

# 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

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.

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