

Human Resources as a Competitive Advantage of Travel Agencies in Montenegro

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Abstract

Human resources in travel agencies represent an especially valuable resource, which possesses the multi-disciplinary and highly specialized knowledge and skills in the field of selective tourism. Human resources enable the agencies to create the services and products of superior value for the consumers within market niches, and thereby significantly contribute to increase in profitability of agencies, thereby becoming an important factor in competitive advantage of the agencies. Research results enable identification of the relation between human resources and servicing of travel agencies market niches. The paper presents an analysis of travel agencies' human resources from the aspect of competitive advantage, with a special overview of their role in the domain of offer development and servicing of consumers in various types of selective tourism. The goal of the research is to prove, on a scientific basis, that the human resources represent a very important factor of competitive advantage of travel agencies.

Keywords: *Human resources, competitive advantage, travel agencies, Montenegro*

Introduction

Competitive advantage is a concept based on economic theories on competitiveness of organizations, emphasizing their particular value in resources that they dispose of, as well as the products and services offered in the market. According to Porter, it represents the possibility of the organization to create superior values for its service buyers and attain a superior business result at the same time (Evans, et. al., 2003; Nobre, et. al., 2012). In order to maintain the competitive advantage in the market, it is necessary to develop the strategically valuable resources of the organizations and its related core competencies. In addition, all the organizations aspire to attain a sustainable competitive advantage, in order to be able to provide in a longer term, the above-average profitability of business operation.

Creation of a relationship with profitable consumers involves growth of the competitive advantage in the sense of delivering services and goods of higher value to the consumers and better satisfying the needs of targeted consumers in comparison with services and products

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of other competitors (Hong, 2010; Kotler, Armstrong, 2012). In order to ascertain the main competitive advantages of an organization, it is necessary to perform the competitive analysis of the organization. That is the process in which it is necessary to identify, assess and select the key competitive advantages in an organization.

There are three basic types of competitive advantage. These are costs, differentiated products and services and niche strategies (Ferrell, Hartline, 2011; Lamb, et. al., 2011). Cost competitive advantage means being a competitor with the lowest costs and a good consumer service. Differentiated products and services provided by an organization mean their unique properties which are of value for buyers, such as low price, unique product/service and additional services. Niche strategies are the strategies directed towards servicing of specific market segments with specific needs and wishes, which are usually small in geographical terms and which are not interesting for the main competitors in the industry.

Sustainable competitive advantage depends on three factors: obsolescence of the core competencies, possibility of substituting the core competencies and possibility of imitating the core competences. It can be stated that core competencies in combination with the product/service-market positions, are the main sources of competitive advantages of an organization (Enz, 2010; Hitt, et. al., 2011; Okumus, et. al., 2010; Wolfe, et. al., 2006). If knowledge and skills acquired by employees in an organization are obsolete, this will negatively affect the competitive advantage of the organization. On the other hand, if the possibility of finding a substitute for a product or service of an organization or the possibility of imitation of its products and services is bigger, the weaker is its competitive advantage.

At the corporate strategy level, the sources of competitive advantage are: superior corporate financial or human resources, research & development, and better organizational processes. At the level of business strategy, the sources of competitive advantage are the competitive strategy and business unit's competences, while at the level of marketing strategy, these are the effective product positioning and superiority in components of the marketing mix (Hollensen, 2010). Taking into account the abovementioned, it is very important to manage the employees, their knowledge and competencies in a manner which provides that the organization builds a long-term competitive advantage (Pablos, Lytras, 2008). It should be also taken into account that the employees, as well as the capital is visible resources of an organization (Collins, 2007). That refers also to the travel agencies, as main intermediaries in the global tourism market.

Methodology approach

The paper is based on an in-depth survey of managers in travel agencies in Montenegro. Preparation of the in-depth interview was preceded by the pilot survey (carried out in 10 travel agencies) regarding competitive advantage and performance of employees. On the basis of the results of the pilot survey, an in-depth survey was designed, which was conducted in 30 representative travel agencies (from totally 54). A representative sample of agencies was determined with regard to: distribution and structure of tourism turnover by regions, distribution and structure of resources at disposal of the travel agencies, and results of agencies' business operation.

Basic characteristics of travel agencies

From the opening of the first travel agency Thomas Cook 1841 (Syratt, Archer, 2003) until today, the travel agencies have represented a very powerful factor of distribution of tourism product and services in tourism in the world, especially the on-line travel agencies, with developed e-Commerce and e-Marketing business activities (Gretzel, et. al., 2010). Through their dynamic packaging tools, they enable the prospective consumers to interactively create their own travel packages. In 2007, there were 5,426 travel agencies registered in Turkey, 3,252 travel agencies registered in Germany and 2,300 travel agencies registered in Austria (Holloway, et. al., 2009).

Travel agencies are not numerous in Montenegro as in the developed tourism destinations (there are only 54), but they represent a very important factor in tourism development. This is a relatively young tourism destination, in transition, and the destination where organized tourism travels prevailed in comparison to individual tourism travels. In such circumstances, travel agencies which are mostly in-coming, represent a very important factor of tourism sector development.

Table 1. Basic characteristics of travel agencies in Montenegro

Characteristics	Share (%)
Northern region	10
Central region	20
Southern region	70
Micro travel agencies	86.7
Small travel agencies	13.3
Employees up to 29 years	23.3
Employees from 30 to 39 years	26.6
Employees from 40 to 49 years	26.6
Employees from 50 to 59 years	16.6
Employees from 60 years and above	6.9
Full-time workers	62.4
Seasonal workers	37.6

Source: Author

There are up to 9 workers in 80% of agencies (from which in 60% there are up to 4 workers), while there are 10 to 21 workers in 20% of agencies. These are the small agencies where stress is on team work, with daily transfer of knowledge and skills, i.e. competencies. At the same time, this leads to creation of competitive advantage, because everyone is able to substitute a co-worker in working operations. From total number of permanently employed workers in travel agencies, 53.7% are women and 46.3% are men, so we can speak of equality in terms of gender equality. This can be considered a major value of human resources in travel agencies in Montenegro.

Workforce competencies and costs

All competencies of employees can be divided into: behavioral, organizational and technical competencies. Within these three groups, we can divide all the competencies into generic competencies (Whetten, Cameron, 2011) and specific competencies (specific skills and knowledge in travel agencies). They represent the starting point of competitive advantage of human resources. These are various capabilities related to performance of various business activities, but primarily, let us see which are the professions and levels of education of employees in the travel agencies in Montenegro.

Table 2. Structure of employees regarding profession and sex (%)

Profession	Female	Male
Graduate tourism manager	61.5	38.5
Graduate in economics	70.8	29.2
Graduate in law	0.0	100.0
Graduate in philology	71.4	28.6
Graduate in philosophy	100.0	0.0
Graduate maritime manager	66.7	33.3
Hospitality technician	50.0	50.0
Administrative technician	57.1	42.9
Marketing technician	0.0	100.0
Tourism technician	85.7	14.3
Archaeology technician	0.0	100.0
Mechanical engineering technician	75.0	25.0
Arts technician	0.0	100.0
Other professions	50.0	50.0

Source: Author

Travel agencies employ workers with a wide range of social sciences related professions, which guarantees creation of services and products which will meet in a quality manner the needs of their consumers. Various professions enable a multi-disciplinary approach to creating services and products of the agency, as well as the related multi-disciplinary competencies. Directors of agencies specialize themselves additionally, so after finishing the regular education they completed: 64.3% foreign language courses, 53.6% the computer courses, 46.4% the tour guide courses, 39.3% courses in the field of tour program creation, 32.1% the Amadeus courses, 32.1% the agency management courses, 25% courses for the work with Air Transport Association software, 21.4% marketing courses and 10.7% courses in the fields of selective tourism, animation and business ethics. These are dominantly the specific competencies, i.e. knowledge and skills which are necessary for work in travel agencies.

Women prevail in almost all working positions (in managerial positions, their share is 61.5%), except the jobs related to more strenuous physical work (whole day work or work including carrying of visitors' luggage), and these are the jobs of transfer managers and drivers. In the classifications, there are no job positions such as tour leader, chief of ticketing, or ticket seller. Due to the fact that we consider primarily the micro travel agencies, and the fact that modern information technology must be used, as well as the fact that the employees in micro agencies are more supportive to each other, one job position covers several job

Table 3. Structure of employees regarding work position (%)

Work position	Female	Male
Director of agency	50.0	50.0
Sales manager	72.2	27.8
Program manager	57.1	42.9
Tour manager	50.0	50.0
Transfer manager	25.0	75.0
Representative of agency	57.1	42.9
Tour guide	62.5	37.5
Jurist	100.0	0.0
Accountant	75.0	25.0
Translator	-	-
Driver	14.3	85.7

Source: Author

positions which used to exist 20 and more years ago. Special value of simpler organizational structure is that all the employees have to know how to perform all jobs, so that transfer of generic and specific competencies among the employees takes place on daily basis.

Travel agencies do not have in their organizational scheme a job position for the information technology manager, although they operate in the era of on-line revolution and direct marketing and sales. From total number of agencies: 93.3% have their own web site, 86.7% promote themselves and sell services through other web sites, and 60% promote themselves through social networks (rating average: Facebook – 7.78, Twitter – 6.86, LinkedIn – 6.57, MyFrenz – 4.0, NetLog – 4.0, MySpace – 3.5 and Orkut – 2.5). Job position of the information technology manager does not exist as a full-time position, because they are employed as part-time employees in the micro agencies.

Table 4. Structure of employees regarding level of education (%)

Characteristics	Master degree	Specialist degree	Bachelor diploma	College diploma	Secondary School
Female	3.3	35.0	18.3	15.0	28.4
Male	0.0	32.5	12.5	10.0	45.0

Source: Author

If processes related to the Bologna Declaration generated any benefits in the short term, then these are the travel agencies. Employees in travel agencies have education above average in the tourism sector as labor-intensive activity. Women have better level of education than men. Current level of education of employees in the agencies is better than envisaged by the human resource development strategy, which forecasts that in 2016 travel agencies will employ: 11.7% personnel with specialist degree, 31.4% with bachelor diploma, 6.7% with college diploma, 37.7% with secondary school and 12.5% with primary school (GTZ, MORT, 2007). Level of education in travel agencies in Montenegro is unequivocally better in comparison to level of education in hotel and restaurant industry. In that context, the qualification structure of employees in travel agencies represents an important segment of their competitive advantage.

As regards the competencies of employees, i.e. their knowledge and skills, from total number of agency directors 63.3% stated that women have better competencies, 16.7% that

men have better competencies, 16.7% that women have better competencies because there are no men in the agency and 3.3% that men have better competencies because there are no women in the agency. Responding as to whether they are satisfied by human resources, the agency directors stated in 63.3% cases that they are satisfied, in 33.3% cases that they are very satisfied and in 3.3% cases that they are dissatisfied. It is very important that the agency directors are ready to send the employees for additional education and trainings (86.7%), so that they would improve their competencies in the fields of: managing service offer of the agency, managing the promotional mix, managing the distributive mix of the agency, managing prices of the productive mix of the agency, consumer management, agency personnel management, stakeholders management and other domains of agency business operation. In 63.3% agencies, employees are continuously sent for additional education and training. Quantum and quality of generic and specific competencies of human resources enables the agencies to create services and products of superior value for the consumers, which is an important segment of their competitive advantage. Prevailing model of financing of employees in agencies, when it comes to additional education is: 100% participation of the agency (in 46.7% cases). This is an indicator that agency human resources are approached from the aspect of their competitive advantage. At the same time, this is an indicator that fluctuation of human resources in travel agencies is very small and that agency directors are making efforts to retain the personnel.

Prevailing gross salary of employees in travel agencies in Montenegro is up to 500 € (in 40% agencies). Average gross salary above 800 € is paid in only 20% agencies. These are low gross salaries in comparison to the region, so we can speak of price competitiveness of human resources in travel agencies, from the aspect of production costs. Low costs of workforce, as the main cost in business operation of travel agencies, directly influence the low prices of services and products of the agencies, i.e. influence the increase in competitiveness of the travel agencies in the global tourism market.

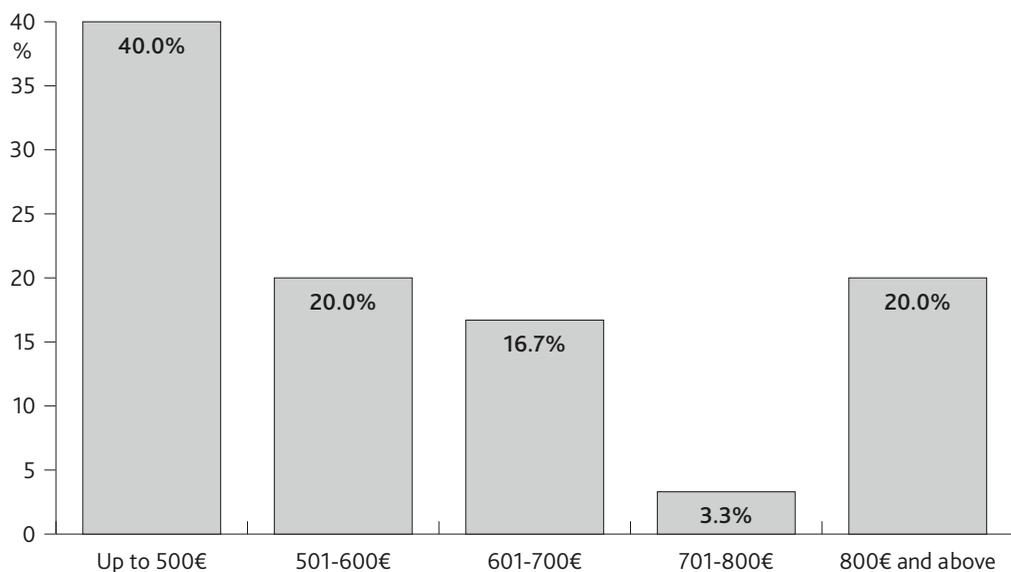


Figure 1. Average gross salary of employees in travel agencies

Source: Author

Relatively low costs of salaries create another problem, and that is how to retain the quality human resources. Therefore, agency directors make efforts to retain by various non-material (giving days off – 70%, advancement in the agency – 63.3%, flexible working hours – 63.3%, or assigning interesting work tasks – 50%) and material (salary bonuses – 70%, extra payments for well-done job – 60% and payment of travel costs for transportation to and from the agency – 43.3%) motivation techniques, the employees in their travel agencies.

Creating of differentiated services and products and servicing of market niches

Servicing of market niches is an activity which brings competitive advantage to travel agencies, and thereby safe profit and avoidance of major competitors in the travel and tourism industry. Market niches are related to special interest of visitors and niche tourism, i.e. servicing of the high-spending tourists. Niche tourism represents diversity and a way for making different services and product (Novelli, 2005). Many relate niche tourism to „alternative tourism“ or „special interest tourism“, while the term “selective tourism” is used in the former Yugoslavia countries, entailing various forms of tourism such as adventure tourism, ecotourism, nautical tourism, and sport tourism (Vucetic, 2009).

Montenegro is a destination characterized for diversity of natural resources, including the geomorphologic, hydrographical, and bio-geographical or climate resources. These are

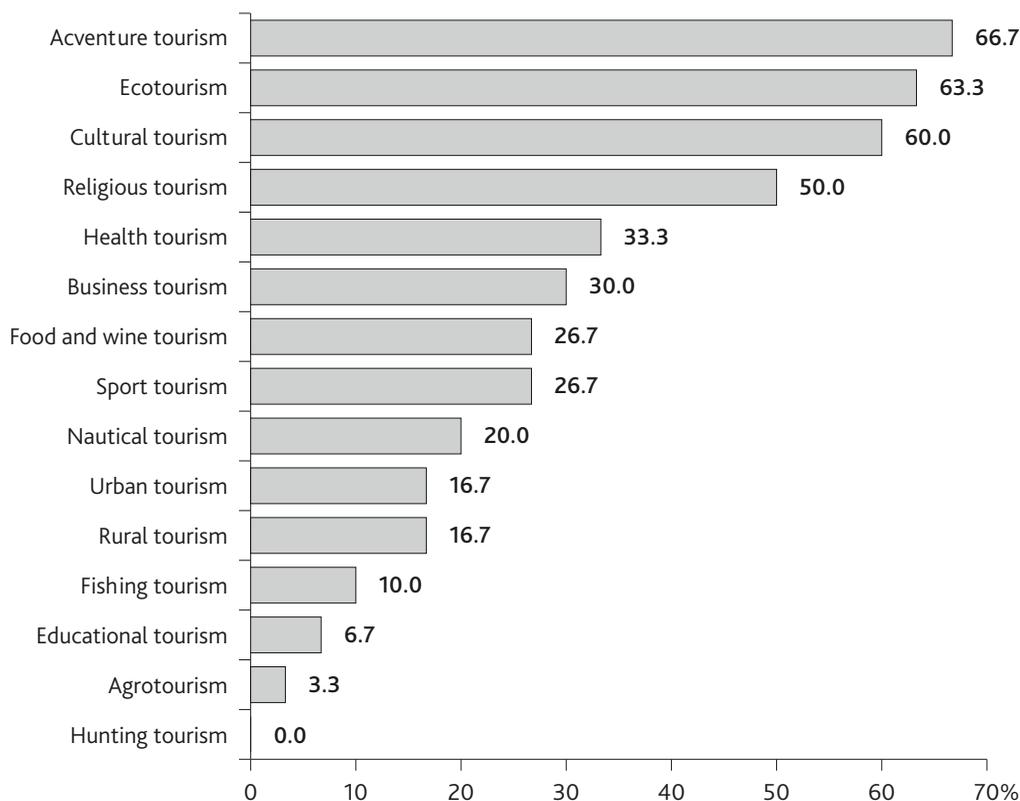


Figure 2. Selective tourism offer in travel agencies
Source: Author

the particularly valuable resources for the travel agencies. Owing to the series of necessary generic and specific competencies, human resources are creating a differentiated set of services (for instance, renting of equipment for scuba diving within adventure tourism) and products (for instance, round tours in eco-tourism) in the domain of various types of selective tourism, and thereby service market niches appropriately.

According to the survey, from total number of employees, 63.3% possess entirely the necessary knowledge and skills in the field of selective tourism and 36.7% partly possess the necessary knowledge and skills in the field of selective tourism. Employees have been acquiring the knowledge and skills in the field of selective tourism in: 90% cases through working activities in the agency, 60% cases through own research, 50% cases through regular education and 46.7 cases through trainings in the courses. Montenegrin travel agency directors responded to the question whether knowledge in the field of selective tourism directly affects increase in agency profitability: 63.3% yes, 26.7% partly and 10% were neutral.

Human resources in travel agencies are the primary factor in servicing of travel niches in travel and tourism industry. Thus, they create the relationships with medium and high yield clientele in tourism and significantly influence profitability of agencies. Servicing of market niches and differentiation of agency services and products at the same time reduces the possibility of substitution and imitating of services and products and contributes to generation of the above-average profit. The above mentioned in this part of paper leads us to the conclusion that human resources are an important competitive advantage of travel agencies in Montenegro. The importance of human resources as a competitive advantage is corroborated by the fact that only 10% surveyed agency directors do not have a defined human resources strategy and that 13.8% were very satisfied by its implementation, 51.7% were satisfied and 34.5% agency directors were neutral.

Conclusion

Travel agencies human resources in Montenegro represent their greatest competitive advantage, and if not the main one, then one of the key competitive advantages. Such conclusion is derived from the above-average quality of personnel structure of employees and diversity of their professions, which directly leads towards creation of services and products of superior values to consumers. We observed prevalence of micro travel agencies in which competencies are transferred among employees on daily basis and in which agency directors are continuously raising the level of employees' competencies. Especially in the field of ability to create new services and products in various forms of selective tourism, by positioning themselves well in the market niches of such types of selective tourism. If we add to that the permanent innovative activity of the employees in the domain of service and product differentiation, and thereby reduction in elasticity of demand for agency services and products, it is clear that human resources represent a very important factor in creating of competitive advantage of travel agencies in Montenegro.

In order that human resources could be characterized by sustainable competitive advantage of travel agencies, it is necessary to take a series of other activities in the future. It should be taken into account that replacement of workforce by modern technology in the incoming travel agencies is at a very low level, especially when it comes to organizing of trips and round tours. That is why agency directors should manage human resources on a strategic basis. It should also be taken into account that development of human resources in travel agencies in

Montenegro will directly and proportionally depend on costs and speed of creation of human resources with more generic and specific competencies, especially when it comes to distinctive competencies.

For maintenance of competitive advantage it is necessary to continuously: improve the qualification structure of employees, provide for high quality training, advocate accepting of the lifelong learning concept, engagement in the field of non-material and material motivation techniques for the employees, stimulate innovativeness of the employees, raise the level of information technologies in the field of promotion and distribution of agency services and products, and apply the concept "learning by doing". In order to attain this, it is necessary to include both the business and tourism policy makers in Montenegro.

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