INCREASING PROFIT IN TOURISM THROUGH STRENGTHENING OF MANAGEMENT COMPETENCIES

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Abstract: Tourism economy is the most significant industry in the world. It holds a central position and plays an important role in the economic development of a country, especially of countries with high unemployment rate, such as the Republic of Macedonia. Strengthening of, and investing in, tourism capacities directly contribute to further development, integration, and promotion of a country. It is especially important to indicate that creating a strategy, developing and educating human potential, as well as successfully managing the said potential, bear huge significance for good-quality development of tourism economy. Human resources are a crucial factor for achieving good-quality service and the effect of satisfied guests, which is the goal of each tourism organization in view of increasing their competitiveness. In a situation of an open world market, competitiveness and profitability of tourism organizations will, to a greater extent, depend on the competence of tourism managers, as well as on their ability to successfully manage human resources. Certainly, a prerequisite for all this is possessing of competent and creative workforce, which, rather than being content with their present knowledge level, will make continuous initiatives for advanced learning, perfecting their work, and promoting their career.

Keywords: competence, profitability, human resource management, tourism.

Tourism economy is the most important industry in the world, conditioning profitability of tourism organizations to take a central position in the economic development of any country. In this context, a priority for tourism, as a social and economic phenomenon, is preparing a strategy for further economic development, due to the fact that the Republic of Macedonia belongs to the group of countries with a high unemployment rate.

The existent strategy and investments in the development of tourism economy are insufficient for improving the competitiveness and the progress of this industry. Another utterly important factor is the permanent need for education in order to provide highly professional staff that will adequately respond to the needs of guests, since satisfied guests are the positive result of any successful tourism organization. Engaging highly-educated and, above all, competent staff, contributes to direct increase in profit of tourism organizations, thus bringing about positive economic development in general, as well. Hence the importance of competence, which managers have to possess in order to be able to successfully manage tourism organizations in view of creating competitive and profitable tourism economy.

Introduction

“ASSERTIVENESS IS NOT WHAT YOU DO,
IT’S WHO YOU ARE.”

Shakti Gawain

The functioning of the contemporary society, and perhaps its overall existence, too, depend on the profitability and efficiency of organizations, and on the values, standards and needs set by organizations themselves. However, the most important factor for the existence and efficient operation of organizations are managers, that is, their competence, creativity, and ability for successful management.

1. Defining competence

Due to the fast changes and the ever-increasing competition, competence is gaining greater importance by the day, which results in vast disagreements about its measuring and defining. This encourages scientists to further elaborate and research competence as a crucial factor for achieving profit, both in tourism and in the other economic branches important for the economic development of any country.

Competence is a fundamental feature that results in efficiency or superiority in executing tasks. Its main components are: abilities, stands,

behavior, knowledge, and skills, used in the course of working (Kurz and Bartram 2002, 229).

It is a set of behaviors that serve as a tool for achieving the desired results.(*ibid*) Individual competencies are measurable work habits and skills, improved through education, and used to achieve set goals (Green 1999, 5).

The problem of defining competence gets even bigger due to the use of two similar terms. Some authors consider these terms synonymous, whereas the majority of authors consider them different, however, interrelated terms.

The first one, *competence*, means expertise or professionalism, referring to the ability to perform work tasks in accord with predetermined standards (Kurz and Bartram 2002, 235).

On the other hand, *competency* is interpreted as competence which, rather than referring to knowledge or skills, refers to the superiority in the performing of work tasks. (*ibid*)

When observing competence from the aspect of an organization within the tourism industry, the priority is increased profit and effective work performance by the management staff. In this regard, tourism organizations define primary tasks that result in four types of basic competencies:

- *Goal competency*: full identification with the organization's goals and values;
- *Relationship competency*: creates and maintains relationships with all organization's stakeholders;
- *Learning competency*: creates and demands multiple solutions to a set goal for the purpose of gaining future experience;
- *Change competency*: promoting new ways and goals in line with the desired future (Spenser 1993).

2. Core values and types of competence

The most important values, or core values, of competence, largely important for any tourism organization, are: integrity, professionalism, and cultural sensitivity. All these values provide realization of set goals, increased profit, putting

of the organization interests above one's own interests or the national interests, building of a non-discriminatory attitude towards people or groups based on their origin.

Literature records several types of competencies: general, technical, and functional, but the most important for this topic are managerial competencies. They represent a set of knowledge, skills, and attributes that managers have to possess in order to successfully realize their goals (Gardelliano S, 2002, 3-9).

Managerial competencies can be defined as a manager's collective ability to run and develop an organization in a competent manner, by developing their own knowledge and abilities in view of achieving short- and long-term goals (Sanchez 2003, 172).

3. Features of competent managers

Tourism economy employees expect of their superiors certain managerial knowledge and competencies, whereas, in terms of skills, they place the biggest emphasis on good organizational skills, assignment of work tasks and people, decision making ability, conflict management, communication skills, empathy.

In this context, the question arises of which properties and features a manager should possess in order to increase their own competence, the positive impact on the working environment and job satisfaction in general. This issue has often been the subject of many a research, aiming at improving the efficient operation and realization of goals.

Based on the classic approach, Robert Katz defines three types of skills that any competent and, above all, successful manager, should possess (Wehrich and Koontz 1994, 6).

1. Technical skills – refer to specialized knowledge and analytical skills in the realization of goals, as well as good understanding of work and current issues;

2. Humanitarian skills or the ability to work with people, refer to successful communication,

motivating, and managing individuals and groups, good interpersonal relations, teamwork;

3. Conceptual skills – the ability to see the “big picture”, that is, the organization as a whole.

Weihrich and Koontz complement Katz, adding the shaping skill, which they define as the ability to solve problems in a way that would be useful for the organization.

In order to fulfill all these roles and face all the challenges in the course of work in a constructive way, a manager should possess certain qualifications, that is, knowledge and skills.

Above all, a successful manager should have:

Interpersonal relationship skills – in order to develop cooperativeness in the team, a manager must respect their staff, address them with empathy, respect their opinions and ideas, build their trust through mutual listening, resolve problems in a productive and team-oriented manner, by developing trust and through everybody's participation in the work;

Communication skills – clear and open communication is especially important, since it helps avoid ambiguities and misinterpretations. Negotiation is particularly significant in the communication with clients or work partners;

Good planning – is especially important for achieving long-term goals that require building of efficient strategies in order to achieve greater results with less funds;

Decision making – is managers' routine and everyday work, but it is especially important to accurately assess the opportunities and identify the circumstances for appropriate action, particularly of what is right or what is not right;

Leadership skills – are particularly important for managers, because they point the work of all employees to a certain direction. They are trainers, and provide support to all other persons in the system, therefore the success of the entire team depends on the manager's ability to reinforce and motivate the employees, encourage them in their work, and stimulate them into taking responsibility;

Assessment/evaluation skills – managers evaluate and assess the process and procedure and decide on the best choice that leads to the desired outcome. Thereby, it is important to choose the best approach as well as retain the work values and quality. In terms of individual work, it should be effective, and it should provide feedback as well as counseling with employees (A guide to your personal growth).

In fact, a manager has three sources of power: 1. authority in the office, 2. knowledge, and 3. personality with persuasive power (Pyzdek 2001).

Successful managers (especially those who manage human resources) develop the second and the third power (power through knowledge and personality with persuasive power), and do not develop the first power (authority in the office). If a manager has only authority and lacks knowledge and personality, then their power is actually formal, authority-position power, and they are guided only by their own will, disregarding the remaining employees.

3.1. Knowledge for the purpose of increasing competence

Organizations' profit and existence are secured through the process of managing knowledge in the contemporary society and environment. Years on end, technological development enabled competitiveness, however, today, in the knowledge era, it takes primacy for the purpose of achieving profit and competition. For successful knowledge management, information is of utmost importance, as a strategic resource for achieving as large profit as possible.

The process of managing knowledge is defined as a discipline that promotes creating, sharing, and using knowledge within the organization (Bacera-Fernandez and Gonzales 2004, 2).

Knowledge management is conditioned by cultural and technological processes, its purpose being to improve the efficiency and effectiveness of individual knowledge and decision making. Knowledge and the

exploitation of intellectual capital result in competitive advantage, a larger number of tourists, as well as increased profit in general (Barth 2002).

Rudy Ruggles, one of the greatest practitioners in the field of knowledge, identified several elements in the knowledge management process:

- generating new knowledge,
- having all useful external knowledge at disposal,
- using knowledge in the decision-making process,
- facilitating the dissemination of knowledge within the organization,
- transfer of knowledge in all parts of the organization,
- measuring the knowledge level and the impact of its management,
- using knowledge in service providing (Gotcha 1999).

Managerial knowledge encompasses two main categories: human behavior knowledge and organizational operation knowledge. Regardless of the hierarchical structure level to which a manager belongs, they must possess a satisfactory level of knowledge. In that context, managerial knowledge can be qualified in four fields:

- Managerial functional knowledge – a type of knowledge that a manager should possess in performing their main tasks, planning, organizing, managing, controlling, communicating with employees, as well as knowledge of production, marketing, human resources, etc.,
- Managerial technical knowledge – possessing knowledge of methods, processes, procedures, and techniques specific to each functional field,
- Managerial company knowledge – knowledge of the reasons for the organization's existence, and knowledge about the stakeholders for whom the organization creates values,
- Managerial environmental knowledge – possessing knowledge of competition, macroeconomic development, consumers, etc. (Sanchez 2003, 172).

Generally, knowledge management leads to fewer mistakes in the course of work, faster resolving of problems, reduced research and

development costs, increased independence among workers, as well as higher-level service providing in tourism (Stuart 1996).

Effective knowledge management ensures greater productivity and efficiency. An example for this is Toyota, which, thanks to the knowledge sharing within the company network, has secured competitive advantage over the other producers, both in terms of productivity growth and profit in general. This company succeeded at resolving three basic dilemmas concerning knowledge sharing, as follows:

- motivating employees to participate and share their knowledge,
- preventing individuals who learn from others, and are not ready to share their knowledge with other employees,
- reducing the costs for acquiring new knowledge (Bacera-Fernandez and Gonzales 2004).

4. Competence in human resource management

The most frequently mentioned factors crucial for increasing the profit and for economic development of a country are: physical, natural, and human resources. The high unemployment rate in the Republic of Macedonia poses a real problem in terms of the ratio between quantity and quality of the workforce. Quantity does not always mean quality, but it is often a driving force within the human resources. Competent and high-quality staff is created through good-quality education and training at the workplace, with the ultimate results of work promotion, raising the level of work performance, and, of course, increased profit within a tourism organization. Depending on the workforce competence, human resource can be a driving, yet limiting, factor in the economic development of transition countries, such as the Republic of Macedonia. In that context, competence in human resource management plays a crucial role in the increasing of profit and in the development of tourism in general.

In addition to investments in the conservation of natural and material resources, generous and permanent investments in human resources are also of utmost importance for the Republic of Macedonia. It means investing in greater knowledge and skills, that is, creating of competent workforce. Exploiting such

workforce would yield better results, and investing in them would be worthwhile.

A manager's competence largely depends on:

- their knowledge level and their good management skills;
- their knowledge and awareness about the way the working environment functions;
- emotional intelligence (Mehić 2009, 53).

Practice has proven that managers acquire the most knowledge and skills through education and practical work, however, the emotional intelligence level that they possess is also of utmost significance for any successful manager. (*Ibid*)

The transition period in the Republic of Macedonia imposed a number of changes in all structural parts of its society. The most important, or primary, changes refer to the management models and techniques and the managers' competence. Any good and successful manager is primarily expected to be successful in managing and coordinating activities for the purpose of achieving the organization's goals and increasing its profit. Modern theory and practice increasingly promote competence and leadership as key features of success. Numerous analyses point out that good-quality and competent management is especially important for:

- successful and efficient operation of any tourism organization, which, above all, means an increase in profit, as the ultimate goal,
- successful and efficient coping with changes, which are a factor for successful growth and development of any tourism organization.

5. Education – the foundation of intellectual capital in tourism

Taking into consideration the growing social, economic, political, and cultural significance of tourism, education in the field of tourism has slowly, but successfully, reached an academic level. This is mostly the practice of transition countries, which tend to invest and to

successfully develop tourism economy (International Labour Organization 2001, 90).

Tourism is a specific economy branch, given that the achievement of profit from it depends on the level and intensity of the employees' work performance. Their competence and successful performance of tasks depends on the good-quality professional training and continuous improvement of knowledge. It is particularly important to pay maximum attention to education of management staff, who promote the employees' ability to be flexible, communicative, professional, and ready to respond to the needs of tourism service users.

Hence, we can conclude that the future of tourism economy is in education, which is a prerequisite for building competent staff in order to increase the profit and create competitive tourism economy. In this context, the education structure should adequately suit the needs of tourism. Daily changes in tourism needs require tourism to be directed and focused on good-quality education, which should nevertheless be adequately structured.

The lack of competitiveness in tourism economy is conditioned by several factors: lack of good-quality natural resources, incompetent management, lack of motivation and creativity, undeveloped entrepreneurship, capital price, etc. Only organizations that demonstrate willingness for reconstruction and adaptation to changes, as well as continuous improvement in their own capacities, are able to achieve their goals and increase their profit, which is the final product of any successful tourism organization (Dulčić and Petrić 2001, 297-300).

The abovementioned yields measures essential for reducing incompetence. The most important measures for reducing incompetence are:

- investing in education, which means providing good-quality education,
- providing good-quality and adequate trainings for the tourism staff, due to the fact that they come in direct contact with product buyers, that is, tourists.

The country's continuous and active role, through infrastructure development, adoption of appropriate legislation and so on, will have a major impact on the tourism potential and the

country's competitiveness in the tourism industry, which will result in long-term profit in the future.

5.1. Education and tourism development in Macedonia

Even in the past, tourism as a phenomenon used to be a part of human life. Defined as a phenomenon, it is constantly subject to a number of economic analyses and development plans.

The Republic of Macedonia boasts an abundance of natural resources and huge tourism potential. In order to increase tourism profit, it is vastly important to promote Macedonia on a global level as a unique tourism destination. For that purpose, in 2008 the Government of the Republic of Macedonia established the *Agency for Promotion and Support of Tourism* in order to promote tourism resources and capacities of the Republic of Macedonia internationally (Macedonian Chamber of Tourism 2009).

In order to attract as many foreign tourists as possible, RM has been promoted through the "*Macedonia Timeless*" campaign, funded by the Government in 2008. In this campaign, Macedonia was presented at and participated in many international tourism exhibitions in the Netherlands, Czech Republic, Slovenia, and Finland, where its natural resources and potential were presented (Agency for Promotion and Support of Tourism 2011).

This promotion is certainly part of the strategy for development of Macedonia and its promotion as a unique tourism destination. The ultimate goal is, of course, to create competitive tourism economy that will have a significant stake in the economic development of Macedonia.

The increase in profit from tourism directly affects the increase in gross domestic income (GDP) and economic development in general. Today, Macedonia cannot boast huge profit from tourism, because this industry participates with mere 1.8 percent in the country's GDP.

Tourism in our country has good development capacities, and strives to increase

by two to three times the tourism share in the country's GDP over the next five to ten years (Economic Chamber of Macedonia 2010).

According to the data from the State Statistical Office, the number of tourists in November 2010 was 29,606, whereas the number of overnight stays was 65,817. The number of tourists in November 2010, as compared to November 2009, increased by 5.0%, and the number of overnight stays increased by 3.5%. In November 2009, the number of tourists was 28,191, while the number of overnight stays was 63,648.

Picture 1 – Number of tourists and number of overnight stays in

November 2009 and November 2010

There is an evident increase in the number of foreign tourists by 17.8%, as compared to last year, and the number of foreign tourists' overnight stays also increased by 14.0% (State Statistical Office 2011).

Hence, it can be concluded that RM's strategy for promoting the country's tourism capacities has resulted in increased number of visits by foreign tourists.

Besides the existence of a state strategy, another very important factor for increasing of the profit and for development of tourism in general is the educational process. Good-quality and appropriate education is a prerequisite for creating good-quality and, above all, competent staff, who will be able to meet the tourism needs of RM.

In the tourism sector, according to the State Statistical Office, the number of graduates of the Faculty of Tourism and Hospitality - Ohrid is continuously growing. Namely, the number of graduates in 2007 was 265, in 2008 - 358, and in 2009 their number increased to 374 (State Statistical Office 2010).

Picture 2 – Number of graduates of the Faculty of Tourism and

Hospitality - Ohrid, 2007, 2008 and 2009

The number of graduates of the Faculty of Tourism within the University of Tourism and Management – Skopje has increased as well. The number of graduates in 2009 was 110, whereas in 2010 this number increased significantly, reaching 185 graduates (University of Tourism and Management – Skopje 2010).

Picture 3 – Number of graduates of the Faculty of Tourism within the University of Tourism and Management - Skopje in 2009 and 2010

The above data indicate a growing interest in improving the knowledge in the field of tourism,

as well as further professional and career development in this field.

Adequate and good-quality education is a prerequisite for tourism development in terms of increased quality and competitiveness.

“Profit is not the goal; the goal is continuous money flow. Profit is just an additional test of successful operation. Profit is the basis for future development, but the required profit level determines the required future development level”.

Peter Drucker

Conclusion

In recent years, both worldwide and in the RM, more and more often, there have been announcements of the introduction and implementation of competence in human resource management in companies. This has been the case in tourism, too, whereby the most important factor for tourism development and profit growth is the introduction of service standardization and raising of the quality level.

This paper focuses on competence in human resource management as a key factor for achieving success in the operation and increased profit in general.

Long-term success in tourism is focused on the introduction of standardized work processes and service quality control, for which the management staff is largely responsible. Most importantly, the staff should possess quality and a high competence level, in order to be able to adapt to daily changes and respond to the tourism needs.

The aim of this paper is primarily to highlight the importance of the need for competence, not only among management staff, but also among all employees who live on tourism. Due to the fact that the employees establish direct contact with tourists, the success of tourism organizations will largely depend on them, hence the need for competent staff. The effect of satisfied guests is the ultimate goal of any

tourism organization in view of increasing quality and achieving higher profit.

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