

THE ROLE OF HUMAN CAPITAL DEVELOPMENT IN INCREASE COMPETITIVENESS IN ROMANIAN TOURISM ENTERPRISES

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***Abstract:** Tourism is a truly global economic activity one which takes place in destinations across the world, from leading capital cities and smaller towns and villages in rural and coastal areas, to some of the remotest points on the planet. It is one of the world's largest industries, or economic sectors, contributing trillions of dollars annually to the global economy, creating jobs and wealth, generating exports, boosting taxes and stimulating capital investment.*

Human capital is recognized as the fundamental factor of overall progress in the knowledge-based organizations. The experts agree that long-term investment in human capital has strong drive-propagation effects at the individual, organizational, national and global level.

This paper suggests a possible solution to the challenges that the Romanian tourism enterprises must face, showing that investing in human capital development represents the safest way to ensure competitiveness.

***Keywords:** human capital, Romanian tourism enterprises, lifelong education and training, knowledge-based economy, European Union.*

1. INTRODUCTION

Tourism is a truly global economic activity one which takes place in destinations across the world, from leading capital cities and smaller towns and villages in rural and coastal areas, to some of the remotest points on the planet. It is one of the world's largest industries, or economic sectors, contributing trillions of dollars annually to the global economy, creating jobs and wealth, generating exports, boosting taxes and stimulating capital investment.

The importance of tourism and hospitality employment in both developed and developing countries is attested to by the World Travel and Tourism Council (WTTC), who suggest that travel and tourism-related activities account for over 230 million jobs, or 8.7 per cent of jobs worldwide (WTTC, 2006).

Nearly 260 million jobs worldwide are supported by tourism industry, either directly in the industry or in related sectors. And these jobs are vital not only for the livelihoods of those employed, but also for their families and the wider communities in host destinations. Today there are few people who have neither contributed to the growth of tourism industry through their own spending, nor felt the impacts of others expenditure (WTTC, 2012).

In Romania, the tourism industry can become a source of attraction both for Romanian and for foreign tourists, but this is difficult because of the strong competition from neighbor countries and the extent of issues connected to competitiveness.

In the tourism enterprises, the human resources (the employees) are considered the essence of the offer, because of the complex role and the responsibilities it has. The contact personnel in the tourism services has a crucial role, representing the interface. The contouring of the company image depends to a great extent on the time in which they answer the requests, the precision and politeness they show.

In the tourism enterprises we can find several roles of the human resources (Lovelock, C. și al., (2008)):

- they represent the company in the relationship with the clients;
- they represent the trademark image, and the confirmation of qualitative standards and the trademark name before the clients depends on their behavior;
- they represent an important factor of differentiation and competitive ad-vantage;
- they represent an essential part of the service offer, the visible one, that takes place before the clients or with their participation, determining the objective quality of the service, and the most abstract and profound aspects of the consumers' satisfaction as well.

Competitiveness in tourism can be described with the elements that make a destination competitive as defined by Ritchie and Crouch (2003), '...its ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying memorable experiences and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations'. Thus competitiveness in tourism has several dimensions: economic, socio-cultural and environmental. Competitiveness has become a central point of tourism policy. As competition increases and tourism activity intensifies, tourism policy

focuses on improving competitiveness by creating a statutory framework to monitor, control and enhance quality and efficiency in the industry and to protect resources (Goeldner, Ritchie, & McIntosh, 2000).

2. HUMAN CAPITAL CONCEPT IN THE CONTEXT OF KNOWLEDGE-BASED ECONOMY

In the literature, the **knowledge-based economy** concept has no single definition, and is most often defined by describing the features of this type of economy. A relevant definition of the term was given by experts of the Organization for Economic Cooperation and Development, who appreciate the knowledge economy as "economy which is directly based on the production, distribution and use of knowledge and information." (OCDE, (1996))

Knowledge-based economy is also a goal for the European Union. The EU has set as a strategic objective, since 2000, during the Spring European Council in Lisbon on 23-24 March 2000, becoming the most competitive and dynamic economy in the world, based on knowledge, capable of sustainable economic development with more and better jobs and a greater social cohesion (Conseil Europeen Lisbonne, (mars, 2000)). This objective is reflected in the strategy "*Europe 2020: A European strategy for smart, sustainable and inclusive growth*" which proposes that first priority for the European economy "*smart growth: developing an economy based on knowledge and innovation*" (European Commission, 2010).

It can be seen that the action of European forums prioritize information and communication technologies role in assisting intelligent learning activities, innovation and knowledge management, supporting the wider adoption of best practices, with special attention to small and medium-sized enterprises.

Knowledge-based economy has a number of implications for business organizations and their management. Thus, the organization is determined not only by their physical asset value, but mainly the value of intangible assets, by human resources and by knowledge or information they hold. This type of organizations is called **knowledge-based organizations**.

Knowledge-based organization represents a new paradigm in business since the beginning of XXI century.

In such of organizations, **knowledge** is a new category of resources, considered to be more complex, difficult to assess, and much more effective compared to other categories of resources. Under the

impact of knowledge occur quantitative, qualitative and structural changes in all other categories of resources (Nicolescu, O. et. Nicolescu, Luminița, (2005)).

Generation and exploitation of knowledge became, at present, vital sources of increased global welfare and the states and organizations are aware of it. Knowledge is also central to determining competitiveness. Consequently, countries of the world, especially developed ones, are concerned with the systematic generation of knowledge, thus developing national systems and international interactions more sophisticated.

Human capital is recognized as the fundamental factor of overall progress in the knowledge-based organizations. The experts agree that long-term investment in human capital has strong drive-propagation effects at the individual, organizational, national and global level.

The human capital concept shows the quality side of human resources: knowledge, skills and abilities of employees in the organization.

Human capital is defined as “all general and specialized theoretical knowledge, the skills acquired in vocational education and training or in workplace experience. This knowledge and skills are used by their owner in the creation of goods and services that produce revenue for both their owner and for society.” (Perț, (2000)) Therefore, the human capital shows the quality side of human resources.

In M. Armstrong's view, human capital is a component of intellectual capital that is “the accumulation and flow of knowledge available to an organization” (Armstrong, (2003)).

According to Armstrong's conception, intellectual capital has three components: *human capital* - knowledge, skills and abilities of employees in the organization; *social capital* - accumulation and knowledge flows arising from the networks of relationships inside and outside the organization; *organizational capital* (also called structural capital) - institutional knowledge held by an organization, stored in the database, manuals etc. This tripartite concept of the intellectual capital emphasizes, as M. Armstrong noted, that although individuals (human capital) are those who generate, store and retain knowledge, such knowledge is enhanced by interactions between individuals (social capital), generating institutional knowledge that possess the organization (organizational capital). Although knowledge and skills of employees are those that create value, however, organizational effectiveness depends on proper recovery of human knowledge. This knowledge must be developed, collected and traded (knowledge management), to create organizational capital.

At the organizational level, human capital development is critical to achieving the organization's competitiveness. Companies can not afford such an investment will have no chance in global competition, increasingly stiffer. Investing in human capital has proven that is the most sustainable and profitable long term investment, with long-term beneficial effects of continuous and sustained growth.

3. HUMAN CAPITAL DEVELOPMENT CONTRIBUTION TO INCREASE COMPETITIVENESS IN ROMANIAN TOURISM ENTERPRISES

For Romanian enterprises, Romania's integration in the EU has determined the increase of competition both on the domestic market and on the external one. In this context, the challenges faced by Romanian tourism companies (most of which are small or middle-sized) are numerous.

These companies' chance to stay (or become) competitive, in a competitive environment at the junction between the evolutions of the global factors (the demands imposed by globalisation and regional integration) and the factors pertaining to the specific features of the national socio-economic environment is closely connected with **human capital development**.

In the Romanian enterprises, many changes and progress are needed, first of all at the mental level, regarding the meaning of work and competitiveness in the new competitive context, regarding the impact of human resource quality and of the human resource management on the general performance of the company, the assimilation of the new realities, and the importance of learning at the individual and organisational level.

The specialists agree that an essential part in this respect is played by the promotion of an effective managerial style that presupposes the sharing of some humanist values recognised and accepted by all the members of the company, which will lead to the increase in employee satisfaction and at the same time the rise of their loyalty towards the company. Under these circumstances, those managers with a managerial philosophy based on well defined values will totally change the approach to human resources: they will treat employees not only as a costly resource or a mere means to obtain profit and do business, they will interpret human relations not only from the point of view of their concrete manifestation in financial contracts, and they will conceive the work-places so as to stimulate employees to reach performance (Luț, 2010).

In the tourism enterprises the human resources development is a strategic factor for increase competitiveness.

We can say that in the tourism enterprises human resources management is an integrant part of the marketing mix because it is indissolubly related to the customers' satisfaction and the company image. In this case, human resources management activities have a special role. Recruiting, selecting and integrating the employees are difficult activities, because in this field, a good professional training must be doubled by talent, charm, style and a personality suitable to the job. The intrinsic quality of the future employee and vocation cannot be acquired, training only refining talents.

There are many aspects that define the relationship tourism-human resources management under the qualitative aspect, such as: the level of qualification, the report between the number of full-time employees and part-time employees, the proportion of seasonal workers and the personnel fluctuation, the cost of the professional training, the motivation of employees etc.

There has been much discussion regarding the industry's need to invest in human resources development. This is made more pronounced by the number of small businesses that dominate the industry, and their inability either to support or recognize the importance of investing in human resources to improve overall professionalism and the quality of the tourism product (Cooper at al., 1994).

A great part of the specialists argue that tourism needs personnel with a high level of qualification, with a large horizon of knowledge, well trained, knowing a foreign language of international circulation, capable of recommending and promote the tourism services.

It is widely argued that people are vital for the successful delivery of tourism services and, as a consequence, those who work in tourism are widely portrayed as a critical dimension in the successful operation of businesses within the sector. "The story of successful tourism enterprises is one that is largely about people – how they are trained and educated, how they are valued and rewarded, and how they are supported through a process of continuous learning and career development. None of this happens by accident" (Failte Ireland, 2005).

Szivas (1999) argues that "only competent and motivated employees can deliver high-quality service and achieve competitive advantage for their firms and tourist destinations. There is a wide range of problems, both as far as the quantity and also the quality of management are concerned, the facilities from tourism, the accommodation and the catering. Many of these can contribute to the

reduction of amateur management which characterizes the small businesses which dominate most of the tourism industry.”

In this sector the part time jobs are preferred in a greater extent than in others and there are applied flexible methods to the work force employment. These flexible formulas of occupation respond to the needs of certain segments of the population—women, students, retired people, creating however difficulties in the recruitment of the working force (Gruescu, 2007). These particularities influence the number and also the dynamic of workers, the level of the labour productivity, the recruitment policies and the professional training.

On the other hand, the structure of the seasonality can be used as a means of obtaining high abilities. While labour flexibility may be a positive attribute, it can also be detrimental. Although labour markets are increasingly flexible, occupations requiring a flexible workforce may not be identified as viable career choices – in the UK part-time tourism and hospitality employment is significantly higher than in other European Union countries (Keep and Mayhew, 1999). The high proportions of casual and part-time staff employed within the industries may be less inclined to view the tourism industry as a long-term career option, perceiving it to be a transient job. Subsequently, part-time and casual employees may be unwilling to invest in industry-related qualifications. (Beech and Chadwich, 2006).

One factor likely to contribute to poor qualification attainment within the tourism industry is the willingness of the employers to recruit people without the necessary qualification. Some owner-managers are seriously deficient in management skills, notably financial management and human resource skills. This affects the viability of small tourism business as well as impacting on their ability to offer an attractive career package for ambitious employees (Beech and Chadwich, 2006).

We therefore believe that at this point, one of the most important requirements for the development of human resources refers *mainly* to the **professional training of human resources**, in order to acquire the knowledge and qualifications corresponding to the new technological, informational, and communicational developments taking place in the world at this time, in all fields, and which are also felt in the Romanian tourism market.

The emergence of new occupations or the enrichment of the profile of some occupations specific to tourism lead to the increase in the demand for skilled staff, as well as to the increase in the level of professional training of the workers in this field, making **continuous learning and training** absolutely vital. These conditions are essential in

order to maintain (or reach) competitiveness in Romanian enterprises, in the actual context of globalisation and EU integration.

Therefore, investment in professional training and proper involvement of the human resources in tourism is actually a preoccupation aiming to improve the quality of the tourism services.

Although the value of human capital or cost includes several components, the essential active component is education and training. The extent of economic and social change in contemporary society - a knowledge-based society - requires a different kind of approach to education and training. This type of society requires a reconsideration of the importance and role of human capital in the society and above all, education and training. Investing in education and training means to promote growth, given that in the new knowledge-based economy the basic factor of wealth is firstly, knowledge acquisition and use and not material factors of production. Education and training is now a global concept under which they are meeting all aspects of education and training in the formal, non-formal and informal system.

Since the '70s, the focus is, more and more, on **lifelong education and training**. If at first the initial education and continuous professional training were considered complementary concepts, those concepts were then integrated into a single concept that covers all aspects of education. According to Faure Report (UNESCO 1972), continuous education and training is not only a coherent system, but is the principle that underlies the organization of the entire global system of education and training and, consequently, the development of each of its parts.

The new concept of lifelong education and training appeared as a response, as an alternative to the major problems facing humanity, as a result of globalization, under new requirements imposed by knowledge-based society and knowledge-based economy. In such a society, human capital becomes a strategic asset and the investment in such assets is critical to economic and social development. Lifelong education and training is one of the major targets of the EU and this actually came as a result of the study and understanding of current economic and social environment and the challenges it posed. This concept was reconsidered at each stage of work on European Employment Strategy (EES 1997), as evidenced by the debates which took place in the European Council meetings in order to establish the strategy to be followed every year in this respect: the Lisbon European Council, March 2000, European Council in Santa Maria de Feira, June 2000, the European Commission Memorandum of Lifelong Learning, October 2000 and subsequent

European Councils (Stockholm - 2001, Barcelona - 2002 Brussels - 2003, 2004, 2005).

In Romania, the priorities on human capital are reflected in Romanian economic and social policies of development during the period 2007-2013 (Luț, 2010).

At present we can not talk in our country, about an articulated training system and a coherent framework of qualifications applied to both initial training and lifelong training that allow partial certification qualifications.

4. CONCLUSIONS

As we show above, human capital, as a component of human resources, is today considered as the most valuable asset at the organizational and national level.

Lifelong education and training of human resources is now widely regarded as an essential component of development strategies in the developed states of the world. It is a major factor for continued and sustained economic growth, to improve competitiveness and employment.

Tourism and travels must be included within the general policies for workforce, trade, investments, education, culture and environment protection. Romania has to undertake an image campaign in order to increase the information of public and private factors relating the tourism industry contribution and the development potential.

Public trade policies play an important role in this respect, as they should promote and support the development of human resources within small and medium-sized enterprises, as a main means to increase their competitiveness.

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