work with complex legal issues or actual legal cases that include activities such as money counterfeiting, guest injuring, and legal support in connection with lawsuits, they benefit from knowing more about many issues that involve competition. Lawyers have legal access to information that are potentially valuable competition wise.

Acquisition and merger teams. When making evaluation of potentially target companies, merger and integration teams spend a lot of time analyzing the competition and their markets. These teams collaborate closely with strategic planning organizations. This is an important issue in the context of development strategy of a hotel and plans for business expansion, as well as making offers i.e buying new hotels. The workers of newly purchased hotel company bring along their knowledge about the competition. Bearing in mind that information have a short life span, a prompt action is necessary. This as a kind of defensive espionage. If the newly acquired company has a competition espionage team, they should be kept. They may have already developed information gathering internal structure that can be used immediately for the development of new competition espionage.

Selling service. Through caterers, the selling service has an insight in purchasing and other actions that the competition takes. In this way, and combined with other information, this service may discover a tactical or strategic initiative within the tourism supply in the region. Expert caterers, who are a part if internal information network, very often prove to be useful.

Competition espionage is always a latent threat because it is difficult to assess whether a hotel or an individual is, and in which segment, the target of this threat. Even where things are thought to be under control, the trend line and leading position that a hotel may have in the region show a great exposure to this kind of threats.

The quickest way to assess which information about a hotel are interesting for espionage activities and in what way are they to be classified in the corporate secret act is the so called determination of needs

- Who needs the intelligence information?
- Which information are needed?
- Assigning priorities to needs?
The answers to these questions will help focus the energy and time on specific categories of information. Security sector manages the efforts of defensive competition espionage the protection of hotel company information being its responsibility.

Some other economic threats exist especially on underdeveloped markets.

*Strikes as an economic threat* are possible as a consequence of workers’ dissatisfaction with work conditions, wages, and potential redundancy of the employed due to the fact that business activities have changed location. Sometimes, strikes are deliberately instigated by competitive companies in order to produce hold ups in business activities.

*Violence at work stations* is an ever present and acute threat. What with many expressions of this phenomenon in the form of physical and psychical aftereffects, very little attention is paid to *stress* which cumulatively may pose a significant threat to security. Stress may be a consequence of violence at work the ramifications of which are very difficult to predict, and they include poisoning, injury inflicting, and even lethal injuries to the employees or guests to whom it is possible to focus dissatisfaction.

4. CAN SECURITY BE A FACTOR OF COMPETITIVE ADVANTAGE IN TOURISM?

As all other products, tourist resorts are competition to one another. Thus, they have to develop specific advantages that distinguish a certain resort from all other competitors. Assessing these advantages, as well as the consequences regarding negative events that may happen to them is of the utmost importance for the services that a destination offers.

When defining competitive advantages, Frombling divides tourist motivation to primary and secondary needs. He sees the primary motives as the need for traveling or resting, and as the secondary needs, aspirations relating to health and the need for security; socialization and social needs; prestige and status as the need for acknowledgment; experience acquiring and spontaneity, and the need for self actualization.\(^{12}\)

A question arises here as to what can be construed as a security need of tourists. Is it the absence of fear from crime, social or health security, or something else? Whether we observe security as being one of the basic or secondary needs of tourists, these basic and additional benefits are combined with competitive advantages, for the sake of deeper analysis. According to Porter\(^ {13}\), it is possible to distinguish two basic types of competitive advantage – the price, and differential advantages (e.g. resort attractiveness and uniqueness, (remark made by Z.K.)). From the clients’ point of view, it means that they are offered both values – material and not material – in comparison with the competition, or comparable services for less money. Security, as a basic need

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may be defined as absence of fear from crime, but in the context of tourism clients are primarily motivated by different needs. For instance, the prices of products and services can really be an efficient instrument for the reduction of enlarged perception of security risks. After the tragic attack on tourists in Luxor, in 1997, Egyptian tourism sector sustained enormous losses. However, the tourists preferring scuba diving in the Red Sea did not react in the way other groups of tourists preferring beech tourism did.14

The same thing happened in the case of famous New York Marathon that took place only two months after the terrorist attack on September 11. Despite the fact that travelling was reduced to minimum in that period, particularly by air, American and international competitors did not give up this sport event, the sense of being in danger notwithstanding.15

The previously mentioned remarks about the hierarchy of needs in the context of tourism are being reconsidered nowadays under the pressure of the fact that the focus of terrorist activities shifts towards “soft” targets. For that matter, it is necessary to perceive the security perspective as a competition resource. This becomes apparent when we take into consideration the series of terrorist acts at the beginning of 21st Century their targets less and less being strategic structures of national importance and more and more business, urban centers, and tourism regions and infrastructure. The attack aftereffects show a close relation between terrorism, economy, and tourism. The tourism industry is not faced only with tourism service consumers’ trust, but also with the crisis of change in tourism economy demand trend. This branch of economy suffers the consequences of the increased fear from travelling and passengers’ concern for their safety. International tours show an annual drop of 1.3% all over the world. Besides, tourists do not stay in hotels any more. They dine at restaurants, visit fun places, museums, cultural and historical monuments, shopping malls, etc. There is a trend of shorter trip increase, use of more affordable means of transport (moreover, they are considered to be safer), and choice of destinations closer to their home places. The fear from insecurity makes individual transport more popular than mass transport of passengers and goods.

It becomes more and more obvious that tourism as a trigger of social and economic development that presumes free goods and service exchange will not be possible to conceive without efficient security and protection strategy. Traditional belief that insisting on security measures will make the public angry is not valid any more. The public today is much more afraid of security threats than of security surveillance and checks. In short, the passengers (tourists in a broader sense) do not feel suspicious towards security; on the contrary, they demand it. All encompassing security will presume accountability of everyone – from people in the street, hotel managers, to government ministers. Due to potential victims, health damage, and property and infrastructure destruction tourist resorts will compete to attract the attention of investors and, in that way, stimulate their economic growth. This, in turn,

14 Tour operators specialized in giving scuba diving services reported that only after three months of abstinence from scuba-diving tourism the trend of scuba-diving tourist arrivals continued on a much larger scale compared to the arrivals of other groups of tourists.
will generate the concern for security as a component of sustainable development. Hotel management will share the concern and accountability for an all embracing protection acknowledging the fact that threats, generated by both external and internal actors, affect the profit. Measuring this effect is one of the most complex, but also most pressing tasks of risk management and analysis of economic justification of investing in security.

CONCLUSION

Security threats (crime, terrorist acts, etc.) are an inseparable component of tourism. There is a number of reasons why tourism is a favorite target to various criminal, terrorist, and other groups:

- Connection to traffic and financial centers\(^{16}\);
- Connection to big business and corporations;
- Publicity;
- Big fluctuation of capital, merchandise, and people;
- Symbolizing of national cultural treasure and history.

The paper does not address all possible threats to hotel companies for the reason of lesser degree of risk prioritization or need for their detailed elaboration. We single out: vibrations, radar radiation, acoustic radiation, electromagnetic radiation, instability of electric energy supply, electric power strikes, radiation danger, chemical and biological hazard, air pollution, sea water pollution, big fires, and contagious disease epidemics.

The appearance of acute respiratory syndrome SARS (the so called birds’ flu) in 2003 had a direct and severe effect on whole geographic regions. The direct economic damage immediately reflected on business activities, tourism industry and touring Asia and Canada. Indirectly, hotel business on the whole was in danger due to a weaker flow of tourists into specific parts of the world.

War, terrorism, and political unrests are not the only threats that can jeopardize economic conditions of tourist industry development, particularly the interests of the private sector and hotel companies. A list of assessed threats may encompass natural, technical-technological and other danger that, combined with the human factor, can have devastating effects. It is interesting to have a closer look at different scenarios of combining threats: a terrorist attack with the possibility of setting an explosive device on the evacuation rout; total lack of water in the town water supply system with using biological weapons on their water supply sources etc.

\(^{16}\) An obvious example of connection of terrorist attacks to financial and, at the same time, tourism centers got its inglorious epilogue with the attacks launched on hotels in Mumbai. Although this is not the first in a series of terrorist attacks that took place in this town in India, it is obvious that the flows of national and international capital do not avoid tourism regions. Thus, it is reasonable to assume that the purpose of such attacks is to weaken the financial power of specific regions, along with their tourism attractiveness.
REFERENCES


BOOK REVIEWS

Mladen Crnjar, Kristina Crnjar
MANAGEMENT OF SUSTAINABLE DEVELOPMENT

University textbook Management of Sustainable Development written by Mladen Crnjar, PhD and Kristina Crnjar, MSc was published in the autumn 2009 by the Faculty of Tourism and Hospitality Management of Opatija and ‘Glosa’ of Rijeka as Publishers. The 577 pages, divided into six chapters: Introduction, Theoretical Characteristics of Environment Pollution and Sustainable Development, Significant Features of Ecological Management, Management of Knowledge in the Function of Sustainable Development, Legal Framework for Environmental Protection Management and Management of Sustainable Development for 21st Century), have resulted from authors’ effort to scientifically illustrate the interaction between ecological management and sustainable development.

In the Introduction, readers are presented the subject dealt with in the book, with reference to the research work carried out so far in the field of management of sustainable development.

In the following chapter, Theoretical Characteristics of Environment Pollution and Sustainable Development, starting from causes at the global level, authors deal with analyses of the consequences of pollution among which ecological crisis and global climatic changes are considered the “burning” problems of civilization nowadays. These problems require urgent action and significant changes in the so-far economical paradigm and system of values. On these grounds, the authors point out to the need for sustainable development as a concept not based on material production as the exclusive indicator of social and economical progress, but rather on complex indicators of economical, ecological and social dimensions. The adoption and implementation of sustainable development also denotes the shaping of appropriate environmental policy, which can be implemented through combination between different instruments, their systematic presentation and explanation being available in the second chapter as well.

In the third chapter, Significant Features of Ecological Management, specific features of ecological management are described in details, as looked at from the aspect of various companies and public institutions at the national, regional, and local level as well as from the aspect of the management of recoverable and unrecoverable natural resources. Particular attention has been paid to social responsibility and even more so to management ethics, which has been becoming an increasingly significant feature of competitiveness for contemporary companies.
In the chapter under the title of *Management of Knowledge in the Function of Sustainable Development*, authors have focused on educational systems, knowledge and science as prerequisites for efficient adoption and implementation of the sustainable development concept. They suggest that the interdisciplinary feature of sustainable development poses the need for management of knowledge and scientific understanding at both the global and local level as well as for permanent enhancement of educational programmes. In order for education to become a factor of “sustainability”, changes and concrete actions are required at all levels, from the pre-school education to the higher and life-long education.

*Legal Framework for Environmental Protection Management* is the title of the fifth chapter, whereby the most important international conventions, protocols and treaties governing specific issues and environmental protection issues, such as: The UN Convention on Climate Changes, Convention on Trans-boundary Air Pollution, regional treaties on the protection of the sea, and many more. Sustainable development is one of the priority targets of the European Union. This is why the basic principles of the EU environmental protection policy, the EU major ecological issues, and the EU legal system concerning environmental protection have been explained in details by the authors. In addition, the legal and institutional framework for environmental protection in the Republic of Croatia has been also analyzed and has pointed out to changes envisaged in the field of environmental policy in the process of Croatia’s accession to the European Union.

In the last chapter, *Management of Sustainable Development for 21st Century*, the authors deal with new, innovative possibilities in the field of production and consumption of goods and services, as well as with possible and indispensable changes aimed at reaching higher levels of energy supply and ecological efficiency. It is not possible for sustainable development to be achieved without a new production and consumption philosophy, without the adoption of ‘cleaner production’ and ‘industrial ecology’ models. The chapter ends with the display of basic features of sustainable development for 21st century in the European Union and in the Republic of Croatia.

The bibliography at the end of the book includes 256 recent bibliographical units, the abstract, and the list of 37 tables and 22 charts. At the end of each chapter, authors have inserted Questions for discussion and repetition. There is also the index of names, terms and abbreviations, and a short biographical note about the authors.

Whereas Professor Mladen Crnjar, PhD is already well known to the scientific and professional public as the author of two books, Economics and Environmental Protection Policy, this book he has written together with Kristina Crnjar, MSc, features a significant step forward toward sustainable development as the key approach to the evaluation, design, implementation and control of environmental protection. This is the major reason that makes this book different from other books and textbooks so far published by the same author about issues concerning environmental economics. Owing to is content, architecture and approach, this is a completely original and authentic book.
**Management of Sustainable Development** is a book intended in the first place to students of economics and similar sciences at universities and higher schools, either as a compulsory or supplementary literature. Considering the actual relevance of the content, the book may be also found useful to the wider scientific and professional public, managers, public officers, and to all those involved in environmental protection and sustainable development in one way or the other.

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**Christian Stipanovic**

**BUSINESS INTELLIGENCE IN TOURISM**
(2009), Faculty of Tourism and Hospitality Management, Opatija,

The university coursebook *Business Intelligence in Tourism* by author Christian Stipanovic, PhD, Associate Professor researches, analyzes and systematically presents business intelligence in the search of a company's qualitative answer to market dynamics.

The aim of this book is to define the theoretical and, above all, the practical model of business intelligence in tourism and the hospitality industry in order for hotels and tourism related businesses to communicate with their turbulent and dynamic environment effectively. It reveals how to collect data about key sections of the environment (client, competition) concretely, and how to transform them into information and knowledge about their current and future activities which will form the origin of business decisions and innovate one's concept and development strategy. The basic problem is how to anticipate the future and the new functioning and thinking system in an increasingly turbulent environment.

The book (the research) does not stop at merely an IT viewpoint of the business intelligence model, but it also tries to consider the model from an economic viewpoint whose function is to generate profit as the basic promoter of economic activity. The book does not merely provide an analysis of the current state (a diagnosis), but it also attempts to anticipate the development of the business intelligence model within the function of the concept and strategy of development on a micro and macro level. It creates an awareness of the importance of business intelligence without whom one cannot even survive in the market, let alone become competitive. It also originates new strategic directions: business intelligence, CRM, knowledge management, and organization which learns and analyzes their level of implementation in the Croatian economy and tourism.
The book is divided into two equally copious parts and nine logically interconnected chapters. It is attempted to display all key terms on the example of the Croatian tourism and economy.

The *Introduction* defines: origins, goals, purpose, basic research questions and the structure of the book.

The first part of the book, *The Basics of Business Intelligence*, defines the model of business intelligence, its origins and the determinants in the function of qualitatively promoting a conceptual development and business decision-making model as well as the significance of man and of IT in his development.

The second chapter, *The Basic Guidelines of Business Intelligence*, determines the basic theoretical findings of the business intelligence model as one of the capital strategic orientations of a modern company.

The third chapter, *Business Intelligence as a Concept in the Development of a Modern Company*, determines the importance of business intelligence in the process of business decision-making and generating new development concepts.

The fourth chapter, *The Influence of Computerization on the Development of Business Intelligence*, defines the basis of the business intelligence model on the implementation of IT solutions. Intelligent companies are founded on data warehouse, OLAP systems and data mining, as well as controlling data as expert system inputs and databases in defining an optimal business decision.

The fifth chapter, *The Importance of a Human Resources Management Strategy in the Business Intelligence Model*, presents the importance of human potentials which determine success or failure of a company in the turbulent market (man is the key to success).

The second part of the book, *Implementing a Business Intelligence Model in Tourism*, applies existing theoretical knowledge on business intelligence models in the field of tourism, on a macro and micro level. A change in the preferences of demand and the differentiation of competitor activities demands a permanent optimization and qualitative restructuring of the way in which a business is run, based on new strategic orientations which aim to actively create a future and operate with respect to the tourists and the competition.


The seventh chapter, *Business Intelligence in the Function of Achieving Competitive Touristic Enterprises*, examines the value of business intelligence in defining new concepts of development and its importance in the competitive struggle in today's market.
The eighth chapter, *Business Intelligence Synergy and the New Strategic Orientations of Companies*, portrays the interaction and synergy of new strategic orientations which generate a new and unique experience for tourists as generators of conceptual changes and strategic development.

The Conclusion synthesises all realizations and determines the importance of business intelligence in the running of all participants of the 21st century market that aim to multiply profits and other conceptual development goals.

This book, because of its content, language, style and terminology represents a significant contribution to the study and affirmation of business intelligence and of a new value system and emphasises the necessity to apply business intelligence models which aim to improve business and achieve competitive advantages based on innovations in the dynamic economy of the 21st century. It is a continuation of the author's previous work entitled “The concept and strategy of development in tourism – the system and business politics” in the search for answers to two key questions: how to beat the competition and how to recognize and satisfy all developed tourist preferences in a dynamic tourist market.

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**Romina Alkier Radnic**
**TOURISM IN THE EUROPEAN UNION**
(2009), Faculty of Tourism and Hospitality Management, Opatija,

This book (university textbook) by Assistant Professor Romina Alkier Radnic, PhD, entitled *Tourism in the European Union*, provides a historical overview of tourist development in the European Union, analysis of the current state of contemporary tourism of the 21st century, which is transformed into a concept of event industry, animation, active vacation adjusted to each client individually, as well as definition of future trends of tourist development based on qualitative advancement and diversification of the offer, in order to achieve competitive advantages based on innovations and promptness. Economic crisis and recession pose the key question: how to surpass the competition in an unfavourable macroeconomic environment, how to achieve new quality and recognizability, and provide tourists with a unique experience. The book provides a new overview of the development of Croatian tourism, presents analysis and arguments for significance of the accession process in qualitative transformation and alteration of Croatian tourism.
In terms of contents, 190 pages of the book are divided in three parts structured in seven chapters. The first part, *Developmental Path and Institutional Structure of the European Union*, describes the history of its origin as the most significant European integration, and displays basic contemporary characteristics of the European Union based on its institutional structure. Interaction between tourism and economy is quantified and qualified in the second part, *Tourism and Economy of the European Union*. It is comprised of four chapters: *Impact of Integration Trends on Development of European Tourism, Europe and Tourism, Development of Tourism in the European Union*, and *Contemporary Trends and Perspectives of EU Tourist Development*. The third part, *Croatia and the European Union*, defines developmental challenges of Croatian tourism in the accession process to the European Union. It is comprised of two chapters: *Process of Integration of Croatia in the European Union*, and *Croatia and Tourism in the European Union*. Conclusion is provided at the end of the book as a summary, as well as a comprehensive list of bibliography and sources, and the list of tables, charts, and pictures.

The book fully covers the subject matter of *EU Economics and Tourism* course, which is covered by the author in the scope of graduate study at the Faculty of Economics. It is fair to say that the author successfully managed to set and elaborate on complex problem matter relating to economics and tourism of the European Union, in a way students can easily follow and understand. In terms of contents, terminology, writing style and new insights, the book significantly enriches this field of interest. It sets the guidelines for innovations in Croatian tourism in order to reduce the lag behind developed receptive EU countries, in the function of stimulating attractiveness, differentiation from the competition and achievement of recognizability.

The book will most definitely arise attention of scientists and experts, as well as practitioners, and serve as a valuable university textbook on tourist study programmes in Croatian higher education.

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