

BUSINESS ENVIRONMENT IN SERBIA – IMPACT ON TOURISM OPERATIONS – TOURIST ORGANIZATION OF THE CITY OF VRANJE

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Abstract: *Tourism is one of the fastest growing branches of the Serbian economy in which much potential is recognized, but still largely underutilized. The level and manner of potential utilization is currently inadmissibly low, without any clear indicators which would point out a problem-solving progression plan. Business entities from the tourism sector are constantly exposed to unpredictable market changes and to the impact of the business environment in which the level of competition is constantly increasing. In addition to strengthening their own internal environment in order to prevent stagnation in following market trends, tourist organizations in Serbia pay great attention to the limiting factors that are imposed by the state administration and local self-government. For this reason, there is a lot of effort to ensure an unhindered business process and the possibility of obtaining assistance from the state of Serbia, or the cities in which tourist organizations operate. In order to ensure that Serbian tourism doesn't turn into a missed opportunity, systemic solutions are needed. The paper gives a modest contribution to tourism business in Serbia. The authors described the environmental factors in which business entities in the industry operate, as well as the ways in which the factors influence tourist demand. The paper puts emphasis on Tourist Organizations (TO) and as an example, it presents the case study of Tourist Organization of Vranje - city in Eastern Serbia. SWOT analysis points to the possibility of achieving better operations of this tourist organization indicating that such business practices could be applied to other tourist organizations in Serbia.*

Keywords: *business environment, tourism business, development policy, tourist organization Vranje, Serbia.*

1. INTRODUCTION

Every company tends to operate in a distinctive business environment, to ensure the greater activity. The business environment can be viewed as a group of individuals, entities, and other factors which may or may not be under the control of the enterprise, and may affect its performance, profitability, growth and survival. The business environment is a marketing term that refers to everything that affects the ability of the business organization, to build its image [1]. This is a complex system which consists of the elements that require a number of management activities. In a market economy, where private property is the dominant form of ownership, companies appear in two basic forms: individual associations and capital companies. Individual associations, in legal form can be own company or partnership company. Capital companies appear as limited liability companies and corporations [2]. Besides these forms of enterprise, there are organizations in the tourism sector (important for paper), which operate as public institutions or organizations. Uncertainty modern business enterprise is conditioned by

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the dynamic and complex environment that leads to new directions in business. The new direction was named „sustainability” that refers to the business processes that have some impact on the natural environment [3]. Tourism is a complex economic activity with number of elements and it is necessary to pay attention on the impact that has on the environment [4]. Tourist business is determined by economic, social and political factors. All these factors create specific environment. After the introductory part, the second part of the paper relates to the environmental factors and their impact on business entities with an emphasis on the tourism business. As tourism is the economic perspective of economic development, the paper emphasizes the aspect of tourism business through tourism organizations. In the third part, it is presented the business of tourist organizations in Serbia as separate organizations. In paper authors presented the SWOT analysis of the Tourist Organization in Vranje and highlighted strengths, weaknesses, opportunities and threats of the Tourist Organization of Vranje - which can be a guide for creating a more efficient touristic business.

2. BUSINESS ENVIRONMENT FACTORS AND THEIR IMPACT ON TOURISM BUSINESS

Tourism, as a socio-economic phenomenon, represents the movement of people in order to meet their tourist needs. In the new century, tourism has become the main economic power. A tourism organization consists of many resources, but human resources primarily make its most sophisticated and most important component. Contemporary human resources management in an organization is not a small task for tourism organizations that are constantly interacting with the whole environment, not only with existing or potential customers. It is necessary to list six environmental factors that have an impact on the company and which can be seen from the aspect of tourism companies, that is, the overall tourism business in Serbia. These are: demographic environment, economic and competitive environment, natural environment, science and technology, political and legal environment and socio-cultural environment. Figure 1 shows six environmental factors of a business entity.

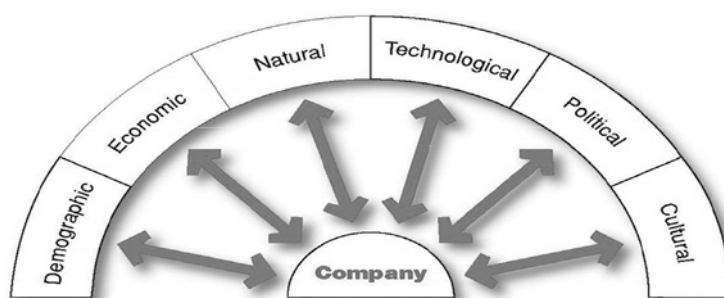


Figure 1. Types (factors) of a company environment
Source:[5]

The demographic environment includes changes and trends in population movements, primarily the following ones: population, population growth rate, gender structure, age structure, family structure, etc. The impact of the demographic environment on tourism business is multiple. Namely, there are more established norms and rules of behavior in the domicile population in certain regions of the country which are very attractive for tourists. A modern traveler wants to satisfy his needs in a way that allows him to get to know as many local customs as possible, as well as the everyday life of the inhabitants of the region. A modern tourist also often shows interest in the partial assimilation in the environment that he is currently visiting. Therefore, the way in which tourists experience certain habits of the domicile population will have a major

impact on the number of visits made to the specific region. It is necessary that the state promotes certain regions of the Republic of Serbia as much as possible, with constant emphasis on the positive aspects of the way of life and interesting national customs. The number of tourist visits is directly related to the degree of migration incentives in certain regions of the country. As far as economic environment is concerned, maximum profit and minimal costs are the primary goal of every form of business. *Economic environment* consists of factors that affect the purchasing power of consumers and their habits. Economic factors are dynamic; they change quickly and interact with other macro environment factors. Special attention is paid to the inflationary or recessionary state of the economy, as well as changes in general satisfaction and consumer reaction. The demand for some products mainly depends on the monetary amount that the consumer has after settling basic existential needs and obligations [5]. Economic environment also has an influence on tourism business. Namely, a stable economic situation and economic investments into certain tourist facilities or products in order to improve them will inevitably create a positive trend when it comes to tourist visits to specific destinations. For example, if the state of Serbia invested certain funds in the innovation of its rehabilitation centers, such as spa health resorts, modern tourists would have more desire and motives to visit them. *Political environment* is important especially in terms of making long-term strategic decisions. State regulation and political system of the country condition the synergic effect of all the environment factors on the development of business systems and the successful survival of companies in the turbulent environment. The influence of the environment on management is manifested in the changes in the indirect and direct business environment. This environment is mainly composed of legal regulations and regulatory activities that can create new opportunities for business operations [5]. Consumer protection regulations regarding the quality of products, packaging, maintenance methods, etc. are also being adopted. Also, regulations are adopted for the protection of broader social interests in the fields of environmental protection, citizens' protection, general security, etc. The political environment is one of the crucial factors of tourism trends and tourism business, which is mostly reflected in the fact that stable political situation in a country makes the biggest impression, i.e. sense of security for potential and existing tourists. In social crises, increased terrorism, war dangers and natural disasters, the need for security is emphasized. This group of needs differs from the others because its satisfaction is not only an objective, but also a precondition for the emergence and satisfaction of other tourist and life needs. *The natural environment* includes all the natural resources that are needed as inputs or are the result of marketing activities. Their availability, such as land, water and mineral wealth, affect all the participants in the economy. In many cities around the world, air and water pollution has reached a critical edge, so that they have become a serious problem. New directions of technological development far more emphasize the rationalization of water use as one of the conditions for maintaining both biological conditions and the provision of sufficient quantities of water for industrial processes. Similar is the situation with energy, especially of the fossil origin. We are talking here about saving energy from the point of view of the existing possibilities for their use, as well as searching for energy sources alternatives in relation to classical sources [6]. Natural environment is one of the most important factors of tourism supply and demand, that is, tourism business in every country. Tourist visits to certain regions will depend on natural resources such as ecological parks, spas as sources of thermo-mineral and healing waters, mountains and rivers. As a country, Serbia abounds in natural intact resources that are an attraction for foreign and domestic tourists. Nevertheless, attention must be paid to the impact that tourist business has on natural resources, and maximally protect each ecosystem from pollution. *Science and technology* can lead to revolutionary changes in many areas of social life. Technology has a major impact on the marketing of products and services. New technology can bring new discoveries which will not only serve as a substitute for the existing products,

but can directly cause the disappearance of the same – and consequently of entire companies. The degree of the development and implementation of innovations is not equal in all the sectors of the economy, and it is the task of marketing managers to continuously search for new areas of applications in their areas of business in order to ensure the successful operation of the companies they manage. *The cultural environment* consists of institutions and other forces that influence the basic values of the society, the perceptions of people and their behavior. In addition to beliefs and values as central elements of every culture, it is necessary to look at customs, myths and rituals as well. Subcultures analysis is of great importance in order to preserve the entire cultural heritage of the whole country as a potential tourist destination. The market research process is decisive when it comes to knowing your future service users, through precisely identifying their key interests and opening up opportunities to shape a future lifestyle. One should not ignore the existence of consumer ethnocentrism in individual cultures and the degree of its influence on decisions in everyday consumption. The survival of a business entity and its progress in modern conditions depend solely on its abilities to adapt its range of products or services to market demands. Products and services are not provided solely for the purpose of selling, but also in order to fulfill the wishes and expectations of the consumers. This is very difficult to implement today, so business entities must be transformed into leadership companies that will achieve a differential advantage in the global market [7]. Businesses are increasingly focused on the implementation of business politics and human resources development tools that involve investing in lifelong learning [8]. All this also applies to tourism, which, as a business activity, has its specifics which clearly distinguish it from the group of other activities. The most important characteristics of tourism as an economic activity are: 1) heterogeneity of the structure, 2) high degree of elasticity of demand for tourist services and the inelasticity of the offer, 3) emphasized seasonal character of the business, and 4) the specifics in terms of productivity [9].

3. BUSINESS ENVIRONMENT AND CHARACTERISTICS OF BUSINESS ACTIVITIES OF TOURIST ORGANIZATIONS IN SERBIA

The business environment in Serbia is constantly changing. The changes are represented in the data from the “1000 Companies” survey conducted by the Chamber of Commerce of Serbia in cooperation with IPSOS Strategic Marketing [10]. The respondents stated that corruption has the most negative impact on business operations in Serbia, especially in smaller companies, in terms of various unauthorized actions, from taking bribes to recruiting staff by political line. Tourism business in Serbia is also subject to these market and environment laws. Since tourism organizations (TOs) belong to the category of smaller enterprises, and their influence on the income generation in a country can be of great importance, managing tourism organizations is one of the main tasks of tourism. In theory and practice, three basic models of tourist destination management have been singled out: destination management by the public sector (which is the case in Serbia), destination management by private companies and destination management according to the model of public-private partnership. The basic model of destination management in the territory of Serbia is entrusting the responsibilities of managing the destinations to tourism organizations. Tourism organizations are public companies that conduct tourism promotion and the development of a particular destination. Since destination is a broad term, three levels of tourism organizations are identified, including: National Tourism Organizations (NTOs), Regional Tourism Organizations (RTOs), and Local Tourism Organizations (LTOs) operating on the territory of a city of municipality (e.g. TO Vranje). The picture of the business practice in Serbia shows certain deviations from legally correct functioning of tourism organizations. According to the Law on Tourism of the Republic of Serbia, tourism organizations are established for the purpose of conducting tourism development and coordination of all the

participants in the tourist offer of a destination, but also for the promotion of tourist destinations in the country and abroad. However, some cases in practice serve as examples of the fact that several local tourism organizations completely ignore its first role, that is, they deal with promotional activities exclusively. Organizing and dealing with tourism development is a far more difficult task than promoting tourism, and the results of development activities are not so visible. TO on a local level mainly employs a smaller number of employees (minimum two) and it is therefore complicated to make employee adjustments for some significant changes. The situation in Serbia drastically differs from the countries where tourism is one of the main priorities, such as Spain and Greece. By assessing the required number of quality personnel in tourism, the mentioned countries have made a system through dual education from which the educated workforce comes out with training and practice [10]. Budget size is also one of the causes of bad TO business operations. It often happens that representatives of local authorities only verbally support tourism development, which does not manifest itself in necessary financial allocations. Tourism organizations do not often have appropriate assistance from other public companies. Lack of responsibilities for the achieved results can also be considered as the cause of poor development of tourism organizations business. Very often, local tourism organizations do not have clearly defined and measurable objectives. It is crucial to clearly establish who is responsible for the (under)achievement of the pre-set goals. Employees in TOs receive their salaries regardless of the degree of success in their work. For this reason, the employees are not exposed to any external motivator.

4. SWOT ANALYSIS OF THE TOURISM ORGANIZATION OF VRANJE

In order to clarify the way of doing business in tourist organizations in Serbia, SWOT analysis was carried out on the case study of the Tourism Organization in the city of Vranje. The founder is the city of Vranje and it has a local character. Currently, TO Vranje is merged with the public company “Ski Resort”. Since its establishment in 1995, TO of the city of Vranje has directed its activities towards preserving the rich tradition of Vranje. It deals with the promotion of cultural, economic and tourism values and potentials, souvenir and publishing activities, distribution of tourism promotional material, participation in tourism fairs and exchanges, organization of excursions, sports, cultural and tourist events. TO Vranje provides more information on tourist facilities and resources in the city and in the surroundings, and thus entertains potential guests [11]. SWOT analysis is one of the tools of strategic management that is most often applied for the analysis of the environment of business entities. SWOT analysis helps top management to determine what the business entity is doing better than its competitors and vice versa. It represents the analytical framework of the business entity management – internal analysis (presentation of relevant information on the state of key factors within a business entity), and external analysis (presentation of relevant information on the state of key factors operating in the environment of the entity). As the goal of the Tourism Organization of Vranje is the improvement and promotion of the tourist offer of this region [12]. The SWOT analysis revealed the strengths, weaknesses, opportunities and threats of the organization. By brainstorming, all the employees (28) came out with their ideas about the work of the tourism organization. In a discussion, the top managers of the organization highlighted the most important characteristics based on which the authors of the paper have done the SWOT analysis shown in Table 1.

Table 1. SWOT analysis – Tourism Organization of the city of Vranje

Strengths	Weaknesses	Opportunities	Threats
A rounded process where tourists get information about the city and its surroundings in one place	Poor communication among employees – “from top to bottom”	Entering foreign markets with new tourist offers	Competition on the market
Shorter period for providing necessary information to tourists compared to competition	Insufficiently developed cooperation with other organizations	New projects supported by the state and the municipality	Rapid technical and technological progress and business innovations
High quality of service when it comes to providing information	Too many employees in TO Vranje	Cooperation with media	Poor economic situation in the country
Great possibility of placing information through new technologies (Internet, and especially social networks)	-	Cooperation with local community	-
Employees experienced in areas closely related to tourism (e.g. skiing)	-	Recognition with additional promotion	-

Source: author's research

5. CONCLUSION

It can be concluded from the presented SWOT analysis that the Tourism Organization of the city of Vranje would have to make the most of the benefits of Internet technologies, improve communication with potential tourists and create a positive relationship between tourists and the organization. The opinion of satisfied consumers will certainly be one of the important sources when it comes to formulating strategy and achieving goals as long as it is possible to increase the number of tourist visits in the region of Vranje in this way. Without neglecting the positive effects of economic reforms that caused a higher inflow of foreign investments, a complete exploitation of the potential effects of foreign capital inflows requires systematic efforts in economic policy, primarily in the improvement of the overall business environment, but also in attracting foreign investments to those industries in which Serbia has comparative advantage and greatest development potential. The implementation of new technological solutions and improvement of employees' knowledge and skills would influence the growth of competitiveness, market development and technological progress of the country. The factors within the organization itself also have a major or perhaps even the greatest impact on the organization's business operations. The way of doing business and organization's appearance on the market and its image in the eyes of the public will depend on the internal structure, culture, education of employees, delegation of responsibilities. Since the essential task of tourism is to manage and market tourist destinations of a country in the best possible way, it is necessary that the work of tourist organizations to be addressed primarily by the local self-government which would be controlled by competent state authorities.

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