


**ECONOMIC SUSTAINABILITY OF TOURISM ENTERPRISES: A PROPOSAL OF
CRITERIA IN THE HOTELS**

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 31 January 2023</p> <p>Accepted 18 April 2023</p>	<p>Purpose: The purpose of this study is to identify economic sustainability criteria for hotel enterprises in order to operate smoothly and achieve sustainability in the long term.</p> <p>Theoretical framework: Recent literature has reported important aspects of sustainability in the hotel industry. However, there is much more to be explored and applied mainly in the field of economic sustainability.</p> <p>Design/methodology/approach: The study is based on literature review related to economic sustainability in the hotel industry. For the purpose of the study indicators that can be applied in practice and highlight important conclusions are selected and enriched.</p> <p>Findings: New economic sustainability criteria are proposed, such as healthy profitability ratio, financial stability ratio, room occupancy, income per guest, etc.</p> <p>Research, Practical & Social implications: The study is expected to enrich theoretical advancements. The findings are also expected to enlighten economic sustainability criteria to help hotel enterprises generate positive societal and environmental outcomes.</p> <p>Originality/value: New economic sustainability criteria are reported along with the need to fill the gap in the literature.</p>
<p>Keywords:</p> <p>Sustainability; Sustainable Practices in the Hotel Sector; Economic Sustainability of Hotel Enterprises.</p> <div data-bbox="172 1010 480 1256" style="text-align: center;">  </div>	<p>Doi: https://doi.org/10.26668/businessreview/2023.v8i4.1769</p>

**SUSTENTABILIDADE ECONÔMICA DOS EMPREENDIMENTOS TURÍSTICOS: UMA PROPOSTA
DE CRITÉRIOS NA HOTELARIA**

RESUMO

Objetivo: O objetivo deste estudo é identificar critérios de sustentabilidade econômica para empresas hoteleiras, a fim de operar sem problemas e alcançar a sustentabilidade no longo prazo.

Referencial teórico: A literatura recente tem relatado aspectos importantes da sustentabilidade na indústria hoteleira. No entanto, há muito mais a ser explorado e aplicado principalmente no campo da sustentabilidade econômica.

Desenho/metodologia/abordagem: O estudo é baseado em revisão de literatura relacionada à sustentabilidade econômica na indústria hoteleira. Para efeito do estudo são selecionados e enriquecidos indicadores que possam ser aplicados na prática e que destaquem conclusões importantes.

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Resultados: Novos critérios de sustentabilidade econômica são propostos, como índice de rentabilidade saudável, índice de estabilidade financeira, ocupação de quartos, renda por hóspede, etc.

Pesquisa, implicações práticas e sociais: Espera-se que o estudo enriqueça os avanços teóricos. Espera-se também que as descobertas esclareçam os critérios de sustentabilidade econômica para ajudar as empresas hoteleiras a gerar resultados sociais e ambientais positivos.

Originalidade/valor: Novos critérios de sustentabilidade econômica são relatados junto com a necessidade de preencher a lacuna na literatura.

Palavras-chave: Sustentabilidade, Práticas Sustentáveis no Setor Hoteleiro, Sustentabilidade Econômica de Empreendimentos Hoteleiros.

SOSTENIBILIDAD ECONÓMICA DE LAS EMPRESAS TURÍSTICAS: UNA PROPUESTA DE CRITERIOS EN LOS HOTELES

RESUMEN

Propósito: El propósito de este estudio es identificar criterios de sostenibilidad económica para las empresas hoteleras con el fin de operar sin problemas y lograr la sostenibilidad a largo plazo.

Marco teórico: La literatura reciente ha reportado aspectos importantes de la sustentabilidad en la industria hotelera. Sin embargo, hay mucho más por explorar y aplicar principalmente en el campo de la sostenibilidad económica.

Diseño/metodología/enfoque: El estudio se basa en la revisión de literatura relacionada con la sostenibilidad económica en la industria hotelera. Para efectos del estudio se seleccionan y enriquecen indicadores que se pueden aplicar en la práctica y resaltar conclusiones importantes.

Hallazgos: Se proponen nuevos criterios de sostenibilidad económica, como índice de rentabilidad saludable, índice de estabilidad financiera, ocupación de habitaciones, ingresos por huésped, etc.

Implicaciones de investigación, prácticas y sociales: se espera que el estudio enriquezca los avances teóricos. También se espera que los hallazgos iluminen los criterios de sostenibilidad económica para ayudar a las empresas hoteleras a generar resultados sociales y ambientales positivos.

Originalidad/valor: Se reportan nuevos criterios de sustentabilidad económica junto con la necesidad de llenar el vacío en la literatura.

Palabras clave: Sostenibilidad, Prácticas Sostenibles en el Sector Hotelero, Sostenibilidad Económica de las Empresas Hoteleras.

INTRODUCTION

Sustainability achievement is considered a major objective for enterprises to stay competitive in the current era of business (Ahmad, & Sulaiman, 2023; Alkhodary, 2023). Sustainability can be defined as the ability of enterprises to implement and realize their strategy (Barney, 2002). It measures the enterprises' ability to maintain and improve their competitive position as perceived by their owners and customers (Feurer, & Chahrabagi, 1994).

However, many enterprises, such as hotels, are reluctant to integrate sustainability into their business strategy as they consider that the costs of investing in sustainability issues overcomes the benefits (Njoroge et al., 2020).

Sustainability in hotel enterprises can be defined as comprehensive planning of the responsibilities of all the elements that ensure the formation and the operation of hotel activities in the implementation of sustainable development in the aspects of economy, society, and

environment (Kobyak et al., 2020). Together with environment and society, economy is one of the three pillars of sustainability and it is one of the cornerstones of it. More specifically, the three issues that are considered critical for sustainable (tourism) development are: a) Economic efficiency/sustainability; b) Social justice; c) Environmental protection and conservation (Giaoutzi, & Nijkamp, 1993). Economic sustainability is crucial for all enterprises as economic success is the principal goal of any enterprise (Galbreath, 2011).

According to the Cambridge Dictionary (2018), economic sustainability is the degree to which the economic benefits of an ongoing business activity overweight its economic costs. For Dyllick and Hockerts (2002) economically sustainable businesses are those with guaranteed cash flows and persistent profitability. They are businesses which are obliged to be productive and profitable, and to endure economically (Carroll, 1979; Galbreath, 2011).

Economic sustainability plays a primary role in tourism enterprises as their activity is considered labour-intensive; more labour than capital equipment is used to produce goods and services related to the customer demand (Njoroge et al., 2020).

Specifically, for hotel enterprises economic sustainability refers to practices that leads to financial resilience and long-term economic development while allowing current and future guests, and other stakeholders to benefit from hospitality services and tourism experiences (Pasape et al., 2015; Jones et al., 2016).

In the study by Njoroge et al. (2020) economic sustainability of hotels is related to their strategies, practices and capacity in order to endure economically in many aspects including profitability, sustainable growth and resource management in long term by addressing the interests of various stakeholders.

In addition, Batchenko et al. (2023) reported that the hospitality industry has a high degree of commercialization and significant dependence on external factors; thus, determining opportunities to ensure stable financial and economic development of hospitality enterprises is needed. Especially, the impact of external factors on the development of the hospitality industry has led to a significant reduction of the main financial and economic indicators of hotel enterprises since 2019, which was caused by restrictions of the Covid-19 pandemic.

According to World Tourism Organization (2013), all stakeholders should focus on: a) Optimal use of environmental resources, which are a key element for tourism development, by implementing environmental protection procedures and contributing to the conservation of natural heritage and biodiversity; b) Respect to socio-cultural authenticity of host communities, preserving cultural heritage and traditional values, and contributing to intercultural

understanding and cooperation; c) The promotion of sustainable tourism; d) The promotion of sustainable tourism as a means of sustainable development.

Despite the fact that economic sustainability is a crucial factor for enterprises to achieve most of the social and environmental sustainability goals they are aiming at, many studies on sustainability in the hospitality industry mainly focus on environmental management, corporate social responsibility (Njoroge et al., 2020) and green human resources management.

It is therefore worth examining how hotels can achieve long-term economic sustainability. This study answers the question “what criteria are being considered for economic sustainability in the hotel industry?”. In addressing the research question, the study is trying to identify economic sustainability criteria, which will help hotel enterprises tackle the difficulties of the competitive environment.

The study is expected to contribute to theoretical advancements. The findings are also expected to enlighten economic sustainability criteria to help hotel enterprises generate positive societal and environmental outcomes. The application of economic sustainability criteria will contribute to the increase of economic benefits for both the hotel enterprises and the local community as well as to the planning of the activities of the hotel enterprises with the precondition of minimizing the negative consequences for the environment.

It is worth mentioning that the limitation and the exhaustion of natural resources form new requirements for the introduction of new business ideas in the hospitality industry, which are related to the processes of ensuring sustainable development by rationalizing the use of resources (Batchenko et al., 2023). Sustainability is one of the characteristics that lead to sustainable competitive advantage.

METHODOLOGY

The proposed criteria were based on literature review related to economic sustainability in enterprises. For the purpose of the study indicators that can be applied in practice and highlight important conclusions were selected and enriched.

RESULTS AND DISCUSSION

The aim of this paper was to identify economic sustainability indicators of hotel enterprises. The effective management of a hotel is largely based on successful financial performance, maintaining a consistently high demand and achieving the lowest operating costs.

Bennett (2003) suggested that economic sustainability of enterprises could be achieved

by generating sufficient cash flow for covering their current operating costs and construction costs, and by yielding an attractive return on the capital allocation for investment. Therefore, the operating and maintenance costs of hotel enterprises, as well as the expected revenue, should be estimated to determine their economic sustainability.

In the following table (Table 1) twelve (C1 ... C12) criteria are proposed that are related to the concept of economic sustainability of hotels.

Table 1. Proposed criteria for economic sustainability in the hotel enterprises

C1	Earnings Before Interest, Taxes, Depreciation, and Amortization (E.B.I.T.D.A.) It is equal to the ratio of earnings before interest, taxes, depreciation and amortization, and sales.
C2	Room revenue - revenue from room sales It is the total revenue from room sales, net of taxes and food cost.
C3	Healthy profitability (earnings quality indicator) It is calculated by dividing the net operating cash flow by the annual operating profit.
C4	Double completeness It is calculated by dividing the number of guests by the number of occupied rooms.
C5	RevPAR (Revenue per Available Room) It is calculated by dividing the total room revenue by the total number of rooms available in the period being measured.
C6	Room occupancy It is calculated by dividing the total number of occupied rooms by the total number of available rooms in a hotel.
C7	Financial stability ratio It is equal to the ratio of equity and long-term liabilities in the respective currency.
C8	Profitability index (net profit margin) It is calculated by dividing the net income by the total amount of revenue, expressed as a percentage.
C9	RevPAC (Revenue per Available Customer) - income per visitor It is calculated by dividing the total hotel income (including accommodation, meals, additional services, taxes) by the total number of available guests.
C10	Return on equity ratio It is calculated by dividing the net profit on sales by the average annual cost of equity.
C11	A.P.R. (Average Price per Room) It is calculated by dividing the total room revenue by the number of rooms sold.
C12	Staff turnover rate It is calculated by dividing the total number of employees who left a hotel during a certain period of time x 100% by the average number of employees during a certain period of time. If the staff turnover rate exceeds the 5% threshold, the phenomenon acquires negative characteristics (Jarrouj, 2019: 1085-1086).

Source: Prepared by the authors (2023)

It is worth mentioning that Information and Communication Technologies (ICT) are needed for the effective use of the above criteria (Makhlouf, 2019). These criteria are derived from indicators measurable in financial and accounting terms. Using these indicators, hotel enterprises may detect any changes that might occur over a period of time -through longitudinal

evaluation- explaining any deviations from economic goals.

CONCLUSION

The purpose of this study was to identify economic sustainability criteria for hotel enterprises in order to run smoothly and achieve sustainability in the long term. New economic sustainability criteria are proposed, such as healthy profitability index, financial stability index, room occupancy, income per guest.

This paper is based only on literature review related to economic sustainability in the hotel industry. Future research may include data collection regarding economic sustainability indicators through interviews, surveys and focus groups in the hotel industry. A study of hotel managers could give insight into how they perceive the concept of economic sustainability and which indicators they consider crucial for leading hotels to better performance and more satisfying results.

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