

Natalia Morozova

Don State Technical University  
World Economy and International Economical Relations dept.,  
e-mail: Nata.dstu@yandex.ru  
tel. +79281002722

## **The impact of internationalization on the business tourism in the regions of Russia: challenges and opportunities in the beginning of 21<sup>st</sup> century**

---

**Summary.** The article reveals the modern essence of the idea of business tourism internationalization in the regional tourism market, and analyzes the common theoretical approaches of business enterprises' internationalization. The author formulates a definition for the business services of business tourism internationalization. There is an analysis of the theoretical and practical components of the process of internationalization of business services in the business travel industry, and it shows that in the present conditions, this trend will continue to grow and deepen.

**Key words:** internationalization, internationalization of business enterprises, internationalization of business services, business tourism, MICE

### **Introduction**

The issue of internationalization of business processes, services and technologies is not over in the scope of business travel. Due to increases in the flow of business travelers, a number of ongoing business activities has caused interest in the internationalization of business services and processes of business tourism in the context of globalization of the regional tourism market. The increased role of regional tourism in the socio-economic development of Russia and its regions, and a growing influence of internationalization on this process, led to the relevance of the theme of the article.

The MICE industry, which refers to meetings, incentives, conventions and exhibitions, is one of the major sectors within the global tourism industry, which

is growing and maturing at a rapid rate. The MICE industry – a service industry combining trade, transportation, finance, and travel – has been active in Europe and America. It has long been recognized as a sector that draws lucrative direct and indirect revenue for host destinations. Moreover, it also creates employment opportunities and generates foreign exchange. As a consequence of all these major features, the number of destinations vying for this young and dynamic industry is enormously increasing. The main aim of this research paper is to explore and analyze the MICE industry's development in the globalized world, as well as, identify its impact of the internationalization process as a main trend of multinational economy systems in the beginning of the 21<sup>st</sup> century.

## 1. Main part

Nowadays, countries all over the world are putting their best foot forward to develop the MICE industry as a means to enliven national economic development.

Russian MICE business is growing and developing rapidly, and is successful according to the current world tendencies of the sector's development, which are internationalization and globalization in the modern economic area.

The main tendencies of world economy – internationalization and globalization – are rapidly streamed over all services sector. That is the reason that in this article we are aim to analyze the definition of internationalization, and its impacts on the business travel industry, more specifically, the MICE segment.

## 2. Literature review

The internationalization of business enterprises has attracted the attention of the scientific community since early in the second half of the twentieth century.

In recent decades, the rapid globalization of the world economy increased the chances for marketing services abroad. Both in developed countries and in emerging economies, a significant growth of the service sector can be observed. The effect of this is that services are a driving force and the fastest growing sector in international trade (e.g. Grönroos, Javalgi, Javalgi, Ball)<sup>1</sup>. This attracts researchers to follow the changes taking place in the industry. Despite this growing importance on this phenomenon, internationalization within the service sector remains an elusive and largely invisible business area<sup>2</sup>.

---

<sup>1</sup> C. Grönroos, *Marketing services – the case of a missing product*, "Journal of Business and Industrial Marketing", 1998, 13(4/5), pp. 322-338.

<sup>2</sup> R.G. Javalgi, C.L. Martin, *Internationalization of services: identifying the building-blocks for future research*, „Journal of Services Marketing, Emerald Group Publishing Ltd.”, 2007, 21(6), pp. 391-397.

An important contribution to the study of the problems was brought by such Western economists as S. Andersson<sup>3</sup>, Kjell A. Nordstrom, B. Oviatt, P. McDougall<sup>4</sup>. Their research focused on the construction of theoretical models and strategies of the internationalization of companies, as well as, the study questions and the transformation of domestic firms into multinational companies/corporations.

In domestic economic science there was a widespread definition of internationalization of business enterprise proposed by the author A.V. Danil'chenko<sup>5</sup>, according to which, internationalization of business activity of the enterprise is defined as "the transfer of the business of economic activity of the company beyond the nation-state in the form of exports of goods, services and capital". This interpretation reflects the specific activity of foreign enterprise.

Some researchers<sup>6</sup> explain "internationalization" as the outward movement in a firm's international operations (Johanson & Wiedersheim). This common definition has been broadened further by Johanson and Vahlne<sup>7</sup> described internationalization of the firm as a sequential and orderly process in which firms gradually increase their international involvement and the associated changes in organizational forms (Reid; Bilkey & Tesar; Johanson and Vahlne).

L. Welch and R. Luostarinen<sup>8</sup> proposed the following interpretation of the concept, according to which the internationalization of the business activity of the enterprise is a "process of increasing involvement in international activities of the company".

Firms enter the foreign markets for several reasons. According to Root<sup>9</sup> manufacturing firms and service firms enter foreign markets because home markets are stagnant or foreign markets are growing faster. Some also follow their domestic customers who are going international, and other firms may go abroad in search of a greater sales volume or in order to reduce costs, thereby they strengthen their competitiveness at home, as well as, the foreign markets.

---

<sup>3</sup> S. Andersson, *The Internationalization of the Firm from an Entrepreneurial Perspective*, "International Studies of Management & Organization", 2000, 30 (1), pp. 63-92.

<sup>4</sup> B.M. Oviatt, P.P. McDougall, *Defining international entrepreneurship and modeling the speed of internationalization*, "Entrepreneurship Theory & Practice", 2005, 29(5), pp. 537-553.

<sup>5</sup> A.V. Danil'chenko, D.S. Kalinin, *Modern lines of development of the theory of internationalization of business enterprises: the scientific collection*, Theseus, Minsk 2010. URL: <http://www.bsu.by/Cache/pdf/394993.pdf> [28.09.2013].

<sup>6</sup> J. Johanson, F. Wiedersheim, *The internationalization of the firm – four Swedish cases*, "Journal of Management Studies", 1975, 12(3), pp. 305-322.

<sup>7</sup> J. Johanson, J.E. Vahlne, *The internationalization process of the firm – a model of knowledge development and increasing foreign market commitments*, "Journal of International Business Studies", 1977, 8 (1), pp. 23-32.

<sup>8</sup> L.S. Welch, R. Luostarinen, *Internationalization: evolution of a concept*, "Journal of General Management", 1988, 14(2), pp. 34-55.

<sup>9</sup> F.R. Root, *Entry Strategies for International Markets*, Lexington Books, San Francisco, CA, 1994.

This definition is the most accurate, concise, and at the same time, is fairly generalized, including a possible manifestation of a foreign business enterprise. This understanding of the internationalization of business enterprise is most prevalent and relevant to the works of Western scholars.

By the definition of A.V. Danil'chenko<sup>10</sup> internationalization is understood as an "extension of spheres of influence businesses outside of the national market in the form of exports of goods, services and capital".

The author of the paper formulated their own definition, where the internationalization of the business services of business travel is the "process of integration of regional, and national business services of business tourism infrastructure in a single global economic space, and the expansion of territorial organization of business tourism opportunities beyond the national economy".

Here are the key factors:

- emergence of international hotel chains in the national market (Hyatt, Novotel, Hilton, Sheraton, Marriott, etc.), the congress hall at the international level, the World Trade Centers, international airports, transportation hubs;
- strengthening the processes of internationalization and integrating national and regional business processes and services.

The goal of the present article, determined the necessity to solve the following tasks:

- based on the synthesis of the processes of internationalization of regional tourism, to specify its place and role in the structure of the world economy;
- to determine Russia's place in the global business travel market, identify the factors that determine the trends, and to increase the role of Russia in this segment;
- to analyze the current state and assess potential formation of the international business market (congress) tourism in the region, using the example of the Rostov region, through the creation of a congress bureau within the structure of the management of regional tourism development.

### 3. Practical significance

According to the Russian business travel market development, main centers of MICE industry are: Moscow and St. Petersburg. The regional development of business travel is growing rapidly. Such cities as Yekaterinburg, Novosibirsk, Nizhny Novgorod, Rostov-on-Don, and Sochi have a good balance of transport logistic systems and tourism infrastructure for business travel segment develop-

---

<sup>10</sup> A.V. Danil'chenko, *Transnationalization industrial and banking capital*, BSU, Minsk 2007, 182 p.

ment. In this article we are focusing on the Rostov region and Rostov-on-Don as a city center of the South Russia business travel industry. The Don tourism market is focused on the reception of service business travelers and therefore, in a region of particular importance given development of business infrastructure and promotion of a national product for the international market. Business in Rostov-on-Don is the administrative center of the Rostov territorial area and is developing rapidly. It has been following a trend towards internationalization by increasing the flow of foreign business travelers.

The Don tourism market is moving in the direction for reception of service business travelers, and therefore in a region of particular importance given development of business infrastructure and promotion of a national product for the international market. The prevailing trend of tourism development at the regional level, including taking into account the expectations of the Sochi Winter Olympics in 2014, and the forthcoming 2018 World Cup (Rostov-on-Don is one of the candidate cities to host the 2018 World Cup), mediate the need for the improvement of doing business in this area.

The Don business integration into the global economic space is not a new stage in the development of the regional economy. With strategic and economic advantages from the point of view of the development of international trade, the provision of services to foreign partners, and the geographical position of the region, Rostov region has always been an active participant of foreign economic activity, demonstrating the strong performance of international economic relations.

In continuation of the goal of business integration of Rostov-on-Don into the world economy, this year, the region has opened its World Trade Center (WTC), becoming the tenth one in the territory of the Russian Federation. It is a part of the WTC network in Russia and the global Association of WTC, which unites 300 centers in 100 countries around the world.

WTC Rostov-on-Don has set a strategic goal for the development of regional businesses and to transform the Rostov region into an attractive area for foreign investment. By providing numerous services necessary for businesses, it provides a comprehensive positive impact and actively contributes to the development of the region as a whole.

Creating an enabling environment for the participation of regional business in international economic relations, infrastructure upgrading of urban areas, attracting new investments and companies to the region, increased regional trade, and an increase in the capacity of airports and hotels, are all incentive factors in the internationalization of the business of business travel in the context of globalization of the regional tourism market.

Increases in the capacity of airports and hotels in the Rostov region is very urgent and a priority in the development of business infrastructure and transport security in the region.

Due to a favorable investment climate, interaction between the government and the business community in the Rostov region has been an asset to investment projects. It has spawned several construction projects, such as:

- An International airport complex “Southern” – the largest infrastructure project in Rostov region,
- The Hotel “Sheraton Rostov-on-Don Hotel & Business Center”,
- A Congress center and business hotel, the “Hyatt”.

These projects provide a multiplier effect and have a considerable positive impact on the regional economic development, integrating into international economic relations.

An unconditioned stimulus for the development of business tourism in the Don was a Russia-EU summit held in Rostov during May 31-June 1, 2010. A similar effect can be observed when holding different events in other Russian cities such as Nizhny Novgorod and Khabarovsk, like the APEC (Asia and the Pacific Economic Co-operate) summit, held in Vladivostok in 2012. This fits into the overall picture of the Russian culture through holding meetings at the highest level. It is not just about the contacts at the high level of heads of states and governments. There are an increasingly various number of international negotiations, conferences, industry forums, and exhibitions that are held outside of Moscow and St. Petersburg, and other major developed cities of our country. The perfect example of such events was the World Grain Forum (Sochi, June 2013). International Grain week happened with the participation of senior management of the International Association of Grain and Feed Trade (GAFTA) (Rostov-on-Don, September 2013). The International Investment Forum in Sochi has become the traditional investment platform for business contacts, business organizations, government and the public (September 2013).

What are the reasons contributing to a marked increase in the number of international meetings of political, economic, and business nature in Russia? The most important, in our opinion, are three circumstances:

- Increasing the participation of our country in the international economy;
- Explicitly belonging to the Western world, despite all attempts to dispute this fact (the term is broad and is not bound by geographical boundaries and ethnic borders, it just means involvement in business and European diplomatic ethics and culture of doing things, and in this sense refers to the West and countries such as Japan and the Republic of Korea);
- Having enough color and national identity to make the arrangements necessary for ease and a positive background.



## Conclusion

All of the above examples quite convincingly demonstrate the relevance and availability of the business travel market in our country. However, organizing and institutionalizing this segment should take a lot of work, including much legal work. In this regard, we consider it necessary to establish a specialized body or agency for the development of business tourism. Such future institutions can become the State Agency on business tourism, a relevant department in one of the ministry sectors, or part of the National Convention Bureau, which is represented in many business travel centers of the world.

According to the research, we have established the belief that the development of the international business travel market is one of the fundamental modern trends in the tourism industry and the world economy as a whole. Business as an independent branch of the global economy is directly linked to the development of foreign economic relations, and the desire to use the best practices of other countries and companies in the creation of material and spiritual values, which enhances the quality and the number of international contacts. In this regard, the relevance of the issue of business services of business tourism internationalization comes to the forefront, becoming one of the most important items on the global agenda. Creating an enabling environment for the participation of regional businesses in international economic relations, infrastructure upgrading of urban areas, attracting new investments and companies to the region, increasing regional trade and the capacity of airports and hotels, is an incentive factor in the business services of business tourism internationalization in the context of the globalization of the regional tourist market. The above indicates that further theoretical and practical development is important for the development of economic thought.

## Literature

- Allen J. Scott, *Cultural economy of cities*, "Logos", 2002, no. 3 (34), <http://www.ruthenia.ru/logos/number/34/20.pdf/> (8.12.2012).
- Bronskaya J.K., *Business tourism as a factor in development of the tourism market in Russia*: Abstract. Dissertation translation as in the origin document.
- Bronskaya J.K., *Russian Academy of Public Administration under the President of the Russian Federation*, Moscow 2007.
- Danil'chenko A.V., Kalinin D.S., *Modern lines of development of the theory of internationalization of business enterprises: the scientific collection*, Theseus, Minsk 2010. URL: <http://www.bsu.by/Cache/pdf/394993.pdf> [28.09.2013].
- Danil'chenko A.V., *Transnationalization industrial and banking capital*, BSU, Minsk 2007.
- Grönroos, C., *Marketing services – the case of a missing product*, "Journal of Business and Industrial Marketing", 1998, 13(4/5), pp. 322-338.

- The International Conference and Convention Association (ICCA) publication, <http://www.icca-world.com> [28.09.2013].
- Javalgi R.G., Martin C.L., *Internationalization of services: identifying the building-blocks for future research*, "Journal of Services Marketing, Emerald Group Publishing Ltd.", 2007, 21(6), pp. 391-397.
- Johanson J., Vahlne J.E., *The internationalization process of the firm – a model of knowledge development and increasing foreign market commitment*, "Journal of International Business Studies", 1977, 8(1), pp. 23-32.
- Johanson J., Wiedersheim F., *The internationalization of the firm – four Swedish cases*, "Journal of Management Studies", 1975, 12(3), pp. 305-322.
- Oviatt B.M., McDougall P.P., *Defining international entrepreneurship and modeling the speed of internationalization*, "Entrepreneurship Theory & Practice", 2005, 29(5), pp. 537-553.
- Welch L.S., Luostarinen R., *Internationalization: evolution of a concept*, "Journal of General Management", 1988, 14(2), pp. 34-55.

## **Wpływ umiędzynarodowienia na turystykę biznesową w regionach Rosji: wyzwania i możliwości na początku XXI wieku**

**Streszczenie.** Artykuł ukazuje współczesną istotę idei umiędzynarodowienia turystyki biznesowej na regionalnym rynku turystycznym oraz przedstawia teoretyczne podejście przedsiębiorstw do umiędzynarodowienia. Autorka definiuje usługi biznesowe sektora turystycznego w kontekście internacjonalizacji. Analiza teoretyczna i praktyczna procesów związanych z internacjonalizacją usług biznesowych w branży turystycznej pokazuje, że w obecnych warunkach ta tendencja będzie się nadal rozwijać i pogłębiać.

**Słowa kluczowe:** internacjonalizacja, umiędzynarodowienie przedsiębiorstw, internacjonalizacja usług biznesowych, turystyka biznesowa, MICE