

**REPUBLIC OF AZERBAIJAN**

*On the right of the manuscript*

**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**WAYS TO IMPROVE THE MECHANISMS  
OF MANAGEMENT OF CORPORATE STRUCTURES  
IN TOURISM**

Speciality: 5312.01 - Branch economy

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## GENERAL CHARACTERISTICS OF WORK

*Relevance of the theme.* In modern conditions introduction of principles of corporate management in the organizations and the enterprises which are carrying out economic activities in various spheres and branches of economy, and also development of corporate structures act as the major factor influencing achievement of effective results. Implementation of corporate principles provides an opportunity for effective management. Carrying out the effective management, corporate mechanisms assume a complex of measures on adaptation to market tendencies of the basic functions of management. In this regard, it should be noted that the structure of modern market economy requires the implementation of urgent measures responsive and appropriate to changing indicators of supply and demand. Corporate governance allows companies not only to be adequate to market changes, but also to be less exposed to various financial and economic crises. In addition to the above, this management structure enables companies to develop sustainably and dynamically. Due to these factors and timely regulation of relations between economic objects and subjects, it is widely used in the sphere of tourism. Tourist enterprises, especially chain hotels with well-established brands, use corporate management. The peculiarity of these enterprises is provision of service as a product of economic relations. Increasing annually tourist flow makes tourist enterprises to improve the quality of service, take into account the interests of consumers, timely respond to consumer demand and the adoption of innovative technologies.

Azerbaijan's economic development, structural changes in the country's economy and the changed balance towards the development of tourism in the country are the key indicators of sectoral development.

In the adopted "Strategic road maps of the national economy and the main sectors of the economy" based on the Decree number 1138 of December 6, 2016, signed by the President of the Republic of Azerbaijan on the development of various sectors of the economy, including tourism, a step-by-step implementation of the state program is provided. This program analyzed the share of countries in world tourism in relation to the global GDP, amounting to 9.8%, and in the employment ratio of direct and

indirect 9.5%. The development of economic infrastructure has created opportunities to serve and increase the tourist flow into the country.

The drop in total profits and the increase in revenues of tourism enterprises during economic crises accelerated the process of forming corporate structures in order to improve liquidity, profitability, financial control and overall management structure.

From this point of view, in order to attract capital to the tourism industry, corporate ownership should be developed in this area. In this aspect, the study of problems of development of corporate structures in tourism, elaboration and implementation of effective mechanisms of corporate governance in this sphere is of scientific and practical significance. These factors determine the relevance of the theme of the dissertation research and determined its choice.

***The degree of scientific development and study of the problem.***

Scientific researches devoted to efficiency and problems of functioning of mechanisms of corporate management objectively reflect tendencies of interaction of various economic subjects. Empirical studies and theoretical validity of the functioning of organizations that use corporate governance structure indicate an increased interest in the interaction of various subjects, both economic and social. Theoretical and methodological aspects related to the study of the implementation, adaptation and improvement of corporate structure management mechanisms have been investigated in detail in the scientific works of foreign and local authors.

Various aspects of corporate governance issues became a subject of scientific research in the works of such foreign scientists as Daft R., Brackham J., Jensen M., Meckling W., Kotler F., Parasuraman, Donaldson L., Mitchell, Freeman E., Stiglitz J., Ansoff I., Drucker P., From the researchers of the CIS space we can distinguish Lukashov A., Afanasyev M., Kuznetsova P., Fominykh A., Bogolyubov V., Bystrogo S., Gulyaev I., Mashchenko V., Medvedeva, Timofeyev A., Mogilevsky S., Kabushkin N., Zaitseva N., Larionova A., Radygin A., Solodukhin K., Teplova T., Chmel S.

In national studies the authors mainly focused on the study of structural features, as well as problems arising in the process of implementing effective corporate governance mechanisms in companies. So, in works of M.A. Aliev, H.I. Hamidov, A.T. Huseynli, B.A. Orujaliev

and I.B. Amirov, J. Jafarov, I.I. Iskandarov, S.A. Aliev, A.N. Eminov and A. Nuriev, S.A. Gajiev and V.M. Nazarov attention is paid to principles and mechanisms of corporate governance in Azerbaijan.

Despite the presence of some scientific studies and publications devoted to this topic, many aspects have been little studied and require further development of the peculiarities of corporate governance in tourism.

**The aim of the research:** on the basis of the study of theoretical and methodological approaches to the problems of corporate governance and analysis of the features of corporate structures in tourism and mechanisms of corporate governance in tourist enterprises, to develop scientifically and practically grounded recommendations on improving the corporate governance in the enterprises of the tourism industry. To achieve this goal, the author has formulated and performed the following **tasks**:

- to study theoretical approaches to the problems of corporate governance in a comprehensive and systematic manner;

- to consider models and methodological principles of corporate governance;

- to analyze the mechanisms of management of corporate structures;

- to analyze the dynamics of corporate structures in the tourism industry in Azerbaijan;

- to study foreign experience in the sphere of corporate management and conduct a comparative analysis of corporate management mechanisms of foreign and local tourist enterprises

- to assess the current level of development of corporate structures in tourism in Azerbaijan

- to determine the prospects for the development of corporate structures in the tourism industry

- to give scientifically and practically substantiated suggestions on increasing the efficiency of corporate management in tourist enterprises;

- to develop optimal methods and models of corporate governance in the tourism industry of Azerbaijan.

**The object of the study:** the peculiarities of corporate structures in the tourism sector.

**Subject of the research:** the system of corporate relations in tourism and mechanisms of corporate management in tourist enterprises.

***Scientific novelty of the research:*** on the basis of research of conceptual bases and analysis of features of corporate management in tourism the main prospects of development of corporate structures in tourism industry and ways of perfection of mechanisms of corporate management in tourist enterprises are determined. From this point of view, in theoretical, scientific, practical aspects:

- systematized the conceptual foundations of corporate governance;
- methodological principles of corporate governance were generalized and supplemented;
- the features of the functional mechanism of corporate structures management in the national system of corporate relations were revealed;
- identified trends in the development of corporate structures in the tourism industry in Azerbaijan;
- the main problems on the way of development of corporate structures in tourism in Azerbaijan were revealed;
- the ways of introduction of the advanced foreign methods and models of corporate management in the tourist enterprises were determined;
- The main directions of development of corporate structures in tourism were indicated;
- measures to improve the efficiency of corporate structure management mechanisms have been proposed;
- optimal mechanisms of corporate management in tourism have been developed.

***The information base of the research*** is based on legal acts, resolutions, normative documents adopted by legislative bodies of the Republic of Azerbaijan as well as international organizations, statistical data and bulletins of the State Committee on Statistics of the Republic of Azerbaijan, Internet sites of state and international bodies and organizations, analytical materials, scientific articles, financial reports of corporations etc. made up the data base.

***Methodological basis of research*** consists of: theoretical bases of functioning of organizations that use corporate management structure in tourist enterprises, theories of corporate management: agency, interested parties, service, limited resources, firms, institutional and organizational theories, as well as theoretical-methodological views of leading foreign,

local and CIS space scientists who researched the given branch of science were used. Corporate models and principles of management, mechanisms and methods of formation of corporate relations were considered. In the process of research, the following scientific methods were used: descriptive analysis, comparative analysis, statistical methods of data grouping, observation, interview, system analysis, empirical method, inductive-deductive method, etc.

***The main provisions endowed on the dissertation:***

- Interrelations and correspondence of different definitions of corporate governance are revealed, principles of corporate governance are generalized and supplemented by comparing and supplementing different scientific theoretical approaches, as well as by systematizing the methodological apparatus on the basis of the author's approach.

- The requirements for the implementation of corporate structures in tourism enterprises based on the recommendations and proposals of the OECD, the IFC and the Basel Committee have been argued. On the basis of these requirements it is necessary to make appropriate changes to the legal and regulatory basis governing corporate relationships. The corporate relationships are regulated by various legal and legislative acts in the absence of separate legislation. The regulation of corporate relationships is met with various legislative gaps, lack of regulations in the areas of incorporation, mergers and acquisitions. Reorganization and liquidation of corporations becomes an obstacle to effective implementation of corporate governance.

- The factors influencing the effectiveness of implementation of corporate governance principles in tourism enterprises have been identified. The various economic problems faced by tourism enterprises in the national market are dictated by the lack of effective management. The economic infrastructure created by the state that meets the world standards, is used by tourist enterprises only partially, and the profitability of these organizations depends on external sources and is focused primarily on the foreign tourist flow. The resulting complex of problems can be solved by introducing corporate principles that can significantly improve the financial condition of companies, as well as contributing to effective management by building corporate structures.

- The feasibility of implementing corporate governance in tourism as the most effective mechanism for managing economic entities that contribute to sectoral development and are most resistant to crisis phenomena, as well as enjoying social and state support, has been revealed.

- Developed and proposed the author's national model of corporate governance in tourism based on the specificity of the national market, taking into account the mentality, risk factors and universality.

***Approbation and implementation of the results of the study.*** In the process of analysis and formation of a new scientific approach, adapted to the specifics of the national market, functional and the most optimal mechanisms of corporate structures in chain hotels were proposed as the most effective management mechanism, the main provisions of the thesis were discussed at international scientific conferences. Suggestions, conclusions and practical application of the research were offered to Hyatt Regency hotel.

***The practical significance of the study*** lies in the model developed by the author and offered to leading chain hotels and other enterprises operating in tourism. The conclusions and proposals on ways to improve the mechanisms of management of corporate structures in tourism can be taken into account by related public and private organizations and enterprises. The main provisions of the study can be adapted into lecture materials and applied in higher educational institutions and research institutions.

***The structure and volume of the dissertation*** consists of an introduction, three chapters, nine paragraphs, a conclusion and a list of references. The total volume of the dissertation work is 163 pages, including diagrams, 11 charts, 2 figures, 4 tables and 15 diagrams. The list of references consists of 158 sources. Introduction (11959 symbols), Chapter I (99558 symbols), Chapter II (92792 symbols), Chapter III (51373 symbols), Conclusion (13187 symbols), the total volume is 238910 symbols



## **The structure of the dissertation**

### **Introduction**

#### **I CHAPTER SCIENTIFIC BASIS FOR STUDYING PROBLEMS OF CORPORATE STRUCTURE MANAGEMENT**

1.1 Theoretical approaches to problems of corporate structure management

1.2 Models and principles of corporate structures management

1.3 Features of effective management mechanism in corporate structures

#### **II CHAPTER ANALYSIS AND ASSESSMENT OF THE CURRENT STATE OF CORPORATE STRUCTURES IN THE TOURISM SECTOR IN AZERBAIJAN**

2.1 Dynamics of development of corporate structures in the tourism industry

2.2 Comparative analysis of corporate management mechanisms in tourism enterprises

2.3 Evaluation of management mechanisms efficiency and main problems of corporate structures development in the tourism sector in Azerbaijan

#### **III CHAPTER IMPROVEMENT OF MANAGEMENT MECHANISMS IN CORPORATE STRUCTURES**

3.1 Prospects for development of corporate structures in tourism in Azerbaijan

3.2 Measures to improve efficiency of corporate structures management mechanisms

3.3 Development of optimal management mechanism for corporate structures

### **Conclusion**

### **Bibliography**

## MAIN CONTENT OF THE RESEARCH

### *1. Systematized conceptual foundations of corporate governance.*

In the process of research methodological principles of management were generalized and supplemented. In particular, all available theories of corporate governance were considered through a comparative analysis, the characteristics, specificity and their applicability in national conditions were characterized. The historical and system analysis for the substantiation of theoretical and methodological conceptual thought in the activities of enterprises using corporate governance has been conducted. Analyzing the different theoretical approaches to the investigated problems the author's interpretation of the main features of corporate governance models is offered.

Modification of conceptual views allows not only effective implementation of principles of corporate governance but also takes into account national specificity. The conceptual views on the implementation of corporate governance mechanisms were formed and a model of corporate governance was proposed taking into account national specificity, which is a scientific novelty in this area of research.

Systematization of conceptual views. (Necessary for the sustainable development of tourist enterprises, so in this case need to fund cognitive research models of corporate governance, the most adapted to the specifics of the local market). Creation of theoretical-methodological basis of national model of corporate management and its further improvement. (The lack of the necessary scientific research base taking into account the trend of development of corporate governance in Azerbaijan creates certain dilemmas associated with the ideological basis for the formation of the most acceptable categorical apparatus of corporate enterprises and organizations that use corporate governance mechanisms. In the process of this research work it is proved that in the local market conditions the existing models of corporate governance cannot be implemented without taking into consideration the mentality and specificity of the national market).

## ***2. The methodological principles of corporate governance are summarized and supplemented.***

In the process of analysis, the possibility of implementation and adaptation of corporate governance models in tourist enterprises in the local market was assessed. Of the models considered in the dissertation work, the use of a synthesized model with the inclusion of the fundamental elements of various corporate systems borrowed from all four models is considered optimal.

In the theoretical part of the dissertation work, the features of the functional mechanism of corporate structures management were identified. Principles and mechanisms of corporate governance functioning were considered in this prism. The author theoretically and methodologically substantiated and systematized principles of corporate governance.

Systematization of corporate governance principles made it possible to generalize and justify the sequence of their presentation, as well as the relationship and interdependence of its formulating elements. The sources for systematization of corporate governance principles were the recommendations and provisions of the Basel Committee on Banking Supervision, the Organization for Economic Cooperation and Development (OECD) and the World Bank. As a result of systematization the following generalized principles of corporate governance were obtained: Observance of rights of shareholders' interests in organizations providing maximization of profit and minimization of expenses; Equality of shareholders consists in receiving necessary documentation on company activity regardless of share investments, therefore, does not provide distinction between majority and minority shareholders; Loyalty ethical principles and norms of top management activity provides non-distribution of insider information and is aimed at fulfillment of goals and objectives of the company; Transparency of reporting provides publication of annual financial reports, as well as holding positions of members of the Board of Directors and publication of names of company owners; Effective management provides strategic development of the company based on sustainable, progressive development; Corporate social responsibility is aimed at fulfillment of various social tasks and goals. Compliance

with the interests of stakeholders of each economic category involved in the production and marketing process. It should be noted that the systematization of the methodological, categorical apparatus of corporate governance has been generalized and supplemented on the basis of analysis of various scientific literature, by identifying the forming elements and structural mechanisms of governance.

***3.Features of functional mechanism of corporate structures management were revealed.***

The categorical apparatus of methods and concepts, as well as management decisions in the system of corporate governance forms the basis for fundamental and modified application in various economic spheres, so the author considered the correct and accentuated implication in the use of these terminologies. However, the equivocation of terminology periodically arising in adaptation of principles of corporate management becomes the object of scientific development and validity. Generalization of methodological principles based on scientific approaches and methods will allow organizations to choose the most acceptable mechanisms of corporate governance. Approaches and methods of corporate management should be based on the effect of synergy and be interconnected with market trends. Confusion of concepts and methods of management in the former Soviet Union led to the duplication of functionally identical departments in one organization. As a consequence of this factor, the effectiveness of corporate governance mechanisms is practically reduced to zero. Adaptation of methods and principles of corporate governance in various organizations is carried out without regard to the specifics and peculiarities of the national market and mentality. In general, the functional mechanism of corporate governance most effectively addresses the various objectives and goals of organizations. The structure of corporate governance provides for adaptation to changing market trends through anti-crisis planning mechanisms. Through the adoption of corporate management institutions, the organization distributes and delegates management authority to professional actors in the system of relationships, thus in the management system is formed by a system of balance of forces and

opportunities, which noticeably increases the effectiveness and sustainability of the development of the company.

***4. The tendencies of development of corporate structures in the tourism industry of Azerbaijan have been determined.***

The substantiated importance and necessity of development of the given economic branch is given. The use of systems and elements of corporate management of tourist enterprises has recently increased markedly in connection with the diversification of economic development and improvement of management efficiency in the enterprises themselves. The wide use of corporate structure is observed in the hotel business, where the adaptation and implementation of corporate governance mechanisms is associated with certain problems. Hotel chain brands, which use the principles of corporate governance, implement the basic mechanisms of management taking into account the specificity of the industry. Such tendency has its validity and is expressed in the purposes of organizations for strengthening their market position or expansion of their share.

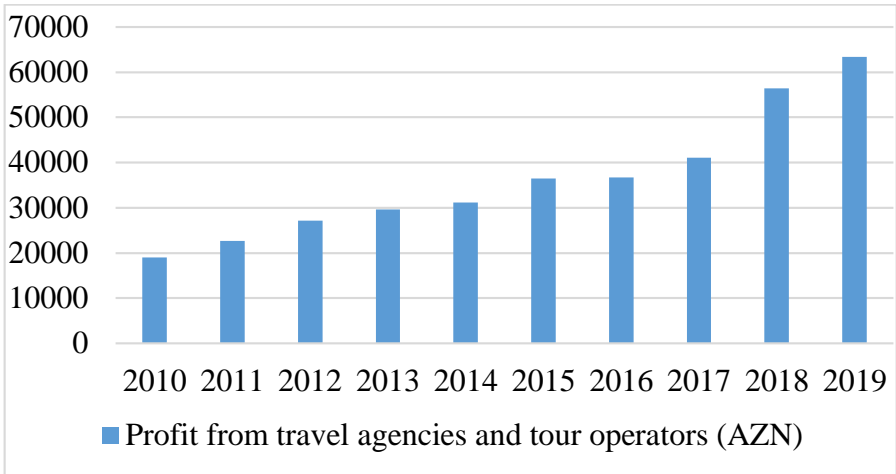
The structural features of management, the financial condition of tourist enterprises and the complex branch analysis of statistical data have been analyzed in order to realize the set tasks. The work revealed a number of fundamental principles on the basis of which the analysis of mechanisms and structures of corporate governance should be conducted: comprehensiveness and continuity, combination of quantitative and qualitative analysis; presence of subjective and objective assessments.

It has been revealed that the trends of development of corporate structures in the tourism industry of Azerbaijan have acquired institutional nature associated primarily with the state support of the industry. The differentiated resource potential allows the given economic branch to develop effectively and steadily. The potential of tourism creates an opportunity for functioning of its various types and forms, creates the basis for sustainable development. Under such conditions the adaptation of mechanisms of corporate management will allow the most effective management of tourist enterprises with the dynamics of increasing profits and reducing costs. It is emphasized that the increasing importance of building an effective system of

corporate governance in the company also causes the need to analyze the evaluation of its quality.

***5. The main problems on the way of development of corporate structures in tourism in Azerbaijan have been identified.***

The analysis of the practical part of the dissertation work has shown negative trends in management and revealed problems in the implementation of management mechanisms of corporate governance in tourist enterprises. The main indicators of tourist organizations demonstrate the reduction of the branch growth dynamics at actual growth of tourist flow in the country. The given case demonstrates the absence of effective mechanisms of corporate management in adaptation of its basic principles. Comparison of official statistical data with real trends in the industry formed a number of methods and approaches in fixing tourist accounting by tourist enterprises. In general, the analysis of the tourism industry showed an increase in the main indicators of economic activity. The increase in indicators is justified by the state economic policy on diversification and development of priority industries. Over the past ten years, the number of hotels and restaurants has increased several times, and the representation of hotel chain brands is constantly expanding. There are no more difficulties in booking and accommodating guests. There are completely new problems associated with the lack of tourist flow in such a ramified hotel system. Despite the quantitative increase of tourist enterprises, the qualitative characteristic of economic entities leaves much to be desired. Analysis of statistical data shows that the number of tourists traveling abroad prevails over the number of visitors. The problem is in fixing and processing of information data. To solve this problem, it is necessary to develop an optimal methodology for counting tourists arriving in the country.

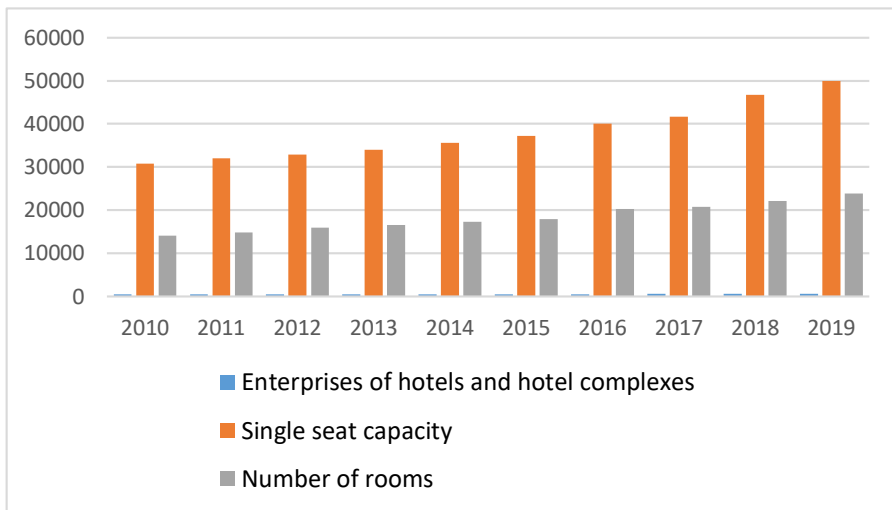


Source: State Statistics Committee (section "Tourism") [www.stat.gov.az](http://www.stat.gov.az)

**Diagram 1: The main indicators of travel agencies and tour operators**

***6. The ways of implementation of advanced foreign methods and models of corporate management in tourist enterprises by means of analysis of tourist enterprises activity are determined.***

In tourist enterprises the adaptation of corporate management mechanisms mainly takes place in hotel complexes. Introduction of corporate structures in management of hotel complexes increases efficiency and profitability of these organizations and its structural subdivisions (network hotels). There is a growth trend of hotels and hotel-type enterprises. At the beginning of 2010 there were 499 hotels, and by 2019 the number was 642 enterprises. The dynamics of growth in the number of hotel rooms reflects the general trend of increasing tourist flow into the country. The reasons for this factor are: changes in market demand; short-term planning to stabilize the tourist segment. In the regions of the country the number of hotel complexes and types of hotels reached 405, although at the beginning of the reporting period there were only 385 hotels, a significant increase is in the capital from 114 to 143. Diagram 2 shows trends in the number of hotels from 2010 to 2019.



**Diagram 2. Main indicators of hotels and hotel-type enterprises**

*Source: State Statistics Committee (section "Tourism")*

*www.stat.gov.az*

It should be noted that the vector of tourist destinations in the country has significantly changed from Baku to destinations. The change in statistical data in favor of destination development means a change in priority and market adjustment in the choice of tourist preferences. The volume of increase in tourist flow in the destinations means that tourists who came to the country for recreational and other services have noticeably increased the segment market share of this direction, although tourists who arrived with business purposes remain dominant, as evidenced by statistical data.

The state of the tourism industry functioning in Azerbaijan fragmented improvement of management mechanisms, but in the general trend of this sector of the economy is still using inefficient management mechanisms. Ineffective management in its turn leads to growth of unused opportunities and naturally to decrease of profit. It is in the interests of the companies themselves to form optimal management mechanisms. Different approaches to the functioning of enterprises should generally take into account various indices and indicators that characterize not only quantitative, but also qualitative indicators.



The tendencies of development of the tourism industry in the economic structure found its logical reflection in the state programs. The priority of the choice of this industry lies in the availability of a resource base, appropriate with the developed infrastructure and changing which depends on the market conditions of supply and demand. Thus, in recent years in the segment of the hotel business have appeared new types of hotel complexes aimed at meeting the demand of customers with limited financial resources, such as three-star hotels and hostels. Improvement of economic infrastructure has involved the transport and logistics sectors of the economy. The functioning of the logistics center and the improvement of transportation hubs (hub) has increased the demand for two-star and non-star hotels.

The following criteria were used to determine the effectiveness of corporate governance mechanisms and structures: organizational and legal management structures and functional division of departments; key indicators of financial analysis of enterprises (financial condition, liquidity and efficiency indicators).

The following hotel complexes Inter Continental, Hyatt Regency, Hilton, Marriot were selected for analysis. (Table 1)

**Table 1. Comparative indicators of the financial condition of hotels***(Table compiled by the author on the basis of financial indicators)*

Financial condition																
Years	Current liquidity indicators				Relative liquidity				Financial leverage				Debt to equity			
Hotels	Hilton	Hyatt Regency	Marriot	InterContinental	Hilton	Hyatt Regency	Marriot	Inter Continental	Hilton	Hyatt Regency	Marriot	Inter Continental	Hilton	Hyatt Regency	Marriot	Inter Continental
2011	1,37	2,8	0,52	0,67	0,69	2,37	0,38	0,62	14,62	1,56	5,67	5,43	8,78	0,25	1,7	1,22
2012	1,2	2,84	0,53	0,85	0,68	2,49	0,4	0,76	11,76	1,58	5,67	10,59	6,77	0,25	1,7	4,03
2013	1,11	1,34	0,71	0,72	0,68	0,87	0,45	0,63	6,09	1,71	5,67	10,59	2,9	0,27	1,7	4,03
2014	1,11	2,34	0,63	0,99	0,74	1,49	0,39	0,59	5,5	1,76	5,67	10,59	2,43	0,3	1,7	4,03
2015	1,05	1,02	0,43	1,17	0,69	0,72	0,37	1,12	4,3	1,9	5,67	12,2	1,72	0,26	1,7	4,01
2016	1,33	1,23	0,65	0,69	0,95	0,91	0,49	0,55	4,44	1,99	4,51	12,2	1,80	0,37	1,53	4,01
2017	0,90	1,37	0,46	0,69	0,73	0,93	0,40	0,55	6,91	2,18	6,42	12,2	3,16	0,41	2,1	4,01
2018	0,76	1,27	0,42	1,00	0,60	1,04	0,38	0,90	25,40	2,08	10,6	12,2	13,19	0,44	3,83	4,01
2019	0,72	1,57	0,47	0,67	0,63	1,27	0,39	0,56	-	2,12	35,63	-	-	0,51	15,43	-
2020	1,73	2,60	0,49	1,20	1,64	2,23	0,46	1,12	-	2,84	57,44	-	-	1,05	23,32	-

The analysis of financial condition of tourist enterprises showed sustainable development of companies in spite of market volatility, as

well as a tendency to increase debt capital. Financial indicators show an increase in financial leverage due to the growing opening of new branches and investment funds in Asia. Opening of new representative offices of the company naturally leads to an increase in operating costs. Current and relative liquidity ratios are within acceptable norms, and debt ratios demonstrate the companies' ability to cover financial liabilities with assets. (Table 2)

**Table 2. Comparative profitability indicators**  
(Table compiled by the author on the basis of financial indicators)

Profitability indicators												
Years	Return on assets				Return on equity				Return on investment			
Hotels	Hilton	Hyatt Regency	Marriot	InterContinental	Hilton	Hyatt Regency	Marriot	InterContinental	Hilton	Hyatt Regency	Marriot	InterContinental
2011	0,93	1,53	2,66	16,44	13,5	2,28	49,25	115,7	4,74	2,67	10,18	46,46
2012	1,29	1,16	9,32	17,46	16,9	1,84	-	127,25	4,9	2,23	-	42,65
2013	1,55	2,62	9,53	11,97	12,5	4,33	-	329,2	5,8	4,14	-	30,66
2014	2,55	4,22	11,03	13,55	14,8	7,33	-	-	7,64	6,77	-	-
2015	5,42	1,58	13,27	37,1	26,2	2,89	-	-	11,9	3,23	-	-
2016	1,34	2,66	5,16	12,37	5,86	5,17	88,29	-	4,17	4,82	12,67	-
2017	6,21	3,23	5,71	19,40	31,59	6,7	30,19	-	11,98	4,53	11,78	-
2018	5,40	10,04	8,01	10,13	58,25	21,38	64,04	-	12,46	15,72	18,40	-
2019	6,09	9,54	5,22	9,96	-	20,07	86,95	-	14,24	14,21	13,00	-
2020	(4,51)	(8,01)	(1,07)	(5,77)	-	(19,60)	(47,13)	-	-	(9,81)	0,32	-

The analysis of management peculiarities of tourist enterprises functioning made it possible to develop the optimal mechanism of corporate management mechanisms improvement. Duplication of departments and absence of delegation of powers leads to decrease of managerial effectiveness in the activity of the organizations themselves.

Tourist enterprises should form demand themselves, the policy of organizations should be based on the account of several interrelated elements. The main tourist flow should be formed mainly by domestic tourists providing the main share of the market. Testing of various systems of corporate management in tourist enterprises proved that this type of organizations not only satisfies market demand, but also forms it itself by taking into account consumer choice.

**7. The main directions of development of corporate structures in tourism are indicated.** The methodology of counting tourists coming to the country should be recorded directly in the tourist enterprises and on the basis of the data provided by them to the related

organizations, as well as the relevant government agencies. Parameters of counting tourists must necessarily include hotel rooms and apparatuses. The actual statistical accounting should reflect not the quantitative, but the qualitative ratio. The total number of tourists arriving in the country should be determined, in my opinion, in the following order. The actual value of those arriving in the country should be recorded only in the hotels and apartments of tourist enterprises, as well as companies whose activities involve the provision of certain conditions for temporary accommodation. Such a ratio will make it possible to regulate the activities of tourist enterprises, and, if necessary, to adjust their activities. Such direction will have to be dealt with the new institutional structures of the agency for tourism, the tourism committee and the bureau of agitation for tourism. To identify the statistical error between the official statistical and real data, I propose to use the formula compiled by the author.

$$A = \frac{b+(c-d)}{b} * 100\%,$$

where: A - statistical error between official and real data. B - official statistical data; C - number of registered hotel guests; D - number of registered persons in the apartments.

With this formula we can hypothetically identify the statistical error. The identification of this error will contribute to obtaining real data on the tourist flow, which naturally contributes to the calculation and formation of the market demand curve.

Despite the above mentioned positive sides of hotel complexes' functioning, the satisfaction with the quality of service, as well as the effectiveness of management structures, is still in the range of average level of satisfaction. There is a need for revision of management mechanisms and its deterministic orientation on satisfaction of inner market demand. Tendencies of active introduction of mechanisms of corporate management should be implemented taking into consideration specificity of the market and main priorities of economic development.

Implementation of mechanisms of corporate governance should be carried out in most companies operating in the field of tourism as

the most optimal and sustainable form of enterprise management. This measure will be the most effective and acceptable form of achieving the goals and objectives of companies. On the one hand companies will be most stable to the factors of external and internal influence, on the other hand companies will be more flexible to meet market demand and changes in the conditions.

**8. Measures to improve the efficiency of management mechanisms of corporate structures are proposed.** The negative tendency of growth of outbound tourism in relation to inbound tourism in its percentage demonstrates the presence of problems in the functioning of hotels. The increase in the number of outbound tourists becomes a loss of potential clients for this sector and a decrease in market demand. In this case the change of market range of products and the demand curve lead to a decrease in the amount of domestic tourist flow. The reasons for the increase is also the pricing policy of tourist enterprises that do not take into account the consumer solvency. Consumer basket is formed at an unsatisfactory level of solvency, when the bulk of the population is not able to pay for hotel services and organize leisure activities.

Thus, consumers are not able to make full use of the full potential of tourist services provided in the country. Another reason for dissatisfaction is the poor quality service.

The imperfection of the financial market in Azerbaijan does not allow attracting investment capital. Some financial indicators related to the investment climate in companies should not be analyzed due to their lack of publication in the capital market. In this case, the risk of investment increases, and due to the lack of analysis of financial indicators this market is closed to investors. Quotes and purchases of shares are mainly made on the primary market (IPO) with a limited right of access for investors.

Lack of activity on the stock exchange and access to the purchase of shares on the secondary market of securities reduces the impact of interested parties and financial institutions to virtually zero. Thus, domestic investors do not participate in the equity distribution of financial resources. The participation of the monetary and credit institutions is limited to short-term crediting and banking operations

services. These factors have a negative impact on the formation and development of business structures (especially corporate). Since, there is an acute shortage of primary capital to joint stock companies and enterprises in the structure of their authorized capital.

Each of the implemented corporate principles enables the organization to compete with the established brands not only on the local but also on the world market. The descriptive analysis of tourism industry functioning in Azerbaijan makes it possible to conclude that apart from hotels other tourist enterprises in most cases do not use the mechanisms of corporate governance. It should be noted that the use of these principles, not depending on the size of the company and the coverage of the market segment the effectiveness of management structures provides organizations with additional incentives for growth and financial stability.

In tourist enterprises, the specificity of which is direct contact with consumers, the use of corporate governance provides additional opportunities to expand market share, as well as demand for their products.

In tourist agencies and operators, it is necessary to adapt the simplified mechanisms of corporate management promoting efficiency of management. As implemented measures proposed the creation of corporate departments, which carry out the relationship between the owners of the company and line managers. Such measure promotes division and delegation of powers between departments subordinated to the general control system. This mechanism increases productivity and contributes to an effective system of communication.

***9. The optimal mechanisms of corporate governance in tourism have been developed.***

Hotel management system as measures to improve management efficiency will have to perform a set of measures, including reorganization and re-branding. Despite the fact that chain hotels use a corporate management system, still most hotels except for some national brands do not use optimal management mechanisms. Statistics show the growth of hotel business and formation of structures in destinations. In most cases it is medium and small business which does not have optimal management structure. Basically, these are hotel

complexes with a small number of rooms and do not have certain stars. Their activity is not regulated by market supply and demand. Business is developing chaotically, there are no technologies to attract customers and create a positive image. Tourist flow is not regulated, most tourists vacationing in recreation centers and health resorts visit them mostly once. The reasons that form such a customer attitude is primarily the lack of proper structure, the low level of service provided and high prices for tourist products. Secondly, the provision of a narrow segment of services and lack of customer satisfaction produce the opposite effect of the outflow of tourists, which is an unsatisfactory factor in the provision of quality service. The third reason lies in the administrative apparatus of the company. It is caused by the inability to carry out managerial functions in the organization. Lack of consistency in the organization and proper distribution of management authority between departments and related departments. It is caused by the lack of proper level of managerial knowledge necessary in tourism sphere.

Summarizing the above, it is possible to recap the following conclusions and recommendations, contributing to the improvement of mechanisms of corporate governance in tourism:

Formation of the effective mechanism of control over the activity of tourist enterprises not always adequately to the purposes of the organization can be implemented in the system of corporate management. (With the purpose of effective functioning of the organization the auditing by the state structures will give incentive to develop and improve functional mechanisms of control of the companies. Another reason is the interest of the state authorities, which contributes to the effective implementation of the state strategy for tourism development. In this case, the implementation and adaptation of internal institutions of corporate governance creates a methodological basis for sustainable development and minimizes the risks associated with dysfunctional market trends).

## **List of published works on the topic of the dissertation**

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