

**4th WORKSHOP ON INTERNATIONAL STRATEGY
AND CROSS CULTURAL MANAGEMENT**

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***“INTERNATIONAL MARKET ENTRY STRATEGIES:
LOCATION- AND FIRM-SPECIFIC FACTORS IN THE HOTEL INDUSTRY”***

Diego Quer

Enrique Claver

Laura Rienda

Rosario Andreu

Department of Management

University of Alicante

Spain

INTRODUCTION

* HOTEL SECTOR = SERVICE INDUSTRY:

- INTERACTION WITH CUSTOMER
- IMPOSSIBILITY TO STORE AND TRANSPORT

* INTERNATIONALIZATION OF HOTEL FIRMS:

- NOT EXPORT
- ONLY CONTRACTUAL AGREEMENTS OR FOREIGN DIRECT INVESTMENT (FDI)

FDI



- * BETTER CONTROL AND GREATER PROFIT POTENTIAL
- * MORE RESOURCE COMMITMENT AND GREATER RISK

* AIM OF THIS PAPER:

STUDY FACTORS LINKED WITH THE LOCATION COUNTRY AND THE HOTEL FIRM THAT CAN LEAD THE COMPANY TO FDI INSTEAD OF CONTRACTUAL AGREEMENTS

LITERATURE REVIEW AND HYPOTHESES

COUNTRY FACTORS AND ENTRY STRATEGIES

CULTURAL DISTANCE

* ARGUMENTS:

- 1) TRANSACTION COST ECONOMICS (LESS FAMILIAR = DIFFICULT INTEGRATION)
- 2) CONTINGENCY APPROACH (CONTRACTUAL AGREEMENTS = FLEXIBILITY)
- 3) RESOURCE DEPENDENCY PERSPECTIVE (LOCAL SUPPORT)
- 4) RESOURCE- BASED VIEW (APPLICABILITY OF ROUTINES)

H1) A GREATER CULTURAL DISTANCE WILL REDUCE THE LIKELIHOOD OF USING ENTRY STRATEGIES THAT IMPLY A HIGH RESOURCES COMMITMENT LEVEL

LITERATURE REVIEW AND HYPOTHESES

COUNTRY FACTORS AND ENTRY STRATEGIES

TARGET COUNTRY RISK

* DIFFERENT VIEWS ABOUT ITS INFLUENCE:

- 1) TRANSACTION COST ECONOMICS (UNCERTAINTY = COST OF INTERNALISATION)
- 2) CONTINGENCY APPROACH (FLEXIBLE POSITION)
- 3) RESOURCE DEPENDENCY PERSPECTIVE (HELP OF A LOCAL PARTNER)

H2) A GREATER TARGET COUNTRY RISK WILL REDUCE THE LIKELIHOOD OF USING ENTRY STRATEGIES THAT IMPLY A HIGH RESOURCES COMMITMENT LEVEL

LITERATURE REVIEW AND HYPOTHESES

FIRM FACTORS AND ENTRY STRATEGIES

(ARGUMENTS FROM FDI THEORIES AND RESOURCE-BASED VIEW)

FIRM SIZE

* GREATER AVAILABILITY OF FINANCIAL AND MANAGERIAL RESOURCES

H3) A GREATER FIRM SIZE WILL INCREASE THE LIKELIHOOD OF USING ENTRY STRATEGIES THAT IMPLY A HIGH RESOURCES COMMITMENT LEVEL

FIRM PROFITABILITY

* ACCUMULATED PROFITS WILL LEAVE THE FIRM IN A BETTER POSITION

H4) A GREATER EX-ANTE PROFITABILITY WILL INCREASE THE LIKELIHOOD OF USING ENTRY STRATEGIES THAT IMPLY A HIGH RESOURCES COMMITMENT LEVEL

LITERATURE REVIEW AND HYPOTHESES

FIRM FACTORS AND ENTRY STRATEGIES

(ARGUMENTS FROM FDI THEORIES AND RESOURCE-BASED VIEW)

INTERNAL FINANCIAL FUNDS

- * FINANCIAL RESOURCE SURPLUS WILL MAKE THE FIRM MORE LIKELY TO ADOPT RISKIER GROWTH STRATEGIES

H5) A GREATER AVAILABILITY OF INTERNAL FINANCIAL FUNDS WILL INCREASE THE LIKELIHOOD OF USING ENTRY STRATEGIES THAT IMPLY A HIGH RESOURCES COMMITMENT LEVEL

EMPIRICAL RESEARCH METHODOLOGY

SAMPLE AND DATA

- * REVIEW OF THE NEWS ITEMS PUBLISHED ON THE WEBPAGE OF THE SPECIALISED NEWSPAPER “HOSTELTUR”
- * SAMPLE = 127 INTERNATIONALIZATION STRATEGIES UNDERTAKEN BY SPANISH HOTEL FIRMS (2001-2003)

DEPENDENT VARIABLE

- * DEGREE OF COMMITMENT = BINARY VARIABLE :

0) CONTRACTUAL AGREEMENT

1) FDI



GROWING DEGREE OF
RESOURCES COMMITMENT

EMPIRICAL RESEARCH METHODOLOGY

INDEPENDENT VARIABLES

* CULTURAL DISTANCE = 3 DICHOTOMOUS VARIABLES:

- EUROPE
 - LATIN AMERICA
 - REST OF THE WORLD (REFERENCE)
- } LESS CULTURAL DISTANCE

* TARGET COUNTRY RISK:

- COVERS OF THE SPANISH EXPORT CREDIT INSURANCE COMPANY (*CESCE*)
- SCALE: 1 (OPEN COVER IN ALL PERIODS) TO 10 (CLOSED COVER IN ALL PERIODS)
- DIRECTLY RELATED TO RISK LEVEL

EMPIRICAL RESEARCH METHODOLOGY

INDEPENDENT VARIABLES

* **FIRM SIZE:**

- **FIRM TURNOVER (LOGARITHMIC TRANSFORMATION)**

* **EX-ANTE PROFITABILITY:**

- **ROA**

* **INTERNAL FINANCIAL FUNDS:**

- **LIQUIDITY RATIO**

*AVERAGE OF THE 3 YEARS PRIOR
TO THE PERIOD ANALYSED*

CONTROL VARIABLES

* **FIRM INDEBTEDNESS:**

- **INDEBTEDNESS RATIO**

* **INITIAL RISK:**

- **STANDARD DEVIATION OF ROA**

RESULTS AND DISCUSSION

* BINOMIAL LOGISTIC REGRESSION

COUNTRY FACTORS



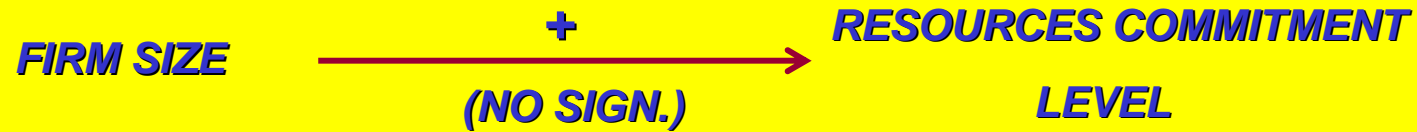
* H1: PARTIAL SUPPORT (NO STATISTICAL SIGNIFICANCE FOR EUROPE)



* H2: NOT SUPPORTED (NOT STATISTICAL SIGNIFICANCE)

RESULTS AND DISCUSSION

FIRM FACTORS



* H3: NOT SUPPORTED (NOT STATISTICAL SIGNIFICANCE)



* H4: SUPPORTED



* H5: SUPPORTED

CONTROL VARIABLES

* INDEBTEDNESS AND INITIAL RISK ARE NOT SIGNIFICANT

CONCLUSIONS

MAIN RESULTS

*** FDI OF HOTEL COMPANIES DETERMINED BOTH BY COUNTRY AND FIRM FACTORS:**

SMALLER CULTURAL DISTANCE, GREATER EX- ANTE PROFITABILITY AND GREATER AVAILABILITY OF INTERNAL FINANCIAL FUNDS INCREASE THE LIKELIHOOD OF USING HIGHER-COMMITMENT ENTRY STRATEGIES

CONTRIBUTIONS

*** NEW EMPIRICAL EVIDENCE WITH FIRM DATA ABOUT ENTRY STRATEGIES IN THE INTERNATIONALIZATION PROCESS OF HOTEL COMPANIES (FEW RESEARCH SO FAR)**

LIMITATIONS

*** SECONDARY DATA**

*** FUTURE RESEARCH: SURVEYS (PRIMARY DATA)**