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THE FINANCIAL AND ECONOMIC ASPECT OF ASSESSING THE COMPETITIVENESS OF THE HOSPITALITY INDUSTRY

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Abstract

The paper considers traditional methods for assessing the competitiveness of the hospitality industry. The analysis of economic and financial indicators of some Russian hotels is carried out. An algorithm for assessing the competitiveness of enterprises in the hotel sector based on a statistical analysis of economic and financial indicators is proposed. The study allowed the authors to assess the competitiveness of the hotel enterprises. One of the factors of competitiveness of the hotel industry is the financial-economic situation, which may also be called a financially stable position, financial stability, and financial competitiveness.

Keywords

Hotel Enterprises, Financial Indicators, Competitiveness, Competitiveness of enterprises, Hospitality Industry

1. Introduction

The problems of competitiveness growth at the level of each particular company reveal themselves in conditions of the economy crisis. In the last quarter of the 20th century the modern

theory of competitiveness was developed in the works by M. Porter, A. Thompson and A. Strickland (Porter, 1990; Thompson & Strickland, 2001). Globalization opened up the entire world to business, and many companies forgot the importance of local conditions for their productivity and growth (Porter, 2013). According to Porter's research, competition is a reality that the company creates and never transfers to anyone. Through a financial statement analysis investors determine financial feasibility, profitability, and growth. Trend analysis assists investor to inspect the future growth or project future based on historical performance (Arif, Noor-E-Jannat & Anwar, 2016).

Also, "the assessment of financial stability can be described through a system of calculation of indicators that characterize the level of independence judging by the elements of the assets and provide an opportunity to measure how stable the analyzed organization financially is" (Baranova & Bogatyreva, 2017).

1.1 Definition of Competitiveness

There are some approaches to the definition of competitiveness in the literature. This term is a multidimensional concept and can be considered at three levels: country, industry, and firm levels. Sources of competitiveness are those assets and processes within an organization that provide competitive advantage. These sources can be tangibles or intangibles (Ambastha & Momaya, 2004).

Competiveness classified into three components; entrepreneurship, lifelong learning and employability according some researchers (Hadiyanto, Noferdiman, Moehamin & Yuliusman, 2017). The fact that competition is firstly between destinations becomes obvious, since this is what visitors choose in the first place. Only after this choice another form of competition occurs, that between the suppliers of products and services at the respective destination (Maria, Madalina, Catalina & Diana, 2008).

Table 1: The definitions of the competitiveness

Porter, Linde (1995)	Competitiveness at the industry level arises from superior productivity, either in terms of lower costs in comparison with rivals or the ability to offer products of superior value that justifies a premium price
Gelvanovsky (2006)	Competitiveness, in general, can mean the possession of the properties making the subject of economic competition more advantageous
Fatkhutdinov (2008)	Competitiveness is the property of an object, characterized by the degree of real or potential satisfaction of a certain need, in comparison with the analogous objects represented in this market
Meskon, Albert & Hedouri (1998)	Expressed competence lies in the fact that the company does something better than its competitors thereby it maintains the competitiveness which allows the company to attract and retain the consumers

1.2 Factors of competitiveness

Table 2 shows that the majority of scholars give priority to the progressive ways and methods of business running which are comprised in production management. Then the preference goes to the financial-economic position of the producers, the quality and the level of prices, the production and labour potential of the company, etc. The advantage at the level of business running enables the companies to establish sustainable economic and financial performance and achieve high quality produce and acceptable for buyers price levels.

The main factors of competitiveness in accordance with the existing approaches are presented in table 2.

Table 2: *The main factors of competitiveness*

Factor	RESEARCHERS					
	Porter M.	Kono T	Olivier A., etc.	Meskon, etc.	Brun	Aristov O.
The magnitude and dynamics of demand for products	+	-	-	-	-	-
The product quality and price level	+	-	+	-	+	-
The productivity and labour potential	+	+	-	-		+
The high level production management	+	+	+	+		-
The existence of well-developed related industries	+	-	-	-	+	-
The government support in export-oriented industries	+	-	+	-	-	-
The significant changes in the global economic and financial system	+	-	-	-	-	-
The effective marketing and image advertising	+	+	+	-	-	-
The financial - economic situation	-	+	+	+	+	-
The environmental and safety compliance	-	-	-	-	-	+

Consequently, it is possible to allocate the characteristics of competitive production which are displayed in Figure 1. Thus, the level of competitiveness is mainly determined by the effective management performance, the technological processes and staff competence.

Basing on the results of the study of the theoretical approaches, it is possible to conclude that one of the most important parameters of competitiveness of the enterprises in the hotel sector is the financial-economic situation, characterized by the system of relevant indicators and ratios.

“Determining the competitiveness factors and their attributes represents a first level in elaborating the competitiveness model. A second level consists of including the attributes of the competitiveness factors in the processes and operations in the organization with a view to

reaching the objectives and obtaining a competitive advantage. The third level of the model shows the dimensions of competitiveness as a social and economic impact, namely: clients' satisfaction, the position on the market and the social internal and external responsibility”(Maria, Madalina, Catalina & Diana, 2008, p.217).

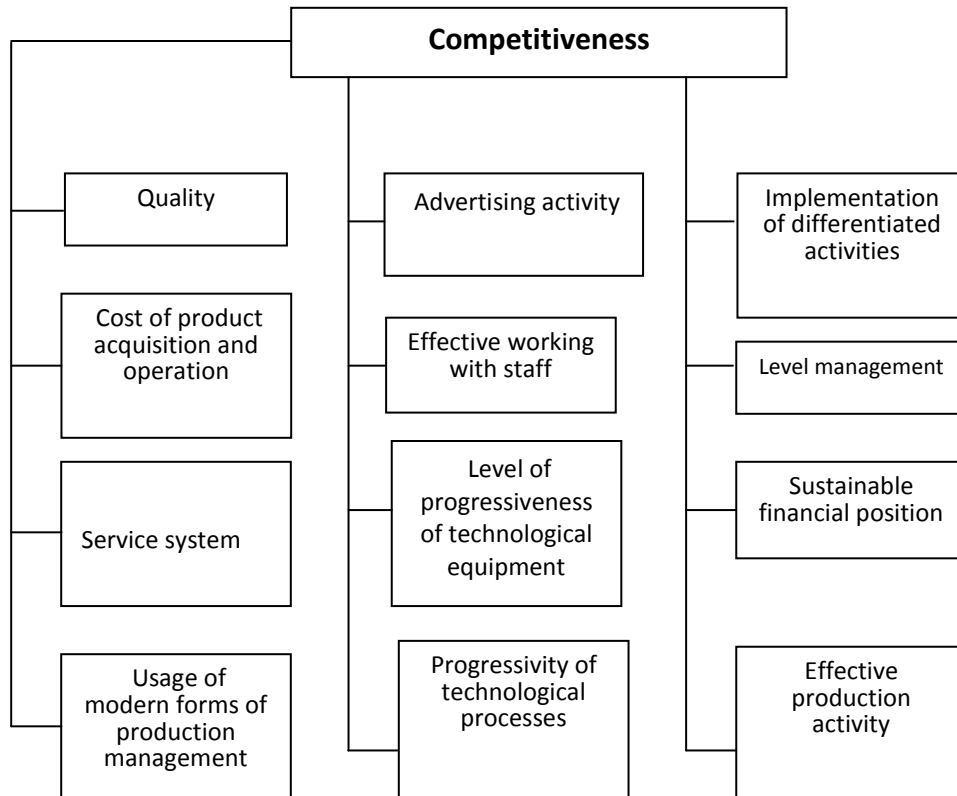


Figure 1: *The main characteristics of competitiveness*

2. Research Findings

The results of the calculations concerning three hotels JSC «The Hotel Barnaul», JSC «The Hotel Novorossiysk», JSC «The Tomsk Hotel» are presented in tables 3-5. The analysis was conducted on the basis of three groups of indicators: assets (the amount of non-current assets, the amount of current assets, the total quantity of assets); profit and profitability (the result from operating activities, the net profit, the asset profitability of net income); liquidity (fixed, absolute).

The choice of the above mentioned groups of indicators and their constituents can be substantiated by the following factors:

- The indicators of the assets group reflect the value of the property belonging to the hospitality sector enterprise; whereas the availability and the condition of capital assets affect the profit level and the cash flow generated by the hotel visitors;

- The indicators of profit and profitability group disclose the effectiveness of the property management;
- The liquidity indicators are traditional criteria in conducting financial analysis which reflect the ability of hotel companies to repay existing obligations.

Table 3: The indicators of the assets group

The name of the object	2011 г.	2012 г.	2013 г.	2014 г.	2015 г.
<i>The indicators of the assets group</i>					
<i>The amount of non-current assets</i>					
The Hotel Barnaul	30 158 000	28 607 000	28 786 000	27 287 000	27 559 000
The Hotel Novorossiysk	11 512 000	14 279 000	20 427 000	19 712 000	16 749 000
The Tomsk Hotel	42 024 000	42 996 000	43 000 000	78 805 000	78 328 000
<i>The amount of current assets</i>					
The Hotel Barnaul	7 197 000	7 300 000	6 130 000	9 419 000	12 381 000
The Hotel Novorossiysk	43 733 000	19 543 000	15 618 000	11 549 000	14 191 000
The Tomsk Hotel	21 202 000	29 333 000	34 178 000	12 496 000	6 620 000
<i>The total quantity of assets</i>					
The Hotel Barnaul	37 355 000	35 907 000	34 916 000	36 706 000	39 940 000
The Hotel Novorossiysk	55 245 000	33 822 000	36 045 000	31 261 000	30 940 000
The Tomsk Hotel	63 226 000	72 329 000	77 178 000	91 301 000	84 948 000

Table 4: The indicators of the profit and profitability group

The name of the object	2011 г.	2012 г.	2013 г.	2014 г.	2015 г.
<i>The indicators of the profit and profitability group</i>					
<i>The result from operating activities</i>					
The Hotel Barnaul	17 371 000	11 542 000	13 507 000	12 235 000	17 205 000
The Hotel Novorossiysk	1 057 000	3 648 000	3 985 000	4 756 000	4 214 000
The Tomsk Hotel	5 433 000	13 651 000	10 077 000	4 085 000	-406 000
<i>The amount of net income</i>					
The Hotel Barnaul	11 350 000	6 549 000	7 356 000	6 434 000	10 277 000
The Hotel Novorossiysk	379 000	-24 260 000	1 003 000	504 000	487 000
The Tomsk Hotel	-878 000	7 808 000	5 720 000	760 000	-2 471 000
<i>The asset profitability of net income</i>					
The Hotel Barnaul	0,30	0,18	0,21	0,18	0,27
The Hotel Novorossiysk	0,01	-0,54	0,03	0,01	0,02
The Tomsk Hotel	-0,01	0,12	0,08	0,01	-0,03

Table 5: The indicators of the liquidity group

The name of the object	2011 г.	2012 г.	2013 г.	2014 г.	2015 г.
<i>The indicators of the liquidity group</i>					
<i>The fixed liquidity ratio</i>					
The Hotel Barnaul	0,57	0,23	0,31	0,45	0,04
The Hotel Novorossiysk	1,74	0,61	0,16	0,27	0,22
The Tomsk Hotel	2,35	2,80	3,31	0,21	0,13
<i>The absolute liquidity</i>					
The Hotel Barnaul	0,57	0,23	0,31	0,45	0,04
The Hotel Novorossiysk	0,33	0,11	0,16	0,27	0,22
The Tomsk Hotel	0,22	0,28	3,23	0,12	0,02

3. Results and Discussion

Thus, these calculations allow us to interpret the results for each of the hotels separately.

Table 6: The interpretation of the calculations of the groups of indicators

The name of the object	The interpretation of the calculations of the groups of indicators		
	<i>The indicators of the assets group</i>	<i>The indicators of the profit and profitability group</i>	<i>The Indicators the liquidity group</i>
The Hotel Barnaul	The growth of assets is a positive fact. However, this increase in assets is generally determined by the escalation of financial obligations. The company has a "heavy" structure of assets.	The company receives a profit of 9 919 rubles, which is 32, 92% lower than the profit of 14 786 rubles which was gained at the beginning of the period,. The value of asset profitability of net income at the end of the period reveals the high efficiency of the property usage.	The indicators of fixed and absolute liquidity are reduced, which is a negative factor.
The Hotel Novorossiysk	The reducing amount of property indicates the decrease in economic turnover, which could result in insolvency. The structure of property mainly consists of current assets.	At the end of the analyzed period the company lacked net profit, which means that it has lost the source of working capital (current assets). The indicators of asset profitability of net income at the end of the analyzed period signal about the low efficiency of the	The indicators of the fixed and absolute liquidity are reduced, which is a negative factor.

<p>The Tomsk Hotel</p>	<p>The growth of the amount of property is a positive fact. The structure of assets is mostly represented with non-current assets.</p>	<p>property usage. At the end of the analyzed period the company lacked net profit, which testifies to the fact that it has lost its source of working capital. The indicators of asset profitability of net income at the end of the analyzed period signal prove rather low efficiency of the property usage.</p>	<p>The indicators of the fixed and absolute liquidity are reduced, which is a negative factor.</p>
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4. Conclusion

The results of the analysis of the most famous works concerning the category of competitiveness in relation to goods, markets, and enterprises prove that:

The papers concerning analysis of the competitiveness of manufactured products and consumer goods are widely known. It can be explained by the fact that the object of research of a large number of scientists is the market mechanism and its components, including the competition.

The theory of estimation of competitiveness of enterprises as market entities is well-developed. There is a significant number of both domestic and foreign methods, as well as relevant tools allowing to increase the level of competitiveness of an enterprise in a short time basing on some general recommendations.

Summarizing the results of the research of various scholars and schools of thought, we come to conclusion that access to resources, especially financial ones, can be considered one of the most important conditions for high competitiveness.

In modern world the access to the source of funding is crucial for the development of any organization. This factor allows to implement projects of development in general and industrial production, in particular, to develop new markets, and to remain at the achieved positions in different markets.

Thus, the financial-economic situation of an enterprise turns out to be one of the determining factors of the competitiveness of the hotel industry. The financial-economic situation may also be called a financially stable position, financial stability, and financial competitiveness. Though, it should be noted that there isn't such a category as the

competitiveness of the financial system of the enterprise, while the financial component of competitiveness is considered to be the most important competence of the management by a variety of authors. According to Thompson and Strickland strategy addresses fundamental business questions such as whether to diversify, which customer groups to cater to, whether to carry a narrow or broad product line etc. (Thompson & Strickland, 2001).

In conclusion it should be noted that, nowadays when the access to the markets of both industrial products and consumer goods is hampered by the high level of competition, the level of competitiveness of the enterprise and the manufactured goods depends on the level of the effectiveness of its financial system. In its term, the efficiency of financial system ensures the financial stability, financial competitiveness, the attraction of additional financial resources and its adequate distribution.

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