

Human Resource Management – Developing Force of Tourist Industry*

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ABSTRACT – Tourist industry success depends on several factors, one of which and among the most important is human resources. It is necessary that managers on all levels create such an environment using different methods and instruments so as to develop employees' capacity, improve motivation and identify key factors for success in development and repositioning in the world tourist map. The methods and the instruments to be used are defined in contemporary HRM. It is necessary to have influence all factors in relation with human behavior in a company, especially organizational, social and cultural. Quality of tourist service and positioning on local, national and regional market may be improved if HRM is founded as central strategic and operational development concept. All stakeholders, private and public sector, tourist and local community may benefit from permanent improvement of employees in all sectors that are directly or indirectly involved with tourist industry.

KEY WORDS: HRM, tourist industry, quality, tourist service, tourist agencies

Tourist industry and human resources

As a result of dynamic development in economy, increase in standard of living, improved cultural and educational levels, mobility, urbanization and demographic movements, tourist industry is continuously increasing its share in total value of the world's GDP, employment and transfer of goods and services. Tourism is expanding worldwide and its further development is strategically very important for every country and its integration into global economic activities.

Importance of human resources in tourism originates from the very core of tourist service. Human nature drives us toward meeting new people and visiting new regions. Such activities where people broaden their horizons are critical for development of tourist service. HRM in tourism is key factor for success and development of the economy, bearing in mind what impact tourism has on other economic activities. Tourist industry directly relies on people, their ideas, working behavior and communication with potential customers (tourists). Image creation of one tourist site depends on behavior of large number of people. For that reason, human resource management is valuable and inevitable knowledge which if properly organized generates success in this sector.

Understanding the strategic role of HR

In today's business, organizations constantly need to evaluate their internal and external environment for possible challenges and opportunities in order to remain competitive and to have sustainable growth. Political, economic, social, and psychological changes within our societies have significant impact on organizations. Given any significant change or event, how ready are organizations to react in order to remain competitive?

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Now-a-days many factors drive changes in organizations, including the use of technology, globalization, changes in workforce demographics, elimination of bureaucracies in organizational structures, and the need to find a balance between work and family issues. Understanding the potential of an organization's resources and optimizing the output of such resources, given the changes, provides an impetus for HR to become the key source of creating the competitive advantage for the organization.

To create value and deliver results, HR professionals must begin not by focusing on the work activities or work of HR but by defining the deliverables of that work. HR's roles in building a competitive organization include management of strategic human resources, management of transformation and change, management of firm infrastructure, and management of employee contributions (Ulrich, 1997). Although these roles are valid and have proven to be value-added in recent years, now there is a critical need to move beyond the strategic business partner role to becoming a player in the business (Ulrich & Beatty, 2001). Players, according to Ulrich and Beatty, contribute to the profitability of the organization, deliver results, and do things to make a difference. The roles of players are to (1) coach, (2) design, (3) construct, (4) change the organization, (5) create followers, and (6) play by the rules. Another perspective on the role of HRM suggests that in leading-edge companies, HR professionals play four key roles: (1) strategic business partners, (2) innovators, (3) collaborators, and (4) facilitators (Schuler & Jackson, 2000). As strategic business partners, HR professionals should understand the nature of the business from strategic, operational, financial, and other aspects necessary to be part of an effective team managing an organization. Functioning as innovators, HR professionals are challenged to search continuously for strategies that will create value for the organization and not merely function in a reactionary mode. Furthermore, HR professionals will also serve as collaborators with senior leaders and all employees to implement business strategies forming the strategic link throughout the organization. Finally, as facilitators, HR professionals function as the change agent providing rationale, support, and readiness for planned changes designed to support the business strategies.

The fundamental role of HRM is essentially to maximize profitability, quality of work life, and profits through effective management of people (Cascio, 2003). Given this premise, it can be easily inferred that HR's role is to help create value to the organization.

HR–firm performance linkage

Examination of the impact of HRM policies and practices has been an important topic in the fields of both human resource management and strategic management (Becker and Huselid, 1998). Building from research in both these areas, the view of HRM has progressed from HR as a service and maintenance functional area to a direct contributor to firm performance. We do not want to provide a comprehensive review from both strategic and HR management, but rather to provide an integrative overview of the literature examining the relationship between HRM and firm performance. A review of the existing literature examining this relationship recently revealed three distinct perspectives.

The first perspective takes a systems approach, and examines the impact of an overall set of HR practices on firm performance. This perspective advanced the literature from examining the effect of a single HR practice on performance, to examining a set of practices that work together synergistically. For example, Huselid (1995) examined a system of “high performance work practices” and found support for a positive relationship between such a system and corporate financial performance.

The second line of research examining HRM and firm performance begins to address this shortcoming by considering the role of HRM in implementing strategic initiatives. This perspective explains the positive findings between HRM and firm performance by emphasizing the role HR plays in implementing strategies. To effectively implement a particular strategy, HR practices must “fit” with the strategic goals of the firm.

In this view, a firm's HR practices should develop employees' skills, knowledge, and motivation in such a way to facilitate employee behaviors that complement a firm's strategy. For example, employees may take actions to reduce costs, increase product differentiation, or provide exceptional service in line with specific strategic goals. The role of HRM in this view is one of a “partner” with the overall

firm or business unit (Boxall, 2003), and empirical support for this perspective has been shown in the literature (Huselid, 1995).

The third perspective recently developing and gaining rapid acceptance in the literature examining HRM and firm performance is grounded firmly in the resource-based view of the firm. In this view, HRM is seen as a key factor in a firm's ability to develop and leverage valuable and rare organizational resources and capabilities that are difficult for competitors to duplicate (Barney, 1991; Lado and Wilson, 1994). From a resource-based perspective, a firm's human capital is frequently assumed to contribute to a firm's competitive advantage due to its socially complex, firm-specific nature (Hatch & Dyer, 2004). To the extent that the HRM function constitutes an investment in firm-specific human capital through selection, socialization, staffing, development, training, and skill-based pay, the HR function may be a potent source of competitive advantage for a firm (Lado & Wilson, 1994).

In sum, the theoretical underpinnings of the literature examining the relationship between HRM and firm performance have developed from (1) examining specific sets of HR practices, to (2) examining a match between HR practices and strategy, to (3) examining the role of HRM in building and maintaining organizational resources and capabilities that contribute directly to a firm's competitive advantage. Consistent support has been found for the HRM–firm performance link in the literature, and with the continued development of theory, a richer understanding of how this relationship occurs can both advance the literature and facilitate improvement in practice.

Tourist industry characteristics

Many policy-makers have attempted to define the nature of the tourism industry— yet there is still no one commonly accepted definition. Hence, there are inherent problems seeking to define what is a large and diverse sector, which means many of the activities may overlap, and could be described as encompassing tourism. For example, Lucas (2004) in her recent work on employment relations in the hospitality and tourism industries chose to talk in broad terms about the Hotel, Catering and Tourism Sector (HCTS).

This characterization of the HCTS recognizes that, in reality, many jobs in hospitality and tourism, 'share common attributes and are associated with both hospitality and tourism activities' (p. 4). Clearly, then, we should recognize the potential for a lack of precision in describing the tourism and hospitality industries.

In an attempt to avoid too much imprecision and, at the same time, capture the diversity of the sector we use the framework offered by People 1st, which is the Sector Skills Council (SSC) for the hospitality, leisure, travel and tourism sector, to exemplify the broad range of activities that may be seen in the HCTS. SSCs are employer led and amongst other things aim to be the voice of industry on skills matters and encourage best practice approaches to employment. Therefore, People 1st suggest that the sector as a whole is made up of 14 sub-sectors (People 1st, 2006):

- hotels;
- restaurants;
- pubs, bars and night-clubs;
- contract food service providers;
- membership clubs;
- events;
- gambling;
- travel services;
- tourist services;
- visitor attractions;
- youth hostels;
- holiday parks;
- self-catering accommodation;
- hospitality services.

Tourist industry satisfies higher level of human needs, which do not have existential character, like cultural and cognitive needs, needs for sport and health. For that reason the elasticity of demand for tourist service is high, it is sensitive to quality and requires high level of individualization.

Several authors define tourism to be a service which is characterized by diversity and complexity. Unković (1998) defines it as “heterogeneous business activity made of different economic and non-economic activities combined in a product which satisfies need of local and foreign tourists”. Bakić (2003) notes that “tourism is not a separate business activity, it rather is a complex system made of different subsystems with high elasticity and specificity in productivity of work as its key component”. Bakić further says that sector of tourism delivers both products and a service. It is specified by “conversion function” which has a potential to convert non economic goods (location, climate, antropoge-nous and social factors like folklore, historical background, culture etc.) into economic good and together with other products and services (transportation, accommodation, food, etc.) place it on the market. According to his previous work (Bakić, 1998) this function defines tourism product as “single (partial) element or as functional mix of several such elements (integrated) offered by producer (supply side), where its final shape is made by tourists (demand side) in the process of selection and mix of different elements. Tourist product is viewed as “amalgam” where both producers and consumers take part at the same time, consisting of physical characteristics, concepts and sellers’ behavior and other elements which offer “expected gain”.

Management is an activity which became a necessity in all organizational systems. It is necessary to plan, organize, lead and direct employees activities in order to effectively achieve goals and objectives. Stavrić, Mardokić and Gašović (2004) note that “it is important for scarce resources (human capital, elements of production, capital) to be used rationally so as to maximize effectiveness and efficiency in achieving goals and objectives”.

Providers and consumers in tourist industry

Tourism as a service is created as a result of human need for travel, holidays, acquaintance, knowledge and communication. The service is provided by employees in tourist agencies along with activities of employees in hospitality management, transportation, trade, communal activities and entrepreneurship. People have had need for travel for long time. However, development of tourism as an organized activity and business sector has begun after the need has grown and ceased to be a privilege of rich.

Tourist agencies combine tourist offer, needs and demands of customers and in that way create their product. They integrate different elements of needed products and services, adapt them and bring them closer to customer – tourist. Tourist agencies today offer wide range of services. Development of information technology increases possibilities of combining and creating differentiated tourist offer.

Activities of tourist agencies according to Štetić and Šalov (2000) are defined in the following functions:

- informational-advisory
- promotional
- intermediating and
- organizational.

Along with a growth of income and wider population standard of living, the need for travel and interest for meeting other people and regions has grown. The value system has shifted towards orientation on leisure time. Rapid development of means of communication and transportation enabled faster contacts and movement, leaving people with more free time. Developed air transport became core for development of modern tourism. Possibility of comfortable and fast transport from one to another destination is driving force for development of tourism in international context. Increased standard of living created completely new generations of population with a new life style and new system of values. Tourism became a part of human life. Holliday is something people wait for the whole year long and special attention is drawn to vacation as a tool for discharging from gruelling life and working

pace. People today do not have time and will to create holiday itinerary, so they expect from tourist agencies to fulfil their needs and desires, which may vary depending on price and concepts of life.

Key success factors in tourist industry

Success in tourism depends on numerous human factors and their interaction. In practice, employees generate capital for a company they work over their competencies, attitudes and intellectual agility. Competencies as a component of human capital according to Milićević (2002) are knowledge, skills, talents and know-how that the employees and managers have. Uniqueness of tourist product and role of employees in creation and delivery of that product requires modification of traditional 4P marketing mix into a new formula 4P which includes people skills and processes initialized by a customer. The elements of modified 4P are excellent people skills, superior product, impressive presentation and customer driven processes.

The concept of “Human Resources” refers to total of human potential in an organization including knowledge, skills, abilities, creativity, motivation and energy needed to reach organizational goals. Pržulj (2007) emphasizes that “Human resources are a compound of intellectual, physical, psychic and social energies which may develop in achieving organizational goals”.

People skills, their style and their competences are the key elements which should enable consumers to feel satisfied. Skills like communication, presentation, influence, positive approach, energy and self control are required if one wants to succeed in tourism. If customers feel respected, understood and treated with frankness, we may say that good foundation for high quality product is on place. In tourism we usually say that customers do not buy a product, they buy the attitude which is shown to them.

If we talk about the product in tourism we talk about the travel package as an unique product. The package is a combination of services which include preparation, organization, sale and realization of travel. Travel package is related to a certain tourist site which might be attractive for its natural and atropogenous features. It has decisive role in tourist’s selection process. Preparation of travel package is an entrepreneurial activity performed by tourist agency. Its quality relies on abilities, education and information the employees of an agency have. If we want a travel package to be good and unique product we must take care about tourist needs.

For a product to be attractive, proper presentation and promotion are critical. Presentation is total of communication between seller and consumer of tourist package. Customers derive experience and their attitudes according to presentation they had where they observe the location of an agency, looks and behavior of employees, the quality of travel prospects and communication behavior. Selection of good advertising in tourism is most important instrument of promotion. Proper public relations enable tourist agency to have suitable positioning, acceptability and recognition on the market.

Managing human resources in tourist industry

Priorities of the HRM are changing and adapting to company strategy. Dessler (2007) notes that most important responsibility of Managers of HR is to create such HR policy and practice where personnel behavior become competent and reliable in achieving company strategic objectives and goals. Many organizations create human resource developing strategies that include leadership, loyalty, employment and appreciation as motivating instruments. At the same time they develop processes strategies which define standards and trace performance and development. Employees in this sector of industry are key company success factor. Frontline personnel have special value for organization, since they are the first customers contact. The customer perceives the whole organization and creates an image through these employees.

Managers with their leadership skills influence employees’ satisfaction and performance. They define the direction and methods how to achieve goals, gather personnel and motivate them to give their best and keep control on the whole process. Human resources are not the same as the other company re-

sources since people have their own specific interests, goals, character and perception. Employees are individuals with their own ego and they are willing to use their knowledge, skills and energy for organizational goals only if they achieve their personal goals and needs. Contemporary human resource management offers a framework for satisfying employees' goals and needs and harmonizes them with organizational goals. New approach to human resources was created as a result of growing competition an organization is facing on the global and open markets, making human potential become differentiation tool. Human resources became intellectual capital of an organization, and managers of HR have a task to convert that capital into company added value. This is a new strategic concept aimed at future, which observes human as capacity and potential resource, core strength and competitive advantage an organization has and which by proper management and skills may create economic value for the organization. This is a dynamic process where managers permanently identify HR potential and develop it by simultaneously complying needs employees and organization may have. Qualitative selection methods, investments in education and development, appreciation of performance, rewarding system based on results, involvement of employees in solving organizational problems, and overall harmonization of interior work environment give positive results in every organization. If we want HRM to improve company success, it is necessary to emphasize competences, motivation, loyalty, competitiveness and flexibility of employees.

Tourist agency highly relies on its employees. For that reason the recruiting and selection of candidates who would best suit to tourist business is very important. Recruitment is only a first step of a process, which will remain unfinished if we do not take care on continuous training and education of personnel and especially on motivation (rewarding, performance validation, promotions, etc.)

Tourism is under influence of rapid technology change which requires adjusting methods of work and knowledge, as well as of change in taste and demand of customers on the tourist market with a wide offer of unique products. Modern resource approach to employees emphasizes a need for organization to permanently improve personnel potentials. In tourism this has a specific value, because it is a business activity which is subject to rapid change, squeamish consumer taste and high dependability on information and modern communication technology. Improvement of employees is in direct relationship with organization flexibility, and flexibility is required for an agency to survive on the market. Improvements help us motivate employees, to identify their potentials and direct them towards company goals.

The global study also gives an indication of future education and training priorities for tourism. Spivack (1997) reports a number of what she calls "skills development issues" derived from anticipated changes within the tourism sector, and which the panel consensus process prioritized as central to education and training needs in the future. These were, in rank order:

1. Managers will need to develop more skills in human resource management, particularly in knowing how to build an enthusiastic workforce.
2. With continued internationalization of business, all levels of management will need more training, especially in interpersonal and multicultural skills.
3. Environmental awareness and conservation techniques will become an essential part of tourism education at all levels.
4. The expansion of franchises among transnational firms will accelerate the need for international-level quality of service and skill standards.
5. Public health issues, such as AIDS, that relate to the delivery of tourist products and services will become an essential part of tourism education at all levels.
6. Supervisors will need to learn more high level management skills such as forecasting and strategic planning.

Activities in tourism are of a seasonal character so they are subject to permanent change. For that reason the employees have to be flexible and mobile. This is possible to achieve by rotation or planning of work in such a way so as to identify potentials and gain new knowledge and skills. In that context we have to take care on design of work which might extend and expand current activities according to needs and evaluation of managers.

From the aspect of HRM it is important to analyze communication skills of the employees, as on of the key criteria in acquiring a job, training, valuing and rewarding. Communication facilitates better understanding of the job roles, understanding and trust between peers and creation of better human relationship, all of which influence job satisfaction and job motivation of an employee. Communication practice in a tourist agency directly impacts how employees deal with customers and business partners, hence success of the agency on the market. At the same time internal communication in the agency (between peers, and employees-managers) is prerequisite for successful business process, which should be based on collection, linking and placement of information. Adequate communication channels and timely availability of relevant information create peer relationships, reduce conflicts and shape positive climate and culture of the tourist organization.

Organization culture is one of the most important variables of the organization behavior. It deals with understanding of an organization as a group which has strong social influence on individuals. Behavior standard is important element of the culture. Values and standards together represent constitutive elements of a specific organization culture. Organization culture creates employees behavior and it is a result of HRM policies and strategies.

Among organization factors which influence customer-employee relationship, very important role belong to working environment, job design, managers behavior, and the concept of HRM in general (development, evaluation, rewarding). All of the above influence job satisfaction. If satisfied with personal and professional life and especially with treatment in company employees will have positive attitude towards customers. Dynamic environment of tourist agency requires of the agency and its employees to have high level of flexibility, openness and willingness to change. Such culture where change is welcome brings innovation and life long learning as primary values.

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