

## **Modernization of the Sphere of Tourist and Hospitality Industry of the South of Russia as a Growth Factor of Socio-economic Stability of the Region**

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### **ABSTRACT**

The article presents the results of a study on the development of the service sector business management modernization concepts in the form of real practical measures in general and in relation to the corporate planning, programming, design their development. An algorithm for implementation of adaptive management as a priority the modernization tool in this area. Our study was based on the assumption that the management of the modernization and maintenance of technology in enterprises of hotel services will allow to fully realize the goals of the strategic stability of the enterprises of sphere of services, will contribute to the attainment of a new quality of development, to mobilize potentially available resources in the field of hospitality and the involvement in it of effective market mechanisms, convincingly proved that the modernization of the service sector - the update of the existing forms and methods of management, the implementation of new features companies within predictable limits. Under the modernization tools flexible management system now should be understood a process-functional management system to ensure the achievement of targets in different periods of organizational development of the company, without degradation of the resource potential, by adapting to the changing conditions of the hotel business.

**Keywords:** Tourism Economics, Modernization Tools, Flexible Management, Services

**JEL Classifications:** L83, Z30, M11

### **1. INTRODUCTION**

The hospitality industry represents a significant part of the whole scope of services and the hotel industry in terms of service is among the ten largest producers of services. Proportion of hotel services reaches 62% as part of the tourism product (Lebedeva, 2008).

The current situation on the market, the service sector is characterized by a growing demand for them, and the processes in this area necessitate the search and implementation of new approaches, forms and methods of their effective development. This creates a need for a qualitative transformation of service industries, which are the main source advocates their modernization in line with the new opportunities and challenges, the needs of growth

of qualitative characteristics and improve operational efficiency of the individualized service.

Modernization of the Russian industry of tourism and recreational services involves the creation of favorable conditions for the full realization of the positive trends in this area and its general economic impacts. However, solving this problem and, moreover, strategies and modernization of practices, neglected. Last but not least this is due to the stability of views and approaches inherent in the industrial era, with the dominance of the sphere of production. Underestimating the world experience the transition to the priority role of intangible assets and the processing of products in today's economy inhibits the progress of modernization, to achieve its goals.

Meanwhile, the service sector has considerable potential for development. In recent years, more fully manifests the demand

for services - rising incomes and the level of education of the population, urbanization processes are developing, expanding possibilities of tourist and recreational services, etc., (Kobersy et al., 2016). The financial situation of the state allows you to organize and coordinate the modernization of the tourism and recreation industry to improve its economic competitiveness and social attractiveness.

Modernization tool that provides features flexible budgeting and strategic planning generates a “response unit” that generates the response to the impact of environmental factors and preventing a destabilizing effect, keeping the business in the state of stable equilibrium with it. Two flexible management unit having the general contour interaction, provide functional and meaningful unity of the process of modernization of enterprises of services in order to ensure their sustainability strategy (Figure 1).

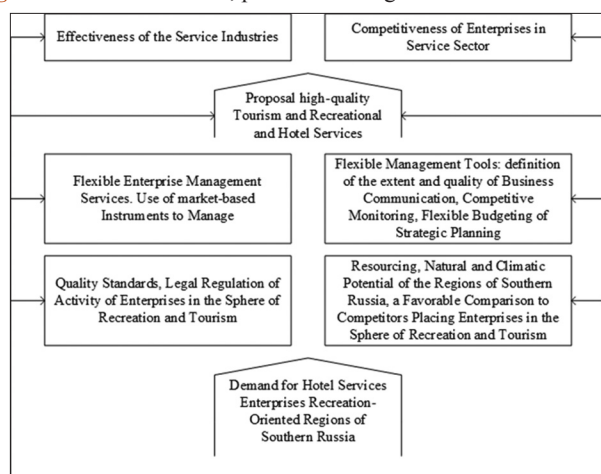
Modernization of Russian service industries determines serious study of good practice in developed countries. The development of the modern concept of modernization of Russian enterprises of a service is able to provide their dynamic development, including hotel services and recreational and tourist flows. A modernization model of development of the service sector enterprises will produce self-tuning organizational and managerial environment to change the micro- and the macro-environment (Lebedeva, 2008; Manitskaya, 2011).

Thus, the research topic stems from the need to develop new and improve existing approaches and conceptual studies to ensure the modernization of the service sector companies in the current conditions of recreation-oriented regions of the South of Russia.

## 2. MATERIALS AND METHODS

Modernization of a flexible management system now includes the following elements: Formation of business communications, aimed at the effective promotion of services, due to which their competitiveness can be improved; implementation of flexible budgeting model focused on different settings (purpose limitation, control parameters); monitoring of competitiveness in order to systematically monitor the dynamics of competitive activity

**Figure 1:** Socio-economic, political and legal situation in the country



indicators for its correction and control of the development; strategic planning, including in-house financial planning with the use of modern methods of indication of financial stability (Figure 1).

Theoretical and methodological basis of the research presented methodological approaches, conceptual provisions of the economic theory, strategic management theory of economy and business spheres of recreation and tourism, modernization theory, the regional economy theory.

Instrumentality and methodical apparatus of investigation amounted to general scientific principles of a systematic approach, situational methods and comparative analysis, methods of financial, economic, statistical analysis, including economic and statistical categories, time series, indexing, graphic interpretation, etc.

Information and empirical basis of the study are the works of foreign and domestic scientists, dedicated to the issue of modernization of enterprises, data research centers; materials of scientific conferences in the field of planning the modernization processes and strategic development, the materials of the Federal Service of State Statistics, statistical abstract “resort and tourist complex of Krasnodar territory,” reference materials of federal, regional and municipal authorities to ensure that activities in the services sector, research organizations engaged in the development issues of development of service industries, publications in the national and foreign press, as well as information collected by the author in the study of this problem.

Instrumentation modernization flexible management system in the service sector (business communication and competitive monitoring) forms a “determination unit,” which provides information on finding and implementing ways to expand its customer base and increase the competitiveness of enterprises in the sphere of hotel services. Modernization tool that provides features flexible budgeting and strategic planning generates a “response unit” that generates the response to the impact of environmental factors and preventing a destabilizing effect, keeping the business in the state of stable equilibrium with it. Two flexible management unit having the general contour interaction, provide functional and meaningful unity of the process of modernization of enterprises of services in order to ensure their sustainability strategy.

Adaptive management as a component and priority modernization tool aimed at improving the competitiveness of enterprises by improving adaptability to changes in internal and external conditions, as it has the ability to recover lost and find a new state of equilibrium after the termination of the adaptive effects of destabilizing factors (Saenko et al., 2016; Rodriguez Oromendía et al., 2015).

## 3. RESULTS

Based on an analysis of existing approaches to the modernization of the service sector we have formulated the principles of

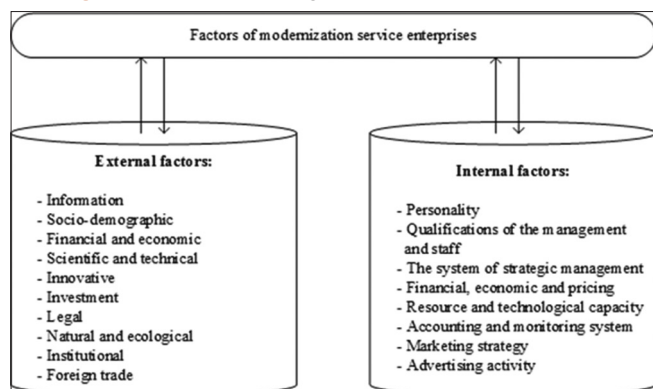
its software: The orientation of the management and staff organizations on the final result; the formation of the optimal components of modernization; creating a flexible management system; improving the quality of services; revitalization and development of innovative activity and other. The most important part of the modernization process are the internal and external factors affecting the transformation of services (Figure 2).

The first group of factors (external) includes parameters of the socio-economic environment, which are outside the sphere of direct influence of the enterprise services. The second group consists of (internal) factors of the company's modernization, which includes various aspects of market activity, as well as the parameters reflecting the extent to which the circumstances of Service. Among the internal factors of the modernization of the important role belongs to the resource and technological potential, which includes the technical level of services and the provision of proper technology. Thus, upgrading - this is the control object and purpose of the organization that operates in a competitive market, an element of its capacity, which is a unique tangible and intangible resources of the economic entity.

This study has allowed to identify the challenges of the process of modernization of service industries: Structural differentiation (separation) of the sphere of services i.e., the creation of new organizations, performing a strictly-defined function and at the same time closely interlinked and interacting; increase the mobilization capacity of service industries - that is, its ability to mobilize a variety of resources (economic, information, technology) and send them to achieve new objectives, optimize resource costs and time to adapt; increase the scope of services the ability to survive in a crisis and to overcome the effects of crises through the use of new means of communication, socialization and mobilization.

It should be noted an important role of flexible business management at the stage of modernization: Modernization and adaptive management processes are complementary and interdependent. Adaptive management is a priority modernization tool has the ability to recover lost and find a new state of equilibrium after the termination of the adaptive effects of destabilizing factors. It saves the state fixed the modernization of organizational structures in the hospitality industry, is aimed at improving the competitiveness of enterprises by improving adaptability to changes in internal and external conditions.

**Figure 2:** Factors affecting the modernization of services



Conceptual diagram of construction of flexible business management service industry system based on the principles of preventive response, functional coherence of development, contingency and adaptability of business processes, compliance with which ensures sustainable development of hotel service.

Hospitality operates in a constantly changing environment parameters, and the efficiency of doing business is influenced by both local microenvironment factors and macro situation and global trends of economic, political, socio-cultural, environmental, scientific and technical nature. In addition, for each resort-client environment and the hotel product is characterized by the natural life cycle stage. In this regard, the principle of adaptive control system takes into account both short-term predictable and unpredictable changes in external parameters of the functioning of business, strategic and long-term trends of the macro environment, which contributes to the formation of effective mechanisms for long-term and short-term adaptation to changing conditions hotel business.

## 4. DISCUSSION

The analysis of scientific literature and research and publications in the field of modernization and innovation of service firms gives reason to believe that the said direction of research is paid a lot of attention. However, the actual management of the modernization of enterprises in the tourism and recreational sector of the economy, especially in the aspect of the complex, implemented multi-level optimization procedure, requires further research, both in theory and in application plans.

It should be emphasized that the presence of a sufficient number of studies on issues of modernization of service sector enterprises in the literature does not contain a clear definition of the process and instrumentality means modernization of the service sector, and the concept of "modernization process" serves almost as axiomatic. Scientists have not developed clear guidelines for this process in the hotel industry.

Modernization of enterprises is determined by determination, skills and leadership effectiveness, their vision of long-term goals and directions of development (Table 1).

Based on an analysis of existing approaches to the modernization of the service sector, formulated the principles of its software:

- Systematization to ensure the modernization and upgrading the application's own tools provided by the service sector enterprises;
- Orientation of the management and personnel of the enterprise on the end result;
- The formation of the optimal components of modernization;
- Creation of a flexible management system for the correction of current performance;
- Improving the quality of services.

The most important components are the modernization of the external and internal composition factors influencing the transformation of service industries.

**Table 1: Approaches to the definition of “modernization” category**

Reference	Definition of “modernization” category
In great dictionary of economics (Borisov, 2007)	Modernization - A set of processes of industrialization, secularization, urbanization, establishment of universal education system of representative government, increasing the spatial and social mobility
Greater economic encyclopedia (Varlamov, 2010; Vasilev et al., 2013)	Modernization - increase mobilization ability of the political system - i.e., its ability to mobilize a variety of resources (political, economic, police, information, demographic) and send them to achieve new goals
Report “Modernization of Russian Education” (Katanandova, 2010)	Modernization - an innovative change, adoption and implementation of something new in any sphere of human activity. Modernization of Russia - the introduction of economically justified innovation, development and application in various fields of new technologies, technological solutions aimed at improving the efficiency of human activities in industry, science, management, movement of material, intellectual and financial resources
Magaril	Modernization - organized and coordinated process aimed at the development of economic structures and political institutions of society, to improve its economic competitiveness in particular and social attractiveness as a whole
“Expert-Siberia” (Zaitsev, 2010)	Modernization - a program of transformation of society in the modern competitive system, which is able to successfully compete with other companies on a local or global level
“The socio-economic system of Russia and the problem of its modernization” (Yavlinsky, 2005)	Modernization - a purposeful process, constantly initiated an effective state and future-oriented business. Updating outdated forms and methods, as well as the production management system, implementation of the new features of the economy and society within predictable limits determined determination, skill and efficiency of the government, the active support of the business, objectivity and adequacy of their vision of long-term national interests and goals
“Modernization of Russia: The post-imperial transit” (Gavrov, 2009)	Modernization - a change in accordance with the latest modern requirements and standards, such as modernization (renewal) of technical equipment, production process, etc., Modernization - set of technological, economic, social, cultural, political changes aimed at improving the social system as a whole

The first group of factors (external) include the modernization initiatives of socio-economic environment, outside the area of direct influence of the enterprise.

The category of “modernization” in exceptional cases should be considered, firstly, as a control object and purpose of the enterprise services, operating in a competitive market, and secondly, as an element of potential of the enterprise, which is a unique tangible and intangible resources of the economic entity.

On the basis of the research objectives defined functional modernization of the service sector:

- Structural differentiation of enterprises, i.e., the creation of new enterprises, hierarchical links, performing strictly designated function and at the same time closely cooperating with each other;
- Increase the mobilization capacity of service industries, i.e., its ability to mobilize a variety of resources (economic, information, technology) and send them to achieve new goals, optimization of costs, resources and time to adapt.

Increase of “professional” abilities service enterprises (relative to industry sector) to survive in times of crisis and to overcome the crisis through the use of new means of communication, socialization and mobilization.

## 5. CONCLUSIONS

Using the tools of modernization of the flexible control system in the hotel business, we can provide not only a sustainable development, but also the stability of functioning of sphere of recreational Desk Sochi.

The development of the modern concept of the hotel industry modernization through the development of a flexible control system is able to provide dynamic development of enterprises in the conditions of unstable external and internal environment.

Features of the service sector and suggest the use of specificity in its modernization process. Features of the service sector such that the flexible management aimed at ensuring strategic stability of service enterprises, must provide for the formation of modernization tools: Business communications, the introduction of flexible budgeting and monitoring of competitiveness.

Benefits of modernization the development of the hotel business are significantly reduced outside the context of the formation of a flexible management system.

Modernization of the control system must be carried out within the framework of the strategic concept of sustainability, to take into account the entrepreneurial nature of the hotel business and ensure the development of the adaptive nature of certain business processes (Bolgov and Agarkov, 2008).

In terms of permanent changes in the state of today’s market of services and fierce competition enterprises of hotel service an important area of the modernization of the administrative apparatus is the development of methods of assessment of efficiency of functioning of a flexible control system of resistance.

The complex assessment of efficiency of functioning of the flexible control system resistant service businesses include the calculation of indicators of financial stability, assess the effectiveness of communication and competitiveness (Karepova et al., 2015).

Indirectly designating the relationship of modernization and management, it is necessary to emphasize that the content of modernization and management processes (including adaptive management) are complementary and interdependent. Flexible control in our study is considered as a priority instrument of modernization, which has the ability to recover lost and find a new state of equilibrium after the termination of the adaptive effects of destabilizing factors. It saves the state fixed the modernization of organizational structures in the service industries (Zhukov, 2007).

The study, based on a theoretical analysis of performance indicators designed modernization service enterprises, which are presented in Table 2.

The effect of the introduction of loyalty programs can be taken into account by the analysis of various aspects of the organization of activity (Manitskaya, 2011). Tentatively it can be seen from the comparative dynamics of key financial and economic indicators.

The best dynamics of these indicators compared with the other two spas took place in the sanatorium “Victory,” which implements loyalty programs. Figure 3 shows the fluctuations in interest income over the past 4 years in all three spas.

**Table 2: Performance indicators of modernization**

Modernization components	Indicators of efficiency of modernization of the service sector
Procurement management	The volume and inventory turnover of stock, the share of the marriage, the supply rate, the number of supply failures
Workers’ operations	Consumption of time on the primary and secondary working operations, and the number of unplanned downtime workers, the number of innovation proposals per worker
Equipment service	The number and unplanned downtime, time spent in connection with the installation, start-up, changeover equipment
Management of material flows	The length of the path of movement of resources from entry into the company before sending the final consumer, and the volume of work in progress inventory turnover
Quality control	The number of identified defects, the frequency of occurrence of defects due to hardware failure, errors in production operations, defective products and other suppliers

One of the most important aspects of the study of the relationship with customers is to assess the economic efficiency of the proposed loyalty programs. To calculate the efficiency of customer relationship management (CRM) need to compare the cost of implementing relationship marketing programs to increase turnover obtained from this implementation. In this case, the economic effect of the introduction of loyalty programs offered to E calculated by the formula:

$$E = (Q_0 + Q_p - C) * (R - D) / Q_0 * R_0$$

Where,

$Q_0$  - MSE turnover in monetary units prior to the implementation of CRM in the period during which it is planned to recoup the project,  $Q_p$  - The value of the MSE turnover growth over the same period,  $C$  - Cost of implementing CRM, the  $R$  - Profitability of MSE for the same period, %,  $R_0$  - Margin for the previous period, %,  $D$  - The average size of discounts, %.

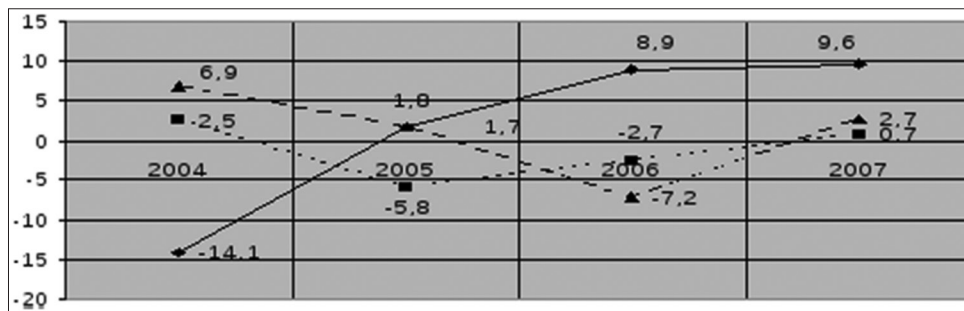
The introduction of results should be considered effective if  $E > 1$  (Lebedeva, 2008). The calculation of the cost-effectiveness of the implementation of CRM in the sanatorium “Victory” has shown that this indicator was 4.25.

On the cost-effectiveness of loyalty programs can indirectly judge and consumer behavior discount card holders. Analysis of attendance and revenue brought constant vacationers sanatorium “Victory” in 2006 showed the following: In the current year income from the owners of the “Golden card” s income, bringing them within 12 months of the previous year by 45% (Figure 3).

Adaptive management is reflected in the modernization of the structure:

- Business Communications formation aimed at the effective promotion of services, due to which their competitiveness can be improved;
- The introduction of a flexible model of budgeting at the enterprises of sphere of services focused on different settings (purpose limitation, control parameters);
- Monitoring the competitiveness of the purpose of the systematic tracking of competitive activity and its correction, and control;
- Strategic planning, including intrafirm financial planning with the use of modern methods of planning and financial soundness indicators.

**Figure 3:** Comparative changes in profit margins (%) in the study sanatoriums



Adaptive management is an integral element of modernization (Kobersy, et al., 2015; Saenko et al., 2016), is aimed at improving the competitiveness of enterprises by improving adaptability to changes in internal and external conditions.

## 6. ACKNOWLEDGMENT

This paper was carried out within the state scientific task No 26.2671.2014/K “Theoretical and methodological basis for the development and implementation of a cluster-based policy at the regional level and scientific and methodological foundations of the tools of the structural benchmarks of the regional social and economical system.”

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