



The Use of Management of Objectives Method of Attraction and Evaluation of Effectiveness of Investments to the Tourism and Hospitality

Marina V. Vinogradova^{1*}, Olga S. Kulyamina², Anna A. Larionova³, Alexandr N. Maloletko⁴, Olga V. Kaurova⁵

¹Russian State Social University, Moscow, Russia, ²Russian State Social University, Moscow, Russia, ³Moscow State University of Design and Technology, Moscow, Russia, ⁴Russian State Social University, Moscow, Russia, ⁵Russian State Social University, Moscow, Russia. *Email: m9152531115@mail.ru.

ABSTRACT

The article aims to elaborating of proposals for improvement of the mechanism of investments attraction to tourism and hospitality, based on the use of management of objectives approach. In the course of the present work the methods of modeling, expert assessments, economic-mathematical measurement, extrapolation, scenario approach, factor and comprehensive analysis have been applied. They allow considering the posed problem as a focused and structured process of improvement of the mechanisms of attraction and evaluation of the effectiveness of investments to the tourism and hospitality, taking into account the use of programs at various levels and industry characteristics. The article reveals the drawbacks of the mechanisms of investment programs implementation for the tourism and hospitality sphere, such as: The lack of effective investment infrastructure, ensuring the free exchange of information among entrepreneurial entities; nonexistence of reliable support tools of effective investment management. The article represents a model of making investment decisions in the tourism and hospitality sphere, including the priority relation of intensity of achievement the set objectives, the behavior of the target functions during the implementation of alternative solutions and the results of evaluation of the state and conduct of the environment. It also discloses the mechanism of evaluation of investments effectiveness, covering not only the stage of designing, construction, putting into operation, but also the extension of date of the investment period on post-paid-off term.

Keywords: Investments, Management by Objective, Investment Effectiveness, Tourism and Hospitality

JEL Classifications: O15, P21, Z32

1. INTRODUCTION

1.1. The Main Factors, Constraining the Development of Tourism

Currently, the main element of the Russian state policy is attraction and efficient use of investment resources. The industry of tourism is not an exception (Bar-On, 1994). It is viewed as a complex socio-economic system, within which one of the integral components is tourist infrastructure, representing a combination of various elements, first of all, hotels and other accommodation facilities, transportation and objects of leisure and recreational nature (Bunakov et al, 2015; Dzhandzhugazova et al., 2015a; 2015b; Lisitzina et al., 2015; Zaitseva, 2013; Sabirov et al., 2015).

It should be mentioned that tourism is gaining more influence on economy of Russia and its particular regions, character and structure of people consumption. It is the reason why the development of investment activity and improvement of the mechanisms for the investment projects implementation in the tourism and hospitality may become a stimulus for the economic growth, as nowadays the tourism sphere is an area of an eligible investment with a high level of risk, due to its long-term nature of payback (Banerjee et al., 2015; Antonakakis et al., 2015; Rosentraub and Joo, 2009; Kropinova et al., 2015; Zaitseva and Chernikova, 2013; Zaitseva et al., 2014; 2015; 2016). The factor, constraining the development of tourism in its various forms, is, in its term, presented by the absence of sufficient material

and technical basis, despite the realization of the Federal Target Program “Development of domestic and inbound tourism in the Russian Federation (2011-2018 years)” Decree No. 644 of the Government of the Russian Federation on 2nd of August, 2011 (edit. from 18.12.2014), directed precisely at the development of tourist infrastructure. However, adopted investment projects aim more at local accommodation of tourist objects, rather than the complex formation of the tourist sphere as investment-attractive industry.

1.2. The Problems of Investment Projects Realization in the Tourism and Hospitality

Today, in the field of realization of investment projects in the tourism and hospitality, the weak point is the evaluation of the effectiveness of their implementation and resistance to various risks. Used in the working out of investment projects, traditional methods of calculating the economic viability (Sharp et al., 2001) not always accurately characterize the possible outcome, as there is a certain difficulty in the calculation of the primary indicators. In addition, there is no well-elaborated methodology for determining the possible risks, including the regional specific of tourist potential; moreover, in terms of hosting the large-scale events on the territory of specific regions, there is a formation of additional risks, based on the need to subsequently ensure efficient operation of the implemented infrastructure. It is worth mentioning, that the tourism and hospitality industry in Volgograd, Yekaterinburg, Kaliningrad, Nizhny Novgorod, Rostov-on-Don, Saransk, Samara, is not yet ready not so much to receiving the guests of 2018 World Championship as to the effective management of the heritage.

Here are three problems:

Firstly, investment in the tourism and hospitality facilities is carried out isolated from investment in other objects of the infrastructure (Myachin et al., 2015).

Secondly, there is an apparent lack of experience and professionals. At that, the issues of the operation of the hospitality industry objects remain in the background already at the stage of their designing.

Thirdly, there are features of domestic tourism industry, which is almost not connected with the event-market. Significant large-scale events that take place in our cities and are able to attract dozen thousands of tourists can be counted “on the fingers.”

Concerning the first problem, here is a possible explanation. The authorities of the host cities counted on the effect of the Sochi-2014. There were expectations that the main problems of urban infrastructure would be solved at the expense of the federal center. Obviously, the reality did not coincide with the expectations. The primary reason was that infrastructure projects had not been fully considered and provided with foreign investment. The reckon was made on the assistance of the federal center, the volume of which in recent years had been reduced. A range of cities already had to abandon some projects. However, one of the conditions of the FIFA Bid Book is the number, category and capacity of collective accommodation facilities in

the host city. In this regard, the hospitality industry is bound with responsibilities: It is required to build and reconstruct the claimed objects. Abandoning the investment into the construction or renovation of collective accommodation facilities or reducing in the investment is practically impossible. In addition, the specificity of the World Championship FIFA-2018 is that 11 Russian cities will host the tourists. Concentration of resources, as it was in Kazan and Sochi would not occur. The regional hospitality industry has to rely mainly on its strength. Moreover, in order to maintain the interest of investors among the major hotel chains, other sectors' efforts are also required.

Sub-program “Building and reconstruction of accommodation facilities infrastructure,” approved by the Decree No. 518 of the Government of the Russian Federation on 20th June, 2013 “On the program of preparation for the FIFA 2018 in the Russian Federation” determined extra-budgetary funds as sources of financing excepted only one object in Saransk (hotel complex “Tavla”). Investors are already thinking about the commercialization of collective accommodation facilities, as they need to return their capital. But it will be difficult to do without the tourism-related industries (Ivanov and Mayorova, 2014). To ensure sufficient load of collective accommodation facilities after the FIFA - 2018 will be possible if already now start to think about the effective use of constructed and renovated sport venues, transportation infrastructure, communication and information technologies, health infrastructure, supporting all spheres. Above-mentioned information shows the importance of the researched issues and the necessity of forming the set of measures to improve the mechanisms of the realization of investment projects in the tourism and hospitality.

2. METHODOLOGY

In the course of the research of the problems of the attraction of investments to the tourism and hospitality for the assessment of the investment projects implementation, industry-specific detection and identification of financing sources for the projects the desk methods have been used. In the framework of research on the effectiveness of the investment costs for the processing of data used for the description and analysis of the information the authors have used also deterministic methods of statistical analysis.

As a material for the article the authors have used such sources of information as RF Rosstat materials, Ministry of Economic Development data, the data on the implementation of federal target programs, the information obtained from independent research on the tourism and hospitality businesses through observation and interviewing, as well as the information contained in scientific and periodical literature (Holtzman, 2008).

The solution to arisen problem, to our opinion, is based on the use of management of objectives (MBO) method (Raizberg, 2007) of attraction and evaluation of effectiveness of investments to the tourism and hospitality, covering not only the stage of designing, construction, putting into operation, but also the extension of date of the investment period on post-paid-off term. That is, during the implementation of investment projects in this field, it is worth

not to be limited by the programming of achieving the project payback, which is the primary goal, but provide the realization of certain measures when the return is reached and calls for the further effective operation of the facility. As targeted programs are based on a certain set of goals to be achieved by investing in one or another project, and the very achievement of the goals is characterized by a specific set of development targets, it means that just MBO method is able to ensure the future effectiveness of the investments.

3. RESULTS

3.1. The Drawbacks of the Mechanism of Investment Projects Realization in the Tourism and Hospitality

One of the flaws of the present-used mechanisms of investment projects realization in the tourism and hospitality is a poor investment infrastructure, ensuring the free exchange of information among entrepreneurial entities (Dzhandzhugazova, 2013). Besides, there is almost complete lack of practice of using the classic reliable support tools to ensure the effectiveness of the investment management processes, which include long term unsecured loans, venture financing, strategic forecasting and modeling of investment decisions, insurance, including investment risks, and others (Bokareva et al., 2014). In Russian tourism and hospitality sphere only some of the processes find a use for themselves, and most of them are insufficient. There are a lot of reasons: Underestimation of the condition and trends in the development of the investment climate, the use of inefficient approaches to the definition of tourism types, which are to be developed and promoted agreed by a regional peculiarity, failure of the methods for calculating the possible effects of the implementation of certain investment projects, the understatement of the risks of investing in the tourist infrastructure, etc. In this connection, it is necessary to specify the fundamental tools for the formation of investment state policy in the sphere of creation of tourist facilities in the Russian Federation. It is quite important to develop a set of specific indicators to assess the effectiveness of investment projects in the tourism and hospitality. The elaboration of such a set of indicators is related with the need for solving the challenges of selecting projects for the inclusion into target programs and estimating their potential in terms of the development of tourism and tourist infrastructure at the federal, regional and municipal levels.

To improve the efficiency of implementation of investment projects in the tourism and hospitality it is essential to study the model structure and business processes of MBO in the field of creation of tourist infrastructure at various levels, in particular, to define “weak spots.” In addition, to enable the possibility of determination of the obtained effects it is worthy to specify the structure, content and methodology for calculating the indicators, important for effective management for the development and realization of investment projects in the tourism and hospitality (by investment segments). It requires defining the criteria of rationality (Miller, 2001) and limitations used in the selection of the best of compared variants of financing the investment project of creation of the tourist facilities, developing and justifying the choice model of rational alternative of investment decision.

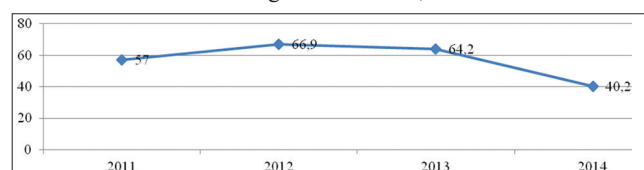
The practice of elaboration of investment projects in the tourism and hospitality shows imperfections in the use of the different mechanisms of their promotion (Larionova et al., 2015). In particular, it is a need to consider the possibilities of using the mechanisms of crowdsourcing in the process of assessing the effectiveness of implemented investment decisions in the Russian Federation, which includes analysis of the experience of realization of projects on public examination of investment projects and state programs in the tourism and hospitality, projects in the framework of the national entrepreneurial initiative, as well as the status of implementation of investment projects, the identification of the best practices (in terms of coverage of stakeholders, organization of the discussion, mechanisms of “feedback”).

The most important issue, related to the efficiency of investment in tourism and hospitality industry is the training of management and staff. Even today, it requires the creation and fulfillment of educational programs, brand-new for the tourism industry. To our opinion, they should have anticipatory character, have a truly service component and be aimed at the solution of problems of complex development of tourism in the regions.

3.2. The Assessment of Funding of Investment Projects in the Tourism and Hospitality Sphere from Extra-budgetary Sources

Referring to the data of the Department of Federal Target Programs and Capital Investments of RF Ministry for Economic Development (2013), it is possible to judge of the effectiveness of attracting of investment funds. For example, in 2014, despite the fact that state customers transferred 99.9% of the funds (4637.5 million rubles) on the implementation of the program arrangement of the Federal Target Program “Development of domestic and inbound tourism in the Russian Federation (2011-2018 years),” only less than half of them (45.8%) was utilized. The funds from the budgets of the Russian Federation and local budgets in the amount of 670.26 million rubles were raised for the implementation of the program arrangement in 2014 towards “capital investments,” which made up 51.7% of the planned. Extra-budgetary resources in the amount of 6595.79 million rubles made up 40.2% of the planned (in 2013 - 64.2% and in 2012 - 66.9%). In 2015 the federal budget allocated to the program 4054.23 million rubles, among which up to 01.07.2015 only 329.95 million rubles were utilized-8.1% of the annual budget allocation, on account of the budgets of the Russian Federation and local budgets-1616.20 million rubles, obtained - 149.20 million rubles (9.2%), from the extra-budget sources-18890.30 million rubles, raised - 2335.91 million rubles (12.4%) (Figure 1).

Figure 1: The dynamics of the execution of plan for financing the investment projects in the tourism and hospitality from extra-budgetary sources within the framework of the realization of program arrangements of FTP, %



Such financing condition badly affects the results of investment projects. In addition, late preparation for the Program adjustments, approved by the Decree No. 1047 of the Government of the Russian Federation on 18th December, 2014, also had a negative impact on the results of clustering: For a number of clusters (“Golden Ring,” Yaroslavl region, SEC “Eco-Resort Kavminvody,” Stavropol region, “Depository of Kostroma land,” Kostroma region, SEC “Kezenoi-Am,” the Chechen Republic, ATK “Zaragizh,” Kabardino-Balkar Republic, “Rauschen,” Kaliningrad region) transfer of the federal funds was made in the last week of December 2014, as a result, at the end of 2014 the contests were not held and state contracts were not signed. For several clusters, receiving subsidies from the federal budget on the creation of the complex of supporting infrastructure, there is no information on the tourist infrastructure development. If trace the dynamics of the volume of the budget and extra-budget financing of investment projects in the tourism and hospitality, we can observe the gradual decline in the proportion of extra-budgetary funds from the target figures. There is a pertinent example of the investment failure of the Special Economic Zone of tourist and recreational type “Gate of Baikal” (on site of Bolshoye Goloustnoye) which still lacks infrastructure objects, as a consequence, there is no private investment. There are other examples. As for the achievement of set results, according to the data of RF Ministry for Economic Development for the year 2011, 2 target indicators and indexes from 9 were not achieved, 7 do not provide factual information, for 2012- 3 indicators were not achieved, 6 do not provide factual information, for 2013-2014, according to the Decree No. 1772-p of the Government of the Russian Federation on 1st October, 2013 the indicators and indexes have been forming up to present time. Thus, it is almost impossible to assess the effectiveness of the investment projects realization in respect to the development of tourism and tourist infrastructure.

3.3. The Model of Making Investment Decisions in the Sphere of Tourism and Hospitality

Ensuring of the effectiveness of investment projects in the tourism and hospitality should be based on MBO approach of evaluation. This requires the construction of structural and logical scheme of interaction of the investment infrastructure elements and determination of the degree of their influence on the effectiveness of investment activity in the creation of tourist infrastructure. In particular, it seems reasonable to identify the key factors of success and risks of investment projects in the tourism and hospitality, which are related to two components:

- Peculiarities of the financial and economic activity of enterprises of tourism and hospitality, based on differences of this sphere from other sectors of the economy (in terms of activities related to the tourism industry).
- Used principles and models of making investment decisions based on identified characteristics of financial and economic activity in tourism.

Thus, incoming factoring allow to construct factor model of financial and economic activity of the tourism enterprises (in terms of activity), characterizing the key factors of success and their impact on the effectiveness of the tourism enterprises operation. In turn, on the basis of certain design concepts of investment projects, the description of success factors

contributes to the efficient modeling of making investment decisions (in terms of activity). On the one hand, the model includes the modeling of purposes, that is, provides coverage of objective functions, consisting of certain criterion values, which form the basis for making investment decision. On the other hand, it describes the priority ratio of intensity of achieving the goals, the behavior of the objective functions during the implementation of alternative decisions or choice, based on the current totality of possible solutions (separate measures or complex actions) and results of the evaluation of the state and conduct of the environment under the influence of certain factors of risk of realization of the investment project. Besides, the model includes the planned results of the investment decision realization and the description of the limitations of the model. In general form, the model can be reflected by way of a matrix (Figure 2).

3.4. MBO Approach to the Investment Activity in the Tourism and Hospitality

MBO approach allows to use the various forms of investment activity in the tourism and hospitality, in particular:

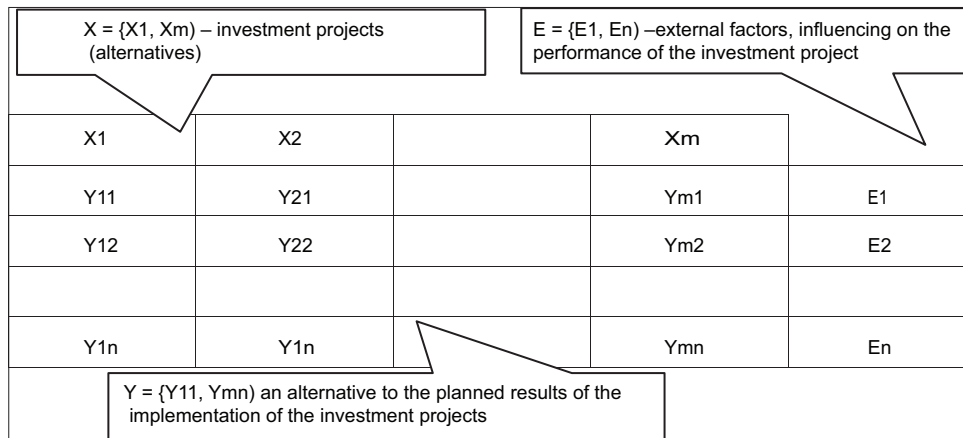
1. Financing support of the investment projects by citizenry, private organizations, associations of the tourism and hotel businesses, as well as other participants of the tourist market.
2. State financing, carried out by the authorities of the Russian Federation, other entities within the Russian Federation at the expense of the budgets of various levels, borrowings and extra-budget funds, as well as state establishments and enterprises through debt and internal funds (for example, for the creation or development of the transport infrastructure).
3. Foreign financing in the tourism and hospitality, fulfilled by foreign countries, legal entities and individuals.
4. Joint investment, which infers the creation of the world's major tourist destinations on the basis of co-financing of the investment processes by Russian and foreign citizens, businesses and states.
5. Investments through financial intermediaries (investment companies and funds), which effectively manage the funds based on their storage and allocation in the most effective assets, that is appropriate in constructing the large tourist complexes on the basis of equity.

Each of the considered forms of investment activity has its own financial characteristics (funding sources, amounts and terms of investment turnover, profitability, etc.), legal characteristics (basic forms of jural relations, statutes, used in the practice of the certain form of investment activity, etc.), organizational characteristics (subjects and objects, terms, algorithms, etc.). Furthermore, the specificity of tourism in the Russian Federation obliges also to take into account the regional peculiarities of the investment activity in the tourism and hospitality, which requires further study of the investment segments in the context of the Russian Federation subjects.

4. DISCUSSIONS

Scientific novelty of the proposed approaches and obtained results consists in clarifying of the processes of investment

Figure 2: The model of making investment decisions in the sphere of tourism and hospitality



activity in the tourism and hospitality, justification of the elements of the investment infrastructure of the investment projects realization in the tourism industry, the allocation and ground of the impact of various factors on the activity and performance of investment activity in the tourist industry, systematization of possible risks, limitations and negative factors of external and internal environment of the operation of the tourism industry enterprises, the development of appropriate complex measures for the neutralization of the negative impact on the investment process, as well as correction of the methods used for calculating the economic efficiency of investment projects in the tourism and hospitality. The development of the MBO approach to the realization of investment projects in the tourism and hospitality, together with the evaluation of their performance at the operational stage aims at improving the quality of realized investment decisions at various levels of governance (federal, regional, municipal), that will allow to use effectively the resources of the private sector for the generation of the investment climate, development of investment infrastructure and all-round of the investment potential of tourism and hospitality.

5. CONCLUSION

In general, the issues of effectiveness of investment projects in the tourism and hospitality remain open-ended, especially those of the implemented in the process of organization and holding of large-scale sporting events on the stage of their further use. And if it is possible to solve the problem of the use of the Olympic venues with the help of the federal center (example of Sochi), single objects (such as stadiums and other sporting facilities), require the development of both the project for the construction and putting into operation and long-term plan of its further use.

Taking into consideration the results of the present research, we can identify a number of scientific issues and prospective areas for further consideration: Intensification and extension of some conditions, contained in the article, related to the formation of the complex of specialized indicators for evaluation of the effectiveness of investment projects in the tourism and hospitality, clarification of the tools of formation of the state investment policy in the creation of the tourist infrastructure.

Conclusions and recommendations, formulated in the present research, can be used in the work of designers in the field of tourism and hospitality, federal and regional tourism authorities.

REFERENCES

Antonakakis, N., Dragouni, M., Filis G. (2015), How strong is the linkage between tourism and economic growth in Europe? *Economic Modelling*, 44, 142-155.

Banerjee, O., Cicowiez, M., Gachot, S. (2015), A quantitative framework for assessing public investment in tourism – An application to Haiti. *Tourism Management*, 51, 157-173.

Bar-On, R. (1994), Tourism investments and financing. *Annals of Tourism Research*, 21(4), 851-852.

Bokareva, E.V., Chernikova, L.I., Egorova, E.N., Egorova, S.K. (2014), Functioning and development of target capitals of non-profit organizations. *Asian Social Science*, 10(23), 223-230.

Bunakov, O., Zaitseva, N., Larionova, A., Chudnovskiy, A., Zhukova, M., Zhukov, V. (2015), Research on the evolution of management concepts of sustainable tourism and hospitality development in the regions. *Journal of Sustainable Development*, 8(6), 39-44.

Decree No. 1772-p of the Government of the Russian Federation on 1st October, 2013 “On Amendments to the Federal Plan of Statistical Works”, Approved by Decree No. 671-p of the Government of the Russian Federation on 6th of May, 2008.

Decree No. 518 of the Government of the Russian Federation on 20th of July, 2013 (edit. from 16.10.2015) On the Program of Preparation for the FIFA 2018 in the Russian Federation. Sub-Program Building and Reconstruction of Accommodation Facilities Infrastructure.

Decree No. 644 of the Government of the Russian Federation on 2nd of August, 2011 (edit. from 18.12.2014) On the Federal Target Program Development of domestic and Inbound Tourism in the Russian Federation (2011-2018 years).

Dzhandzhugazova, E. (2013), Particularities of creation and promotion of new ideas in social network space. *World Applied Sciences Journal*, 27, 79-84.

Dzhandzhugazova, E.A., Zaitseva, N.A., Larionova, A.A., Petrovskaya, M.V., Chaplyuk, V.Z. (2015a), The Russian hotel market: Condition and development under the crisis. *Mediterranean Journal of Social Sciences*, 6(3S5), 289-296.

Dzhandzhugazova, E.A., Zaitseva, N.A., Larionova, A.A., Petrovskaya, M.V., Chaplyuk, V.Z. (2015b), Methodological aspects of strategic management of financial risks during construction of the hotel business. *Asian Social Science*, 11(10), 229-234.

- Holtzman, Y. (2008), Innovation in research and development: Tool of strategic growth. *Journal of Management Development*, 27(10), 1037-1052.
- Ivanov, G., Mayorova, E. (2014), Business reputation and trade efficiency. *Economic Annals-XXI*, 1(1-2), 54-57.
- Kropinova, E.G., Zaitseva, N.A., Moroz, M. (2015), Approaches to the assessment of the contribution of tourism into the regional surplus product. *Mediterranean Journal of Social Sciences*, 6(3S5), 275-282.
- Larionova, A., Suslova, I., Povorina, E., Vinogradova, M. (2015), Formation of tourist image of the region. *Mediterranean Journal of Social Sciences*, 6(3), 261-266.
- Lisitzina, T.B., Nikonov, V.V., Ilkevich, K.B., Ilkevich, T.G., Masalimova, A.R. (2015), The syllabus of the regional component of professionally motivational education developed for the students specializing in tourism. *Asian Social Science*, 11(2), 284-289.
- Miller, G., (2001), The development of indicators for sustainable tourism: Results of a Delphi survey of tourism researches. *Tourism Management*, 22, 351-362.
- Myachin, D., Royzen, A., Pershikov, A. (2015), Regional features of attracting foreign investments into the Russian economy. *Procedia. Social and Behavioral Sciences*, 166(7), 131-134.
- Raizberg, B.A. (2007), *Contemporary Dictionary of Economics*. Moscow: Infra-Moscow. p495.
- RF Ministry for Economic Development. (2013), Available from: <http://www.fcp.economy.gov.ru/cgi-bin/cis/fcp.cgi/Fcp/ViewFcp/View/2013/361/>.
- Rosentraub, M., Joo, M. (2009), Tourism and economic development: Which investments produce gains for regions? *Tourism Management*, 30(5), 759-770.
- Sabirov, I.T., Ponkratova, L.A., Gracheva, N.A., Kiselev, S.V., Fatikhova, L.E., Chudnovskiy, A.D. (2015), The formation and development trends of the consulting market in Russia. *Mediterranean Journal of Social Sciences*, 6(2S3), 188-195.
- Sharp, W., Gordon, A., Beiley, J. (2001), *Investments*. Upper Saddle River, New Jersey: Prentice Hall. p962.
- Zaitseva, N.A. (2013), The forecast of development of the hotel business in Russia as a promising direction of business expansion of international hotel chains. *Middle East Journal of Scientific Research*, 14(3), 328-334.
- Zaitseva, N.A., Chernikova, L. (2013), Features and prospects in the development of the services provided in the field of travel insurance. *Middle-East Journal of Scientific Research*, 16(7), 996-1002.
- Zaitseva, N.A., Goncharova, I.V., Androsenko, M.E. (2016), Necessity of changes in the system of hospitality industry and tourism training in terms of import substitution. *International Journal of Economics and Financial Issues*, 6(1), 288-293.
- Zaitseva, N.A., Larionova, A.A., Minevrin, I.G., Yakimenko, R.V., Balitskaya, I.V. (2015), Foresight technologies usage in working out long term. Forecasts of service and tourism personnel training system development. *Journal of Environmental Management and Tourism*, 6(12), 411-418.
- Zaitseva, N.A., Zubakova, N.N., Bobrovskaya, A.N. (2014), Fundamental bases and key tools of personnel management within tourism enterprises. *Life Science Journal*, 11(11), 70-74.