

## THE IMPORTANCE OF INTAGIBLE ASSETS FOR TOURISTIC'S ENTERPRISE IN THE PERSPECTIVE OF GLOBALIZATION

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### Abstract

*In time of globalization very important role in touristic enterprise have intangible assets: human capital, information capital and organization capital. Intangible assets, especially human resources drive long-term value creation. So human resources are generally accepted as being strategically important. The main management problem is being able to make alignment of intangible assets and organization's strategy. The tools which management in tourism enterprise can use for this purpose are balanced score card and strategy map, which will be explained in this article.*

**Key words:** organization's strategy, intangible assets, strategic alignment

**JEL classification:** E 29, L 11, L 83

### 1. THE IMPORTANCE OF INTAGIBLE ASSETS

For the last two hundred years, neo-classical economics has recognized only two factors of production: labour and capital. Nowadays in time of globalization this is changing. Knowledge and Information are replacing capital and energy as the primary wealth-creating assets, just as the latter two replaced land and labour 200 years ago. In addition, technological developments in the 20th century have transformed the majority of wealth-creating work from physically-based to "knowledge-based". Technology and knowledge are now the key factors of production. With increased mobility of information and the global work force, knowledge and expertise can be transported instantaneously around the world, and any advantage gained by one company can be eliminated by competitive improvements overnight. The only comparative advantage which a company enjoy is its process of innovation - combining market and technology know-how with the creative talents of knowledge workers to solve a constant stream of competitive problems--and its ability to derive value from information.

We can say, that we are now a knowledge economy, information society (termed also new economy, knowledge economy, e-economy, or post-industrial economy). The Knowledge Economy (Post-Industrial Economy) is the economy in which the largest portion of gross domestic product is derived from selling information-based services rather than produced physical goods. The key characteristics of the information economy could be summarized as:

- Dominant economic activities are transactions of information and provision of services rather than manufacturing of physical objects;
- Knowledge-based services such as education and training, financial services, consultancy, auditing, media are on the increase;
- Distribution media are the Internet and other Digital communication networks such as intranets and extranets;

- Typical organizational structure is a network, not a hierarchy. Networks of small units are far more responsive to changes in the market place;

- Development methodology is incremental and evolutionary. The new economy favours organic growth and evolution.

In the core of all of these characteristics are intangible assets that create great value in organization. Intangible assets make the difference in technology, outsourcing resources, and consulting – readily available to most modern companies. The challenge for large touristic companies to monetize their human capital is growing as fast as their human capital is increasing.

### 2. THE IMPORTANCE OF INTAGIBLE ASSETS IN TOURISTIC ENTERPRISES

Contemporary research show that intangible assets: human capital, information capital and organization capital, drive long-term value creation in touristic enterprise, which are downsizing and restructuring. This means that less direction is being imparted to employees, who are more frequently required to accept a greater degree of responsibility and accountability. Increased use of technology in the workplace also means an added responsibility for individual workers. It is estimated that the "knowledge revolution", by providing clear information via the Internet on all the industry's tangible elements (illustrations of accommodation and hotel facilities) will make the intangible elements (those imparted by personal contact and service) all the more important. Lower levels of staff will be empowered to act autonomously. Command and control structures are thus largely giving way to a participatory teamwork approach. Human resources trained to fit in with new working methods will have to be regarded as an asset in which investment must be made, rather than merely as a cost, or employees will seek employment elsewhere. Management is developing ways in which to attract and retain employees.

The advent of new technology will not stop the industry from being a supplier of entry-level jobs; clearly, a large number of routine jobs will continue to exist. However, the question of staff retention will remain a management problem. Information technology will make potential entrants to the industry more aware of the possibilities available, compounding the problem for the industry. In order to retain staff, certain companies have already set up an incentive system. McDonalds introduced a broad-based stock ownership programme in 1995 to improve staff morale and productivity, while in Europe, one major hotel chain has established the CHAMPS reward programme, in which employees earn points for cleanliness, hospitality, accuracy, product quality and speed. These points can be used to buy catalogue merchandise.

With the advent of new technologies and an increasingly discerning public able to keep informed through the Internet, the hotel sector is being forced to widen its sphere of action beyond the traditional provision of food and accommodation. In the pursuit of improving the intangibles, major hotel chains are seeking to provide more services, both in response to customers' needs and in an effort to provide an "experience" rather than simple lodging. For example, the French Accor Group has expanded into travel agency services, car hire, casinos and on-board train services, while other groups have established connections with sectors that are indirectly linked to tourism, such as insurance, travel articles and health and beauty services. The range of services now expected by customers naturally requires an upgrading of skills among front-desk staff, who will for the most part be required to administer these services. This will call for motivated personnel with excellent social skills and an understanding of what people want.

Advances in computer technology allow far more rapid and detailed generation of information on quality and economic performance. Hotel managers will thus be called on to react more quickly, to analyze situations and take appropriate decisions. The wider range of services on offer will also call for greater marketing skills than were previously necessary. In large hotels and hotel chains this is resulting in the creation of posts which are new to the industry, but which already exist in other fields, such as budget analysis and management accounting expert, quality manager, yield manager, technical and computer services manager. With greater emphasis being placed on environmental protection, there is also an increasing need for experts on the environmental impact and planning of tourism development. Similarly, greater concern over food safety is creating a growing need for food safety and health experts. As the hotel sphere increasingly includes services catering for customers' entertainment needs, sports and games specialists as well as specialized tour guides are opening up as careers in the tourism sector.

So, main economic resources in touristic enterprise in perspective of globalization are intangible assets (knowledge and information technology). The valuation of a business is based on its intellectual property rather than the short-term profitability. The key questions are how should intangible assets be structured, organized and alignment, to ensure that the organization derives the

greatest possible value from intangible assets; and how should intangible assets be alignment with organization strategy? Robert Kaplan and David Norton offer tool which could help to resolve this problem. This tool they named strategy map.

### 3. INTAGIBILE ASSETS AND ORGANIZATION'S STRATEGY ALIGNMENT

Organization strategy describes how it intends to create value for its shareholders, customers and citizens (Kotler et al, 1999, p.4). If organization's strategy could create value it is necessary perform carry out some activities such are: operation management (production and delivering products and services to customer), customer management (establishment and leveraging relationships with customers), innovation (developing new products, services, processes, and relationships). Performing of this activities requires some elements such are: materials, machines, human resource, information systems. In new economy very important role for performing different activities in organizations has human capital.

It could ensure organization to improve their performance and acquire competitive advantage. But business performance will be improved if business and human capital are aligned. It isn't easy to align human capital with organization's strategy. There are a lot of projects which attempt to do this. One of them is Balanced Score Card (BSC) and strategy map (SM), which has been developed by Robert Kaplan and David Norton.

The Balanced Score Card is a management system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise.

The balanced scorecard suggests that managers must view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives:

- The financial perspective;
- The customer perspective;
- The business process perspective;
- The learning and growth perspective.

The BSC retains the financial perspective since financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken. They indicate whether a company's strategy, implementation and execution are contributing to the bottom line. The financial measures tend to be profit related (by operating income), return on capital employed (ROCE or EVA) and Sales growth or generation of cash flow.

Identifies the customer and market segment in which the business will compete and measures

performance in these targeted segments. The perspective typically includes several core/generic measures like customer satisfaction, customer retention & acquisition and market share. The perspective should also include specific measures of value proposition in the specific market/customer i.e. lead-time, on time delivery if applicable.

The Internal perspective identifies the critical internal processes in which the organization must excel. These processes enable the business to:

- Deliver the value propositions that attract and retain customers;
- Satisfy shareholder expectations on financial returns.

The internal measures focus on the processes that have the greatest impact on customer satisfaction and financial objectives. The inclusion of innovation measures in this perspective also gives the organization drivers of long-term financial success as well as short-term operational measures.

Learning and Growth perspective identifies the infrastructure that the organization must build to create long-term growth and improvement. Businesses are unlikely to be able to meet their long-term targets for customers and internal processes using today's technologies and capabilities. Also intense global competition requires companies continually to deliver value to customers and shareholders. Learning and Growth comes from people, systems and organizational procedures. The financial, customer, and internal perspectives will reveal gaps in the capabilities of people, systems and procedures. To close these gaps businesses will have to invest in reskilling employees, enhancing IT systems and aligning organizational procedures. Measures include: Employee satisfaction, employee retention, system availability and "front line" customer information, Alignment of employee incentives with overall organization success factors etc.

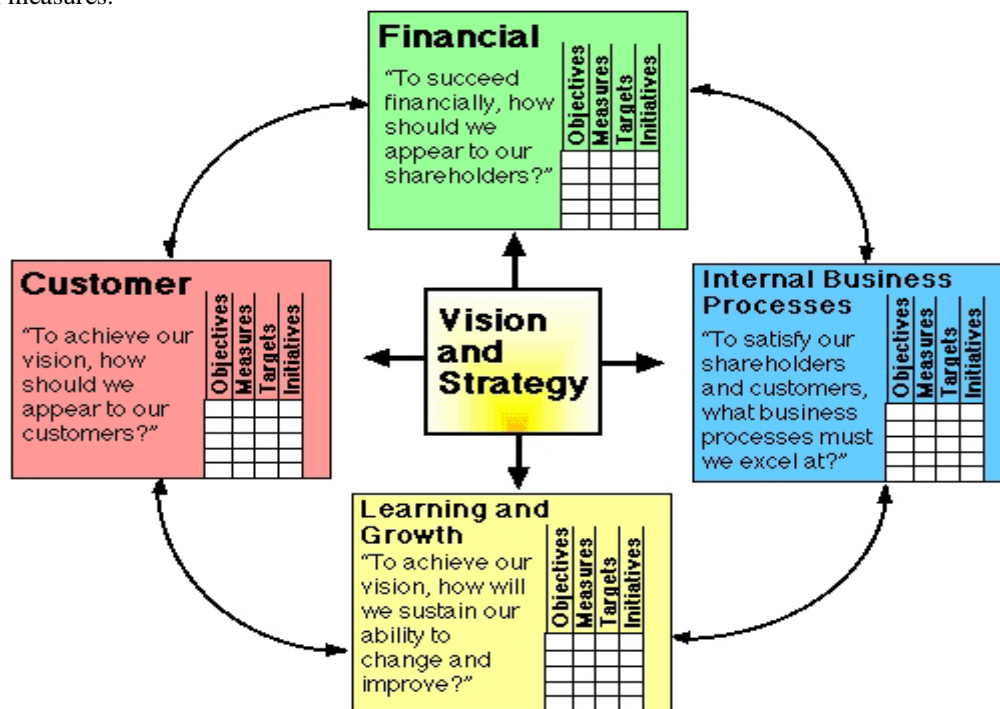


Figure 1 - Balanced score card

The four perspective model, for description an organization's value creating strategy, provides language that executive can use to discuss the direction and priorities of their organization. They can view their strategic measures not as performance indicator in four independent perspectives, but as series of cause and effect linkages among objectives in the four Balanced Score card perspective.

By connecting such things as shareholder value creation, customer management, process management, quality management, core capabilities, innovation, human resources, information technology, organizational design and learning with one another in one graphical representation, strategy mapping help greatly in describing the strategy and to communicate the strategy

among executives and to their employees. In this way alignment can be created around the strategy, which makes a successful implementation of the strategy more easy.

A strategy map provides a visual representation of the organization's strategy. This is truly an example of how one picture is more powerful than 1,000 words (or even twenty-five ad hoc performance measures). The financial and customer objectives describe the outcomes the organization wants to achieve; objectives in the internal and learning and growth perspectives describe how the organization intends to achieve these outcomes. The discipline of creating the strategy map of linked objectives in the four perspectives engages the executive team, and often promotes much greater clarity and

commitment to the strategy. Once created, the strategy map is a powerful communication tool that enables all employees to understand the strategy, and translate it into actions they can take to help the organization succeed. A strategy map also provides the structure for meetings where managers can quickly see which aspects of their strategy are succeeding and where they are falling short.

Strategy Map is a diagram that describes how an organization creates value by connecting strategic objectives in explicit cause-and-effect relationship with each other in the four BSC objectives (financial, customer, processes, learning and growth). This tools enable management to align all organization's elements with strategy. So BSC becomes a useful way to measure value of human capital in organization success. The four perspectives that are identified are as follow:

- The financial perspective is concerned about the contribution of to the entire organization. It also has a focus on human capital cost control and establishing a continuing relationship with management;

- The user orientation perspective is an end-users' view and seeks to develop an ongoing relationship with end-users (customers);

- The internal processes perspective is an operations-based view. Its objective centres on efficiency and effective management of issues;

- The learning and growth perspective - Objectives focus on build skills through employee training. Development of knowledge management systems and artificial intelligence programs are both ways to improve future readiness. Environmental scanning is also critical so that the department can adapt to new trends.

A strategy, will be most successful when the collection of integrated and aligned activities enable the company to offer a value proposition. Strategy map provides the discipline to ensure that the formulated strategy has specific objectives for shareholders and customers, an explicit customer value proposition, the critical internal processes for creating and delivering the

value proposition, and aligned human resources, information technology, and organization culture.

Strategy is determined by a unique combination of activities that deliver a different value proposition than competitors or the same value proposition better. The strategy map framework allows companies to identify and link together the critical internal processes and human, information, and organization capital that deliver the value proposition differently or better. Thus, the process of creating a strategy map and Balanced Scorecard translates the formulated strategy into specific objectives, measures, targets, and initiatives in the four inter-related perspectives. It helps organizations translate, communicate, implement, and review the strategy. It is completely general; whichever strategic framework the organization is using, it still needs to translate and communicate it across all business units and to all employees if the strategy is to be implemented effectively.

Strategy maps and balances score card are very useful management tools in touristic enterprise, because they enable management to align human capital with organization's strategy. But they must be adopted to specific environment in tourism enterprise's on globalization time.

#### 4. CONCLUSION

The continuously growing importance of intangible assets requires touristic companies to integrate decision intangible assets within other planning and decision-making processes. The key management task is to align intangible assets with organization's strategy. To solve this problem, management of the touristic firms can use balanced score card and strategy map.

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