



# The inverted-U relationship between the degree of internationalization and the performance: The case of Spanish hotel chains

Juan Gabriel Brida<sup>a</sup>, Ana B. Ramón-Rodríguez<sup>b,\*</sup>, Maria Jesus Such-Devesa<sup>c</sup>, Oana Driha<sup>d</sup>

<sup>a</sup> GIDE (Research Group in Economic Dynamics), Universidad de la República, Eduardo Acevedo 1139, Montevideo CP 11100, Uruguay

<sup>b</sup> Applied Economic Analysis Department, University of Alicante, Campus S. Vicente Raspeig, 03690 Alicante, Spain

<sup>c</sup> University of Alcalá, Plaza de la Victoria, 2, 28802, Spain

<sup>d</sup> Applied Economic Analysis Department, University of Alicante, Campus S. Vicente Raspeig, 03690, Alicante, Spain

## ARTICLE INFO

### Article history:

Received 5 August 2015

Received in revised form 14 December 2015

Accepted 28 December 2015

### Keywords:

Degree of internationalization

Performance

Inverted U-shape

Spanish hotel industry

## ABSTRACT

This paper analyzes the dynamic relationship between the degree of internationalization (*DOI*) and economic performance (*P*) in Spanish hotel firms. A longitudinal dataset for the period 2000–2013 measuring the variables *DOI* and *P* has been used to conduct a FGLS cross-section time-series regression analysis. The results pinpointed an inverted U-shaped curvilinear relationship between the variables *DOI* and *P*, suggesting that hotel firms face the costs of entering new countries and managing different portfolio of business. The analysis could indicate whether factors related to the development of the international strategic knowledge of hotel chains, the incorporation of new operators in the process or differences between international leisure and urban destinations, could affect this *DOI*–*P* relationship.

© 2016 Elsevier Ltd. All rights reserved.

## 1. Introduction

Multinational companies have the possibility of obtaining greater returns from the international exploitation of their intangible assets (Yang & Driffield, 2012). When firms decide to expand abroad, they gain several benefits, such as economies of scale and scope and the ability to relocate activities in order to reduce costs. Furthermore, multinationals normally improve their efficiency and productivity, which seems to lead to an increase in their performance (Buckley & Casson, 1976; Dunning, 1988; Helpman, Melitz, & Yeaple, 2004; Rugman, 1986; Tallman & Li, 1996). Due to its potential relevance, research on the multinationalization–performance relationship has grown considerably since the mid-1970s. This is one of the most highly-reported research topics in the international business literature (Werner, 2002). More than a hundred projects researching this relationship have been undertaken worldwide (Ruigrok, Amann, & Wagner, 2007; Hennart, 2007; Rugman & Oh, 2010, among others).

Is there a symmetric relationship between the internationalization of firms and their performance? This is a key question in international business (Contractor, 2007; Glaum & Oesterle, 2007; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Thomas, 2006). The multinationality and performance relationship has been studied since 1977 and has

become a prominent research topic (Contractor, Kumar, & Kundu, 2007). These aspects are particularly important for managers when they design their international strategy to respond to the competition in the sector. The major premise of the studies focused on this multinationality and performance relationship is that the effect of internationalization is not monotonic. Hence, the performance benefits to be gained from internationalization differ depending on the stage of internationalization (Kumar & Singh, 2008). There are, however, costs associated with internationalization. Palich, Cardinal, and Miller (2000) among others summarize these costs as the cost of entering new countries and managing a diverse business portfolio.

An analysis of the Spanish hotel industry has been conducted by testing the impact of different degrees of internationalization (*DOI*) on firm performance during the period 2000–2013. Spanish hotel firms are leaders in terms of vacation hospitality know-how which they have exported abroad in new tourism destinations (Ramón-Rodríguez, 2002; Such-Devesa, 2007). It could be said that during this period a structural change took place in the evolution of the internationalization process in terms of destinations, segments, operators and even modes of entry with different stages in the process being identified (Brida, Driha, Ramón-Rodríguez, & Scuderi, 2015). An analysis of the incremental benefits and costs of internationalization is required when managers have to evaluate and make decisions regarding the international expansion of their activities. This means that a more in-depth study of the benefit increase/decrease and cost increase/decrease obtained by a one-unit *DOI* increase should be conducted. Analyzing whether there is an “optimal” path in the internationalization process is interesting in order to

\* Corresponding author.

E-mail addresses: [elbrida@gmail.com](mailto:elbrida@gmail.com), [JuanGabriel.Brida@unibz.it](mailto:JuanGabriel.Brida@unibz.it) (J.G. Brida), [anar@ua.es](mailto:anar@ua.es) (A.B. Ramón-Rodríguez), [mjesus.such@uah.es](mailto:mjesus.such@uah.es) (M.J. Such-Devesa), [oana.driha@ua.es](mailto:oana.driha@ua.es) (O. Driha).

**Table 1**

Spanish hotel chains and their investment abroad. Operations during 2013.  
Source: *FDI Markets Database* (2014).

Hotel chain	Properties	Hotel chain	Properties
NH Hotels	45	Room Mate	3
Meliá Hotels International	33	Fontecruz	2
Iberostar	31	Grupo Piñero	2
Hotusa	28	Grupo Regina Hotels	2
Barceló	21	Hesperia	2
Riu Hotels & Resorts	13	Abba Hoteles	1
Vincci Hotels	6	Camper	1
AC Hotels	5	Eurostars Hotels	1
Gat Rooms	5	Hoteles Elba	1
H 10 Hotels	4	Nortia Corporation	1
Axel Corporation Grupo Hotelero	3	Vista Sol	1
Chic & Basic	3	Zenit Hoteles	1
Globalia Corporation	3	Total	218

understand managers' strategic decisions. In particular, this study suggests that the relationship between the variables DOI and P has the form of an inverted U. Should a nonlinear relationship be taken into consideration in this international process? Are the Spanish hotel firms exposed to new challenges or even risks? This research analyzes how factors related to the growth of hotel multinationals, such as the development of their strategic knowledge, new operators involved in the process, differences between leisure and urban destinations or the operational service intensity, among others, influence their international performance evolution.

This paper is structured as follows. First, the Spanish hotel industry is analyzed, pinpointing its main characteristics and the changes identified on its internationalization process. Second, a literature review regarding the relationship between the degree of internationalization and performance is carried out, with particular focus on the hotel sector. Next, the sample and the methodology used are outlined. Subsequently, the results are described and in the final section the conclusions and future research lines are presented.

## 2. Spanish hotel industry in the international market

The hotel industry is the most internationalized sector of the world tourism industry –excluding online travel agencies (UNCTAD, 2006)– and Spanish chains play a prominent role in this process (FDI Markets Database, 2014). During the last year of the period studied, a high level of concentration in hotel operations can be observed. Five chains (NH Hotels, Meliá Hotel International, Iberostar, Hotusa and Barceló) represented more than 70% of the operations (FDI Markets Database, 2014). For the whole period (2000–2013), basically the same hotel chains have been leading the internationalization process of the Spanish hotel industry (see Table 1).

In order to maintain and enlarge their markets, but also to gain competitive advantages in a complex and dynamic operating environment, many hotel companies turn to internationalization (Beattie, 1991). Before the Second World War, the activity of North-American hotel firms

was already global. Major developments began in the 1950s in order to cater for the emerging 'elite tourism'. This type of tourism was characterized by luxury hotels and restaurants in major cities. From the 1960s mass tourism and low-cost packages entered the market. Spain then experienced a significant increase in leisure vacation tourism. Its highly-developed transport system and its geographical and weather characteristics made Spain one of the most important tourism destinations. This prominence was also due to the know-how of local companies with respect to sun, sea and sand tourism, which was the basis on which tour operators and local investors operated to compete successfully and develop the lodging industry.

Despite all of these facts, the internationalization process of Spanish hotels has been analyzed in only a few previous studies (Pla-Barber & León-Darder, 2004; Quer, Claver, & Andreu, 2007; Brida et al., 2010; Pla-Barber, León-Darder, & Villar, 2011; Ramón-Rodríguez, 2002, 2010; Such-Devesa, 2007; Such-Devesa, Parte-Esteban, & Garre-Martínez, 2009; Brida et al., 2015; Berbel-Pineda & Ramírez-Hurtado, 2011). According to Brida et al. (2015), it is possible to identify several stages in the evolution of the Spanish hotel industry's internationalization process. In the 1980s the Spanish leisure hotel industry started the internationalization process. This stage was, on the whole, a slow and intermittent process initiated by the leading hotels during Spain's tourism development. In the 1990s, the internationalization process experienced a development stage with a large increase in the number of companies running hotels abroad connected to the extensive specialization in international coastal tourism ('sun, sea and sand' packages). Investing abroad also constituted a way of diversifying the risks and internationalization constituted the industry's response to the 1992–93 tourism crises. During this stage tour operators still played an important role in the Spanish hotels' global expansion. The expansion was focused on 'all inclusive' hotels, mainly in Latin American destinations through FDI and management contracts.

Globalization and the consequent growth of the market due to the inclusion of a large number of destinations fostered this process. Since the beginning of the 2000s, the internationalization process of 'sun, sea and sand' resorts has been reaching a maturity stage. At the same time, the hotel chains started their international expansion into the urban/business market as a way of diversification and to rejuvenate itself in response to this life stage. This was carried out principally through mergers and acquisitions of local chains, mainly in Europe. On the other hand, the innovation and networking strategy with related industries provided an integrated supply of hotels and real estate complexes. The traditional supply of all-inclusive services changed to a more personalized supply and the all-inclusive packages were replaced. This required hotel firms, real estate, construction and financial companies to work in synergy (ECLAC, 2009). Together with financial and technological innovations, hotel chains have undergone major structural modifications and have started to outsource many of their international activities. We should note that throughout the internationalization process of hotel services, a distinct upgrade was experienced abroad which was directly related to a higher volume of services.

**Table 2**

International distribution of the Spanish hotel supply by geographical region: 2000–2013.  
Source: own elaboration based on Hostelmart (several years).

Region	2000		2013		Average annual growth (hotels)	Average annual growth (rooms)
	Hotels	Rooms	Hotels	Rooms		
Latin America	206	58,449	319	117,760	3.42%	5.54%
European Union	50	6964	349	52,985	16.12%	16.89%
Africa	54	15,438	56	14,410	0.28%	−0.53%
Eastern Europe	34	9296	62	13,062	4.73%	2.65%
Asia	18	4386	7	2709	−7.01%	−3.64%
USA	20	4320	59	14,826	8.68%	9.95%
Rest of Europe	11	716	16	3305	2.92%	−33.88%
Total	393	99,569	878	219,057	6.38%	6.25%

Download English Version:

<https://daneshyari.com/en/article/1013608>

Download Persian Version:

<https://daneshyari.com/article/1013608>

[Daneshyari.com](https://daneshyari.com)