Internationalization in the Hotel Industry and Modes of Entry

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INTRODUCTION

The globalization of markets and production has been sparked by pervasive technological change and led to the internationalization of many companies whether large, medium or small. As such, internationalization is ever present in basically all contemporary business activities as it is a dynamic process that is the result of the exploitation of competitive advantages (Stanisauskaite & Kock, 2016).

Business internationalization has evolved over time involving different theories and understandings (Ribau, Moreira, & Raposo, 2015). However, not only there is no single definition of internationalization but also there is a myriad of topics involved in the analysis of internationalization (Ribau, Moreira, & Raposo, 2018).

Internationalization refers to the process of increasing involvement in international activities and is related to how firms explore international markets (Moreira, 2009). Many studies analyze the internationalization process based on four main strands: the Uppsala model, that advocates an evolutionary, sequential and linear model of international involvement (Ribau, Moreira, & Raposo, 2015); the network-based view of the firm (Hakansson & Snehota, 2006), based on a relational-based perspective among market players; the eclectic paradigm that explains the main drivers of internationalization among firms based on three main specific advantages – *Ownership, Location and Internalization* (OLI) advantages (Dunning, 2000); and the theory of international entrepreneurship that advocates that firms seek to exploit their specific advantages in international markets based on the exploitation of their internal capabilities (McDougall & Oviatt, 2000).

The globalization of business and investment has led to the growth of the internationalization of tourism related activities, namely of hotel chains, as a means of diversifying their services, which began to

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invest in new locations across the world. This is also the result of the exponential growth that tourism has been experiencing.

The theories of internationalization have dealt with an evolutionary perspective covering the macro/nation perspective and the industrial perspective, but have not fully disclosed the internationalization of service firms, especially from the hotel industry perspective (Ribau, Moreira, & Raposo, 2018).

There are different internationalization strategies between the business and tourism industries, since not only they have different activities but also different objectives, the tourism industry being more focused on service activities, which may influence the internationalization process (Berbel-Pineda & Ramírez-Hurtado, 2012; Marco-Lajara, Zaragoza-Sáez, Claver-Cortés, Úbeda-García, & García-Lillo, 2017). The internationalization of the hotel industry necessarily implies the presence and provision of services in foreign markets, which is quite unique in globalized industries (Berbel-Pineda & Ramírez-Hurtado, 2012; Marco-Lajara et al., 2017).

The mode of entry into foreign markets is considered to be one of the most critical strategic decisions that firms have to make, given the repercussions on business success (Young, Hamill, Wheeler, & Davis, 1989; Berbel-Pineda, Palacios-Florencio, & Ramírez-Hurtado, 2017).

In general, there are three main ways of serving foreign markets (Rothaermel, Kotha, & Steensma, 2006): exports, licenses and / or direct investment. Each option has different implications for the firm in terms of the level of control the parent company has over the foreign operations, the resources it must commit, and the potential benefits it can obtain (Buckley, 1995; Root, 1987). Considering the importance of the hotel industry as a result of the growing internationalization process, the objective of this chapter is to analyze the ways in which hotel chains internationalize and relate them to the main underlying theories of international business.

The chapter is structured in six sections. After the first section that presents the chapter the second section addresses literature on motivations for internationalization and modes of entry in international markets, namely in the hotel industry. The third section explores the main results found. The fourth section discusses the main results. Section five presents the main conclusions of the chapter. Finally, section six explores future research directions.

BACKGROUND

Internationalization Theories

There is no single definition regarding firms' internationalization, mainly due to the different theories and approaches used to explain internationalization (Ribau et al., 2015). The phenomenon of globalization of investment has led to the internationalization of tourist activities, including hotel chains which, as a way of diversifying their services, have begun to invest in new locations throughout the world. On the other hand, globalization has led to the exponential growth of tourism, which in turn has led tourist companies to invest in internationalization to take advantage of their intrinsic skills.

Although there are several theories that explain firms' internationalization, there are four main theories that have been widely used (Ribau et al., 2015), as referred to above: the Uppsala model, the Eclectic Paradigm, the network-based perspective and the theory of international entrepreneurship. However, they tend to ignore the internationalization of service-based firms, in general, and the internationalization of the hotel industry, in particular.

The Uppsala model defines internationalization as a gradual process with several sequential steps. It is a theory based on an evolutionary perspective in which the behavior of the firm is based on a knowledge-commitment binomial relationship in which firms increase their international reach and enter new markets as they know these markets (Ribau et al., 2015). According to Child, Rodrigues, and Frynas (2009), firms choose markets sequentially according to the perceived proximity to those markets, based on the low psychic distance, since as they manage to control the inherent risks of internationalization they incorporate basic knowledge to enter other foreign markets (Etemad, 2009).

The Eclectic Paradigm explains the causes of firms' internationalization through the specific advantages firms must master in order to be successful in the internationalization process. That is, to have their own skills or intangible assets and be able to provide these services internally and seize opportunities abroad in order to take advantage of their specific advantages.

According to Dunning (2000), this theory is predominant when talking about international business as it integrates economic theories, foreign direct investment (FDI) and international activities of multinational companies (MNCs). When using the eclectic paradigm it is necessary to follow a holistic perspective since the variables under consideration are interdependent (Dunning, 2000).

The theory of internationalization networks assumes that firms are interdependent and that their expansion abroad results from established relationships among previously interacting business units (Håkansson & Ford, 2002). Networks established in relationships with different stakeholders and shared resources support firms' internationalization process (Johanson & Mattsson, 2015). This is because firms are dependent on resources controlled by other parties, leading to the creation of relationships that represent the process of consumption of those goods (Ribau et al., 2015). As such, entering new countries gives companies the opportunity to create relationships that can help them reach new markets abroad. Moreover, these relationships are a potential competitive advantage for the internationalization of SMEs through the sharing of both information and knowledge (Ribau et al., 2015).

Internationalization of Service Companies

Regarding the classification of services, there are some important contributions that seek to explain how the different types of services are internationalized (Lovelock, 1996; Erramilli, 1990; Clark, Rajaratnam, & Smith, 1996). It is important to note that each typology has its direct influence on entry modes and integration strategies in international markets.

Lovelock and Yip (1996) classified services into three main types: people-processing services; possession-processing services; and information-based services.

People-processing services involve tangible actions in which the consumer becomes an integral part of the service production process, where production and consumption take place simultaneously. These types of services require that the consumer is present in the establishment of the service provider, or that the supplier directly provides the service to the consumer. In these cases the modes of entry in international markets should involve a local geographic presence. Possession-processing services involve tangible actions on physical objects, that is, objects are involved in the service production process. Geographic local presence makes sense when it is assumed that the service will be provided on a continuous basis. Finally, information-based services are related to the manipulation, collection, interpretation and transmission of data and knowledge (Lovelock & Yip, 1996).

Regarding the way services are internationalized, Clark, Rajaratnam, and Smith (1996) classified services into four different types: international contact-based services; international vehicle-based services; international asset-based services; and international object-based services.

International contact-based services are services in which the supplier maintains direct contact with the consumer, involving for example legal services, consulting services, or professional services. According to Javalgi, Griffith, and White (2003), this type of service has all the classic characteristics of services (intangibility, inseparability, perishability, and heterogeneity).

International vehicle-based services are those in which the supplier does not need to physically establish itself in other markets.

International asset-based services involve physical presence in other markets – such as banks or hotels – that represent the capabilities of the companies (countries) that export these services.

International object-based services are contact-based services that are embedded in physical objects.

Erramilli (1990) classified the services taking into account the required interaction between the service provider and the consumer, dividing it into hard services and soft services. The former are services in which the production and consumption process are separated, and that the need to be present during the provision of the service is limited or non-existent. On the other hand soft services require that the production and consumption occur simultaneously, as for example, catering services and health services.

When comparing Lovelock and Yip's (1996), Clark et al.'s (1996) and Erramilli's (1990) typologies, one can claim that people-processing services and soft services fit into the types of services that involve great interaction between the service provider and the consumer, whose production and consumption processes are inseparable.

Theoretical Challenges

It is important to note that hotels and hotel chains can expand through acquisitions, cooperation or partnerships, or even integrating certain brands into their own core brand, creating large international hotel chains that increase industry competition. Uppsala's model is not fully adapted to the different forms of investment that exist in the hotel industry as hotels and hotel chains seek to exploit international opportunities through modes of entry such as franchising or FDI at any given point in time without necessarily without necessarily holding deep knowledge of market behavior or without following an evolutionary perspective. Moreover, over time, there is not necessarily a gradual growth or expansion in the destination market given the volatility of tourism markets, where some tourist destinations may experience uncontrollable swings due to variations of the external context.

In the case of the hotel industry, it involves other support services that are not directly related to the provision of accommodation. Thus, in the case of the eclectic paradigm, there are services that can be internalized by the company, although there are others that can be easily outsourced without jeopardizing the company. The locational advantages can be crucial for the internationalization of the hotel company or hotel chain, as long as it has an international image, reputation and brand. Nowadays, internalization can take place as a result of both high competitiveness among firms and the need to keep abreast of information so that companies can retain full proprietary advantages in order to exploit them more easily as a result of an ownership advantage. Taking these aspects into account, the eclectic paradigm could be clearly useful in explaining firms' internationalization in the tourism industry. Despite this, there are authors who consider that it is a theory that does not fully explain the internationalization of the hotel industry by not considering all the agents involved, such as other services, local authorities, financial companies, among others (Niewiadomski, 2014).

Some authors link the internationalization of the hotel industry to the Eclectic Paradigm (Chen & Dimou, 2005; Dunning & Kundu, 1995; Williams & Shaw, 2011). However, Chen and Dimou (2005) argue that large MNCs do not have a country of origin, especially when it refers to the hotel industry, since some hotel chains change ownership/proprietorship several times leading to a change in the company's headquarters, culture and portfolio of activities, which ultimately influences the company's investment strategy and sites. In addition, in the hotel industry SMEs tend to adopt different internationalization strategies than those used by large multinationals, although over time, when smaller groups grow, these differences tend to disappear.

Internationalization in the Hotel Industry

The internationalization strategy varies according to the different activities companies carry out (Berbel-Pineda & Ramírez-Hurtado, 2012; Narula, 2012). Moreover, the vision and mission of each company also differs. The internationalization of the hotel industry necessarily implies a presence in foreign markets and the provision of local services, being one of the most globalized industries (Berbel-Pineda & Ramírez-Hurtado, 2012; Marco-Lajara et al., 2017).

The mode of entry into the foreign markets is considered one of the most critical strategic decisions that companies have to take, since it has repercussions on the success of the business (Young et al., 1989). In general, there are three ways to serve foreign markets: exports, licenses and / or direct investment (Rothaermel et al., 2006). Each of these options has different implications for the company in terms of the level of control the parent companies have over foreign operations, resources that they must provide, and potential benefits that they can obtain (Buckley, 1995; Root, 1987). However, entry modes need to be differentiated according to the level of control companies desire (Aliouche & Schlentrich, 2011; Haro, Gândara, Rastrollo, & Mondo, 2014; Pla-Barber, León-Darder, & Villar, 2011).

The main modes of entry in foreign markets implemented by hotel companies can be clustered in three main groups (Pla-Barber & León-Darder, 2004; Rodríguez, 2002):

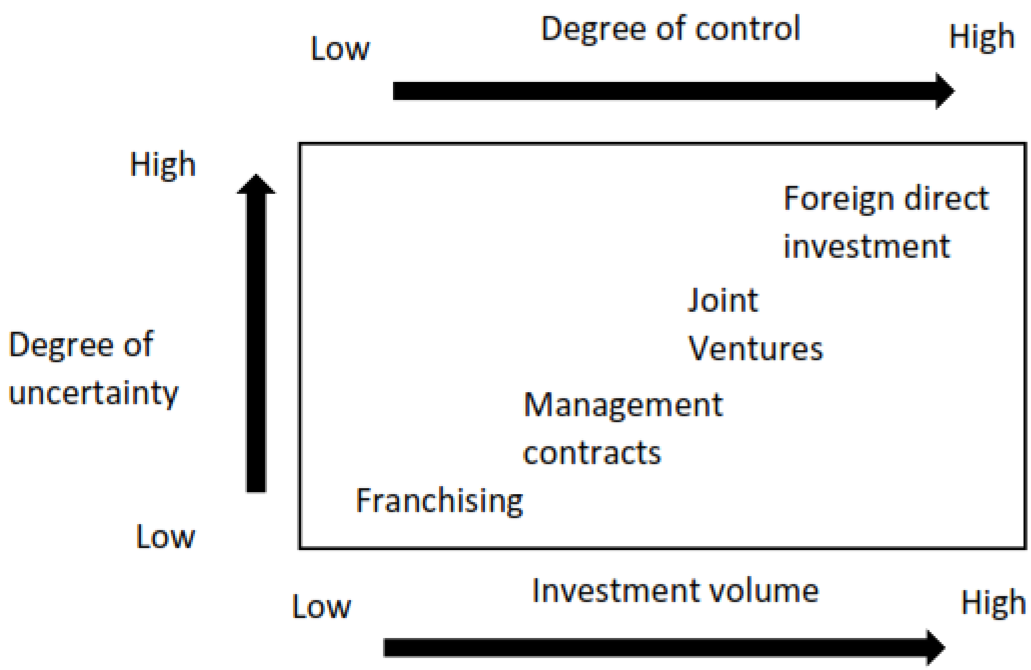
- Direct investment modes with full control, which can include Greenfield investments or mergers with existing companies. A merger is an economic operation that brings together two or more companies giving rise to a new one, while an acquisition consists of the purchase of one company by another.
- Cooperative contracts that may involve Joint ventures (JVs) and/or international strategic alliances. These contracts allow companies to penetrate foreign markets, always maintaining some control over its administration. These processes involve direct investment with shared control over activities. These cooperative contracts allow companies to share resources, split risks and dissolve cooperation after project completion (Silva & Sousa, 2009).
- Franchising agreements and management contracts can also take place when companies wish to expand into the new market transferring certain advantages to a company located abroad.

These three modes of entry can be divided into two groups (Berbel-Pineda et al., 2017):

- Equity-based entry modes (FDI and JVs): with these modes, hotel chains commit more resources in their internationalization process, but also enjoy greater control over their foreign business operations.
- Non-equity entry modes (franchises and management contracts). Through this type of entry mode, the hotel chains commit themselves with fewer resources and consequently less control over their foreign business operations.

It can be argued that the greater the degree of control, the volume of investment and the degree of uncertainty, the more companies choose to make FDI in order to guarantee total control, as shown in Figure 1.

Figure 1. Modes of Entry and degree of control



Contrary to this situation, i.e. the lower the degree of uncertainty, the lower the volume of investment and the lower the degree of control, the more the companies resort to franchising.

Direct investment (notably mergers and acquisitions) has been extensively used by companies wishing to expand abroad, changing the characteristics of the industry in recent years (Hill, 2011).

Companies that opt for these modes of entry have the following qualities (Hill, 2011):

- Strong capabilities to deploy their competitive advantages;
- High adaptability to local markets;
- High degree of knowledge of the targeted market;
- High degree of control of product costs and service quality;
- High degree of control of marketing activities;
- High market/sales potential.

There are several reasons why firms choose particular countries to internationalize, which may vary according to regional, geographic, fiscal and political actors (Hitt, Ireland, & Hoskisson, 2011). Within this context, there may also be a number of reasons that help explain why acquisitions is an important entry mode in the hotel industry: access to a more efficient global market, exploitation of technological advances, protection and consolidation of market position, diversification of assets, financial assets that facilitate investment, a way to eliminate customs barriers, obtaining tax profits, diversification of profit and reduction of risks (Rodríguez, 2002; Valdés, 2003).

The management and franchising contracts have been among the most widely used modes of entry by the large hotel companies because they involve low costs (Garcia, 2013). The American hotel chains are the main protagonists and leaders of the world rankings. These strategies allow companies to be present in several countries. Although hotel chains have targeted mainly developed countries, with the globalization of markets there has been an increase in the number of hotel chains investing in emerging economies.

RESULTS

In the hotel industry, modes of entry are analyzed considering the level of management control and the identification of factors that may influence the choice of these entry modes. The main factors influencing the corporate development of decision making of international hotels and their strategic expansion involve the degree of ownership and the idiosyncratic knowledge embedded in the hotel service (Chen & Dimou, 2005).

The brand image plays an important role in determining the internationalization strategies. In addition, embracing the franchising option of hotel companies that are internationalized is inversely related to size. In turn, the franchising experience and its percentage of franchises granted are positively related to the franchisees' decision to internationalize (Alon, Ni, & Wang, 2012).

The decision to opt for franchising or management contracts differs among companies. For example, from the perspective of cost minimization, luxury hotels may opt for management contracts or acquisitions as an expansion strategy. However, lower-tier hotels may opt for franchising (Chen & Dimou, 2005).

The internationalization process varies from country to country, especially in terms of critical success factors, depending on both the origin and destination country, as a result of market behavior and management decision making processes.

In the case of the Portuguese hotel industry, the critical success factors underlying this internationalization process are the growth capacity of emerging markets and natural resources. In the Portuguese-speaking African countries, Portuguese hotels have looked for low competition of large players of the world hotel industry, allowing very high investments by Portuguese companies, which have also benefited from the proximity of the linguistic and cultural base (Garcia, 2013). Those investments are focused on emerging markets as well as bottom of the pyramid markets, in which products and/or services are customized for each region/country. Among the various entry modes, the most adopted ones have been management and franchising contracts because they involve low costs.

Generally, the internationalization of US multinational hotel companies increases their value (Lee, 2008). Expansion to Asian countries is normally more beneficial than to European countries as it brings more business opportunities.

The internationalization of the Spanish hotel industry does not behave in the same way as that of the world hotel industry. In the Spanish case, companies tend to prefer more flexible modes of operation, acquiring more knowledge and reducing internal uncertainty (Berbel-Pineda et al., 2017). When Spanish hotel companies are located in high-risk environments considered, they prefer to share control with local agents. When they invest in high-income countries, they place greater importance to entry modes such as franchising or management contracts. International hotel companies that settle in urban areas tend to adopt indirect modes of entry in environments with higher risk indices but with higher levels of development measured by Gross domestic product (GDP) per capita. It is more frequent to find direct investments in highly competitive markets, with a strong local industry, characterized by higher GDP per capita and high rates of FDI (Berbel-Pineda et al., 2017).

The cultural distance, the attractiveness of the market, the international experience of the company, the intangibility of the assets, the size of the enterprises and the number of Chinese tourists who visit each country are determining factors in the choice of the mode of entry of the Chinese hotel chains. The modes involving capital investments prevail over contractual arrangements among Chinese hotel chains (Andreu, Claver, & Quer, 2017).

Besides analyzing the critical success factors that determine the choice of a mode of entry from the perspective of the country of origin, it is also important to analyze the difference between small and large hotel companies. Small hotels with limited multinational experience tend to prefer to enter high potential perceived markets through joint ventures. Moreover, companies that are more capable of developing products are worried about the possible loss of their advantage in countries that are perceived to have greater contractual risks. Although entering high potential perceived markets is more interesting, the existence of investment risks leads small hotels to flee from those investments (Agarwal & Ramaswami, 1992).

The analysis of the modes of entry can also take the perspective of the specific factors of the hotel chains. This can be seen in the case of Chinese hotel chains that prefer input modes involving capital investment, to the detriment of contractual modes. Chinese hotel chains prefer destinations near China, where the entry mode chosen is FDI. Risk aversion as well as cultural distance may have influenced Chinese hotel chains in their decisions to enter foreign markets. In the future, Chinese hotel chains may choose contractual agreements (management or franchising contracts) to avoid higher costs when entering countries with higher cultural distances. However, the chains that serve the middle and lower segments of the market opt for franchising for in order to increase their global reach. In what pertains the company's specific factors, the size of the company, the international experience and the level of intangibility of the assets are important in the decision making process regarding the mode of entry abroad (Andreu et al., 2017).

In the case of Spanish hotel chains, it is clear that the greater the cultural distance, the more Spanish hotel companies tend to opt for FDI and avoid contract agreements. Entering a culturally similar market not only helps avoid the uncertainty of evaluating unfamiliar environments, but also facilitates the establishment and control of integrated operations. In addition, the mode of entry into external markets should be understood as a gradual process that results from the interaction, cultivation and maintenance of relationships over time (Rodríguez, 2002).

DISCUSSION

In a global context, internationalization increases the firms' value, although this depends on where firms decide to internationalize and the opportunities / risks they embrace. Companies with greater ownership advantages can gain pioneering benefits by being the first to enter these countries (Lee, 2008; Agarwal & Ramaswami, 1992).

Companies that have greater capabilities to develop new products/services are normally concerned about the possible loss of their advantage in countries that are perceived to have greater contractual risks. That is, although they are interested in entering in international high perceived potential markets, the existence of investment risks leads them to avoid those investments. It was also possible to realize that the capacity for differentiation mitigates the effect of contractual risks (Agarwal & Ramaswami, 1992).

There are other variables – such as policy variables – that can have a positive impact on investment and technology transfer.

Investments are focused on emerging markets, which is why the products / services are customized to each region / country. The main key success factors of these investments are the growth capacity of emerging markets and natural resources (Garcia, 2013).

It can also be said that there is a positive relationship between international experience and the mode of entry, with the desire to control the value chain. This ratio is measured by both time involved since the hotel firms began to operate abroad, in terms of the number of years, and the degree of internationalization, which reflects their state of international development. The mode of entry into external markets should be understood as a gradual process that results from the interaction, cultivation and maintenance of relationships over time (Rodríguez, 2002; Berbel-Pineda et al., 2017).

The decision of the hotel companies to internationalize is negatively related to the size of the company (Alon et al., 2012). A very important factor in the strategic expansion decision is the degree of ownership and the idiosyncratic knowledge embedded in the hotel service (Chen & Dimou, 2005).

As opposed to the previously referred, the internationalization of the Spanish hotel industry does not behave in the same way as the internationalization of the world hotel industry. In the Spanish case, companies tend to prefer more flexible modes of operation, acquiring more knowledge and reducing internal uncertainty (Berbel-Pineda et al., 2017). When located in risky environments, they prefer to share control with local agents. However, it should be noted that the greater the cultural distance, the more Spanish hotel companies tend to opt for foreign direct investments and avoid contractual agreements (Rodríguez, 2002). In the case of Chinese hotel chains, entry modes involving capital investments prevail over contractual arrangements, since risk aversion may have influenced their entry decisions, as the level of internalization is low in that market (Andreu et al. al., 2017).

In the case of US hotel chains, the decision to expand is based on how this can bring value to the company or reduce risk if they wish to be prudent (Lee, 2008).

The size of the company, the international experience and the level of intangibility of the assets stand out in the decision making in choosing the mode of entry of the Chinese multinational hotel chains in the luxury market segment. In the future, Chinese hotel chains will be able to choose contractual agreements that help avoid higher costs of entering countries with more distant cultures (Andreu et al., 2017).

The success of the expansion of the Portuguese hotel chains may be due in part to the fact that they choose to invest in countries based on the proximity to the linguistic and cultural base, rather than geographical proximity, mainly through management and franchising contracts, as they involve low costs (Garcia, 2013).

The choice between the different modes of entry differs according to the different variables used, so this analysis requires caution. It is also important to analyze from the point of view of the type of market exploited, where it is possible to conclude that franchising is adopted more in small and medium-sized markets, whereas in large luxury markets management contracts are more popular. When quality is not important to the achievement of competitive advantage, management contracts are not widely used and franchising is more likely to be used when hotel size increases (Cunill & Forteza, 2010).

High-income countries attach relatively greater importance to entry modes such as franchising or management contracts. International hotel companies that are established mainly in urban areas tend to adopt indirect entry modes. This occurs in environments not only with higher risk levels, but also with higher levels of development measured by GDP per capita. Besides, it is more frequent to find FDI in highly competitive markets, with a strong local industry, characterized by a higher per capita GDP and high rates of FDI (Berbel-Pineda et al., 2017).

The analysis carried out refers to the different theories evidenced previously, revealing that it is not possible to be restricted when looking at internationalization, given the number of factors that can be considered. However, the hotel industry is part of the tertiary sector in which services play a major role, which is not particularly well covered by traditional internationalization theories as they are more prone to explain the internationalization of industrial firms.

CONCLUSION

The theories of internationalization most emphasized in the literature analyzed in the hotel industry are the Uppsala model and the Eclectic Paradigm. The former is in the sense that there are cases in which the intention was to enter into foreign markets linearly and gradually, especially with low psychic and geographical distances, usually where hotel chains seek to take advantage of new opportunities by exploiting their core competencies through equity and non-equity investment modes.

As regards the Eclectic Paradigm, its interpretation and adequacy to the hotel industry becomes more accessible than the Uppsala model, since the main modes of entry in international markets are in some way related to the ownership, location and internalization specific advantages. Although this theory is predominant when it comes to international business, it has to be adapted to the current internationalization of the hotel industry, in particular the internalization specific advantages.

It is clear that hotel chains exploit international market opportunities by choosing specific locations according to the conditions of these international markets. It is possible to conclude that the main modes of entry have been the FDI, the joint ventures and the contractual agreements (management contracts and franchising). If the internalization advantages can be easily explained through the FDI, the use of joint ventures and contractual agreements make the majority of hotel chains enter international markets s without the provision of their services internalization, which can be explained by nature of asset-based services and people-processing services. It is important to refer to that in most situations the agreements signed – management contracts, franchises or joint ventures – among all parties involves a clear definition of the services provided, which helps circumventing the internalization advantages.

In conclusion, within the four main theories indicated in the literature review, of which only three were analyzed, there may not be a single theory that adequately explains the internationalization of the hotel industry, although the eclectic paradigm can easily be adapted to most situations.

Due to changes in global economies and increased competitiveness, it becomes more important to opt for an opportunity with more associated risk than entering the market in a sequential manner that would eventually take longer and may jeopardize opportunities. Furthermore, small and medium-sized companies in the hotel industry tend to adopt different internationalization strategies *vis-à-vis* large multinationals in this industry.

One can conclude that franchising and management contracts are the most common modes of entry in the global hotel industry, because they allow for economies of scale to be more easily achieved and to increase the scope of the hotel chain itself. The same is true of Spanish and Portuguese hotel chains operating abroad, since they prefer these same more flexible modes of entry, while Chinese chains opt for modes of entry that involve greater capital investment and control (FDI). In addition, it should be noted that Chinese and Spanish hotel chains are in an initial state of internationalization.

The analyzed literature also showed that in the hotel industry franchising is more adopted in small and medium markets, while management contracts are more popular in large markets or among luxury brands.

It was important to analyze different markets in the state of evolution of internationalization, namely, Chinese, Portuguese, Spanish and American markets as this helped to understand modes of entry in mature markets as well as the justification of the modes of entry.

Large hotel chains benefit from economies of scale in two complementary ways: they raise important entry barriers: firstly, through the advantages gained by the input mode that exploits these economies of scale, and secondly, because the government of the destination country applies rates that reduce FDI, which reduces international competition.

It is also noticed that the literature on the internationalization of hotel chains focuses on the understanding of the modes of entry and considering three main perspectives: the company / hotel chain and its internal factors; the country of origin; and the market, or country of destination, for which firms intend to internationalize. For each of these perspectives, there are critical factors that, although they may be independent, end up intertwined with the critical factors of other perspectives, and it is therefore relevant to analyze these processes from several points of view. Moreover, there is also a focus on markets where the main chains are concentrated, denoting a lack of analysis of other markets.

FUTURE RESEARCH DIRECTION

Internationalization is very important for firms, in general, and for firms of the hotel industry in particular. Although contractual agreements are important means of entering international markets, and national brands and chains seem to play a vital role in diversifying to foreign markets, it would be of added value to keep abreast of the new perspectives so far not investigated as:

- The role knowledge management plays in generating and adapting valuable resources within the hotel groups;
- The role horizontal knowledge management plays in the generation of competitive advantages within the hotel groups;
- The role competitive dynamics in the hotel industry;
- How competitive rivalry underpins internationalization in the hotel industry.

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KEY TERMS AND DEFINITIONS

Consortium: Consists of the association of several companies: which give rise to the creation of a new entity. Consortium allows companies to share resources, divide risks and dissolve cooperation after project completion.

Franchising: Is another organizational form used by companies to compete in highly decentralized industries. In the hotel industry, franchising was launched in the 1960s as an expansion strategy for the Holiday Inn group and since the 1980s it has become a form of international business, especially in the service industry.

Globalization: IT is a worldwide movement toward economic, financial, trade, and communications integration. It is normally envisaged as a lack of trade barriers between nations, which are removed through free trade agreements throughout the world and between nation states. It implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers, in which investment opportunities soar.

Internationalization: It is the process of increasing involvement of enterprises in international markets. It involves a strategy carried out by firms that decide to compete in foreign markets. It involves cross border transactions of goods, services, or resources between two or more firms or organizations that belong to two different countries.

Internationalization Process: It involves the emphasis of a trajectory of a company in its transition from a national market to a particular foreign market. It normally involves several entry modes (exports, FDI, franchising, etc.) that exert a critical influence on the subsequent trajectory, as well as on cost related to the internationalization process. The two most important theories that explain the internationalization process are the Uppsala model and the network-based approach.

Joint Venture: Is another growth vehicle available to hotel/business companies. These types of agreements are considered as legal contracts whose ownership and management of the organization are shared by more than one organization and are normally used when the benefits outweigh the additional costs.

Management Contract: Is a long-term agreement in which the owner of the property contacts an international hotel company in order to manage the hotel. Through management contracts, hotel chains are responsible for all hotel operations, namely by implementing systems and procedures, selecting the hotel manager, and enforcing their human resources and quality policies.

Network-Based Approach: It based on the industrial networks theory, which states that firms evolve on the basis of established relationships. It considers the companies' internationalization process through their integration into networks and relationships. Following this perspective, the internationalization process occurs in interactive environments where companies of a well-established network of companies have an opportunity to develop new relationships that give them access to broader markets in other countries.

Strategic Alliances: Are designated as intermediate modes of entry in international markets. They are normally carried out by companies that have experience and knowledge in certain specific areas, but need to complement forces in other areas. Strategic alliances aim to share and/or exchange products, services, knowledge, and profits.

Uppsala Model: It has been one of the most discussed dynamic theories in Nordic School and International Business Studies. It explains the process of internationalization of companies. It explains how organizations learn and the impact of learning on the companies' international expansion. This theory defends that the companies' internationalization process is carried out in stages, from non-regular exports to the establishment of companies abroad.