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## **INFLUENCE STRATEGIC COMPETITIVE ADVANTAGE ON THE MICE INDUSTRY AND ITS SUSTAINABILITY**

**Summary:** This article reveals the cooperation process between foreign private companies and the local government in organizing the development of the industry connected to MICE. This vision may help all parties connected to the MICE industry to achieve a new level of understanding of the Business Tourism destination. Business development, in accordance with the principles of sustainable development, is a challenge in this century. Sustainable development is one of the most common axioms used in the field of tourism. Although international tourism literature determines that the business world widely accepts the concept of sustainable development and corporate social responsibility (CSR), a study that links the social and financial results is limited. Practical recommendations for the tourism business activity development can be applied in the regional, national, and international business travel market. Sustainable development of businesses is one of the common and rapidly growing topics in the field of sustainable tourism. The issue of business sustainability and how this concept is being translated into daily practice has been dealt with for quite a long time.

**Keywords:** internationalization, MICE, meetings industry, Business Tourism, sustainability, tourism business activity.

**JEL Classification:** F20.

### **Introduction**

In this research authors focus on the cooperation process between foreign private companies and the local government in organizing the development of the industry connected the Meetings, Incentives, Conventions and Exhibitions

(MICE) industry and its influence on sustainability in the frame of financial crisis. Business development, in accordance with the principles of sustainable development, is a challenge in this century. Sustainable development is one of the most common axioms used in the field of tourism. Although international tourism literature determines that the business world widely accepts the concept of sustainable development and corporate social responsibility (CSR), a study that links the social and financial results is limited. Practical recommendations for the tourism business activity development can be applied in the regional, national, and international business travel market. Sustainable development of businesses is one of the common and rapidly growing topics in the field of sustainable tourism. The issue of business sustainability and how this concept is being translated into daily practice has been dealt with for quite a long time.

The study of tourism business development has gained impetus in recent times. Considering the rapid growth of tourism and the subsequent impacts (economic, environmental and socio-cultural), its strong association with issues of sustainability is hardly surprising.

Sustainable tourism development requires the informed participation of all relevant stakeholders as well as strong political leadership to ensure wide participation and consensus building. Achieving sustainable tourism is a continuous process and it requires constant monitoring of impacts, introducing the necessary preventive and/or corrective measures whenever necessary.

Authors determined that the increase in the number of events is relevant to increase in implemented business projects and profit growth business entities of tourist destinations.

The methodology used in this research was to do a systematic analysis of national and regional components of the tourist services market, in the course of which systematically contributing factors, as well as negative influences on the economic actors of the tourism business activity have been identified and described.

The structure of this article is as follows; the first part is a description of the essence of the MICE industry, explaining this concept and its main components and elements. The next part shows the Business Tourism destination as a result of internationalization processes. The third section presents the cooperation of foreign private companies with the local government and Meetings, Incentives, Conventions and Exhibitions Industry. The last part discusses the characteristic trends of public-private partnership (PPP) as a significant tool of the cooperation process between foreign private companies and the local government, to strength-

en the trust between government and business representatives on regional level; the CVB structure and formation in the region is presented and enterprise financial security in the frame of globalization.

### **1. Business Tourism destination as a result of internationalization processes**

Internationalization of enterprises has attracted the attention of the scientific community in the twentieth century.

Issues connected to business communications, continuous interaction between the participants of business and the increasing role of business contacts both at the national as well as on global level, formed a new tendency in the tourism industry. In this case, special importance is given to the study of the formation of and developments in the business travel market, the evolution of its origin; to define the leaders of the world market, the main actors and the stakeholders' influence. One of the key, but quite poorly studied issues related to this segment, is the impact of business travel on the socio-economic development of individual regions and groups of regions around the world. At the same time, the institutional and theoretical basis for the integration of the Russian regions' development of the Business Tourism market is new and it demands reveal. The need for identifying regional segments of the domestic MICE-industry as a factor of business internationalization activity has led to the relevance of this study.

Vector of the world economy at the present stage was transformed in the direction of expanding and enhancing the impact of internationalization of Business Tourism in the service market. In many countries, there is an increase in production of tourism services and in their share in the GDP, as a result the number of people employed in the services sector is increasing every year, which is supported by the growing number of national and international companies involved in the tourism services sector.

Realizing the urgency of identifying the reasons of increasing income from the service sector in the GDP of developed countries at the present stage of the world economy development, authors consider it appropriate to consult authoritative economists who have devoted their studies to the service sector and international trade in the service market in particular.

For example, Christopher Lovelock [2010], a widely recognized expert in the field of services, control theory and service organizations, says: the development of services includes: government policies, social changes, business

trends, development of information technology, globalization and the internationalization of service organizations.

The rapid globalization of the world economy has increased the chances for the services market abroad both in developed countries and in emerging economies in recent decades. The effect of this is that services are becoming a driving force as well as the fastest growing sector in the international trade [e.g. Grönroos, 1998; Javalgi, White, 2002]. This fact attracts researchers to follow the changes taking place in the industry.

Despite this growing importance, the internationalization within the services sector remains an elusive and largely invisible business area [Javalgi, Martin, Young, 2006].

An important contribution to the study of the problems was brought by Western economists such as Andersson [2000]; Nordstrom [1991]; McDougall and Oviatt [2005]. Their researches focus on the construction of theoretical models and strategies of internationalization of companies. The study questions the transformation of domestic firms in multinational companies/corporations.

The internationalization of the firm is an area of great research interest [Bilkey, Tesar, 1977; Cavusgil, 1980; Johanson, Vahlne, 1977, 1990; Luostarinen, 1979]. One of the most important models in this field is the so-called Uppsala Model, which was developed by Johanson and Vahlne [1977]. The model explains internationalization as a process of increasing experiential knowledge [Eriksson, Johanson, Majkgård, 1997; Penrose, 1959]. The discussion is focused on development over time, and the main theme is the firms' behavior when it comes to different establishment sequences according to markets and entry modes. Markets are entered with successively greater psychic distance.

Psychic distance is defined as the factors preventing or disturbing the flow of information between companies and markets. Examples of such factors are differences in language, culture, political systems, level of education, level of industrial development, etc. [Johanson, Wiedersheim-Paul, 1975]. The firm's international behaviour in a single market is a consequence of a successively greater commitment and is described as follows. At the beginning there are no regular export activities, then export takes place via independent representatives, later through sales subsidiaries and finally a manufacturing subsidiary is established [Johanson, Wiedersheim-Paul, 1975].

The Uppsala internationalization model and other process models have been criticised for being deterministic [Melin, 1992; Reid, 1981; Turnbull, 1987]. If the companies are developed in accordance with the models, individuals will

have no strategic choices. In this study, however, top management and entrepreneurs are regarded as important for the suppliers' international strategies [Andersson, 2000]. In the 1990s the entrepreneurs' importance for international business was highlighted by many researchers.

Some researchers such as L. Welch and R. Luostarinen [1988, s. 36] 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 into foreign markets for several reasons. According to Root [1994] manufacturing firms and services firms enter foreign markets because home markets are stagnating or foreign markets are growing faster, some follow their domestic customers who are going international, some 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 at foreign markets.

This understanding of the internationalization of business enterprise has received the prevalence and relevance to the works of Western scholars.

The Author Morozova [2013, s. 264] formulated her own definition, where the internationalization of the business services in business travel is defined as an "integration process of the regional and national business services in Business Tourism infrastructure into a single global economic space, the expansion of territorial organization of Business Tourism opportunities beyond the national economy".

The following global tendencies demonstrate the relevance of the definition mentioned above:

- emergence of international hotel chains in the national market (Hyatt, Novotel, Hilton, Sheraton, Marriott, etc.);
- international Congress Halls, World Trade Centers, CVB (Convention Bureaus), International airports, Transportation hubs (actors of the tourism business activity);
- strengthening the processes of internationalization and integration of national and regional business processes and services.

The main aim of this article is to solve the following tasks:

- to specify place and role of the regional tourism under the internationalization processes;
- to determine the place of Russia and the role of the Russian MICE sector in the global business travel market;

- to analyze the current state and two assess potential of the international Business Tourism destination in the Business Tourism Development.

## **2. International business cooperation sustainability**

The theoretical part of this study shows the global trend of growth and commitment to leading positions of business and professional services network such as submission service marketing, advertising, management, leasing, research, and information and technologies, consulting, auditing and accounting services.

Its dynamics depends on the content of activities, it is critical from the standpoint of the development of a modern economy based on knowledge, and national competitiveness. M. Porter [1990] provides illuminating insights into how nations can improve competitive advantage in an age of globalization.

There are four main determinants of national competitive advantage: Factor Conditions; Demand Conditions such as Firm Strategy, Structure and Rivalry; Related and Supported Industries.

However, in order to have positive results, the individual companies, the company leaders and the national governments need to work together.

According to M Porter's Approach to Globalization authors formulate an idea of the PPP, that allows to strengthen trust between the government and business representatives on the regional level. PPPs may be seen as a cooperative alliance between the public and private sectors, in different areas of intervention which are traditionally inherent to the public sector, but without embracing a complete privatization process [Linder, 1999]. The underlying premise of PPPs is to benefit all parties involved, through alignment of their resources and goals. PPPs are becoming more common, because governments realize these agreements may have many tangible and immediate benefits, and the private sector is granted access to new markets and opportunities. According to Kim, Kim and Lee [2005], PPPs are essentially partnerships between public sector organizations and private sector and corporate investors, for the purpose of conception, planning, funding, construction and supply of infrastructural equipment or exploration of services. ECLAC [2007] adds that PPPs are characterized by the sharing of risks, investment, resources, responsibility and rewards.

Some authors, such as Goymen [2000], Marques and Santos [2016] consider that the creation of an organizational structure (CVB) using the common interests of stakeholders can be seen as an example of PPP on the regional level.

Consequently, the existence of a CVB is required to promote cooperation between stakeholders and to pressure local, regional and national authorities in order to develop harmonized policies, appropriate branding, and marketing strategies in the particular territory.

Under the conditions of the principles of management in the tourism industry there is a qualitative restructuring and diversification of business: expanding the scope of tourist services. There is a tendency for the synergy of functional and influence tourism and other businesses. The challenge is to expand and strengthen national tourism market. In this regard, it is important to develop Business Tourism as a socio-economic factor of innovative development.

Cooperation of foreign private companies and the local government connected to Meetings, Incentives, Conventions and Exhibitions is presented in this part as a key factor of the concept of internationalization of this paper. The concept of 'Business Tourism', 'MICE', and 'MICE-technologies' is increasingly common in the travel packages offered by major tour operators and event-companies. Following the recommendation of ICCA, most experts use the term 'MI meeting industry' as a general notion, the term 'MICE' is also used.

Issues to influence the facts that determine the trends in the global Business Tourism market, are relevant to the modern tourist segment of the world economy, each factor deserves special observation and research. One of these factors of the modern world tourism market is the internationalization of tourism business activity. In Russia, it is particularly important to design and launch specific government programs that would aim at comprehensive and practical development and promotion of the industry. Here, considerable efforts have been made by the government, business, non-governmental organizations and their clear and concrete understanding of the importance of addressing this problem. Promoting the development of Business Tourism, given its place in the economy and the nature of the industry as an important component of the Russian tourism industry, should be the responsibility of the government and the business community.

The MICE industry as a conceptual category of tourist industry is closely linked with tourism and hospitality industry. It is an integral part of the tourism industry, providing a significant positive impact on the investment attractiveness and development of regional areas of the national economy, concerning to the context of international economical relationship.

The MICE industry plays a significant role in the development of business, cultural and scientific relations between regions and countries. In addition,

MICE is one of the resources for integrating and developing companies through business education and participation in trade fairs and congresses. Business Tourism Development is one of the most important keys of the Business Tourism actors' success.

The MICE industry is a driver of economic, social and cultural development worldwide, as it:

- creates added value for tourism and enhances the tourism economy, mainly in the low season (i.e. business events' visitors are not only among the most lucrative tourist segments but they can extend their stay and/or return with family and friends / festivals and promotional events as showcase of excellence in the creative industries);
- creates jobs and retrains workforces (multiplicative effect of tourism industry);
- increases trade through the promotion of international collaboration and the support of business and professional networks;
- attracts investments by promoting the profile of hosting cities/regions provides opportunity for destinations' regeneration, expansion and growth (i.e. infrastructure and services development);
- spreads knowledge and enhances innovation and creativity.

The author determined that the increase in the number of events is relevant to increase in implemented business projects and profit growth business entities of tourist destinations.

Every year countries and cities around the world are forcing for the top positions and rankings, according to the number of conformed major meetings. The MICE-related events affect innovative processes for the economy and society and produces new technologies development at regional and national levels. That is why the MICE industry can be the catalyst of the rapid development of modern business and communication infrastructure.

J. Marques and N. Santos [2016] noted, that the areas with lower population density and lower supply of services and facilities have positioned themselves in this segment in order to attract a larger number of visitors and boost tourism, especially at the level of accommodation facilities situated in non-urban areas that have been able to adapt to the demands of this segment and contribute to meetings conducted in quieter places.

Rostov-on-Don city is a one of the leader of the South of Russia in the development of MICE-industry. More than 50% of arrivals are connected with business and MICE-events.



In comparison with other Russian cities, such as Sochi, Kazan, Ekaterinburg, Vladivostok which are the leader in their territories, Rostov-on-Don is one of the fastest developing region, having recognized the potential of this industry to bring economic, social and intellectual benefits. With ever more exhibition grounds (Vertol Expo), accommodation units (Sheraton, Hyatt, Mercure) and entertainment facilities, airport hub being constructed throughout the region, Rostov-on-Don and Rostov Land is strongly positioning itself as a leader in the Russian Federation in the sector of MICE.

This situation is especially developing because of The 2018 FIFA World Cup which was held in Russia in 2018. One of the cities was Rostov-on-Don. This event was attracting a big amount of tourists who will bring investments to the region.

One of the world leaders of the MICE industry is no doubt, Asia. With the massive development boom that is currently underway throughout Asia come both challenges and opportunities. New convention and exhibition facilities, hotels, casinos, integrated resorts and themed entertainment precincts are being developed throughout the region. This development of new products, combined with the world's increasing focus on economic engagement in Asia, means that the entire region will enjoy strong growth in its conventions and meetings market.

At the same time, the explosive growth of product means that there is an increased challenge in Asian destinations to ensure that they attract adequate levels of future business to sustain the health of all the hotels and venues that constitute their own facility inventories. To be successful, there can be no doubt that every destination will be seeking increases in tourism while also diversifying their markets so that every possible source of new business is fully developed.

No doubt, MICE industry shows the common trends of world tourism.

Travel & Tourism is one of the largest and fastest growing sectors in the world, with economic growth in 2017 (4.6%) outpacing that of the global economy (3%) for the seventh year in a row, as well as all other major industrial sectors.

Travel & Tourism generated 122,891,000 jobs directly in 2018 (3.8% of total employment) and this is forecast to grow by 2.2% in 2019 to 125,595,000 (3.9% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2029, Travel & Tourism will account for 154,060,000 jobs directly, an increase of 2.1% p.a. over the next ten years.

Money spent by foreign visitors to a country (or visitor exports) is a key component of the direct contribution of Travel & Tourism. In 2018, the world generated USD 1,643.2 billion in visitor exports. In 2019, this is expected to grow by 4.0%, and the world is expected to attract 1,484,910,000 international tourist arrivals. By 2029, international tourist arrivals are forecast to total 2,196,090,000, generating expenditure of USD 2,483.9 billion, an increase of 3.8% p.a.

There are different components of travel & tourism: leisure travel and business travel, including MICE industry.

Leisure travel spending (inbound and domestic) generated 78.5% of direct Travel & Tourism GDP in 2018 (USD 4,475.3 billion) compared with 21.5% for business travel spending (USD 1,228.0 billion). Leisure travel spending is expected to grow by 3.8% in 2019 to USD 4,646.6 billion, and rise by 3.9% p.a. to USD 6,780.7 billion in 2029. Business travel spending is expected to grow by 3.0% in 2019 to USD 1,265.4 billion, and rise by 3.2% p.a. to USD 1,735.1 billion in 2029.

One of the key areas for this diversification will be the business events market – meetings, incentives, conventions and exhibitions. Governments throughout Asia have awoken to the fact that hosting these kinds of meetings is a vital form of global engagement – both economic and intellectual. They are adding MICE development to their economic policy statements because they see MICE as key to their economic development strategies.

Throughout this process, the action of specialized organizational structures such as the CVBs, proves to be of great strategic importance.

Gunn [1972] was the first person to conceptualize a tourism system. In his simple early model, he noted that attractions drive tourism. A corollary of this conceptualization was that as magnitude of the attraction increased, the number of visitors was likely to increase. This corollary was analogous to the theory of cumulative attraction, which had been formulated in the context of retailing.

According to the survey of Governmental and business authorities of the Russian region – Rostov Land, which was made by the Regional Chamber of Commerce of Rostov Land and Business Tourism organizations of Rostov-on-Don, since 2014, the majority of tourists visited the region are business tourists. In the frame of the Governmental program of Tourism Development, the Business Tourism is one of the significant elements for Investment Development and Brand creation of the region in Rostov Land.

As it was mentioned above, CVB plays a significant role in the attraction of tourists and promotion for territories, and based on the potential of resources and possibilities.

Thereby, contributing to the growth of the regional economy and prosperity of the region and its individual cities is a consequence of the functioning of the business travel industry.

## **Conclusions**

In the beginning of the article authors declared the aim to find the link between the Internationalization and MICE industry.

Business Tourism as an independent branch of the global economy is directly linked to the development of foreign economic relations, the desire to use the best practices of other countries in the creation of material and immaterial values, which enhances the quality and the number of international contacts. In this regard, the relevance of the issue of internationalization of the business travel segment comes to the fore, becoming one of the most important items on the global agenda. Creating an enabling environment for the participation of regional business in international economic relations, infrastructure upgrading of urban areas, attracting new investment to the region and companies, increased regional trade and increase in capacity of airports and hotels, and is an incentive factors in the internationalization of Business Tourism services in the context of the regional tourist market globalization.

Meanwhile, as a support of the development of corporate communication, cooperation between businesses structures in the formation of a platform of PPP on regional and national level, the players of the national market of Business Tourism are joining forces to promote MICE opportunities in Russia.

As we analyzed in this study the PPP in tourism sphere is a significant instrument of stabilization and economic development in Russian Federation. In this research paper described a definition of PPP and described its modern status in Russia. Described reasons for necessity of the development of this sphere of the economy. In this article is showing general tools and methods of classification of the regions according to the necessity in the governmental investments for the development. The main ways of the development of the PPP in the tourism sphere in Russia are described and analyzed by the author of this article. In this research paper you will also find successful examples of the creating PPP projects in Russia.

The leader of the national market MICE – Association of Business Tourism, has teamed up with the international organization – Association of Corporate Governing business trips, for the further development of the Russian market of Business Tourism. According to the Association of Business Tourism such initiative involves the creation of a joint organization that will officially represent the interests of the largest international associations in the field of Business Tourism brand. New formats of cooperation will consolidate efforts to implement activities, training programs and exchange of experiences between professionals business-travel market.

It is expected that the role of business travel will continue to grow. According to foreign experts, by 2020 the number of international business visitors will increase almost three-fold – from 0.6 billion to 1.6 billion.

The Russians economists' estimations are that the Russian market of business travel and meetings industry until 2016, can take 1.3 million visitors. By research's results Euromonitor International Today, Russia is ranked 6th in the world in the field of Business Tourism.

The practical implementation of the research findings and results of this paper is important for the Business Tourism development on the regional level and CVB implementation as a key tool in the supply structure associated with the territory and in the management, planning and development of tourism destinations, especially those which want to assert themselves as successful Business Tourism destination.

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**WPLYW STRATEGICZNEJ PRZEWAGI KONKURENCYJNEJ  
NA MIĘDZYNARODOWĄ WSPÓLPRACĘ BIZNESOWĄ  
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**Streszczenie:** Artykuł opisuje proces współpracy pomiędzy zagranicznymi firmami prywatnymi a samorządem lokalnym w organizowaniu rozwoju branży związanej z sektorem MICE oraz jego wpływem na zrównoważony rozwój w obliczu kryzysu finansowego. Rozwój biznesu, zgodnie z zasadami zrównoważonego rozwoju, jest wyzwaniem w tym stuleciu. Zrównoważony rozwój jest jednym z najczęstszych aksjomatów wykorzystywanych w sektorze turystycznym. Chociaż zgodnie z międzynarodową literaturą dotyczącą turystyki świat biznesu szeroko akceptuje koncepcję zrównoważonego rozwoju i społeczną odpowiedzialnością w biznesie (CSR), badanie łączące wyniki społeczne i finansowe jest ograniczone. Praktyczne zalecenia dotyczące rozwoju działalności turystycznej mogą być stosowane na regionalnym, krajowym i międzynarodowym rynku podróży służbowych. Zrównoważony rozwój przedsiębiorstw jest jednym z powszechnych i szybko rozwijających się tematów w sektorze zrównoważonej turystyki. Kwestia zrównoważonego biznesu i tego, w jaki sposób ta koncepcja przekłada się na codzienną praktykę, była rozpatrywana od dość dawna.

**Słowa kluczowe:** internacjonalizacja, sektor MICE, przemysł spotkań i wydarzeń, turystyka biznesowa, wyjazdy integracyjne, konwencje, wystawy, zrównoważony rozwój, działalność sektora turystyki.