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## THE DEVELOPMENT DESIGN MODEL IN THE COMPETITIVENESS OF INTELLIGENT BUSINESS ORGANISATIONS

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**Abstract:** Croatian hotel and tourism companies are failing to keep abreast of modern tourism trends in the globalised marketplace of the twenty-first century. The imperative is to innovate the development design model based on a new value system. A precondition to success is transforming sluggish, inert companies that live according to the mindset of the past century into high-growth intelligent organisations capable of actively creating the future. The intelligent business organisation, founded on a new generation of managers, employee empowerment, software solutions and expert systems, needs to manage data and information to generate new development trends. The aim is to valorise intellectual capital and information in making innovations and creating new solutions in order to be able to stand up to rivals and more fully meet the needs of clients.

*Keywords:* development concept, intelligent business organisation, information, intellectual capital, hotel and tourism companies.

### INTRODUCTION

An awareness of the necessity of change must become prevalent in Croatia's hotel and tourism companies. Success cannot be achieved with a level of knowledge, awareness, mindsets and actions dating from the last century. A precondition to

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development is the affirmation of intelligent business organisations and learning organisations in gaining greater competitive advantages (response time – innovation). Only propulsive, innovative and intelligent organisations that are actively engaged in creating new values for tourists can do well in a turbulent marketplace.

In conditions of growing risk and uncertainty, intelligent organisations put knowledge and information technologies to use in anticipating and creating the future. The only way to bridge the gap between the limitations of the offering of Croatian hotel and tourism companies and the preferences of tourists of the twenty-first century is to put intellectual capital to work, while valorising technological and IT trends.

### **1. DEVELOPMENT DESIGN MODEL OF HOTEL AND TOURISM COMPANIES**

The development design model represents a qualitative response of hotel and tourism companies to challenges present in a turbulent and dynamic marketplace. It is a view into the future that analyses the present situation and the expected future situation, and determines the course and the means to reach the desired targets within a new value system in the marketplace. Companies must undergo change (being idle means stagnating and withering away) to keep abreast of the increasingly sophisticated needs of demand. The only constancy in the marketplace is change that is becoming increasingly more dramatic and drastic. I shall be able to perceive the future that I want only after I have created it (Gerken, G.). Two levels can be distinguished in the behaviour of companies in the twenty-first century. The company that wants to become a leader must be a driver of change; it must innovate and tear down all barriers, instead of waiting for change to happen or, even worse, failing to respond to change. The emphasis is on drastic redesign – on discarding that which is obsolete and creating something entirely new. While theoretical and declarative talk about innovation is very simple, in reality it is extremely difficult to bring down resistance and barriers to change and to seek out new ideas, shades of difference and original solutions. “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.”<sup>2</sup>

Today, merely keeping abreast of change is no longer enough; instead, it is necessary to fuel change and seek to actively create the future. The action time and response time of rivals is steadily decreasing, making them compete faster and resulting in greater quality and faster response time. Not only is it important to stay ahead of rivals, it is also important to stay ahead of demand, create original products and use proactive marketing to attract potential clients in conditions of ever-faster change on the market. The company that wants to survive must come up with the right response to changes in the environment. There is no third scenario – the company that does not change is sure to disappear from the contemporary marketplace.

The development design model is based on knowledge, intellectual capital and information implemented in practise to solve existing situations and, in particular,

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<sup>2</sup> Drucker, P. F.: *Inovacije i poduzetnistvo*, Globus, Zagreb, 1992, p. 123.

future situations and challenges with the aim of achieving growth and development. It is created for increasingly shorter periods, given that the time for adapting, innovating, taking over and duplicating original contents and solutions is also becoming ever shorter. It stands for continuous activities in modelling and innovating for the purpose of improving performance in response to market changes. At any given moment, a company must know where and in which direction it wants to go and how to accomplish the goals it has set in the conditions of a dynamic marketplace.

A development design model consists of:<sup>3</sup>

- A concept – represents a set of rules and principles upon which depends the selection of a strategy as a dynamic discipline and the choice of a system and business policy to accomplish an enterprise's goals and mission. That comprises an analysis of the current situation, the setting of goals, the formulation of alternative strategies, the selection of optimum courses of actions, and the allocation of resources with which to accomplish the goals set.
- A strategy – represents the activities a business undertakes in carrying out its development concept to achieve corporate goals. That employs a dynamic and stringent discipline of overcoming the undesirable, while accomplishing the desirable by prevailing over reality and stepping out into the surreal.
- Business development system – represents the totality of activities, interactions and links needed to realise the development strategy with the intention of accomplishing business objectives.
- A business policy – represents an activity (development policy) that endeavours, now and in the future, to accomplish lower-level business goals and to reach the desired state, in the conditions of a changing environment.

There are two fundamental targets in innovating the development design model of Croatian hotel and tourism companies: innovating an offering adjusted to the needs of twenty-first-century tourists and building a distinctive identity that will be associated with the advantages of the offering and reposition it in the minds of potential tourists. The model must keep abreast of contemporary tourism trends: increasingly, the individual is the focus of tourism; quantity is steadily being substituted with quality, and mass tourism, with personalised and differentiated tourism; tourists are more focused on experiencing, than on visiting. Priority is given to designing an original and indigenous offering to gain competitive advantages based on innovations.

## 2. COMPETITIVENESS MODEL IN TOURISM

Competitiveness represents a qualitative determinant of strategic management, that is, a dominant success factor. On the dynamic tourist market, competitive advantage is gained by the company that possesses the special features that tourists want and appreciate and that distinguish it from its rivals, for the purpose of

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<sup>3</sup> Stipanovic, C.: *Koncepcija i strategija razvoja u turizmu – Sustav i poslovna politika*, Fakultet za turistički i hotelski menadžment u Opatiji, 2006, p. 13.

multiplying profits. Market changes drive changes in tourism companies and result in the continuous generation of new competitive advantages in this cyclic model (advantages sources – positional advantage – output performance).

The sources of advantages are rooted in the ability to effectively perceive market change, in the efficiency and speed of adjusting to tourists, as well as in creativity, innovativeness, and the generation of new ideas and solutions. Intellectual capital and information are the fundamental resources of twenty-first-century economy and tourism. Intellectual capital represents a dynamic concept, a strategic orientation and an imperative in generating new knowledge, understanding and activities in asserting knowledge. Represents the totality of knowledge, information, technology, intellectual rights, experience, organisational learning, competencies, client relationships, and brands within a company or the totality of intangibles that create value and competitive advantage.»<sup>4</sup> Information implies a change in the perception of the mind, and it influences the behaviour and judgement of its recipient. Today, technology is no longer the biggest challenge. The challenge is how to use information in an intelligent way. Having information provides for greater business opportunities and ensures that a company can respond more effectively in a development concept. Given the plethora of data, it is crucial to be able to identify key data and transform then into information and knowledge to serve as a basis for decision-making.

These sources result in competitive advantages that are gained at three levels:

- Cost strategy with a broad range of applications across all levels of business functions, resulting in cost leadership;
- Leadership based on differentiation and quality – this rests on using uniqueness and exceptionality to generate qualitative differences in one's products, services and the entire company, relative to the competition;
- Leadership based on response time and innovations (“It is not the big fish that eat the small fish, but the fast fish that eat the slow fish”).

The results of competitive advantages are reflected in the extent to which the objectives of business activities have been accomplished. The basic indicators of business performance are the volume of profits, the volume of revenue, the degree of tourist satisfaction, market share, and the degree of tourist loyalty. The model for generating competitive advantages is perpetual, dynamic and evolves in cycles. It is grounded on a feedback loop by which a part of the profits are reinvested in gaining and enabling new competitive advantages. The key issue regarding the competitiveness model of Croatian hotel and tourism companies is how to go about transforming resources (crucial intangible resources: intellectual capital and information) at the highest level of competitive advantages (innovation – response time) with the aim of multiplying profits. These companies must transform into intelligent business organisations to generate development alternatives that have the greatest possibility of succeeding in future business.

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<sup>4</sup> Stewart, T. A.: *Intellectual Capital: The New Wealth of Organisations*, Doubleday/Currency, New York, 1997., p. 23.

### 3. FUNDAMENTAL DETERMINANTS OF INTELLIGENT ORGANISATIONS

An intelligent business organisation is a modern organisation that valorises intangible resources and information technology in generating innovative and original solutions. It encourages qualitative change, is faster in making the right decisions and can outsmart its rivals while fulfilling the preferences of demand in conditions of an increasingly dynamic marketplace. At its heart is the synergy of all intellectual and creative forces of a company and its software solutions in managing change in the environment and bridging the gap between reality and the company's business potential. It is all about transforming knowledge-based companies from a lesser profit-yielding area into a greater profit-yielding area. The attributes of an intelligent organisation include:

- The capability of actively seeking opportunities and endowing them with additional value;
- The ability to reconstruct (make sense of) early faint, vague and ambiguous signals in the process of making business decisions;
- The ability to refresh the usability of data through multidimensional networking;
- The ability to take action towards building a specific, rare and valuable company resource that cannot be easily transferred or copied, thus creating the preconditions for the company to gain competitive advantages.

An intelligent organisation (a knowledge-intensive organisation) is a company that is faster in making better decisions and outdoes its rivals; it has the capability of excelling and satisfying its natural winner's instinct. "Increasingly, being an intelligent organisation is a precondition not only to winning, but also, more importantly, to being able to compete..."<sup>5</sup>. In such a company, most of the work involved in creating products and services is done outside of the actual production area in seeking ways to respond to market stimuli (clients, rivals, suppliers) while creating a new value system.

Primarily, it is based on the knowledge, capabilities, skills and competencies of workers and on information management. The key to success are people and their innovativeness and ability to anticipate change and design the future. This makes it imperative to provide life-long learning for all workers, invest in research and development, and establish knowledge-based management and a learning-organisation model, together with worker empowerment. It is characterised by systems, mechanisms and processes that are built into the organisation and help to enhance its ability to gain sustainable competitive advantages based on learning. An intelligent organisation puts to use all advantages provided by information technologies: improved communication, data and information management, access to information that can be transformed into knowledge as a foundation for business decision-making, prediction and forecasting models, simulation models, sensitivity analyses in minimising risks... Information technology and new software solutions help towards managing business systems and they make it possible to:

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<sup>5</sup> Liataud, B., Hammond, M.: *e-poslovna inteligencija*, Prudens consilimu, Varazdin, 2006., p. 127.

- Continuously track evermore frequent internal and external change;
- Manage data and information;
- Increase work productivity;
- Implement new strategic directions focused on rivals and clients;
- Establish a knowledge economy based on intellectual capital.

The features of IT implementation in hotel and tourism operations include:<sup>6</sup> the elimination of work, the elimination of superfluous communication chains, automatic checks built into processes, synergy established between people and technology, the simplification of tasks, concurrently evolving processes, changes to job descriptions, integrated functions, centralised auditing with decentralised decision-making, innovative systematic analysis, advantages created out of weaknesses, innovations as active holidays, competitive advantages. In terms of context, IT implementation based on information systems as a platform for the development concept must extend across a company's entire business operations; in terms of time, it must encompass all information regarding the past, present and future, while in spatial terms, it must enable a company to analyse its current situation and its outlooks within the environment. At the heart of the matter is managing data for the purpose of creating information and new knowledge through the following processes:

- Data warehousing – storing data in a relational or dimensional model, and data visualisation that demonstrates how data are linked and interact to make business decision-making more efficient;
- OLAP systems – software solutions for creating maximum value from business data via multidimensionality. These analytical processing systems are used to ensure that business decisions are made that provide a company with the greatest opportunities for its future business. OLAP is a rapid analysis of common multidimensional data;
- Data mining – this is a process of finding links and interaction between data based on mathematical, statistical and logical postulates to ensure that information of the highest quality is obtained. It involves delving into data to gain a broader understanding of business, using the following methods: data clustering, REFII models, Bayesian networks, self-organising maps, survival models, associative classification algorithms, and neural networks.

IT reality in the operations of an intelligent organisation is made up of expert systems that are based on artificial intelligence and knowledge bases, the purpose of which is to provide answers to structural what-if questions for needs of the company's development concept, as well as on components enabling communication with experts in various domains. It is a program that solves problems using reasoning mechanisms specific to a given domain. It consists of knowledge bases, a working memory, a reasoning mechanism and user interface. Expert systems for intelligent organisations actively employ new strategic orientations.

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<sup>6</sup> Galicic, V, Simunic, M.: *Informacijski sustavi i elektroničko poslovanje u turizmu i hotelijerstvu*, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2006, p. 100.

**Table 1:** New strategic orientations

BPR	Business Process Reengineering
BSC	Balanced Scorecard
EFQM	European Foundation for Quality Management
EPS	European Production System
ISO	International Organization for Standardization
JIT	Just-In-Time-Production
CIP	Continual Improvement Process
SMED	Single Minute Exchange of Dies
TPM	Total Production Maintenance
TQM	Total Quality Management

Source: Author

They need to continuously undergo change and develop new IT-related solutions because of the speed at which IT markets are evolving. Change can take place almost overnight (Microsoft is six months away from dying out – even if Microsoft is a leader, if it does not invest and put money into R&D, it will only be a matter of days before its rivals catch up and surpass it – Gates, B.). At the same time, they should seek to develop the learning organisation concept by recognising the importance of intellectual capital.

#### **4. TRANSFORMING CROATIAN HOTEL AND TOURISM COMPANIES INTO INTELLIGENT LEARNING ORGANISATIONS**

The preconditions to the development of Croatian hotel and tourism companies involve doing away with the remnants of the past system and adjusting to a new value system through privatisation, restructuring, standardisation, IT implementation and by building a new generation of managers and providing life-long training for employees. The primary course of development should focus on innovating, diversifying and improving the offering to achieve excellence and distinctiveness. Intelligent organisations embrace new strategic directions that focus on interfacing with competitors (benchmarking, business intelligence) and meeting the needs of demand (CRM, TQM) through the affirmation of intellectual capital. They actively monitor rivals and changes in client behaviour.

Twenty-first century knowledge must let go of obsolete paradigms and embrace new intelligence; it must surpass the phase of out-dated knowledge and enter a phase of intelligent and applicable knowledge. Receiving its recognition in the learning organisation, intelligent knowledge needs to be applied in practise to generate new trends and solve actual situations.

The learning organisation (Sveiby, K. E.) is an intelligent company that consistently invests in conducting research, acquiring new knowledge, generating new trends, implementing original solutions and innovations, providing life-long education for its employees, asserting new methods to manage development, establishing a new business culture, and creating horizontal organisational structures, in order to adjust to the knowledge society and knowledge era.

This type of company is trained to create, gather and transfer knowledge and to modify behaviour and culture. It is based on the concept of learning as an on-going, cyclic activity that establishes life-long learning and knowledge management together with a new knowledge-based value system in response to stimuli from the globalised, dynamic marketplace.

The learning organisation calls for leaders at every position – leaders who are capable of guiding the company through momentous change. This means that all employees need to be open to acquiring new knowledge and skills and ready to change their old habits. In the learning organisation, a business culture of learning is established, based on knowledge management and innovation, that is, on knowledge as a precondition to gaining competitiveness and augmenting quality.

The basic feature of a learning organisation is its ability to adjust to new conditions emerging in business operations or in any other environment in which the system operates. It is characterised by systems, mechanisms and processes that are built into the organisation and help to enhance its ability to gain sustainable competitive advantages based on learning. “This type of company is adaptive to change in its environment, it continuously increases its ability to change and adapt, it develops group and individual learning, and it uses the results of learning to achieve its objectives of creating values and sustainable competitive advantages.”<sup>7</sup> The objective of a learning organisation differs from conventional learning, while its basic intentions are as follows:<sup>8</sup>

- Developing original ideas and solutions to a company’s problems;
- Not being satisfied with the existing situation, constantly experimenting, and seeking new solutions;
- Encouraging each employee to take initiatives and become self-assertive.

The ability to learn faster than your rivals may be the only sustainable competitive advantage there is. There are no limits to creativity or to seeking efficient models that can improve business decision-making and data management.

Croatian hotel and tourism companies have not yet recognised the importance of new strategic orientations and the learning organisation without which they cannot expect to qualitatively transform into intelligent organisations. Thorough changes need to be made to their value system, mindset and operations with emphasis on business

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<sup>7</sup> Rupcic, N.: *Poduzece koje uci – nova menadzerska moda ili recept za uspjeh?*, Poslovni magazin, Zagreb, Vol. 4, No. 11, (2006), pp. 44-51.

<sup>8</sup> Vukovic, I.: *Ekonomika poduzemstva u hotelijerstvu*, Dalmatina, Zagreb, 1999, p. 112.

reengineering and a new business culture. They must no longer live in the past, but rather begin to create the future based on proactive and predictive action, setting new business trends. A new attitude is required towards knowledge and research as a major criterion in recruiting, evaluating, promoting and motivating employees. It is crucial to bring about the synergy of the knowledge of individuals and the knowledge a company possesses.

The individual with his/her unique knowledge is the greatest asset of any company that must capitalised on to the fullest extent. The most cost-effective investment is the investment made to knowledge. What assets a company possesses is not as important as how the company uses them and how “business intelligent” it is.

The contemporary tourist market does not recognise improvisations and success on this market can only be achieved by continuously innovating the development concept based on innovative and intelligent solutions. The only companies capable of setting the foundations for a new phase in Croatia’s tourist industry are modern, intelligent hotel and tourism organisations interacting with innovations to the development concept of a destination.

## CONCLUSION

In what regards the collaboration between the employees and the personnel in the HR department, the employees see this as generally positive. The employees who took part in this study think that the attitude of the HR department Croatian tourism is lagging behind leading European competitors, because of its inability to tranform its limited offering in the fairly short time that it has been oriented towards and operating within a market economy. Intelligent hotel and tourism companies based on a learning organisation concepnct and lead by a new generation of manages provide the possibility of qualitatively transforming the stereotype

Croatian tourism offering into a new concept of tourism as an industry of entertainment, active holidays and events geared to the needs of modern tourists. Innovativeness and creativity coupled with information technology and new strategic orientations are capable of bringing down all barriers to creating a distinctive offering and creating variations that will differentiate Croatia from its increasingly advanced rivals. Business opportunities emerge quickly but dissapear just as quickly. The future belongs to those who are able to spot opportunities before they become evident.

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