

CONTEMPORARY CONCEPTS OF MANAGEMENT IN TOURIST COMPANIES

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ABSTRACT

Substantial differences characterize modern trends on the tourist market in the period before and after 1990. There is almost no country in the world that does not reckon seriously with tourism in its economic development. The modern-day tourist is an increasingly “spoiled” consumer of tourist services and his/her requirements are specific and partial. The higher standard of living of the population and an ever greater amount of leisure time, as well as the development of transport technology and service technology in general accounted for important changes in the demand, bringing about considerable changes in the supply, primarily in the adaptation of the tourist product to the requirements of an increasingly sophisticated demand and the changes in the process of marketing management and application. This paper focuses on modern trends on the tourist market and the necessity to apply the knowledge of modern management and marketing.

Key words: Tourism, management, strategy, marketing, globalism.

INTRODUCTION

Tourism as a social and economic phenomenon, i.e. an economic activity, is exposed most directly to constant and profound changes. The tourist market and activities are continually developed, assuming unimagined proportions. However, in addition to positive business results, the bringing over of a large number of people to tourist destinations accounted for certain environmental, cultural and social consequences which brought to the fore the need for re-examining the foundations of modern tourism. Consequently, the rapid development of tourism and the general changes in the social system and social consciousness lead to an ever changing perception of tourism.

Tourism as a general phenomenon of this century has been the first activity that assumed global dimensions. By its economic, sociological, psychological, political and other attributes, it will be the first industry to approximate, by the size of its transactions, the oil and automobile industries. This is indicated also by the fact that, on average, about 65 per cent of the overall population in the economically most developed countries works in the service sector which includes tourism.

1. Development of managing concept in tourism companies

The last phase, the management system of strategic management, has developed within 4 basic concepts:

1. contingency (multi-variant) planning;
2. management of strategic questions;
3. strategic management by weak signals; and
4. management by surprises

In addition to these timely management systems, mention can also be made of the so-called positioned systems that correspond to the conditions and organizations, the environment and future, i.e. the changes, of which can be anticipated (projected). The positioned management systems consist of long-term planning, occasional, i.e. periodic, strategic planning and the management of strategic position. In the conditions of an ever more complex and less predictable environment, the innovative (progressive) organizations have developed various management systems that make it possible for them to be more responsive to such changes.

Long-term planning, as a management system that was based on the extrapolation of the past in the future has no utility value nowadays and organizations no longer practice it.

Tourist companies intending to run a successful business must develop strategic management in full and adapt the adopted strategy to tourists' preferences in a continuous way.

The business strategy of a tourist company begins and ends with selected market segments. This means that marketing activity is woven in into the entire business strategy. The marketing strategy elements are therefore the elements of the business strategy of the tourist company as well and vice versa. The basic **elements of business and marketing strategies of a tourist company** are manifested in:

- permanent orientation to the needs and requirements of tourists;
- coordination and integration of all plans and activities in order to maximize the overall business efficiency; and
- orientation to the basic target function of the tourist company (market share and profit or gain in different variations).

These basic elements should be viewed in an integral way and manifest themselves in concrete strategies of tourist companies.

A well integrated business strategy encompasses a comprehensive plan of activities of a tourist company. It includes *a detailed definition of business philosophy, target functions, market segments, general and specific business activities and the control mechanism for a certain plan period.*

Strategic management in tourism is reflected in a number of *specific features*, such as:

- comprehensive analysis of the needs for various institutions of tourism;
- exact assessment of business targets, a successful differentiation of the supply with respect to competition and its gearing towards selected market segments;
- assessment of the real need for a comprehensive and permanent study of the legal, economic and market environment;
- maximum coordination of all business and marketing activities; and
- possibility of projecting and possibly avoiding unfavourable market flows.

By and large, these features concern all economic activities and sectors, but characterize, in particular, tourism in view of a very visible diversification of its business activity and the existence of a large number of options in the selection of the most favourable strategy.

1.1. The concept of positioning

As tourism and its structures continued to develop, tourist companies increasingly accentuated the strategy of the differentiation of the “offer package” with respect to appropriate market segments. The development took small and locally specialized companies to big multi-production tourist companies in domestic and international tourism. Parallel to this process, the economy of the size and the economy of the scope grew in importance for the tourist industry. Further on, ever greater emphasis was being placed on the strategy of gearing the supply towards selected market segments and consumers’ expectations. The market position of the tourist company is the result of its overall assessment and knowledge of all relevant tourists’ characteristics in the context of selected segments. They include tourists’ needs, requests and behaviour. In that sense it is necessary to identify tourists’ key dimensions and assess their perceptions and preferences in selecting possible “offer packages” on the market. A concrete offer is always made up of a combination of selection, price, service, communication and tourist area. In the selection of the appropriate strategy of market positioning, the key dimension for each tourist company concerns the offer of direct and indirect competition. In that connection it is essential to assess the behaviour of tourists’ segments that prefer the offers of the competition. The relevant position of each dimension in the structure of the offer of the tourist company competition will be established in that way. Positive differences existing in that domain from the point of view of a concrete tourist company make room for the formulation of the new strategy of market positioning.

The key for an effective positioning of a tourist company is in the selection of market segments, the specific needs of which have not been fully satisfied. A special “offer package” of the tourist company is designed on that basis. However, in order to implement effective differentiation strategies in tourism, the five following conditions must be met:

1. only for market **non-dominant** tourist companies (by implementing attractive strategies of positioning, they can get a lot, while losing little);

- the core of the matter is to find out weak sides of the leader and to take over some of its tourists, as leaders have no need to position themselves in respect of weaker rivals since, objectively, they cannot improve their position by emulating those weaker than themselves;
- 2. spotting **good opportunities** existing on the market in the implementation of the strategy of positioning;
 - there must exist a real possibility of realizing a more effective position in the future and it is necessary to project to that end tourist consumption trends and flows in respect of competition;
- 3. exact appraisal of the **relative position** in respect of the competition;
 - finding out the way tourists look at own tourist products and services and at those of the competition (their upsides and downsides);
- 4. existence of appropriate **structural elements** of the business operations of a tourist company;
 - proper personnel, location of tourist facilities, selection, quality and appropriate turnover capital;
- 5. **effective communication** with the market as a necessary precondition for the implementation of the strategy of positioning;
 - promotional campaigns directed towards the desired market position, emphasizing the presentation to tourists of those components that are effectively differentiated from those of the competition.

Generally speaking, the specificities of market positioning in the practice of tourist companies are noticeable by and large in the creation of the content of the offer of tourist facilities themselves. It is understandable that, in those conditions, the market positioning of tourist facilities is involved and the matrix of crossing the characteristics of tourists and tourist facilities is commonly used. Numerous demographic/social and psychological characteristics are taken into consideration in respect of tourists, consumers of tourist products and services and the same applies in respect of tourist facilities. Account is taken of the specificities of the offer of a given facility, characteristics of its location, accessibility, promotional elements, atmospherics of the facility and so on. An efficient tourist company combines deftly the basic dimensions and characteristics of the tourist/consumer and the tourist facilities themselves. Only by such an approach is it possible to take strategic decision of market positioning in tourism effectively.

1.2. The development of the strategy of positioning

The strategy of positioning takes the pride of place in modern concepts of the management of tourist companies. The development of the strategy of positioning takes place through a number of mutually dependent phases. The following six phases¹ are most often encountered in practice:

1. identification of the needs and wishes of selected market segments;
2. analysis of benefits offered by the company compared with those offered by the competition present at the same market segments;
3. identification of the most important benefits which are least important for the given market segment;
4. research of benefits offered by the competitors and the response of the market segment to their overall offer;
5. adaptation of the "offer package" in the manner enabling the maximum use of benefits desirable for the given market segment;
6. promotion of the "offer package" of the tourist company in order to create an image and understanding in respect of selected market segments;

Compared with the classic approach of the strategic positioning (emphasis on hotels, restaurants and other tourist facilities and the so-called image of tourist facilities), there are obvious advantages of a modern approach to the positioning of tourist companies (the positioning of an entire company in the overall tourist infrastructure) in defining their efficient business strategies. The advantages consist of the following:

- facilitation of the overall assessment of the area and framework of activities of the tourist company;
- establishment of production and market framework for each business and each business unit within the tourist company;
- exact assessment of activities within the entire tourist structure rather than on the level of a given tourist facility;
- assistance in identifying the main strategic directions; and
- pegging out and integrating the diversification management strategy and carrying out the activities of the tourist company.

¹ Nickels, W., Marketing Principles, Englewood Cliffs, Prentice Hall, 1978.

The modern strategy of positioning encompasses the overall business strategy of the tourist company. It should provide for a long-term assessment of the company of its basic nature, mission and goals. It is only in that way that it is possible to establish a continuous link with a changeable and complex market environment.

2. Human resource management

As modern management theory continued to develop, it was concluded that the most important resource of an organization is its personnel, because it invests its work, talent, creativity and enthusiasm into the well-being of the organization.

Therefore, one of the most critical tasks of the managers of tourist companies, particularly in view of the inter-personal nature of relations in tourism, is to select, train and prepare the best people who will make it possible for the organization to achieve its goals.

Human resource management is the activity of the management in recruiting, selecting, training and providing advanced training to employees. It is a personnel department function and a continual process providing the organization with the right people at the right places when they are needed (especially in the context of the modern process of downsizing). The management process includes the following seven basic activities²:

(1) Planning of human resources

- meeting personnel needs in a continuous and appropriate way by a) the analysis of internal factors and b) the analysis of the environment (labour market);

(2) Recruitment goal

- proper selection of job candidates in accordance with the human resource plan (ads, professional magazines, agencies, recommendations, visits to college career fairs etc);

(3) Selection

- reference lists, test of knowledge, interviews etc.

(4) Socialization

- getting to know the organization, corporate culture and operations;

(5) Performance assessment

- bad performance to be corrected, good performance to be rewarded;

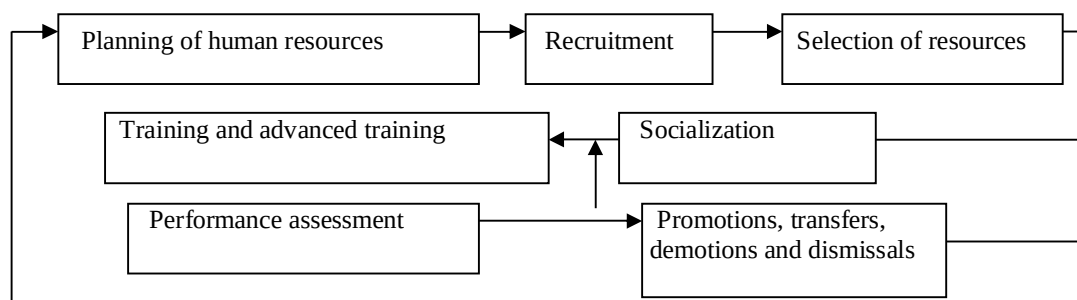
(6) Training and advanced training

- aimed at increasing employees' abilities and preparing for a new job;

(7) Promotions, transfers, demotions and dismissals

- reflection of the importance of an employee for the organization.

Figure No. 1 Human resource management process in an organization



Source: Stoner, J., Freeman, E., Gilbert, D., Management, Zelnid, Belgrade, 2000, p. 347

Each of these activities affects human resource planning, i.e. the planning of future personnel needs of the organization, taking account of the activities of the organization itself and the factors of the external environment. The human resource planning in modern conditions is a very challenging job, particularly in view of the

² Stoner, J., Freeman, E., Gilbert, D., Management, Zelnid, Belgrade, 2000, p. 346.

environment which becomes more competitive with every passing day, the projected qualified labour shortages, demographic changes and the pressure being exerted by governments provide protection to workers and the environment.

Human resource planning has four basic aspects:

1. planning for future needs;
2. planning for future balance;
3. planning for recruitment or temporary lay-offs; and
4. planning for advanced training of employees.

In order to be productive, human resource managers have to consider two basic factors: human resource needs of an organization and future economic trends³. A growing economy may stimulate expansion, which results in labour demand.

Recruitment is the selection of the sufficient number of candidates that would meet the requirements of the human resource plan and is, by and large, carried out on the labour market. The purpose of recruitment is in ensuring a group of candidates large enough to make it possible for managers to select needed qualified personnel. This calls for the job and task descriptions (management, titles, duties and responsibilities, positions on the organization chart), position description and employment specification.

Recruitment of managers and experts in modern conditions is carried out, by and large, out of the organization (most major companies recruit most of their future employees from colleges and universities), either by providing scholarships or by relying on head-hunters.

The *corporate value* is always respected in human resource management. This is the principle according to which jobs which call for comparative qualifications and knowledge deserve equal remuneration even when the nature of the jobs is difference. Consequently, different jobs which call for comparative qualifications and knowledge deserve comparative remuneration.

Selection is the process in which two sides bring individual decisions: the organization decides whether to offer a job to a candidate, while the candidate decides whether to accept the offer. The *work place report* is taken into consideration in that process. It contains the work place information provided by the organization to candidates and new employees, quoting both positive and negative aspects of a job.

The selection of managers is carried out in the same way since organizations are after hiring managers with experience for a variety of reasons.

Orientation and *socialization* are programmes envisaged to help workers fit into the organization smoothly.

Orientation and socialization plans provide information to new employees they need to work and adapt themselves to the conditions existing in the organization. Socialization implies most often provision of three types of information:

general information about daily routine work;

1. getting to know the history of the organization, its goals, work, products and services, as well as providing insight into workers' contributions to the organization; and
2. detailed presentation of the policy and general rules of the organization and the facilities provided to employees.

The training programme is the process which helps maintain or improve job performance. Training programmes are focused on maintaining and improving job performance, while advance training programmes are aimed at developing skills that are needed for future work. Both managers and workers have training and advanced training

³ The strategy of growth of a company, for instance, implies the employment of an additional number of workers. A company takeover or integration will have an opposite effect, i.e. the organization must plan for temporary lay-offs since mergers double positions and make work more difficult since a smaller number of workers would work more effectively. Today, an ever greater number of companies passes through the phase of downsizing, restructuring or re-engineering. Managers in a large number of companies are faced with situations which necessitate temporary lay-offs, so that they take extraordinary measures to offer new jobs for their former workers.

programmes. Mention should be made, however, that programmes differ and depend on the job position. Training with a use of computers is a must. The use of computers shortens training time, helping both instructors and trainees. Almost all tourist organizations and companies have programmes for advanced training of managers. The number of problems that managers have to address on a daily basis is constantly increasing and their education and the improvement of their professional skills on the job alone is a lasting and unreliable process, so that additional modern programmes are needed to educate them and improve those skills. Many companies therefore, especially in hotel industry, invest considerably in the education of their managers. However, training on the job should not be disregarded, either. There are four main **methods of on-the-job training**:

1. tutoring
 - training provided by the supervisor directly to those in his/her charge is the best technique for manager education;
2. job rotation
 - moving a manager from job to job in order to make it possible for him/her to acquire new experiences and acquaint himself/herself with various aspects of the functioning of the company;
3. undergoing training
 - trainees take up positions right below managers (they become assistant managers) and are trained by best managers;
4. planning work activities
 - trainees are persons trained to enhance their skills and acquire experience in order to be able to perform various tasks.

In addition to these, there are also **methods of off-the-job training**. By these techniques, the trainees are isolated from the pressure of daily work and enabled to focus fully on education. Major companies are increasingly availing themselves of university services in most complex cases of off-the-job training of their employees.

One of the most delicate tasks in the modern day approach to human resource management is performance assessment and the policy of reward. Although one of the most important tasks of managers is to help others improve their performance, most of them will say in all sincerity that the most difficult is performance assessment and tutoring.

Informal performance assessment (permanent or periodical) is a continuous process of providing employees with feedback information regarding their performance. Rather than sporadic, this is one of the primary tasks of a manager, as well as an integral part of corporate culture. The official systemic assessment is the process of ranking performance and singling out those who deserve a pay rise or promotion, while identifying those who need further training. Assessments are made on a six-month or yearly basis and are aimed at achieving four basic goals:

1. to advise employees of how their performance is ranked
2. to single out the employees who deserve a pay rise or promotion;
3. to identify the employees who need additional training; and
4. to single out candidates for promotion.

There are four basic responsibility-related approaches to performance assessment. The first and the most frequently applied approach is the *ranking of employees by one manager*. However, over time other approaches have also become popular as they may complement the assessment made only by one person.

The second approach is the *ranking of employees by a group of managers* (a commission or a group). As this approach is based on a number of opinions, it is much more effective than the assessment made only by one manager. However, it is hampered by being too long and accounting for an employee's loss of sense of direct responsibility to the next man up the corporate ladder.

The third approach is the *assessment of the performance of an employee by a group of his/her workmates*. The employee is assessed on a separate form by his/her workmates at the same rung of the corporate ladder. The fourth approach is the *assessment by an employee of the performance of his/her higher-up*. The "full-circle feedback information" is commonly used.

The assessment of the reward is traditionally linked to a job or a job description. It is generally assumed that greater manager responsibility is automatically better rewarded. Jobs are very frequently assessed according to the

system that honours parameters such as the number of subordinated employees, rung on the corporate ladder and the complexity and importance of the activity carried out within a certain job. This traditional and bureaucratic approach accounts for high salaries of senior managers.

Modern management concepts are based, among others, on the link between the process of the establishment and the realization of organizational activities. Consequently, the **new pay approach** is a modern approach to pay by which pay is linked to the process of the establishment and realization of the projected business and tasks (the so-called *strategic pay*). Stimulation or the variable part is used to reward better performance. The method of reward makes it possible for the management and employees to create a sense of partnership on the common task of improving the competitiveness of the company.

By linking basic pay to the labour market and the variable part of the pay to performance, the reward system may be used to encourage teamwork and achieve other goals of the organization.

Personnel shifting within the organization, its *promotion, transfer, demotion and dismissal*, are very important aspects of human resource management. The decision as to who is to be promoted and who is to be dismissed may be one of the most difficult and most important that a manager may be called upon to make.

3. The development of participatory management

The participatory management is the management style that makes it possible for employees to play a more important and independent role.

In the history of management theory, this type of management emerged in the Scandinavian countries. Managers realized that there existed a way of making a formal group successful by introducing teamwork and by aspiring to team efficiency. Everybody is to be given an opportunity to make a contribution and take part in work since it is not possible to foresee who will come up with the best idea or offer the best solution.

To that end, the Scandinavian countries (Sweden, in particular) have devised systematic procedures of participatory management⁴. In it, participation of workers is not a temporary experiment or an *ad hoc* measure. It is in fact considered that the success of a corporation is the result of the use of the talent of all participants both in the process of decision-creating and in the process of decision-making. The basic approach to management in these companies is strong belief in the ability and integrity of frontline personnel whose obligation it is to satisfy customers', i.e. tourists', requirements.

The role of management is not to dictate policy from high up; rather, it is to help people at the frontline whose daily job is to work with clientele, i.e. tourists.

The participatory approach has made it possible for the management and all the employees to approximate their positions on the basic values and the ideas on how to promote the overall corporate activity. Modern workforce includes intelligent people who do want to carry out their job in the best possible way.

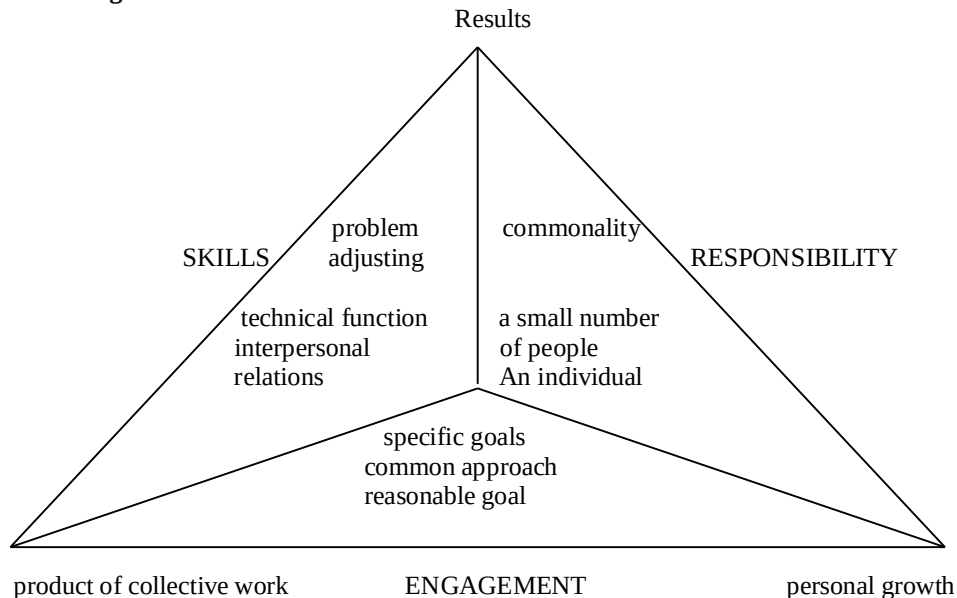
This type of management allows for the creation of teams focused on results. In order to make teams function effectively, the challenge of the result is the most important and best way to create teams. Many consider that the basic elements of the team (including size, purpose, goals, skills, approach and responsibility) may often be foreseen⁵. The above graph (Graph No. 1) shows the basic elements making up teams: skills, qualifications of team members, responsibility of the team and team members loyalty.

It is well-known that the most difficult team to form is the one at the top of the organizations, primarily because of numerous misconceptions about team functioning. A number of simple rules may greatly improve team performance, especially of those at the top of the organization.

⁴ Zemke, R., Scandinavian Management – A Look to the Future, Management Review, 77, No. 7, 1988

⁵ John B. Katzenbach and Douglas K. Smith, The Wisdom of Teams: Crating the High-Performance Organization, Boston Harvard Business School Press, 1993, 8

Graph 1. Focusing on basic elements



Source: John B. Katzenbach and Douglas K. Smith, *The Wisdom of Teams: Crating the High-Performance Organization* (Boston Harvard Business School Press, 1933), 8

First, teams should deal with specific, concrete questions, rather than broad generalizations.

Second, tasks should be divided and transferred onto subgroups and individuals.

Third, team membership must be based on each individual member's ability/performance and skills, rather than on formal authority or individual positions in the organization.

Fourth, each member of the team should perform the same quantity of work or else a discrepancy between engagement and results will occur.

Five, teams will function only if the traditional model of hierarchy is broken in communication and inter-action.

Finally, top management teams must cooperate, just as all others do, pull together their tasks and maintain an atmosphere of openness, loyalty and trust. Considering that the organizational environment will probably remain unstable and turbulent in the future, team flexibility and adaptability may bring important advantages. It is believed that teamwork, as the dominant form of organization, will replace hierarchy. It is considered that teams are particularly suitable for the age of information technology and globalization.

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