

CHOICE OF ENTRY MODE INTO THE INTERNATIONALIZATION PROCESS BY DOMINANT SPANISH HOTEL CHAINS

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ABSTRACT

This dissertation has focused on developing an explicative model about the way of entry chosen by Spanish hotel chains when it comes to Entering a new market. Two types of variables have been analyzed: Some Specific ones about the country of destination like its potential and cultural Distance and other which depend on the own company, like its financial Situation, the experience gained previously in the country or the Company's grade of internationalization. Secondary data has been used and from them several hypotheses have been issued so that later they can be checked.

KEYWORDS: Internationalization, Hotel Chains, Way of Entry.

REVIEW

This dissertation has focused on developing an explicative model about the way of entry chosen by Spanish hotel chains when it comes to entering a new market. Two types of variables have been analyzed: Some specific ones about the country of destination like its potential and cultural distance and others which depend on the own company, like its financial situation, the experience gained previously in the country or the company's grade of internationalization. Secondary data has been used and from them several hypotheses have been issued so that later they can be checked. The effect of globalization on all aspects of economy has influenced the competition within the touristic sector as well as the hotel sector particularly. It is a fact that competition has become global, forcing businesses to get international to remain competitive (Chen & Dimou, 2005). Regarding international strategy, the way of entry chosen by a hotel chain has relevant consequences on the whole strategy as long as it influences, for example, the level

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of control over actions and the amount of resources needed (Andreu & Quer, 2017). Thus, it becomes vital to guarantee hotel chains make this decision as rationally as possible, looking for the highest success level in the chosen market. We have identified some variables which influence the choice hotel chains make about how to get into a foreign market. Taking into account the results given, we can prove cultural distance influences inversely on the chosen way of entry (Agarwal, 1994). Therefore, our recommendation for those hotel chains facing a high uncertainty would be to seek collaborations with local companies and chose ways of entry which don't imply high investments, delaying them to that moment when uncertainty has been solved and they have a higher knowledge of the market to enter (Kogut & Singh, 1988). There is also an inverse relationship between the size of the company and the chosen way. This suggests bigger companies will have it easier to find strategically partners for international transactions, which turn out to be an advantage that must be used to obtain international growth without high investments (Ramón, 2002). When it comes to the chain's international experience, the bigger it is, the easier it will be to minimize the risks taken with the investment, making the most of potential benefits and controlling the ways of entry which imply property - partially or totally. We would advise companies to apply ways which entail property once they have enough experience on international transactions. It is also necessary to highlight international experience (Driha & Ramón, 2011) comes from the number of establishments held by the company and how many countries it operates in. Thus, a company with many years on its back operating in a few countries won't get the same experience as those which choose to get into more countries. In the same way, the company's internationalization level affects directly on the way of entry (Martorell & Otero, 2013), implying bigger investments for those companies which feel a lower need to find local partners, so that they can look for advantages on profitability inside riskier ways of entry. Finally, it has also been proved that ways of entry are inversely influenced by previous experience on the country. Once overcome entry barriers, chains can choose to seek local partners and grow faster without huge investments (Berbel & Puig, 2007). Even though hypothesis related to the market's potential and the chain's financial health haven't been held on the model developed, results catch a glimpse of an inverse influence. This can be related to the fact that it is more probable to find local partners in markets with higher potential (Myro, 1999). Likewise, a company which proves to be healthy in a financial way will be more attractive to potential partners, so a company with a good financial situation will be able to get the most of it and apply ways of entry which imply lower investments, taking lower risks as well.

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