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INNOVATIVE COMPONENT AS A NECESSARY FACTOR FOR PROVIDING ENTERPRISES' DEVELOPMENT

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Abstract. *The article examines negative trends and issues of the tourism industry in the world, and in Europe in particular and studies the impact of the crisis caused by the COVID-19 virus on the functioning of tourism and hospitality agencies and firms. Travel and tourism's direct contribution to GDP in the World was approximately 2.9 trillion U.S. dollars in 2019. It was found that United States' travel and tourism industry contributed the largest sum at 580.7 billion U.S. dollars in 2019. The impact of COVID-19 on tourism in Q1 2020 was 67 million fewer international tourist arrivals, 80 US\$ billion lost in exports, 100% destinations with travel restrictions. All parts of the industry have been affected, from hotels, motels and resorts, to bed and breakfasts and home-sharing platforms like Airbnb. It was found that rural tourism is one of the factors that can be a fundament for economic recovery and development not only in EU, but in Ukraine as well.*

Ukrainian tourism and hospitality faced losses from quarantine and pandemics at \$ 3-5 billion. Approximately 80% of hospitality establishments in Ukraine were small businesses, sole proprietors, that didn't survive the quarantine. The number of nights spent at tourist accommodation establishments in rural areas for 2014-2019 in European Union and some most popular tourist destinations showed a slightly increase from 2014 till 2016 and from 2017 till 2019. In 2019, over 3,5 million domestic tourists and almost 900 thousand international tourists stayed in rural accommodations in Spain.

Preventive measures and suggestions for the application of crisis management were submitted in this investigation aimed at increasing innovative flexibility within the enterprise, developing preparatory plans to avoid crisis situations and precautionary measures for their implementation were proposed in the article.

Key words: *innovation, globalization, enterprise, tourism and hospitality, trend.*



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1. Statement of the Problem.

Rapid economic and social processes in the world, specifically globalization, regionalization, privatization, transformation lead to the importance of the in-depth analysis of the tourism business organization and management in modern economic conditions, the possibility of applying the latest methods of organization and use of information technology in the sphere of tourism. Digital technologies change the very essence of business models and approaches to the implementation of the educational process. A specific sphere of the economy has emerged and is developing rapidly – the sphere of information technology, which has become a special sphere of mass application of labor.

In terms of employment and amounts of appropriations, this area is comparable to the largest branches of material production. It is the information sphere that is the source of new ideas in the organization and business management, new organizational solutions, especially in such popular sector of the world economy as tourism.

The reality of the current educational and scientific practice testifies radical shifts in the scientific status of tourism.

It is worth noting that the intensive development of the hotel and restaurant business and tourism is a clear sign of the growing trend of globalization processes. Although the history of hospitality dates back many centuries, it began to acquire its modern features in the early 1950s and 1960s. Despite the global economic downturn, the service sector continues to lead the way in promoting employment in the world. By 2020, the service sector occupied 43.3 % of employment compared to 33.5 % in agriculture and 23.2 % of employment in the industrial sector. Among the service industries, the construction of hotels and restaurants is one of the most dynamic and rapidly developing sectors of world trade in products and services.

Taking into account the fact that recently the world is experiencing a shift in emphasis in the implementation of business processes and requirements for doing business, a comprehensive analysis of the tourism sector, assessment and solution of current problems and issues is extremely important.

2. Analysis of Recent Research and Publications.

Therefore, the issue of tourism innovative development is being studied by many foreign and domestic economists. In the study of innovative activity in an enterprise, certain authors are proponents of a likely relationship between the rate of innovative activity and the size of the enterprise. However, there is a disagreement as to how the size of an enterprise affects the innovative activity within its organization. Hence the question of which is amenable to innovation, large enterprises or small enterprises?

Thus, in particular, Jean Tirol, the Nobel Prize winner, reveals the essence of relationship between economics and politics affecting macroeconomic challenges, analyzes the impact of the digital revolution, innovation and the correct balance between the market and regulation [1; 2].

Diadechko L. P. [3] emphasizes the priority of state financial support for tourism entrepreneurship, related to the investment of significant public funds (credit benefits, subsidies, tax exemptions, duties, etc.) [4]. The role of tourism in the world economy is considered by foreign scientists: N. A. Hook, S. Milne, G. Eccles, R. Sheriff and others. Despite the fact that the concept of the tourism industry development has a theoretical basis, but still requires further research on its development in the European Union and Ukraine in particular.

Svoradova L., Palkechova L. and Viragh R [5] made a review of rural tourism and agro tourism in the Slovak Republic, revealed some problems and trends in that sphere of activity. The authors state that most family farms face serious economic challenges and their earnings

on commodities and livestock may not even cover production costs. But authors state that agro tourism is actually saving thousands of small farms from extinction.

The authors argue that large firms are more innovative and that this is linked to their significant financial and technical capabilities. Other factors that may positively affect innovative activity in large enterprises are the economies of scale and top-tier hiring capabilities (larger firms due to the higher compensation and career advancement opportunities they afford, can pick the best from any pool of professionals). The proponents of this theory take to the view that innovation and development projects in larger enterprises are less susceptible to failure, as such failure if even it occurs, will occasion lesser impact on the finances of the enterprise as against the impact of such failure on the finances on smaller enterprises.

3. Task Formulation.

The purpose of this investigation is to analyze and assess negative trends and issues of the tourism industry in the world, and in Europe in particular and study the impact of the crisis caused by the COVID-19 virus on the functioning of tourism and hospitality agencies and firms; to elaborate solutions to reduce their destructive impact and provide recommendations for further tourism development.

4. Main Research Results.

Globally, travel and tourism's direct contribution to GDP was approximately 2.9 trillion U.S. dollars in 2019. When looking at countries that directly contributed the most to global GDP the United States' travel and tourism industry contributed the largest sum at 580.7 billion U.S. dollars.(according to World Travel and Tourism Council's research)

Meanwhile, in a ranking of the countries with the highest share of GDP from travel and tourism the city and special administrative region of Macau generated the highest share of GDP through direct travel and tourism of any economy worldwide, with over half its GDP coming from this sector. Macau is a city and a special administrative region of the People's Republic of China - its economy is largely based on casino gaming and tourism. Country with the second highest share of GDP generated by direct travel and tourism was the Maldives. The country began to develop its travel and tourism industry in 1970s and now over 30 percent of GDP was coming from this sector in 2019.

Among European countries, Spain and France have the highest profit from foreign tourism. Thus, in Spain, revenues from tourist services amount to more than 61 billion US dollars annually, and tourism provides about 12 % of GDP and is the most profitable sector of the economy. In France, this figure is about 56 billion US dollars, and according to statistics of visits by foreigners for a long time the country ranks first (79 million people).

But today these spheres already indicate significant financial losses due to the coronavirus pandemic (COVID-19) in the first quarter of 2020 to a fraction of what they were in 2019. Available data points to a double-digit decrease of 22 % in Q1 2020, with arrivals in March down by 57 %. This led into a loss of 67 million international arrivals and about \$ 80 billion in receipts.

The impact of COVID-19 on tourism in Q1 2020 was 67 million fewer international tourist arrivals, \$ 80 US billion lost in exports, 100% destinations with travel restrictions.

Ukrainian tourism and hospitality industry was also hit by the pandemia crisis, because of reduction in incoming tourist flows. Losses from quarantine and pandemics for the tourism industry of Ukraine were estimated at \$ 3-5 billion. Approximately 80 % of hospitality establishments in Ukraine were small businesses, sole proprietors, that didn't survive the quarantine. But it was revealed that internal tourism in Ukraine experienced a surge, which, however, can not fully replace foreign tourism because of the higher average

prices and often worse service than in popular tourist countries.

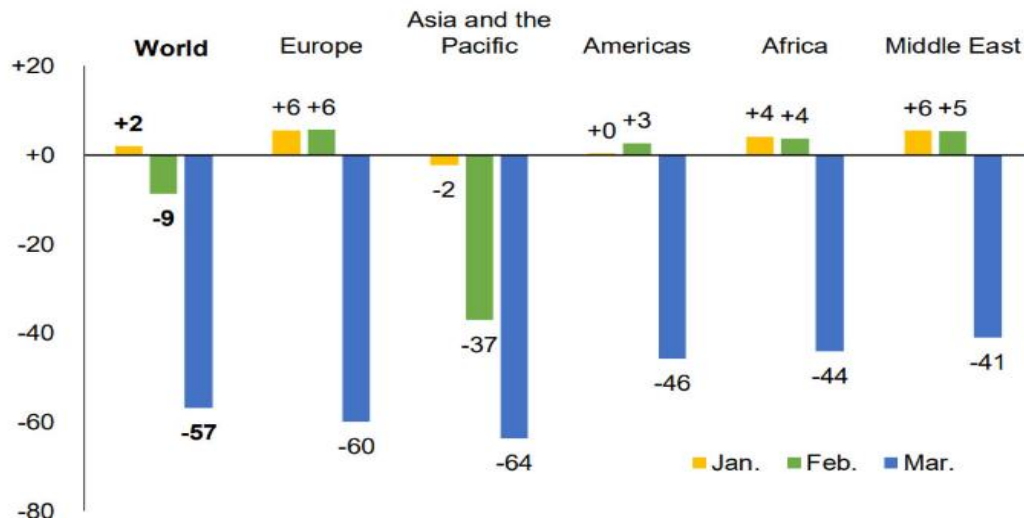


Fig. 1. International tourist arrivals, Jan, Feb, March 2020 (% change)

Unfortunately, the losses in the tourism industry are projected to reduce global GDP by between 1.5 % and 2.8 %, depending on how long the tourism standstill lasts. Prior to the pandemic, the UN notes that the tourism industry had grown faster than the world economy overall for 10 years straight [6].

To our mind internal rural tourism is one of the factors that can be a fundament for economic recovery and development not only in EU, but in Ukraine as well. All parts of the industry have been affected, from hotels, motels and resorts, to bed and breakfasts and home-sharing platforms like Airbnb. Some of the current trends resulting from the pandemic are contactless technology, high hygiene standards, and increased domestic travel or “staycations”.

A March 2021 survey revealed that 34 percent of respondents in the United Kingdom were likely to stay in a traditional coastal/seaside town for their next staycation in the summer, while 30 percent intended to stay in the countryside or a village. Mountains or hills were the least popular staycation destination, with only 12 percent of UK respondents stating that they intended to spend their summer holiday in this type of destination [7].

The number of nights spent at tourist accommodation establishments in rural areas for 2014-2019 in European Union and some most popular tourist destinations shows a slightly increase from 2014 till 2016 and from 2017 till 2019 are shown in the table 3.

The data in table 3 presents the yearly number of residents staying in rural accommodations in the EU between 2014 and 2019. For example, after years of ups and downs, the number of domestic tourists staying in Spain's rural accommodations increased by nearly 1.5 million between 2013 and 2019, reaching over 3.5 million [9]. In 2019, over 3,5 million domestic tourists and almost 900 thousand international tourists stayed in rural accommodations in Spain. Domestic figures show an upward trend since 2014, whereas international guest numbers have been steadily growing since 2009 [10].

From 2010 to 2019, the number of agritourism facilities in Italy increased overall. Data show that there were approximately 16.6 thousand facilities in 2010. Then, this figure peaked at almost 20.3 thousand facilities in 2018, before slightly decreasing in the following year. As of 2019, Italy recorded roughly 20.1 thousand agritourism facilities [11].

There are a number of programs aiming at reinforcement and development of agricultural policy in EU. To our mind tourism is the source of strengthening and recurrence of the sphere. Europe has been the global leader in international tourism, with over 700 million inbound tourists arriving in the region each year. The rate of growth accelerated

in the 2010s, as many countries became more mobile. Although a welcome development, the increase in visitor numbers brought its own challenges, as many destinations looked to find sustainable ways to cope with the high intensity of tourists. Regardless, the travel and tourism sector has had a positive impact on the European economy [12].

Table 3. Nights spent at tourist accommodation establishments in rural areas for 2014-2019 [8]

Country \ Year	2014	2015	2016	2017	2018	2019
European Union - 28 countries	565 469 761	578 212 051	601 423 736	584 241 695	598 683 864	618 034 407
Germany	105 278 637	107 663 501	111 187 643	113 287 862	118 335 846	122 538 514
Estonia	895 600	921 354	1 032 163	934 207	1 127 194	1 197 818
Spain	43 468 417	46 901 412	50 225 444	34 913 786	34 632 622	35 856 965
France	111 511 429	115 312 190	115 743 376	122 504 513	122 038 079	125 392 120
Italy	71 354 441	74 001 453	75 557 017	60 000 750	60 435 195	62 482 414
Lithuania	1 363 464	1 414 028	1 504 353	1 497 457	1 713 518	1 839 738
Latvia	413 159	394 392	453 473	576 893	552 703	559 136

Different market segments require different models and approaches to meet consumer needs. The tourism, hotel and restaurant spheres have already proved the need of building their business on the basis of information and communication technologies. In order to survive the time of the crisis firms of service industry need to optimize their costs, conduct strategic control, form an insurance funds and receive subsidized state support.

It is widely recognized that programs such as LEADER are flagship initiatives for the EU sustainable rural-local development and sustainable rural tourism as entrepreneurial ideas and efforts in rural tourism are resourceless and financial support such as EU rural development programs can contribute in enhancing entrepreneurial activities in the rural tourism sphere. The EU is suffering from agricultural land abandonment and sustaining rural areas through alternatives ways is vital for the EU rural areas and the EU agricultural production [13].

Despite the importance of innovative activity, a plethora of factors affects the implementation of innovative activities in an enterprise:

- a) The cost of research and development (R&D) projects.
- b) The reluctance of the state to support and fund the development and implementation of innovative products.
- c) The implementation of taxation as a factor to stimulate innovation has persistently been below par.
- d) The lack of diversification of banking lending.
- e) The rapid depreciation of the capital.
- f) There is a difficulty in accurately ascertaining the demand for innovative products..

In a nutshell, the problems highlighted above revolve around core issues of financing, government regulation, and organizational management.

On the issue of threats to the innovative activities are:

- a) Innovations may result in a steep decline in client confidence following the implementation of innovations.
- b) Innovations are often accompanied by risks of cyber-attacks, opening the systems

and information of the clients up to potential data thieves, given the fact that a vast majority of innovative activity takes place digitally through computers and computerized tools or over the internet.

Thus, there are such problems of developing innovative activities: risks, high cost, long-term return on innovation.

These factors considered cumulatively create the need that risk management strategies be a fundamental part of the activities. The number of risk kinds would vary with the structure of the organization; hence, innovations must encompass risk assessment techniques to help the companies create tools of maximum quality, and also operational risk analysis of innovation which creates an avenue for the neutralization of possible risks in the future.

Preventive measures should be aimed at increasing flexibility within the enterprise, developing preparatory plans to avoid crisis situations and precautionary measures for their implementation. There are currently two general approaches to overcoming the crisis: the first is to provide affordable credit lines for businesses, and the second is to defer payment of debt and tax liabilities (but in the long run these can lead to a negative chain reaction in the economy - long-term budget deficit, problems with overall solvency). Improving the financial condition of enterprises is possible through the following anti-crisis measures:

- reduction or optimization of costs;
- optimization of taxation: reduction of the tax burden, the maximum allowable reduction of tax payments per unit increase in financial result;
- ensuring a positive net cash flow: reducing the consumption of financial resources, the formation of optimal measures aimed at improving the financial condition, which depends on the scope of activities, management system, market conditions;
- strategic control, formation of insurance funds, strategic reserves of funds, technical means, etc.
- effective response and recovery depends on cooperation between local government agencies, businesses, and sometimes community groups;
- the use of information and communication technologies in business processes.

Coordination is crucial to combine several organizational efforts in a smooth response and recovery.

5. Conclusions and Further Research Implications.

Today, globalization of the modern world has covered almost all spheres of human existence: economics, politics, culture, social relations. The development of the tourism industry, as a consequence and cause of globalization, and in a sense also its implementation, is significantly affected by such processes as enlargement of information technology, social differentiation of society, climate change. It is also worth noting that European and Ukrainian investors have faced an unprecedented situation - the threat of pandemics, which complicate and sometimes make it impossible to operate not only small but also medium and large businesses because of market positions weakening, losing consumers, and as a consequence - declining profits, reduction or even complete closure of enterprises.

Although the results of this study find more of a positive relationship between size and innovation activity, it is not sufficient to conclude that big firms are better innovators than smaller firms. The nature of this relationship and its limits can also be analyzed more thoroughly with regards to differences in competitive behavior.

Central and Eastern Europe has become an attractive market for the development of the hotel business. It was found that the growth of travel to Central and Eastern Europe has increased hotel profitability and made the region a hot spot for investment. During the five-year period from 2013 to 2017, hotel transactions in the Czech Republic alone were estimated at more than a billion euros. Problems concerning internal tourism development of Ukraine in

2020 were detected; suggestions for the application of crisis management were submitted in this investigation.

The tourism industry has faced an unprecedented conflict of threats: on the one hand - fear for human health and life, and on the other - economic losses from quarantine measures, which lead to the impoverishment of individuals and entire nations. The situation is complicated by the fact that investment problems of leading industries have to be solved in a crisis conditions, when the freezing of funds for specific projects has a very negative impact on the efficiency of the entire economic system and, consequently, nation's welfare.

Author details (in Ukrainian)

ІННОВАЦІЙНИЙ КОМПОНЕНТ ЯК НЕОБХІДНИЙ ЧИННИК ДЛЯ ЗАБЕЗПЕЧЕННЯ РОЗВИТКУ ПІДПРИЄМСТВ

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Анотація. У статті досліджуються негативні тенденції і проблеми туристичної індустрії в світі, і в Європі зокрема. Досліджується вплив кризи, викликаного вірусом COVID-19 на функціонування туристичних і готельних агентств і фірм. Прямий внесок подорожей і туризму в світовий ВВП склав приблизно 2,9 трільйона доларів США в 2019 році. Було виявлено, що найбільший внесок у світовий ВВП в 2019 році склала індустрія подорожей і туризму США - 580,7 мільярда доларів США. Результатом впливу COVID-19 на туризм в першому кварталі 2020 року було на 67 мільйонів менше міжнародних туристичних прибуттів, втрати експорту в обсязі 80 мільярдів доларів США, 100% напрямків були з обмеженнями на поїздки. Постраждали всі напрямки індустрії - від засобів розміщення до платформ з розміщення, пошуку та короткострокової оренди житла по всьому світі, таких як Airbnb. Було виявлено, що сільський туризм є одним із факторів, які можуть стати основою для відновлення та розвитку економіки не лише в ЄС, а й в Україні.

Український туризм і гостинність зазнали збитків від карантину і пандемії в обсязі 3-5 мільярдів доларів. Приблизно 80% закладів гостинності в Україні - це малі підприємства, індивідуальні підприємці, які не пережили карантин. Кількість ночей, проведених в туристичних центрах розміщення в сільській місцевості в 2014-2019 роках в Європейському Союзі і деяких найбільш популярних туристичних напрямках, трохи збільшилася з 2014 по 2016 рік і з 2017 по 2019 рік. У 2019 більше 3,5 мільйонів місцевих туристів і майже 900 тисяч іноземних туристів зупинилися в сільській місцевості Іспанії.

У статті запропоновано превентивні заходи та пропозиції щодо застосування антикризового управління, спрямовані на підвищення інноваційної гнучкості всередині підприємства, розробку підготовчих планів щодо запобігання кризових ситуацій і запобіжні заходи по їх реалізації.

Ключові слова: інновації, глобалізація, підприємництво, туризм і гостинність, тренд.

Appendix A. Supplementary material

Supplementary data associated with this article can be found, in the online version, at <http://sepd.tntu.edu.ua/images/stories/pdf/2021/21fibped.pdf>

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