DOI : https://doi.org/10.14505/jemt.v10.2(34).15

The Integrative Strategic Development for Perspective Hotel Enterprise

Sergey Sergeevich SKOBKIN
Department of Hospitality, Tourism and Sport Industry
Plekhanov Russian University of Economics, Russian Federation
skobkin.s@yandex.ru

Suggested Citation:

Skobkin, S.S. (2019). The Integrative Strategic Development for Perspective Hotel Enterprise. *Journal of Environmental Management and Tourism,* (Volume X, Spring), 2(34): 396 - 404. DOI:10.14505/jemt.v10.2(34).15

Article's History:

Received February 2019; *Revised* March 2019; *Accepted* March 2019.

Abstract:

The article presents a model for building a strategy based on the principles of structuring strategic goals and their integration to maximize profits and equity based on the growth of competitive advantages. Presented portfolios of strategies to achieve each strategic stage of hotel development. A formula for calculating the cumulative effect of the implementation of the strategy on the basis of cost, income and comparative methods for determining the value of the enterprise is proposed.

Keywords: economic strategy; structuring goals; integrative stages of development; portfolio of strategies; ideal and real value of an enterprise; integrative strategic effect.

JEL Classification: H12; Z32.

Introduction

The current stage of development of the world economic system and its elements - the national economies of the countries of the world community, their industries and individual enterprises - is characterized by a significant increase in competition at all levels. It is a struggle for access to resources of all kinds, domination in the markets for goods and services, ensuring a high level and quality of life. Not only economic activities, but also all areas of socio-political, diplomatic, military, scientific and other types of human activity are becoming areas of competition. Growing competition in the market significantly increases the business risk of hospitality industry enterprises and inevitably leads to an increase in capital. For example, building a hotel is a big financial risk, measured in tens and hundreds of millions of dollars. To reduce it and at the same time to ensure the growth of the enterprise, it is necessary to foresee a picture of the development of the business in a relatively distant future. This vision allows you to shape the development strategy of the enterprise.

It is not a secret for anyone that any strategy should be developed for strictly defined goals, and the breadth and diversity of goals determines a broad typology of various strategies. Obviously, even for enterprises located in the same industry and engaged in one type of activity, the goals will not always coincide as well as the portfolio of strategies implemented. This, first of all, is connected with the uniqueness of enterprises both in terms of the set of resources and variants of the proposed management decisions, since the management process is not very formalized (management is not only science, but also art). This fact greatly complicates the process of developing a strategy or adapting a ready-made "pattern" behavior model to the conditions of a particular enterprise (Aaker and Bozhuk 2007).

1. Methodology

The scientific results were obtained using the methods of system, functional, cost and statistical analysis, expert assessments, graphical and tabular methods. The study used correlation and regression models, as well as adapted physical methods were used. The use of these methods and models made it possible to more fully analyze the various phenomena occurring in the process of strategic management of the enterprises of the hospitality industry.

2. Case Study

The current study seeks to extend our understanding on economic strategy development for hotel enterprise based on the strategic goals, resource concept, the theory of competitive advantage and the theory of transaction costs. For the first time, the scope of scientific research on the company's strategies was formally outlined in terms of the specifics of concepts, definitions, and methodologies in the early 1960s in the writings of A. Chandler, I. Ansoff and C. Andrews.

The original understanding of the strategy was formulated by A. Chandler as "the establishment of the main long-term goals and objectives of the enterprise and the development of an action program, and the allocation of resources necessary to achieve these goals" (Chandler 1962). This interpretation was a starting point for other founders of the theory of strategic management and a classic for all its subsequent development.

The contribution of I. Ansoff (Ansoff 1999). Consisted in the first conceptualization of corporate strategy, which played an important role in supporting previously unknown growth processes of companies through diversification, often in the form of conglomeration. His vision of the problem was entirely related to the development of an optimal strategic plan for such a company.

The merit of K. Andrews (the author of the analytical text for the Harvard textbook of 1965 on business policy) was to substantiate the methodology for developing strategies based on the synthesis of knowledge about the internal and external environment of the company. The economic strategy was presented by him as a correspondence between the characteristics of a firm (its strengths and weaknesses) and market opportunities (at a given level of risk), thanks to which it successfully adapts to the external environment (Andrews 1971).

By this study we offer a structured model of economic strategy, which is of great analytical importance for the strategic planning of an enterprise. Structuring is the process of forming a strategy, in which its elements are linked by logical basis into complete groups.

In our opinion, there are systemic integrative stages of development in the strategic planning of the hospitality industry. The key word in this title is the word "integrative", which characterizes the separate targeted and coordinated management decisions at various stages that are united by a targeted focus. Integrative strategic development of the enterprise of hospitality, in our opinion, is a combination and increment of knowledge about the effective long-term development, as well as the transformation of this knowledge into the practice of coordinated actions - strategies (Skobkin 2019).

Integrative strategic development of the enterprise of the hospitality industry is considered, simultaneously speaking, as a multifaceted phenomenon:

- by the method of achieving the goal;
- the procedure for reviewing and solving problems;
- the technology of creation, processing and changes in the strategy of the enterprise;
- a system of practical actions to achieve the future.

The author's position of interpreting the integrative economic strategy model for a hospitality industry enterprise is based on a resource concept aimed at achieving the strategic goals of enterprise development based on the growth of competitive advantages. Achieving competitive advantage is not an end in itself here, but a tool to achieve these strategic goals. An effective and well-defined economic strategy makes the company a strong and financially sustainable competitor in the hospitality market. Economic strategy produces mainly economic means of achieving strategic goals.

The complex of identified integrative characteristics allowed the author to combine them into a structured model of economic strategy based on the system integrative stages of the strategic development of hospitality industry enterprises, see Figure 1.

Strategic goals are achieved by the formation and implementation of the components of an economic strategy for each respective stage.

Such a prediction of the strategic goals of the enterprise and the means of achieving them over the long term is the essence of goal-setting in the development of a strategy. It is important to note that the proposed model of economic strategy contains indicators of fixing the achievement of goals in the form of strategy portfolios for each stage:

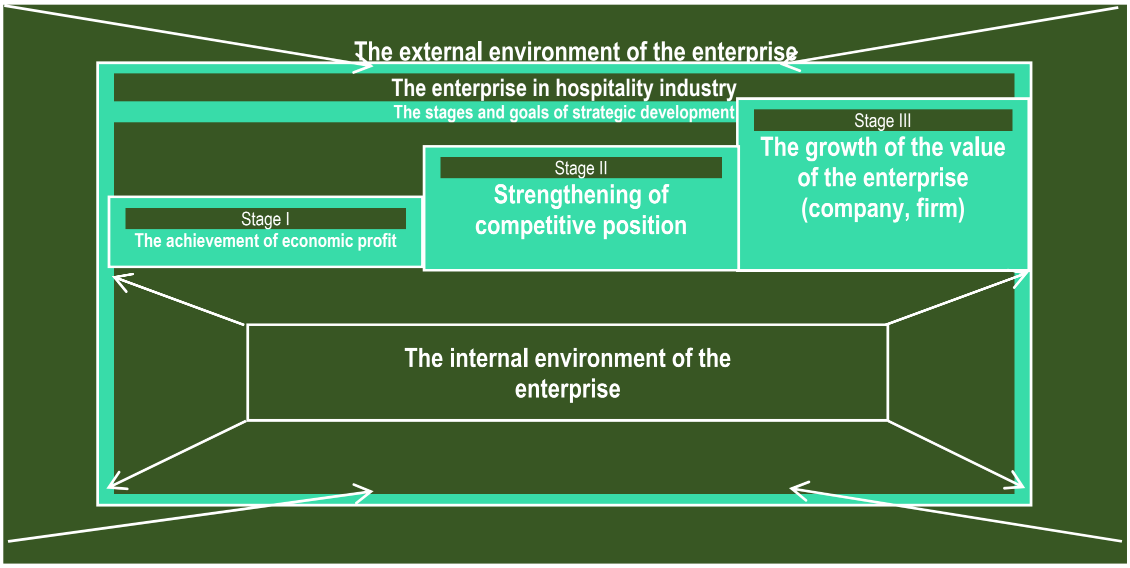
- achieving economic profit;
- strengthening the competitive position;

- increase in the value / value of the enterprise (company, firm).

At the same time, the transition to the next stage of the strategic goal is impossible without overcoming the previous stage. Strategic management combines a strategic approach to the formulation of tasks and a program-target approach to their implementation (Skobkin 2011).

An integrative model of economic strategy based on the systemic integrative stages of the strategic development of hospitality industry enterprises is fundamental to the development of an economic strategy. The model allows us to consider the economic strategy deeper from different sides, as well as to carry out its sequential analysis-synthesis of individual substrates in their interrelation and interdependence.

Figure 1. Model of integrative strategic development of the hotel enterprise



Source: provided by the author

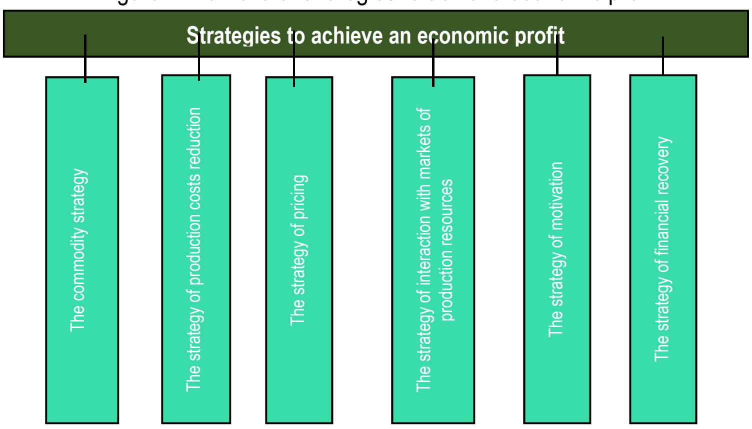
Let us now consider portfolio strategies for each stage to achieve the strategic goals.

1. The achievement of economic profit

The strategic goal of the first integrative stage of development of a hospitality industry enterprise is to achieve economic profit. In this case, all components of the portfolio of economic strategy are united by the unity of goals, means and indicators. The initial indicator of this level is the desire to earn and accumulate capital as quickly as possible and accumulate capital for the repayment of loans and business expansion. The goal is not to make a profit as such, but to a stable economic profit, which can be directed both to consumption and to expanded reproduction.

Under all conditions, the enterprise of the hospitality industry is committed to providing such a number of services that provides it with the maximum income and minimum losses. When comparing total (gross) production costs and total (gross) income, it makes sense for an enterprise to produce services if it receives economic profit.

Figure 2. Portfolio of strategies to achieve economic profit



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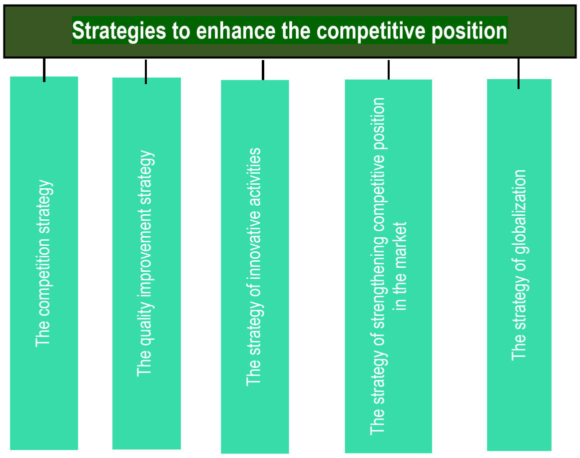
Portfolio of strategies allows the company to achieve economic profit is presented in Figure 2.

Only those enterprises that have competitive advantages, which allow them to provide services with lower costs than others, will receive increased economic profit in the short term.

2. Strengthening of competitive position

The second integrative stage in the development of the enterprise of the hospitality industry is its strategic goal - strengthening its competitive position. In this case, all components of the economic strategy are united by the unity of goals, means and indicators of increasing competitiveness. This level of strategic planning is simultaneously associated with increased competition in the target market. Now the goal is to strengthen our own niche and maximize market capture, which this portfolio of strategies is aimed at. In our opinion, the strengthening of the competitive position of the hospitality enterprise is achieved through the creation and implementation of difficult to replicate competitive advantages, and the result is an increase in market share. We are trying to overcome these difficulties of developing strategies and contradictions through the portfolio of strategies developed by the author to strengthen the competitive position of the hospitality enterprise, which is presented in Figure 3.

Figure 3. Portfolio of strategies to strengthen competitive position



Source: provided by the author

You can solve the problem of strengthening the competitive position in the traditional extensive way: master new services, invest more money in advertising, expand the staff of marketing specialists, develop consumer segments and geographic markets. Another way is intensive, when on the same assortment of services and the consumer segment results are achieved due to more efficient and innovative construction of work: introduction of modern management and resource-saving technologies, improvement of service quality, revenue management, customer relationship management, etc. We consider such an approach more preferable in the strategic development of a hospitality enterprise.

3. The growth of the value of the enterprise (company, firm)

The third integrative stage in the development of a hospitality industry may be the strategic goal of increasing its value and value in the capital market. As a result of changes in the economic situation and thanks to the accumulated experience, the idea of increasing the value and value of a company comes to the fore. Emerging management technologies are focused on this area.

The cost approach in the development of the enterprise hospitality, in our opinion, solves the following tasks:

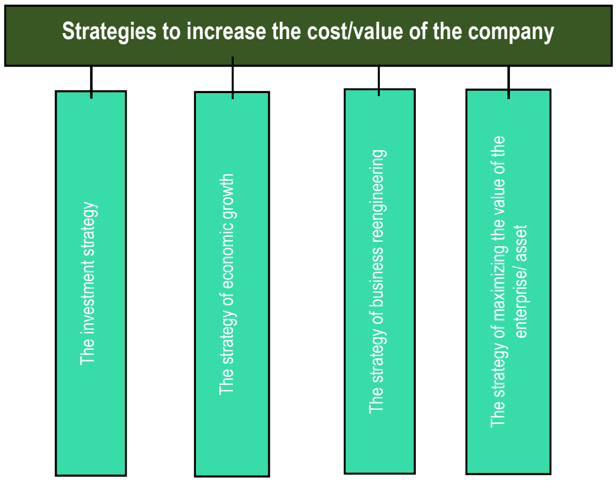
- the long-term welfare of the owners of the enterprise is defined as the overriding and ongoing task this causes all aspects of the enterprise;
- the amount of funds allocated for investment must be agreed with the owners of the enterprise the value of investments is formed only when the return on invested funds exceeds their opportunity cost;
- internal indicators used to predict, and measure performance indicators should motivate the company's management to maximize the long-term welfare of the owners of the enterprise;
- the external performance of the enterprise should allow for an objective assessment of what has been achieved and reflect the potential for creating value and value in the future.

We are trying to overcome these difficulties of developing a strategy through the portfolio of strategies for increasing the value / value of a company developed by the author, presented in Figure 4.

This portfolio of strategies, in our opinion, makes it possible to ensure an increment in value, because the secret of successful growth of the value of the enterprise of the hospitality industry is development and constancy.

These characteristics are the basis of strategic management now and in the future. In modern conditions, the company's value is achieved through the creation of sustainable competitive advantages in the implementation of hard-to-copy technologies that allow you to effectively manage your business. Knowledge management is the basis of this process.

Figure 4. Portfolio of strategies to increase the value of the company



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3. Results

The study shows that the integrative strategic development of a hotel enterprise based on an economic strategy provides the most important strategic goal - the increment of value by the value of the cumulative effect created by economic profit.

This approach is consistent with the concept of cost management and means that all management decisions taken are primarily considered from the point of view of the impact on the increase in the market value of the enterprise. At the same time, we associate economic profit with an increase in the price of the capital of an enterprise implementing an economic strategy.

Thus, the integrative strategic development of a hospitality enterprise adds value, which forms the difference between the market price / value of an enterprise achieved in the context of integrative strategic development and the value of the net assets of an enterprise formed over the same period. We call this indicator the integrative strategic effect achieved as a result of the implementation of the economic strategy (Skobkin 2012).

The author's position is that the integrative strategic effect of the implementation of the economic strategy should be calculated using the cumulative method as a result between the market value of an enterprise calculated as a weighted average of valuation results using a combination of cost, income and comparative methods net asset method. The advantages of the cumulative method include identifying and accounting for a wide range of factors affecting the value of the enterprise.

The cumulative method takes into account various types of investment risks and implies an expert assessment of both general economic and industry-specific and enterprise-specific factors that generate the risk of underperforming planned revenues. The most important are such factors as the size of the company, the structure of finance, production and territorial diversification, quality of management, profitability, predictability of income, etc.

At the same time, calculations show that the use of costly, profitable and comparative assessment methods separately does not allow achieving an accurate result due to their isolation from the implementation of an economic strategy, a large number of assumptions leading to the subjectivity of estimates.

Taking into account the above, we propose to calculate the integrative strategic effect of the implementation of the ISE (Integrated Strategic Effect) economic strategy using the following formula (Skobkin 2013): $ISE = C_U \cdot (ASS_{L1} - LBS_{L1}) + C_V \cdot \left[\sum_{k=1}^{L} \frac{CF_k}{(1+r)^k} + \frac{1}{(1+r)^L} \cdot \frac{CF_{L+1}}{(r-g)} - LTB\right] +$

$$+C_W \cdot \sum_{i=1}^{n} (K_i \cdot M_i \cdot B_i) - (ASS_{L1} - LBS_{L1}), \quad (1)$$

The ASS_{L1} - LBS_{L1} value in the first term is an estimate of the value of the enterprise obtained using the cost method, where ASS_{L1} is the balance sheet result: Assets minus the debt of founders on contributions to the authorized capital, LBS_{L1} is the result of section IV of the balance sheet Long-term liabilities: Liabilities plus total for section V of the balance sheet: Short-term liabilities: Liabilities minus deferred incomes for section V of the balance Short-term liabilities: Liabilities of the enterprise by the end of the last (*$L_{1\text{-}th}$*) year of the retrospective period.

Expression in square brackets $\left[\sum_{k=1}^{L}\frac{CF_k}{(1+r)^k}+\frac{1}{(1+r)^L}\cdot\frac{CF_{L+1}}{(r-g)}-LTB\right]$ in the second term, it represents the value of enterprise V calculated using the discounted cash flow method in the post-forecast *(L+1)* year minus long-term debt *LTB (Long-Term DEBTS)*; here is the CF_k cash flow in the k_{th} *year, = 1,2, ..., L+1*; The estimated discount rate r is $R_f + S_1 + S_2 + S_3 + ...$, where R_f is the risk-free rate, and $S_1, S_2, S_3, ...$ are the risks are inherent in the enterprise, taking into account its size, financial structure, etc .; *g* is the average growth rate of cash flow in the forecast period.

In the third term $\sum_{i=1}^{n}(K_i \cdot M_i \cdot B_i)$- this is the value of the enterprise, determined by the comparative method of the capital market; the number of terms in this sum *n* is equal to the number of enterprise performance indicators used in assessing its value; *K* - the indicator of the activity of the enterprise being evaluated in monetary terms, *M* - the multiplier by the i_{th} indicator; *B* - the weight of the i_{th} indicator.

In formula (1) *L1* is the number of years in the retrospective period, *L2* is the number of years in the forecast period, *L = L1 + L2,* and C_U, C_V and C_W are the weight coefficients used in the final calculation of the enterprise value for the cost, income and comparative approaches, respectively.

The resulting ISE value is obtained as a result of subtracting from the market value of the enterprise at the beginning of the forecast period the sum of net assets $ASS_{L1} - LBS_{L1}$ for the last year of the retrospective period.

Economic strategy is a combination of economic and strategic aspects of enterprise management, determines its goals, means and indicators of the degree of their achievement for the long term, and the integrative strategic effect shows the effectiveness of the implementation of an economic strategy.

The method proposed by the author for determining the integrative strategic effect of the implementation of the economic strategy of a hotel enterprise consists of five stages.

At the first stage, the enterprise value is determined by the cost method of net assets (Skobkin 2012). The essence of this method lies in the fact that the value of the enterprise of the hospitality industry is estimated as the difference between the value of its assets and the volume of liabilities of this enterprise. At the same time, the assessment of the "Assets" and "Obligations" of an enterprise is made on the date of the valuation of the business, taking into account the real liquidity of the assets and the amount of liabilities, and the following formula for determining net assets is valid:

CHA = (total balance of Assets - ZU) - (total of section IV Long-term liabilities: Liabilities + total under section V Short-term liabilities: Liabilities - Deferred income under section V Short-term liabilities Liabilities) (2)

where: CHA are net assets; ZU is the debt of the founders on contributions to the share capital (not separately allocated in the balance sheet and is recorded as short-term receivables).

The second stage of the methodology determines the value of the enterprise according to the income method of discounting cash flows. The income method links the value of the existing company with the receipt in the future of certain income from this company and requires the identification of risks to calculate the discount rate. The method of discounting cash flows is not applicable to the assessment of chronically unprofitable enterprises. It is also not applicable to the assessment of new enterprises, since it is impossible to forecast the cash flows of the enterprise due to the lack of past data on the profits of the enterprise. The cash flow during the forecast period can be calculated both for equity and for all invested capital. For the purposes of this valuation methodology, we select the net cash flow for the company's own capital, which is calculated using the following formula:

DP = Net profit - Absolute increase in fixed assets + Depreciation + Increase in long-term debt - Increase in net working capital (3)

The discount rate is calculated using the following formula:

$$r = R_f + S_1 + S_2 + \ldots + S_n, \quad (4)$$

where: R_f is the risk free rate; S_1 - S_n - risks inherent in the enterprise: S_1 - risk, depending on the size of the enterprise; S_2 - the risk of financial structure; S_n - other risks.

The annual ruble rate on deposits of the Central Bank of the Russian Federation, calculated as a weighted average rate on ruble deposits in credit institutions for a period of 1 year, is taken as a risk-free discount rate. In addition to the risk-free discounting rate determined by the Central Bank of Russia, we define non-systematic, systematic and financial risks of the enterprise. The unsystematic risks of a hospitality enterprise include: diversification of activities; market share; quality control, etc.

Systematic risks include: inflation; interest rates; economic growth in the country, industry; exchange rates; criminogenic factors; a change in government policy; entry barriers to the industry, etc.

Financial risk assessment is carried out in the following ways:

- the capital structure or the ratio of own and borrowed funds is compared;
- liquidity or the ability to pay current liabilities with current assets is assessed;
- analyzes the company's creditworthiness or the ability to raise borrowed funds on favorable terms are carried out.

Having determined the weighted average of unsystematic and systematic risks, we can establish a risk premium, which depends on the size of the enterprise less or more than $ 100 million. The risk of the financial structure of an enterprise is determined by comparing the actual and normative values of such indicators as: current liquidity ratio; absolute liquidity ratio; financial independence ratio; Payables to receivables ratio. If the actual value of the indicator is greater than the standard value, then there is no risk for the enterprise, if less, then the risk should be taken into account. As a result, we determine the calculated discount rate, which will include the risk-free discount rate, risk premium, weighted average of non-systematic and systematic risks, as well as the average value of the risk of the financial structure. The capitalization rate is determined by the formula:

Capitalization rate = Estimated capitalization rate - the average growth rate of sales revenue in forecast period (5)

The cost of selling an enterprise in a post-forecast period is determined using the Gordon model. According to this model, the annual income of the post-forecast period is capitalized into cost measures using the capitalization ratio according to the following formula:

PVtv = (post-forecast period cash flow * Current Ratio cost) / capitalization rate (6)

It should be borne in mind that the longer the forecast period, the less the effect of the estimated value on the current value of the enterprise.

The third stage is to determine the value of the enterprise by the comparative capital market method. The essence of the comparative approach in determining the value of the enterprise lies in the selection of an enterprise similar to the one being assessed. Then calculated the ratio between the sale price and any financial indicator for the enterprise-equivalent. For the evaluation, it is necessary to use the appropriate multipliers (coefficients characterizing the ratio of the resulting indicator to one of its components). The following types of multipliers are widespread: P / S multiplier “Price / Sales revenue”; P / E multiplier “Price / Net Profit”. These multipliers are set by the agency “RA Expert”. When using multiple multipliers, the formula for calculating the value of the enterprise will be as follows:

$$\text{Company value} = \sum_{i=1}^{n} (Ki \cdot Mi \cdot Bi) \qquad (7)$$

where: n is the number of performance indicators used in the valuation of the company; Ki is an indicator of the performance of the assessed enterprise; M_i is the multiplier by the i_{th} index; *Bi* is the weight of the i_{th} multiplier.

The fourth stage includes determining the final market value of the enterprise.

Table 1. The results of the evaluation of the enterprise *

Method of calculating the value of the business	Cost thousand roubles
By the cost method (net asset method)	964934
By income method (method of discounting future income)	1388275
By comparative method (capital market method)	2440851

Source: provided by the author

Based on the expert assessment, the proportion of the comparison criterion is calculated for each method of calculating the value of the enterprise.

Table 2. The proportion of the comparison criterion *

Criteria	Cost method	Income method	Comparative method
Relevance to assessment purposes		+	
Compliance with the information used	+	+	
Sufficiency of information	+	+	
Reliability of information	+		
Accounting for property potential	+		
Market accounting			+
Taking into account the development prospects of the enterprise based on economic strategy		+	
Risk accounting		+	
Easy calculations	+		
Consideration of the specific features of the subject property	+	+	
Number of observations	6	6	1
Total	6/10	6/10	1/10
Weight	6/10·10/13= 0,462	0,461	0,077

Source: provided by the author

To determine a more accurate value of the enterprise, it is necessary to calculate the weighted average value according to the weights of the various assessment methods (Table 3).

Table 3. Final calculation of the enterprise value *

Indicator	Calculation (thousand rubles)
Market value of the enterprise	964934 · 0,462 + 1388275 · 0,461 + 2440851 · 0,077 = = 445710 + 639995 + 187946 = 1273651

Source: provided by the author

Thus, the market value of the company on 01.01.2019 is 1273.651 million rubles.

The fifth and final stage determines the integrative strategic effect of the implementation of the economic strategy on the basis of the proposed formula (1).

The integrative strategic effect of the implementation of the economic strategy will be

1273.651 million rubles. - 964.934 million rubles. = 308.717 million rubles.

Thus, the use of economic strategy allows you to increase the value of the assets of the company compared to their book value by 24.2%.

The presented author's method of determining the integrative strategic effect of the implementation of an economic strategy based on a cumulative approach simultaneously uses three methods of assessment: cost, income, and comparative, as a weighted average. This approach, in our opinion, allows us to overcome the criticism of using only one of the methods of calculating the value of the enterprise. At the same time, in the process of developing an economic strategy, it is important not only the valuation of the growth of the company's capital, but also the planning and implementation of the portfolio of strategies ensuring this growth.

Conclusion

The author's position of interpretation of the economic strategy for enterprises of the hospitality industry is based on the use of available and borrowed resources aimed at ensuring sales growth, obtaining stable economic profit, improving liquidity, asset growth and market value of an enterprise at an acceptable level of risk. In our opinion, an effective and well-defined economic strategy makes an enterprise financially a strong and sustainable competitor in the hospitality market. Economic strategy produces mainly economic means of achieving strategic goals. The mutual coordination of strategic goals in time and resources allows achieving the global goal of an economic strategy - the creation and maintenance of a competitive advantage of an enterprise in the long term.

The structured economic strategy for integrative strategic development of hospitality enterprises developed by the author allows identifying the strategic goals of enterprise development, dividing the economic strategy into separate sub-strategies forming the tree of the economic strategy, and making a subsequent analysis-synthesis of the economic strategy as a whole. Structuring a strategy allows you to abstract from irrelevant details and focus on the key problems of choosing an economic development strategy.

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