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TRANSNATIONALIZATION AS A TREND OF THE PRESENT STAGE OF INTERNATIONAL TOURISM DEVELOPMENT

The paper presents an attempt of theoretical justification of the reasons and factors behind tourism business transnationalization, also exploring the sources of tourism multinationals economic efficiency, considering the historical forms of transnational entrepreneurship in the tourism, analyzing the feature of today's tourism MNC.

Keywords: transnationalization of business; multinational corporations; globalization; international tourism.

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ТРАНСНАЦІОНАЛІЗАЦІЯ ЯК ТРЕНД СУЧАСНОГО ЕТАПУ РОЗВИТКУ МІЖНАРОДНОГО ТУРИЗМУ

У статті зроблено спробу теоретично обґрунтувати причини та фактори транснаціоналізації туристичного бізнесу, досліджено ресурси економічної ефективності туристичних ТНК, а також історичні форми транснаціонального підприємництва у туристичній індустрії, проаналізовано основні характеристики сучасних туристичних ТНК.

Ключові слова: транснаціоналізація бізнесу; транснаціональні корпорації; глобалізація; міжнародний туризм.

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ТРАНСНАЦІОНАЛІЗАЦІЯ КАК ТРЕНД СОВРЕМЕННОГО ЭТАПА РАЗВИТИЯ МЕЖДУНАРОДНОГО ТУРИЗМА

В статье сделана попытка теоретического обоснования причин и факторов транснационализации туристического бизнеса, исследования ресурсов экономической эффективности туристических ТНК, также рассмотрены исторические формы транснационального предпринимательства в туристической индустрии и проанализированы основные характеристики современных туристических ТНК.

Ключевые слова: транснационализация бизнеса; транснациональные корпорации; глобализация; международный туризм.

Introduction. One of the most important trends in current global economic development is all economic processes' globalization, which is transforming not only production processes through the internationalization of factors, technologies and means of production, but also the fundamental macro- and microeconomic principles and patterns.

International tourism is at the forefront of global trends due to its being a specific form of international productive factors involvement in one production process. Current dynamics and structure of international tourist exchanges, cross-country division of labor in tourism production are now mainly determined by tourism transnational corporations' activity. Their emergence and increasing role in the world tourism are predetermined by the multi-system of international tourism production and the existence of significant number of deficiencies, which cannot be solved only through market mechanisms functioning.

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Tourism production transnationalization radically changed the mechanisms of the sector development. This requires a new scientific concept for defining the reserves of tourism MNCs global competitiveness, which in turn allows defining the directions for transnational capital expansion, forming the methodological basis for forecasting the interrelated processes of world tourism globalization developing models for further private business and government collaboration.

Driving forces of tourism transnationalization: synergetic approach. There are several theories to explain phenomenon of transnationalization (Alchian, 1978; Demsetz, 1997; Domar, 1957), most of which are based on corporate profit maximizing as a key motive for foreign investment. Accordingly, the main condition for capital international migration is the difference between profit rates and interest rates.

The synergy theory can be considered as a universal one in the scientific definition of tourism business transnationalization (Bradley and Desai, 1988). The basic principle of this theory is that synergy is a joint activity of two or more subjects, in the result of which an effect of their interaction in addition to the results obtained by each of them separately appears (Shimko, 2002). We consider here the synergistic effects arising from tourism business internationalization.

The most important of these is the scale effect, manifested in a substantial decrease of tourism product cost with the growth of sales. Vertical integration in travel business, which consists of the process of services suppliers (down-stream) or travel agents (up-stream) acceding to tour-operators allows reaching the economies of scale by internal pricing optimization and discriminatory pricing for partners outside MNC.

As a second source for economy of scale, which appears in transnational tourism industry, we can mention the transaction costs. In tourism they are caused by the needs to establish and maintain effective communication channels connecting all parties of the process.

Finally, the third source of the economy of scale in transnational tourism activities is savings in tax payments as a result of specialized planning, which actively uses peculiarities of tax regimes in different states and territories, where subsidiaries or affiliates work. Using the intracorporate financial flows, the board can legally show profit only in the states with favorable tax treatment and, conversely, deduce profit from the territories with tough tax regime, applying the tools of transfer pricing and internal calculations.

The second synergy effect arising due to tourism transnationalization is the growth of tourism product quality, the basic components of which are the warranty of services, providing by independent tourism suppliers and the number of travel suppliers.

The third synergistic effect is achieved by transnational tourism corporations at financial markets. It appears due to high MNC investment attractiveness, opportunities to borrow finance and use financial resources from different countries.

The fourth synergistic effect of transnational corporations is achieved due to increasing the market share of MNCs, including the possibility of its monopolistic position at some regional tourist markets. Regional tourism market monopolization gives MNCs a lot of advantages, such as relations with local suppliers, representatives of trade unions or state authorities, responsible for the state of regional tourism.

Corporations use these advantages not only for their own development and improvement of performance indicators, but also to preserve the monopolistic position "forever" by artificial high entry barriers at regional tourism markets and by eliminating local providers from the sector of tourists' services.

The fifth synergy from tourism business transnationalization is centralizing and building the unified system of industrial process control (Drucker, 2002). MNC centralization eliminates a duplication of functions, mismatch of units' and branches' objectives. This also substantially reduces operating costs.

The sixth synergistic effect of transnational tourism corporations is the ability to accumulate necessary tools and information for innovative growth. Enormous financial possibilities of transnational corporations, and their presence in different world regions, significantly increases the experience in corporate management, makes possible gaining knowledge and skills in tourism production, building up MNC reserves to organize self-developing and self-learning, accumulating the latest innovations and rapidly integrating them into practice, but also developing independently new technologies, such as business processes organization, promotion and marketing, personnel management etc.

The considered synergy effects of tourism business transnationalization impacting tourism production, are able to convert a corporation to a new level of management and create new tourism products' properties, necessary to achieve global competitiveness.

Historical and economic analysis of MNC genesis in tourism. Tourism business transnationalization started in the 1960s, thus by about half a century lagging behind similar processes in industrial and agricultural sectors (Borman, 1992). The reasons for such a late world tourism' involvement in transnationalization are obvious – tourism industry became attractive for investments and a highly profitable business only after World War II.

Another reason for this half-century gap is the sector's investment unattractiveness. For example, car companies, becoming multinationals, have gained, above all, foreign industrial enterprises or places for necessary resources mining overseas; agricultural companies got land or livestock farms etc.

There is nothing like this in tourism business. Currently, the objects for foreign investment are popular tourism brands and travel agencies association, however those did not exist in the mid of the last century. Hotel enterprises and transport companies were the only logical option to invest into in the last century.

Hotels acquisition, however, required further specialization in hotel services provision because hotel business material base is limited in re-profiling for other activities. Hotel can be converted into a business property or for housing, but only if it has a proper location.

Hotel enterprises' narrow specialization and weak capacity for transformation, tourist demand heterogeneity have confirmed the economic viability of moving on the transnational level only for companies focused on the formation of corporate hotel chains, rather than individual projects in the hospitality industry.

The first transnational operations in the hotel industry did not occur in pairs of developed – developing countries (such as in agriculture), but between developed countries, because international tourism in the mid of the last century was originally

developed between advanced and geographically close countries (due to transport and communications means in that time and general political instability).

European states that initiated the integration processes were in full compliance with the conditions above: geographical proximity, small inter-countries' gap in economic and social development, trade liberalization etc.

European intra-tourism has spurred the emergence of European transnational companies in tourism and hospitality.

Another incentive for hotels' transnationalization was the internationalization of distribution and franchising legal registration. Since its advent the entry barriers for major Western chains at regional hotel markets were practically reduced to zero, and the risks of project failure were now distributed. Moreover, the franchise would bring a steady income to the hotel chain, and further promote its brand. In most cases one pattern worked – hotel chains, airlines and tour companies from the countries – traditional tourist donors (France, Germany, Scandinavian countries, Belgium, the Netherlands, France) directly invested in hotel companies of popular European tourism destinations (Italy, Spain, France, Greece).

Transportations and telecommunications progress significantly widened the boundaries of international tourism, making dozens of geographically distant countries popular among Europeans and Americans. Since the mid 1960's a mass entrance of US hotel chains to European tourist market began (the US national hotel chains have developed since the end of the XIX century). Their basic concept – the service quality standardization, the lack of narrow target audience, the unity of pricing and promotion – was later picked up and modernized by European competitors.

Direct tour operator and travel agency sectors of the tourism market started to be active in internationalization from the mid-1980's when due to services internationalization development in transport and telecommunications. Tourist operators became attractive investment objects, merged into holding companies with financial institutions, obtaining access to financial resources of developed economies.

Starting in the 1990s, hotel chains, airlines, tour operators and agencies' networks got united under the common strategic management, and a new network structure of tourism MNCs was formed. It can effectively manage many brands at the travel market having an enormous logistical base.

The strategy of tourism MNCs diversification also became a reality. MNCs introduced themselves in many areas of economy such as shipbuilding, agriculture, aviation and freight transportation, high-tech, retail, media and film industry.

Traditionally, the most powerful position in M&As belongs to tourist corporations of the USA and EU. Japan is not a leader due to its late joining to global tourism production.

The contemporary activation of mergers and acquisitions at the global tourism market confirms that tourism is now catching up with leading industrial and technological sectors by all indicators and is not less attractive for large capital investments and implementation of transnational investment projects.

Features of tourist MNC's new generation. The IT progress became a phenomenon influencing big tourist business organizational structures and many production processes transformation. Tourism was one of the first sectors to fully adapt telecommunications and automated information processing systems achievements to its needs.

Under tourism business transnationalization, automation opened entirely new perspectives for corporate management, by setting up conditions for much-needed big tourism business decentralization through the creation of network structure based on corporate unity. On the other hand, automation provides corporate unity, is spreading common standards, as well as creating unique opportunities for monitoring over the activities of branches.

Thus, tourism business, which instantly adapts technological advances to its needs, has acquired several new features and a number of transformations in corporate organization and management, thus creating a fundamentally new kind of tourist multinational companies.

New generation of tourism MNCs is characterized by the following features:

1. Symbolic physical structure.
2. Maximal trust to communication technologies, which became the centre of corporative vision.
3. Mobility in work.
4. No borders.
5. Flexibility and reactivity to changes.

One of the advantages of such tourism MNCs is their closer contact with customers. Today's MNC is equally close to both suppliers and consumers of a tourism product. The need for growth of MNCs in the direction of consumption appeared slightly later than the "down-stream", which generally reflects the evolution of management and economic concepts (commodity – trading – marketing – individualized marketing).

Individualized service, at first glance, is hard to compare with the standardization of mass tourism product (typical for world tourism market and requirements of the economy of scale). It is difficult to imagine a big MNC annually having millions of consumers and at the same time providing an individual approach to each client.

"Client-oriented" company here means a constant introduction of technologies aimed at creating a customer's sense of individual approach, whereas in reality such an approach in its classical sense is absent; in tourism it means providing maximum convenience in product selecting, documents and payment processing for a client. Today's tourism MNCs either have online portals and are also using the existing and popular electronic reservation systems.

Despite the obvious convenience for customers, a completely individual approach to consumers would not exist, if it hadn't the possibility of forming a tourist product independently. Because of this MNCs in their customer relations strategies use the tools of standard tourism product subdivision to smaller components, which allow customers form tourist product on their own.

Visiting a tourist MNC or its agency network site, the client chooses the date of travel (in high season it can be almost any day), its duration, accommodation, type of room, meals; books tours and excursions on specific dates and accompanied by particular language guides etc. All this happens online, and booked services are confirmed instantly. Reservation service carries out the pricing of tourism products, accepts payment, issues all necessary documents for travel (or rather, their electronic equivalents), and reports about possible discounts and bonus programs.

Only direct owner of tourist services suppliers i.e. MNCs can give such guarantees for online services reservation to any consumer. Small and medium-sized enterprises (SMEs) that do not have guaranteed and paid hotel rooms and seats in aircrafts would only accept an application for further consideration and later confirmation.

Therefore, from the position of MNCs, individualized service is not a development of labor-intensive practices of effective personal sales, which requires significant costs (first of all associated with staff salaries), but is a planned transfer of some corporate functions (associated with the formation of individual travel package) to clients.

Thus, today's MNCs in terms of client's position turn into a huge electronic exchange, which standardizes travel services. Through electronic tourist exchanges, tourist product as a commodity "detaches" from its actual producer or seller (travel agent), any user can directly go to "sales office" or booking travel services from their home or workplace.

The global electronic exchange eliminates the tourism market asymmetry, because today client obtains more information which was not in the public domain before. Now potential tourist can visit several major travel MNC portals to get information about prices, special offers, bonus or promotional programs, to find out the real condition of rooms at resorts. On the one hand, tourism corporations' acquisition of stock features promotes uniformity of information spread at the tourist market by eliminating the middlemen and providing any client' access to specialized knowledge, on the other – causes a significant transformation of world tourism market mechanisms.

Electronic exchange trading gives consumers some functions of travel agents and this may lead to complete elimination of independent travel agents, i.e. enterprises that are not in network connections with tourism MNCs (for example, through franchise or retailing). Dependent (networked) travel agents operating under the brand name of MNC or being in the structure of their authorized representatives on other conditions will acquire, through virtualization of MNCs, the functions of receiving and processing incoming information from the consumer market.

Consequently, virtualization of tourism will withdraw small and medium-sized tourist enterprises from the market. This is certainly in MNCs' interests, they will start active expansion in the travel agency sector for the purposes of oligopolization through the corporate agency networks, and also receiving additional revenues which previously belonged to intermediaries in the form of commission.

As noted above, classic travel agents in the era of electronic tourist exchanges will have to either join MNCs networks or to be restructured into brokers, whose functions at the tourist exchange are nearly identical to the ones at financial or commodity exchange. Agents-brokers will actively interfere in the work of tourist exchanges, buying "seats" (e.g., on charter flights or in popular hotels) for further resale to retail customers or other tourist operators. Features of tourist production and tourist products sales, such as the presence of significant discounts for advanced booking and payment for a wholesale order (risky scheme of interaction), seasonal fluctuations in tourist product, the ability to forecast the increasing prices for travel services etc. offer great opportunities for tourist exchange brokers, however, the main requirement for success here is the ability to analyze trends at global and regional tourist markets, the

availability of own or borrowed funds, well-established communications with a greater number of potential consumers.

Global electronic travel exchange significantly restricts the range of market participants. On the one hand, almost an ideal market condition is formed – a great opportunity to establish a real market price, basing on the classical relation of demand and supply. On the other hand, a limited number of participants at the tourist market reduces competitiveness.

Creation of such exchanges "detaches" pricing and sale from tourist production. Through electronic trading participation which is possible for practically any citizen of any state, a common price for a tourist product is set, and it can be quite different from the actual cost. In the interaction of supply and demand during this exchange, individual consumer's preferences taken into account reflect a very individual approach of tourist MNCs to consumers, without which their competitiveness' further increase is not possible.

Tourism MNCs transformation into electronic tourist services exchange in addition to maximizing customer-orientation helps optimize the pricing (MNCs can quickly review prices, for example, in the case of rapid growth of demand), restructuring the supply (e.g., refusal from unpopular resorts), getting a stable feedback with customers which provides valuable information for future activities organization and planning.

Today electronic tourist exchanges are subdivided into two categories – intra-corporative and those that don't have a corporate identity. In the first case only services produced by a well-known tour operator are traded on the exchange; in the second – travel services of different corporations registered by the administration are offered. Development of tourist exchanges of the first and the second type necessarily requires a certain level of customer loyalty that characterizes a degree of client readiness to trust the tourist offer of a particular brand.

Customer loyalty program is another important goal of tourist corporations development. Advantages from loyal audience are not argued. MNCs have powerful technologies for public consciousness formation and financial grounds for the implementation of these technologies in their current activities. Formation and realization of multi-branding strategy; umbrella brand strategy; multi-level programs for building loyal customer audience; introduction of discount and bonus cards which allow regular customers enjoy some additional benefits – are just a small part of the instruments of influence on customer loyalty by tourist transnational corporations.

One of tourism business virtualization effects is transnational corporations' acquisition of the traits of distributed organization. Capital of distributed organizations, including their human resources is concentrated in different geographic locations, in places where it is most needed and will be most effective.

Further development of virtual economic space, the appearance (or total concentration) of most companies in the virtual sphere, stimulated by increasing people's need (both consumers and producers of g services) for saving their working and leisure time, global distribution of Internet, electronic payment systems, mobile communications, electronic commerce, Internet logistics can completely transform the tourist business. This transformation would radically change the approaches to tourism corporations' management, would require new tools for staff motivation and

monitoring, will significantly increase the value and the importance of non-material capital in tourism.

Finally, the appearance of tourist MNCs in the virtual sphere will further contribute to the creation of virtual communities' network. At the same time Intranet contacts will be bilateral, facilitating the exchange of information and knowledge among all stakeholders.

Conclusions:

1. Among the scientific approaches to the definition of factors and driving forces in tourism transnationalization in the XXth century the synergy approach is the most appropriate one in relation to tourism production genesis and the characteristics of tourism as a form of entrepreneurial activity. This approach is based on cross-border distribution of value formation which determine production effectiveness and competitive advantages.

2. Separate sectors of tourist production were transnationalized not at the same time, due to transformation of investment attractiveness of material and non-material assets in tourism. Material assets' initial priority as an object for investment was delaying for almost half a century (as compared to industrial production). Hotel and transport sectors here the first areas of internationalization. Acquisition of non-material assets as the leading factor of effectiveness in the late XXth century spread the trends of transnationalization directly into tourism agent services, at the same time giving them the role of consolidators of transnational transactions.

3. The latest generation of tourism MNCs is characterized by the conversion of virtual space into a complete environment for their activity. Virtualization of tourist production, which became possible due to accumulation of many scientific and technological achievements, has identified a number of significant transformations in the mechanisms at tourist services' global market, schemes of interaction between consumers and producers of tourist services, conditions for competition and acquisition of competitive advantages, and in the structure of tourism industry overall.

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