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APPROACHES FOR BUILDING UP OF INTANGIBLE ASSETS IN BULGARIAN TOURISM INDUSTRY

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Abstract: Tourism companies in Bulgaria often stand in front of a need to improve their performances in comparison to their competitors. And the most widely used approach in this regard is the claim on uniqueness and unrepeatability. However, any country in the world, any tourism destination can claim upon the uniqueness of its natural and anthropogenic resources in one way or another. Therefore, just sticking to "unique resources" cannot guarantee, always and in sufficient scale, the true uniqueness and competitiveness needed by the hotel companies. Here, one possible solution comes in the face of the intangible assets management and the resulting control over the information flows in, within and out of the hotel businesses. The real tourism uniqueness and competitiveness do come as a result of the proper investments in the intangible assets, regarded as: (i) specific skills, knowledge and experience of each of the hotel's employees (the human capital); (ii) written and incorporated knowledge in the working process and systems of the hotel (the structural capital); (iii) the abilities and skills of the hotel employees to cooperate and work together based on mutual trust (the social capital). And the process of the "organizational learning" can bring the level of the intangible assets (often also regarded as the company's intellectual capital) to a stage, which can easily facilitate the reaching of the hotel companies' strategic goals.

Keywords: Intangible Assets Building-up; Uniqueness, Tourism

Before revealing the contents and findings of this research paper, there should be mentioned that it represents a part of the theoretical background behind a scientific research project which is, hopefully, to be carried out next year with the support of the Scientific Research Fund of the Southwest University "Neofit Rilsky", Blagoevgrad, Bulgaria. The project is named "Research on the Intangible Assets State in Hotel Businesses on the Territory of the Blagoevgrad Region". This region has been chosen to serve as a site of the project not simply because of the fact that the Southwest University "Neofit Rilsky" is located within it, but also due to the diversity of the types of tourism activities performed there. Some thirteen out of the fourteen of the municipalities within the region can be easily considered as rural ones (Chart 1). Two of the three main skiing resorts in Bulgaria are located either in this region (Bansko) or in very close proximity to it (Borovets). The town of Sandanski, one of

the main centers of spa and wellness tourism in the country, is also a part of the Blagoevgrad region. Beside the rural, spa & wellness and ski tourisms, another direction of the project's scope includes the ecological tourism, connected closely with the environmentally protected areas within the region.

The tourism companies within the Blagoevgrad region are facing all the challenges and problems that appear to the Bulgarian tourism industry. And tourism companies in Bulgaria, especially hoteliers' businesses, often stand in front of a need to improve their performances in comparison to their local, regional, and even world competitors. The most widely used approach in this regard is the claim on uniqueness and unrepeatability. However, any country in the world, any tourism destination can claim upon the uniqueness of its natural and anthropogenic resources in one way or another. Therefore, just sticking to "unique resources" cannot

guarantee, always and in sufficient scale, the true uniqueness and competitiveness needed by the hotel companies. Here, one

possible solution comes in the face of the building up and management of intangible assets in the tourism businesses (Chart 2).



Chart 1: Bulgaria, Blagoevgrad Region of Bulgaria and its municipalities

In order to make clear the implementation mechanism of intangible assets concept a strong theoretical frame is strongly needed. First, it should be pointed out that “intangible assets” are not be regarded only and simply in their accounting dimension. For more than a decade, there has been an ongoing

discussion among the representatives of the knowledge management research and executive community about the meaning and the practical use of the terms “intangible assets”, “intangible assets management” and “knowledge management” and “organizational learning”.

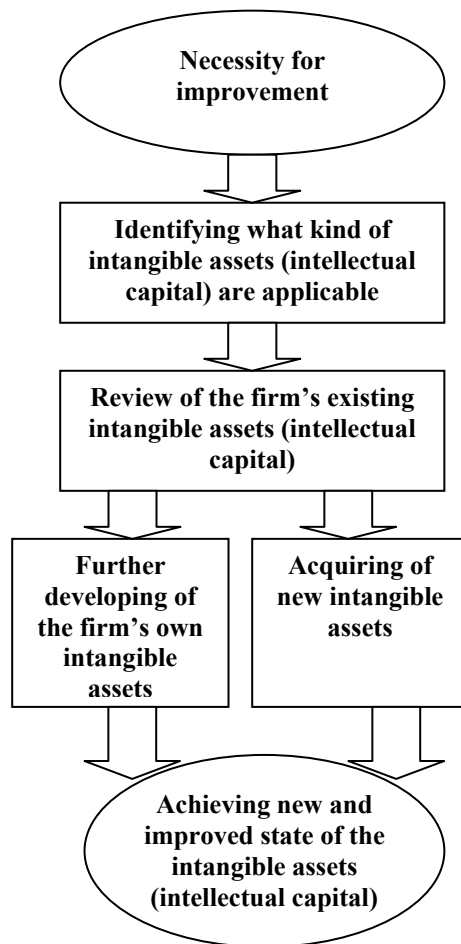


Chart 2: Structure and flow of the investment process for acquiring of intangible assets

For the purposes of this report, it has been accepted the approach offered by William Ives, Ben Torey and Cindy Gordon from the Massachusetts Institute of Technology, USA [5, pp. 85-98]. In compliance with their understanding, the intangible assets form the three main elements of the so-called “intellectual capital” of every single company, including also the companies operating as a part of the tourism industry. These three elements are the human capital, the structural capital, and the social capital.

Human capital is the personal knowledge, skills and experiences possessed by every single employee within

the organization (in our case the tourism company): how to develop a tourism product, how to write an e-mail, how to make an advertisement and etc.

Structural capital is “everything that remains in a firm after the employees go home” [5, p.86]. It includes inter-firm’s mechanisms for interaction, such as: written instructions and practices, software, intellectual property such as patents and copyrights and etc.

Social capital is seen mainly as the capacity of firm’s staff to collaborate with each another on horizontal and vertical (hierarchical) level based on trust, knowledge and ideas sharing, as well as

the ability to work in teams. Moreover, social capital is essential for three major reasons:

- It reduces transaction cost;

- It produces higher quality knowledge;
- It is a powerful source of inimitable competitive advantage.

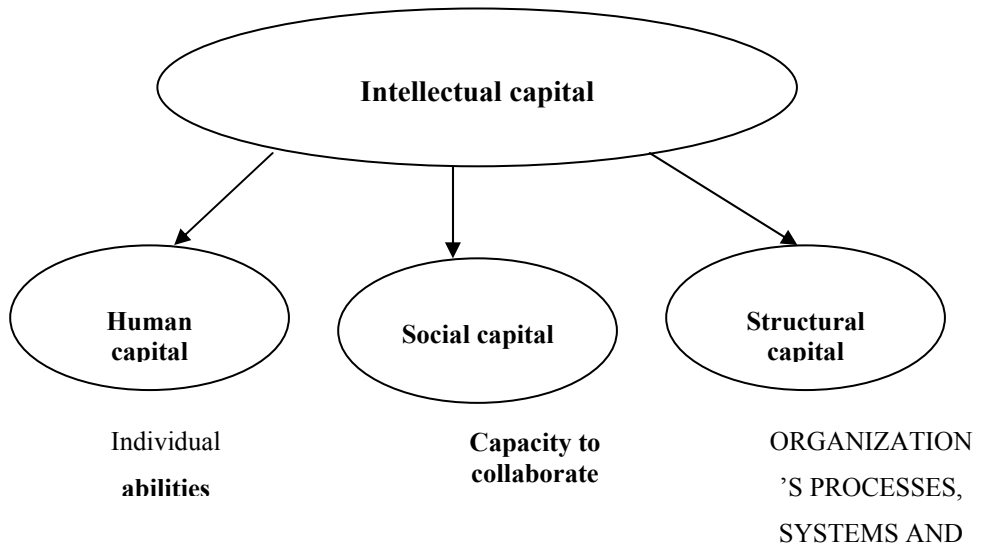


Chart 3: Key components of the intellectual capital as per W. Ives, B. Torey and C. Gordon [7, p.87]

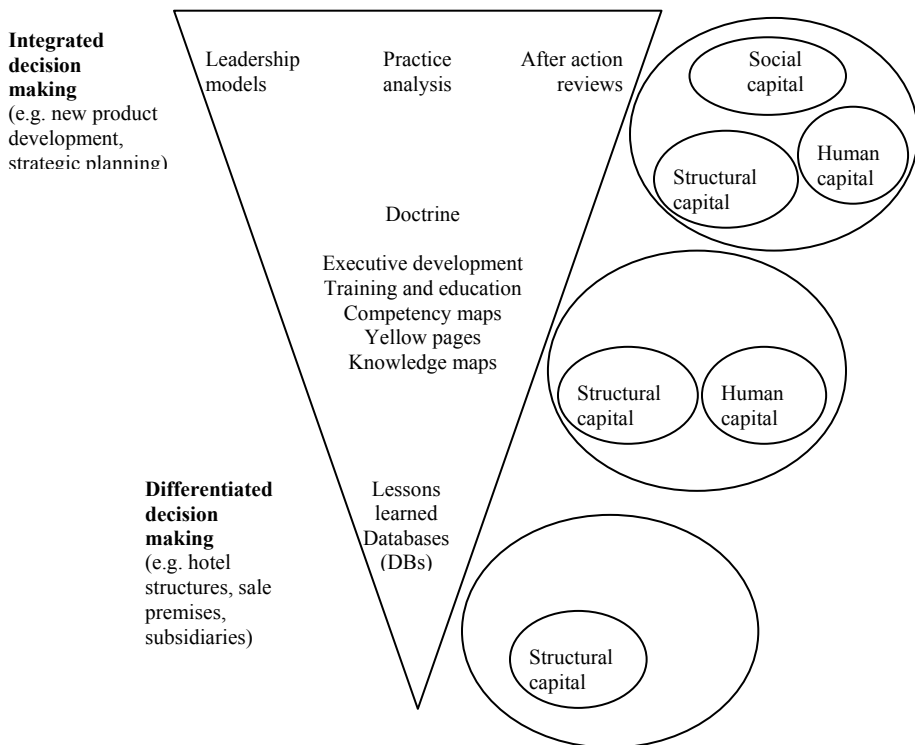


Chart 4. Intangible Assets Investment Guideline [7, p.94]

So, having in mind the above described three sub-categories of the intellectual capital as a field of realization of the intangible assets, it can be further stipulated that through the use of the intangible assets management, and the so-called “organizational learning” tourism companies could more effectively achieve both their operational and strategic goals. But how can it be really done?

First, just for simplicity, let us assume that only one of the business processes within the hotel is regarded. And that the process regarded is the process of investing in intangible assets. It can be divided into several stages each of them associated with a particular number of specific risks (Chart 5). The detailed knowledge of this particular type of investment process could allow easily the hotel firms to take the right investment decisions.

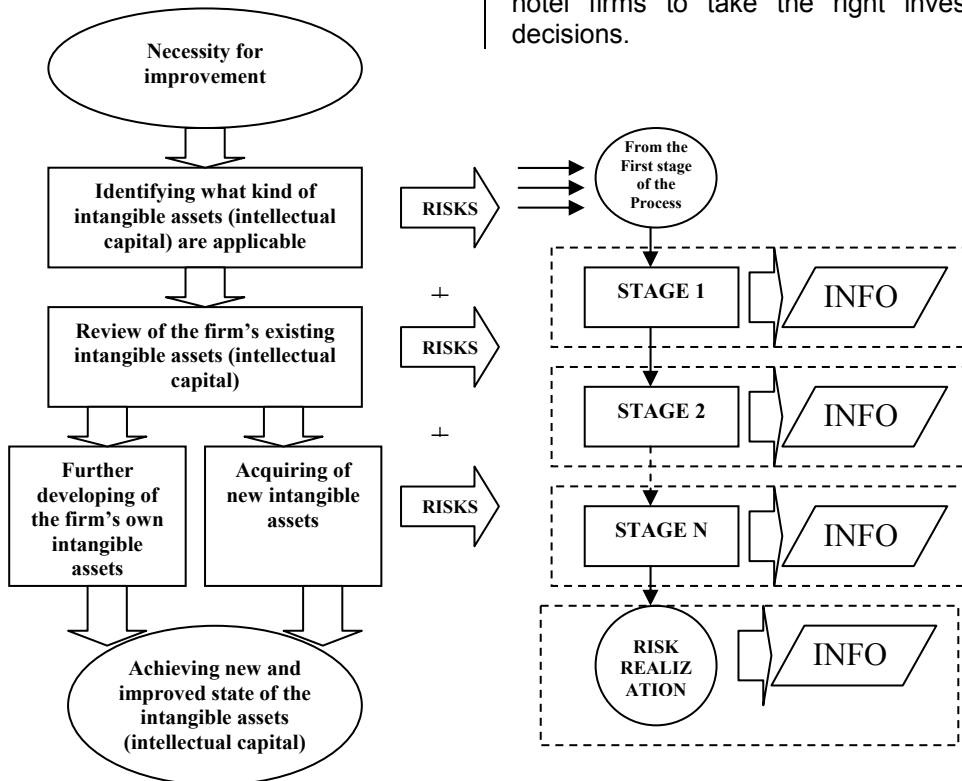


Chart 5: Interaction between the process of investment in intangible assets and the process of risk realization

Second, each of the above mention specific risk is being manifested by the form of explicit or implicit information. And risk management activities here should be focused mainly towards the handling and processing of this very same information. Based on this requirement, one can conclude that if risk management is assumed a leading principle, “Go/Not go” decision point should be included in the process of investment in intangible assets by the hotel firms. And moreover, each

stage of this investment process shall consist of activities designed to diminish the separate specific risks, as well as to support the “Go/Not go” decision taking (Chart 6). These activities should include (Chart 6), as follows:

- 1.)Gathering (search) of information in order to decrease the different types of uncertainties connected with the investment process;
- 2.)Information evaluation;
- 3.)Decision making;

4.) Identifying of the remaining key types of uncertainties.

Third, but not last in importance: identifying, assessing and evaluating of the specific risks, associated to the different stages of the investment process, can help the investors in hotel businesses to minimize the possible threats and damages to their desired outcome and thus to turn the intangible assets and risk management into an applicable and powerful tool. Here, one possible approach towards the

assessing and evaluation of the risks is to use integrated risk score-cards based on a slightly unconventional understanding of nature of the risks. This understanding regards the risk associated with a particular event or action (**Rm**) as a function of the likelihood for occurrence of this risk (**Lm**), the consequences due to the possible realization of the risk event or action (**Cm**), as well as the imminence connected with the time horizon for realization of the risk (**Im**) [2][3] [4].

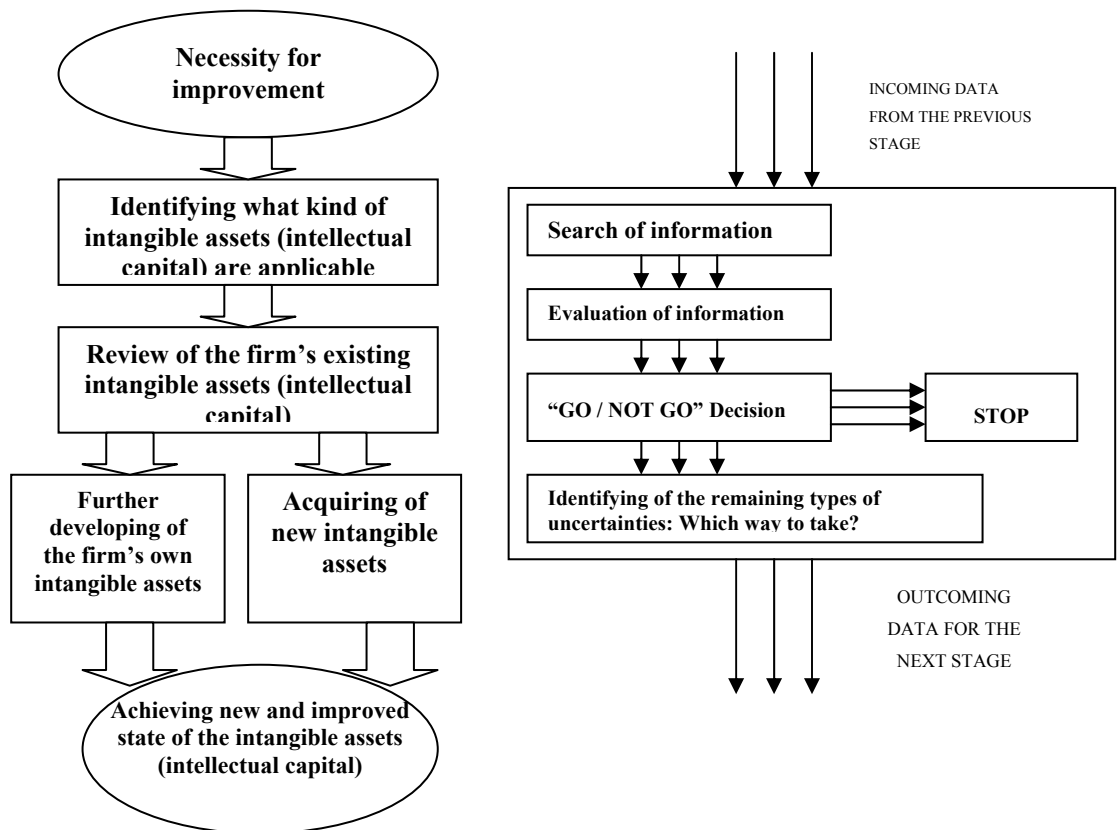


Chart 6: A proposed model of risk management in the process of investment in intangible assets

The later can have the following mathematical description:

$$(1.) R(m) = L(m) * C(m) * I(m),$$

Where, as it was said:

R(m) is the measuring of the risk coming from the event or action "m";

L(m) is the likelihood for the occurrence of the event or action "m";

C(m) is the extent of the consequences due to the realization of the event or action "m";

I(m) is the imminence for the realization of the event or action "m" in the means of time dimension.

In view with above theoretical assumptions, **it could be concluded** that the Intangible Assets Management, aimed at achieving the strategic and tactical goals of the hotels firms, is a clear and definable problem field, which should be developed further on. The limited format of the present paper allows only certain initial formulations to be drawn in this regard. And these can serve not only as a base for a continuing theorization, but for achieving of concrete practical results. Or in other words, the research on the intangible assets management in the Blagoevgrad region of Bulgaria, as a sample region of the Bulgarian tourism industry, will: (i) try to reveal how the business community of hoteliers there do handle and manage intangible assets; (ii) how do the information flows from the business processes influence the intangible assets management and the achievement of strategic goals; (iii) and what are opportunities for betterment in order to turn the intangible assets into an applicable and powerful tool.

Further to the above revealed expectations, **some more conclusions** can be drawn out. First, it is also expected that by the realization of the above regarded project, named "Research on the Intangible Assets State in Hotel Businesses on the Territory of the Blagoevgrad Region", a better understanding of the intangible assets potential will be achieved in the hotel industry in the Blagoevgrad region and Bulgaria as a whole. And as a second, this better understanding, together with the risk-concerned approaches for acquiring and utilizing of these very same assets, will facilitate the building up of a convincing perception of uniqueness among the tourists visiting Bulgaria. As the individual abilities of the personnel, its capacity to collaborate together with the tourism organization's processes, systems and procedures have its focus on the human touch that make every tourist feel the surrounding "atmosphere" at the visited destination as unrepeatable one.

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