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## Economic development based on international entrepreneurship and business tourism

**Abstract.** The article deals with business and professional activity, as well as migration as the driving force of the economic development of different countries. The concepts of business and corporate activity, which emerged in connection with the globalisation of the world economy, help to reduce social and economic inequality. Business activities, business trips and tourism in general have grown worldwide because of a number of factors relating to both the demand and supply sides. Business activity involves individual and small group travel, as well as the development of tourist destinations. This may include small and larger meetings, for example conventions, conferences, trade fairs and exhibitions. The acronym MICE is often used to categorise business tourists according to the purpose of their trip, whether it is a meeting, a conference (convention, congress) or an exhibition (event). Based on the data provided by the World Travel & Tourism Council (WTTC), it was possible to identify business activity in the travel and tourism industry in the whole world. The relevant figures and percentage changes have been analysed in the present article. The participation of government officials in promotion of tourism destinations through partnership agreements, collaboration and common projects has been observed. All the companies and industries involved in the field of tourism experiences are considerably affected by rapid changes in the business environment brought about mainly by globalisation and advancements in information and communication technologies. Partnership and international agreements, as well as collaboration, play an important role in the development of business activity in Ukraine. The market for business tourism services and facilities is extremely dynamic and highly sensitive to changes in the political, economic and social environment.

**Keywords:** International Economy; Business Tourism; Economic Development

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### **Економічний розвиток на основі міжнародного підприємництва та ділового туризму**

**Анотація.** Представлена робота присвячена проблематиці ділової та професійної діяльності як рушійної сили, що впливає на економічний розвиток країн. Концепції ділової та корпоративної діяльності, які запропоновано з урахуванням глобалізації світової економіки, допомагають знизити соціальну та економічну нерівність в сучасному суспільстві. Слід зазначити, що не тільки ділова активність і ділові поїздки, але й усі види подорожей є сполучною ланкою між різними видами ділової активності з огляду як на попиту, так і на пропозицію. Діяльність у сфері обслуговування включає в себе індивідуальні поїздки та поїздки невеликих груп, які так само впливають на процес економічного розвитку. У свою чергу це може стосуватися зустрічей, з'їздів, конференцій, ярмарок та виставок. Акронім MICE часто використовується для категоризації ділової активності відповідно до мети поїздки, чи то зустріч, чи то конференція (конвенція, конгрес), чи то виставка (захід). За даними Всесвітньої ради з подорожей і туризму, було виявлено такий компонент, як ділова активність в індустрії подорожей в усьому світі. У роботі проаналізовано цілий ряд статистичних даних для підтвердження поставлених завдань. Також було вказано на важливість залучення уряду для вирішення питань, які мають відношення

до розвитку туризму через угоди про партнерство, співробітництво та спільні проекти. Усі компанії та галузі економіки, які належать до сфери обслуговування і подорожей, значною мірою зазнають впливу швидких змін, що відбуваються у бізнес-середовищі, які переважно пов'язані з глобалізацією та розвитком інформаційних і комунікаційних технологій. Партнерські та міжнародні угоди, а також співпраця відіграють важливу роль у розвитку ділової активності в Україні. Ринки послуг і об'єктів, які відносяться до ділової активності, є надзвичайно динамічним та чутливим до змін у політичному, економічному та соціальному середовищі.

**Ключові слова:** діловий туризм; міжнародне підприємництво; економічний розвиток.

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**Економічне розвиток на основі міжнародного підприємництва та ділового туризму**

**Анотація.** Представленная работа посвящена проблематике деловой и профессиональной международной деятельности как движущей силы, влияющей на экономическое развитие стран. Концепции деловой и корпоративной деятельности, предлагаемые в связи с глобализацией мировой экономики, помогают снизить социальное и экономическое неравенство в современном обществе. Следует отметить, что не только деловая активность и деловые поездки, но и все виды путешествий в целом являются связующим звеном среди различных видов деловой активности, связанных как со спросом, так и с предложением. Деятельность в сфере обслуживания включает в себя индивидуальные поездки и поездки небольших групп, которые так же влияют на процесс экономического развития. Это может касаться встреч, съездов, конференций, ярмарок и выставок. Акроним MICE часто используется для категоризации деловой активности в соответствии с целью поездки, будь то встреча, конференция (конвенция, конгресс) или выставка (мероприятие). По данным Всемирного совета по туризму и путешествиям, был выявлен такой компонент, как деловая активность в индустрии путешествий во всем мире. В работе проанализировано ряд статистических данных для подтверждения поставленных задач. Также была отмечена важность привлечения правительства для решения вопросов, касающихся развития туризма посредством заключения соглашений о партнерстве, сотрудничества и реализации совместных проектов. Все компании и отрасли, работающие в сфере обслуживания и путешествий, испытывают значительное влияние стремительных изменений, которые происходят в бизнес-среде связанные в основном с глобализацией и развитием информационных и коммуникационных технологий. Партнерские и международные соглашения, а также сотрудничество, играют важную роль в развитии деловой активности в Украине. Рынок услуг и объектов, относящихся к деловой активности, является чрезвычайно динамичным и чувствительным к изменениям в политической, экономической и социальной среде.

**Ключевые слова:** деловой туризм; международное предпринимательство; экономическое развитие.

**1. Introduction**

Trends in the global socio-economic development show that currently the field of services performs more than one half of gross domestic product in the world. Over 40% of direct investments in the global economy account for trade, banking, financial services, insurance and tourism. According to the World Tourism Organization [1-2], tourist business provides 10% of the turnover of production and service market, accounting for 7% of total investments and 5% of all tax revenues [3, p. 122-125]. Modern travel industry is one of the largest, high yielding and the most dynamic sectors of the world economy. Tourism as a service industry acts as a significant tool for the redistribution of national income within the country and has a multiplying effect on the development of many sectors of the economy to solve problems of social and economic inequality.

**2. Brief Literature Review**

Different scientific works devoted to business activity, business communication and migration, which are relevant to the idea of the present research have been observed. The following analyses of the authors' thoughts, as well as scientific and applied conclusions, can be presented.

According to M. N. Maksymuk, the absence of systematic and consistent approach in the study of problems of business migration and business hospitality development in Ukraine, the complexity and diversity of the studied issues cause the relevance of the research topic [4, 67-70]. It is necessary to note that there are many definitions of the term «business tourism» regarding the hospitality and meetings industry.

I. H. Pandyak considers the urgency and the prospects for business migration in Ukraine today. It should facilitate infrastructure development of the industry. An information database of offers and services for consumers should be created and promotion of the concept of global business

travel and educational activities should be also performed. He underlines that multinational corporations in the economy significantly impact the positive image of tourism infrastructure in the organization of business travel [5, 183-188].

J. Chr. Holloway emphasises that business tourism of today, elements of which are mainly trips for commercial, professional and work related purposes, represents a major non-leisure form of business migration, and business tourists are widely recognised as the highest-spending category of travelers [6, 285-310].

According to the International Congress and Convention Association (ICCA) the industry of tourism is divided into business tourism and leisure tourism. ICCA defines business tourism as provision of facilities and services to the millions of delegates who annually attend exhibitions, congresses, corporate hospitality, business events, meetings and incentive travel [7].

O. O. Lyubiceva in her research «The markets of tourist services», considers that methods of geographical research at the macrolevel of the tourism market are in the peculiarities of the functioning and development of tourism as part of the global services market reveal the mechanism of formation of global geospatial structures [8, 15].

According to S. P. Kuzyk, one of the features of business travel is that usually it is an expensive trip which corresponds to the highest quality of service, which is affected by seasonality [8, 20-35].

In the research by O. V. Babkin, it is stated that congress and exhibition tourism is the most dynamic segment of the business travel market [9, 100-115]. Under the concept of congress and exhibition tourism, one can understand activities related to the organisation of congresses, exhibitions, fairs, conferences and other events. The share of congress and

exhibition tourism in total business travel is 10-12%. There exists a growing interest in forums, conferences, symposia, meetings, seminars and exhibitions and fairs in the world. The objectives of participation in such events are different. The purpose of participation in such events is to get the latest information, to meet with colleagues, share with them thoughts and experiences, negotiate, aside from the usual situation and use the opportunity to join the cultural program.

N. V. Titova believes that one of the trends in the business travel industry is the formation of travel companies specialising in different types of tourism, and in particular, the creation of firms engaged exceptionally in business trips and in carrying out exhibitions, seminars and conferences abroad, as well as companies that specialise in intensive programs [10, 67-74].

The scientific research by S. I. Nikitenko reveals that the relevance of business tourism infrastructure in Ukraine stems from the fact that it will greatly promote the comprehensive development of cities in particular and the state in general [11, 139-143]. Also, the author considers that it is obvious that the role of business centers and business hotels in the business infrastructure of Ukraine, as well as the demand for office space and business services of higher category, is constantly growing.

According to the Dictionary of Travel and Tourism (Allan Beaver, 2012), business tourism is a type of tourism, part of which is specialised on homogeneous travel groups of professionals, undertaken by companies to promote the best employees. It is also defined as a trip with official purposes, including participation in conferences, congresses and other events.

Business travel for the development of business activity is certainly not a new phenomenon. For many centuries, people have been travelling because of their work. However, some forms promoting business tourism, such as incentive travel, are modern inventions. The concepts of business and corporate tourism emerged in connection with the globalisation of the world economy. It occurred in the period between 1970s and 1980s years, however in Ukraine and other CIS countries business tourism emerged only in the early 1990s. Business tourism as a result of business activity plays an important role in the development of the national economy and contributes to its integration in the global economic market. Modern business is impossible without active exchange of information, acquisition of new technologies, participation in international conferences, seminars, exhibitions, etc. All this is included in the scope of business migration. Due to this type of tourism, there is an influx of new innovative ideas in the economy, emergence of new markets and development of innovative products. The place of business tourism can be seen in the sub-classification of types of tourism, which is shown in Figure 1 and Table 1.

**3. The purpose** of the article is theoretical generalisation and grounding of impacts of business activity, including tourism on economic development.

**4. Results**

According to the data presented in the Table 2, there were 2,250,107 domestic

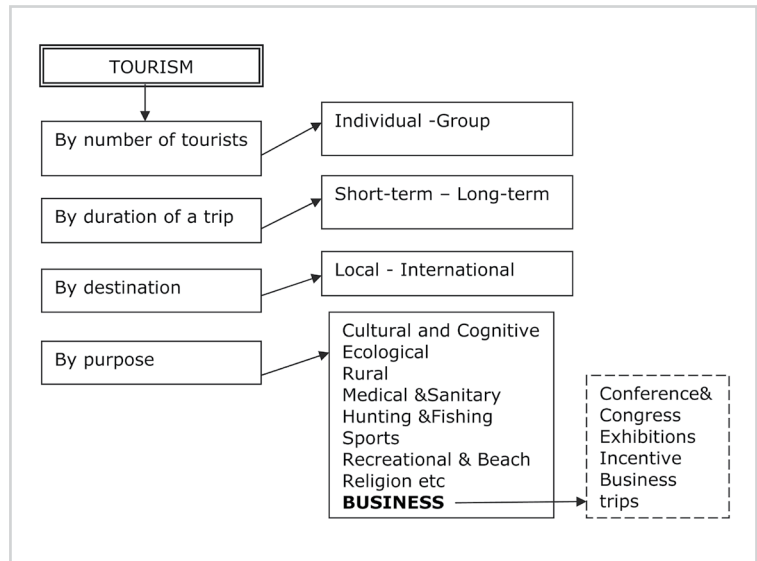


Fig. 1: Place of business tourism in classification of tourism  
Source: Developed by the authors based on [9, 13-14]

Tab. 1: Comparative characteristics of different types of tourism

Types of tourism	Seasonal dependence	Resource oriented	The ability of generating of tourist flow	Scope target audience
Cultural and Cognitive	+	+	+	+
Ecological	+	+	+	+
Rural	+	-	-	-
Medical & Sanitary	+	+	-	-
Hunting & Fishing	+	+	-	-
Sports	+	+	-	+
Religion	-	+	+	+
Recreational & Beach	+	+	+	+
Business	-	-	-	-

Source: Developed by the authors

Tab. 2: Analysis of customers served by tour operators and travel agents by regions and types of tourism in Ukraine in 2016

Regions of Ukraine (by the name of the regional centre)	Total number of domestic tourists	Purpose		Total number of foreign tourists	Purpose	
		business or studies	leisure holiday		business or studies	leisure holiday
Ukraine	2,250,107	176,230	1,902,900	33,784	2,331	25,496
Vinnitsia	11,348	5	11,321	-	-	-
Volyn	16,525	6	15,648	427	-	1
Dnipro	24,296	207	23,037	-	-	-
Donetsk	9,753	69	9,240	-	-	-
Zhytomyr	2,597	2	2,595	-	-	-
Transcarpathian	6,705	76	6,532	68	-	68
Zaporizhzhia	21,016	278	19,789	114	-	114
Ivano-Frankivsk	74,919	-	72,273	2,473	-	2,473
Kyiv	11,001	6	10,815	-	-	-
Kirovohrad	2,181	20	2,137	-	-	-
Luhansk	577	4	535	-	-	-
Lviv	138,048	658	74,267	7,642	-	2,230
Nicholas	5,575	2	5,561	-	-	-
Odessa	43,355	12,721	30,002	2,043	102	1,941
Poltava	3,383	123	3,076	-	-	-
Rivne	4,266	3	4,247	-	-	-
Sumy	5,665	1,559	3,862	-	-	-
Ternopil	2,934	41	2,764	-	-	-
Kharkov	19,122	89	18,529	1	1	-
Herson	4,647	2	2,987	-	-	-
Khmelnitsky	9,319	10	8,782	-	-	-
Cherkasy	2,624	1	2,542	-	-	-
Chernivtsi	11,731	185	11,309	112	-	112
Chernihiv	3,869	4	3,861	-	-	-
City of Kiev	1,814,651	160,159	1,557,189	20,904	2,228	18,557

Source: Compiled by the authors based on [15]



tourists and 33,784 foreign tourists in Ukraine in 2016 alone. Also, according to the State Statistics Service of Ukraine, the use of the capacity of funds of collective arrangement was approximately a quarter of the full capacity in 2016. These data suggest that Ukraine has all resources necessary for the development of business tourism, which is currently not used in full.

It is clear that business tourism has grown dramatically worldwide since around 1950. We can identify two types of reasons determining this growth: factors leading to a growth in demand and positive changes on the supply side which have facilitated the growth of business travel and tourism [16,121-128].

Overall business travel and tourism has grown worldwide because of a number of factors relating to both the demand and supply sides. Figure 2 and Figure 3 reveal factors determining the demand and supply side of the business travel and tourism growth during the 20<sup>th</sup> and 21<sup>st</sup> centuries.

As it can be seen from Figure 2, the demand-side factors have been stimulating the growth of business travel worldwide since the second half of the 20<sup>th</sup> century.

The relevant changes were put down to the original scheme, which was designed by P. Robinson [16, 121-128]. He noted that the dramatic growth of the population in the world is one of the demand-side factors. However, in Ukraine there is a trend towards a decrease in populations growth. The same trend is observed in some European countries. Thus, the structural changes in the population are more typical of the generalised demand-side factor of business travel and business activity growth.

However, the increase in business travel and tourism has only been possible because of the supply-side development, which is shown in Figure 3.

The development of transportation technologies (modern aircraft, high speed trains, new automobiles, etc.) has impacted it greatly. The growth of mobility is a result of business activity.

Compared to regular tourism, business tourism involves a smaller section of the population, with different motivations and additional freedom-of-choice limiting constraints imposed through the business aspects. Destinations of business tourism are much more likely to be areas significantly developed for business purposes (cities, industrial regions, etc.).

Business tourism can be divided into primary and secondary activities. The primary activity is related business (work), including activities such as consultations, inspections and attending meetings. The secondary activity is related to tourism (leisure) and includes activities such as dining out, recreation, shopping, sightseeing, meeting others for leisure activities, etc. While the primary activity is seen as more important, the latter is nonetheless often described as substantial. Business tourism can involve individual and small group travel. This may include meetings, conventions, conferences, trade fairs and exhibitions.

The acronym MICE is often used to categorise business tourists according to the purpose of their trip, whether it is a meeting, a conference (convention, congress) or an exhibition (event) [16, 121-128].

The following issues identify the growing importance of the business travel market:

- business tourism generally involves a higher level of spending per person than any other type of tourism;

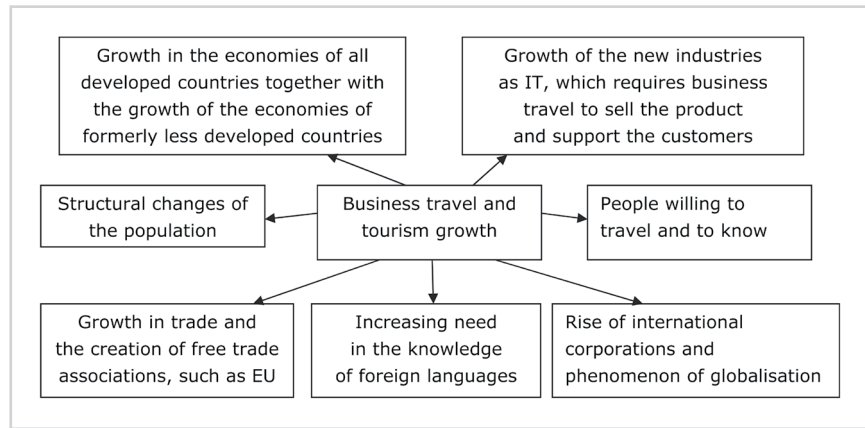


Fig. 2: Demand-side factors of business activity and travel growth  
Source: Developed by the authors based on [3; 13; 16]

- business tourist is the core customer for many airlines and hotels;
  - business tourists are frequently served by their own suppliers and market intermediaries which are parallel to those who use them in leisure tourism;
  - business tourism is the predominant form of tourism in many urban locations;
  - business tourism has its own physical infrastructure, such as conference and exhibition centers [17, 24-34].
- Modern-day business tourism takes four principal forms:
- travel for the purpose of attending conferences and other types of meetings;
  - incentive travel;
  - travel to attend an exhibition or trade fair;
  - individual business travel.

In the vast majority of cases, each notion of business tourism is often connected to the traveler's role in the selling and buying process or professional life that underpins much of developed commercial life. In the modern world, most organisations require some of their employees to travel from time to time in order to conduct some aspects of the company's business. Often, the objective of such trips is to find new customers, in which case a sales or marketing manager may be required to travel in order to present the company's products or services to prospective clients and negotiate prices with them. As companies expand internationally, with branches in more than one country - and more and more often, as a result of globalisation, in more than one continent - staff find themselves travelling to meet their colleagues in other branches and work with them for a few days to solve a problem or share their expertise. This type of transient movement of staff between different branches of a company is another driver of individual business travel [6, 285-310].

According to the World Travel and Tourism Council (WTTC), travel and tourism generated USD 7,170.3 billion,

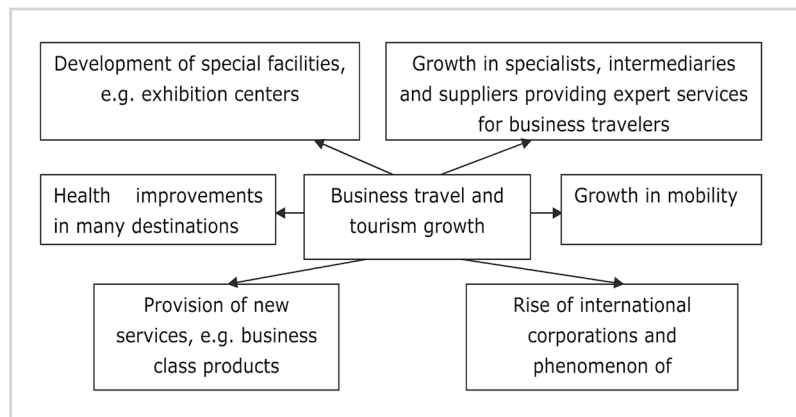


Fig. 3: Supply-side factors of business activity and travel growth  
Source: Developed by the authors based on [3; 13; 16]

which is 9.8% of GDP and more than 107 million jobs or 3.6% of total employment for the global economy in 2015 [13, 1]. Recent years have seen travel and tourism growing at a faster rate than both the wider economy and other significant sectors such as automotive, financial services and health care. There was no exception last year. International tourist arrivals also surged, proving the growth and increased opportunities for travel from those in these new markets. Travel and tourism expansion is forecast to continue at a stronger rate than last year, with the direct contribution to GDP expected to increase by 3.3% in 2016. New investment opportunities and destinations will also continue to emerge as tourism activity becomes affordable across the changeable world. This growth will require countries to develop a coordinated and concerted approach to talent planning and adaptation between their educational institutions, governments and industry to ensure they fulfill their potential in the years ahead [13, 3].

Money spent by foreign visitors to a country (or visitor exports) is a key component of the direct contribution of travel and tourism. In 2014, the world generated USD 1,383.8 billion in visitor exports. In 2015, it was expected to grow by 2.8% but reached only USD 1,308.9 billion, and it was expected to attract 1,237,470,000 international tourist arrivals in 2016 in the world [13].

If to observe the components of travel and tourism in the whole world, according to WTTC [13, 6-8], it can be seen that leisure travel spending (inbound and domestic) is at the same level and generated 76.6% of direct travel and tourism GDP in 2014 (USD 3,850.2 billion) and in 2015 (USD 3,621.9 billion) compared with 23.4% for business travel spending (USD 1,175.7 billion in 2014 vs USD 1,149.9 billion in 2015).

Business travel spending was expected to grow by 3.0% in 2016 to USD 3,732.3 billion, and rise by 3.2% to USD 1,679 billion in 2025. However, if to consider and to compare it with Ukraine, leisure travel spending (inbound and domestic) generated 93.3% (UAH 90.5 billion) in 2015 and 89.4% (UAH 101.8 billion) in 2016 of direct travel and tourism GDP compared with 6.7% in 2015 (UAH 6.5 billion) and 10.6% (UAH 12 billion) in 2016 for business travel spending which was expected to rise in 2016 to UAH 6.6 billion, and is expected to rise by 7% to UAH 26.3 billion in 2017. Leisure travel spending was expected to grow by 4.8% in 2017 to UAH 106.7 billion, and rise by 4.4% to UAH 128 billion in 2025.

According to Table 3, the direct contribution leisure and business spending to travel & tourism GDP is calculated as a share of whole economy GDP (the sum of these shares equals the direct contribution) [9]. Therefore, it can be seen, that business spending is one of the lowest figures as to the percentage of total, however it has grown in 2015 and 2016 compared to 2014.

Moreover, tourism is a major notion of international trade in services. In addition to receipts earned in destinations, international tourism also generated USD 211 billion in exports through international passenger transport services rendered to non-residents in 2015, bringing the total value of tourism exports up to USD 1.5 trillion, or USD 4 billion a day on average. Today, international tourism represents 7% of the world's exports in goods and services, up from 6% in 2014, as tourism has grown faster than world trade indicators over the past four years.

As a worldwide export category, tourism ranks third after chemicals and fuels and ahead of automotive products and food. Also, tourism ranks as the first export sector [13, 25] in many developing countries, and it was promoted as a key factor of inclusive

Tab. 3: Economic contribution to travel and tourism in the world according to WTTC

World	2014		2015	2016	2025		
	USD bn	% of total	growth	growth	USD bn	% of total	Growth
Direct contribution to GDP	2,364.8	3.1	3.7	3.3	3,593.2	3.3	3.9
Total contribution to GDP	7,580.9	9.8	3.7	3.5	11,381.9	10.5	3.8
Visitor exports	1,383.8	5.7	2.8	1.9	2,140.1	5.6	4.2
Domestic spending	3,642.1	4.7	3.7	2.2	5,465.0	4.1	3.8
Leisure spending	3,850.2	2.3	3.3	3.0	5,928.8	2.5	4.1
Business spending	1,175.7	0.7	4.0	3.9	1,679.0	0.7	3.2
Capital investment	814.4	4.3	4.8	4.7	1,336.4	4.9	4.6

Source: Compiled by the authors based on [13]

and sustainable economic development in 2017 [18]. The report by the World Tourism Organisation UNWTO [18] has shown that expenditures by international visitors in macro-economic terms count as exports for the destination country and as imports for the country of residence of the visitor. For many countries, inbound tourism is a vital source of foreign currency earnings and an important contributor to the economy, creating much needed employment and further opportunities for development. The share of business and professional tourism is 14% of total in 2015 [18].

If to consider business tourism as an important component of economy, the following direct, indirect, tourism, social, cultural, and political impact can be taken into account on business activity development (Figure 4). Also, we support the opinion of [19] regarding the importance of improving the mechanisms of production, development and adoption of regulations, thus emerging standards and basic terms of business activity and especially tourism as a form of social benefits, as well as research of preferences of consumers of public goods, which implies the existence of an appropriate model of public choice.

5. Conclusions

It has been concluded that the direct economic impacts of business tourism are:

- residence, transport and tourism services expenses paid by foreign visitors attending exhibitions and conferences;
- growth of investments in business tourism, which includes establishing city centres, facilities for conferences and exhibitions, specialised conference and exhibition centres, event organising companies, suppliers of events, destination management companies, etc.;
- revenues of owners and organising authorities of exhibitions and conferences including (sponsorships, registration fees, sale of exhibitors' spaces, selling media copyright, penalties, and gifts sales);
- revenues of business tourism suppliers;
- trade exchange and deals which are concluded during exhibitions and conferences;
- marketing products of sponsors of the conferences and exhibitions;
- rise of promotional activities.

The list of indirect economic impact is measured by the following components: expenses paid by visitors attending conferences and exhibitions to general services; contribution of business tourism in urban development and development

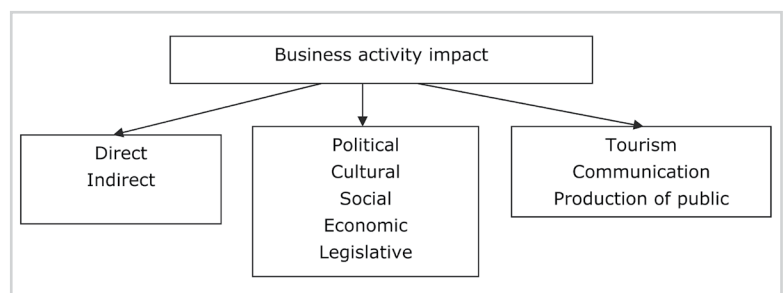


Fig. 4: Impacts of business activity

Source: Developed by the authors based on [3; 6; 10; 13; 15; 19-21; 23-26]

of infrastructure; highlighting investment opportunities in the destination in which the exhibition or conference is held; promoting investments in the destination in which the conference or exhibition is held [20-21; 27].

Tourism benefits from business tourism are as follows: arriving tourists for the purposes of attending different kinds of conferences and exhibitions are the people who are mostly able to spend and are of high purchase power too. Exhibitions and conferences raise the demand on tourism services and products during low seasons and thus provide jobs. This enhances tourist experience which makes tourists extend their residence period or arrange a new visit to the same place. It also enriches event calendar in the destination. It highlights market potential of the destination. There occurs a rise in the demand for services, tour operators programs and tourist guides [20-21; 28].

The social impact of business tourism is that business tourism is a fertile environment to make use of people's leisure time. Besides, voluntary work in business tourism is considered an important factor for young people to manage their time gainfully and for the acquisition experience [20-21].

The cultural impact of business tourism is that the business tourism sector, through inviting international experts to

participate in conferences and exhibitions, is largely contributing to drawing international latest experiments, knowledge and science. Business tourism activities, i.e. conferences, seminars and forums, are considered distinctive means to develop competence of manpower in different public and private sectors, as well as it is an effective means for experience exchange, highlighting cultures and reviving traditions and heritage [19; 21].

Also there are political impacts of business tourism. There are many political advantages of business tourism, which could be listed as follows: improvement of the country's image; better means to enhance cultural dialogues; developing administrative competence of public officials [22, 120].

We have conducted an analysis of indicators of business tourism and international entrepreneurship as an integral part of economic development. This allows us to propose a system of indicators that affect the development of enterprises and their environment, enabling the distribution and exchange of the knowledge system and the formation of intellectual capital. It can be also said that the relevant impacts of business tourism are not measured only by the factors mentioned above. Thus, it is necessary to conduct further research.

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