



## THE DECISION OF CREATING A TOURISM FIRM

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### ABSTRACT

A business activity project can be done in several stages, namely:

- Stage 1:** Identifying and assessing the promoting group: the entrepreneur. Talent and ... Willingness.
- Stage 2:** Identifying and assessing the “idea” in relation to the environment, competitors, strategies, the business firm and value creation.
- Stage 3:** Organizing and assessing the information obtained from the feasibility analysis of the business plan draft.
- Stage 4:** Business Project Report.
- Stage 5:** Business start up, setting up, follow up and control.

Our decision support system for business start ups incorporates the basic principles of transaction cost economics and industrial economics, taking into consideration diversity, intangibles, sustainability, quality and risk - return.

This paper focuses on sustainability: Competitiveness, Value Creation and Growth. It concludes by presenting the most common business assessment methods and their possible application on the sustainable development of tourism.

### KEYWORDS

Entrepreneur, Business Project, Value Creation, Sustainability.

### RESUMEN

La elaboración de un Proyecto de actividad empresarial se puede realizar en varias Fases, a saber:

- Fase 1:** identificación y evaluación del «Grupo Promotor»: El Emprendedor. Talento y ... Talante.
- Fase 2:** identificación y evaluación de la «Idea» en relación con el Entorno, la Competencia, la Estrategia, la Empresa, y la Creación de Valor.
- Fase 3:** organización y análisis de la información que se obtiene al someter el «Ante-Proyecto» a un Estudio preliminar de Viabilidad.
- Fase 4:** elaboración de la «Memoria» del Proyecto empresarial.
- Fase 5:** «Inicio» de la actividad empresarial, «implantación», «seguimiento» y «control».

Nuestro sistema de ayuda para tomar la Decisión de Crear una Empresa integra los Postulados básicos de la economía de los costes de transacción con los Fundamentos de la economía industrial; de acuerdo con las siguientes Bases: Diversidad, Intangibilidad, Sostenibilidad, Calidad y Rentabilidad-Riesgo.

En el presente artículo nos centraremos en la Sostenibilidad: Competitividad, Crecimiento y Creación de Valor. Y finalizaremos presentando los métodos más utilizados en la Valoración de Empresas y su posible aplicación en el Desarrollo Sostenible en Turismo.

### PALABRAS CLAVE

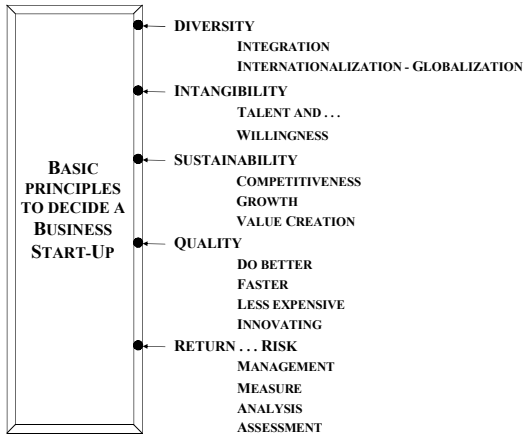
Emprendedor, Proyecto empresarial, Creación de Valor, Sostenibilidad.



### 0. DECISION SUPPORT SYSTEM TO CREATE A TOURISM FIRM

Our decision support system to create a tourism Firm is based on the following principles:

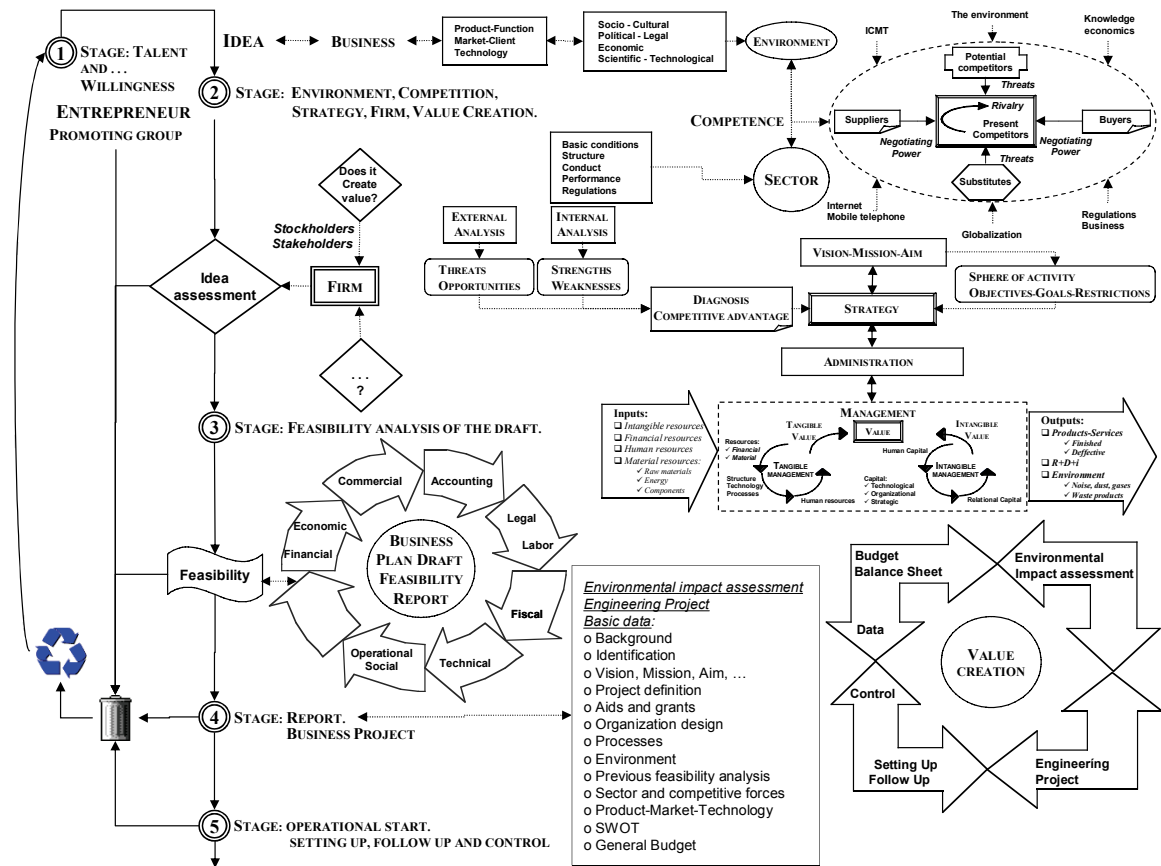
Figure 1 - Decision support system for business start ups. Basic principles.



Our decision support system to create a tourism Firm comprises the following stages:

- ⇒ Stage 1: Identifying and assessing the promoting group: the entrepreneur. Talent and ... willingness.
- ⇒ Stage 2: Identifying and assessing the “idea” in relation to the environment, competitors, strategies, the business Firm and value creation.
- ⇒ Stage 3: Organizing and assessing the information obtained from the feasibility analysis of the business plan draft.
- ⇒ Stage 4: Business Project Report.
- ⇒ Stage 5: Business start up, setting up, follow up and control.

Figure 2 - Decision support system for business start ups. Stages.



### 1. STAGE 1: TALENT AND ... WILLINGNESS

The first stage consists in classifying and assessing the “promoting group”: the entrepreneur. Talent and willingness.

- ✓ Talent is a lasting and sustainable competitive advantage that comes from the capacity

of creating knowledge, its dissemination and the modification of behavior and culture in order to adapt it to new ideas, incorporating change smoothly, creating and developing new businesses.



✓ Willingness has to do with behavior (intelligent, stupid). Intelligence<sup>1</sup> is the ability to understand complex ideas, to adapt oneself to the environment in an effective way and to overcome obstacles by means of reflection<sup>2</sup>. Stupidity has to do with opportunist behavior and limited rationality. It is the result of the confluence of three perception elements in an intelligent individual: omniscience (to believe one knows everything); omnipotence (to believe one can do everything); invulnerability (the illusion of being totally protected).

**2. STAGE 2: “IDEA”, ENVIRONMENT, COMPETITORS, STRATEGIES, THE BUSINESS FIRM AND VALUE CREATION**

The second stage consists in identifying and assessing the “idea” in relation to the environment, competitors, strategies, the business Firm and value creation.

The analysis of the environment can be structured in four parts: socio-cultural, political-legal, economic and scientific-technological.

**Table 1- Analysis of the environment**

Aspects of the environment to be assessed	very bad (1)	Acceptable (2)	well (3)	very well (4)	Excellent (5)	Scales				
						(1)	(2)	(3)	(4)	(5)
<b>Socio - Cultural:</b> • Work market • Social conflicts • Social attitudes • Other elements (indicate)	Inadequate Very high Rejection Very negative	Reasonable Nonexistent Coexistence Negative	Adapted Low Acceptance Neutral	Correct Few Support Positive	Integrated Nonexistent Integration Integrating					
<b>Political - Legal:</b> • Political stability • Pressure groups • Regulations • Other elements (indicate)	Very little Very conflicting Very harmful Very negative	Reasonable Reasonable Reasonable Reasonable	Equivalent Neutral Neutral Neutral	Correct Favorable Favorable Positive	Integrity Integrated Integrated Can be integrated					
<b>Economic:</b> • Inflation • Competitiveness • Government policies • Other elements (indicate)	Very high Moving away Nonexistent Very negative	Nonexistent Is reduced Reasonable Negative	Low Steady Acceptable Neutral	Little Increases Favorable Positive	Zero Spreading Integrated Can be integrated					
<b>Scientific-technological:</b> • Knowledge • Infrastructure • New technologies • Environment • Other elements (indicate)	Very little Inexistent Unknown Worrying Very negative	Limited Limited Diffuse Interested Reasonable	Reasonable Reasonable Specific Permissive Neutral	Good Good Adapted Adapted Positive	Very high Integral Integrated Integrated Integrated					

The “idea” will move to the following stage when it is adapted; otherwise, it has to be checked in order to solve conflicts observed in this stage.

The competitiveness analysis can be divided into three levels: country, sector, and Firm. Figure 3 shows the determining elements in international

competitiveness and Figure 4 the forces that move competitors in a sector of the new economy; using Porter’s model, the elements that influence competitiveness in the tourism sector have been included, based on the model changes taking place at present.

**Figure 3 - Competitiveness-Countries: determining elements in international competitiveness<sup>3</sup>.**

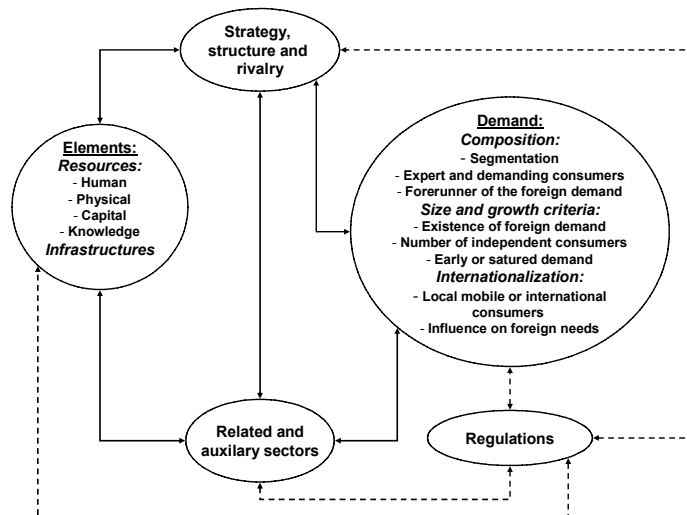
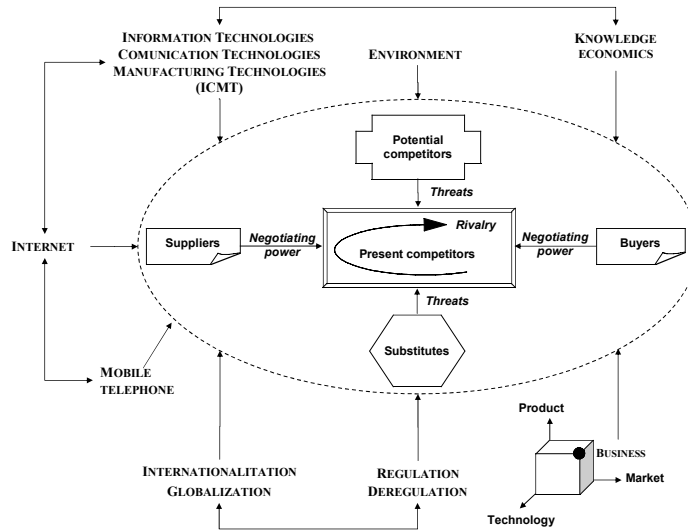




Figure 4 - Forces that move competition in a sector of the new economy<sup>4</sup>.

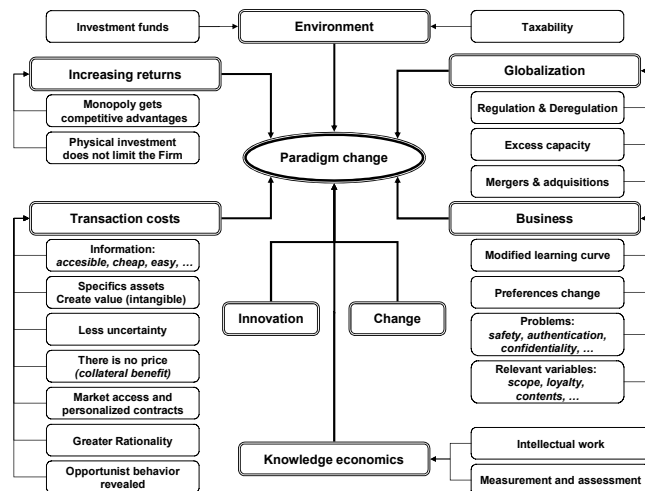


**The new economy is causing a change in models:**

- ✓ There are growing yields<sup>5</sup>. Monopolies achieve competitive advantages that could be determining. Physical investments no longer limit business Firms.
- ✓ Lesser transaction costs: information is more accessible, cheaper and easier to obtain; specific assets create value; uncertainty is reduced (sustainable growth depends on inflation and productivity); there is no price (looking for collateral benefits); market access time has been reduced and contracts are personalized; rational behavior is closer to theoretical models; and opportunist behavior is more visible.
- ✓ The economic cycle is altered and change is fast and accelerated.
- ✓ Innovation in information, communication and manufacturing technologies (ICMT) has to be included in the theoretical model.

- ✓ The environment is contemplated in the theoretical model by including the environmental impact assessment: ethical and environmental investment funds: taxation.
- ✓ Globalization requires a new definition of government intervention, as a developing factor of ICMT and intellectual capital: Regulation-Deregulation, which modify the sphere of activities and entrance, exit and mobility barriers; excess of capacity is taken into account; the decision of merger-acquisition-takeover-integration-cooperation is analyzed.
- ✓ Digitalization of the information affects business: it modifies the learning curve, changes preferences, alters relevant variables: scope, loyalty and contents; there are security problems: authentication, confidentiality, opportunist behavior.
- ✓ Knowledge economics: gives relevance to intellectual work; faces measurement and assessment issues.

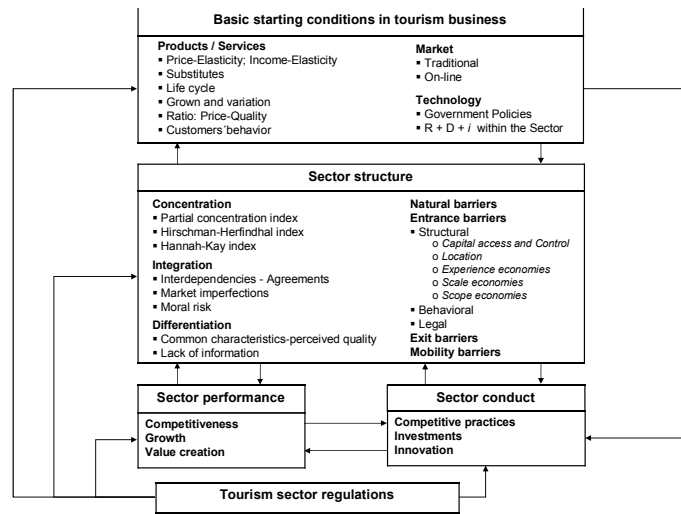
Figure 5 - Model changes for the new economy





“Competitiveness-Sector”<sup>6</sup> can be analyzed by means of the model: structure-behavior-results from industrial economics. This figure shows a proposal for the tourism Sector<sup>7</sup>.

Figure 6 - Analysis of the tourism sector.



**BASIC STARTING CONDITIONS IN A TOURISM BUSINESS**

The basic starting conditions are determined by: Demand, Supply and Technology.

- ⇒ **Demand:** the Product-Service demand depends on elasticity (price and income), the existence of substitutes, the life cycle, growth and variation rates, the cyclical and seasonal character, providers and specific characteristics, such as use and proximity or the value-price-quality rate.
  - ⇒ Elasticity: measures the degree of loyalty or the consumer necessity regarding the Product-Service (consumer repetition) when variables such as price or income change.
    - ◆ Income elasticity of demand: measures the relationship between a change in quantity demanded and a change in real income, without changing price. It is the percentage change in quantity demanded divided by the percentage change in income.
    - ◆ It is referred to as:
      - ✓ Inferior goods: those products/services whose demand decreases when income increases.
      - ✓ Primary commodities: those whose demand increases at a smaller proportion than income.
      - ✓ Luxury goods: those whose demand increases at a larger proportion than income.

- ⇒ Product-services substitutes: products which satisfy the same or similar necessities and compete for demand at similar prices. The most relevant are those which improve any given aspect of the product they replace (use, duration, design).
- ⇒ Life cycle of the product-service.
- ⇒ Growth and variation rate: demand increase level and expansion characteristics.
- ⇒ Cyclical and seasonal character: demand which experiences expansion and contraction stages.
- ⇒ Use, proximity: characteristics which influence demand and have to be taken into account in localization.
- ⇒ Value-price-quality rate: characteristics: influence transportation costs and customer assessment.
- ⇒ Providers: labor and public service suppliers.
- ⇒ **Supply: Market.**
  - ⇒ National-International Demand: supply characteristics in national-international market.
  - ⇒ Traditional on-line market.
  - ⇒ Supply elasticity: price elasticity is the percent change in supply caused by percent change in price. It measures commercial attitudes in the Sector.
    - ◆ Perfectly inelastic supply- quantities supplied remain constant, not affected by price changes.
    - ◆ Inelastic supply- supply whose percentage change is less than a percentage change in price.



- ◆ Elastic supply – supply whose percentage change exceeds the percentage change in price.
- ◆ Perfectly elastic supply – supply for which the price elasticity is infinite, indicating an infinite response of quantity supplied to a change in price.

⇒ **Technology.**

- ⇒ Government policies: Campaigns, Grants (Innovation, Environment conservation, etc.), Public Promotion (Fairs, Exhibits).
- ⇒ R+D+I within the sector.

These basic starting conditions influence the structure developed in the sector, and, in turn, this influences basic conditions. Besides, regulations and sector behavior modify basic conditions.

**STRUCTURAL VARIABLES IN THE TOURISM SECTOR**

The structure analysis is based on five determining elements: concentration ratio, integration level, differentiation, entry and exit barriers and mobility.

⇒ **Concentration** ratio within the sector: process by which decision taking in the sector is concentrated in a few Firms within the sector. Concentration should not be confused with dimension, as it refers to “power on the market” and goes beyond economic matters. We can distinguish between:

- ⇒ Technical concentration: facilities or premises dimension. It affects cost because of economy of scale and transportation costs.
- ⇒ Economic concentration: number of buyers and sellers in a specific market. It affects profits because of power on the market.
- ⇒ Financial concentration: decision-taking power in different Firms that can even operate on different markets.

⇒ Sector level of **integration**: process by which two or more Firms get together to operate on an “upstream” sector (related to suppliers) or a “downstream” sector (related to customers). The most remarkable elements in integration are the possibility of reaching agreements and agents’ opportunist behavior.

- ⇒ Interdependence (vertical integration, horizontal integration) / Cooperation Agreements.
- ⇒ Imperfections in the Factor market.
- ⇒ Moral risk: breach of contract risk.

⇒ **Differentiation**: Products / Services in the sector can be differentiated by their attributes or by ignorance of the consumers / users.

⇒ Caused by attributes: design characteristics, presentation or quality of the product/service.

⇒ Derived from the customer’s lack of information.

⇒ **Entry Barriers**: elements that prevent or make the entry of a Firm difficult.

⇒ Natural barriers

⇒ Structural barriers, that give advantages in cost, spring from:

- ◆ Access to consumables or distribution channels.
- ◆ Localization (physical distribution of activities) and economy of transportation.
- ◆ Control of technical improvements and procedures.
- ◆ Economics of experience: lower unit cost in Firms that start production
- ◆ Economics of scope: reduction in joint production costs, as investments or distribution and communication expenses are shared.
- ◆ Economics of scale: reduction in average cost in the long run, as production dimension increases.
- ◆ Access to necessary capital and availability of a capital market.

⇒ Behavior barriers based on: price policy and excess capacity maintenance

- ◆ Low price policies prevent the survival of new Firms in the first years.
- ◆ Maintenance of excess capacity, not derived from economics of scale, has the objective of responding rapidly to an increase in demand.

⇒ Legal barriers: Government regulations which prevent setting up new businesses.

⇒ **Exit barriers**, which prevent adaptation within the sector and setting up new businesses.

⇒ **Mobility barriers.**

Sector “basic conditions” and sector “structure” are interrelated. The structure adopted by the sector influences its behavior and performance and vice versa. Finally, regulations will modify sector structure.

**BUSINESS BEHAVIOR VARIABLES IN THE TOURISM SECTOR**

The business behavior analysis in the sector can be defined by the following elements: competitive practices, investments and legal practices.



- ⇒ **Competitive practices** adopted
- ⇒ **Investments** made: productive investments in the broad sense (production and commercialization) as well as innovation; they indicate expansive behavior, financial (and other) investments may indicate mergers, acquisition, takeover, integrations, cooperation, etc. underway.
  - ⇒ “Productive”: Manufacturing (facilities, machinery); Commercialization (including Advertising-Communication expenses), Innovation (R+D+i).
  - ⇒ “Financial”
  - ⇒ “Others”
- ⇒ Legal practices. For example, appeals to the Tribunal de Defensa de la Competencia (Competition Defense Court).

“Behavior” conditions “structure” and vice versa. Behavior modifies basic conditions, influences performance and, in turn, is influenced by them. Finally regulations will modify sector behavior.

**TOURISM SECTOR PERFORMANCE**

Performance expected in the tourism sector has to be measured in terms of: Competitiveness, Growth and Value Creation.

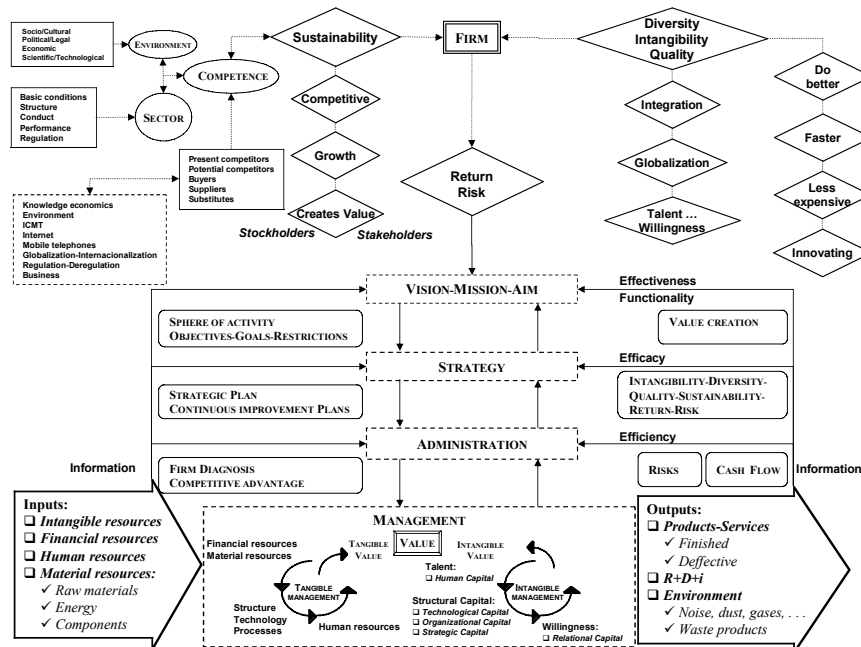
- ⇒ **Competitiveness**: capacity of the Firm to compete in the sector; it is based on “competitive advantages” and is supported by the “internal capacity”.
- ⇒ **Growth**: capacity of the Firm to increase any variable; for example, Return, sales, market quota.
- ⇒ **Value creation**. “Performance” conditions “behavior” and vice versa. Performance modifies structure and, in turn, is influenced by it. Finally regulations will modify sector performance.

**TOURISM SECTOR REGULATIONS**

“Regulations” in the tourism sector try to modify, alter or preserve the **basic starting conditions of the Tourism Business, structure, behavior and /or performance** of the sector.

**Competitiveness-Business Firm** can be analyzed as indicated in Figure 7.

Figure 7 - Competitiveness-Firm: Analysis of the tourism Firm.



When it comes to analyzing competitiveness in the Firm we must take into account that innovation and management capacity are necessary, but insufficient conditions.

- ⇒ **Management capacity**:
  - ⇒ Profile of a successful executive manager: Creative, flexible and adaptable; compe-

tent (ability to learn, dedication, depth of his/her knowledge, understanding capacity, active); competitive (market oriented, effective, efficacious and efficient, communicative, enterprising).

- ⇒ Strong points of the business Firm: Product-Service quality; Competitive price (value-price-quality ratio); Customer assis-



tance and attention; Distribution channels; communication; environmental management.

⇒ **Innovation capacity:**

- ⇒ Rapid response to innovation
- ⇒ Process originality: Manufacturing, Design, Distribution, Communication
- ⇒ System flexibility: productive-commercial-economic-financial.

**2.1. THE NATURE OF THE TOURISM FIRM**

Williamson stated the basic postulates of the discipline Transaction Cost Economics. Arrow defined transaction costs as those incurred in utilizing a specific coordination mechanism; they comprise the value of the resources used in:

- ⇒ Identifying and getting the parties in contact: information costs.
- ⇒ Drawing-up the clauses and conditions of the contract: bargaining costs.
- ⇒ Policing and enforcing the agreement and preventing the negative consequences of non-compliance: guarantee costs.

Considering the transaction as the basic unit of analysis, the dimensions or characteristics that determine a transaction and that are relevant in determining its costs are:

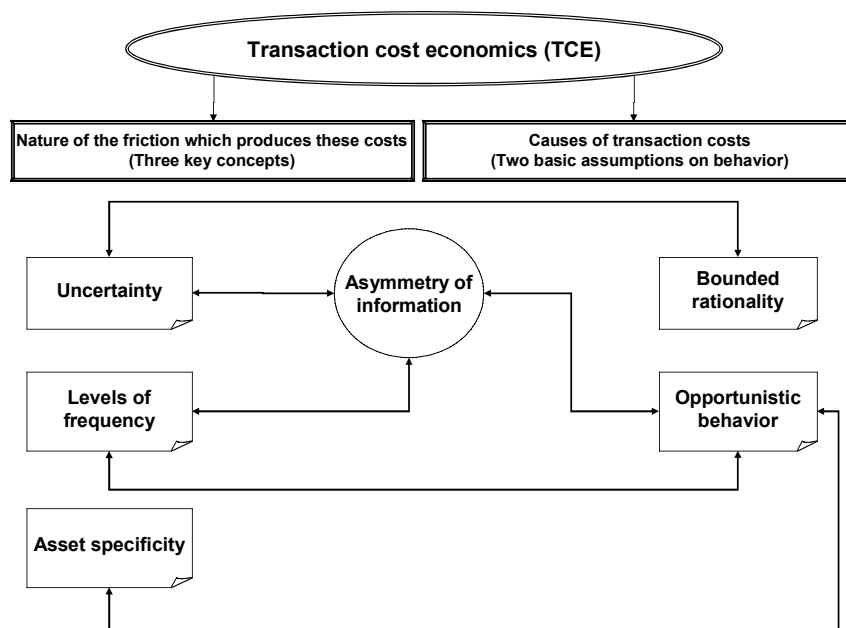
⇒ **Uncertainty:** can appear in different states, due to an agent's lack of information regarding others' decisions, or because of the agents' opportunist behavior that modifies the information available.

- ⇒ **Levels of frequency:** occasional, recurrent.
- ⇒ **Assets specificity** implied in the transaction:
  - ⇒ Their alternative use implies significant value loss, sunk costs.
  - ⇒ It is so specific that generates a practically exclusive relationship between parties.

The causes of transaction costs are:

- ⇒ The economic agents' bounded rationality:
  - ⇒ Some rationality assumptions are not fulfilled:
    - ◆ The economic agents have a system of preferences: they know what they want and can have an order of priorities.
    - ◆ They know all possible alternatives; besides, the alternatives are mutually exclusive.
    - ◆ They know all the consequences or results of accepting each one of the alternatives.
    - ◆ They have unlimited computation capacity: they can handle all available information on alternatives and consequences.
    - ◆ They make choices according to pre-established criteria.
  - ⇒ They do not maximize: they look for satisfactory solutions.
- ⇒ Agents' **opportunistic behavior** (shirking)<sup>8</sup>.
  - ⇒ Fulfillment of promises is not guaranteed
  - ⇒ The agent's selfishness makes him/her break a commitment if it entails a personal advantage

Figure 8 - Transaction cost economics (TCE).







**Asymmetric information**<sup>9</sup> poses adverse selection problems; moral hazard; and monitoring.

- ⇒ **Adverse selection:** the worst quality project “expels” the best (at the beginning we can’t tell the risk level). The solutions offered are: signaling and second-degree price discrimination.
- ⇒ **Moral or ethical hazard:** investments made on a different project than the one agreed upon; a complete guarantee can encourage careless use, which causes more damage or covered damages. The solution offered is designing contracts that regulate the relationship principal-agent giving the agent an incentive to carry out the effort the principal intends.
- ⇒ **Monitoring:** agent’s concealed actions (for example, declaring lower earnings) that princi-

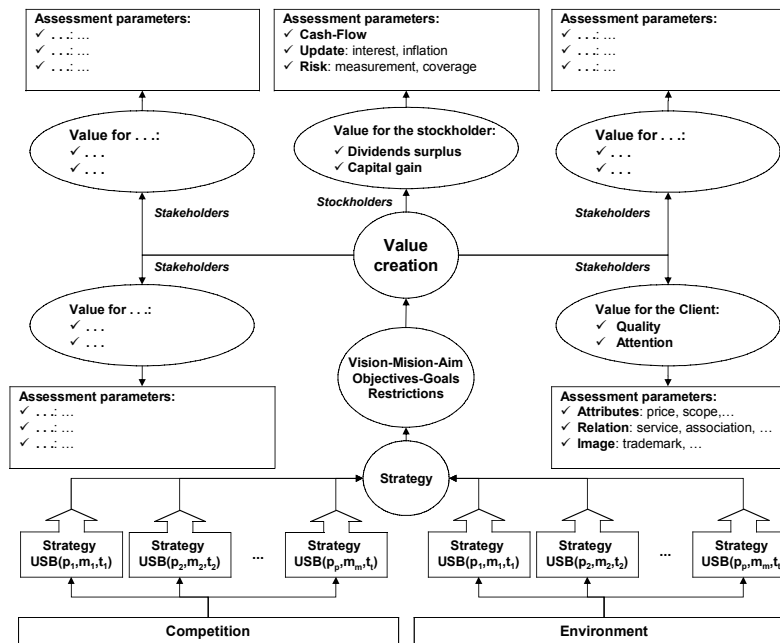
pals cannot check. The suggested solution is an audit (information which is costly to check).

## 2.2. VALUE CREATION WITHIN A TOURISM FIRM

In the traditional model: Return/Risk, the Firm’s general objective is value maximization; stockholders expect dividends and surplus value. Our support system for deciding the creation of a tourism Firm is based on the following elements: Diversity (Integration; Internalization-Globalization); Intangibility (Talent and... willingness); sustainability (Competitiveness; Growth; Value Creation); Quality (do better; faster; less expensive; innovating); Risk-Return.

This implies other participants’ consideration (Stakeholders).

Figure 9 - Value creation in a tourism Firm: towards an integrating model (Stockholders-Stakeholders)<sup>10</sup>.



The value of a tourism Firm has to take into account tangible management as well as intangible management, as shown in the figure.

Figure 10 - Firm value in the new economy.

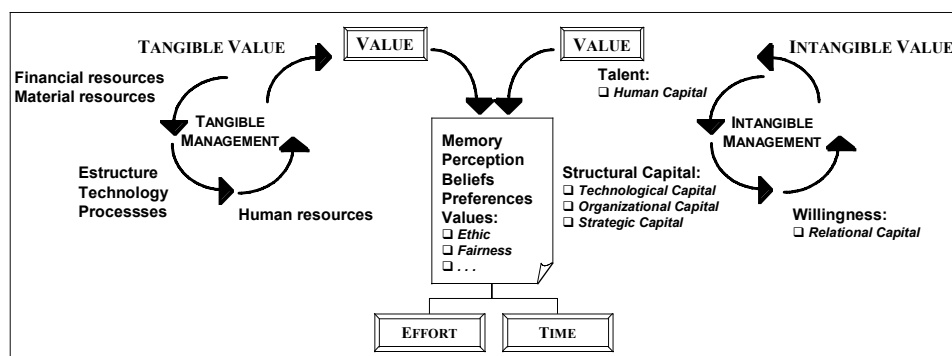
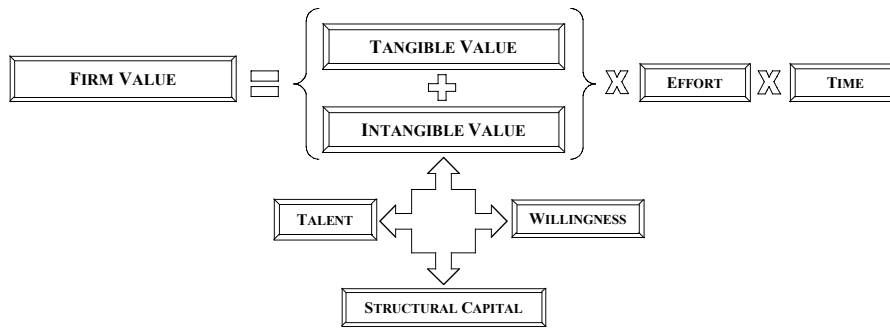




Figure 11 - Firm value in the new economy.



**3. STAGE 3: FEASIBILITY ANALYSIS OF THE BUSINESS PLAN DRAFT**

The third stage consists in organizing and analyzing the information obtained from the feasibility analysis of the draft by means of questionnaires like the following.

Table 2 - Legal-Labor-Accounting-Taxability analysis

Aspects to be assessed in the Legal-Labor-Accounting-Fiscal analysis	very bad (1)	acceptable (2)	good (3)	very good (4)	Excellent (5)	Scale				
						(1)	(2)	(3)	(4)	(5)
<b>Legal Firm</b> • Assessment (perception)	Very negative	Neutral	Reasonable	Positive	Very positive					
<b>Legal compliance</b> • Assessment (perception)	Very negative	Neutral	Reasonable	Favorable	Very favorable					
<b>Labor</b> • Labor risks • Labor contracts	Very high Random	Partly high Partly	Acceptable Acceptable	Adapted Adapted	Integrated Integrated					
<b>«Human resources»</b> • Selection system • Assessment system • Promotion system	Nonexistent Nonexistent Nonexistent	Partly Partly Partly	Insignificant Insignificant Insignificant	Slightly integrated Slightly integrated Slightly integrated	Integrated Integrated Integrated					
<b>Management accountancy</b> • Information system • Cost accountancy • Balance sheet analysis • Inventory	Basic Not done Nonexistent Arbitrary	Normalized Starting Starting Acceptable	Acceptable Acceptable Acceptable Normalized	Adapted Adapted Adapted Adapted	Integrated Integrated Integrated Integrated					
<b>Taxability</b> • Fiscal information system • Taxation effect	Basic Not considered Very little	Normalized Starting Little	Acceptable Acceptable Party	Adapted Adapted Insignificant	Integrated Integrated Complete					
<b>Other: Insurance</b>										

Table 3 - Technical-Operative-Social Analysis

Aspects to be assessed in the Technical-Operative-Social Analysis	very bad (1)	acceptable (2)	good (3)	very good (4)	Excellent (5)	Scale				
						(1)	(2)	(3)	(4)	(5)
<b>«Production» and Management»</b> • System Production System • Supplier selection • Customer follow-up • Transportation • Material-order • Environment	Nonexistent Nonexistent Improvised Not analyzed Not done Not considered	Partly Imprecise Slightly coordinated Partly coordinated Partly coordinated Partly coordinated	Unimportant Unimportant Coordinated Coordinated Coordinated Absolutely	Slightly integrated Slightly integrated Slightly integrated Slightly integrated Slightly integrated Slightly integrated	Integrated Ecologic Integrated Integrated Integrated Integrated					
<b>Manufacturing</b> • Maintenance • Control	Improvised Improvised	Slightly coordinated Slightly coordinated	Coordinated Coordinated	Slightly integrated Slightly integrated	Integrated Integrated					
<b>Engineering</b> • Planning-programming • Calculation-Design	Improvised Improvised	Slightly coordinated Slightly coordinated	Coordinated Coordinated	Slightly integrated Slightly integrated	Integrated Integrated					
<b>Warehouses</b> • Delivery • Reception • Buildings	Improvised Several people Risks	Slightly coordinated Few people Immaterial	Coordinated Coordinated Stables	Slightly integrated Slightly integrated Improved	Integrated Integrated Ecologic					
<b>Social Affairs</b> • Coverage • Safety and Health	Improvised Improvised	Slightly coordinated Little coordinated	Coordinated Coordinated	Slightly integrated Slightly integrated	Integrated Integrated					



Table 4 - Commercial Analysis

Aspects to be assessed in the Commercial Analysis	very bad (1)	acceptable (2)	good (3)	very good (4)	Excellent (5)	Scale				
						(1)	(2)	(3)	(4)	(5)
<b>Market</b> • Knowledge: sphere, ... «Qualitative analysis» «Quantitative analysis»	Unknown Not done Not done	Little known Partly Partly	known Unimportant unimportant	Slightly integrated Slightly integrated Slightly integrated	Integrated Integrated Integrated					
<b>Marketing-Mix</b> «Product-Service» • Range • Lines • Range	Without foundation Without foundation Without foundation	Partly Partly Partly	Economics Economics Economics Careful	Slightly integrated Slightly integrated Slightly integrated	Integrated Integrated Integrated					
<b>Prices</b> • Election and analysis • Customer perception • Cost relation • Quality relation	Inherited Unknown Arbitrary None	Partly Partly Partly Partly	Good Unimportant unimportant	Slightly integrated Slightly integrated Slightly integrated Slightly integrated	Integrated Integrated Integrated Integrated					
<b>Communication</b> • Election and analysis • Customer perception • Provides data • Relation with Sales Force • Ethical sale	Inherited Unknown Not reliable None Deceiving	Partly Partly Partly Partly Partly	Careful Good Unimportant Unimportant Inexact	Slightly integrated Slightly integrated Slightly integrated Slightly integrated	Integrated Integrated Integrated Integrated					
<b>Distribution</b> • Channel election • Customer perception • Cost	Inherited Unknown Very high	Partly Partly High	Careful Good Average	Slightly integrated Slightly integrated Slightly integrated	Integrated Integrated Integrated					

Table 5 - Economic-Financial Analysis

Aspects to be assessed in the Economic-Financial Analysis	very bad (1)	acceptable (2)	good (3)	very good (4)	Excellent (5)	Scale				
						(1)	(2)	(3)	(4)	(5)
<b>Project analysis</b> • Investment profitability • Financial sources • Leverage	Very negative Unknown Very low	Negative Little known Low	Slightly positive Known Average	Very positive Slightly integrated Slightly high	Integrated Integrated Very high					
<b>Risk management</b> • Assessment «Ratio analysis»	Very risky Not done	Risky Partly	Little risky unimportant	Reasonable Slightly integrated	Integrated Integrated					

This stage concludes with the Draft Feasibility Report. This allows the exact definition of the alternative, which will be developed in a later stage. The “idea” stated in a rejected draft can be saved and later reformulated and assessed.

**4. STAGE 4: BUSINESS PROJECT REPORT**

The fourth stage consists in drawing up the Business Project Report.

1. Identifying the Firm and the Promoting Group
  - 1.1. Identifying the Firm
  - 1.2. Identifying the Promoting Group
2. Identifying the Idea
  - 2.1. Background of the Idea, Origin of the Project and Concept of the Firm
  - 2.2. Vision-Mission-Aim-Sphere of Activity-Objectives-Goals and Restrictions.
  - 2.3. Business – Definition of the Business Project
  - 2.4. Aids and Grants
3. Analysis of the Business Firm Environment
  - 3.1. Socio-Cultural Environment
  - 3.2. Political-Legal Environment
  - 3.3. Economic Environment
  - 3.4. Scientific-Technological Environment

4. Analysis of the Sector and Competitors
  - 4.1. Sector Analysis
  - 4.2. Competitors Analysis: Competitive Forces
5. Analysis of the Firm
  - 5.1. Organizational Design of the Firm
    - 5.1.1. Structure: Organization Chart of the Firm
    - 5.1.2. Cooperation Agreements
  - 5.2. Firm Systems and Producers
    - 5.2.1. Procedures: Information-Decision taking-Control
    - 5.2.2. «Production» System - Operations»
    - 5.2.3. «Distribution» System
    - 5.2.4. «Localization» and «Logistics» System-«Site Distribution»
    - 5.2.5. «Cost Management» System
    - 5.2.6. «Inventory» System: «Stocks»
    - 5.2.7. «Human Resource Management» System
  - 5.3. Product Analysis (Service)-Market-Technology
  - 5.4. S.W.O.T. (Strengths-Weaknesses-Opportunities-Threats) Analysis
    - 5.4.1. Diagnosis
    - 5.4.2. Competitive Advantage
    - 5.4.3. Strategies

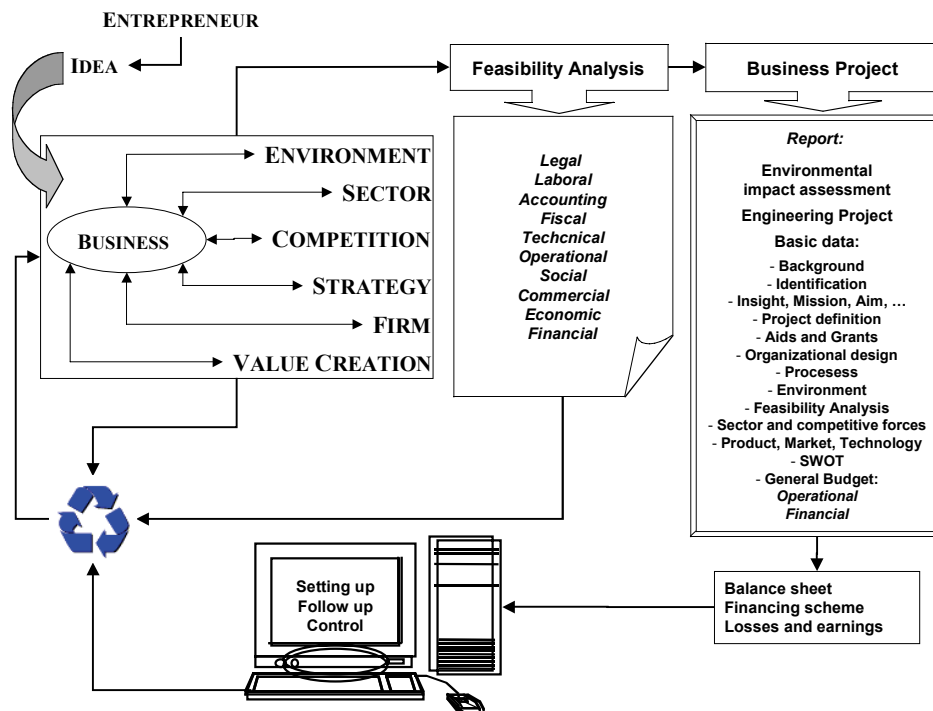
- 5.5. Value Creation
  - 5.5.1. Value for «Stockholders»
  - 5.5.2. Value for «Stakeholders»
- 6. Feasibility Analysis of the Draft
  - 6.1. Legal Analysis
  - 6.2. Labor Analysis
  - 6.3. Accounting and Fiscal Analysis
  - 6.4. Technical-Operating-Social Analysis
  - 6.5. Commercial Analysis
  - 6.6. Economic – Financial Analysis
- 7. General Budget

- 7.1. Operating Budget: Analysis of the Profit and Loss Account
- 7.2. Financial Budget: Financing Table; Balance Sheet
- 8. Feasibility Analysis of the Draft. Report

**5. STAGE 5: «START UP», «SETTING UP», «FOLLOW UP» AND «CONTROL»**

The fifth stage consists in the «start-up», «setting-up», «follow-up» and «control» of the business activity.

**Figure 12** - The Idea of a tourism Firm as a Project. Summary.



**6. PROVISIONAL CONCLUSIONS**

Our decision support system for starting-up a tourism Firm incorporates the basic principles of transaction cost economics and industrial economics.

As of today, we do not know the value of the business intellectual capital because the value creating capacity has to do with tangible and intangible management and we do not know how to measure and value intangibles<sup>11</sup>.

We have identified the basic elements: Diversity, Intangibility, Sustainability, Quality and Return / Risk, and the different stages of a business plan.

- ⇒ Identifying and assessing the promoting group: the entrepreneur. Talent and ... willingness.
- ⇒ Identifying and assessing the “idea” in relation to the environment, competitors, strategies, the business Firm and value creation.

- ⇒ Organizing and assessing the information obtained from the feasibility analysis of the business plan draft.
- ⇒ Business project report.
- ⇒ Business start up, setting up, follow up and control.

In a future study we plan to establish the link between Value Creation and Business Firms assessment methods, introducing intangible valuation. Davenport<sup>12</sup>, Ohlson-Feltham<sup>13</sup>, Amor<sup>14</sup> and others have opened up ways to determine the value of “other information”.

**NOTES**

<sup>1</sup>ROJAS, E. (1997): *El amor inteligente*, Temas de Hoy, Madrid, pp. 129-137. The autor classifies different types of intelligence: theoretical, practical, social, spontaneous-provoked, analytical-synthetically, analogical-methodological, discursive, mathematical, emotional, instrumental.



<sup>2</sup>STERNBERG, R. J. (Ed.) (2003): *Por qué las personas inteligentes pueden ser tan estúpidas*, Ares y Mares, Crítica, Barcelona.

<sup>3</sup>Adapted from PORTER M. E. (1980): *Competitive Strategy*, Free Press, New York; PORTER M. E. (1985): *Competitive Advantage*, Free Press, New York; PORTER M. E. (1990): *The Competitive Advantage of Nations*, Free Press, New York; PORTER M. E. (2003): *Ser competitivo*, Deusto, Barcelona.

<sup>4</sup>Adapted from PORTER M. E. (1980): *Competitive Strategy*, Free Press, New York; PORTER M. E. (1985): *Competitive Advantage*, Free Press, New York; PORTER M. E. (1990): *The Competitive Advantage of Nations*, Free Press, New York; PORTER M. E. (2003): *Ser competitivo*, Deusto, Barcelona.

<sup>5</sup>Adapted from BSCH: esp@ña on.line, Santander Central Hispano y Andersen Consulting; BBVA (2000): *La Nueva Economía en España*, Situación, October, BBVA.

<sup>6</sup>FANJUL, J. L. (2000): "Creación de Empresas Turísticas Competitivas"; in BLANQUER, D. *Et al.* (Eds.): *Turismo. Comercialización de productos, gestión de organizaciones, aeropuertos y protección de la naturaleza*, Tirant Lo Blanch, Valencia, pp. 297-325.

<sup>7</sup>Based on SHEPHERD, W. G. (1979): *The Economics of Industrial Organization*, Prentice Hall, Londres; SCHERER, F. M. (1980): *Industrial Market Structure and Economic Performance*, Rand McNally, Chicago.

<sup>8</sup>ALCHIAN, A. A. y DEMSETZ, H. (1972): "Production, Information Costs and Economic Organization", *American Economic Review*, vol. 62, 5, pp. 777-795.

<sup>9</sup>See BEBCZUK, R. N. (2000): *Información asimétrica en mercados financieros*, Cambridge University Press, Madrid; MACHO, I. and PÉREZ, D. (2005): *Introducción a la economía de la información*, Ariel, Barcelona; USATEGUI, J. M<sup>a</sup> (2000): *Economía de la Información*, Servicio Editorial de la Universidad del País Vasco, Bilbao.

<sup>10</sup>Based on SCOTT, M. C. (1999): *El proceso de creación de valor en la empresa*, Deusto, Bilbao, p. 14; RAPPAPORT, A. (1998): *Creación de Valor para el Accionista*, Deusto, Bilbao, p. 89; KAPLAN, R. S. y NORTON, D. P. (2004): *Mapas estratégicos. Convirtiendo los activos intangibles en resultados tangibles*, Gestión 2000, Barcelona, p. 40.

<sup>11</sup>See LAMOTHE, P. and ARAGÓN, R. (2003): *Valoración de Empresas asociadas a la Nueva Economía*, Pirámide, Madrid.

<sup>12</sup>DAVENPORT, T. O. (2000): *Capital Humano. Creando ventajas competitivas a través de las personas*, Gestión 2000, Barcelona.

<sup>13</sup>FELTHAM, G. and OHLSON, J. A. (1995): "Valuation and Clean Surplus Accounting for Operating and Financial Activities", *Contemporary Accounting Research*, Vol. 11, n° 2 (Spring), pp. 689-731; FELTHAM, G. y OHLSON, J. A. (1999): "Residual earnings valuation with risk and stochastic interest rates", *The Accounting Review*, Vol. 74, n° 2, pp. 165-183; OHLSON, J. A. (2001): "Earnings, book values, and dividends in equity valuation: an empirical perspective", *Contemporary Accounting Research*, Vol. 18, pp. 107-120; OHLSON, J. A. (2000A): "Residual income valuation: The problems", *Working Paper*, Leonard N. Stern School of Business (New York University); OHLSON, J. A. (2003): "Positive (zero) NPV projects and the behaviour of residual earnings", *Journal of Business Finance & Accounting*, Vol. 30, n° 1-2 (January/March), pp. 7-15.

<sup>14</sup>AMOR TAPIA, B. (2004): *Valoración de empresas: El EBO en la valoración de acciones. Hacia una propuesta para su aplicación*, PhD Dissertation, Universidad de León.