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**TOURISM
IN FUNCTION OF DEVELOPMENT
OF THE REPUBLIC OF SERBIA**

**Tourism product as a factor of competitiveness of
the Serbian economy and experiences of other countries**



**THEMATIC
PROCEEDINGS
II**



**UNIVERSITY OF KRAGUJEVAC
FACULTY OF HOTEL MANAGEMENT
AND TOURISM IN VRNJAČKA BANJA**



THE IMPACT OF HUMAN CAPITAL ON TOURISM DEVELOPMENT

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Abstract

The quality of a tourism destination's offer is determined to a large extent by the quality of its human capital. Human capital represents a measure of the economic value of employees' set of knowledge, habits, competences, motivation, enthusiasm and other personality attributes. Increasing the competitiveness of a tourism destination requires an effective human capital management. The goal of this paper is to analyze the linkages between human capital management and tourism development. A special emphasis is put on staff education, involvement and empowerment in tourism related organizations. The enlargement of human capital contributes to innovative potential, work effectiveness and efficiency, leading to reduced costs and increased customer value at the same time. As a result, the particular destination becomes attractive for tourists, but also for investors and employees. The main conclusion of this study suggests that human capital management leads to sustainable tourism development.

Key Words: *human capital, quality, TQM, tourism, destination development*

JEL classification: *J24, M54, Q01, Z30*

Introduction

The tourism industry has become one of the fastest growing industries on the world scale. This phenomenon is the consequence of economic and technological progress, which made travel faster and less costly. Nowadays, the increasing number of tourists has a possibility to visit distant places, as well as to travel more often than decades ago. This is because of business trips that became more frequent due to globalization,

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but also because of the opportunity to organize several breaks during the year, both longer and shorter ones. The second reason stems from miscellaneous tourism offer created in tourism destinations.

Recognizing that there is a huge number of tourists who are willing to spend their money traveling around, municipalities of tourism destinations altogether with belonging tourism organizations, tourism agencies, hotels and other relevant bodies, have decided to compete for a portion of this total tourism spending. This is extremely important source of funding given the economic recession worldwide and the strong competition in the real sector that created several global companies and left small space for SMEs. Almost every company is exposed to international competition, even if it operates solely within the boundaries of its domestic market (Milovanović, 2009).

Wealth is concentrating in few hands, while poverty over the globe increases. Tourism therefore creates the opportunity for every destination to be unique and earn money on it. This is because tourists search for some special experience, which is unrepeatable somewhere else. This kind of service cannot be produced in huge series, using cheap materials and labor at one place and distributing worldwide. On the contrary, a tourist must personally come in a particular tourism destination. The quality of services will determine the level of tourist satisfaction and his willingness to revisit a destination and spread a positive word-of-mouth. The survival of every tourist destination is predicated on the provision of effective human capital management for the tourism organizations and enterprises. As a crucial component of business sustainability, the quality of services is created by people who design, manage and deliver these services. That is, the quality of service delivery in a destination is a reflection of the quality of its human capital (Esu, 2012).

Quality cannot be added at the end of a process, but it has to be built into the service from the very beginning to the end, through various stages and steps (Spaić et al., 2011). The knowledge, skills, motivation and health of people working to produce a service represent human capital, which contributes directly to the service quality. It is therefore crucial to manage this human capital in order to enlarge it so as to create the value for tourists through increased perceived quality. Sustainable tourism development requires the cooperation of public and private bodies and coordination of activities at the micro and macro level. Many countries have well formulated strategies for tourism development, whose integral

part is the development of human capital, but many of them were never implemented or were poorly implemented. Usually, there is the lack of professionalism in the public and private sector management of tourism. Effective and efficient human capital management is necessary to achieve the expected socio-economic benefits.

The importance of quality in the service sector

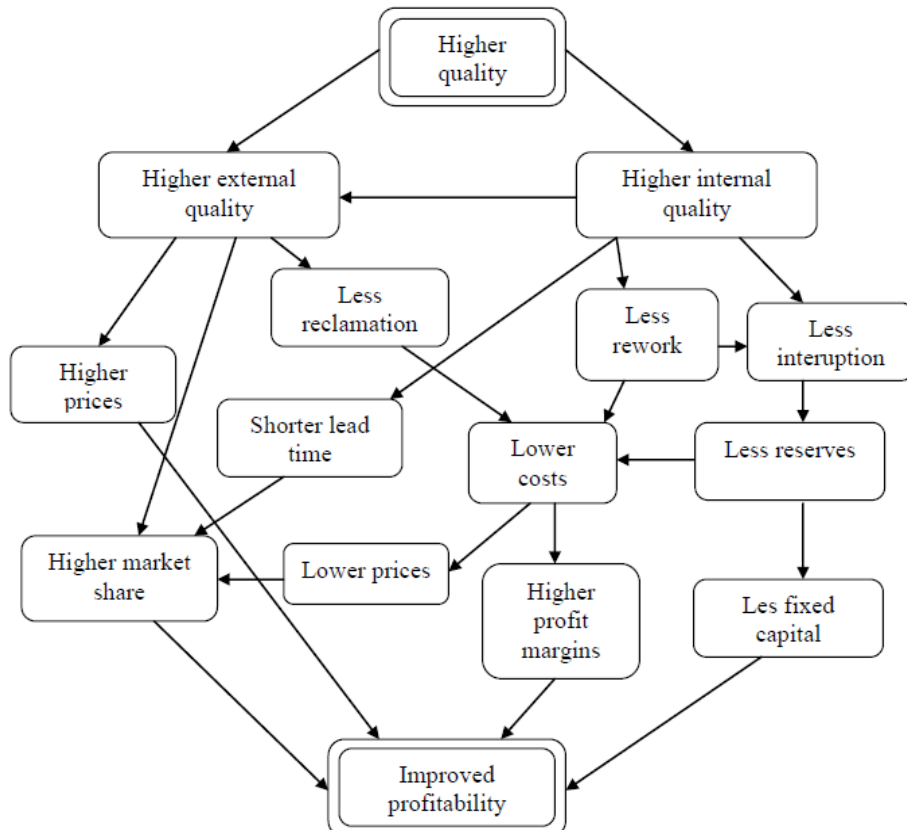
Quality has always been recognized as a strategic resource that provides competitive advantages. It is the task of management and the commitment of all employees. The concept of quality management means achieving the appropriate level of quality, its maintenance, measurement, control and improvement, all in order to achieve a higher degree of harmonization between expectations and actual customer experience. Due to the quality of tourism services, the following social economic impacts will be achieved (Esu, 2012):

- Opportunity for the poor to supply goods and services to enterprises
- Employment opportunities in tourism enterprises
- Increased income through employment, but also by direct sales of goods and services to the tourists
- Offers of resources for education and health
- Psychological benefits and opportunities
- Investments in infrastructure
- Tax on tourism income or profits with proceeds
- Involve women participation
- Give a voice to marginalized groups
- Enhance esteem, respect and self development

Quality management, as a result of a large number of processes, is based on the process procedural regulations of workflow operations. The objective is to anticipate and eliminate errors at their source, in order to minimize the costs caused by the inadequate quality. Processes are activities by which companies direct and release the potential of their employees in order to achieve results, so it can be said that people and processes are agents who provide outcome (Camisón, 1996). Improving the quality of the process involves the use of proper equipment or the composition of the workforce, in order to increase efficiency and reduce the process duration, which leads to the cost reduction. In this respect, a company may look for the opportunities for process improvement in the environment (new technologies, knowledge, etc.) or inside the company (the combination of adequate resources). A quality assurance program

refers to the improvement of the quality and to reduction of the cost arising from non-compliance with the requirements. If attention is paid to the prevention, rather than to end-control customer satisfaction increases, which cause the increase in sales volume, better use of available resources, costs reduction, and thus to increase profits as a driving force of business. Empirical research shows that the company, whose products are of the highest relative quality, have about three times the profitability of companies with lower quality. A high positive correlation between profitability and quality can be explained by the fact that customers are willing to pay a higher price for products of higher quality, although quality does not imply higher costs (Janošević et al., 1999). The Figure 1 below shows the relationship between quality and profitability.

Figure 1: *Relationship between quality and profitability*



Source: Bergman, B., Klefsjö, B. (1994), *Quality from Customer Needs to Customer Satisfaction*, Studentlitteratur, Lund, p. 38.

From the Figure 1 we may observe that there are two aspects of quality, internal and external. In the context of services, internal quality refers to the delivery of service according to the specifications or requirements. The higher the internal quality is, the less rework will be done, less time will be consumed, customers will not be disappointed, and no additional costs will be made. On the other hand, external quality is the perceived quality by the customers, who evaluate not only the punctuality and correctness of the service, but also other elements, such as the level of comfort, politeness, attention, empathy, creativity and innovation of services, etc. By improving the external quality a company makes customers more satisfied and willing to buy the service again. Also, satisfied customers are ready to pay more for the superior quality and they spread a positive word-of-mouth. When the company improves both internal and external quality, it has the opportunity to simultaneously benefit from lower costs on the one hand, and higher market share and premium prices on the other side. Evidently, profit margin grows. However, quality improvement is not an easy task, especially in the service sector. Emphasis must be put on the workforce, who create and deliver the service. Workforce is the carrier of the human capital, which is so crucial for quality improvement.

International Standard ISO 9000 identifies the following principles of quality management that enable the fulfillment of quality objectives:

1. Respect for the customer - the development of specialized care programs for the client and loyalty programs,
2. Cultivate leadership - professional training of competent and creative leadership team that will continuously encourage the ability of employees,
3. The ability of employees - the implementation of training programs for employees including fostering positive attitudes of employees toward knowledge and learning,
4. Process Management - a tendency towards standardization of operations from the initial to the final stage,
5. System approach to management - refers to identifying, understanding and managing a system of interrelated processes,
6. Continuous improvement - linked to the business strategy focused on growth and development,
7. Factual manner of decision making - basing business decisions on facts - documentation and reliable information,
8. Mutually beneficial partner relationships - nurturing good relationships with suppliers and intermediaries.

Quality revolution occurred after the Second World War in Japan, where there was a need for the restoration of the devastated economy, so the new philosophy of quality was born - the Total Quality Management (TQM). TQM involves the constant pursuit of all employees in the company to reduce the number and size variations, raise the product and service quality by improving the quality of processes and services to internal customers. This philosophy also emphasizes the nurturing of relationships with customers and suppliers with the monitoring of competition and the best practices in the world. When companies accept such a comprehensive approach to quality and correctly implement it, the results in terms of innovation, quality, reduced costs, satisfied customers and increase profits, it cannot fail. Due to its impact on market and financial performance, TQM concept has expanded in many countries worldwide.

TQM applies not only to reaching a certain level of quality performance, but also on the continuous improvement of all processes, activities and operations of the company, because the desirable competitive advantage is actually a "moving target" (Đuričin et al., 2010). Improving quality requires an exhaustive collection of information, analysis and feedback system, and system procedures for planning, implementation and evaluation. In order to achieve this, it is necessary to standardize the process, the use of different tools for improvement, provision of performance indicators, as well as to gather information through benchmarking and self-assessment (Escrig-Tena, 2004). Philosophy of TQM broadens prior notions of quality in that it includes consideration of continuous business processes improvement, customer orientation, employee and supplier management, altogether with environment preservation and community orientation (Milovanović, 2014a).

TQM requires reforms in key organizational characteristics, especially the styles of leadership and culture, as well as the complete restructuring of social ties both within the company and between the company and its stakeholders. TQM promotes training, employee involvement, teamwork and open communication channels in order to obtain information and knowledge that is made available to employees (Dean, 1994). This is exactly how human capital is being generated. When it comes to the implementation of TQM in the service sector, Jessome (1988) lists the following problems:

- Service industries, due to their nature, have less control over the factors affecting quality;
- Given that the services cannot be stored for later use, as well as the participation of the customer in the process of providing services, there is a much higher level of external risk than in other industries;
- Service intangibility is an obstacle to the setting of standards, acting on them, and the measurement;
- Good service depends on the customers' expectations, which may be unknown or unsaid, and may vary from customer to customer, but also through time;
- Service quality is difficult to measure due to its subjective nature.

The literature identifies common practices that lead to successful TQM implementation, such as leadership, quality planning, managing employees, focus on customers, process management, vendors, information and analysis, care for the community and the environment. Training, information and communication technology (ICT), as well as commitment to the environment are particularly important for the hotel industry (Brotherton, 2004). Employees need training to identify and solve problems, improve methods of work and take responsibility for the quality. Training adds strategic value to the hotel companies, since the quality of service depends on the effectiveness of employees in terms of satisfying the needs of service users. Hotels that have a higher level of application of the TQM concept provide a wider range of training for its employees (Tsaur & Lin, 2004).

The tourism industry is marked as a “high-tech” industry. It is a unique hybrid of latest technological solutions and traditional direct contact with tourists (Milićević & Milovanović, 2014). As the tourism industry very quickly adopts the newest ICT solutions to provide best quality of service to its customers, tourism employees must be trained to handle everyday operations using such solutions. ICT can improve the quality of service, making it faster, comparable, more comfortable and reachable, but it can also lower the costs of operations and transactions, both of tourists and tourism companies.

Human capital development in the tourism industry

Intellectual capital is recognized as a major corporate asset in the knowledge economy, enabling organizations to achieve superior performance over the long term (Kim et al., 2009). Intellectual capital is

comprised of the human, structural and relational capital, which are directly linked to an organization's core competences. Human capital is a stock of competences, knowledge and personality attributes embodied in the ability to perform labour (Aurthur & Sheffrin, 2003). This refers to the attributes gained by a worker through education and experiences, in order to produce economic value. One's outputs depend partly on the rate of return on the human capital one owns; an additional investment yields additional output.

Human capital refers to the costs the individuals or organizations incur on activities and processes that lead to the acquisition of competences, abilities, talents, possession of positive attitude and skills (Inyang & Esu, 2008). The costs of human capital development include expenditure on education training and medical care (Esu, 2012). The quantity, quality and the cost of human resources are crucial for achieving competitiveness in tourism activities (Milićević & Milovanović, 2014). Competitive advantage can be achieved through education, development and training of future managerial personnel in the tourism companies.

Human capital is the most critical resource that must be properly managed, in order to survive in a highly competitive market and ensure a sustainable development. This is true for the real, as well as for the service sector, where sophisticated customers always demand a higher level of service. In order to reach this "moving target" which represents a service quality, organizations must develop their human capital through identifying, measuring and improving. In big organizations, such as hotels, this is a function of the human resource management (HRM). HRM has the task to attract and retain the best people, develop their skills, motivate and create a supportive culture and structure, so that employees exercised corporate objectives (Galbraith, 1973).

HRM is responsible for ensuring employee motivation to improve quality continuously by selecting the right candidates, training and rewarding. An important role is played by the design of the workplace and leadership. In order to achieve a positive market and financial effects from quality improvement, it is necessary to provide the system supporting the management of human resources. Within the system of compensation, it is necessary to include an award based on quality improvement, as well as awards for the results of the team in order to stimulate group work that allows employees to disseminate knowledge by learning from each other. Employees must be educated to acquire knowledge and skills necessary to

improve the quality, which requires the organization of training by the management of human resources. Finally, workplaces should be designed to facilitate the work of the group, while the managers are required to provide assistance and information to subordinates and encourage them to give proposals, make decisions and take responsibility for those decisions.

The future results and the future employee motivation is determined by the extent to which their expectations are met in terms of the amount of remuneration for achieved results (Gist, 1987). If employees are expected to continuously improve the quality of services, it is necessary to determine in advance the prize for quality improvement. The rewards can be financial or non-financial in nature, and based on individual or team accomplishments. Traditional compensation systems were based on the individual's position in the organizational structure, the deep analysis, classification and the like. However, these practices do not constitute a solid platform for the continual quality improvement and innovation as they are not based on team achievements and as the most powerful motivating force, such systems do not encourage teamwork which is so important for information and ideas sharing, as well as knowledge enlargement.

The leaders must encourage employees to improve the quality, providing them with the necessary assistance, information and freedom. Managers should support the perpetrators and encourage them to make decisions that affect their work and take responsibility for the decisions taken. Jobs and activities should also be designed to facilitate the process of quality improvement. This means that the design of the workplace should enable teamwork and encourages employees to achieve better results (Sashkin & Kiser, 1993). Teamwork helps employees to learn from each other and achieve better performance than they are able to achieve individually.

Continuous training of employees, or the so called life-long learning, is vital to maintain the competencies required in order to continuously improve the quality of the processes and the customer satisfaction. It is not just about training for acquiring technical skills, but also knowledge in the field of quality, as well as interpersonal communication, problem solving, etc. (Juran, 1989). Training impacts positively on the bottom line, change in attitude, increase enthusiasm, lower absenteeism and staff turnover (Watson & Drummond, 2002). Education keeps human resources development in connection with future planned growth of the tourism

industry (McDonald & Hopkin, 2003). In the modern service activity key development force is trained staff at all levels of the organizational structure (Milićević & Milovanović, 2014). Educational institutions play an important role in development of human capital. Nevertheless, there is no enough institutions of this type specialized for producing competent staff for tourism industry. In-class education is important as much as practical training of students in order to close the gap between theory and practice.

There are two models for educating managerial staff in tourism, the so-called “open” and “closed” model. The former refers to the equal existence of the formal and informal forms of education. Formal forms of education are provided at the higher education institutions, where future tourism personnel gain the theoretical background, systems thinking and learn from the past experience of others. Through informal education, which is offered by tourism companies, para-state bodies and professional associations, employees can achieve knowledge innovation, learning about contemporary challenges and opportunities, new tools, techniques and methods in order to update their competences for delivering high quality services. The later model includes only the formal education. This model is being abandoned by the increasing number of countries, as it does not provide the necessary support for serving highly demanding and competitive market. In the countries labeled as “tourism superpowers”, higher education systems include projects of cooperation between educational institutions and the industry (Kusulvan, 2003). These projects strive to combine theory and practice, complementing the quality “ex-cathedra” of education and influencing the career management of adolescents.

Organizations belonging to the tourism industry should not be looking for employees to provide basic services to customers, but to engage skilled employees who would manage the service encounters. The proper management of service encounters and atmosphere will lead to service quality above customers’ expectations, thus producing satisfied customers, repeat visitors and ultimately loyal customers. Since the tourism industry operates in the global market, tourists are attracted to destinations where their tourist needs are met in the most satisfying way. The Figure 2 illustrates the steps of human capital management in function of tourism development.

Figure 2: *Human capital management in function of tourism development*

Formulate human capital objectives
Identify tourism discipline attributes
Develop human capital strategies
Design learning tourism curriculum
Measure outcome of human capital management
Measure tourism impact

Source: Esu, B.B. (2012). *Linking Human Capital Management with Tourism Development and Management for Economic Survival: The Nigeria Experience. International Journal of Business and Social Science, Vol. 3, No. 11, 276-287.*

The Figure 2 sends a message that human capital management in one destination requires a strong commitment and cooperation between tourism companies, authorities and educational institutions. Companies are seen as determinants of social prosperity. They are the cells that belong to the micro level, and each company contributes to achievement of macro goals. It means that differences in the quality of life among countries may be explained by differences in quality of their companies and institutions (Mandarić & Milovanović, 2016). Tourism companies may contribute significantly to the national GDP and total employment, if managed properly to produce distinctive and high quality services which will attract and retain domestic and foreign visitors. However, such an objective requires strong commitment to human capital development.

Human capital objectives are the specific, measurable goals an organization sets in order to achieve its short term human resource needs. The employee focused human capital objectives include: to reduce the level of ignorance, increase productivity, create employment, reduce youth restiveness, reduce poverty and globalize best practice. Tourism discipline attributes refer to attitudes, knowledge and skills that a tourism and hospitality worker must possess in order to match the industry requirements. This is a large group of attributes, but the most important ones are: academic grade, adaptability at work, computer skills, creativity, critical thinking, customer service skills, decision making, event management skills, industry knowledge, leadership ability, networking, negotiation skills, marketing and sales skills, communication and organizational skills, problem solving skills, relationship management

skills, research skills, team working skills, work ethics etc. (Wang et al., 2009). Strategies are the chosen way to achieve the human capital objectives, whereas the most popular tools for human capital acquisition are education and training. Curriculum is defined as “a whole programme of educational experience that is packaged as a degree programme. Its constitute parts are a number of modules or courses, which in turn may be specified as a series of syllabi or course content” (Tribe & Airey, 2005, p. 48).

The effect of human capital management can be measured as perceived or actual changes on the employee and organization. A review of hospitality trade journal reveals what seems to be a strong commitment to training because of its attendant effect (Esu, 2012):

- Quality customer service, consistency in job performance, employee satisfaction, commitment to organization,
- Improved self esteem, reduced turn-over, better product and service consistency, higher guest satisfaction
- Reduced business cost and the use of technology
- Greater ability to meet the needs of a target market
- More qualified employees
- Increased awareness, improved attitude, more team work
- Greater job satisfaction and greater organizational commitment

Human capital in the Serbian tourism industry

The tourism personnel competences must be well developed at each stage and form of their education, including the formal secondary and higher education, as well as life-long learning. Some authors consider that successful academic programs in the field of tourism produce graduates with high-quality knowledge and skills applicable to the modern needs of the industry (Goeldner & Ritchie, 2006; Kok 2000; Harris & Zhao, 2004). The quality of formal education can be increased in many ways, including development of competences of the teaching staff, equipment modernization, but also including practical student training in tourism institutions, where they are becoming familiar with the real business environment. This is also important for the tourism companies who can select the best candidates and offer them a job after graduation, what is beneficial for students, too, especially because their knowledge will not distort while searching for job. Given that most societies face the huge problem of unemployment, it is obvious how design of educational process may help to overcome or mitigate this problem.

Hotel companies care about the quality of services because of its impact on performance, both internal (increase productivity, reduced costs and waste), as well as on external (increased sales, new guests, greater level of guest satisfaction and improved corporate image). They invest increasingly in staff education, conduct their own quality policy and define quality objectives, showing sustained commitment to quality, with pre-defined rules for its achievement, maintenance and improvement. By respecting categorization criteria a hotel provides a minimum guaranteed quality of service, while its quality management system contributes to the creation of the highest quality.

Hotels that have a higher level of implementation of total quality management achieve higher gross operating profit per room per day, competitive performance and satisfaction of stakeholders (Kaynak, 2003). An empirical study was conducted to investigate the role of workforce in service quality improvement (Milovanović, 2014b). This research included 34 hotels in the Republic of Serbia categorized as 3*, 4* and 5*. Hotel managers were asked to rate critical success factors connected to employees for achieving a higher service quality on the 5 points Likert scale. These are: involvement of employees in the process of quality improvement, teamwork, training and rewarding employees for quality improvement. The Table 1 summarizes the results of the research.

Table 1: *Values of workforce factors affecting service quality*

Category	Involvement	Teamwork	Training	Rewards
***	4.24	4.47	3.62	3.45
****	4.19	4.5	3.81	3.54
*****	4.53	5	4.13	3.55

Source: Milovanović, V. (2014). *Total quality management as a profitability factor in the hotel industry. Industrija, Vol. 42, No. 3, 115-127.*

A possible reason for the lower rates for the factors Training and Rewards could be the fact that these factors require financial investments, as opposed to other factors. However, employee motivation depends mostly on these two factors, so that their low rates may adversely affect the quality improvement initiatives. In particular, the savings that hotel intends to make at the expense of investment in training and rewarding employees, may be less than the losses suffered due to ineffective quality

management. From the Table 1 it can be observed that the 5* hotels have the highest value on all the factors, what should not be surprising, since these category hotels strive to business excellence and the highest service quality. Regarding the formal education of future staff for the tourism industry in Serbia, it appears that not enough emphasis is put on the tourism, as there is only one state faculty and one high school specialized in tourism, while the other faculties where students can learn about tourism, only marginally touch this field and specialize in economics or natural sciences. Where tourism is being of the secondary priority to the educational institution, there obviously cannot be developed high-qualified personnel for the needs of the modern tourism industry. Educational institutions have to permanently invest in their own capabilities, including staff competences, curriculum design, teaching material and equipment, relationship with the industry and other educational institutions locally and abroad, etc. This requires strong commitment and resource allocation to achieve the excellence in educating competent tourism staff. However, tourism industry in Serbia is still not enough reputable, so it attracts low-skill labor, insufficient investment and attention of authorities, educational institutions, entrepreneurs and students.

Table 2: *Differences in perception of students who had practical experience in tourism and those who did not have*

Aspects	t-value	p
The importance of practical training as an integral part of the educational programme	1,315	0,191
The role of tourism companies in organization and realization of students practical training	3,764	0,000**
Competencies to be developed during the practical training	2,963	0,004**
Factors affecting the selection of the tourism company where the practical training will be conducted	1,031	0,304

Source: Sekulić, D., Milovanović, V., Milićević, S. (2015). *The Role of Practical Training in Educating Future Cadre in Hotel Industry and Tourism. Journal of Education, Vol. LXIV, No. 2, 371-384.*

An empirical research was conducted to investigate the role of students' practical training in educational process of tourism profile students (Sekulić et al., 2015). A sample size was 134 students, who were divided

into two groups, with and without practical experience. The research results show that there is a statistically significant difference between these two groups regarding their perception about the role of the tourism industry in their education as well as the competences they need to develop through practical training. The results of the research are shown in the Table 2.

Considering long-term tourism growth rate Serbia occupies 60th place in the world. According to the WTTC (World Travel and Tourism Council), tourism will grow 5.2% yearly in the period 2015-2025. It is expected that in 2025 direct contribution of tourism to the GDP in Serbia will comprise 2.5% of the total GDP (WTTC, Travel and Tourism Economic Impact, 2015, Serbia). It is also expected that in 2025 there will be 100,000 employees in the tourism industry, what is 7.5% of the total workforce in Serbia. Taking into consideration natural environment, geographic position, climate and rich history, it can be concluded that Serbia has a potential for development of various forms of tourism (Sekulić et al. 2016). Yet, abundance with mentioned resources means little without human capital which is capable of transforming resources into tourism products. As said before, tourists search for a unique experience, where the group of complementary services is well designed, promoted and delivered. Nowadays it is a tough task and requires skilled personnel. This implies that Serbia must pay more attention to the development of human capital for the tourism industry at the macro, as well as at the micro level, in order to grasp the coming opportunity of tourism growth at the global scale. This would help reducing many economic problems including unemployment, migration, birthrate, poverty, unequal economic development, and many others.

Conclusion

The growth of tourism in recent decades worldwide has created an important potential for overcoming many economic and social problems that most of nations face nowadays. It makes it possible for poor regions which are abundant with distinctive natural, cultural, historical and other resources to develop and survive in contemporary environment characterized by severe competition, demanding customers and other stakeholders. However, tourism development is not possible without investment in human capital, which is a carrier of innovation and quality. Human capital consists of people's knowledge, skills, health, motivation and energy that can be employed to design and deliver high quality

service. Quality must be built into the service at each stage of its creation, and it depends on the quality of every task performed and every interaction. Given that tourism services are provided directly to the customers, there is no place for correction and the work must be done well the first time and every time. Such view of quality and strive for the never-ending improvement through engagement of everyone in the organization represents the philosophy of total quality management (TQM), which has brought many economic benefits to organizations worldwide, including lower costs, bigger market share, loyal customers and higher profit margins. Quality is thus a result of human capital management. This process starts with the formal education of individuals and continues with the life-long learning. Tourism industry demands strong commitment of educational institutions to development of high skilled labour, where special attention must be placed on students' practical training in tourism companies during their formal education. Tourism companies must also be committed to development of human capital through trainings, modernization of technology, reward systems and design of organizational structure. Those tourism destinations that recognize the importance of human capital and work on its development will grasp the most of upcoming tourism potential.

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