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Research paper



Methodological Approaches to Development Strategies for the Tourism and Hospitality Industry Enterprises

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Abstract

The article is concerned with methodological approaches to development strategies for tourism and hospitality industry enterprises. It has been found that most regions, local tourist destinations, tourism and hospitality industry businesses do not have any clear formalized strategy. It was determined that some tourism and hospitality industry businesses apply only individual elements of strategic management, i.e. do not have an integrated system of strategic management. Methodological tools have been proposed for elaborating development strategies for tourism and hospitality industry enterprises, which show that strategic management, which is methodological by nature, i.e. is characterized by the conceptual approach and panoramic vision, cannot give an exact and clear view of the tourism industry's future. It was proved that strategic management cannot be limited to a set of universal and routine rules, procedures or schemes. It was defined that strategic management requires great efforts, time and resources to make the activity of tourism and hospitality industry businesses remarkable.

Keywords: *Development; Economy; Industry; Product; Service; Strategy; Tourism and hospitality industry enterprise.*

1. Introduction

The contemporary theory of studying the scientific basis for the elaboration of development strategies in the tourism and hospitality industry is based on the paradigm of the theory of services since tourism services are the basis for the development of a complex tourism product and are connected with all non-material sectors of the economy. According to the theory of the three sectors of a national economy, the primary sector is agriculture and the extractive industry, the secondary sector – manufacturing, and the tertiary sector – services.

In the framework of this approach, it can be pointed out that the sign of a developed economy is the rapid expansion of the services sector and its transformation into an important sector of the economy. More than half of the gross domestic product is forecast to be generated just in the services industry, which the tourism and hospitality industry belongs to. Over the past decade, the role of the services sector in Russia's gross domestic product has slightly changed. However, this was mainly driven by a sharp decline in production in the manufacturing sector which, in turn, caused shifts in the state's economic policy priorities.

For this reason, a bigger role and wider scope of the services sector, to which the tourism and hospitality industry belongs, in the country's GDP confirms an increase in the circulation of capital among various industries and the possibility of a synergetic effect for the entire national economy.

The study of problems related to the elaboration of development strategies for tourism and hospitality businesses was presented in research works by N.M. Gromova [1], E.A. Dedusenko [2], S.A. Kazakova [3], M.A. Los [4], L.S. Morozova [5], M.G. Musaev [6], etc. While scientists pay much attention to the issues of development of tourism and hospitality enterprises, the present socio-economic and political realities have substantially complicated and changed the economic practice in the industry. New development patterns have emerged, requiring constant revision, deepening and renovation of the current theories, concepts and models.

2. Methods

The methodological basis of the research is the system approach, the methods of scientific abstraction, analysis and synthesis, the dialectic method of studying economic phenomena, and provisions for development strategies for tourist destinations in the unstable economic environment. To solve specific tasks the following methods were used in the article: theoretic generalization, logical, scientific abstraction, association and analogy (in order to study and generalize the methodological basis for strategic development of enterprises of the tourism and hospitality industry; the methods of system analysis, generalization, and comparison (in order to study the methodological approaches and methods of assessing efficiency of management in businesses of the tourism and hospitality industry).

The information base of the research included legislative and statutory acts, statistical data from public authorities and self-government bodies, scientific publications of Russian and foreign scientists about problems related to the elaboration of development strategies for enterprises of the tourism and hospitality industry [7, 8, 9].

In the course of the study, it is planned to develop approaches to management of enterprises of the tourism and hospitality industry, substantiate directions for strategic management in the tourism sector. In addition, a task is set to substantiate the development

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system for the tourism industry and determine the main areas of development for enterprises of the tourism and hospitality industry in the unstable economic environment.

3. Results

Under the current economic conditions, in order to increase activity in the tourism and hospitality industry, it became necessary to think strategically, which is mainly characteristic of economic entities for whom the entrepreneurial format of economic activities promoting future development is typical. When studying the strategic development of the tourism and hospitality industry in general, it is essential to define the stages of strategy development.
To make clear division of the rights, duties and authority to take and execute managerial decisions, it is proposed to elaborate development strategies for enterprises of the tourism and hospitality industry based on the principle of hierarchy by defining four levels of development (national, regional, specific tourist destinations and specific tourism and hospitality industry subjects) and relevant documents aimed at development at each level (national strategy, regional strategy, strategy of a specific destination (city, settlement, village, etc.) and strategy of a tourism and hospitality company).
When developing the tourism and hospitality industry in Russia, assessment is carried out on the basis of the following macroeconomic indicators that characterize the national development of the industry as a whole, i.e. changes in tourist flow, the scope of tourism and hotel services provided, budget payments, employment in the tourism and hospitality industry, etc.
Another indicator for assessing the development level of the tourism and hospitality industry in Russia is data from the Travel and Tourism Competitiveness Index which is published by the World Economic Forum. The Index shows results of competitiveness studies in the global tourism and hospitality industry every two years. This report in the form of ratings is often used as a tool of strategic management for businesses and governments to elaborate development strategies for the tourism and hospitality industry.
The methods of formation of the competitiveness index for the tourism and hospitality industry are based on 79 indicators, grouped into 14 components. The data that make up the index form, in turn, 3 main sub-indices: 1) Sub-Index "Regulatory Environment in the Tourism and Hospitality Industry", which comprises 5 components, such as legislation and state regulation; environment, environmental protection; security; healthcare; the industry's priority for a country; 2) Sub-Index "Environment and Infrastructure for Businesses", which comprises 5 elements, such as air transport infrastructure; land transport infrastructure; tourism industry infrastructure; IT infrastructure; price competitiveness; 3) Sub-Index "Human, Cultural and Natural Resources in the Tourism and Hospitality Industry", which comprises 5 components, such as the availability of qualified staff; the desire to develop tourism; natural resources; cultural heritage; climate change.
In regard to the development of the tourism and hospitality industry in the regions, the authors propose to elaborate and approve development programs or development strategies for a specific region every three or five years, with funds to be mainly provided from local budgets. A region's development programs for the tourism and hospitality industry should include efforts to develop and improve tourism and recreation infrastructure, to create favorable conditions for efficient management of the region's tourism and recreation industry, to raise professionalism of tourism and hospitality employees, to create safe conditions for tourists, to provide international cooperation and exchange of related experience.
Nowadays, there is the practice of local governments' developing and implementing such programs and strategies for enterprises of the tourism and hospitality industry, but their mechanisms have yet to be finally adjusted to control, monitor and report to the local public about results achieved. Essentially, such strategies should stipulate not only events of development and sources of funds but also relevant mechanisms of control, monitoring and reporting.
Primary tools of the mechanism to implement a development strategy in the tourism and hospitality industry can include (1) a system of regional statutory legal acts, which are logically connected, and specific methods and tools of state regulation, which are applied consistently, (2) information, methodological and instrumental support of preparation and adoption of managerial decisions by regional authorities, (3) wide use of strategic management elements provided that they are reasonably connected with methods and forms of operational management.
At the same time, the theory and practice of entrepreneurship cover a wide range of general areas of development for standard economic conditions. Such development strategies are called standard or basic. In line with such an approach, several forms of development can be highlighted for enterprises of the tourism and hospitality industry to make reasonable use of.
1. Development through integration and diversification of activities, which are considered in several modifications. Integration is a strategy of intra-sector growth. The strategy has a form of horizontal integration when control is gained over competitors or enterprises of the tourism and hospitality industry merge in the course of business. When control is established over the links of the service chain, the strategy gets the form of vertical integration. Thus, related areas of tourism and hospitality activities are united in the course of integration.
2. Development via global expansion by forging strategic alliances or setting up joint ventures. Under the circumstances, enterprises of the tourism and hospitality industry can be expected to streamline operations within their current market positions.
3. Development via organizational flexibility, i.e. the ability to predict the development of competitors' economic processes also reduces uncertainty and independence. Ensuring organizational flexibility is another way of development for a company of the tourism and hospitality industry. Opposed to the above types of growth, this form aims, above all, to foresee competitors' development.
For this reason, to gain competitive advantages the following strategies can be offered to enterprises of the tourism and hospitality industry:
- The Strategy of Cost Leadership, which stipulates the inclination towards the lowest cost when creating and distributing tourism and hotel services. This strategy aims to set lower prices and increase market shares.
- The Strategy of Differentiation, which stipulates efforts to gain leadership in terms of the level, quality and technology of service, etc. This strategy aims to provide consumers with exclusive services, constituting the peculiar modification of standard services (discounts, bonuses, certificates, etc.).
- The Strategy of Concentration (Focus Strategy) aims to improve the specialization and concentration of a company of the tourism and hospitality industry on a relatively narrow target group of consumers or on certain services. This strategy is based on the selection of a narrow competitive area within the industry (market niche) without taking the whole market into consideration.
- Early Entry Strategy is when a tourism enterprise brings an original tourist service to the market via innovations. The specific feature of this strategy is substantial risks, the complexity of planning when past experience is not extrapolated.
- The Strategy of Synergy aims to enhance operating efficiency through the common use of resources. In this case, this can mean the generation of competitive advantages by merging several enterprises of the tourism and hospitality industry for joint use of resources, general managerial experience, marketing tools, etc. This strategy is the basis for the formation of various unions, alliances and other associations (synergy of costs, sales, planning and management).
Moreover, the business strategy of a specific business is the basis of the sub-system of the corporate strategy at enterprises of the tourism and hospitality industry, from which destination is made

of. Provided that a company carries out only one specific type of business, the business strategy coincides with the corporate strategy. Thus, the approach of concepts used to build corporate strategies, which the authors considered and proposed, can be shown in the following scheme (Figure 1).

Research shows that modern enterprises in the tourism and hospitality industry are at the stage of managing strategic changes.

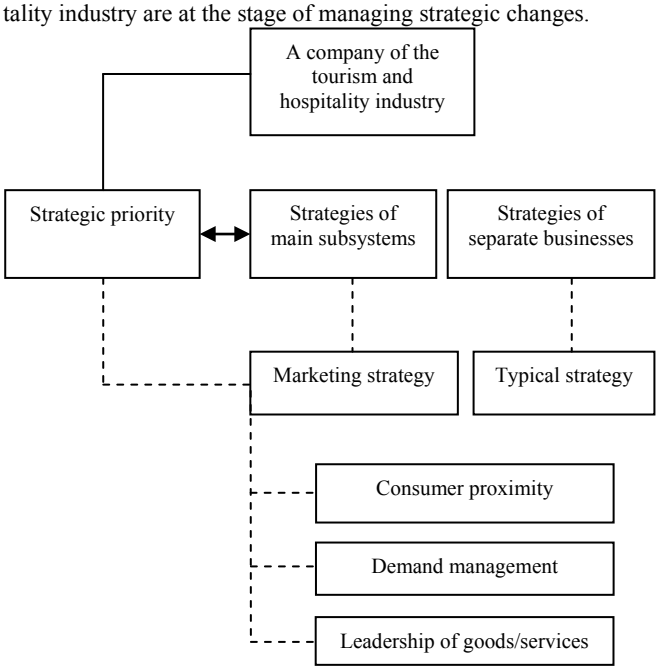


Fig. 1: Diagram of the general conceptual strategy of a company of the tourism and hospitality industry

For this reason, the formation of the modern paradigm of strategic management is urgent, i.e. the theory of strategy management merges with the theory of change management, and it is the theory of change management that is built into the theory of strategic management (Table 1).

Table 1: Distinctive features of classical and reformative strategy management at a company of the tourism and hospitality industry

Management elements	Classical strategic management	Reformative strategic management
Primary task	To ensure long-term viability and sustainable competitive advantages at enterprises of the tourism and hospitality industry	Modern transformation of a company of the tourism and hospitality industry
Success factors	Industry structure, the position held by a company of the tourism and hospitality industry in the industry, distribution of resources among enterprises	The added value of a company of the tourism and hospitality industry
Strategic process	Comprehensive analysis and long-term forecast of the environment, centralized strategic planning, "top-down" strategy introduction	Self-organization of strategic activities on the basis of general vision

The practice has shown that any enterprise of the tourism and hospitality industry constitutes a complicated socio-economic system. It is, therefore, necessary to talk about its comprehensive development. Comprehensive development can mean straightforward and regulatory changes of technical, economic, social, organizational and other parameters.

4. Discussion

The reliability of the suggested approaches to the elaboration of development strategies for enterprises of the tourism and hospitality industry is confirmed by the fact that in practice it is hard enough to highlight and clearly classify strategies to be implemented to develop one or another enterprise [10, 11, 12]. However, taking into account the realities, the authors believe that in the course of business companies are reasonably guided by such strategies as "consumer proximity", "demand management", and "leadership of goods/services".

Enterprises of the tourism and hospitality industry that strive to muster the Consumer Proximity strategy, i.e. to find a niche, are marked by five main distinctive features: the high degree of technology manageability; a pricing workshop; the best system of demand measurement by consumer groups; the focus on the solution of customer problems; readiness to bear costs to customize its services.

At the same time, the development of the strategy of demand management is based on the study and analysis of factors impacting fluctuations in demand, i.e. determining the nature of fluctuations in demand; finding out cycles of fluctuations in demand (day, week, month, year); establishing reasons that cause changes in demand (nature & climate, cultural-public, socio-economic, etc.). Factors, which increase and decrease demand, can also be highlighted, and they are prices, changes in the location and time of service, priorities set for customer service (urgency of services, much higher costs of services).

At the same time, the Leadership of Services Strategy envisages the following directions: understanding of the target market and consumer needs, specific policy available to satisfy these needs, which make it possible to attain high consumer loyalty; executives' paying attention to the level of service at all times; high standards of services set; the use of systems of monitoring the result of service, which are based on comprehensive assessment of performance; systems introduced to handle and satisfy consumer complains.

5. Conclusions

Summing up the results, the authors can point out that most regions, local tourist destinations and enterprises of the tourism and hospitality industry in Russia do not have any formalized strategies. Some of them make use only of individual elements of strategic management, i.e. do not have a comprehensive system of strategic management.

The proposed methodological tools for the elaboration of development strategies for enterprises of the tourism and hospitality industry led the authors to the conclusion that strategic management, given its methodological essence, i.e. the conceptual approach and panoramic vision, cannot give an exact and clear view of the industry's future. At the same time, strategic management cannot be limited to a set of universal and routine rules, procedures and schemes. In addition, strategic management requires substantial efforts, time and resources to the achievements of enterprises of the tourism and hospitality industry remarkable.

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