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# PECULIARITIES OF MANAGEMENT OF STRATEGIC ALLIANCES IN THE FIELD OF TOURISM

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## Abstract

The article defines the essence of strategic alliance as a form of partnership. Motives of strategic alliances formation are defined. Theoretical approaches to the definition of the essence of strategic alliances are studied. The article outlines competitive advantages characteristic of integrated tourism structures in the context of the following areas: managerial, financial, resource, marketing, and social.

The types of relations arising in the course of the strategic entities activity meant to ensure the effectiveness of the tourism industry are characterized, and the problems of participation of Ukrainian tourism enterprises in international strategic alliances at the present stage are described. It is determined that each of the identified problems makes a certain impact on the functioning conditions of the integrated tourism structures. According to the results of the evaluation, all the problems were divided into three groups: the most important problems that have a significant impact on the development of integration processes, the problems of medium impact and insignificant problems.

The article grounds the mechanism of complementary management in the management system of tourism enterprises – members of the strategic alliance. It is pointed out that in order to strengthen the management efforts of the participants to the corporate system of complementary management, its implementation should take place at the following levels: corporate level, business level and functional level of service.

**Keywords:** integration processes, strategic alliances, corporate system of complementary management.

## INTRODUCTION

Modern realities of economic development affect the formation of new rules of conduct for business structures. The uncertainty of the business environment, the formation of a unitary global tourism market and increased competition encourage tourism enterprises to re-evaluate the prospects for their strategic development. Under such conditions, it is obvious that it becomes more difficult for the entities of the tourism market to carry out their activities on their own, without partners, so they are increasingly seeking stable areas of business partnership, that is, business integration. The formation of strategic alliances is a promising alternative for the activities of tourism businesses in the unstable environment.

## PREVIOUS RELATED RESEARCH

The study of the motives for the creation of strategic alliances, development and prospects of cooperation in the tourism industry was carried out by such foreign scientists and national scientists as G. Lorenzoni [11], B. Garrett [6], P. Dussauge [6], M. Bosovska [3], I. Krupenna [1], A. Pylypenko [16], I. Pidgurska [15], I. Voronin [18]. But despite the significant number of publications on the outlined problems, the issues of formation of strategic alliances, with consideration to the industrial orientation, require further study.

The purpose of the study is to substantiate the possibilities of forming strategic alliances for the domestic tourism industry and to develop a mechanism for complementary management thereof.

## **RESEARCH RESULTS AND DISCUSSION**

Under integration in the general sense we understand the establishment of such relations between enterprises (legal bodies), which provide long-term convergence of the general objectives of integrating enterprises and are aimed at creating synergies and sustainable competitive advantages.

Integration processes in the tourism industry are as follows:

✓ penetration into the sphere of tourist activities of businesses and organizations of transport, financing and insurance of tourism business. The main direction of interaction in this aspect is the agreement between air line companies concerning incentive programs for regular customers;

✓ purchase by tourist enterprises their own tourist complexes, hotels, accommodation facilities or leisure and recreation complexes.

Integration processes enhance the dynamism of the tourism market activities, because any enterprise in this field of tourism is a complex dynamic system of partnerships and complementary strategies meant to achieve target points.

Creation of strategic alliances can be considered one of the forms of partnership, because this form of association of tourism industry entities is less risky, does not require significant investment and is the most promising for the development of both the individual business and the entire tourism industry as a whole. The formation of a strategic alliance, which fully meets the requirements of the strategic development of interrelated participants, necessitates changes in their organizational structures, management systems and interaction strategies in order to ensure effective functioning on the principles of adaptation, streamlining and synchronization of all marketing activities.

Studies of the role and goals of strategic alliances made it possible to distinguish different points of view on this concept (Table 1).

Taking into account the existing definitions of “strategic alliance”, we note that this category should, in our opinion, reflect the following position, and namely: a strategic alliance is a formal or informal alliance with an industrial orientation in the context of mutually beneficial cooperation of independent enterprises with the purpose of implementing joint projects, exchanging experience, improving competitiveness and obtaining synergistic advantages.

It is noteworthy that there is a quite large classification of forms and types of strategic alliances; however, to ensure the effectiveness of the tourism industry in the future, it is advisable to identify four possible options for the development of strategic alliances:

1. Cooperation is episodic but changes the conditions of competition between partners.

2. Cooperation within the framework of target projects or programs (for joint transportation of tourists, struggle with competitors, creation of “clubs” for joint work

on the implementation of a specific tourist product in the markets of other countries, etc.).

Table 1. Approaches to the definition of the essence of the “strategic alliance” concept

The author of the definition	The substance of the definition
D. S. Lvov, B. Z. Milner [7,14]	Strategic alliances of enterprises are a kind of network organizations
V. A. Barinov [2]	Strategic alliances are network and virtual organizations
Y. V. Ivanov [8,9]	Strategic alliances are an analogue of syndicate in the financial (banking, investment) field
Y. L. Drachyova, A. M. Libman [5]	Strategic alliances are included in non-financial metacorporations, with a focus on the fact that the relations between enterprises are regulated not by shareholder control, but by special agreements
A. A. Pylypenko [16]	Strategic alliances are “a flexible form of quasi-internationalization, in which it is possible to neutralize the impact of the deadline timing of integration processes in favor of determining the contribution of each party to the future development of the situation within the alliance”
O. A. Tretyak [17]	Strategic alliance of enterprises is an opposition of mergers and “friendly” acquisitions by a «hostile» business, characteristics of cooperation between the business-the general customer and subcontractors, which ensures increase in output or unites activities of several businesses.
B. Garrett, P. Dussauge [6]	Strategic alliances are agreements without specific goals that are concluded between large enterprises on the basis of mutual trust and friendly relations between the chief officers of these companies A strategic alliance is an “association of several independent enterprises which intend to engage in a specific production or want to complete a project, using the knowledge, materials and other resources of each other, instead of: - starting production on their own, without sharing with anyone else the risks and trying to beat competitors; - creating conditions for the merger or acquisitions of companies”
A. O. Kasych [13]	Strategic alliances are various forms of long-term cooperation between companies, usually large transnational corporations from different countries
W. E. Butler [4]	Strategic alliances are the cooperation of several industrial enterprises aimed at achieving long-term results, stable and sustainable development of the participating corporations. And if at the initial stages the purpose of the alliances was limited to the implementation of joint trade operations, in today’s conditions there has been a shift of the goals in the field of integrated scientific and technical cooperation
V. D. Markova, S. A. Kuznetsova [12]	Strategic alliances are a temporary group of independent enterprises linked by modern information technology that have combined their resources and efforts with the purpose of making effective use of the favourable market situation

3. Strategic alliances that pursue development beyond their original goals but do not seek vertical integration. Each partner benefits from working together but retains independence in making management decisions.

4. Structures established to carry out joint activities or cooperative programmes within alliances are gradually getting out of control and starting to operate as independent enterprises.

The formation of strategic alliances makes it possible for organizations of the tourism industry to get a number of competitive advantages distinguishing them from competitors. It is advisable to present competitive advantages characteristic of integrated tourism structures, in the context of five blocks: management, financial, resource, marketing, social (Figure 1).

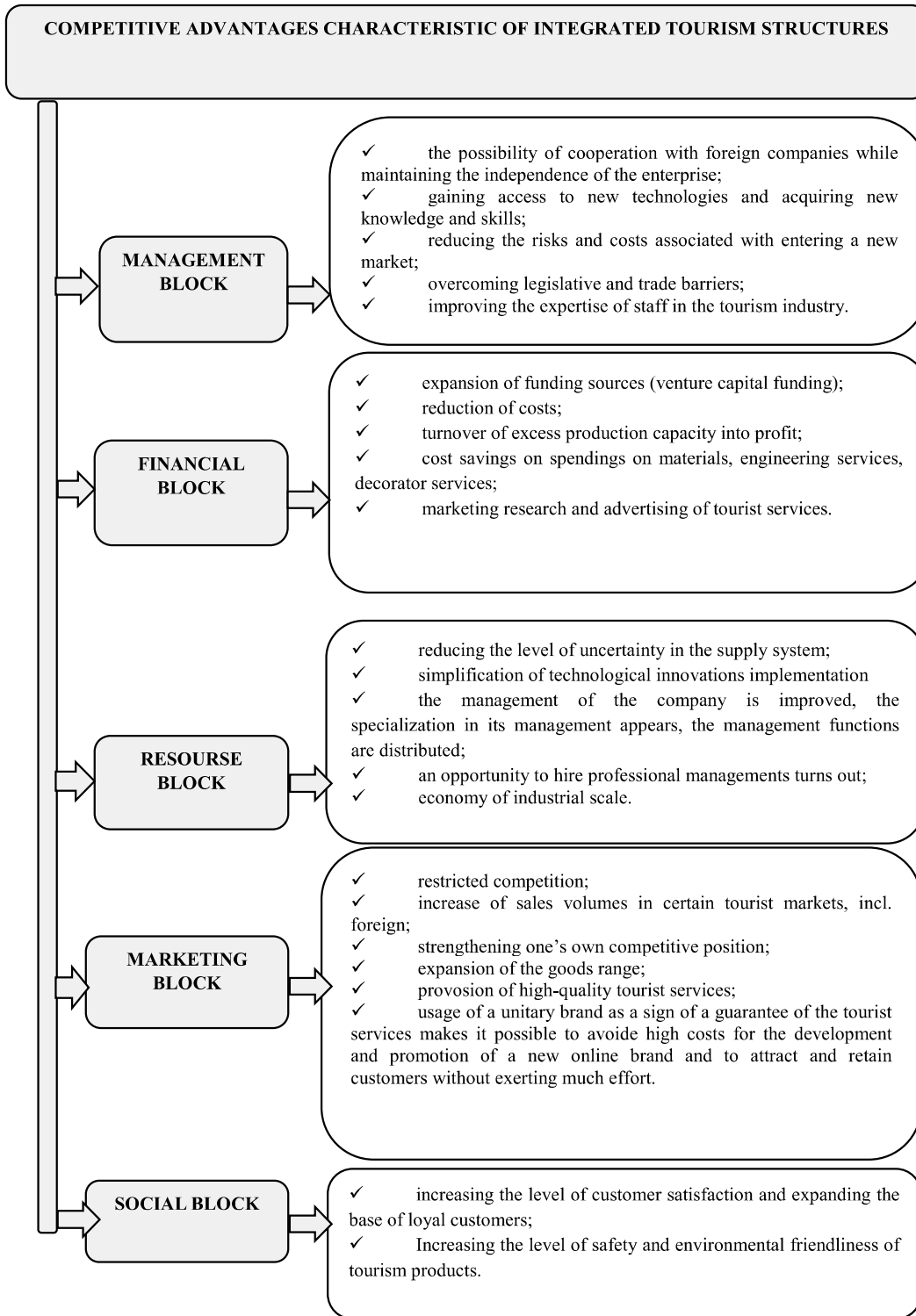
The formation of strategic alliances in the tourism industry is aimed at creating a unified system of tourism product sales and risk distribution. A striking example of the activities of strategic alliances in the field of international tourism are global computer systems for booking a broad range of tourist goods and services – from air travel, railway travel and the purchase of package tours to auto rental, pre-booking a hotel room or tickets for a football match or a concert. The most famous among such systems is “Amadeus” and “Galileo”, which are present on the Ukrainian market of transport and tourist services as well. One of the important tasks of the Ukrainian tourism industry is active integration into the existing global reservation networks.

In international tourism, integration processes can also be observed through the example of the tourist accommodation sector, which has recently been actively developing hotel chains or chains, and namely: Wyndham Worldwide (USA and Canada), Choice Hotels and Marriott International (USA), InterContinental Hotels Group (UK), Hilton Worldwide (USA), AccorHotels (France), Best Western Hotels (UK), Jin Jiang International Home Inns (China), Carlson Rezidor Hotel Group (Belgium), Robinson Club GmbH (Germany), Grupo Sol Melia (Spain) [18,19].

The manifestations of globalization processes in tourism should also include the transportation field, which also creates global alliances, such as: “Star Alliance” (27 airlines), “SkyTeam” (13 airlines) and “Oneworld” (12 airlines), etc.

On the whole, at the present stage of the integration of the Ukrainian tourism industry into the world tourism market, there are three types of relationships in the format of a strategic alliance:

Franchise agreements when the parent company enters into an agreement with the organization to grant it exclusive rights for the sale of services under the brand name of the parent company i.e. a small and little-known tourism organization (company or hotel) gets included in the distribution network of the renowned tourist firms, increasing the opportunities of the latter to monitor the markets with minimal cost. According to the results of research in the field of franchising as far back as 2011 there were 16 tourist networks in Ukraine that worked under the franchise system; these being mainly Ukrainian companies [10]. The most famous franchisors in the tourism business that operate in the domestic market are: Travel Professional Group (TPG), TUI, Join Up!, Coral Travel, TEZ TOUR, Sonata “Haryachi tury” Agency Network”, “FEYERIYA mandriv”, “Poyikhaly z namy”.



*Figure 1. Competitive advantages characteristic of integrated tourism structures*

Partnership with a travel franchise network can provide a travel agency with prestige, benefit, stability, protection in the conditions of globalization. Franchisees receive from franchisors as follows: the best prices and increased commission fee on the tourist product; joint PR and advertising campaigns with partners (BTL-activity (sponsorship), Digital marketing (SMS-mailing, e-mail mailing, and social networks), design support, etc.); personnel management techniques (workshops, seminars and training courses; personnel testing and certification; recruitment assistance; participation in information tours; individual bonus programs).

2. Partnership in the form of functional agreements on the basis of combining financial, scientific and technical, and human resources of various enterprises to achieve competitive advantages or to implement joint programs and projects through cooperation. Enterprises agree to cooperate in one or more activities where the agreements between them are in the form of projects (estimation and monitoring the market environment, marketing research, project financing, management of tourism services or personnel, etc.), in which the acquisition of new knowledge and experience is carried out to obtain competitive advantages and a positive synergistic effect. The emergence of synergistic effects in this format of business partnership is mainly due to the effective use of intangible assets such as brand, business reputation, consumer capital, etc.

3. Formation of a strategic alliance in the form of a vertically integrated structure. For example, TUI AG is a vertically integrated holding company that makes arrangements on the entire tour on its own and under its own control: from booking, flight, accommodation, service by its representatives at each resort and at each hotel. The TUI group includes tour operators, travel agency networks, more than 300 hotels, 6 airlines with a total fleet of 136 aircraft, 12 cruise ships and much more.

The establishment of hotel chains, international tour operators, airline associations, as well as the spread of e-Commerce and global distribution and booking systems have made the inevitable impact of integration processes on corporate relations and resulted into a need for complementary management of integrated tourism activities. The problem lies in the structuring of such activities of the tourism industry enterprises, that will ensure the highest efficiency of both the integrated structure as a whole and each business partner.

With the purpose of studying the functioning conditions of integration tourism structures, the results of a survey of specialists in the field of tourism (more than 70 respondents) were analyzed: representatives of travel agencies, tour operators, transport companies and representatives of infrastructure. According to the results of the survey, a number of problems that negatively affect the integration processes in their activities were identified. The results of the survey are demonstrated in Figure 2.

Each of these problems has a certain impact on the functioning of the integration tourism structures. According to the results of the evaluation, all the above-mentioned problems were divided into three groups: the most important problems that have a significant impact on the development of integration processes, the problems of medium impact and insignificant problems.



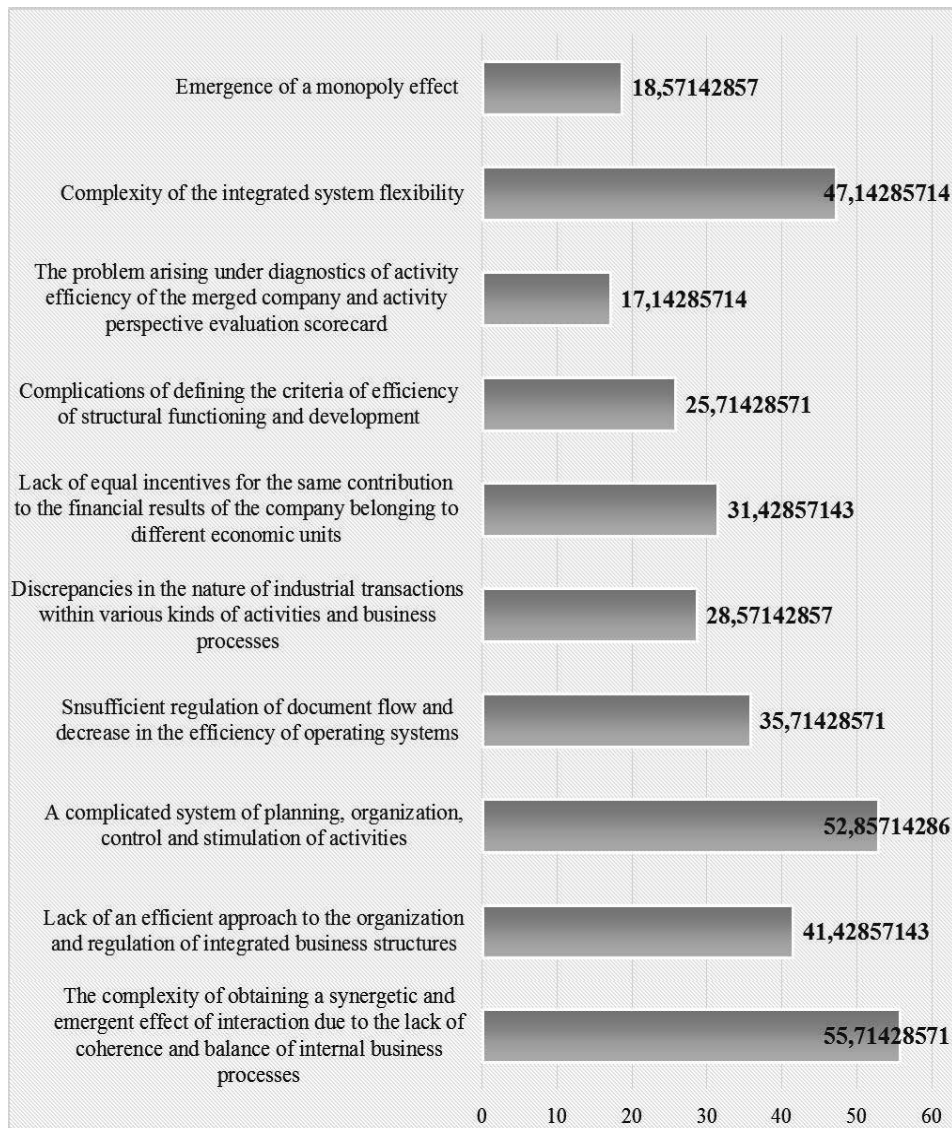


Figure 2. Diagram illustrating assessment of importance of the problems affecting the functioning of the integration tourism structures

The problems of group 1 include as follows: the complexity of obtaining a synergetic and emergent effect of interaction due to the lack of coherence and balance of internal business processes (55.7%), a complicated system of planning, organization, control and stimulation of activities (52.9%), complexity of the integrated system flexibility (47.1%).

The following problems received a moderate appraisal for significance: lack of an efficient approach to the organization and regulation of integrated business structures (41.4%), insufficient regulation of document flow and decrease in the

efficiency of operating systems (35.7%), lack of equal incentives for the same contribution to the financial results of the company of different economic units (31.4%).

The problems with the lowest degrees of influence include as follows: discrepancies in the nature of industrial transactions within various kinds of activities and business processes (28.6%), complications of defining the criteria of efficiency of structural functioning and development (25,7%), emergence of a monopoly effect (18,6%), the problem arising under diagnostics of activity efficiency of the merged company and activity perspective evaluation scorecard (17.1%).

In our opinion, in order to solve complex of common managerial tasks, it is advisable to create a corporate system of complementary management (CSC) of an integrated structure, which has a number of significant features that distinguish it from the management system at the level of an individual enterprise.

Firstly, all the activities concerning relations of tourism entities with the market are aimed primarily at the creation and development of certain key areas of expertise with the purpose of obtaining additional competitive advantages. Each participant of an integrated tourism structure should carry out a number of important activities on building up a key marketing competence. In this regard, the author focuses mainly on the integrative function of the corporate system of complementary management on formation a joint key marketing megacompetence on the basis of integration of key competences of member enterprises of the strategic alliance, which will make it possible to form the added consumer value as the basis for the formation of sustainable competitive advantages which are hard to pattern after.

Secondly, the criterion for the formation of an effective corporate system of complementary management is such kind of development of its member companies which is based on the appropriate consolidation of their tourism potential. Business partnership between strategic alliance members is increasingly organized on a cooperative basis, that is, through the combination of resources and their joint use. The integration of partners around the value creation process should be achieved through the formation of a single resource base, internal administrative mechanisms, as well as through strategic coordination of joint activities. Thus, it can be stated that one of the most important functions of CSC is the formation and implementation of a unitary tourist potential of its participants. It should be emphasized, however, that the mechanism for sharing capacity assets may differ significantly depending on the form of partnership, interests, degree of openness and degree of trust between the partners.

Third, business processes in integrated structures have a great functional diversity, covering the research, innovation, distribution and communication fields of each of the subjects belonging to the integrated structure, focusing them on the active joint formation of consumer value. At the same time, the functional component of the CSC should cover different levels of the management hierarchy in the context of strategic areas of activity. It makes it possible to comprehensively consider the entire range of management tasks at all levels of the corporate hierarchy.

## CONCLUSION

Thus, at the corporate level, CSC is able to solve such problems as: expansion of target markets; obtaining a more balanced range of tourist services, integration of innovative and technological infrastructure.

At the business level, it is important to strengthen the competitive position of the enterprise, to create a coalition model for the formation of loyalty of tourist services consumers, strategic procurement sourcing, outsourcing of individual marketing functions.

Management efforts of CSC participants at the functional level are directed to the implementation of the co-branding policy, the deployment of the quality function, joint decision-making in the field of pricing, improvement of service quality standards, integration of marketing communication tools.

Implementation of managerial decision-making procedures in CSC requires special information and analytical, technical and organizational support. Formation and functioning of business CSC provides harmonization of all platforms of interaction concerning consensus of business partners interests and ensuring sustainable development of each of them and strategic alliance as a whole.

Thus, the following conclusions can be drawn: the formation of a unitary global tourism market, increased competition, increased pressure from the external environment and other factors have contributed to the spread of various forms of partnerships, including strategic alliances between domestic and foreign companies. The creation of strategic alliances makes it possible for organizations belonging to the tourism industry to improve the quality of the tourism product sold, invest in «environmentally friendly» tourism production, identify existing rooms of the tourist market, diversify the services offered within the selected market segment, increase the individualization of consumer services.

The study identified the main advantages of strategic alliances and a set of problems in their functioning. To improve the efficiency of the strategic alliance in the field of tourism and the solution thereof of a set of common tasks, it is advisable to create a corporate system of complementary management of the tourism integrated structure, which will ensure harmonization of the business partners interests and achievement of synergistic competitive advantages on this basis.

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