LABOR MARKET AND HR CHALLENGES IN NAUTICAL TOURISM

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LABOR MARKET AND HR CHALLENGES IN NAUTICAL TOURISM

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Abstract

Croatia is well known for its numerous natural beauties and tourists coming to have summer vacations at the Adriatic coast. Croatia, together with Greece is a leader in the charter domain, therefore it is important for both countries to stay competitive in the market.

Due to high seasonality in Croatia, it is difficult for most service providers to find quality employees, therefore this research investigates the HR challenges in charter companies of nautical tourism. An online questionnaire was distributed to 20 managers/owners of small to medium sized charter companies in Croatia which measured amount of difficulty in hiring for a certain position in nautical tourism, reasons for difficulty in hiring for a certain position, company recruiting strategies, training strategies and budget.

Results suggest that it is difficult to fill out positions such as base manager, maintenance and repairs and accounting due to lack of experience, talent poaching and the local market not producing enough work-ready candidates. However, these companies clearly lack both recruitment and training strategies.

Keywords: talent poaching, HR challenges, charter companies, recruiting, training

Introduction to Human Resources Management

In the past, Human resource management was mostly an administrative job, however in the today's learning society, Human resources is becoming more strategic oriented. Now, HR professionals do not manage only employee paychecks and benefits, but are also in charge of employee career development and trainings.

Even though the benefits of having an HR department are already familiar to CEO's and managers, it is not common for small to medium enterprises (SME's) to have one. The reason for that is because such companies mostly have limited resources and consider implementing such department as costly and bureaucratic. Thus, the purpose of this research is to investigate what do SME employers consider as the biggest challenges in recruiting and retaining employees. By identifying the actual challenges of employee recruitment and selection in nautical tourism, hopefully SME employers will be able to come up with solutions that will positively contribute to retaining knowledgeable workers. This paper investigates the HR challenges of small to medium sized employers in charter companies in Croatia and which positions are hardest to fill and why.

Human Resources in Tourism

Hospitality industry is service based, consequently the human factor plays a big role in delivering one-exactly why it is being considered to be a human resource-centric industry. Providing service is complex because it acquires both technical and soft skills. Therefore, if an employee provides a service without being able to successfully interact with the customer and create a memorable experience. Furthermore, it is difficult for both employees and employers to maintain a quality service. The reason for that is high seasonality which lasts for a certain period of time where most companies hire seasonal workers who may or not come next, which also negatively affects the motivation of the employees and creates high employee turnover.

Nautical Tourism and Charter

Nautical tourism is a complex set of activities and facilities that provide nautical tourists with specialized products and services. Types of nautical tourism include: ports of nautical tourism such as marinas, anchorages, dry marinas and marina storage areas, circular travels-cruises and charter domain. Charter or chartering is an activity of renting vessels to boat navigators. Vessels that are mostly being rented are monohull sailboats and motor yachts, and recently catamarans as well. The boats rented may be owned either by the company itself or other natural and legal persons, which is defined as charter management. In order for a charter management company to make profit, it should charge the boat owner a management fee of 75% of the profit made from chartering the boat, leaving 25% to the boat owner. Gračan D., Bardak G., Rudančić-Lugarić A., (2011)

This paper focuses on investigating the level of satisfaction of small and medium sized charter company employers with employees in nautical tourism.

According to Gračan, D., Gregorić, M., Martinić, T. (2016), there are multiple factors affecting nautical tourism. There are the general or fixed factors such as climate, cleanliness of the sea and overall natural beauty of the coast, and special or variable factors such as vicinity of ports, costs of berths in marinas, taxations and similar. Furthermore, working with specialized products such as installing equipment on vessels acquire highly specialized maintenance skills, and so does the navigating the boat by itself.

HR challenges in nautical tourism

According to Šamanović J. (2002), one of the most famous Croatian experts in nautical tourism, "training costs are generally lower than the costs of ignorance. Both vessel equipment and maintenance services costs are high for a yacht owner, therefore mistakes are very expensive and can severely damage the environment due to oil leaks and repairs can be very complex and even minor repairs might be time consuming. Charter offer includes a

number of highly specialized jobs such as skipper services, sailing schools, vessel and equipment sales, advanced training of boat operators and yacht master. Gračan D., Bardak G., Rudančić-Lugarić A., (2011) Correspondingly, the boat owners who are the users of nautical products and services are affluent and educated people whose needs are not easily met. This is why it is crucial for an employee to have both technical skills and be pleasant to the client. Equally important, the employer should provide continuous training for the employees as the trends are changing fast, and so does the technology which is an important asset of every vessel. Hence, successful nautical destinations emphasize the importance of the multiple need for both planning and training of staff to encourage development. Kovačević, Z., Mladenović, I. (2018)

In the Investigation of Motivation of Employees in the Charter Enterprises of Nautical Tourism, Trstenjak, Stilin and Tomljenović investigated the motivation factors that affect employee job satisfaction in charter companies of nautical tourism. According to the survey conducted in charter companies in Croatia, Greece and Slovenia," out of 50 respondents, 38 are completely satisfied with their work, 2 respondents do only what is expected from them, while 11 respondents are not completely satisfied with their job and 66% of employees stated that their job corresponds to their qualification level". In the light of the results above, it is concluded that companies use the right motivation strategies for employees in terms of establishing good interpersonal relationships, good social conditions and satisfying income. The respondents were also asked to make suggestions for strengthening work motivation and some of the factors, besides the usual motivation factors such as awards and bonuses, employees stated the following as important factors as well: safety at work, autonomy and a warm meal.

Traditional charter companies which are on market for a long time are mostly owned by Croatian owners and they behave as" loyal competitors" (competition that does not

unfairly reduce prices), while a number of charter companies owned by foreign owners and investment funds do not care much about competition nor Croatian market. Such companies exist exclusively for big profits without taking care about the ecology, coast and tradition in Croatia. As they come from abroad, they do not have a good way of hiring knowledgeable works, so they rely on talent and skills from other companies. Yachtpool is an organization of charter companies that set an initiative to develop a standard of charter activity quality by introducing the Four Stars conditions which are boat maintenance, minimum technical equipment, communication with guests, knowledge and skills of employees and a price policy where the emphasis has been on uncontrolled discounts, so all members agreed the maximum discount of 15% to remain "loyal" to the competitors. Gračan D., Bardak G., Rudančić-Lugarić A., (2011)

Specific local background information

Nautical tourism in Dubrovnik can be divided into three segments: small boat for daily rentals, sailing yacht bareboat charter and mega yachting charter. Guests that take small boats for daily rentals are coming mostly from luxury hotels such as Rixos, ALH, Radisson and Villa Dubrovnik. These customers rent a boat for a daily cruise with skipper in order to visit three islands in Dubrovnik area. The cost ranges from 300-1000 EUR per day for such a tour. The skippers on those boats must be able to provide guiding service knowledgeable of the area including its history and characteristics instead of just steering the boat. Also, such skippers should be able to recognize the guest's needs and show him/her the area which will suit his/her demands and also be prepared to recommend a restaurant based on both client's budget and preferences.

Mega yacht charter includes the largest yachts of the world coming to Dubrovnik with the guests onboard, but also provide with crew changes in Dubrovnik area due vicinity of the airport, which enables guests to come to the port quickly even during peak seasons. The

advantage of the Croatian part of the Adriatic coast is the vicinity of Montenegro which is close and provides tax free fuel which is quite crucial for high consumption yachts. In order to serve these yachts, there is a number of marine agents who provide all services and products requested from the yacht guest such as berth, equipment and crew lists needed to pass the boarder. Those agents have to be at disposal 24/7 and must be able to provide everything requested, as those customers are highly demanding. Therefore, the agent's job can be very challenging due to limited offer in Dubrovnik area, so this results in agents providing with products and services from abroad in order to satisfy the client's needs.

Methodology

This paper is based on both qualitative and quantitative research. The survey was designed of multiple choice questions and two open ended questions and was distributed to managers/owners of 20 representative nautical charter companies in Croatia. The representative sample of charter agencies was designed based on three criteria according to the European Commission Communication: staff headcount ceiling, turnover ceiling and/or balance sheet ceiling shown below (Figure 1.):

Figure 1.: Sample Criteria.

ENTERPRISE CATEGORY	HEADCOUNT	TURNOVER	BALANCE SHEET
Medium-sized	<250	$\leq$ € 50 mil	$\leq$ € 43 mil
Small	<50	$\leq$ € 10 mil	$\leq$ € 10 mil
Micro	<10	$\leq$ € 2 mil	$\leq$ € 2 mil

The instrument was adapted from research done by the Society for Human Resource Management (SHRM, 2016) and was the survey was conducted in Dubrovnik and Split. The questions were determined with regard to: amount of difficulty in hiring for a certain position

in nautical tourism, reasons for difficulty in hiring for a certain position, company recruiting strategies, training strategies and budget.

The questionnaire was distributed to employers and base managers of 20 charter companies in Croatia: three small family owned businesses, six local businesses (charter companies with one main location), one domestic chain (charter company with multiple locations in Croatia) and two international chains. Local and small, family owned businesses employ 10-50 people, while international chains employ more than 100 people. The first part of the questionnaire was focused on the level of difficulty in hiring for certain positions where respondents could answer based on a 1-5 Likert scale, 1 being extremely easy to hire and 5 being extremely difficult to hire.

The survey was conducted in Dubrovnik and Split. The questions were determined with regard to: amount of difficulty in hiring for a certain position in nautical tourism, reasons for difficulty in hiring for a certain position, company recruiting strategies, training strategies and budget.

Difficulty Hiring

According to the questionnaire, the most difficult positions to fill were" base manager" (m = 4.62), "maintenance and repairs" (m = 4.14) and "accounting" (m = 3.85). Additionally, the positions for the booking department, check-in/check-out procedures, hostess and skipper on the boat was perceived as either difficult or easy, while the position for the reception was perceived as easy to hire. The results for the position of the cook were mostly non-applicable due to outsourcing, however the companies that do hire for this position found this position to be difficult to hire as well (Figure 2.).

Figure 2.: Mean score for each position.

MEAN ANSWER
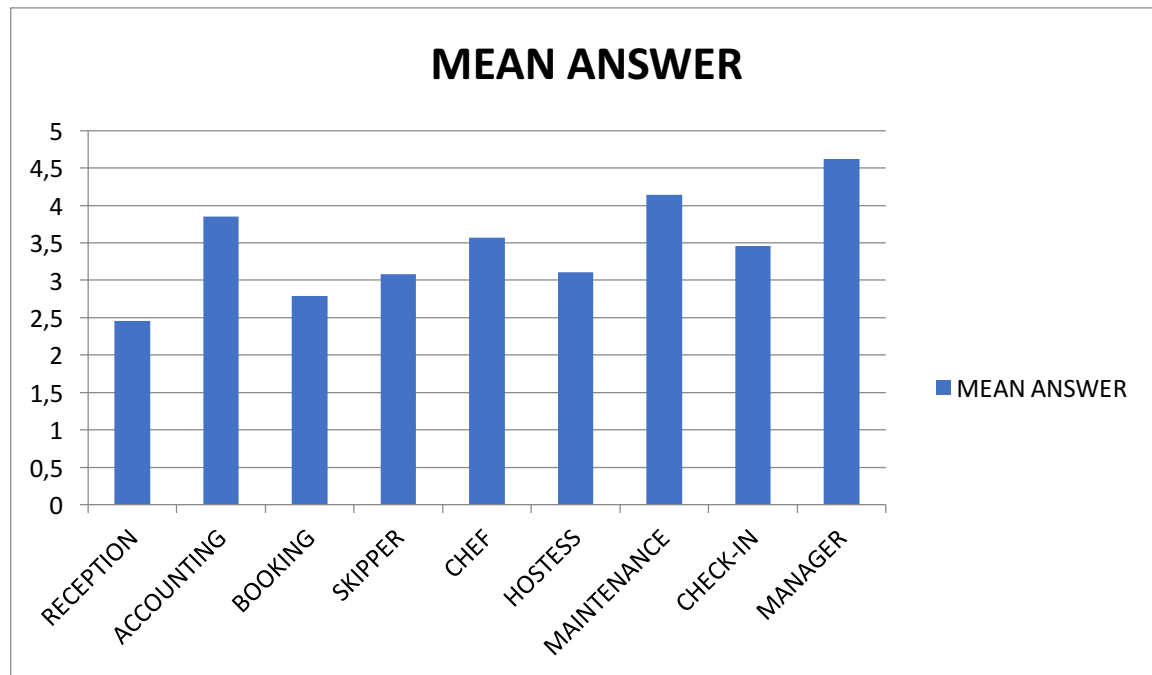
The second part of the questionnaire referred to the specific reasons for difficulty in hiring for a certain position. According to respondents, the most difficult position to fill, base manager, was due to candidates lacking the needed experience and the local market not producing enough work-ready/qualified job candidates.

The position of maintenance and repairs was graded as difficult and extremely difficult to hire, and most important reasons according to the employers are: competition from other employers (talent poaching) and candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.).

The position of accounting is difficult to hire and the following reasons are: low number of job applications and again, candidates lacking experience.

There were certain limitations when conducting this survey. Since this is a niche market, the sample was very small. Also, reasons for difficulty in hiring are based solely on the subjective judgement of CEO's and base managers who may or may not be informed about the HR situation of the company. In addition, the respondents were able to choose as

many answers as they wanted, so that resulted in a high variety of answers, therefore it was hard to filter more specific results.

Recruiting strategies

Most common recruiting strategies that charter companies in Croatia use are training existing employees to take on hard-to-fill positions and using/enhancing employee referral program. However, very few respondents reported using strategies such as seeking talent from non-traditional sources (eg. veterans, retirees), expanding geographic search region and improving the benefits package. Some numbers here to give a sense of how common these practices are.

Training Strategies

When asked about the training budget, most companies responded with" No", there is no training budget or I don't know, where one domestic chain and two international chains answered with" Yes", we do have a training budget, and one out of those two added:" We have a learning and development sector in our company".

The examined charter companies mostly outsource specific positions such as cook and hostess on the boat, whereas companies that do not outsource for these positions find them difficult to hire due to lack of experience and local market not producing enough work-ready job candidates.

Solutions and Suggestions

Results suggest lack of coordinated recruiting strategy, but rather reliance on as hoc improvisation through word of mouth referrals and training of existing employees. Lack of knowledge of training budget suggests a lack of professionalization.

Managers and CEO's of charter companies reported that it is difficult to hire for most positions in boat charter companies, even for the outsourced positions. Obviously, charter companies in Croatia outsource for specific positions- cook and hostess, however the base

managers/company owners identified the reasons for the difficulties in filling these positions as related to low number of applicants, lack of experience and the local market not producing enough work-ready job candidates.

This is not surprising since these results reflect the usual challenges companies face with outsourcing. Generally, it is extremely difficult for companies to find reliable partner company which will provide with employees who care about the business. These employees are aware of their short-term stay; hence they tend to be less motivated and perform worse than full time employees. Also, charter companies are no table to find out the previous experiences the guests had with a specific cook/hostess, therefore they are no table to make a good selection. Outsourcing is widely present in corporations; it would be interesting to see how small businesses will manage this type of selection. This will definitely bring new sets of challenges for small companies, hence this would be a good area for future research.

One of the most unexpected findings of this research was that the position of maintenance and repairs is difficult to hire due to lack of soft skills. This is due to maintenance employees often being in close contact with the guests, but other employees as well. All employees should have good soft skills in order to function in a team, especially in a human-resource centric industry such as hospitality and service. Also, employers are facing one more difficult challenge when it comes to retaining employees-talent poaching, which is an activity of" inviting" already trained and educated workforce from the competition.

Recruiting Strategies Suggested

Since it is extremely difficult for charter companies to hire for the position of the base manager due to lack of experience and local market not producing enough work-ready candidates, it is obvious that such some companies should put an effort into developing a more sustainable, long-term recruiting strategy that might be the solution to this issue. In order to do that, the focus should be on cooperating with nautical educational institutions, as

well as various sailing schools in Croatia. Improving benefits packages would be one of the most important factors managers should consider in this case, since they do not consider that as one of the possible reasons for difficulty, even though that is one of the most important employee motivational factors.

Training Strategies Suggested

As afore mentioned, charter companies in Croatia lack knowledge of their training budget which proves that there is also no long-term training strategy. In order for companies to resolve the issue of lack of quality workers, it is crucial to invest into the employee's knowledge in order to increase retention and reduce employee turnover. One of the possible solutions might be implementing webinars and online seminars into employee trainings, since those are cheaper than off-site trainings, and are not as time consuming.

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Appendix

Manager Survey – English version

Finding employees for Nautical Tourism businesses

This survey should be completed by an employee who is responsible for, or knowledgeable of, the hiring and training practices of the company. This survey is for research purposes only. All information is anonymous and confidential.

How much difficulty have you had finding employees for each of the following positions in your company (1-5 scale plus NA) The list of possible positions should come from your research...

1= very easy
2= easy
3 = neither easy nor difficult
4= difficult
5= extremely difficult

NA= not applicable = we don't have that position OR we outsource it

- Front office (check in/out, dozvole)
  1   2   3   4   5
- Back office (finance, accounting)
  1   2   3   4   5
- Back office (reservations, booking)
  1   2   3   4   5
- Skipper
  1   2   3   4   5
- Cook
  1   2   3   4   5
- Host-Hostess
  1   2   3   4   5
- Maintenance/repairs, technical
  1   2   3   4   5
- Inventura na brodu
  1   2   3   4   5
- Base Manager
  1   2   3   4   5
- Other (list:_____

For each position listed below, what do you think are the most important REASONS for the difficulty in hiring. If your company does not hire for the given position, or outsources it, OR you do not have any difficulty in finding employees, please SKIP to the next position.

Front office (check in/out)
- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers

- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Back office (finance, accounting)
- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Back office (reservations, booking)
- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Skipper

- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)

- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Cook
- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Host-Hostess

- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Maintenance/repairs, technical

- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Boat Inventory (check-in/out)

- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area

Base Manager
- Low number of applicants
- Candidates do not have the needed experience
- Competition from other employers
- Candidates do not have the right technical skills
- The local market is not producing enough work-ready/qualified job candidates
- Salaries are not competitive for the market
- Candidates do not have the right workplace (soft) skills (problem-solving, interpersonal skills, communication, teamwork, leadership, etc.)
- Qualified candidates are not interested into moving to our local area
- Candidates do not have the needed training
- Candidates do not have high enough level of education
- Qualified candidates are not able to move to our local area
- Other (navedite)_____

Which of the following Recruiting Strategies does your company use? (mark as many as apply)

- Leveraging Social Media
- Collaborating with educational institutions
- Expanding advertising efforts
- Using a recruitment agency
- Increasing retention efforts
- Training existing employees to take on hard-to-fill positions
- Targeting passive job seekers
- Expanding training programs to help improve skills of new hires
- Seeking talent from non traditional sources (eg.veterans, retirees)
- Increasing compensation
- Using/enhancing employee refferal program
- Expanding geographic search region
- Offering more flexible work arrangements
- Providing monetary incentives to candidates (eg., signing bonus)

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- Improving benefits package
- Offering new job perks
- Other:_____
- None

Do you have a specific training budget ? Yes,   No ,IDK

Where do empoyees receive training? (checkbox, as many as apply)
- Conferences, seminars, workshops, professional organisations
- On the job
- Webinars and other online training
- Onsite training
- Employer-provided offsite training (other than technical, community college or university)
- College or university
- Technical or community college
- Other

Please add any comment on the topic of hiring, recruiting, and training employees for your company:

DEMOGRAPHICS:

1. Total number of employees in the company (ranges)
   Less than 10
     - 10-50
     - 51-100
     - 100-200
     - More than 200

2. Which best describes your company
     - Small, family owned business
     - Local business (one main location)
     - Domestic chain (mulitiple locations in Croatia)
     - International chain

3. Your position
     - HR manager
     - HR associate
     - CEO/owner
     - General manager
     - Other:_____

4. Company year of opening _____

5. City/town_____

THANK YOU FOR YOUR PARTICIPATION IN THIS SURVEY!