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## HISTORICAL FORMS OF TOURISM GRADUAL TRANSNATIONALIZATION AND THE PERPETUUM MOBILE BEHIND IT

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### ABSTRACT

Over the past 70 years, tourism has always been at the forefront of business transnationalization, as it has consistently used all the advantages of the transnational production and distribution system, thereby creating additional competitive advantages on a truly global scale. The purpose of this study is to analyze the evolution of the international travel market, as well as to identify a number of historical stages of its development, which the market has passed on the way to establishing strong international relations and interaction. In this article, transnationalization is defined as a modern form of organizing tourism and hotel business. It was proposed directly by entrepreneurs as one of the possible solutions to classic market problems (including limited demand and factors of production). These market problems intensified in the second half of the last century, and all of them directly influenced the development of tourism. The study analyzed the driving forces of transnationalization of the tourism and hospitality sectors, taking into account the economic effect of the synergy of transnationalization. Expansion of tourist activities of the sectoral transnational corporations along with their gradual transformation into influential subject of the world economy. All of the considered in the article synergy effects from tourist business transnationalization have nearly simultaneous impact on the process of tourist services' production.

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### INTRODUCTION

Transnational corporations today are the major organizational engine of the world economy. Intra-corporate labor distribution today decides for the traditional labor distribution inside many countries worldwide, not the opposite. For all these corporate organizational structures international economic relations form the external environment. Acting in accordance with the key aim (which is profit

maximization, just as in any other business) transnational corporations are constantly on the move, they are always in the process of modification which concerns both their strategy and structure. And this constant process of change has today the most significant impact on the formation of international economic relations (Brida *et al.*, 2014).

Today's corporations cover about two thirds of the world trade (Chen *et al.*, 2021). They are also the key

player in development and distribution of the most advanced technologies. Corporations, at the same time, have enormous demand for additional capital inflow and huge cash surplus. Therefore, they are doomed to become also the key players at all world financial markets. Apart from purely economic role, many corporations have a cultural one too: through distribution of their products worldwide corporations also export cultures. However, we are convinced that the most significant impact from multinational corporations falls on the service sector: internationalization of services today has the widest geographical coverage.

As it was well described in Wilkins (1992), multinational company does not simply relocate from one country to another. It goes far beyond the borders of its motherland. It remains to be present in a country of headquarters, however, it is also present in an enormous number of other countries. Its package which includes management and organizational capacities does not know political borders as such. Multinational company is thus founding (or buying, in some cases) and then managing a network of interrelated enterprises (Wilkins, 1992).

As it is with many other complex notions, there is no common, international acknowledged and universally approved definition of what is transnational corporation. In the widest sense, transnational corporation means a company producing commodities and/or providing services in more than one country. In a narrower sense, this is an enterprise which uses direct foreign investments (FDI) to manage and control all its branches in several countries, apart from the country of its headquarters (Borras and Zysman, 1997). In this case, FDI volumes are turning into the key indicator of the international production development. However, this, in turn, leads to underestimation of production transnationalization since FDI make up only about a quarter of all investments into international production, while the systems of global production and distribution are becoming less and less dependent upon ownership and/or management factors, and today look more like many very separate companies united in networks for transborder production (Comerio and Strozzi, 2018).

#### **METHODOLOGY**

Any attempt to provide a universal, acceptable for all definition of a transnational corporation is doomed to fail since the organizational structure of international

corporations is very dynamic and it is changing as quickly as international economic relations are changing. A relatively compromised variant of a definition has been suggested by the UN Center on Transnational Corporations (Borras and Zysman, 1997):

- TNC is a company consisting of two or more units, regardless their legal form of ownership and/or field of activity;

- its decision-making allows carrying out a well-coordinated policy and have one common strategy as well as one managing center;

- it is a company in which separate business units are connected with each other by means of property or in some other way so that one or more of them have profound influence on the others. This influence, inter alia, concerns the distribution of knowledge, resources and responsibilities.

Therefore, we can state that the basis of TNC definition is the number of countries involved in business operations – at least two (though some definitions state three, not two). However, even such a simplified approach is extremely formal. From the standpoint of a real company, problems arise already at the stage of doing business in two countries – there appear new business risks, and there are also differences in cultural communication etc. The more countries a company has within its business environment – the more complex these problems become; however, the contents of these problems do not change essentially.

Determining the key features of some abstract transnational corporations does not seem to be possible either, actually. As of today, any large business is international by default. This is happening due to growing liberalization of international relations and openness of markets. Under such conditions maintaining one strong competitive advantage of a business in one country only would be still possible only provided it is using full set of advantages from international labor distribution. Below we would like to outline several key features of transnational corporations which make them different from other enterprises operating at external markets (Ushakov, 2016):

–detachment from any national ground, truly global character of corporate planning. All operations on supply and distributions are centralized under private control;

–international distribution of labor is applied within a complex system of technologically interrelated enterprises in several countries which are exchanging unfinished goods applying not commercial, but transfer pricing;

–all markets are divided between corporate branches; however, their technological support remains to be centralized.

## RESULTS AND DISCUSSION

The reasons behind emergence and development of transnational companies can be versatile, however, all of them are, to some extent, related to market imperfection and all the limitations existing on the way of world trade development. Other strong reasons also include unfair monopolies, currency exchange control by the states, differences in tax regimes between the countries and serious transport expenses (Movsesyan, 2001).

The methodology of this research is based on the application of theoretical methods of scientific knowledge. In this work, methods of synthesis and analysis of information were used. Also, a theoretical analysis of scientific literature on the research topic was carried out. Synthesis and analysis methods are used for a broader and in-depth study of information, a specific issue or a specific topic. In this study, using the methods of analysis and synthesis, some issues on this topic were considered. The following issues were considered: transnationalization and non-standard solutions to typical market problems, the international tourism market on the way to transnationalization, as well as synergy in the production of tourism services and how to cause and maintain it.

With the help of a comprehensive analysis of the transnationalization of the tourism business, it was determined: new phenomena, along with qualitative changes in the production of tourist services, a new stage in the process of internationalization of tourism activities, fundamentally different from all previous stages. Also, a new form of manifestation of the internationalization of tourism was identified. In the course of the study, a new, higher level of internationalization of production and capital was identified. Thus, the methods of synthesis and analysis of

information provided an opportunity to draw conclusions that the expansion of the tourism activity of sectoral transnational corporations is gradually turning them into an influential subject of the world economy.

In the course of the research, a theoretical review and analysis of literary sources was carried out. In the process of writing, the works of researchers on a similar or identical topic were analysed. In the course of the research, an article was considered, where the author studied the features of the tourism industry in the context of globalization, the activities of transnational corporations in the international tourism market, and also determined the principles of transnationalization at each stage of the production process (Lukianenko *et al.*, 2019). Also reviewed is a study on the relationship between tourism growth, economic growth and other macroeconomic variables. Empirical results provide strong evidence of a non-linear relationship between tourism growth and economic growth, suggesting that it is not continuous and constant (Chiu and Yeh, 2016). In another study, the authors note the importance of tourism in the economic development of ethnic minority areas, as highlighted in previous studies, little is known about its exact economic impact on these areas (Tu and Zhang, 2020). The next considered article presents the views of the authors of this study on the impact of globalization, internationalization, transnationalization on the development of the international tourism industry, substantiating the features of institutional transformations caused by large-scale, structural and other changes in the global economy (Lukianenko *et al.*, 2019).

Thorough research of the international travels' market evolution allows defining a range of historic stages in the course of its development which this market has passed on its way to establishing strong international connections and interaction. Initially (till the middle of the previous century) international tourism resembled world trade in its very classical form. All national tourist operators were functioning in the context of standard trade relations with foreign suppliers (hotels, transport companies, public catering facilities etc.). At the same time, these tourist operators were forming tourism products which clearly had national features and were strongly affiliated to a particular tourist service. Low volumes of international tourist exchange as well as transport underdevelopment, imperfect communication means were hindering the development of tourism

worldwide, thus making the economy of scale an impossible phenomenon for tourism business.

Intensive development of technologies, more availability of air transport and communications becoming much cheaper (especially, emergence and quick development of e-communications) – all contributed significantly to radical socioeconomic changes in the last quarter of the 20th century. These changes included welfare level rise, more leisure time for all employees, more convenient pensions, reduced number of families with more than two children, increased share of female employment etc. All these factors, to various extent, contributed to popularization of international travels and the growth of tourism flows in Western countries. Due to quick scale effect and low entry barriers at many markets the tourism business worldwide experienced an impressive growth which, in its turn, led to escalation of competition at all popular tourism markets. Price competition became most important among all types of competition, since now representatives of the middle class formed the largest share of tourist operators' clients, and this group of consumers was, and still is, very worried about the spending issue.

The attempts to minimize the prime cost of tours have shown tour operators that reduction of transaction costs would be a must. Other "musts" included the guaranteed quality of tourist services at foreign resorts and relative free from competitors' field for further activities. These necessities have logically led to the inflow of direct investments into foreign tourism industries in other countries of the world. Increased investment activity in the field of international tourism was also provoked by the increased concentration of capital in Western economies mostly. Other accompanying reasons included the growing profitability of tourism businesses (overall, much higher than the same indicator of many industries and especially when compared to agriculture) as well as very promising prospects for further activities (these prospects were mostly stemming from the fact that many economically weak countries had unique tourism resources).

The growth of foreign investments symbolized the beginning of the second stage in the course of tourism market globalization, the so-called internationalization which meant, first of all, the spread of stable tourist connections. These connections were mostly one-way, as between a country-donor and a country-recipient. Another key feature of this stage in the international

tourism development is more close interaction of tourism production processes in two (or more) countries. This closer interaction meant that any tourism service, being part of tourism product, was gradually losing its national affiliation which became first blurry, then simply invisible.

More obvious international distribution of labor in parallel to ongoing internationalization of capital have led to more intensive international economic integration, which is – putting it in simple terms – national economies getting closer and adjusting to each other. Other contributing factors to these processes were increased mobility of labor force and gradual opening of many national economies to the world. International tourism as a complex integrated economic system unites all processes of tourism production in one process covering many countries. However, this process must be supported by the corresponding set of political and economic priorities of public authorities in the countries promoting international tourism development (this includes, first of all, elimination of barriers to capital and labor force relocation and parallel formation of similar barriers in relation to third countries). Previous way of tourist services' production, which used to be according to the classical theories of the world trade, becomes impossible in the recipient country, even taking into account all its natural and acquired competitive advantages, unless there is active participation of a donor country too – through capital, labor force, technologies and a wide range of commodities related to tourism consumption.

Donor country is freely participating in tourist service production in a recipient country, often under the conditions of monopoly or oligopoly, thus guaranteeing not only growth of tourism sector capacities but also growth in quality of national tourism product as such. In parallel to that usually go the efforts of the investors from the tourism donor country. These investors are trying to promote the tour product of a particular recipient country at own market, thus deepening the international labor division and emphasizing the difference in positioning between the country "for work" and the country "for leisure" (soon popular tourism destination). This division eventually has its positive impact on investment attractiveness of tourism sector in a recipient country.

Transnationalization, therefore, has become the peak in evolution of the international tourism market, and its

major preconditions were the following consequences from international economic integration:

- growing effect of scale in tourism business when international traveling became truly large-scale;
- spread of information technologies and communication means worldwide, formation of a single, planetary-level information field, freely available from nearly any location on the planet and accessible for the unlimited number of users simultaneously;
- significant improvements in transportation means which are breaking many geographical limitations in the course of international tourist exchange development;
- drastic reduction of transportation and communication costs due to advanced technologies; processing, saving and further use of information became significantly cheaper too;
- easy access and same easy circulation of knowledge and technologies contributing to creation of new tourism products, their promotion and more intensive sales. One of the manifestations of this feature became popularity of getting a degree in Tourism Business, Hospitality etc.;
- wider spread of international forms of production and other economic activities (frameworks of organizational forms in this case are larger than national borders and are truly international, thus contributing to the formation of one common marketplace);
- overall liberalization of the world trade;
- concentration of capital in a few financial centers worldwide;
- gradual unification of accounting, statistics, taxation etc.;
- unification of standards in the fields of services;
- higher mobility of population on the planet overall due to weakening roles of habits, traditions, classical social connections, customs etc. People today have all the means, both external and internal, to go beyond national limits;
- unification of consumer preferences, worldwide popularization of one-for-all “proper and up to date” lifestyle;

–growing influence of supranational organizations, including those engaged in regulation of the world tourism flows.

Transnational tourist business can be defined as a socioeconomic phenomenon which depends today not as much on national, intrastate issues but more on external factors, the contents and the number of which is predetermined by the world community, the members of which, in their turn, are interconnected with each other in all spheres of social life, including economy, politics, ideology, cultural, environmental work, security etc. Analysis of tourism business evolution allows determining the key preconditions required for its transnationalization. Transition to the transnational level of management looks like the only possible solution to which this business sector is being pushed by a range of imperfections in contemporary market relations. Tourism market, just as any other market today, cannot be perfect due to several reasons, the contents of which remain unchanged for over 50 years by now, even though the forms of these reasons and their manifestations may change.

The synergy theory seems to be universal when it comes to scientifically grounded definition of the phenomenon “transnationalization of tourist services”. The key here is strong managerial motivation of a company to shift to the transnational level of management with the aim to reach the synergy effect in the course of integration and further joint activities of a parent company and its foreign branches (Bradley et al., 1988). The key notion of this theory is synergy itself – understood here as activity of two or more subjects, in the course of which there emerges an additional effect from their interaction, apart from the direct results each side gets from this cooperation. Within the frameworks of this theory, integration and transnationalization generate synergy as an added value of a new participant.

This is happening due to the fact that this integrated participant uses a wider range of advantages emerging in the course of integration (through exchange of experiences, technologies, scale effect etc.). We can outline two key directions in which synergy may emerge in the process of tourist services’ transnationalization. First of all, this is the synergy effect from the increasing economic weight of a tourism corporation which is able to guarantee wider choice in economic propositions and better conditions overall due to the emergence of new capacities, larger volumes of sales and bigger share of

the consumer market. Besides that, huge transnational company gets a chance to impose certain pressure on other participants of the same market, including competitors and key partners. Moreover, it is able to use this pressure on consumers as well as on state regulatory bodies.

The second important direction for the synergy effect to reveal itself in the course of tourism business transnationalization is related to company's newly emerged capacity to use available resources more efficiently. This concerns not only financial or material resources, but also marketing ones, and also know-hows, virtual space of the company etc. The leapfrogging growth of efficiency from the corporate resources' use becomes real in the course of company's transition to the transnational level due to scale effect, centralization of certain functions, elimination of functions' doubling and also due to more efficient use of capital and information resources, use of advanced methods in operational and HR management, diversification of activities and proposition etc. (Savchuk, 2002). Therefore, the motivations behind tourism business transnationalization include, on the one hand, the increased value per each business participant involved in the process of transnationalization due to more efficient management and elimination of doubled functions. And on the other hand, this motivation includes enlargement of the participants themselves, since now they are able to save on expenses, attract more resources and thus increase their capitalization (Rudyk, 2000). Let us consider in more detail some of the synergy effects that may arise as a result of tourism business transnationalization. The most important synergy effect for tourism is the effect of scale which in many cases can be considered as the criterion of company's competitiveness. Scale effect is manifested as a significant decrease in prime cost of one unit of a tourist product due to growth of its sales' volumes. Scale effect has several sources of origin, and their complex use in tourist service production may only reinforce the synergy.

Any tourist corporation has its load of regular expenditures, which are not always determined by the production volumes or by other variables such as sales volumes, for example. Prime cost of a standard tour package of services is determined by a complex set of dynamically developing variables in their interconnection. The specificity of tourist service

production is that variable expenses in it have much more impact than fixed ones. For example, variable expenses of a standard tourist service production include services by independent suppliers, starting with hotel owners and ending with insurance companies, and their percentage share in a tour package may significantly vary. Fixed expenses in tourism business include rental payments, advertisement costs, salaries of own staff (those positions which have no immediate influence on the sales volumes, like accountants, planners, advertisement agents etc.).

The share of fixed expenses in the prime cost of a final product even in small tourism business does not go above 15%, while the much larger share of spending falls on various payments for suppliers' services (Chen *et al.*, 2021). Moreover, added value, generating the profit for a tourist company, is created exactly in the process of tour operator's interaction with suppliers of tourism services. Tour operator functions under constant two-sided pressure: on the one hand, demand generated by the consumer market is always limited; and on the other hand, there is always pressure on the side of suppliers who are driven by the uniqueness of own services and thus are able to consider some of tour operators as second rate (depending on the list of clients they currently have). Thus, suppliers always have a chance to dictate their conditions for further cooperation, reducing the interest margin and making tour operators overall less flexible and more economically dependent.

Tourism sector, more than any other branch, is prone to such dependencies, mostly due to seasonality of tourism demand and also due to significant fluctuations at consumer markets which may happen even in the course of one season. For example, hotels in a particular location/area, observing higher than expected demand due to some external (not depending on the hotels themselves or on tour operators) causes, may send their prices soaring and thus reconsider all prior agreements with operators at the market. Such cases are not rare at this market; therefore, they tend to increase the potential risks for tour operators due to the fact that both demand and supply are highly unstable and prone to sudden changes at the tourism market. On the other hand, suppliers in tourism are trying to avoid their own risks and thus prefer to cooperate with tourism companies under the so-called risk schemes: when the risk of a supplier (which mostly concerns idle periods at places of service production) is fully shifted on tourism

companies. The latter are forced to purchase quotas (a certain number of rooms, for example) for the season, however, they are also able in this case to establish their own commission fee for further sale to tourists. Under such a risk scheme, the tour operator bears all the risks in case of an idle period (when a room is not occupied by tourists and/or when the board of a plane is half empty). These risk schemes are mostly used by rather confident in their capacities tour operators that have enough marketing and financial opportunities to guarantee a certain threshold number of tourists throughout the whole season. In case this threshold is not reached, huge volumes of spending on the suppliers would simply turn into losses from the unused rooms and/or never purchased plane tickets. Therefore, only tour operators with large market shares and stable distribution channels dear to implement these risk schemes with their suppliers. And this is the first source of scale effect in tourism service production. Clearly, the larger is the share of a particular company, the more risks it can afford in its operations and schemes, mostly because large-scale preorders also mean higher discounts from suppliers, hotels and air companies first of all.

However, the potential of these risk schemes as an instrument to get the maximum scale effect is limited by the market proposition itself and also may be limited by the commercial interests of a particular supplier. For a tour operator today the availability of certain number of pre-ordered rooms (or even of the whole venue) is not a competitive advantage anymore, this factor has already become a must, a necessity for further survival under the conditions of ongoing price wars. Besides that, even under the risk scheme with a tour operator, suppliers remain to be rather independent in both decisions and operations, and this is always a significant threat to the strategic interests and stability of tour operators, since for the latter services provided by various suppliers within the same package are treated as some sort of investments in intangible assets. Promotion of a hotel at regional markets is also carried out at the expense of a tour operator, while all strategic advantages from this advertisement later belong to the hotel itself. Under such conditions, when any hotel and any airline have the right to withdraw from cooperation with a tour operator (keep in mind that the latter has long-term investments of own capital, labor and efforts in the intangible assets of a supplier), the company itself would not be very much interested in these investments, if only supplier is

getting the fruits. However, these investments are still necessary if tour operator plans to obtain a strategic competitive advantage. For the same reason, tour operator has only one alternative available – to merge or buy out the supplier. And this would be a transnational tourism business unit already, within the newly emerged legal frameworks of which tourist services and tourism product would be forming in parallel and mutual compliance (Albayrak and Caber, 2018).

Having several managed suppliers allows tour operator not only reach the maximum possible scale effect (first of all, due to intra-corporate transfer pricing for the suppliers' services) but also guarantees a whole range of new competitive advantages of not related to pricing nature. Now this particular tour operator would always be the top priority choice when the recently purchased hotel (or airline company) is considering potential partnerships. Other companies would be forced to face high prices from this supplier and less comfortable conditions overall, or they can withdraw from competition as such, thus giving away their market share. Besides that, if the tour operator buys out a supplier, they guarantee themselves automatically additional stability in further implementation of their strategic interests. Therefore, later on they may allow themselves much more freedom of investing in both tangible and intangible assets of the now affiliated company, being absolutely sure there would be no unexpected changes in its further market behaviour. Therefore, vertical integration in tourism business can go in two directions: purchasing a business supplier (downward growth) or purchasing a tourist agent (upward growth). Both would eventually lead to the increased effect of scale achieved mostly due to optimization and reconsidered, not internal, pricing policies (the latter means, first of all, establishing discriminatory prices for the outside partners).

The second source of the scale effect emerging in transnational tourism business is formed by transaction costs, that is, the costs of a tourist operator, not directly related with the production activities, neither with the process of these production activities' planning and organization (Ushakov, 2016). Transaction costs in tourism are predetermined by the necessity to create and maintain in full operation the efficient communication channels connecting all participants of a production process (suppliers, tourist operator, tourist agents, corresponding public authorities, unions of

consumers, other partners etc.). When this tourism production process involves mostly independent parties, transaction costs start to grow significantly due to the necessity to invest more in the creation of efficient communication channels which are vitally important for universalization of standards between these independent partners and creation of common for all stimuli to maintain efficient performance and stable communication. Moreover, multiproduct tourist operator, having a large partner database, is almost forced to create versatile, by structure and contents, communication channels for further works with its very different partners. For example, tourist operator has to take into account language peculiarities, time zones, mentality, religion and other factors. This, obviously, also increases the transaction costs.

While in the case of transnational corporation transaction costs will be reduced rather quickly and dramatically, mostly due to the introduction of common corporate standards (for example, in financial reporting) and/or common stimuli to increase the efficiency of intracorporate communication (Chingarande and Saayman, 2018). For transnational corporation savings on transaction costs may reach hundred thousand and, in some cases, even millions of USD, and these savings will eventually also contribute to the scale effect from tourism production. Finally, the third source of scale effect in transnational tourist activities is related to savings on tax payments due to specificity of planning which takes into account the peculiarities of taxation regimes in all related states and territories where its branches and other affiliated structures are located. Using intracorporate financial flows, top management of a corporation can legally manage their income and thus declare income only in the states with most favourable taxation, and on the opposite – corporation can withdraw income from the territories with unfavourable taxation regime using the instruments of transfer pricing and internal payments. This is one of the options how strategic competitive advantages of separate states can be used in transnational activity to increase the efficiency of transnational tourism production manifold. The second synergy effect arising due to transnationalization of tourism activities is the growth in quality of tourism product.

This growth in quality has several key components, one of which is the guarantee that all tourist services mentioned in a tour package will be provided in the

needed volume. Growth of quality is often inversely correlated with the number of tourist services' suppliers within the same tour package. The more suppliers one tourist operator has involved in organization of one specific tourist product – the more complicated it would be to control the process of services' provision, and their quality especially. Therefore, increase in quality of tourist services would be possible only under the very limited number of tourist service suppliers. This dependence became known to businessmen in the field back in the 1970s already, same applies to minimization of tour package prime cost as the primary cause for transnationalization of tourist activities. Fully acquiring tourist suppliers or at least participating with own capital in their management, the tourist operator gets the capacity of nearly total control over the quality of all services within a tour package. Thus, the tour operator is able to impose common standards of servicing in various countries worldwide and in this way provide maximum guarantees their tourists get services in full volume and of best quality.

The third synergy effect can be obtained by transnational tourist companies at financial markets. This effect is preconditioned by the fact that these companies are usually more attractive and thus get better conditions for borrowing additional resources they need for their further corporate development. Financial markets allow them get such additional resources from various countries and territories worldwide simultaneously. These financial flows may originate from various countries and at the same time they can inflow to various affiliated branches of a corporation, also worldwide, and then, be further redistributed via intracorporate channels, in full accordance to the general strategy of the company. Therefore, transnational tourist corporation is able, on the one hand, to take full advantage of cross-country economic differences for its tourist services' production, and on the other hand, it is also able to overcome national bottlenecks which hinder its business development on a particular geographical territory (for example, the so-called "financial hunger" at the markets of developing countries).

TNCs of the tourist sector get their own unique capacity to "extract" funds from more financially saturated markets on the most comfortable for them conditions, including low interest rates on loans. They are also able to attract investors from the most developed countries



of the world, with their surplus funds. Further, they are able to redistribute the attracted assets through their internal financial channels, allocating them in the branches which they find to be potentially most profitable. This synergy effect cannot be achieved by other tourist companies, those of not yet transnational level of management. Thus, the latter have to adapt their businesses to the peculiarities of economic systems in different countries, taking into account their numerous advantages and disadvantages. While TNCs in this case take some sort of supranational position and get the unique opportunity to combine competitive advantages of tourism productions in different countries but within the same production process (Tan, 2016).

Even if we do not take into account the capacity of a TNC to attract financial assets into its own business on the maximum comfortable and profitable conditions and even if we limit, for the purposes of our discussion, the field of transnational business activities to one state only, the investment attractiveness of large, vertically integrated corporation is in any case higher than that of a traditional tourist operator or even that of a group of tourist operators working under one brand. Consequently, corporation always gets more chances for large investments into own business and further stimulation of its development. Return on investment and their profitability in a TNC would be always higher due to a huge gap between itself and the closest competitors in terms of prices (which, in turn, are predetermined by the scale effect).

The fourth synergy effect of transnational companies can be achieved due to market share growth, up to the level of a monopoly at certain regional tourist markets. One of the specific features of tourism service production is that regional tourism markets (including those where TNCs operate) are much stronger interdependent than, for example, commodity markets. Therefore, achieving monopoly at a certain market, even if this particular market is not that important in terms of business development, would in any case strongly improve company's position and rank at other regional markets. For example, if a German corporation, being ranked third or fifth at German tourism market, achieve monopoly position in, say, Tunisia or Malaysia – this will provoke further restructuring of German tourism market, since preferences of German tourists will change in favor of these destinations rather quickly. Consequently, stimulation of German tourist demand for

Tunisia or Malaysia destinations would strengthen significantly the national ranking of the corporation with monopolistic position at other markets.

This correlation explains the expansionary policies of European and American tourist corporations which are trying to find new perspective destinations for further development of European and American outbound tourism. For example, US companies are heavily investing these days in Mexican tourism sector as well as in other destinations within the Caribbean, while Europeans are concentrating their attention and investments on the North of Africa and also on the Middle East. In their attempts to monopolize the proposition at these and other markets, the TNCs are thus trying to reach monopoly at consumer markets (Andreeva and Ushakov, 2016). Monopolization of regional tourism markets provides a wide range of advantages for TNCs, including better maintained relations with local suppliers (M&As in this case become senseless due to monopolistic position of a corporation in a region in any case), trade unions and public authorities responsible for tourism development in a region. In this case corporations use these advantages not only for own development and intensified production of services, but also to maintain its monopolistic position at a market for as long as possible, often using for this artificial entry barriers.

Additionally, if corporation has the capacity to impose, indirectly, the administrative pressure on its competitors – this chance will be surely used. The fifth synergy effect from tourism business transnationalization concerns the centralization of one common system for the production processes' management.

Centralization of a TNC means none of the functions is doubled, it also means there is absolute compliance between the objectives of various departments and branches. Both these features of centralization also mean that the current spending of a corporation will go down. Besides that, centralization also means universalization of rules and standards in all spheres, starting from financial reporting and ending with direct servicing of tourists. Such universalization makes corporation's position at the international tourism market only stronger, since it increases the efficiency of all marketing tools applied and contributes to consumer loyalty which is always vital under the conditions of severe competition (Wu *et al.*, 2017).

The sixth synergy effect from transnationalization of tourism business concerns corporation's capacity to accumulate necessary means and information for further innovative growth. Significant financial capacities of transnational corporations and also their presence in various regions worldwide at the same time contribute greatly to accumulation of corporate managerial experience through consolidation of knowledge and organizational skills for more efficient production of tourism services. This consolidation of knowledge and skills also contributes to formation of corporate reserves for further self-development and self-education within corporation itself. This means that corporation is able to not only introduce the latest innovation in its practical activities but also to develop its own new technologies, especially when it comes to business processes' organization, promotion, marketing, HR management etc. Moreover, such self-learning corporation is able to not only develop innovative organizational technologies but later also implement them at the international tourism market. Obviously, traditional, smaller enterprises also operating within the tourism sector do not have sufficient financial resources (or access to them) so that to develop and use such innovations. A classical tourism-sector enterprise is always in need of certain volume of circulating capital. Thus, even provided it has enough information/knowledge/creativity/skills to invent a technology, it would never be able to implement it independently in its daily practical activities due to financial limitations.

It concerns the capacity of transnational tourism corporations to have immediate direct access to the resources involved in tourism services' production, including capital and technologies first of all and tourist resources too (that is, objects of tourists' interest) as well as qualified enough personnel, directly involved in servicing of tourists and in organization of transnational production of tourism services overall. Finally, we need to mention such synergy effect from transnational tourism business as diversification of proposition. Transnational business has rather high safety margin, especially financial and marketing ones, and this margin allows sectoral TNCs introduce not only new tourist destination but also open up new types of activities, directly or indirectly connected with tourism.

This financial "safety cushion" enables corporations "extract funds" from circulation easily or borrow freely

at financial markets worldwide, having the most comfortable for them conditions in their launch of new, often quite risky projects. At the same time, corporations have at their disposal such an important intangible asset as trademark/brand, and the latter becomes an additional factor to reduce risks of innovative activities and shorten the payback period of these new projects at the same time. This is why transnational corporations are forced to diversify their propositions much more often, and at the same time this diversification means less spending and less risks for them, as compared to traditional, smaller enterprises. Relative financial stability of TNCs means any innovation suggested by such corporation has by default longer "probation period" during which income already obtained from this innovation is already reinvested into newer productions, thus providing more and more incentives for further growth.

The topic of the tourism industry, as well as the problems that exist in it, are considered by many researchers from different countries. One of the reviewed articles examines the features of the tourism industry in the context of globalization, the activities of transnational corporations in the international tourism market, and also defines the principles of transnationalization at each stage of the production process. In this study, the author notes the characteristic principles of the tourism industry in terms of the functioning of transnational corporations (Lukianenko *et al.*, 2019). In the next paper reviewed, the authors apply a threshold regression model, and three tourism specialization indices are considered as threshold variables to investigate the nonlinear relationship between tourism growth, economic growth and other macroeconomic variables. The authors produced cross-sectional datasets for 84 countries. Empirical results strongly suggest a non-linear relationship between tourism growth and economic growth, suggesting that it is not continuous and constant.

The authors concluded that countries with different conditions for tourism development experience different impacts on the relationship between tourism and growth (Chiu and Yeh, 2016). In another study, the authors note the importance of tourism in the economic development of ethnic minority areas, as highlighted in previous studies, little is known about its exact economic impact on these areas. The authors used data from 75 Chinese ethnic autonomous regions from 2007 to 2016,

in this article, the authors empirically investigate and quantify the impact of tourism development on economic growth based on a threshold model. Empirical results show that tourism has a significant non-linear impact on economic growth in areas with Chinese ethnic minorities. In addition, the authors note that the contribution of tourism to economic growth tends to decrease as the specialization of tourism grows (Tu and Zhang, 2020). The next article presents the view of the authors of this study on the impact of globalization, internationalization, transnationalization on the development of the international tourism industry, substantiating the features of institutional transformations caused by large-scale, structural and other changes in the world economy. In particular, the paper presents an analysis of the development of the tourism industry of the leading countries, which are centers for attracting a tourist flow (France, USA, Spain, China, Italy), as well as Ukraine. As a result of the application of correlation and regression models, the authors established the potential of the industry and its investment attractiveness. The authors have proven that, within the framework of the economic activities of countries, the tourism sector makes a significant contribution to the creation of the gross national product (Lukianenko *et al.*, 2019).

All of the considered above synergy effects from tourist business transnationalization have nearly simultaneous impact on the process of tourist services' production. These effects are quite capable to relocate corporation to a new, higher level of management, and when this happens – products of this corporation get brand new attributes, which are necessary to achieve truly global competitive advantages. At the same time, we should not disregard the potential negative impact from synergy in the course of tourism business transnationalization. These negative effects may be caused by the wrong assessment of merged businesses, excessive spending on expansion strategies, loss of control over the headquarters due to radical changes in management after M&A, too high turnover rate among personnel etc.

### CONCLUSIONS

Under transnationalization of tourism business here we imply:

- new phenomena along with qualitative changes in the course of tourist services' production, including the growth of number and

- general activeness of tourist TNCs, all closely connected with financial and banking sectors;
- a new stage in the process of tourist activities' internationalization, quite different from all previous stages. This newer stage is different due to new manner of countries and enterprises' attraction into international labor distribution, taking into account the fact that the world tourism market today is dictating new standards of quality along with some other economic indicators, for both headquarter companies and all their branches worldwide;
- a new form of tourism internationalization manifestation. This results in further development of international production within one tourist TNC, covering the production at both headquarters and all branches. Noteworthy here, corporations tend to develop first of all those services which are participating in international intrafirm cooperation;
- a new, higher level of internationalization for both production and capital, with gradual transition to the higher level of quality too;
- expansion of tourist activities of the sectoral TNCs along with their gradual transformation into influential subject of the world economy.

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