

## **ANALYTICAL APPROACH OF MANAGEMENT AND ITS APPLICATION IN THE PROCESS OF FINANCIAL DECISION-MAKING IN TOURISM ENTERPRISES**

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### **Abstract**

With managerial activities, it is necessary to address the problems that arise during the operation of the tourism enterprise. In this way, the desired state is ensured, that is, the achievement of the enterprise's goals in the field of tourism. The essence of managerial activities is decision-making. Management decisions are made in situations characterized by the need for action and the existence of multiple lines of action. At the same time, linking these activities into the function of making the right decisions is a basic condition and task of the financial manager. Of course, all this in the direction of achieving the ultimate goal, increasing shareholder wealth. In this regard, financial management, and especially in tourism, should give an answer to the optimal use of funds, i.e. the use of funds, the provision of sources of financing, the provision of optimal cost of the capital employed, the decision on the distribution of profits, the dividend policy, in order to achieve the stated ultimate goal. The application of an analytical approach in financial decision-making in enterprises in the field of tourism in the Republic of Macedonia is very important for a more efficient and effective realization of the goals.

**Key words:** tourism, finance, planning, decision-making, companies

### **Introduction**

It should be borne in mind that tourism managers have the ability to make optimal financial decisions only if they are creative, motivated, and conveniently controlled by employees (shareholders). Motivation is implied, i.e., it includes the amount of earnings, the opportunity to receive shares, and other privileges (e.g., professional training, use of a car by a travel company, etc.). Supervision is carried out with audit of financial statements, restriction of managerial decisions, systematic control of the privileges of tourism management in the Republic of Macedonia and the like. It should be noted that in modern conditions of tourism development, it is not enough for a manager to be creative alone, because a successful tourism manager, in the decision-making process, is also necessary to use an analytical approach.

### **1. Theoretical-methodological approach to research**

For any empirical research to be carried out effectively, it is necessary to first develop a research project. The research project encompasses several main stages: Determine the purpose and subject of the research;

- Hypothesis;  
Sample selection (sample selection);  
Development of methodological instruments for field data collection;  
On-the-ground data collection; Data processing;  
Interpretation of the data, i.e. the design of the study.<sup>3</sup>

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### **1.1. Objectives of the study**

This research has a scientific and practical purpose. The scientific goal refers to certain theoretical knowledge about the application of the analytical approach of management in the financial decision-making process in tourism enterprises, and the practical goal is related to the specific implementation of theoretical knowledge in practice.

#### **1.1.1. Scientific objective**

The scientific objective refers to the discovery of certain theoretical knowledge, the application of the analytical approach of management in the financial decision-making process in tourism enterprises. The scientific goal of this research is to uncover new knowledge about how if an analytical approach is used in the financial decision-making process in tourism enterprises, rapid tourism development will be ensured. Namely, through the method of analysis, through a survey with managers, we determined the application of the analytical approach in the process of financial decision-making in enterprises in the field of tourism.

#### **1.1.2. Practical objective**

This research also has a practical purpose, which is closely related to the scientific purpose. It is related to a particular implementation of theoretical knowledge in practice. The practical objective of the research is to implement the discovered theoretical knowledge about the representation of the analytical approach of management in the process of financial decision-making, which will contribute to the dynamic development of tourism enterprises, and thus tourism. Therefore, the practical objective of this research has broad dimensions, as it should mobilize all factors that are directly and indirectly involved in tourism, i.e. are interested in this issue.

### **1.2. Subject of the study**

- The subject of this paper is the use of the analytical approach of management in the process of making financial decisions of enterprises in the field of tourism. The subject of this research analyzes five concepts that need to be operationalized:
- analytical approach,
- Tourism Management
- financial decisions, and
- tourism enterprises.

#### **1.2.1. Analytical approach**

Etymologically, the term "analysis" comes from the Greek word >>analysis<< which means the dismemberment of a whole into its constituent parts. Thus, parsing is a fundamental feature of management's analytical approach to making financial decisions of tourism enterprises. In fact, dismemberment means the separation of a complex object into the parts of which it consists in order to perceive their qualities, determine the quality of the complex object, and indicate their effect on it.

#### **1.2.2 Tourism Management**

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The crucial role or significance of management in the Republic of Macedonia, and therefore of managers, is to guide the enterprise in the field of tourism towards the achievement of its goals in the most efficient and effective way. Each company has a specific purpose for which it exists, and management has that responsibility to exploit and combine organizational resources in the most optimal way to achieve the firm's goal. Management moves the corporation in the direction of achieving its goals by specifying the activities that the members of the company are obligated to perform. If such activities are largely creative and creatively determined, the productivity of each employee will contribute to the achievement of the company's goals. Management strives to motivate individual activities that will lead to the achievement of organizational goals, and to discourage and discourage those activities that will eventually hinder the achievement of goals. The relationship between management and goals can best be expressed in the following statement: "There is nothing more important to the management process than the achievement of goals. Management has no meaning separate from the goals to be achieved."

### **1.2.3. Financial decisions**

Financial decisions include investment decisions, then strategic financial decisions, and finally tactical financial decisions. In order to prepare an investment decision for the successful operation of enterprises in the field of tourism, it is necessary to make an investment project that contains numerous interdependent and related activities. Investing is the exchange of available assets for expected future returns. One of the key reasons why businesses fail is the lack of money to settle obligations. In other words, businesses fail to maintain a steady cash flow. Also, financial institutions such as banks will ask first and first ask of a tourism company is what its cash flow is. Cash flow is an overview of the inflows and outflows of money in a business. It's a two-way process – cash inflows and outflows. What needs to be done is to effectively manage both suppliers (money outflow) and buyers (cash flow). Cash flow forecasts, capital budgeting, cost of capital, and risk are important in investment deferrals because they provide information about how much money should be provided for the tourism business. Usually, these forecasts/projections are made on a monthly basis. Also, to the extent that a tourism company has a positive cash flow for years, there is a big plus for banks to realize a line of credit.

The decision to invest is the wisest decision of every individual, every family, every enterprise, and especially in the field of tourism. Simply put, if we don't put everything we have earned into the right investment, i.e. the money that a tourism company puts in today, will bring in additional income tomorrow. All that is required is that the money saved, regardless of its amount, is invested with a clearly defined goal that will ultimately bring profit to the tourism enterprise. All investments with a maturity of more than one year are called long-term investments. Making long-term financial decisions is a complex and time-consuming process that is determined by the following factors: savings, interest rates, and expectations.

The term capital has several interrelated meanings in economics, finance, and accounting. In finance and accounting, capital generally refers to financial wealth, especially that which is used to start and maintain a business.

The dividend policy is part of the tourism company's financing decision. The dividend payout ratio indicates how much of the profit can be retained in the company as a source of funding.

The existence of an enterprise in the field of tourism and in any field in general cannot be imagined without a good management structure. Behind the success of any enterprise, and in this context in tourism, is a successful management team. Management teams are the key subjects for making tactical financial decisions in a tourism enterprise. Tourism managers behave in accordance with managerial roles to accomplish management functions. Every

tourism manager needs to know how to perform their tasks, to know how to organize the rest of the employees and, ultimately, to successfully perceive the results of the work. In contrast to strategy, financial tactics are the concretization of strategy, and it differs in that it is adaptable, quick to use results, corrects mistakes, and changes its own goals, but still stays within the framework of strategic goals.

#### **1.2.4. Tourism Enterprises**

Management is very important because the existence of the tourist enterprise and its activity depends on it, which is very important, both for a national economy such as the Republic of Macedonia and beyond. In today's industrialized society, complex technologies dominate and it is the organization that connects people, knowledge, and raw materials to perform tasks that no single individual can perform alone.<sup>4</sup> It can be pointed out that management is a very important, and often often decisive factor for a successful business in today's turbulent working environment. In this connotation, the importance of professional management is emphasized. More specifically, it means that professional management is not carried out by the entrepreneur (the owner of the capital), but by engaged professional managers. Peter Drucker believes that in today's turbulent economic conditions, management is the basis and factor for the successful business of any enterprise, especially in tourism. It is inevitable when the firm reaches a certain volume of activity. When an entrepreneur's management system is to be moved to professional management, the critical point is 300–1000 employees, depending on the degree of complexity and differentiation of his work, as well as the ability of the entrepreneur. The main preoccupation of managers is to ensure the growth and development of the enterprise, and this means to achieve its business and development goals. The importance of tourism management lies in the need for effective functioning of the tourism enterprise in the Republic of Macedonia. More specifically, it means achieving goals in an effective and efficient manner. Efficiency is the degree to which a tourism company achieves its goals. Essentially, it means whether the firm succeeds in achieving the goals that have been set in advance, or whether it means providing tourism products and services that consumers will value. From the above, it can be pointed out that efficiency is the achievement of the tasks of the enterprise qualitatively and quantitatively, including the characteristics of the output i.e. the end results.

### **1.3. Hypotheses**

One of the most important issues in empirical research is hypothesis formulation and verification. "It is a claim that can be put to the test to prove its worth. The hypothesis may appear to be contrary to or consistent with conventional wisdom. It can be proven whether it is true or incorrect. In any case, it leads to empirical inquiry. Whatever the outcome, the hypothesis is a question, posed in such a way that some kind of answer can be obtained. It is an example of organized skepticism of science, a refusal to adopt any claim without empirical verification." Each hypothesis shows the relationship between independent and dependent variables.

#### **1.3.1. General hypothesis**

**An analytical approach is important in making quality financial decisions regardless of the size of the enterprise, its organizational structure, and the type of activity.**

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<sup>4</sup> For example: the operation of energy complexes, production facilities, international hotel and/or restaurant chains, transport companies, tour operators, trading houses, utilities and the like.

### **1.3.1.1. Special hypothesis**

**A separate hypothesis states that the tourism company is partially applying the analytical approach to financial decision-making by management.**

## **1.4. Research Methods and Organization**

### **1.4.1. Research methods**

In the study of social phenomena, general and specific methods are used. "All social sciences, in addition to general methods, apply and use special and specific methods that are appropriate for collecting data in the appropriate field."<sup>5</sup> Hence, this research is based on a particular methodology. In processing the data obtained from the study, we applied the method of analysis and the method of synthesis.

#### **1.4.1.1. Method of analysis**

The term "analysis" comes from the Greek word >>analysis<< which means the dismemberment of a whole into its constituent parts.<sup>6</sup> Thus, parsing is a fundamental feature of the method of analysis. In fact, dismemberment means the separation of a complex object into the parts of which it consists in order to perceive their qualities, determine the quality of the complex object, and indicate their effect on it. Namely, on the tabular data, we applied a breakdown of their content and gave an explicit explanation.

#### **1.4.1.2. Synthesis method**

The synthesis method is the process of scientifically investigating and explaining reality and by means of synthesizing simple judgments into more complex ones. Synthesis is the process of generalization in which all more abstract terms arise compared to previous terms. Synthesis is a way of systematizing knowledge according to the regularity of formal logic, as the process of creating theoretical knowledge in the direction of the particular to the general, i.e. from the species to the genus. All the findings obtained through the method of analysis, using the synthesis method, we turned them into conclusions from which we further gave recommendations for improving the analytical approach of management in financial decision-making in tourism enterprises.

## **1.4.2. Methodological research techniques**

In the defined object of research as methodological techniques we used:

- Questionnaire
- Scaling method and
- Statistical method.

### **1.4.2.1. Questionnaire**

**We applied the survey to managers in several enterprises in the field of tourism. It aimed to get a clear picture of their positions, in terms of whether the analytical approach of management is taken into account in the financial decision-making of tourism enterprises.**

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<sup>5</sup> Todorović, A., (1978), Ibid, 58.

<sup>6</sup> Стојановиќ, Т., (1990), Анализа на работењето на претпријатијата, Сојуз на сметководствените и финансиските работници на Македонија - Скопје, Скопје, 21.

#### **1.4.2.2. Scaling method**

This method is used to obtain data from multiple survey questions. We applied scaling to activate opportunities to take into account the outcomes of planning in financial decision-making. In formulating the degrees, the statistical processing of the data was taken into account, which was the next step.

#### **1.4.2.3. Statistical Method**

This method has been used in this study because it achieves greater accuracy in the study of phenomena. We used the following statistical technique: calculating percentages. Statistical processing of the data is done by computers.

#### **1.4.2.4. Specimen design and selection**

In the design and selection of the sample, consideration was taken into account. Representation depends on the size and manner of its acquisition. The sample size depends on the number of subjects taken for examination. In addition, the sample must contain at least 100 members of the population in order to make reliable statistical conclusions.<sup>7</sup> In this context, this survey surveyed 200 tourism managers.

#### **1.4.2.5. Implementation of the research**

This phase of the study was operational. The survey was carried out in the time period from June 2018 to September 2018 in a number of enterprises in the field of tourism. From the management team of the tourism companies we have come across full understanding and assistance.

## **2. Analysis of the resulting research data**

This section is the most important part of the paper and is actually the final stage of the research.<sup>8</sup> As we have pointed out, using the method of analysis, we also analyzed the obtained empirical data from the survey of managers in several tourism enterprises, after systematizing them, tabulating, determining the number of respondents, calculating the percentage according to the number of respondents.

### **2.1. Respondents' views on the application of management's analytical approach to quality financial decision-making in tourism enterprises**

As we pointed out earlier, the basis of this study is the analysis of the empirical data obtained from the survey of managers in several tourism enterprises, after we systematized, tabulated, determined the number of respondents and calculated the percentage according to the number of respondents. In this connotation, on the tabular data, and on the basis of the respondents' responses, we applied a breakdown of their content and gave a precise explanation.

**Thus, the separate hypothesis states: "It is assumed that the tourism company partially applies the analytical approach to financial decision-making by management".**

Table 1 presents the respondents' views on the application of the analytical approach to financial decision-making by management in the companies where they have established their employment relationship, which were realized through a survey. There are differences in the enterprises in the field of tourism in the Republic of North Macedonia regarding the

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<sup>7</sup> Бунташески, Б., (1994), Ибид, 60.

<sup>8</sup> Бунташески, Б., (1995), Психологија на туризмот и угостителството, Универзитет „Св. Климент Охридски“ - Битола, Факултет за туризам и угостителство - Охрид, Охрид, 238.

application of the analytical approach of management in financial decision-making. In many large tourism enterprises, in the management of finances, significant shortcomings can be pointed out in terms of the application of the analytical approach of management in making adequate financial decisions. It is closely related to the level of education of the employees, their work experience, as well as the function they perform. Certain differences of opinion can also be observed depending on the sex of the respondents, although gender is not a decisive factor in making quality financial decisions.

There are differences regarding the importance of the planning function in financial decision-making in tourism enterprises. The planning function is important in making quality financial decisions regardless of the size of the enterprise, its organizational structure, and the type of activity.

The respondents' views on the question of whether they have an analytical approach to financial decision-making in the firms where they base their employment are given in Table 1.

	There is	Part of it	No, none	Total
Number of respondents	13	171	16	200
Participation in %	6,50%	85,50%	8,00%	100%

**Table 1. Do you have an analytical approach to making financial decisions in your company?**

From the data in Table 1, which presents the respondents' views on the application of an analytical approach to financial decision-making in tourism enterprises, it can be stated that for the most part in the analyzed tourism enterprises, the analytical approach in financial decision-making is partially applied, while an almost insignificant number of respondents who expressed that they do not have a fully analytical approach to financial decision-making at all. They have an analytical approach to financial decision-making. This situation points to the fact that financial decision-making in enterprises in the tourism sector, for the most part, is not based on proper analysis, planning and control of finances in enterprises. Hence, it follows that decisions related to finance, without proper application of an analytical approach in tourism enterprises, and based on the experience of the past period, are not entirely valid and can cause negative consequences in their operations. With the full application of the analytical approach in tourism enterprises, it will certainly contribute to the effectiveness and efficiency of their operations.

In this context, one can also consider the respondents' attitudes according to the function they perform in the enterprise, the level of education, work experience and gender to the application of the analytical approach in the work of enterprises in the field of tourism.

According to the function they perform, the majority of respondents stated that an analytical approach in financial decision-making was partially applied. Given the hierarchical structure, managers in senior management positions believe that an analytical approach to financial

decision-making is fully applied (chairman of the board of directors with 25%, general manager with only 5.88%). According to the data, as many as 10% of the respondents who hold the position of Chairman of the Board of Directors and 20.59% of the respondents who hold the position of General Manager believe that the analytical approach in financial decision-making is not applied at all.

Similar are the respondents' responses according to their educational structure. Namely, most of them believe that an analytical approach to financial decision-making has been partially applied. This finding is particularly characteristic of managers with a higher level of education (about 90%), while a large majority of employees with a lower level of education are of the opinion that an analytical approach to financial decision-making is not applied at all (among respondents with primary education - 40%). Such an analysis is expected because many managers with lower levels of education do not possess a quality education in the field of financial decision-making.

If the work experience of managers is taken into account, it can be noted that respondents with more work experience, for the most part (94.50% of respondents with 16-30 years of experience and 80.90% of respondents with 31-40 years of experience) believe that the analytical approach in financial decision-making is partially applied. The situation is different for respondents with relatively less work experience, where they believe that with 55% also an analytical approach in financial decision-making is partially applied, and with 40% that an analytical approach in financial decision-making is not applied at all. From this it can be pointed out that work experience nevertheless has a significant impact in recognizing the application of an analytical approach in financial decision-making.

According to the gender structure of the respondents, there are no significant deviations in their thinking regarding this issue. Namely, the majority of respondents of both sexes reported that an analytical approach to financial decision-making was partially applied. It is generally stated that the analytical approach in financial decision-making is partially applied in the work of enterprises in the field of tourism. That is, the analytical approach lacks the necessary role and significance in making effective and efficient financial decisions, which can fundamentally negatively affect the business activity of tourism enterprises. As noted earlier, this is due to the fact that some managers are not sufficiently educated both theoretically and practically in the field of financial management and financial decision-making.

To overcome these conditions that are present in our tourism economy it is necessary to have a willingness, especially on the part of the top management, to engage young management teams who have more modern ideas, certain creative ideas and the ability to adapt to modern trends in work and implement modern analytical scientific methods of working, especially in the area of financial management and financial decision-making.

## **Conclusion**

Etymologically, the term "analysis" comes from the Greek word >>analysis<< which means the dismemberment of a whole into its constituent parts. Thus, parsing is a fundamental feature of management's analytical approach to making financial decisions of tourism enterprises. In fact, dismemberment means the separation of a complex object into the parts of which it consists in order to perceive their qualities, determine the quality of the complex object, and indicate their effect on it.

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