Emerging Markets Queries in Finance and Business

Implementation of business excellence models—the path for improving the level of quality and safety of agricultural touristic product

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Abstract

Consumers expect a high level of quality standards in the preparation of food, so the level of consumer protection must be constantly kept under supervision. However, quite often consumers are exposed to various risks of food poisoning that can lead to death. It is questionable how legislation can really meet the expectations of the consumer health protection, especially if we correlate it for example with modern diseases, such as BSE and E. Colli or producing GM food. A growing number of food poisoning also leads to the need to improve hygiene requirements. Consumers who were not satisfied with the level of security because of poor health and safety conditions in the next purchase change the destination. The aim of the paper is to explore the influence of business excellence models implementation on agricultural households business practice. For the purpose of this paper we have carried out primary research interviewing the owners of agricultural households in the area of Konavle, Dubrovnik-Neretva County. According to the results of the research it is visible that there is a positive influence of business excellence models implementation on agricultural households in Konavle, Dubrovnik-Neretva County, Croatia.

Key words: agricultural households; quality; safety; Konavle; Croatia

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1. Introduction

Current EU legislation requires the application of a proactive and systematic approach to business in order to ensure food security and appropriate system of control. However, quite often consumers are exposed to various risks of food poisoning that can lead to death. It is questionable how legislation can really meet the expectations of the consumer health protection, especially if we correlate it for example with modern diseases, such as BSE and Echerichia Colli or producing GM food. Knowles, 2001 emphasizes the large number of critics in terms of existing legislation referring to the large number of unnecessary detail, fragmentation, difficulties in adapting legislation innovations and problems of everyday activities in internal market. The research that has been done in croatian hotels also shows that 50% of hotel managers that have taken part in interview consider that there are measledings in Croatian Law too, and that they are related with complexity of some parts of the law and fragmentation Dragicevic, 2010. A growing number of food poisoning leads to the need for improving hygiene requirements. Sometimes such situations remain hidden, unnoticed, or it is not spoken at all about them. The risk of poisoning from eating food in catering establishments investigated Sheppard et al., 1998. Studies also indicate that consumers expect a high level of quality standards in the preparation of food Coleman, P., Griffit, 1997, so the the level of consumer protection must be constantly kept under supervision. Security becomes a very important factor in the choice of tourist destinations. Consumers who were not satisfied with the level of security because of poor health and safety conditions in the next purchase change the destination. In that sence the product attributes may drive repeat loyalty even stronger than the brand name Jarvis et al., 2006 or Singh et al., 2008 or Krystallis and Chrysochou, 2011. The aim of the paper is to explore the implementation and influence of business excellence models in on agricultural households business practice in the area of Konavle, Dubrovnik-Neretva County in Croatia. For the purpose of this paper we have stated the basic hypothesis:

H1. The implementation of business excellence models improve the level of quality and food safety of agricultural tourism product and helps better positioning of agricultural tourist product on the international tourist market.

2. Agricultural tourism in Croatia

The development of rural tourism in Croatia started in 1998 when in Croatia were registered 32 tourist agricultural households Jelincic, 2007. In 1995 the Croatian Ministry of Tourism has begun its development initiatives and preliminary activities such as field visits, information gathering, education and creating conditions for its development. Following these initiatives Council for Rural Tourism was founded later named as the Council for the development of small and medium entrepreneurial in tourism, with a focus on rural tourism development. Agricultural households are the most important stakeholders in agro tourism development today and present a new product of Croatian rural areas. In the Republic of Croatia in 2011. have been registered 142 rooms and 24 suites with 482 beds in rural households and in 2012 have been registered 173 rooms and 42 suites with 527 beds Statistical report, 1463/2012. The number of registered agricultural households varied by counties and most of them are in the Dubrovnik-Neretva county, followed by Istria Demonja and Ruzic, 2010, p. 51.

The important role of the Croatian Chamber of Economy (Department of Tourism) is in monitoring the development of rural economies and representing members’ common interests. Its major significance is in promotion of improvements, continuous development, improvement of the quality of service offerings, member education Demonja and Ruzic, 2010, p. 53.

Croatia is a member of EU and during the accession negotiations has had to adjust its regulations EU regulations. In the field of rural tourism, Croatia has adopted new regulations that are important for the development of rural tourism. The main goal is to insure that providing services in agricultural households is oriented towards continuous improvement of quality. The food industry had to face the challenge of supporting consumer confidence in the safety of the food purchase and consumption, through new legislation
and control mechanisms.

3. **Business excellence models**

A ‘food hygiene package’, adopted by the European Commission on 14 July 2000, proposed to merge, harmonise and simplify the very complex hygiene requirements. In 2002, a Commission foresaw making the application of the HACCP method. HACCP is a science-based method with the main goal to prevent contamination of food Taylor, 2008. HACCP is used to identify and evaluate hazards. Hazards can be chemical, microbiological and physical Wilson et al., 1997, p. 150. Allergies that can be caused by proteins in foods can also be controlled or prevented introducing HACCP concept, by introduction of food hygiene control in the manner and attempt to suppress the poisoning, which can occur by eating food. Personnel handling high risk food must be adequately and continuously trained and all those who oversee the management process food Blank, 2006. Hazard Analysis and Critical Control Point is a concept which has been introduced because of lack of efficiency of existing systems that are based on the analysis of samples of finished products when it was late for intervention. When implementing this step commonly used methods of risk assessment (ERA) and the (brainstorming).

As a “tool” for ensuring food security more and more companies are increasingly introducing Food Safety Management System Standards according to the standard ISO 22000 which incorporates the principles of Hazard Analysis and Critical Control Point Concept. The ISO 22000 standard is a generic standard and can be applied in various fields ranging from producers of food to services. Food safety management system according to ISO 22000 emphasizes the use of generic prerequisite program (PRPS) that sets conditions necessary for the production of safe food. The basic difference between the safety management system standard according to the international standard ISO 22000 and HACCP is that standard ISO 22000 is beyond HACCP. It is necessary to emphasise that implementation of ISO 22000 requires continuous monitoring and auditing process Blank, 2006. Standard is compatible with other international standards such as Quality Managing System Standard ISO 9001 and Environmental Managing System Standard ISO 14001 and as it has been said before, with Hazard Analysis and critical control Point Concept (HACCP), so it enables their integration www.iso.org.hr, accessed 12.11.2011. The implementation of food safety managing system according to the International Standard ISO 22000 also has similar disadvantages as the other standards (ISO 9001 and ISO 14001) which are related to the time required for the preparation and the process of implementation, costs, extensive documentation and problems of employees’ collaboration.

The use of safety and quality labels in marketing strategies is increasingly popular. They are important tools for product differentiation, for brand positioning in the market, and for building up company reputation Fombrun and Shanley, 1996. The satisfaction with the service and image are the most important elements influencing client loyalty Kandampully and Suhartanto, 2000, p. 354.

4. **Results of the empirical research carried out in Konavle**

4.1. **Research methodology**

For the purpose of this paper we have carried out primary research by the method of interview including 11 questions. The survey was conducted online and sent by regular mail to 35 agricultural households, of which 22 were willing to participate in our research. The respondents were managers or owners of 22 agricultural households engaged in tourism activities in Konavle, Dubrovnik-Neretva County, Croatia. The first five questions related to socio-demographic characteristics of the respondents. The second group of questions related to the implementation of business excellence models. The obtained results are shown below.
4.2. Results of the research and discussion

According to the results of the research 4% of respondents were till 20 years old, 18% was between 21-30, 18% from 31-40 years, 18% between 41-50, 27% of the managers were between 51-60 year old and 14% was older than 60 years. Most of the respondents was men (63%) and much less were women (37%). The results show that 41% of respondents have a secondary education, while 41% have university degree, 9% have master degree and 9% have doctoral degree. None of the respondents had no or only primary school degree.

In 64% of agricultural households are employed 1-3 employees, 3-6 employees have 32% of households, and only one (4%) has more than 12 employees. Households which only provide food services are represented with a share of 54%, households that provide food and accommodation with a share of 27%, while share of 18% belongs to the households that provide food, accommodation and other services.

The agricultural households in Konavle mostly use adopted guidelines of good hygiene practices and they are represented with the share of 54%, than follow those that have implemented HACCP with the share of 23%. Food Safety Managing System according to the International Standard ISO 22000 have implemented 9% of agricultural households. At the same time 14% of agricultural households do not use a single model of business excellence. The chi-square testing (α=0,05) shows that there is no correlation between number of employees that is size of agricultural households and business excellence models implementation, as well as between type of agricultural household and implementation of business excellence models implementation.

The study shows that 42% of respondents believe that the main reason for business excellence models implementation are customers’ requirements, 20% cite their business partners’ requirement, 8% as the reason cite legislation and 30% of respondents consider it is because they believe it can improve agricultural households business practice.

The results of empirical research shows that 65% of respondents believe that business excellence models enhance the quality and security of service, even more 25% believes that implementation of business excellence models extremely increases the quality and security of services/products. At the same time 5% consider that it slightly increases the quality of service and security. None of the respondents disagreed with the statement that the use of business excellence model had no effect on increasing the quality and security.

The results of the research show that 81% of agricultural households owners/managers believe that they should invest more in the quality and safety while 9% of them consider that it is not necessary.

As the problems in implementation of business excellence the managers of agricultural households in Konavle cite documentation, on the second place they put financial aspect (especially for small agricultural households and those which just begin the household activity). The other reasons are complexity of the procedure and the lack of education about the importance and benefits that can bring implementation of these systems.
Conclusion

Tourists more and more return to nature what emphasizes the role of tourist rural areas. They require high level of service quality and security, but they are willing to pay for it. Owners of agricultural households are being challenged with need of applying new strategies in agricultural households business practice. According to the results of the empirical research carried out in Konavle, Dubrovnik-Neretva County it is obvious that implementation of business excellence models helps managers in erasing the quality and safety labels. It can be said that the guidelines of good hygiene practices are the base for the upgrading other models of business excellence such as Food Safety Managing System ISO 22000, compatible with Managing Quality System Standard ISO 9001 and Environmental Managing System Standards ISO 14001. Food products are an integral part of people’s identities. Unfortunately, agricultural product is often disposed to the mythic doubt that these products are inferior in quality. As Konavle in Dubrovnik- Neretva County, have huge possibilities for developing agricultural tourism, organic farming and selling authentic agricultural product, it is extremely important to eliminate such doubts and to create the perception of high quality and safe agricultural product. In that sense it is important that business excellence principles become common part of agricultural households business practice.

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