

# Innovation of business culture with the aim of developing Croatian tourism – case study of Valamar Hotels & Resorts<sup>1</sup>

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## Abstract

Croatian tourism must apply a new concept of development in order to transform natural resources (comparative advantages) into a competitive tourism offer based on innovation. The ultimate goal of this is to multiply profit and sustainable growth. The main impetus for development is the intellectual capital and new system of values based on knowledge and an individual approach to each customer.

The education of a new generation of managers is the prerequisite for the development of tourism on the macro and micro level. The new managers should be able to anticipate and actively design the future and bring about changes. It no longer suffices to be up to date with the demand and follow the competition. Instead, one should introduce new content in order to achieve a leading position. Employees must aim towards self-realisation in order to make their company more competitive. It is necessary to constantly educate employees, introduce cross training techniques, authorisation in order to establish an organisation which is able to learn and thus advance.

The importance of business culture is shown in this paper using the positive example of the development of the Croatian hospitality management company (Valamar Hotels & Resorts) based on management of knowledge and learning culture.

Key words: business culture, learning organisation, intellectual capital, Croatian tourism, Valamar Hotels & Resorts

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## 1 Introduction

Croatian tourism is facing a crossroads between existing offer of mass tourism based on natural resources and an aspiration towards innovation of a tourism product adapted to modern tourists in times of recession. Leading Croatian hospitality management companies (Valamar Hotels & Resorts, Adris Group) have recognized the importance of business culture for the development of and success in the competitive game with foreign multinational chains (Sheraton, Hilton, Le Meridien, Kempinski, etc.).

Business culture should motivate employees in their self-fulfilment and permanent education so as to generate and valorise intellectual capital into the permanent qualitative advancement and innovation of all segments of offer. It no longer suffices to direct change but to be ahead of change, to anticipate the future and valorise opportunities for multiplying profit.

## 2 Competitiveness, goals and strategies for the development of Croatian tourism

Croatian tourism is qualitatively lagging behind leading receptive tourism countries. There is no adequate valorisation of natural resources. An insufficiently distinguished development is the result of inadequate offer structure, questionable quality of service, lagging behind European and world trends of development, inappropriate organisation, lack of standardisation, no application of ecological regulations; the list could go on. The contemporary condition is referred to in numbers of realised tourist arrivals and nights spent (there is a smaller decrease in number of tourist arrivals in times of recession as compared to neighbouring competitive countries), invested financial means into advertising and other activities aimed at attracting a large number of tourists, whereas crucial indicators are not shown: realised financial results and qualitative analysis of contemporary state.

Croatian tourism is still lacking a developmental concept (the Ministry of Tourism is drafting documents for tourism development intended for 2025).

There is no system of quantitative and qualitative goals nor is there a defined strategy for synergic action and qualitative response to new tourism trends and the challenges of a recession. Croatian tourism is left to the forces of nature. It has to resort to improvisation and individual business activities that are trying to lead offer out of uniform and mass tourism and turn to new, more propulsive and innovative solutions. There is no goal segment nor an integrated product of destination that could valorise natural features of all regions and prolong the season. Contemporary tourism does not acknowledge unified solutions; moreover, each destination has to continuously and qualitatively improve the offer based on originality, innovation, authenticity adapted to the target niche market. It is important to achieve synergy of localisation and globalisation, i.e. to turn one's tradition, culture and other autochthonic values into uniqueness that will be recognized as such on the market.

The main goals of the new concept for the development of Croatian tourism based on intellectual capital are (Stipanović, 2006, 239):

- Innovation of tourism offer based on high quality entertainment industry, versatile contents, implemented trends from the European market with an emphasis placed on autochthonic values and the socio-cultural dimension. It is necessary to define the target segment and to use proactive marketing in order to adapt to future tourism needs so as to be competitive.
- Creation of a unique identity that will show advantages of the Croatian offer and repositioning in the consciousness of potential tourists as an elite destination adapted to the needs of contemporary guests.

Current tourism trends and the promotion of character and uniqueness should be adopted in order to achieve effective development. The vision should be based on valorisation of competitive advantages, autochthonic values, differentiation of offer, originality of content, creation of events and manifestations, creative improvement of offer (accommodation offer, catering services, selective and new forms of offer, affirmation

of animation and events), affirmation of ecology and sustainable growth.

It does not suffice to take over other solutions and follow demand and offer trends, but the priority is to anticipate changes and actively design future using one's creativity, imagination and the generation of new ideas in creating new contents and events based on original solutions. Simultaneously, one needs to develop new, alternative forms of offer within the Mediterranean surrounding which will be different from the competition on the market with the maximum valorisation of existing resources and in accordance with financial possibilities. It is necessary to form a synergy with all offer carriers (re-conception of development of hospitality management companies), local population and the management organisation of the destination for creating an integrated product of the destination in order to achieve excellence.

The development of Croatian tourism on all levels depends upon a change in the system of values and business culture that must define the culture of continuing education, knowledge and change and must be oriented towards the satisfaction of each tourist.

### 3 New system of values for qualitative transformation of Croatian hospitality management companies

Business culture is a constituent part of general knowledge and the system of values of the society as a whole (Žugaj, 2004, 5). Business culture represents a multidisciplinary concept expressed in a number of views of the organisational life, style and behaviour and interaction among employees. It includes norms, principles, system of values, perceptions, behaviour types, and rules of the game, ways of managing, relationships among employees, expectations and understanding of employees, motivation of employees... It represents a mental state and quality of behaviour of all subjects involved in a business (Bogdanović, 2010, 197). The aim of business culture should be that of implementing the concept of development. The system of values

requires a collective action of all participations in order to contribute to the development of the company. Employees must believe in the vision of the company, the creativity of management which should be based on knowledge, not power, and which should aspire to self-realisation (highly demanding jobs, participation in decision making and creating the concept of development, possibility of creativity and innovation, career planning, achieving excellence, self-direction) as the highest level of Maslow's hierarchy of needs (Stipanović, 2009, 118).

Business culture provides an impetus for positive competition in order to diversify the company as opposed to a surrounding where everyone is in fear of losing their job. The difference between successful and less successful companies lies in subjective factors (employees) and system of values (business culture). The business culture of successful companies defines following determinants (Bogdanović, 2010, 207):

- Strategic orientation towards human resources;
- Immediate acceptance of changes;
- Participatory, democratic management;
- Developed non-formal communication and minimal hierarchy
- Team work and decision-making;
- Strong and clear vision, enthusiasm;
- Extraordinary achievements, constant improvements;
- Thrust, value-orientation and positive interaction with co-workers, company and stakeholders.

“Extraordinary companies do not believe in perfection – they believe in constant improvements and changes”. (Peters & Waterman, 2008, 35) The crucial problem remains how to stir up change and establish a new way of thinking and business making in current inert and slow companies, how to introduce dynamic change in companies since only change and innovation can guarantee survival and development. Business culture and the system of values as part of internal surrounding of the company are closely linked to

organisational resources (man and information being the most important resources) and organisational structure. The goal is to transform the existing inert, vertical and rigid organisational structures into fluid; dynamic horizontal structures adapted to projects and enterprise processes which enable authorisation and active inclusion of all employees into the company's business policy. The contemporary company is transforming from a company based on functions into a company based on business processes. Business processes consist of expedient activities performed by a group of people with a clearly set process goal which is directly connected to the organisation of a modern company (Dulčić, 2010, 77). Business culture sets a new paradigm of directing employees based on the authority of knowledge and learning. The employees' contribution is then to a concrete value, i.e. the value that the tourist can concretely identify.

Business culture is seen as a creative culture within a company; a culture of innovation and orientation towards creative thinking of all employees. It inspires freedom of thinking and an atmosphere of new ideas and knowledge. It sets new criteria of evaluation and motivation for employees, emphasising loyalty and sense of belonging to a company. The authorisation of employees is also emphasised, which means that employees are the ones who will be making decisions and implementing the best solution according to their views and intuition. The idea behind this concept is an immediate and qualitative response. Employees who are in direct communication with tourists are to find out about possible problems and to solve them immediately using their knowledge, competence and cross training skills. The new business culture is based on dynamics, changes, transformation and qualitative innovation. New ideas are needed for the development of a company. These ideas must be understood by each employee (making employees participate in the concept of development). Such activities will enable employees to achieve their own self-realisation within the framework of the company's success. Business culture aspires to individual learning of each employee and defines new conscience in which priority is given to applied knowledge. The new business culture also defines

a new, personalised customer relationship (CRM), trying to satisfy every particular need of the customer. It furthers social responsibility of the company towards the social community, encourages sustainable growth in symbiosis with other offer carriers.

Restructuring and reengineering of the company are also part of business culture. This refers to relinquishing negative aspects such as arranged economy and establishing a new style of management and doing business. Intellectual capital and information as the most important resources in the market game are at the same time given importance and they are used to form a new quality of the tourism product.

#### **4 Intellectual capital as an impetus for the development**

Intellectual capital represents a dynamic concept, a strategic orientation and an imperative for the company in generating new knowledge and activities so as to establish knowledge as the main resource of contemporary hospitality management. It represents the overall knowledge, information, technology, intellectual rights, experiences, organisational learning, competences, CRM, communications and brands within a company (Steward, 1997, 27). It marks the essence of the company which needs to be constantly renewed and supplemented with new ideas and knowledge, creativity and invention in order to make the business better. It is based upon research and development, a generation of new ideas, the affirmation of creativity and invention so as to improve the business. It refers to the overall knowledge of employees creating a new value that is confirmed on the market. Knowledge management is concretized on four levels: innovation, speed of response, productivity, and education.

Intellectual capital and the knowledge of the 21<sup>st</sup> century should be applied in practice in generating new trends and solving concrete situations. New knowledge is being multiplied rapidly (the amount of information doubles every two years), thus a company cannot survive on the market if the management and its employees do not follow changes. Permanent education of all employees and managers is the basis of an organisation

which learns and which can actively affirm settings of business philosophy of the future. Knowledge should not remain on the level of scientific discussions without a concrete application, but must grow into intelligent knowledge. One cannot be competitive with a century old and outdated system of knowledge.

Each company should be facing the future and learning continuously, by implementing existing and acquiring new knowledge with the aim of satisfying more developed hospitality management companies. As much as 90 per cent of Croatian companies believe and point out that business education is an important component for achieving competitiveness, only 33 per cent of the companies apply the same (questionable validity of the survey), unlike developed countries where all companies have recognized the importance of real (not only declarative) investment into personal intellectual capital. Only 0,5 per cent of the GNP is invested in Croatia into the development of science, whereas developed countries set aside more than 3 per cent of their GNP into the development of science.

It is precisely the development of intellectual capital and research that represent the only possibility of reducing the gap of Croatian economy and tourism at the macro and micro level with the more developed competition. The significance of intellectual capital and new business culture will be shown using the example of Valamar Hotels & Resorts.

## **5 A positive example of the new business culture based on learning – Valamar Hotels & Resorts**

Valamar Hotels & Resorts is a hotel and resort management company, operating accommodation units (hotels, apartments and camps) for companies Riviera Poreč, Rabac, Dubrovnik-Babin Kuk and Zlatni Otok based on a management contract. It is the leading Croatian hospitality management company, operating 40 properties situated on the Adriatic coast (23 hotels, 8 apartment villages, 9 campsites), with major presence in two major tourist regions in Croatia – Istria and Dubrovnik.

The new business culture of Valamar Hotels & Resorts is based on a culture of learning, the aim of which is to create and direct changes. A business culture should motivate employees to achieve self-realisation and to be involved in permanent education so as to create, evaluate and transform intellectual capital into permanently qualitative advancement and innovation of all segments of offer.

A dynamic company has two alternatives: it can either disappear or it can undergo changes in order to succeed (Thurow, 1995, 47). The innovation process includes constant changes as a result of learning, as well as permanent learning as a means of introducing new innovations. The main aim of Valamar Hotels & Resorts is to grow into an intelligent business and a learning organisation. For that purpose, the new culture of learning and knowledge (key criteria) are a necessity.

Business culture and the on-going education of all employees have greatly contributed to the leading position of the company. In the managing strategy of human resources, Valamar aspires to be one of the most wanted and attractive employers on the Croatian and international market (in 2008, Valamar was declared the best Employer Partner in Tourism, and takes the fifth position of the best Employer Partners in Croatia) – for their 2800 employees, and for all potential employees. Through education and training, employees are able to gain experience and to professionally develop in all business aspects. Stays or work in one of company's destinations or a similar company abroad are organised while the work segment is always the one where the employee can contribute best according to his/her professional and personal qualities. Personal affinities are also taken into account which additionally impacts on the motivation of the individual employee. Permanent development in professional knowledge, communicative and management skills are required at all times through tailored training programmes, as well as all forms of personal growth and development.

The HR strategy in Valamar includes: management, leading and supporting the corporate vision and mission of a leading tourism group.

In order to ascertain the new business culture which is based on knowledge, the following activities were introduced in the period from 2005 to 2011 (Valamar documentations):

- Strategic employment: the stipend programme included 119 pupils of high hospitality and tourism schools, while 43 interns were included in business, who went through elaborated one-year programmes, while special attention is given to employment of seasonal employees.
- Establishing the Valamar Academy: it supports continuous professional development and life-long learning of the potential within Valamar, thereby preparing them through education programmes and vigorously supported by mentors to take over more complex jobs and higher responsibility in the Valamar Group. The principal aims of the Valamar Academy programmes are as follows: educating attendees who, in the period of 3-5 years, can take over responsible functions (assistants to directors, directors, department heads etc.) and the development of the mentor system (the Valamar Academy is comprised of a team of 15 mentors). The following programmes are differentiated: the Valamar Academy for future hotel/object directors (duration: 24 months – out of 24 programme attendees, 14 have successfully completed the programme, while 7 are still in the process) and the Valamar Academy for future department heads in the following departments (duration: 12 months – out of 47 attendees of the department head programme, 33 have successfully completed the programme, while 13 are still in the process): reception, housekeeping, kitchen and restaurant. An individual development programme is prepared for each attendee of the Valamar Academy, based on attendee's previous work experience.
- The Master Educational Plan (MEP) – HR sectors of Valamar have designed the master educational plan for all companies managed by Valamar, using the bottom up principle. The plan goals are as follows: to identify educational needs, to instigate department heads to participate in the development of training programmes and thus impact change within their scope of work, to develop standardised educational programmes, to promote life-long learning in tourism with an emphasis on professional and personal development of each employee. Within the Valamar Group, 25,000 training hours are realised annually in which over 1,000 employees participate. The Master Educational Plan of the Valamar Group includes the following training categories: professional education and training (education types which depend on the specifics and requirements of each department), special knowledge and skills (foreign languages, IT skills etc.), personal growth (communication skills, management skills, proactive sales skills etc.), and various trainings (participation in congresses, study trips etc.).
- Train the Trainer – the 5-year programme targeted at hotel directors, department heads and attendees of the Valamar Academy for future hotel/object directors and department heads. The programme was implemented in 2007, aiming at its completion in 2011. Valamar develops internal trainers aiming at improving the quality of work, knowledge and skills and decreasing the cost of organising external trainings. It affords specific methods and procedures in organising internal training in the following areas: introduction to work, workplace training, professional education. In 2010, the Train the Trainer programme became part of the Valamar SOP (Standard Operating Procedure). As of today, 101 group employees have successfully completed the programme.
- Managing the effects and the award system – managing all aspects of work through clear communication of goals and desirable behaviour on the part of employees, improving work efficiency by developing required employee knowledge and skills and instigating an increase in results. It simultaneously measures, analyses and compares results in the area of finance, the quality of permanent clients, quality appraisals by the guests/clients, the implementation of standard operative procedures and in the area of corporate culture and climate, as well as systematically builds up other forms of awards. During the high season, the campaign for Employee of the Month was supported, the aim of which is to motivate employees to

constantly improve their work efficiency in relation to a set criteria. The individual effect must be recognised and praised, not merely by the superiors but by other colleagues and guests as well. In 2009, out of the total of 2,515 employees included in the campaign, 531 were awarded Employee of the Month. Furthermore, Valamar, through life-long learning, also promotes awards that include personal and professional training, participation in different seminars, workshops and congresses and supports employees when enrolling in postgraduate programmes. Finally, Valamar also awards special recognition to individual and teams for excellence and exceptional achievements in the past year during the annual group meeting, thereby nourishing the importance of awards and motivating employees as well. Special attention is given to different forms of awards and employee motivation so 2005 saw the development of the Effects Management System for key positions within the Valamar Group: hotel directors, sales managers etc. During 2006, the Effects Management System was expanded to middle management while it is still being developed and includes an ever increasing number of employees.

Working in the Valamar team today means working in a dynamic environment full of challenges, in which each individual gives his/her best. Every new day brings new situations and actual challenges and constant interaction with a large number of people. There is no success in tourism unless every team member is facing towards a common goal and this goal is primarily customer satisfaction. This company is therefore pronouncedly oriented to teamwork; cooperation, readiness to change and dedication to a fast-growing company are exceptionally appreciated. The Valamar manner of doing business recognises but also affords numerous opportunities to those proactive, result oriented and those that accept the challenge and assume responsibility. The success of the Valamar Group can be seen in its satisfied guests, motivated employees, business goals, etc. (Poslovni i finacijski portal, 2010).

Permanent orientation towards the culture of knowledge, new system of values based on learning (high level of management knowledge) and tourists (custom-

ers) offer possibilities for the development of Valamar and companies and realising competitive advantages based on excellence on a more turbulent 21<sup>st</sup> century tourism market, which has been additionally challenged by the global recession.

## 6 Conclusion

Croatian hospitality management companies must establish a new business culture and system of values based on research, knowledge, changes, innovation with the aim of anticipating the future and valorising opportunities in dynamic surroundings. Recent research and analysis of actual situation indicate that Croatian tourism enterprises and Croatian tourism are not able to neglect the consequences of the former system and the mass tourism paradigm. The authors' research emphasises that defining a new system of value and knowledge affirmation (the example of Valamar Hotels & Resorts) is the only guarantee for qualitative transformation of Croatian tourism and profit multiplication (the correlation between investment in intellectual capital and improving the business results). (Re)conception of development based on knowledge and information offers the biggest possibility of success in searching of qualitative answer of risks and uncertainty.

The new business culture has to encourage companies to transform qualitatively in order to implement the concept of development and valorisation of intellectual capital for solving concrete problems today and tomorrow in a more dynamic surrounding. It creates a motivational atmosphere of learning in order to overcome the old-fashioned knowledge that slows down these changes as well as to encourage new cognition and innovation.

It inspires a new generation of management based on the authority of knowledge; establishes a motivating competition among employees, new strategic orientation (CRM, benchmarking, business intelligence, reengineering) in order to set up an organisation which learns and to organise an intelligent company. Investment into knowledge at all levels represents the most important and profitable investment and the only guarantee of success on the turbulent tourism market.

# Inoviranje poslovne kulture z namenom razvoja hrvaškega turizma na primeru Valamar hotels & resorts

## Povzetek

Da bi hrvaški turizem svoje bogate naravne vire (komparativne prednosti) spremenil v konkurenčno prednost, mora uvesti nov koncept razvoja, temelječ na inovativnosti. Končni cilj tovrstnega razvoja je povečevanje dobička in trajnostna rast, njegovo glavno gonilo pa intelektualni kapital in nov sistem vrednot, temelječ na znanju in osebnem pristopu do vsakega gosta. Izobraževanje nove generacije menedžerjev je predpogoj za razvoj turizma na makro- in mikronivoju. Novi menedžerji morajo prepoznavati in aktivno oblikovati prihodnost ter spodbujati spremembe. Ni več dovolj, da podjetje izpolnjuje želje trga in sledi konkurenci: če želi zasedati vodilna mesta v svoji panogi, mora stalno uvajati nove vsebine. Zaposleni lahko pomagajo k večji konkurenčnosti podjetja s tem, da stremijo za samouresničevanjem. Pomembno je stalno izobraževanje zaposlenih in uvajanje različnih izobraževalnih tehnik, s čimer podjetju omogočimo, da se uči in napreduje. V članku je prikazana pomembnost poslovne kulture s pomočjo primera dobre prakse turističnega podjetja Valamar, ki temelji na menedžmentu znanja in izobraževalni kulturi.

Ključne besede: poslovna kultura, intelektualni kapital, hrvaški turizem, Valamar Hotels & Resorts

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