**INTERNATIONAL JOURNAL OF
SERVICE INDUSTRY MANAGEMENT**

Territories Still To Find – The Business of Hotel Internationalisation

Professor David Litteljohn
Cultural Business Group, Caledonian Business
School, Glasgow Caledonian University, Cowcaddens Road, Glasgow G4 0BA,
Scotland, UK

Tel: +44 (0) 141 331 8470

Email: dli@gcal.ac.uk

&

Dr Angela Roper
Savoy Educational Trust Senior Lecturer
School of Management
University of Surrey
Guildford, Surrey
GU2 7XH

UK

Tel +44 (0) 1483 689753

Email: a.roper@surrey.ac.uk

&

Dr Levent Altinay
Senior Lecturer
The Business School
Oxford Brookes University
Gipsy Lane Campus, Headington
Oxford, OX3 0BP
United Kingdom

Tel: + 44 (0) 1865 483832

E-mail: laltinay@brookes.ac.uk

Biographic note:

David Litteljohn is Professor in the Caledonian Business School (Cultural Business Group) at Glasgow Caledonian University, Scotland, U.K. His research spans market developments in hospitality, strategic management applications to hospitality and the internationalisation of hotels and tourism markets.

Dr Angela Roper is a Senior Lecturer at the University of Surrey Management School. Her research interests include strategy formulation and implementation, business history and the centric profile of organisations. Angela had industrial experience in financial management and international experience lecturing in strategic management.

Dr Levent Altinay is a Senior Lecturer in Hospitality and Tourism Management at the Oxford Brookes University Business School. His research interests include internationalisation, international franchising, intrapreneurship and ethnic minority entrepreneurship.

Territories Still To Find – The Business of Hotel Internationalization

Abstract

Purpose

The paper presents directions for researching ‘new territories’ by systematically reviewing contemporary research in the area of hotel internationalization.

Methodology/Approach

Comprehensive analysis drawing on frameworks and debates in the international services management literature of research published over the period 1996 – 2005 identifies approaches and results of hotel internationalization research. Work is organized into two broad categories: studies that relate hotel organizations to their external environments and those taking an internal perspective. This analysis is complemented by a short review of relevant demand and policy trends to ensure relevance of the critique.

Findings

Modal choice research has now reached a stage where it can provide greater depth of understanding in the relationships between this choice and organizational capabilities. Secondly, there has been a welcome increase in more internalised, qualitative research. Thirdly, while there have been some comparative industry studies more is encouraged as dialogue between researchers in different service (and manufacturing) industries will be of value as hotel internationalization meets new supply and demand conditions.

Research Implications

Eclectic paradigms to be supplemented by more focused industry and comparative industry studies; internal, organization focused research must account for cultural diversity amongst new hotel developers, firms and customers to prevent parochialism or ethnocentrism; more specific work could explore policy dimensions.

Practical Implications

The paper outlines some future trends which will affect the internationalization process and bases of competitiveness /competitive advantage of hotel companies.

Originality/Value

Through a timely review of one of the first service businesses to internationalise the article contributes to knowledge of hotel internationalization by a rigorous review of contemporary research and suggests a research compass for the future.

Keywords: Hotel internationalization, tourism, modal choice

Paper Type: Conceptual paper

Introduction

In 1946 Pan American World Airways, then aggressively growing an international network, announced that ‘anticipating the need for additional hotel accommodations particularly clean, modern accommodations for travellers of modest means, your company ... undertook to sponsor the development of such facilities in all Latin American countries’ (Inter-Continental Hotels Corporation 1996, p. 8). Inter-Continental Hotels became the first modern international hotel company. Its upmarket hotels in key global commercial and transport hubs, grown through low equity methods - though maintaining strong central control - altered established hotel business models and influenced hotel industry dynamics while national and international travel levels began their inexorable rise – trends which still feature 60 years later. As one of the first service businesses to internationalise, this article contributes to our knowledge of hotel internationalization by reviewing contemporary research work and suggests a compass for the future.

Currently international brand presence is dominated by companies that have often used the Inter-Continental growth model: a stable which includes, for example, Marriott and Hilton. Yet the industry is changing. North American-type branding can mask a company’s domicile, as is the case with (the now re-titled) InterContinental, which is UK based, or in the case of the Canadian Four Seasons Hotels group where there is a substantial Saudi equity investment. In addition, today there are important hotel companies (e.g., Spain’s Sol Melia) from mature European markets as well as companies from emerging destinations in the Far East. As discussed more fully later in the paper, the nature of internationally varied hotel environments – often showing

high levels of industry fragmentation – as well as new ownership trends, provide horizons where past research may not match future corporate or policy needs.

Aims of the paper

This appraisal examines research into competitive advantage in international hotel organizations. International management is a contested domain: certainly research is fragmented (e.g., Boddewyn, 1999, Martinez and Toyne, 2000) though there are efforts to recognize its holistic nature and to integrate *management* as well as *international* elements (e.g. to purge Anglo-Saxon exclusivity). Alternatives include multi-level research which combines environment, organizational and individual levels (Boddewyn, 1999, p. 9). Commentators, however, acknowledge that much work lies within discipline boundaries while Knight states that research on specific industries reflects ‘the early, exploratory phase’ of work (Knight, 1999, p. 351). We argue that this viewpoint is not valid on two grounds. Firstly, there is a developing pedigree of single industry studies such as retailing (e.g., Moore, Fernie and Burt, 2000). Secondly, because single industry studies today may be informed by a wider set of research methods and relationship to theory than was previously the case. Of course single industry studies should not be insular but must provide traffic to the wider (and changing) territory of international management.

Bridges between one industry and another may be provided by comparative and or industry typology studies. One approach compares internationalization issues across industry contexts (two or more). The second uses a classification approach based on empirical and theoretical constructs to allow for product, system and organizational differences/similarities e.g. Patterson and Civic (1995) use levels of

service tangibility and nature of face-to-face delivery; Lovelock and Yipp (1996) propose a people, possession and information process-based system. Clark and Rajaratnam (1999) propose four types of international service: (i) Contact-based services; (ii) Vehicle-based (communications) services; (iii) Asset-based services; (iv) Object-based services: the international movement of physical objects with a service content (e.g., computer software). Hotels are placed in category (iii) where commercial services are tied to foreign investment to establish operations, while category (i) is defined as where producers or consumers cross borders to engage in transactions and is also relevant when related to international travel. To be able to categorize, therefore, it is necessary to fully understand an industry. The review will not, exclude category (i) including, for example, work which utilizes Johanson and Vahlne's (1977, 1990) theory of internationalization, applied to specific-country locations.

There is no agreed view on the nature of international hotel management. Collected readings appropriate the term 'international' but offer no settled perspective on its characteristics or implications. One text on globalization strategy for hotels intends to assist corporations to successfully adapt to different environments through strategic marketing (Go and Pine, 1995: p25) while Brotherton (2003) offers a wide spectrum of topics including industry structure and diversity management to explain its nature. D'Annunzio-Green, Maxwell and Watson (2002) likewise provide international perspectives on human resources management showing that cross-cultural policies are poorly prioritised by international hospitality and tourism companies who fail 'to fully exploit the challenges of the market place' (p. 11). Neglect, of a different sort, is evident in Lashley and Morrison's (2001) conceptually

based compendium on defining hospitality and its environments. It makes scant reference to the international and global dimensions of hospitality and hotel management.

In a comprehensive review of strategic management literature in hospitality by Olsen and Roper (1998) corroborated hotel internationalization as a 'slowly developing' research field and much work showed 'little theoretical knowledge' (Olsen and Roper, 1998, p. 114). Drawbacks included a focus on few countries and publicly quoted companies. They urged comparative studies, more variety in home and company types studied and lamented that 'qualitative and internal, in-depth analysis of the intended and implemented strategy of hospitality multinationals has for too long been avoided by strategic researchers' (Olsen and Roper, 1998, p. 116). While Knight (1999) reported that multi-industry, comparative studies as common in international service management literature cases involving hotels are rare (four from the 124 single and multi- industry articles Knight surveyed).

By reviewing more contemporary research in the area, our aim is to see whether these criticisms can still be leveled and whether gaps in knowledge have been duly filled. The review concentrates on publications from 1996 to 2005 from academic, industry and policy sources. The conclusion confirms a growing literature in the area and offers directions for researching new territories, in particular, given future trends and developments in the industry.

Review of Contemporary Hotel Internationalisation Research

The research reviewed is organized into two broad categories, external and internal perspectives. This first category reflects the pre-occupation with modal choice decisions because of the overriding factors that condition the global organisation of hotel chains, i.e., the ability to separate firm-specific advantages from actual ownership (Clancy, 1998). Previously, empirical studies were focused on the market (or market-based transactions) and the hypothesis was very much centred on 'economic efficiency' (Boddewyn, 1999, p. 8).

Modal choice and externally facing research

This stream of literature – relatively homogeneous in nature - concentrates on modal choice (MC) or market entry strategy, asking 'how?' and 'why?' questions of internationalization. Both Zhao and Olsen (1997) and Altinay (2005) analysed literature in the field and proposed that work shared a similar set of external and task environmental dimensions when investigating MCs. This is reflected in Table I where work draws heavily on two mainstream fields: transaction cost theory (Williamson 1985, Coase, 1937, and Buckley and Casson, 1976) and, secondly, the eclectic model expounded by Dunning (1981).

- Take in Table I here -

Transaction cost theory holds that organisations manage their assets – shape organisational structure - through a cost-benefit comparison of external market-based activity to internalizing these activities inside the organisation. Between the alternatives of market or full ownership lie a range of possibilities. Organizations

choose arrangements which minimise costs in the long term. It has been used to examine inter-organizational relationships e.g., Hennart (1988) compared joint ventures and direct investment as opposed to contracting; Erramilli and Rao (1993) explored relationships between control and costs in service internationalization and found that the higher cost/full control MC led to higher risks than the lower-cost/loose control MCs. This focus provides researchers with a set of variables and has an intuitive appeal to explain tour operator owned hotels and airline-hotel alliances.

An appeal of the second mainstream approach - Dunning's (1981) eclectic theory - is its holistic approach to explain hotel internationalization. With roots in international trade the framework introduces a spatial element to MC. Three variables are examined: ownership-specific advantages, location-specific advantages and internalisation/coordinating advantages. Applied to hotels by Dunning and McQueen (1982) and later updated (Dunning and Kundu, 1995) the approach has influenced the work of many. For example, its distinction between developed and less developed host countries and research designs which rely on large-scale company surveys targeting senior executives are used regularly.

Over time the hotel literature has tended to integrate a range of theoretical positions. For example, Erramilli, Agarwal, and Dev (2002) integrate organisational capabilities in MC risk/equity dimensions for different brand types while Rodriguez (2002) combines transactions-cost theory, agency theory and strategy to organisational capability and knowledge in her study of Spanish hotel groups. Chen and Dimou (2005) bring together agency and transaction cost theories to identify country and firm-specific characteristics in MC decisions. Consciously or

unconsciously these approaches may have been trying to avoid the phenomenon of 'kitchen sink papers that show that an eclectic model can explain the observed phenomena' (Buckley and Lessard, 2005, p. 598) but offer no outcome that does not prioritise particular areas nor that possesses significant predictive power. Indeed, from the mainstream, Macharzina and Engelhard (1991) have challenged the eclectic model and argued that it is uncertain whether the model is a study of the theory of country-specific investment or an explanation of organizational behaviour.

In their examination of specific cases both Altinay (2005) and Zhao and Olsen (1997) focus on the development process and its dynamics relative to strategic variables. This more qualitative and nuanced methodology illuminates issues of pragmatism and bounded rationality which within the process of internationalization – e.g., the use of broad brush rather than detailed environmental analysis (Zhao and Olsen, 1997).

A recent trend – partly perhaps explained by new international researchers – is greater attention to cultural distance between developers and host destinations: e.g., Rodriguez's (2002) examination of home country preferences of Spanish firms and Pine and Qi's (2004) assessment for successful foreign expansion into China. They, to an extent, counteract established conventions to use the larger (American) companies for research: for example, Spanish firms possess a different heritage from their USA counterparts and may be investing in different locations (as in the case of Cuba). Thus, research diversity can enrich the use of theory and its applications, while moving forward an understanding of hotel internationalization.

Slattery (2003) considers location, taking countries rather than organizations as its focus. Whilst maintaining a strategic focus on MC this work relates national dynamics of hotel demand to performance of chains to independent/unaffiliated hotels and industry structure (penetration of chains). The work quoted examines European hotel industry dynamics, projecting investment requirements and assessing the influence of major financial stakeholders in determining MCs and industry structure.

Finally, in this section we turn to what Bjorkman and Kock (1997) call ‘inward internationalization’. This addresses the mobility of customers rather than the firms across borders. This work applies Johanson and Vahlne’s (1977) process models of internationalization to location-bound organisations that attract foreign travellers. Bjorkman and Kock’s qualitative study examined three tourism suppliers in Finland while Litteljohn and Kendall’s (1998) study was larger in size – it concentrated on the largest hotel chains in Scotland – with a more quantitative slant. Both studies related degrees of international market involvement with network activity outside the firm and were able to support, to some extent, a stages type approach to foreign market involvement.

A newer, developing stream of research into how firms do business across borders is emerging, perhaps influenced by Olsen and Roper’s (1998) plea and evaluates the strategic and organisational competencies required for managing globally and being international companies. This forms the basis of the second category of research.

Strategic capability and internally focused research

The studies in this category go beyond the problems of ‘how to become a multinational’ to get more deeply involved in helping multinationals set a coherent competitive strategy. Given this, the paradigm of these studies is strategic advantage; the unit of analysis, the multinational firm. Of course, one cannot ignore the influence of location and entry mode choice and there have been interesting studies where researchers have extended the market-resources paradigm for examining MC by further investigating firm resources and skills that influence MC (along with environmental factors). Dev, Erramilli and Agarwal (2002, p. 104) results suggest that ‘while external support capabilities are important, the choice appears to be driven primarily by internal capability considerations.’ As they reiterate in another paper decisions between non-equity MCs are rooted in the effectiveness of capability transfer, not just concern for control (Erramilli, Agarwal and Dev, 2002), offering an interesting juxtaposition between market and strategic advantage theories.

Other studies have inclined more to organizational behaviour interpretations of internationalization of hotels firms. One three-year longitudinal study explored internationalization and integration in two sectors: commercial vehicles and international hotel groups ‘exploring a relatively neglected feature of debate: the comparative analysis of manufacturing and services’ (Thompson, Nickson, Wallace and Jones, 1998, p. 387). Significant to hotel groups, the authors found that:

- International hotels have a much more specific global product: one that they hope customers will seek out,
- A high degree of similarity between hotel companies exists on issues like flexibility, empowerment and managing the service delivery process: this despite claims of corporate uniqueness,
- Hotel companies still rely on expatriate managers from dominant home country to police operations.

Further, 'contrary to established wisdom...in some respects internationalization of services may be more straightforward than manufacturing' (Thompson et al, 1998, p. 387) this shows, if nothing else, the value of comparative industry research to learn about the internal strategic workings of international firms.

When evaluating the use of 'soft' mechanisms of integration in the same project, in a different article, Jones, Thompson and Nickson (1998) argue a 'disjuncture between corporate culture devices which assume that they can transcend national origins and the issues of interest and identity which inform the activities and experiences of managers at unit level' (often host country nationals) (p. 1048). This adds to knowledge of the processes and practices of international hotel firms and illuminates the human and 'soft' aspects of internationalization. Gannon and Johnson (1997) also took the theme of control and coordination dimensions. Their six hotel company case study concluded that social control was used to achieve organisational cohesion across all MCs an interesting finding as franchising, in particular, is generally regarded as allowing managerial latitude. Mathe and Dagi (1996) were also able to isolate common elements in very different service industries, 'elements which appear to correlate with a successful service vision and with successful globalization strategies' (p. 458).

Other studies have taken a more interdisciplinary perspective. Roper, Doherty, Brookes and Hampton (2001) investigated management orientations in a sample of highly internationalised hotel groups across marketing, financial, human resource and strategic functions. The study drew on the concept of centricity, introduced by Perlmutter (1969) and extended by Heenan and Perlmutter (1979) and Chakravarthy

and Perlmutter (1985). One paper investigates values of key individuals in the case study firm and provides hard evidence about management processes providing a real sense of company life. Examining different human resource and marketing practices/orientations adopted by the firm the authors propose that the best argument for adopting a geocentric human resource strategy is its capacity to deliver a geocentric marketing strategy though, as a respondent commented changing structure is difficult in a complex business structure with several MCs (p. 33) - confirming the survey results of D'Annunzio-Green et al (2002) mentioned earlier. In another paper they signpost the overriding influence of managerial mindset in their worldview and doing international business (Roper, Brookes and Hampton, 1999) an issue which requires further evaluation. Similarly, Munoz (2005) found individual and organisational fears of the pressures of globalization amongst managers from emerging locations. His recommendation that these should be addressed through organisational assessments, strategic planning and the formulation of global vision (p. 370) are perhaps a little naïve given the findings of Jones et al (1998).

Implementation of organisational factors, in particular international franchise procedures, has been explored by Connell and Altinay. Connell (1997) investigated how two UK firms became master franchisees for international hotel brands, concluding that for franchisee and franchisor to achieve mutual understanding they need to 'attune' to each other's circumstances (p. 219). He also asserts that international franchise relations are determined by the extent to which product-systems can be extended into overseas markets and recommends that:

'Franchisors need to assess not only whether ... strategy would work for

customers but how departures from domestic formats will effect longer-term efficiency and effectiveness of the wider franchise network.’ (p. 95)

Altinay (see Altinay, 2004 and Altinay and Roper, 2005) investigated internationalization from the franchisor perspective by exploring the roles of corporate Development Directors. The research suggests that important to the operationalization of international franchising is the need for these directors to be strongly entrepreneurial both inside and outside the firm. Altinay and Altinay (2004) go further in explaining the needs for fit between organisation structure and implementation of an internationalization strategy. Taken together these works confirm the importance of human elements in the internationalization process.

The organisation studies above are predominately Anglo-Saxon in content and concentrate on large firms. Whilst this reflects the historical trajectory - internationalization characterised by the spread of USA chains models (Nickson, 1997) - the studies avoid recognition of non Anglo-Saxon European firms as well as those from Asia/Pacific. Hopefully Aung and Heeler’s (2001) study on multinational and local hotel chains in Thailand will stimulate further research of a similar orientation. They develop eight core competences specific to service industries, arguing that this provides a more comprehensive view of competition than internalisation and eclectic theories and are able to conclude that there is now less of a divide in international markets and, as a result, multinationals are ‘forced to share the same economic and competitive pie with small local firms’ (p. 638). O’Gorman and McTiernan (2000) investigated internationalization of small/medium-sized Irish hotel groups and concluded that the SMEs had not invested in organizational capabilities to internationalize, downgrading the importance of the advantages of international

experience and new training requirements for successful internationalization. They further commented that internationalizing firms should ‘identify and develop strategic assets and capabilities that will create competitive advantages in international markets’ (p. 150).

Table II provides an indication of the nature of this research, stressing the focus of case studies that have been adopted in this essentially qualitative field of work, with the utilisation of interviews as the main data collection method. It also summarises details of samples and case study design.

- Take in Table II here -

The research studies reviewed have evaluated hotel internationalization in the recent past. The industry and its environments are dynamic creating implications for future research; we outline a number of these future trends in the conclusion to the paper.

Conclusions

This review has confirmed a growing literature in hotel internationalization and offers illumination on important contexts of service industries management. Has it developed new strengths and perspectives to meet past criticisms and meet some of the new territories of a changing world raised in this analysis? It is important to understand that these new territories refer not only to geography but to the new organisational territories: their nature, form and management. It is certain that the elite Pan American model of hotel development, with its set assumptions of hotel

positioning and network management, will become less relevant as existing and new organisations seek to survive and grow in a world which is very different to the 1950s.

We outline below some future trends which will affect the internationalization process and bases of competitiveness of international hotel companies:

- Future competitiveness will be achieved at the local, rather than international, level. Whilst international tourism arrivals for 2004 (WTO, 2005) were estimated globally at 763 million and growth is generally favourably projected, this is only one element of demand as domestic markets take the largest share. For example, France has a 1:1.99 ratio of international tourist arrivals to national demand, Germany (1:1.77), the UK (1:6.88) and the USA (1:24.8) (base figures for 2004 sourced through Global Market Information Base, 2005).
- Travel and tourism investment for 2006 from the World Travel and Tourism Council (WTTC, 2005) is projected at US\$ 1.01 billion. Given its large and sophisticated domestic markets North America takes the major share of investment in tourism infrastructure (32%: derived from WTTC, 2005). Europe, with a mature market and lower levels of brand concentration is predicted lower infrastructure spend though its room stock is greater than North America. Investment impact is apparent in North East Asia (which includes China and Japan) and accounts for nearly 23% of projected capital global investment. Even given current events (e.g., investment for 2008 Olympics) this is an impressive share for a developing region, a trend which will lead to the growth and development of hotel companies in new and emerging areas of the world.
- The most recent, reliable estimate of world hotel capacity from the World Tourism Organisation (WTO) puts hotel stock at 15 million rooms in 2002 (Slattery, 2003). An analysis of Hotels Magazine's annual survey (Strauss and Scoviak, 2005) of the largest hotel companies reveals a significant international representation with 15 companies recorded having presence in 40 countries or more. North American firms predominate. The survey also confirms the presence of European companies and the growth of Asian multi-nationals. There are many different company types, for example, highly branded chains, usually North American, that operate through a mix of ownership, franchise and/or management contract strategies; 'secondary' hotel groups that franchise from a portfolio of brands (perhaps from several of the 'branders') and some 'tertiary' management companies (virtual to the extent that they own no property or brand but undertake operations of units). In addition, there are airline-linked companies and resort-based groups (e.g., at Mediterranean, Cuban and USA casino locations). The diversity of company types (and their origins) is likely to increase any further in the future.

- Changes in technology and communications will play a crucial role in hotel interaction with other tourism suppliers and customers, ultimately changing traditional industry relationships and boundaries.
- The UN – through its Conference on Trade and Development (UNCTD) and its Centre for Transnational Corporations (UNCTAD) - is sensitive to potential exploitation of host communities. Alert to issues of market power, it cautions on possible predatory action by incoming tour operators and tour-operator-hotel integrated firms, even as recent liberalization has increased competition for inward investment (UNCTD, 2004). It suggests a service sector strategy that facilitates a movement from low value (e.g., hotels) to higher value service sectors (UNCTD, 1999). In addition, OECD advice prioritises concerns of competitiveness at mature tourism destinations, and, by implication, disadvantaged small/medium-sized business against multinationals. The implications of these policies are that there will be significant *caveats*, or at least qualifiers, to future hotel internationalization.

As a result of these trends impacting on hotel internationalization, future research should look very different to that previously undertaken. Returning to the original question we have raised, firstly the review has confirmed that modal choice literature has developed from description to provide greater depth in understanding relationships between choice and organisational capabilities. This stream of literature on process in internationalization will help research move from formulaic assessments of modal choice which, we think, may become circular in nature and limited in vision. Balance in this stream can arise from in-depth market studies which fully explore ‘new’ local market characteristics. The approach of Slattery (2003) could be further developed to address industry development issues, adding greater utility to eclectic paradigms.

Secondly, there has been a welcome shift towards more internalised, qualitative research. However, studies must prevent parochialism or ethnocentrism and avoid assumptions that business is business [and management is management] wherever it arises and wherever it is practiced (Boddewyn, 1999, p. 10 and Toyne and Nigh,

1998). Thirdly, while there have been some comparative industry studies there has not been sufficient dialogue between researchers in different service industries, let alone with those from manufacturing internationalization experience. Another area which would benefit from greater attention is specific work on the policy issues at supra-national level as well as national level.

The role of researchers is paramount in addressing these points. There is an issue of critical mass. We are impressed, for example, by the role of doctoral work in advancing the issues in internationalization – this type of work must continue and expand. We also welcome the introduction of researchers from a wider world and suggest that greater interaction between them may help mould the agenda for research in hotel internationalization. Research in the field should not only inform knowledge in the field but can contribute insights in the wider territory of internationalization research.

References

- Altinay, L. (2004) "Implementing international franchising: the role of intrapreneurship", *International Journal of Service Industry Management*, Vol 15, No 5, pp. 426-443.
- Altinay, L. and Altinay, M. (2004) "The influence of organisational structure on entrepreneurial orientation and expansion performance". *International Journal of Contemporary Hospitality Management*, Vol 16, No 6, pp. 334-344.
- Altinay, L. (2005) "Factors influencing entry mode choices: Empirical Findings from an International Hotel Organisation", *Journal of Hospitality and Leisure Marketing*, Vol 12, No 3, pp. 5-28.
- Altinay, L. and Roper, A. (2005) "The entrepreneurial role of organisational members in the internationalisation of a franchise system", *International Journal of Entrepreneurial Behaviour & Research*, Vol 11, No 3, pp. 222-240.
- Aung, M. and Heeler, R. (2001) "Core competencies of Service Firms: A Framework for Strategic Decisions in International Markets", *Journal of Marketing Management*, Vol 17, pp. 619-643.
- Bjorkman, I. and Kock, S. (1997) "Inward international activities in service firms - illustrated by three cases from the tourism industry", *International Journal of Service Industry Management*, Vol 8, No 5, pp. 362-376.
- Boddewyn, J.J. (1999) "The domain of international management", *Journal of International Management*, Vol 5, No 1, pp. 3-14.
- Brotherton, B. (ed) (2003) *The International Hospitality Industry: Structure, Characteristics and Issues*, Butterworth-Heinemann: Oxford.
- Buckley, P.J. and Casson, M. (1976) *The Future of the Multi-national Enterprise*. Macmillan: London.
- Buckley, P.J. and Lessard, D.R. (2005) "Regaining the edge for international business research" *Journal of International Business Studies*, Vol 36, No 6, pp. 595-599.
- Chakravarthy, B.S, and Perlmutter, H.V. (1985) Strategic Planning for a Global Business, *Columbia Journal of World Business*, Summer, pp. 3-10.
- Chen, J. J. and Dimou, I. (2005) "Expansion Strategy of international hotel firms", *Journal of Business Research*, Vol 58, No 12, pp. 1730-1740.
- Clancy, M. (1998) "Commodity chains, services and development: theory and preliminary evidence form the tourism industry", *Review of International Political Economy*, Vol 5, No 1, pp. 122-148.
- Clark, T. and Rajaratnam, D. (1999) "International services: perspectives at century's end", *Journal of Services Marketing*, Vol 3, No 4/5, pp. 298-310.

Coase, R.H. (1937) "The nature of the firm", *Economica*, No 4, pp. 386-406.

Connell, J. (1997) "International hotel franchise relationships – UK franchisee perspectives", *International Journal of Contemporary Hospitality Management*, Vol 9, No 5/6, pp. 215-220.

Contractor, F. and Kundu, S. (1998) "Modal choice in a world of alliances: Analysing organisational forms in the international hotel sector", *Journal of International Business Studies*, Vol 29, No 2, pp. 325-357.

D'Annunzio-Green N., Maxwell, G.A. and Watson, S. (eds) (2002) *Human Resource management: International Perspectives in Hospitality Management*. Thomson Learning: London.

Dev, C.S., Erramilli, M.K. and Agarwal, S. (2002) Brands across Borders: Determining factors in choosing franchising or management contracts for entering international markets, *Cornell Hotel and Restaurant Administration Quarterly*, Vol 43, No 6, pp. 91-104.

Dunning, J.H. (1981) *International production and the multinational enterprise*, Allen & Unwin: London.

Dunning, J. H. and McQueen, M. (1982) *Transnational Corporations in International Tourism*, UNCTC: New York.

Dunning, J.H. and Kundu, S.K. (1995) "The internationalization of the hotel industry - Some findings from a field study", *Management International Review*, Vol 35, No 2, pp. 101.

Erramilli, M.K., Agarwal, S. and Dev, S.C. (2002) "Choice between non-equity entry modes: An organizational capability perspective", *Journal of International Business Studies*, Vol 33, No 2, pp. 223-253.

Erramilli, M. and Rao, C. (1993) "Service firms international entry mode choice: a modified transaction-cost analysis approach", *Journal of Marketing*, Vol 57, No 1, pp. 199-38.

Gannon, J. and Johnson, K. (1997) "Socialization control and market entry modes in the international hotel industry", *International Journal of Contemporary Hospitality Management*, Vol 9, No 5/6, pp. 193-198.

Global Market Information Base. (2005) Country data sets (Various), *Euromonitor*, <http://www.gmid.euromonitor.com/> accessed December 2005.

Go, F.M. and Pine, R. (1995) *Globalization Strategy in the Hotel Industry*. Routledge: London.

- Goss-Turner, S. (1999) "The role of the multi-unit manager in branded hospitality chains", *Human Resource Management Journal*, Vol 9, No 4, pp. 39-57.
- Heenan, D. and Perlmutter, H.V. (1979) *Multinational Organizational Development: A Social Architecture Perspective*, Addison-Wesley: Reading, MA.
- Hennart, J-F. (1988) "A transaction costs theory of equity joint ventures", *Strategic Management Journal*, Vol 9, No 4, pp. 361-374.
- Inter-Continental Hotels Corporation. (1996) *A Room with a World View*, Weidenfield and Nicholson: London.
- Johanson, J. and Vahlne, J-E. (1990) "The mechanism of internationalization", *International Marketing Review*, Vol 7, No 4, pp. 11-24.
- Johanson, J. and Vahlne, J-E. (1977) "The internationalisation process of the firm - a model of knowledge development and increasing foreign market commitment", *Journal of International Business Studies*, Vol 8, No 1, pp. 23-24.
- Johnson, C. and Vanetti, M. (2005) "Locational Strategies of International Hotel Chains", *Annals of Tourism Research*, Vol 32, No 4/5, pp. 1077-1099.
- Jones, C., Thompson, P. and Nickson, D. (1998) "Not part of the family The limits to managing the corporate way in international hotel chains", *The International Journal of Human Resource Management*, Vol 9, No 6, pp. 637-1061.
- Jones, P., Song, H. and Hong, J.H. (2004) "The relationship between generic theory and hospitality applied research: The case of International Hotel Development", *Journal of Hospitality and Tourism Management*, Vol. 11, No 2, pp. 128-138.
- Knight, G. (1999) "International services marketing: review of research 1980-1998", *Journal of Services Marketing*, Vol 13, No 4/5, pp. 347-360.
- Lashley, C. and Morrison, A. (eds) (2001) *In Search of Hospitality: Theoretical perspectives and debates*, Butterworth-Heinemann: Oxford.
- Litteljohn, D. and Kendall, N. (1998) "International marketing Networks in Scottish Tourism", in Litteljohn, D. (Ed), *7th Annual Hospitality Research Conference*, Council for Hospitality Management Education, Glasgow Caledonian University, pp.198-217.
- Lovelock, C.H. and Yipp, G.S. (1996) "Developing global strategies for global services business", *California Management Review*, Vol 38, No 2, pp. 64-86.
- Macharzina, K. and Engelhard, J. (1991) "Paradigm Shift in International Business Research: From Partist and Eclectic Approaches to the GAINS Paradigm", *Management International Review (MIR)*, Vol 31, pp. 23-43.

Martinez, Z.L. and Toyne, B. (2000) "What is international management, and what is its domain?" *Journal of International Management*, Vol 6, No 1, pp. 11-28.

Mathe, H., and Dagi, T. F. (1996) "Harnessing Technology in Global Service Businesses", *Long Range Planning*, August, Vol 29, No 4, pp. 449-461.

Moore, C.M., Fernie, J. and Burt, S. (2000) "Brands without boundaries", *European Journal of Marketing*, Vol 34, No 8, pp. 919-937.

Munoz, M. J. (2005) "Executive insights on globalization", *International Journal of Contemporary Hospitality Management*, Vol 17, No 4, pp. 365-371.

Nickson, D. (1997) "Continuity or change in the international hotel industry" in Foley, M., Lennon, J. and Maxwell, G. (Eds), *Hospitality, Tourism and Leisure Management Issues in Strategy and Culture*. Cassell: London, pp. 213-227.

O’Gorman, C. and McTiernan, L. (2000) "Factors Influencing the Internationalization Choices of Small and Medium-Sized Enterprises: The Case of the Irish Hotel Industry", *Enterprise & Innovation Management Studies*, Vol 1, No 2, pp. 141-151.

Olsen, M.D. and Roper, A. (1998) "Research in strategic management in the hospitality industry", *International Journal of Hospitality Management*, Vol 17, No 2, pp. 111-124.

Perlmutter, H.V. (1969) "The Tortuous Evolution of the Multinational Corporation", *Columbia Journal of World Business*, January-February, pp. 9-18.

Patterson, P. and Cicic, M. (1995) "A typology of service firms in international markets: an empirical investigation", *Journal of International Marketing*, Vol 36, No 4, pp. 57-83.

Pine, R. and Qi, P. (2004) "Barriers to hotel chain development in China", *International Journal of Contemporary Hospitality Management*, Vol 16, No 1, pp. 37-44.

Pla-Barber, J. and Darder, F. L. (2002) "Entry modes in the internationalisation of the Spanish hotel industry", in: *European International Business Academy*, www.aueb.gr/deos/EIBA2002.files/PAPERS/c142.pdf, accessed 23 November 2004 pp.1-22.

Rodriguez, A.R. (2002) "Determining factors in entry choice for international expansion: The case of the Spanish hotel industry", *Tourism Management*, Vol 23, No 6, pp. 597-607.

Roper, A., Brookes, M., and Hampton, A. (1999) "Investigating the Centric Profile of International Hotel Groups: A Pilot Study", *Journal of Retailing & Consumer Services*, Vol 6, pp. 163-172.

Roper, A., Doherty, D., Brookes, M., and Hampton, A. (2001) "'Company Man' meets International Hotel Customer", in: Roper, A. and Guerrier, Y. (Eds) *A Decade*

of Hospitality Management Research: Tenth Anniversary Volume, CHME/Threshold Press, pp. 14-36.

Slattery, P. (2003) Hotel chains growth and the development process. Accessed: http://www.otusalliance.com/ind_writings.html 23 January 2004.

Strauss, K. and Scoviak, M. (2005) "Hotels ranking reveal biggest chains grow by leaps and bounds", Hotels Magazine, July, Editorial archives (web based)-
<http://www.hotelsmag.com/>, accessed September 2005.

Taylor, S. (2000) "Hotels", in Lashley, C. and Morrison, A. (Eds), Franchising Hospitality Services, Butterworth Heinemann: Oxford, pp. 170-191.

Thompson, P., Nickson, D., Wallace, T. and Jones, C. (1998) "Internationalisation and Integration: A Comparison of Manufacturing and Service Firms", Competition and Change, Vol 3, pp. 387-415.

Toyne, B. and Nigh, D. (1998) "A More Expansive View of International Business", Journal of International Business Studies, 4th Quarter, Vol 29, Issue 4, pp. 863-875.

United Nations Conference on Trade and Development. (2004) Prospects for FDI Flows, transnational Strategies and promotion Policies, 2004-2007. Global Investment Prospects Assessment Research Note 1 - TD(X1)/BP/5. United Nations Conference on Trade and Development: New York.

United Nations Conference on Trade and Development, (1999) Analysis of Services in Selected Service Sectors. TD/B/COM.1/28, United Nations Conference on Trade and Development: New York.

Williamson, O.E. (1985) The Economic Institutions of Capitalism, Free Press: New York.

World Tourism Organization (2005) Tourism Highlights 2005 Edition, World Tourism Organization: Madrid.

World Travel and Tourism Council (2005) Blueprint for New Tourism.
<http://www.wttc.org/frameset5.htm>, World Tourism Council: New York.

Zhao, J.L. and Olsen, M.D. (1997) "The antecedent factors influencing entry mode choices of multinational lodging firms", International Journal of Hospitality Management, Vol 16, No 1, pp. 79-98.

Table I: Modal choice and externally facing literature.

Major influencing factors	Authors	Research Methods	Key findings and/or propositions
Firm-Specific Factors <i>Objective factors</i> (firm size, international experience, administrative heritage, market segment)	Chen and Dimou (2005)*	Secondary data from 19 international hotel brands.	-High control MC preferred by upscale brands compared to budget brands. -Brands with limited international experience may find it difficult to attract/select franchisees and may opt for hierarchically controlled MC.
	Altinay (2005)*	In-depth single case study.	Administrative heritage determines MC. Mid-market brands from Anglo-Saxon countries favour franchising.
	Contractor and Kundu (1998)	Questionnaire survey of 720 hotel managers.	Non-equity MCs more likely to be used by large, globalised and experienced international hotel groups.
	Erramilli, Agarwal, and Dev, (2002); Dev, Erramilli and Argwall (2002)	Questionnaire survey of 139 managers with international experience.	The greater experience a service organisation gains and the greater its degree of globalisation, the less likely it is to employ partnership MCs.
	Rodriguez (2002)*	Sample of 26 Spanish firms; surveys, statistical analysis and in-depth interviews.	Higher degree of firm-specific internationalisation, the greater the tendency to choose franchising.
	Pla-Barber and Darder (2002)	Sample of 22 Spanish firms; surveys, statistical analysis and in-depth interviews.	International experience seen as the most important determinant. Also important asset specificity. High control MCs favoured at early stages and latter stages of internationalisation.
	Jones, Song and Hong (2004)*	Secondary data on 512 hotels using Transaction Cost Analysis.	No consistent pattern to entry mode choice within firms or across firms.
<i>Subjective Factors</i> (e.g., perceptions)	Altinay (2005)*; Taylor (2000); Contractor and Kundu (1998)	In-depth single case study; conceptual; questionnaire survey of 720 hotel managers.	Concerns for service quality may drive management towards favouring direct ownership whilst non-equity MCs used reluctantly.
	Taylor (2000); Contractor and Kundu (1998); Zhao and Olsen (1997)*	Conceptual: questionnaire survey of 720 hotel managers; five multinational hotel group case studies: interviews, company and secondary data.	When codified assets (e.g., reservation systems and brands) are recognised as providing advantage, non-equity MCs are considered viable, as proprietary assets can be protected.
Host-Country Specific Factors			

<i>Political and economic risk and level of economic development</i>	Johnson and Vanetti (2005); Zhao and Olsen (1997)*	Questionnaire survey of 14 international firms expanding into Eastern Central Europe; five multinational hotel group case studies: interviews, company and secondary data.	Where a high levels of country and political risk are perceived MCs with lower levels of resource commitment are favoured.
	Altinay (2005)*; Rodriguez (2002)	In-depth single case study; sample of 26 Spanish firms: surveys, statistical analysis and in-depth interviews.	Where there are high degrees of uncertainty (e.g., currency volatility), franchise MCs are favoured.
	Altinay (2005)*; Contractor and Kundu (1998)	In-depth single case study; questionnaire survey of 720 hotel managers.	Low equity MCs preferred in developed countries. Equity-based arrangements preferred in less developed countries. Where political and economic risk is perceived to be high non-equity based MCs favoured.
	Pla-Barber and Darder (2002)	Sample of 22 Spanish firms; surveys, statistical analysis and in-depth interviews.	Spanish developer/brand may have difficulties in attracting capital/investors in North and Latin American countries.
	Slattery (2003)	Macro-economic analysis of European countries.	Stages of hotel development linked to industry structure are driving forces for chain development. Availability of finance an important determinant in MC.
<i>Cultural Distance</i>	Rodriguez (2002)	Sample of 26 Spanish firms; surveys, statistical analysis and in-depth interviews.	The greater the cultural distance (and less investment risk), the greater the reliance on non-equity MCs.
	Pine and Qi (2004)**	Examination of Chinese hotel industry structure using secondary sources and mini-cases in three cities.	Sensitivity to social and cultural differences required for foreign companies favouring non-equity MCs.

* Originating from doctoral research

** Originating from MPhil research

Table II. Studies utilising case study research strategy.

Authors	Type of Case Study	Sample	Levels of analysis	Data Collection Methods
Altinay*	Single, embedded	International hotel group: Bass plc.	Hotel development proposals investigated from different organisational levels.	Semi-structured interviews (45+), company and secondary data, and observation.
Aung and Heeler *	Multiple	Four international hotel groups: Accor, Mandarin Oriental, Four Seasons/Regent and Delta. Four local Thai hotel companies: Dusit, Central, Royal garden and Felix.	Different organisational levels.	Semi-structured interviews held in Asia/Pacific and secondary data.
Connell *		Two single case studies of UK master franchisees: Scotts and Friendly Hotels	Different organisational levels.	Open, in-depth interviews, company and secondary data.
Gannon and Johnson *	Multiple	Six international hotel groups.	HR managers.	Questionnaires, interviews and secondary data.
Jones, Thompson and Nickson	Multiple	Three international hotel groups: Americo, Frenco and Swedco.	Different organisational levels.	Semi-structured interviews held across Europe and USA (70+), company and secondary data.
Roper, Brookes, Hampton and Price	Multiple	Three international hotel groups: British, American, and Japanese.	Different organisational levels.	Semi-structured interviews held across Europe and USA (30+), company and secondary data.

* Originating from doctoral work