Management
Contracts and Franchising:
A Two-Study Examination of Non-Equity Entry Mode Choice in the Hotel Sector

Michael Alexander Kruesi

18/05/2015

This thesis is submitted in fulfilment of the requirements for the degree of Doctor of Philosophy (PhD) at the School of Hospitality and Tourism of the Auckland University of Technology

Abstract

This thesis examines the non-equity entry mode decisions of international hotel organisations. To date, relatively few studies have examined entry mode choice in the context of the service sector as compared with that of the manufacturing sector, and fewer still have considered it in the context of the hotel industry. Moreover, studies focused on the choice between equity and non-equity entry modes by far outnumber studies focused on the choice between different non-equity modes. This gap needs to be filled because the majority of the entry modes used in the international hotel industry are non-equity in nature.

This thesis presents empirical research based on the theoretical foundation of new institutional economics on the choice between non-equity entry modes in the hotel industry – specifically on the choice between franchising and management contracts, known as asset-light modes by practitioners. Moreover, to the knowledge of the author, this is the first thesis to gather both qualitative and quantitative primary data from hotel executives who are at the strategic level as opposed to from hotel general managers or other operational-level employees in the hotel industry.

This thesis comprises two studies, each with its own literature review. Study 1 is qualitative in nature, with in-depth semi-structured interviews conducted with eight hotel executives. The primary objective of this study was to empirically examine which of the predominant theories of new institutional economics are the most appropriate for examining the specific choice between franchising and management contracts when internationalising a hotel or hotel chain. Transaction cost economics and the resource-based view emerged as the most appropriate theories, according to the executives interviewed. Specifically, the executives suggested that the considerations of asset specificity from transaction cost economics and imperfect imitability from the resource-based view are important in the decision. Moreover, several other considerations were suggested, including the size of the organisation, the importance of intangible assets and the level of investment into these assets. Finally, host country factors, such as legal and political risk, as well as the availability of capable local partners, were suggested as important considerations.

Study 2 is quantitative in nature, with a self-selected dual scenario-based online survey (a franchise scenario and a management contract scenario) of 109 hotel executives. The primary objective of this study was to develop and test hypotheses through the combined theoretical lenses of transaction cost economics and the resource-based view as well as

the findings from Study 1. These hypotheses were tested by initially examining whether the two groups of respondents differ in their opinion of the importance they attached to the independent variables in their entry mode decision through analyses of variance (ANOVAs) and a multivariate analysis of variance (MANOVA). This was followed by a discriminant function analysis to see if the variables allowed the prediction of group membership. These analyses were chosen because of their complementary and inter-confirmatory nature. The findings show that intangible assets and resources are one of the most important considerations in deciding between franchising and management contracts when internationalising a hotel or hotel chain, and that they prompt management contracts. Moreover, it was also found that uncertainties in the host market may lead hotel executives to choose franchising over management contracts, and finally, that asset specificity may prompt the use of management contracts over franchising.

Acknowledgements

Writing this thesis has been a very challenging endeavour. Over the past three years, I have changed my way of thinking and have grown as a person. I was lucky to receive a lot of support during this time and I would like to express my gratitude to several people without whom I would not have been able to complete this thesis.

First and foremost, I would like to thank my supervisors, Professor Nigel Hemmington and Dr Peter (BeomCheol) Kim, who have been immensely helpful over the past three years. Their vast experience and consistent encouragement helped guide me through the research process and also to overcome much of the uncertainty I had. I would like to thank Professor Hemmington specifically for being supportive of my ideas and continually guiding me through this process. Moreover, I am thankful for his generally positive demeanour, which always reassured me after our formal meetings. I would like to thank Dr Kim specifically for his positive and encouraging attitude, his constructive feedback and his flexibility regarding informal meetings to talk me through any problems or uncertainties I had. Moreover, his methodological knowledge has been invaluable in this research project, both in structuring the research design and in the analysis of the quantitative data collected.

I would also like to express my gratitude to other members of the school of hospitality and tourism at AUT. In particular, I would like to thank Professor Larry Powel for his insights and contributions to Study 2 and Dr Jill Poulsten for her support and direction during my tenure as research assistant. I would also like to thank my fellow doctoral candidates at the School of Hospitality and Tourism and at the New Zealand Tourism Research Institute for their encouragement throughout the PhD, and I would specifically like to thank Krisztian Vas for his continued fellowship and his constructive feedback. Moreover, doctoral fellows outside of AUT have also been immensely helpful. In particular, I would like to thank Veit Wohlgemuth, who helped me raise the level of my research by critically examining my work and continually challenging me with his thoughts and suggestions. In addition, I would like to thank Grigorij ljubownikow, who helped me significantly with the statistical sections of this thesis. Finally, Anna Zubkovskaya has been a supportive pillar throughout the process of writing the thesis and has been invaluable in contributing to the thesis through her constructive criticism and suggestions.

I would further like to sincerely express my gratitude to the hotel executives who participated for their time and insights, in both Study 1 and Study 2. Their input has added significant depth to the thesis and is one of the main contributions to the literature of entry modes in the hotel industry.

Last, but definitely not least, I have to acknowledge my wonderful parents, Adrian and Sylvia Kruesi, who have supported me throughout my entire education. Without their invaluable guidance, encouragement and financial support, I would not have been able to reach this level. In particular, my father has been instrumental as a role model and in coaching me through the obstacles that have presented themselves over the past years, and my mother has always been there to lend a sympathetic ear and to encourage me when things were not running as smoothly as they could have.

Table of Contents

List of Tables

List of Figures

CHAPTER 1 INTRODUCTION

1.1 Introduction

This chapter begins by outlining the background in which this thesis is set, briefly explaining entry modes and highlighting that non-equity entry modes have become increasingly popular in the service sector and in the hotel industry specifically. The purpose and significance of the thesis is then explained; it is shown that there is merit in building on the literature in this field, as non-equity entry mode research is under-represented relative to its use in the industry. This is followed by a brief outline of the research process, that is, a timeline of the thesis, highlighting the major milestones reached over the past three years. Finally, this chapter provides an overview of the approach and structure of the thesis.

1.2 Background

The mode used to enter a foreign market is a central consideration in the internationalisation process of multinational corporations (MNCs) (Quer, Claver, & Andreu, 2007). It determines the future of the operations in the host country and constitutes one of the most critical factors for success (Anderson & Gatignon, 1986). The importance of this decision is reflected in the literature, where considerable attention is paid to the phenomenon by scholars in the field (Agarwal & Ramaswami, 1992; Anderson & Gatignon, 1986; Brouthers & Brouthers, 2003; Brouthers, Brouthers, & Werner, 2008; Brouthers & Hennart, 2007; Canabal & White, 2008; Werner, 2002). Entry modes have been classified in the literature in two ways. The first is on a continuum of increasing control and consequent risk, starting at one end with exporting/contractual agreements, moving to joint ventures (JVs) in the middle, and ending with wholly owned subsidiaries (WOSs) (Anderson & Gatignon, 1986; Erramilli & Rao, 1990). The second is to classify entry modes as 'non-equity entry modes versus equity entry modes' in a hierarchical model (Pan & Tse, 2000). Non-equity entry modes, also referred to as asset-light modes, are defined as "modes that do not entail equity investment by a foreign entrant" (Erramilli, Agarwal, & Dev, 2002, p. 223) and refer to exporting and contractual agreements. Equity entry modes are defined as "[entailing equity ownership,] a high investment and consequently high risk/return alternative that also provides a high degree of control to the investing firm" (Agarwal & Ramaswami, 1992, p. 3) and refer to JVs and WOSs.

Non-equity entry modes have become increasingly popular among service firms (Brown, Dev, & Zhou, 2003; Contractor & Kundu, 1998a, 1998b; Cunill & Forteza, 2010; Dev, Erramilli, & Agarwal, 2002; Erramilli et al., 2002; Sanchez-Peinado & Pla-Barber, 2006a, 2006b; Sanchez-Peinado, Pla-Barber, & Hebert, 2007), and hotel chains specifically have been suggested in the literature as preferring non-equity modes (Contractor & Kundu, 1998b; Erramilli et al., 2002). The hotel industry is characterised as being capital intensive in regard to the ownership of physical assets such as real estate. It is therefore common to separate industry knowledge and managerial expertise from the ownership of these physical assets in the form of non-equity entry modes (Brown et al., 2003; Contractor & Kundu, 1998a; Cunill & Forteza, 2010; Rodríguez, 2002). According to Cunill and Forteza (2010), Erramilli and Rao (1990) and Pla-Barber et al. (2010), control does not necessarily need to be sacrificed when non-equity entry modes are used, despite the fact that the investment commitment is generally lower in such modes. This allows firms to expand more rapidly and allows for market concentration (Cunill & Forteza, 2010). It is likely that for these reasons Contractor and Kundu (1998b) found that hotel properties that have used non-equity entry modes constitute 65.4% of all multinational hotel organisations worldwide – a trend that has increased greatly since the publication of Contractor and Kundu's study (Alon, Ni, & Wang, 2012; 1998b; Cunill & Forteza, 2010).

The most commonly used non-equity modes in the hotel industry are franchising and management service contracts or branded management contracts (management contracts) (Contractor & Kundu, 1998a, 1998b; Pla & Leon, 2002; Sandman, 2003; Zeng, 2010). The key difference between the two is that, although both are collaborative modes, franchising has been defined as a quasi-market transaction, that is, an inter-firm transaction that crosses firm boundaries. Management contracts, conversely, have been defined as quasi-internalised transactions, that is, intra-firm transactions that remain within firm boundaries (Contractor & Kundu, 1998a; Dev et al., 2002; Erramilli et al., 2002; Fladmoe-Lindquist & Jacque, 1995). While the management contract offers more strategic and operational control for the entering firm than franchising, it entails a larger resource commitment from the firm (Contractor & Kundu, 1998a, 1998b; Erramilli et al., 2002; Pla & Leon, 2002).

It is surprising to find in the literature that the idiosyncrasies of different non-equity entry modes in the hotel industry seem to have been generally overlooked or understated by many researchers, apart from some notable exceptions (see Chapter 2). There are several forms of non-equity entry modes, ranging from exporting to various types of contractual agreements, including licensing, franchising and management contracts, all of which have their own idiosyncrasies (Anderson & Gatignon, 1986; Erramilli & Rao, 1990; Pan & Tse, 2000). However, the majority of publications consider all non-equity modes as one category and compare them against equity entry modes as a second category (see Chapter 2). By doing so, these authors disregard the complexity, heterogeneity and relationships between non-equity modes (Contractor & Kundu, 1998b; Villar, Pla-Barber, & Leon-Darder, 2012). Moreover, as highlighted in Chapter 2, to consider franchising and management contracts together and treat them equally as 'non-equity entry modes' is an oversimplification and does not allow for in-depth analysis. As franchising and management contracts constitute the vast majority of entry modes used in the hotel industry, the consideration between equity and non-equity modes is not as critical as the consideration between different non-equity modes. Accordingly, there is an imperative need to conduct further research on franchising and management contracts in the hotel industry, to examine the determinants for choosing between these non-equity modes.

1.3 Problem Statement

Non-equity entry modes have become increasingly popular for large hotel organisations seeking to internationalise. When examining Appendix 1, "The Proportion of Equity vs. Non-Equity Entry Modes Used in the 10 Largest Hotel Organisations Globally", it can be seen that there is a striking difference between the use of non-equity modes and the use of equity modes by the 10 largest hotel organisations in the world. From a total of 35,003 hotels controlled by these organisations, only 2,845 operate under an ownership or lease model, with a majority of 91.9% operating under management contracts or franchises.

This preference for non-equity modes in the hotel sector is well documented in the literature. However, when examining Appendix 2, "The Proportion of Equity vs. Non-Equity Oriented Hotel Entry Mode Research", which is derived from an extensive systematic literature review, it can be seen that the vast majority of articles, including the most recent, tend to focus on the choice between equity and non-equity modes as opposed to the choice between different non-equity modes. In fact, of the 57 articles included in the review, only five publications focused on either franchising or management contracts only, or the choice between the two.

This is critical when considering two points. Firstly, there is a continual trend of mergers and acquisitions in the hotel sector, which results in organisational concentration, increasingly leading to a small number of large organisations controlling the majority of the market. Secondly, the largest hotel organisations globally have continually intensified their non-equity hotel portfolio over the past decade while at the same time divesting their equity hotel portfolio. This trend is expected to continue over the next decade.

This is particularly intriguing when considering that there appear to be some contradictions in the literature. While much of the recent literature contends that high control can be obtained through some non-equity modes, these studies still apply the rationale of grouping non-equity modes together and comparing them as a group to equity modes, the rationale being that equity assures control. Clearly, the question of equity versus non-equity in the hotel sector appears to have been answered; however, what need to be established now are the factors affecting the choice between different non-equity modes.

In order to address this disparity in the literature and examine the factors that influence the non-equity choices of hotel executives, a deductive two-study examination was conducted. The first study is qualitative in nature, using interviews, and the second is quantitative in nature, with a scenario-based online survey. The aim of the former study was to examine the major theories used in entry literature founded in new institutional economics (NIE), and the aim of the latter study was to examine which factors impact on the choice between franchising and management contracts based on transaction cost economics (TCE) and the resource-based view (RBV) and the findings of Study 1.

1.4 Research Questions and Research Objectives

Considering the points outlined above in the problem statement, the research questions and research objectives of the thesis are presented below:

1) How are the predominant theories of entry mode literature perceived by high-level hotel executives?

2) Which of the predominant theories of entry mode literature is the most effective in explaining the specific decision made between franchising and management contracts?

3) What independent variables can be identified to predict the preference of hotel executives when choosing between franchising and management contracts in the hotel industry?

Derived from the research questions, the research objectives were developed to inform the initial research undertaken, and are as follows:

1) To examine and analyse non-equity entry modes in the hotel sector independently from equity entry modes;

2) To evaluate which of the predominant theories, or which combination of theories in the entry mode literature, is the most effective in the context of choosing between franchising and management contracts in the hotel industry;

3) To identify, analyse and test the key factors associated with the choice between franchising and management contracts.

1.5 Contribution

The contribution of this thesis is threefold. Firstly, this thesis fills a gap in the entry mode literature by building on non-equity entry mode research, which, as outlined above, is vastly under-represented in the literature in relation to how extensively non-equity modes are used in the industry. Secondly, the contribution of this thesis lies in the calibre of the research sample, which in this thesis consists of high-level hotel executives, that is, the individuals at the strategic level as opposed to hotel general managers, who are at the operational level. Finally, this thesis provides desperately sought empirical evidence on decisive factors in the choice between management contracts and franchising.

1.6 Approach to the Study

In this thesis, the methodology and the methods are presented separately. Here, only the methodology for the overall thesis will be outlined. The methods used for Study 1 and Study 2 will be detailed with the findings in their respective chapters. In this section, the research paradigm is first briefly explained, before the methodology and the research design for the thesis are presented.

1.6.1 Research Paradigm

Research paradigms are defined as "a basic set of beliefs that guides action, whether of the everyday garden variety or action taken in connection with a disciplined inquiry" (Guba, 1990, p. 17). According to Guba (1990), paradigms are categorised by their proponents' responses to three basic questions: the ontological, epistemological and methodological questions.

This thesis adopts a post-positivist paradigm. Post-positivism, unlike positivism, assumes that while the world is perceived as being organised by universal truths and laws, they can only be imperfectly known or understood by humans. Therefore, the ontology of this study is critical realism, which emphasises that reality can only be imperfectly comprehended (Jennings, 2001). In terms of the epistemology, this study therefore aims to be objective and to capture reality as closely as possible. In terms of the methodology, this study combines qualitative research and quantitative research in a sequential mixed-methods approach. Initially, a qualitative research round (Study 1) was undertaken with semi-structured interviews with hotel executives. These findings were then used to inform the following quantitative research round (Study 2), in which a scenario-based online survey was conducted with hotel executives.

This thesis adopts this perspective because the aim of the research was to generalise the determinants of choosing between franchising and management contracts in the hotel industry. Therefore, a statistical approach was deemed appropriate, and the advantage of a prior qualitative research round is that it lends credence to the validity of the items used in Study 2. As highlighted by Patton (1990), when a phenomenon is researched from different angles in terms of the theories and methods, and the data is collected in phases, this serves as triangulation and increases the validity of the findings.

1.6.2 Research Methodology

A methodology is a research strategy that "translates ontological and epistemological principles into guidelines that show how research is to be conducted" (Sarantakos, 2005, p. 30). In this thesis, the initial qualitative research round, that is, Study 1, informed a further quantitative research round, Study 2. Quantitative research methods have dominated the social sciences (Walle, 1997) and still comprise the majority of studies published in international business (IB) and management literature (Werner, 2002) and entry mode literature (Morschett, Schramm-Klein, & Swoboda, 2010). However, it is suggested by Walle (1997) that quantitative methods limit the area of inquiry and may oversimplify the nature of reality. Accordingly, qualitative methods have gained momentum in mainstream literature in recent years (Phillimore & Goodson, 2004). In the literature, while both qualitative and quantitative methods have their own objectives and shortcomings, both are seen as valid and as complementing each other (Ryan, 1995). In terms of this thesis, Study 1 allowed for more flexibility in terms of exploring the non-equity entry mode choices of hotel executives, which have not been as widely examined in the literature (as highlighted in Chapter 2), and Study 2 allowed for testing the factors that affect the decision. Moreover, Study 1 was used to aid in the formation of Study 2 by highlighting the most appropriate theories on which to base the study.

1.6.3 Research Design

As outlined above, this thesis adopts a sequential mixed-methods approach, which includes the collection and analysis of both qualitative and quantitative data. Over the past two decades, mixed methods have become increasingly popular, as it is believed that they can generate a more complete picture of the topic being researched than if qualitative and quantitative methods are used independently (Jennings, 2001; Oppenheim, 1992).

In terms of the type of research that informs this thesis, three main types have been proposed in the literature (D. C. Miller & Salkind, 2002):

1) Exploratory research – research that attempts to explore a social phenomenon or a concept of which the researcher has little knowledge

2) Descriptive research – research that attempts to describe a social phenomenon or a concept or research of which the researcher has some knowledge and aims to describe the observation

3) Explanatory research – research that attempts to explain a social phenomenon or a concept through deriving hypotheses and testing them

This research is both exploratory and explanatory in nature because Study 1 aimed to solicit knowledge on the applicability and suitability of the theories being examined and because Study 2 is based on hypothesis development and testing. The research designs for Study 1 and Study 2 are presented separately, along with the rest of the methods, in their respective sections: Section 3.2 for Study 1 and Section 4.2 for Study 2.

1.7 Definition of Terms

Several definitions are not included here but rather are included in the text where appropriate. However, the terms hotel, hotel chain, hotel group and, more broadly, hotel organisation are mentioned extensively throughout the thesis, and thus it is vital to establish a common understanding of what is meant by these terms in the context of this thesis.

1) Hotel

A hotel is defined in this thesis as:

> a traditional, commercially run form of accommodation in which one, as a tourist (interpreted in the widest sense) can find shelter, even if food and drink are not available on the premises. Hotels are differentiated according to class (from simple to luxury) and to type of guest accommodated, the latter being either business people or residents. These service establishments must offer a minimum of comfort, and must be hygienic if they are to respect the conditions necessary for official recognition. (De Groote, 1987, p. 327)

2) Hotel Chain

A hotel chain is defined in this thesis as "either a hotel organisation that operates under only one brand name globally or a chain of a larger 'hotel group'" (Kruesi & Zamborsky, in press).

3) Hotel Group

A hotel group is defined in this thesis as "an organisation, which operates more than one hotel chain globally" (Kruesi & Zamborsky, in press).

4) Hotel Organisation

Hotel organisation is the most wildly used term in this thesis. It refers to both hotel chains and hotel groups.

1.8 Thesis Overview

This thesis comprises five chapters in total. A brief overview of each chapter is provided here.

Chapter 1 – Introduction

This chapter begins by summarising the background of the thesis and then presenting the problem statement, which highlights the importance of non-equity entry modes, specifically franchising and management contracts, as judged by the literature and the proportion of franchising and management contracts used by the largest organisations in the hotel industry compared with their use of equity modes. Following the problem statement, the objectives and research questions that informed the research are presented. The contribution of the thesis is then briefly highlighted before a brief overview of the chapters in this thesis is provided. Finally, the three-year research process is briefly summarised.

Chapter 2 – Literature Review Background

This chapter is split into three sections. These sections provide general background literature on entry mode research and the hotel industry. The literature reviews for Study 1 and 2 are presented in their respective chapters.

Section 1 – Entry Mode Overview

This section provides an overview of the entry mode literature, beginning with an explanation of how entry modes are classified in the literature, where it is highlighted that the classification used in this thesis is that of a hierarchical model, that is, equity vs. non-equity modes. The differences between manufacturing firm entry mode research and service firm research are then outlined as well as those of soft and hard services. The propensity service firms and hotel organisations specifically have for non-equity entry modes is then explained before franchising and management contracts, the most commonly used entry modes in the hotel industry and the entry modes under investigation in this thesis, are more closely reviewed.

Section 2 – The Hotel Industry – Past, Present and Future

This section outlines the evolution and the characteristics of the hotel industry and the major organisations operating within it. Initially, some definitions are provided before the historical development of hotels and hotel chains and their industry structures are briefly summarised. The largest hotel organisations in the world currently are then presented, and it is shown that there has been little change in the top 10 organisations over the past decade. The reasons why hotel organisations internationalise are then explained before an overview is provided of the geographical distribution of the largest hotel organisations globally, highlighting that US firms dominate the market.

Section 3 – Hotel Entry Mode Research

This section provides a chronological overview of all the hotel entry mode studies identified in the AUT online library through specific keyword searches. The articles central to this thesis are then further reviewed, as this is the research stream that this thesis builds on. Finally, an increasing trend of internationalisation to China is noted in the studies, with studies set in China far outnumbering those in any other particular region. This is then linked to the previous section, where it is noted that the predominant growth region for the largest organisations globally is clearly Asia and specifically China.

Chapter 3 – Study 1, An Assessment of Entry Mode Theories from an Industry Perspective

In this chapter, Study 1 is outlined by initially presenting the literature review that informs this study, followed by the methods that were used. The findings are then presented, followed by a discussion of the findings. The literature review for this study is based on NIE. NIE and the predominant theories that are founded within this paradigm, that is, TCE, agency theory, internalisation theory, Dunning's eclectic paradigm (ownership, location, internalisation [OLI]) and the RBV are reviewed. The development, interrelationships, similarities and differences of the predominant entry mode theories of NIE are reviewed, as well as their origins, their rationales and the constructs that underpin them. Finally, the research questions that underpin Study 1 are presented. The methodology for Study 1 is then outlined, starting with the research design, followed by the instrumentation used and a description of the participants, and ending with a brief explanation of how the data was analysed. Following the methods section, the findings of Study 1 are presented. Initially, the perceptions and opinions of the respondents on the theories examined are shown through extracts from the interviews. It is found in this study that the theories most appropriate for the context of this thesis are TCE, in particular, assets specificity and the RBV, and more specifically, imperfect imitability. Moreover, there were some other unexpected factors put forward by the respondents as important, both at the firm level (e.g. the size of the organisation and the organisation's investment pattern) and at the environment level (e.g. the availability of capable partners in the host country). Finally, some respondents also criticised the rationales of the theories, highlighting that they may not always be applicable in the real world. Following this, a discussion of the findings is presented linking them back to the literature, before the chapter is concluded.

Chapter 4 – Study 2, Non-Equity Entry Mode Choice in the Hotel Sector: An Examination Based on Transaction Cost Economics and the Resource-Based View

This chapter outlines Study 2 by initially reviewing the literature that the study is based on and then explaining the methods used. The results are then presented, followed by a discussion of the results. In the literature review, an in-depth analysis of TCE and the RBV is presented, and the hypotheses derived from the review are outlined. Initially, asset specificity and imperfect imitability are reviewed before the compatibility of TCE and the RBV is highlighted. Following this, the hypotheses are built up throughout the text based on the qualitative findings and the literature. The modal choice assumptions based on asset specificity and imperfect imitability are then compared and applied to franchising and management contracts. This is followed by an examination of the firm-level factors and environment-level factors proposed in Study 1 and the literature as being central, through the modal choice 'lenses' of TCE and the RBV. Finally, the hypotheses are presented. The methods for the study are then outlined, starting with the research design, followed by the instrumentation used, and an outline of how the participants were selected and recruited. A brief summary is then provided on the way in which the data was analysed with the main statistical tests, analyses of variance (ANOVAs), a multivariate analysis of variance (MANOVA) and a discriminant function analysis. Following this, it is highlighted that the respondents are indeed of a very high level by presenting their demographics. The descriptive statistics are then presented and it is initially highlighted that all of the independent variables have inter-item validity. This is followed by a presentation of the respondent profiles, clearly highlighting the contribution of the thesis as well as summarising the other descriptive statistics. The results of the multivariate analyses are then outlined before a discussion on how these results relate to the existing literature is presented and the chapter is concluded.

Chapter 5 – Conclusion

In this chapter, a summary of the key findings of both Study 1 and Study 2 is initially presented. It is highlighted that while none of the theories were infallible, the hotel executives interviewed put forward the considerations of TCE and the RBV as the most appropriate in the context of choosing between franchising and management contracts in the hotel industry. It is also highlighted that there was strong empirical evidence found for the intangible assets and resources variable (INTANGASR), which strongly 'discriminated' between group preference as well as asset specificity (AS) and the factors relating to the host country (HOSTCNTR). The practical implications are then briefly stated and the limitations of the research are outlined. Finally, possible directions for future research are suggested.

1.9 PhD Research Process

A brief outline of the research process taken over the three years of this thesis is provided here and summarised in Appendix 4. During the first six months, an initial literature review was conducted and the full proposal was written and presented. Confirmation of candidature was achieved on 5 August 2012. The second six months comprised designing Study 1, identifying potential participants and finally contacting them with research invitations. At the start of the second year, the qualitative data collection was conducted at the International Hotel Investment Forum (IHIF) in Berlin, Germany, from 4 to 7 March 2013. The rest of this six-month period was spent transcribing, sorting, coding and analysing the data obtained. In the following six months, a second literature review was conducted based on the findings of Study 1, and Study 2 was designed. In the period March to August 2014, the survey was refined before the pilot study of the survey was launched. After the final adjustments, the survey was launched online on 1 August 2014 and the data collection lasted two months, to 1 October. After the data from the survey was analysed and the results written up, the final six months were spent putting together the first draft of the thesis and then editing it to produce the final thesis.

1.10 Conclusion

In this chapter, the thesis was introduced by presenting a general outline of entry modes in the hotel industry and the research stream to which this thesis contributes. Initially, it was highlighted that while non-equity entry modes have become increasingly popular in the internationalisation of hotels and hotel chains, there is limited literature focusing exclusively on such entry modes. Therefore, the objectives and research question developed aimed to inform the research to contribute to the literature by filling this significant gap. The philosophical considerations and mixed-methods methodology adopted in this thesis were briefly outlined before the pragmatic stance taken was explained. Some key hotel-related definitions were then provided before the chapters of this thesis were summarised and a brief chronological overview provided of the research process over the course of completing the thesis.

CHAPTER 2 LITERATURE REVIEW BACKGROUND

2.1 Introduction

This chapter provides an overview of the background literature that informs this thesis. The chapter is split into three sections. Initially, a review of entry mode research is presented followed by an overview of the hotel industry. Finally, hotel entry mode literature as well as international hotel industry trends are reviewed.

2.2 Entry Mode Research Review

Since the inception of IB research, entry mode choice has been considered one of the most critical decisions in the internationalisation process (Anderson & Gatignon, 1986; Brouthers & Hennart, 2007; Hill, Hwang, & Kim, 1990; Quer et al., 2007; Wind & Perlmutter, 1977). Entry mode directly relates to the international activity of firms and is defined as:

> a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations). (Sharma & Erramilli, 2004, p. 2)

The literature on international entry modes is vast, as can be seen in the reviews conducted by Brouthers and Hennart (2007), Canabal and White (2008) Sarkar and Cavusgil (1996) and literature meta-analyses conducted by Morschett et al. (2010), Tihanyi, Griffith and Russell (2005) and Zhao, Luo and Taewon (2004). This vast body of literature has come about because of the importance of entry mode decisions in the internationalisation process arising from the effect they have on the performance of the entering firm (Brouthers, 2002). Moreover, the entry mode choice is critical because, as pointed out by Brouthers and Hennart (2007), it is challenging, and perhaps even impossible, to change it once a firm has entered a foreign market. This has significant long-term consequences for the entering firm. However, from an industry perspective, there is still confusion as to what entry mode works best (Barnes, 2012), and according to Morschett et al. (2010), while there has been substantial research done on international entry modes over the past decades, there is still no clear consensus from empirical studies regarding the effect of the variables commonly put forward to determine entry mode choice (this will be explained further later in this chapter).

In this chapter, the different classifications of entry modes are explored, followed by an outline of the differences between manufacturing firm entry mode choices and service firm entry mode choices. The propensity service firms have for choosing non-equity entry modes is then highlighted before franchising and management contracts, the entry modes under investigation in this thesis, are reviewed.

2.2.1 Entry Mode Classification

The mode used to enter a foreign market is a central consideration in the internationalisation process of MNCs (Quer et al., 2007). It determines the future of the operations in the host country and constitutes one of the most critical factors for success (Anderson & Gatignon, 1986). The importance of this decision is reflected in the literature, where considerable attention is paid to the phenomenon by scholars in the field (Agarwal & Ramaswami, 1992; Anderson & Gatignon, 1986; Brouthers & Brouthers, 2003; Brouthers et al., 2008; Brouthers & Hennart, 2007; Canabal & White, 2008; Werner, 2002). Entry modes are commonly classified into three generic groups (Brouthers & Hennart, 2007; Quer et al., 2007; Zeng, 2010). These are as follows:

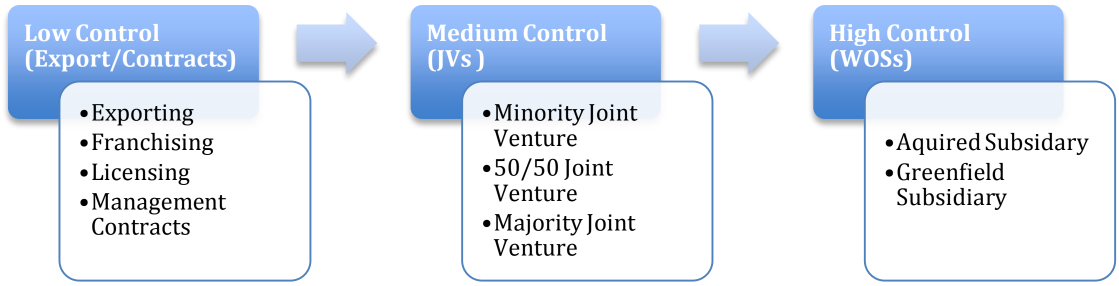
- Exporting – “supplying foreign markets through commercial transactions” (Quer et al., 2007, p. 363)

- Contractual agreements – “transferring knowledge to the destination country through a contractual agreement” (Quer et al., 2007, p. 363)

- Foreign direct investment (FDI) – “moving productive or commercial capabilities, providing capital through foreign direct investment” (Quer et al., 2007, p. 363) (FDI can be achieved either in partnership through a JV or independently through a WOS)

The most common view held by researchers in the field is to see entry modes on a continuum based on control and risk levels, starting at one end with exporting or contractual agreements, then JVs in the middle, and ending with WOSs (see Figure 2.1).

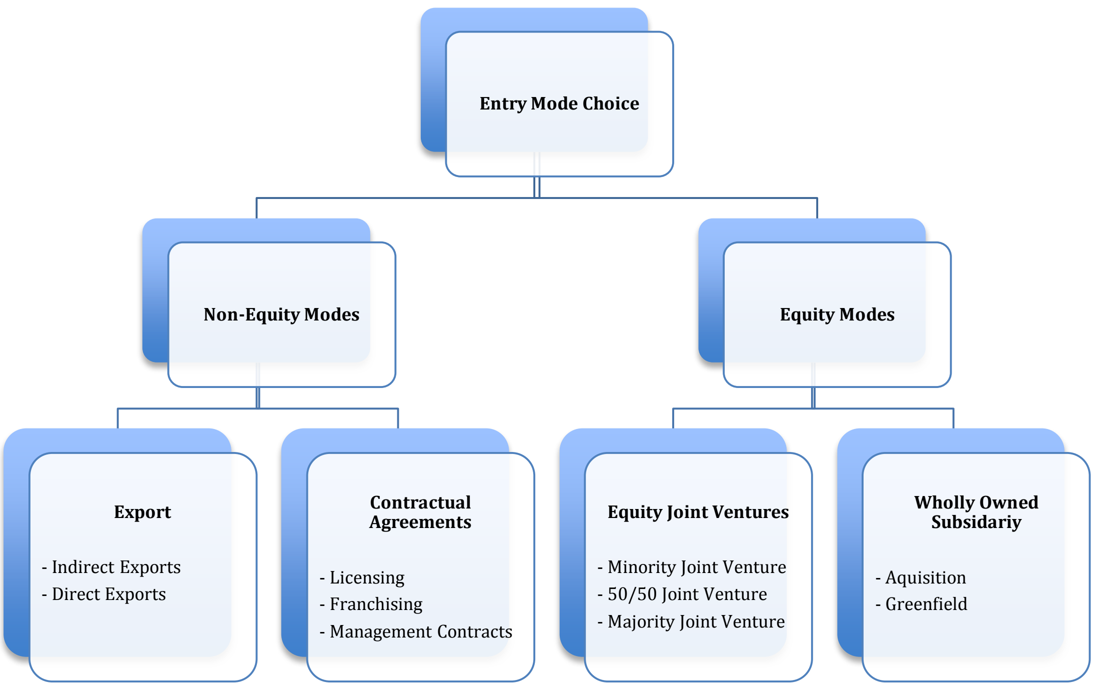
Figure 2.1: Entry Mode Continuum of Control



Adapted from Erramilli and Rao (1990) and Anderson and Gatignon (1986)

In this view, the modes are seen as having a linear relationship of increasing control and consequent risk, with JVs being the middle step between exporting or contractual agreements and WOSs (Anderson & Gatignon, 1986; Erramilli & Rao, 1990). Another way of classifying entry modes is as 'non-equity entry modes versus equity entry modes' in a hierarchical model (Pan & Tse, 2000). Non-equity entry modes are defined as "modes that do not entail equity investment by a foreign entrant" (Erramilli et al., 2002, p. 223) and refer to exporting and contractual agreements. Equity entry modes are defined as "[entailing equity ownership,] a high investment and consequently high risk/return alternative that also provides a high degree of control to the investing firm" (Agarwal & Ramaswami, 1992, p. 3) and refer to JVs and WOSs (see Figure 2.2).

Figure 2.2: Equity versus Non-Equity Hierarchy



Adapted from Pan and Tse (2000)

2.2.2 Manufacturing Firm vs. Service Firm Entry Mode Research

In comparison with studies focused on the entry mode of manufacturing firms, service firm focused studies are under-represented in the literature (Bouquet, Hébert, & Delios, 2004; Brouthers & Brouthers, 2003; Canabal & White, 2008; Pla-Barber et al., 2010; Werner, 2002). It was shown in a review by Brouthers and Hennart (2007) that approximately 42% of all published articles focused on manufacturing firms and 33% focused on a combination of manufacturing firms and service firms; however, only 25% focused on service firms exclusively. According to Leon-Darder et al. (2011), the service sector has become a driving force in the global economy and is currently the most dynamic sector in international commerce. Yet, despite the growing importance of the service sector, relatively few studies have empirically focused exclusively on the service sector (Sanchez-Peinado & Pla-Barber, 2006a). In fact, it is recognised in the literature that most research has tended to focus on manufacturing firms (Brouthers & Brouthers, 2003; Ekeledo & Sivakumar, 2004).

Recently, researchers in the field have pointed out that there is merit in adding to the body of entry mode literature with service firm oriented research (Bouquet et al., 2004; Brouthers & Brouthers, 2003; Leon-Darder et al., 2011; Pla-Barber et al., 2010). This is because manufacturing firm oriented entry mode literature cannot be effectively transferred to service firms (Brouthers & Brouthers, 2003; Leon-Darder et al., 2011; Pla-Barber et al., 2010). Generally, there is a consensus among the authors of these studies that theories that aim to explain the entry mode decisions of service firms and manufacturing firms in unison are too superficial to be effective (Brouthers & Brouthers, 2003; Leon-Darder et al., 2011; Pla-Barber et al., 2010). Arguments of storage, transportation and real estate, for example, which are often factors considered in manufacturing firm oriented entry mode research, do not apply equally to service firms (Erramilli & Rao, 1990). However, there is one factor in particular that clearly distinguishes manufacturing firms from service firms and therefore has a major implication for service firm entry mode decisions and on theory building around the phenomenon – a factor, moreover, that prompts the use of non-equity modes in the service sector, as will be further elaborated on later in this chapter. This factor is the level of financial commitment and the consequent risk for the entering firm. Manufacturing firms generally require a significant financial investment for the establishment or acquisition of manufacturing plants or other types of subsidiaries, for example (Erramilli & Rao, 1993). Consequently, there are also high switching costs in such foreign market entries (Erramilli & Rao, 1993). High investment considerations would therefore be a critical determinant in the entry mode decision and would need to be included in the theories constructed from that research. However, this factor would have limited applicability to theories focused on service firm entry mode decisions and the hotel industry in particular. This is because, for service firms, control can be obtained with significantly lower investment than it can for manufacturing firms because, for service firms, ownership does not necessarily mean a high financial commitment (Erramilli & Rao, 1990, 1993; Murray & Kotabe, 1999). The assumption made by many researchers in the past that high control automatically means high resource commitment stems from the early research focus on manufacturing firms. As pointed out in a study conducted by Pla-Barber et al. (2010), there is a distinction between commitment and control in service firms. Furthermore, according to Cunill and Forteza (2010), Erramilli and Rao (1990) and Pla-Barber et al. (2010), in non-equity entry modes, where the investment commitment is also generally low compared with that of equity modes, control does not necessarily need to be sacrificed by service firms.

Although manufacturing firms have been the main focus of earlier studies in the field (Brouthers & Hennart, 2007), there has been a growing number of studies analysing how different types of service firms choose between entry modes (Brouthers & Brouthers, 2003; Cunill & Forteza, 2010; Dev, Brown, & Zhengzhou, 2007; Erramilli & Rao, 1990, 1993; Fladmoe-Lindquist & Jacque, 1995; Sanchez-Peinado & Pla-Barber, 2006a, 2006b; Sanchez-Peinado et al., 2007). Furthermore, there have been several entry mode related publications specifically focused on the hotel industry (Alon et al., 2012; Altinay, 2005, 2007; Brown et al., 2003; Cho, 2004, 2005; Contractor & Kundu, 1998a, 1998b; Cunill & Forteza, 2010; Dev et al., 2007; Dev et al., 2002; Erramilli et al., 2002; Espino-Rodriguez, Lai, & Baum, 2008; Espino-Rodriguez & Padron, 2005; Lamminmaki, 2005; Leon-Darder et al., 2011; Pla & Leon, 2002; Quer et al., 2007; Rodríguez, 2002; Xiao, O'Neill, & Wang, 2008; Zeng, 2010), showing that there is real and current growth in this field with several recent publications.

2.2.3 Soft Service Firms vs. Hard Service Firms

The service sector as a whole is very heterogeneous (Erramilli & Rao, 1990; Leon-Darder et al., 2011; Sanchez-Peinado et al., 2007). Therefore, to be more specific, a further distinction has to be drawn between soft service industries and hard service industries. This distinction between soft and hard services has been reiterated often throughout the literature (Blomstermo, Sharma, & Sallis, 2006; Ekeledo & Sivakumar, 2004; Erramilli & Rao, 1990; Leon-Darder et al., 2011). Hard services are characterised by the ability to separate production and consumption of the service. Examples of hard service industries are engineering, architecture and information technology (IT) industries. Soft services, on the other hand, are characterised by the inseparability of production and consumption and perishability of the service (Erramilli & Rao, 1990; Habib & Victor, 1991; Sanchez-

Peinado et al., 2007). Examples of soft services include the hospitality, banking, retail distribution and consulting industries. When referring to 'service firms' or 'service industries' henceforth, soft service firms will be implied unless specified otherwise.

Owing to the heterogeneity of the industries, strategies and business models of the MNCs operating in today's dynamic world market, theories need to be tailored to different segments. Service firm entry mode research therefore requires theory building that is tailored specifically to its unique characteristics of being more people intensive and centred on resources that are tacit and intangible (Bouquet et al., 2004; Bowen & Jones, 1986; Erramilli & Rao, 1990, 1993).

2.2.4 Service Firms and the Propensity for Non-Equity Entry Modes

Traditionally, in entry mode literature, ownership was seen as being equal to control (Agarwal & Ramaswami, 1992). Therefore, as highlighted in Figure 2.1, it was assumed that there is a linear relationship between increasing ownership and control in MNCs. However, several relatively recent studies have concluded that non-equity entry modes have become increasingly popular among service firms (Brown et al., 2003; Contractor & Kundu, 1998a; Cunill & Forteza, 2010; Dev et al., 2002; Erramilli et al., 2002; Sanchez-Peinado & Pla-Barber, 2006a, 2006b; Sanchez-Peinado et al., 2007). The reason for this is the distinction between 'de jure' control and 'de facto' control (Erramilli et al., 2002). As will be seen later in this chapter, de facto control can be achieved through non-equity modes, but at varying degrees. Moreover, Alon et al. (2012) and Contractor and Kundu (1998a) state that owing to cost efficiency concerns, hotel organisations specifically prefer the use of non-equity entry modes. Hyatt was among the first to realise the advantages of separating ownership from control in the late 1970s, establishing one company to manage the hotels and another to manage the real estate. This model grew in popularity, with other US hotel organisations selling off their assets and using the money to grow faster and to be able to operate in superior properties (Gee, Singh, & American Hotel & Lodging Educational Institute, 2012). This strategy is now the most popular in the international hotel industry. In fact, non-equity entry modes constitute 65.4% of all the entry modes used by hotel organisations to internationalise (Contractor & Kundu, 1998a) – a trend that has been increasing over the past two decades (Alon et al., 2012; Contractor & Kundu, 1998b; Cunill & Forteza, 2010). Furthermore, according to Cunill and Forteza (2010), the current growth strategy of most international hotel chains is franchising. This has resulted largely from the hospitality industry's capital-intensive nature in regard to the ownership of physical assets such as real estate. More simply put, it is very common to separate industry knowledge and managerial expertise from the ownership of physical assets, in particular, real estate (Brown et al., 2003; Contractor & Kundu, 1998a; Cunill & Forteza, 2010; Rodríguez, 2002) – a practice called the 'split of bricks and brains' in the industry.

2.2.5 Non-Equity Entry Modes in the Hotel Industry

This study focuses on the two most commonly used non-equity entry modes in the hospitality industry: franchising and management service contracts, or branded management contracts (management contracts) (Contractor & Kundu, 1998a, 1998b; Pla & Leon, 2002; Sandman, 2003; Zeng, 2010). Industry practitioners refer to these two entry modes as 'asset-light' modes. Leasing is not included in the analysis because, although it is non-equity in nature, it is not asset light, as will be explained further in Section 2.2.5.3. The key difference between franchising and management contracts is that although both are collaborative modes, franchising is a quasi-market transaction, that is, an inter-firm transaction that crosses firm boundaries. Management contracts, conversely, are a quasi-internalised transaction, that is, an intra-firm transaction that remains within the firm boundaries (Contractor & Kundu, 1998a; Dev et al., 2002; Erramilli et al., 2002; Fladmoe-Lindquist & Jacque, 1995). Therefore, franchising, while having lower levels of resource commitment, also has a lower level of control for the foreign entrant. The degree to which the control is shared between the parties involved in the contract is referred to as the governance structure (Brouthers & Brouthers, 2003; Contractor & Kundu, 1998a; Dev et al., 2002; Erramilli et al., 2002; Erramilli & Rao, 1993; Madhok, 1996; Williamson, 1979, 1996), defined as an "institutional framework in which the integrity of a transaction or related set of transactions is decided" (Williamson, 1996, p. 11). Although both franchising and management contracts are non-equity modes, the management contract offers more strategic and operational control for the entering firm than franchising, but at the cost of being more resource intensive (Contractor & Kundu, 1998a, 1998b; Pla & Leon, 2002).

2.2.5.1 Franchising

In franchising, the franchisor (the hotel organisation) has very little involvement in the day-to-day operation of the hotel, leaving it up the franchisee (local partner or hotel owner) to control (Gee et al., 2012; Rushmore, 2002; Sandman, 2003). The franchisor provides only the brand name and marketing and technical advice (Barnes, 2012; Contractor & Kundu, 1998a; Sandman, 2003). There are two broader categories within franchising: (1) product or trade franchising and (2) business format franchising. While in product or trade franchising the franchisee enters into a contract with a supplier (franchisor) to sell their products or product lines (Castrogiovanni, Bennett, & Combs, 1995). In business format franchising, the franchisee's responsibilities go further to also encompass all the other business operations, that is, recreating the whole business model, as well as providing plans for strategic business growth. Therefore, franchising in the hotel sector is always business format franchising, as it is in most other businesses in the service industry. When referring to franchising henceforth, business format franchising will be implied.

Franchising allows the owner (franchisee) to make use of the hotel organisation's (franchisor) brand and services, for which the owner pays the hotel organisation a royalty fee. The hotel organisation has no ownership or financial interest in the hotel and is also not responsible for the economic success of the hotel. In cases where the owner does not operate the property personally under the franchisor's brand, a non-branded manager runs the property (Gee et al., 2012; Sandman, 2003).

Franchising allows for rapid internationalisation (Alon et al., 2012) and is relatively inexpensive for the franchising firm because it does not require investment in the development of the property (Barnes, 2012; Gee et al., 2012). In addition to cost advantages, franchising does not require extensive management structure from the hotel organisation, and it allows strong and rapid customer recognition. Moreover, having hotels across the globe under the hotel organisation's brand acts as another form of advertising to potential future customers (Gee et al., 2012). Finally, franchising is profitable for the hotel organisation because the franchisee pays initial fees when joining the franchise group, and then ongoing royalties and payments for additional services such as marketing, reservations and training (Rushmore, 2002).

While franchising has several upsides for the hotel organisation (franchisor), there are also risks associated with it. The biggest problem is the loss of control over the daily operations of the hotel and the risk of eroding the reputation of the brand through inefficient or low-quality service delivery (Altinay, 2007; Cho, 2004, 2005; Contractor & Kundu, 1998a; Espino-Rodriguez et al., 2008; Espino-Rodriguez & Padron, 2005; Sandman, 2003). Furthermore, in cases where the hotel organisation is unsatisfied with the franchisee's performance, it can be difficult and time consuming to terminate the contract (Gee et al., 2012). In addition, the hotel organisation and the hotel owner may have differing objectives related to turnover and profit (Barnes, 2012). In these instances, the franchisee may resent the control exerted by the franchisor, and the relationship between the franchisor and franchisee may become strained. If, for whatever reason, the hotel organisation wants to terminate the partnership before the end of the contract, the hotel organisation generally has to buy out the franchisee. Finally, pricing can also be an area of dispute, as the hotel organisation may have difficulties maintaining uniform room rates or policies of pricing across different country sectors and currencies (Gee et al., 2012).

From the franchisee's (hotel owner's) perspective, the franchise agreement has several advantages. Reputable franchising hotel chains have proven and tested business models, and support and guidance are received from the franchisor in the form of technical and operational expertise. Moreover, advertising is provided for the entire chain, and the owner has the use of the hotel organisation's global distribution system (GDS) and the cost advantages of group purchasing. However, there are also disadvantages for the franchisee. Firstly, the hotel organisation has no financial stake in the business, and therefore, the profitability of the hotel is the responsibility of the owner. Moreover, if the franchisee desires to sell the hotel, it may be difficult to transfer the franchise along with the hotel. In addition, as franchisors desire uniformity among the hotels of the same chain, the franchisee may have restricted operational freedom and ability to cater to local needs (Barnes, 2012; Gee et al., 2012).

2.2.5.2 Management Contracts

In management contracts, the entering firm not only provides the brand name to the host country collaborator but also secures a contract to manage the daily operations of the foreign business unit (Barnes, 2012; Dev et al., 2002; Erramilli et al., 2002; Pan & Tse, 2000; Sandman, 2003) – a phenomenon rather unique to the hotel sector (Sandman, 2003). The hotel organisation not only provides an established brand; it also operates the hotel in accordance with the standards associated with that brand (Sandman, 2003). The hotel owner has no involvement in the day-to-day operation but may be responsible for other costs such as operating expenses and working capital (Gee et al., 2012). The hotel organisation receives basic fees based on total revenue and incentive fees for operating profits for its services; the owner receives the residual income after expenses (Barnes, 2012).

Within the hotel sector, there are two types of management companies: branded managers and non-branded managers (Sandman, 2003), also referred to as first-tier management companies and second-tier management companies (Rushmore, 2002). Second-tier (non-branded) managers operate the hotel and daily operation, but they do not have an established brand name. First-tier management companies also operate the hotel for a third party while providing brand recognition as well (Rushmore, 2002; Sandman, 2003). As hotel brands are critical determinants of the entry mode choice, second-tier management companies are not a focus of this thesis.

There are several advantages to management contracts for hotel organisations. Firstly, they require relatively low levels of investment, with the owner required to contribute to working capital or some good-faith investments (Rushmore, 2002). Moreover, there is very little financial exposure for the hotel company because it is able to cover expenses and a small profit from the basic management fee and larger profits from performance incentive fees if successful. The biggest advantage, however, is that the owner has no involvement in the operation of the hotel, allowing the hotel organisation to ensure consistent service levels and the protection of the brand name (Rushmore, 2002; Sandman, 2003).

There are also some disadvantages for the hotel organisation, however. Compared with franchising, management contracts carry more financial risk, and although in both cases the company receives 'fees', management contract fees are more volatile. In franchising, the franchisor gets a percentage of the total revenue; in a management contract, conversely, the compensation comes from the incentive fee and basic fee, as mentioned, and the volatility of the incentive fee makes it difficult to predict and thus financially riskier. Moreover, if there is value rise in the hotel property through the successful management by the hotel organisation, the owner is the one to receive those advantages when the hotel is refinanced or sold (Barnes, 2012; Gee et al., 2012).

From the owner's point of view, there are several advantages. The hotel owner receives operational expertise for establishing long-term profitability in their investment while retaining the benefits of ownership embodied in depreciation deductions, tax benefits and general value enhancement. Finally, it provides immediate identification through the brand, making it easier to obtain loans. The disadvantages are that the owner has relatively little control and is not able to unilaterally terminate the contracts for poor performance on the part of the hotel organisation, thus increasing the owner's financial exposure. In addition, even if the contract can be terminated, the delay in finding a replacement management company incurs costs and harms the hotel's reputation (Barnes, 2012; Gee et al., 2012).

2.2.5.3 Leasing

In leasing, the hotel organisation basically rents a building and runs the entire operation independently. Therefore, by not owning the building, it is also by definition a non-equity mode. However, leases are not a focus of this study. Firstly, leases are not very popular in the hotel industry because they are risky and costly. Secondly, while leases are technically non-equity modes, they are closer to the ownership model and therefore are an 'asset-heavy' way to develop. Besides the risk, the reason leases are not as popular as management contracts and franchising is that companies cannot develop a large number of properties with lease agreements because the balance sheet would become too heavy. In other words, while leases are technically not owned by the hotel organisation, the lease payments or ‘rent’ for the property becomes a continual fixed expense, regardless of the profit or loss the hotel organisation experiences. The adverse effects of this were highlighted in the last financial crisis, when hotel organisations heavily leveraged with leases had significant loses while still having to pay the rent (Barnes, 2012).

2.2.6 Section Conclusion

It was highlighted in this chapter that entry modes are a critical component of IB research because the entry mode choice has long-term consequences and a direct impact on the performance of the entering firm. After highlighting the different classifications of entry modes in the literature, the differences between manufacturing firm research and service firm entry mode research were explored.

It was then highlighted that service firms, and hotel organisations in particular, have a propensity for using non-equity entry modes. Moreover, in the case of the hotel industry, this increasing trend is due to the ability to separate management of a hotel management from the ownership of said hotel. Finally, the advantages and disadvantages of franchising and management contracts were reviewed, and it was explained that leases, the third type of contractual non-equity entry mode, are not a focus of this thesis.

2.3 The Hotel Industry and Entry Mode Decisions

In this section, the hotel industry and hotel entry mode literature is reviewed. The review of the hotel industry begins with the historical development of hotels and hotel chains, followed by an outline of the hotel industry structure. The largest hotel organisations in the world are then examined before their geographical distribution is explained and their portfolio of owned, franchised and managed hotels is presented. Finally, the most recent expansion trends of these large organisations are reviewed as well as how these will continue over the following decade. Following the industry analysis, the literature on hotel entry modes/hotel internationalisation is briefly chronologically reviewed, before the studies most closely related to this thesis are reviewed in more detail.

2.3.1 The Historical Development of Hotels and Hotel Chains

The history of hotels and the hospitality industry can be traced back to times of the Graeco-Roman world, with examples being thermal bath facilities in villages designed for rest and recreation in Greece and accommodation facilities for Roman government business officials (Levy-Bonvin, 2003). However, over the past centuries, the hospitality industry has remained structured as privately owned, independently operated hotel properties. It was in the late nineteenth century that hotelier Cesar Ritz first separated the ownership and management of his hotels. However, the concept of the hotel chain is attributed to Conrad Hilton, who founded Hilton Hotels in the early twentieth century. These men were among the first to realise the advantages of centralised purchasing, cost control and marketing for several hotel properties under the same 'flag'. Thus, the concept of the management contract was born. Franchising in the hotel industry followed later, pioneered by Holiday Inn, which was the first hotel organisation to franchise a hotel brand and create a nationwide reservations system (Rushmore, 2002).

InterContinental Hotels and Hilton Hotels were the first to internationalise the hotel chain concept, in the 1950s and 1960s. In the second half of the twentieth century, the lodging industry began to internationalise; initially pioneered by American companies, the trend has grown drastically, with hotel organisations increasingly looking for opportunities to cater to an international consumer base (Gee et al., 2012).

Initially, hotel organisations moved into developed countries, but by the 1970s, hotel organisations had started to expand into developing countries also (Gee et al., 2012). According to Dunning and McQueen (1982), this shift of focus towards developing countries arose mainly because of market saturation, increasing improvement in the infrastructure of developing nations, as well as their increasing desire to attract foreign investment.

During the 1980s, the international hotel industry and the international economy in general experienced a period of turbulence arising from inflation, recession and a generally volatile international economy, causing numerous hotel organisations to engage in mergers and acquisitions in the late 1980s (Rushmore, 2002). This resulted in the consolidation of several organisations into 'mega-chains' and smaller chains grouping into partnerships or marketing consortia to compete. As highlighted by Das and De Groote (2008), a small number of international hotel organisations have come to control most of the international hotel brands globally.

2.3.2 Industry Structure

According to Gee et al. (2012), hotel organisations operating in the international hotel industry fall into three categories, as follows:

1) Voluntary associations

Voluntary associations are consortia of independently owned and operated hotels that join under a single brand mainly for marketing purposes, such as Preferred Hotel Group and Leading Hotels of the World.

2) Corporate hotel chains

Corporate hotel chains are hotel companies that have one brand that can be managed by the corporate chain itself or by a conglomerate, prime examples being Sheraton, which was acquired by Starwood in 1998, and Kimpton Hotels and Restaurants, which was acquired by InterContinental Hotels Group in December 2014.

3) Conglomerates

Conglomerates are companies that control several corporate brands or independently owned unbranded hotels, the prime examples being the largest hotel organisations in the world reviewed in the following sections.

There have been successful examples of voluntary associations such as the ones mentioned above. However, it is the corporate hotel chains and conglomerates that are dominating the market place and are becoming increasingly competitive through ongoing mergers and acquisitions, as mentioned previously, resulting in the continual 'concentration' that has been observed in the hotel industry (Gee et al., 2012). These large hotel corporations have different brands at different levels of luxury, and therefore, smaller and newer hotel organisations are increasingly struggling to remain competitive. It is expected that a few large international hotel corporations are likely to prevail and continue to increase their market dominance, only getting sustained competition from very upscale hotels/hotel chains or hotels/hotel chains that cater for certain specialised niches.

2.3.3 The Largest Hotel Organisations Globally

The largest hotel organisations globally in 2013 as judged by the number of rooms controlled by these organisations is shown in Table 2.1. The largest hotel organisation globally is InterContinental Hotels Group (IHG) with 675,982 rooms spread over 4,602 hotels. Their most famous brand internationally is Holiday Inn (MKG Consulting database, 2007). The second largest hotel organisation is Hilton Hotels & Resorts with 3,992 hotels and 652,378 rooms. Hilton's largest brand by far is Hampton Inn & Suites (GHGBA, n.d.). Marriott International, operating mainly in the upper market segment is the third largest hotel organisation with 3,672 hotels and 638,793 rooms. Marriott International's most famous brands are Marriott Hotels & Resorts and Courtyard (Das & De Groote, 2008). Wyndham (formerly Cendant Group, number one a decade ago) has dropped in the rankings over the past decade, as will be elaborated on later in this section, and is now in fifth place. The organisation controls the largest number of hotels (7,324); however, it has only 627,437 rooms, which is an indication that Wyndham Group prefers smaller hotel properties in contrast to the preference of the current leader, IHG. Choice Hotels with

6,198 hotels and 497,023 rooms are in the fifth position. Choice Hotels franchise all of their brands and have had a stable position in the top 10 over the past decade. The French hotel organisation Accor takes sixth place with 3,515 hotels and 450,199 rooms. Accor has chosen to diversify its hotel brand portfolio and has established a competitive network of brands in all segments of the hotel market, from budget to luxury. Starwood, an owner, operator and franchisor, has several well-established brands, including Westin Hotels and Sheraton, which were acquired in the late 1990s (Starwood Hotels and Resorts, 2013). While Starwood is a relatively new company, Sheraton, its most famous brand, is well established, operating for approximately 75 years (Starwood Hotels and Resorts, 2013). Best Western International is in eighth position with 4,024 hotels and 311,611 rooms. Unlike the other corporations in this list, Best Western International has grown to this size through a network of independently owned hotels under the same banner, known as a voluntary association, as explained earlier. Home Inns is the new entrant to the top 10 and the only Asian hotel company currently on the list, with 1,772 hotels and 214,070 hotel rooms. Finally, the Carlson Rezidor Group takes the last place in the top 10 with 1,077 hotels and 166,245.

Table 2.1: Top 10 Hotel Organisations by Number of Rooms 2013

Rank	Hotel organisation	Home country	Hotels	Rooms
1	InterContinental Hotels Group	England	4,602	675,982
2	Hilton Hotels & Resorts	USA	3,992	652,378
3	Marriott International	USA	3,672	638,793
4	Wyndham Hotel Group	USA	7,342	627,437
5	Choice	USA	6,198	497,023
6	Accor	France	3,515	450,199
7	Starwood Hotels & Resorts	USA	1,121	328,055
8	Best Western International	USA	4,024	311,611
9	Home Inns	China	1,772	214,070
10	Carlson Rezidor Group	USA	1,077	166,245

(HospitalityNet, 2013a)

When examining Tables 2.1 and 2.2, it can be seen that there has been little change in the major players of the hotel industry over the past decade, with the top five hotel organisations controlling 67.7% of the hotel rooms in the top 10 in 2001 and 67.8 % in 2013. In terms of the top players, IHG (formerly Six Continents) moved from second place to first place, while Wyndham Group (formerly Cendant) dropped from first to third place after the conglomerate split into four separate companies (Wyndham Worldwide Corporation, 2013). Hilton International and Hilton Corporation merged in late 2005, and therefore, Hilton Hotels is now in second place. Accor dropped from fourth to sixth place with Choice Hotels remaining in the fifth position. Starwood moved up one place from eighth to seventh, overtaking Best Western, which dropped to eighth place. Carlson

Hospitality merged with the Rezidor Group to become Carlson Rezidor, remaining in the top 10 but dropping from ninth to tenth place (Carlson, 2013). Finally, the new addition to the top 10 is the Chinese company Home Inns (HospitalityNet, 2013b). Home Inns is breaking the mould in some ways, with a higher growth rate over the period 2012–2013 than the other nine organisations of the top 10 combined. Home Inns achieved 21.2% growth in this period, in contrast to the average growth of the other hotel organisations in that period of 0.5% (pulled down largely because of Accor's 15.3% decline). Best Western reported the second highest growth rates, with 5.5% (HospitalityNet, 2013b).

Table 2.2: Top 10 Hotel Organisations 2001

Rank	Hotel organisation	Home country	Hotels	Rooms
1	Cendant Corp	USA	6,624	553,771
2	Six Continents	England	3,274	511,072
3	Marriott International	USA	2,398	435,983
4	Accor	France	3,654	415,774
5	Choice International Hotels	USA	4,545	362,549
6	Hilton Hotels Corp	USA	1,986	327,487
7	Best Western International	USA	4,052	306,851
8	Starwood Hotels & Resorts	USA	743	224,467
9	Carlson Hospitality Worldwide	USA	788	135,066
10	Hilton Group PLC	England	384	92,778

(Hotels Special Report, 2002, June)

It can be expected that in the following years these mega-corporations will continue to dominate the market; however, Home Inns will likely continue to climb the top 10 (HospitalityNet, 2013b). This will be further explained later in this chapter.

2.3.4 International Corporate Development of Hotel Chains

Hotel organisations that choose to expand a chain can do so in three ways: (1) expand within the home market, (2) expand through specialisation and targeting niche markets, and (3) develop new markets internationally (Gee et al., 2012). Of the organisations outlined above, most have done all of these or a combination of them throughout their development. As the focus of this thesis is international entry modes, option 3, internationalisation, will now be examined further.

According to Tse and West (1992), the major driving force for hotel organisations to expand abroad is the motive to increase profits and growth. Once a market is saturated, hotel organisations will choose to expand where there is a less developed hotel industry. Another reason for expansion is brand recognition and global distribution. As the geographical dispersion of hotel brands increases, so will the familiarity and consequently the loyalty, both in the existing markets and in the potential markets (Bell, 1993). This is largely because people travelling abroad have the tendency to stay with hotel brands they know because of the service standards they have come to enjoy and expect. Well-established brands also provide reassurance and security for tourists new to a certain location (Gee et al., 2012).

Moreover, internationalisation enables the geographic diversification of operations, allowing for profits in prosperous locations while at the same time hedging against economic downturns in less prosperous locations. Global companies are therefore less affected by changing circumstances in any one country (Gee et al., 2012).

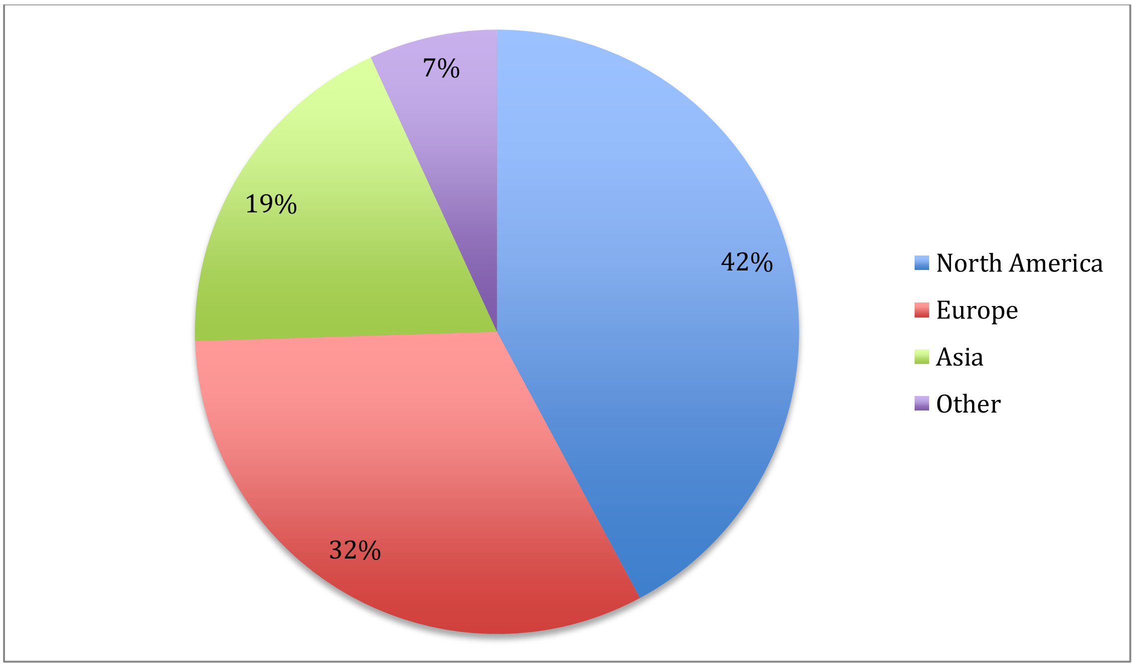
International corporate development does have its disadvantages, however. Internationalisation is very rarely an immediately successful strategy for hotel organisations. This is especially the case when comparing their foreign hotels' performance with the performance of established hotels in the home country. The problems of dealing with multiple political, economic and legal issues and having to overcome communication difficulties further complicate internationalisation (Gee et al., 2012). Moreover, there can be issues with financial accounting control, quality control, dealing with conflicts and the government policies on the repatriation of profits and royalties. Finally, evaluating the present and future competition over a geographically dispersed hotel portfolio is more difficult. Moreover, as well as planning, the marketing and economic factors become more difficult across different country and culture contexts (Morschett et al., 2010).

2.3.5 Geographical Concentrations

Up to the 1980s, US companies were the only competitive players in the global corporate hotel market. As can be observed in Table 2.1 and Table 2.2, there has been little change in this US dominance, with eight out of the top 10 hotel organisations founded and headquartered in the US. Over the past decades, however, through extensive mergers and acquisitions, there have been new entrants from Europe, including British IHG and French Accor, Groupe du Louvre and Club Méditerranée. In addition, there has been growth in the number of hotel organisations from the Asia-Pacific region, with Shangri-La, Nikko, Peninsula, Regent International, Mandarin Oriental and Pan Pacific Hotels and Home Inns gaining notice past the region (Hotel-Mule, 2010).

In an aim to create a clearer picture of the geographical origins of the largest hotel organisations operating globally, the home countries of the 100 largest hotel organisations (by room number) were split into four regions: North America, Europe, Asian and Other, as can be seen in Figure 2.3.

Figure 2.3: Distribution of the World's 100 Largest Hotel Organisations



(Hotel-Mule, 2010)

While there is significant representation from Europe in particular and partly from Asia, when considering only sovereign states, Europe's largest is Spain, with 12 hotel organisations in the top 100, and Asia's are jointly China and Japan, with nine hotel organisations each in contrast to 38 organisations in the United States.

In terms of the expansion patterns of these organisations, US organisations have generally expanded in North and South America, the Caribbean and Asia. French organisations have expanded mainly in Europe and French-speaking African countries. Japanese and Chinese organisations have built up a strong portfolio in Asia, North America and Australia. There are several reasons for choosing these markets, including geographical proximity, cultural similarity and lower levels of relative competition .

2.3.6 Franchising and Management Contracts in the Largest Hotel Organisations

Franchising and management contracts are the entry modes under investigation in this thesis, and therefore, a brief overview is provided here on the proportion of franchising and management contracts used in the hotel industry among the 10 largest hotel organisations in the world (Best Western is not included in this list owing to it being a marketing co-operative, which is more akin to a voluntary association than a corporate chain or conglomerate, as explained above. Instead, the 11th largest organisation, Hyatt Hotels Corporation, takes the 10th place). This information was obtained from the latest annual reports of these hotel organisations, which were publicly available. As can be seen when examining Table 2.3, there is a striking difference between the use of non-equity modes and that of equity modes (leases are classed as equity in this table; the reason for this will be further explained in the following chapter). From a total of 35,003 hotels, only 2,845 operate under an ownership or lease model, with 91.9% operating under management contracts or franchising.

Table 2.3: Entry Mode Overview of the Largest Hotel Organisations

Brand owner	Number of hotels	Hotel brands	Equity/ lease/ operator	Non-equity	Franchised	Mgmt contracts
Wyndham Hotel Group	**7,340**	15	2	7,338	7,293	45
Choice Hotels International	**6,158**	11	0	6,158	6,158	0
InterContinental Hotels Group	**4,697**	10	9	4,688	3,977	711
Hilton Hotels Corp.	**4,115**	10	155	3,960	3,420	540
Marriott International	**3,924**	12	78	3,846	2,115	1,731
Accor	3,600	11	1,478	2,124	972	1,152
Home Inns	2,180	3	872	1,308	1,308	0
Carlson Rezidor	1,282	6	200	1,082	540	542
Starwood Hotels & Resorts Worldwide	1,134	8	54	1,068	521	547
Hyatt Hotels Corp.	573	10	97	451	185	266

(Accor, 2013; Choice Hotels International, 2013; Hilton Worldwide, 2013; Hyatt Hotels Corporation, 2014; InterContinental Hotels Group, 2013; Marriott International, 2013; Starwood Hotels and Resorts, 2013; Wyndham Worldwide Corporation, 2013)

2.3.7 Current and Future Trends of the Largest Hotel Organisations Globally

The increasing use of asset-light models is a relatively recent trend and is likely to continue over the decade to come. IHG, for instance, has increased the share of its rooms under franchised or managed operations from about 93% to over 99% in the past 11 years, with the profit share of franchised or managed operations increasing from 67% to over 88% between 2001 and 2013. Interestingly, over 50% of IHG's global new room pipeline is management contracts, while in 2013 managed contracts constituted 26% of rooms in contrast to 19% in 2001 (InterContinental Hotels Group, 2013).

Hilton does have a relatively large portfolio of owned hotels; however, the company is not building this portfolio nearly as much as it is building its asset-light portfolio. The organisation plans to expand with as little capital as possible, aiming to achieve higher returns on overall investment. As of the year ending 2013, Hilton had 1,123 hotels in their development pipeline, with 99% of the rooms under construction being either franchises or management contracts and only one hotel property being owned.

Marriott reported the fastest growing development pipeline in the industry globally, signing 387 hotels in 2013, that is, over one hotel a day. At the end of 2013, the Marriott's pipeline consisted of 1,165 hotels. It is not stated explicitly how much of this pipeline will be asset light in nature. However, the organisation prominently operates under franchises and management contracts; with only 2% of its hotels being owned, it can be drawn that the majority of these 1,165 hotels will therefore operate under asset-light models.

A similar trend towards non-equity entry modes can be observed at Accor, which has been actively disposing of its owned properties. The strategy employed by Accor is that, after the sale, the hotel remains in the Accor network under a management contract or franchise agreement. In 2012, 57% of new openings were under management contracts and 28% under franchise agreements comprising a portfolio of 43% owned or leased, 25% franchised and 32% managed hotels. By 2016, Accor has committed that 80% of their hotels will operate on a non-equity basis, aiming for a portfolio of 20% owned or leased, 40% franchised and 40% managed hotels (Accor, 2013).

Hyatt has been engaging in similar divestment strategies. As the organisation primarily derives its profits from its franchised and managed operations, Hyatt announced in early 2014 that it sold a further 38 hotels, all of which have now become franchisees of the organisation retaining the original branding. In terms of Hyatt's pipeline, it is larger than it has ever been, at 200 managed and franchised hotels as of the year ending 2013 (Hyatt Hotels Corporation, 2014; TOPHOTELPROJECTS, 2014).

Starwood, moreover, while also operating with a varied portfolio of leased, owned franchised and managed hotels, has reported a similar strategy, reducing their investments in owner real estate in favour of building on their asset-light expansion model. In the period 2006 to 2013, Starwood sold 73 of its owned hotels.

Choice Hotels, being a pure franchisor, clearly derives all its revenue from non-equity modes. The hotel development pipeline for Choice was at 476 hotels at the end of the 2013 financial year (Choice Hotels International, 2013).

Carlson Rezidor also has a balanced portfolio of owned, leased, franchised and owned hotels and is currently also expanding mainly through asset-light international development, in particular, in developing markets, with an aim of reaching 1,500 hotels by 2015, predominantly also under franchise and management contract models (HospitalityNet, 2014).

Wyndham started as a pure franchisor (while it was still branded as Cendent Corporation). Over the past decade, however, the company has diversified and added both managed and owned hotels to its portfolio. However, according to the current and long-standing (16 years) chief executive officer (CEO) of Wyndham, Stephen P. Holmes, at the company's fourth quarter earnings call in 2012, while the company seeks to maintain control for some strategic hotel properties and turning the land around them into timeshares, the company is actively favouring non-equity modes: "We're trying to keep things asset light. We're trying to keep the cash as long as we can [as this would be a] more efficient use of Wyndham's capital" (as quoted in (A. S. Turner, 2013). Therefore, while it is not explicitly stated in their annual report (as with Marriott), it can be inferred that of the 930 hotels in their development pipeline at the start of 2013 (Wyndham Worldwide Corporation, 2013), the majority will be franchises or management contracts.

Home Inns is the new major player in the top 10 largest hotel organisations in the world and has grown the fastest by far. Over the decade from 2003 to the end of 2013, Home Inns grew from a company with 10 hotel properties to ownership of a staggering 2,180 hotels and a further 161 hotels contracted or under construction. Home Inns has been able to reach this size in such a sort time through its exclusive use of non-equity modes; however, unlike the other hotel organisations examined here, Home Inns favours leases over management contracts (this may be due to the unique characteristics of China's formal and informal institutions; however, that is outside the scope of this thesis). Currently, Home Inns operates only in China, with hotels in all the major metropolitan areas, and while it plans to further expand geographically within China, it has no immediate plans for internationalisation (Home Inns & Hotel Management, 2013).

2.3.8 Major Growth Regions

When examining the corporate reports of the largest hotel organisations in the world, it can be seen that their international expansion has increasingly focused on the Asia-Pacific region and, in particular, China. Accor's hotel development pipeline highlights this trend quite clearly. While Accor's home base of Europe still has the largest share of the organisation's hotel portfolio with 61%, there are only 31,000 rooms in the pipeline for the region. In contrast, the Asia-Pacific region, which with 24% of the hotel portfolio has the second largest share, has 67,000 rooms in the pipeline (49% of their total pipeline). Within the Asia-Pacific region, the country with the most planned hotel properties for Accor is China with 27,000 rooms in the pipeline (Accor, 2013). Starwood also focuses the majority of its expansion in the Asia-Pacific region with 60% as of the year starting 2013. Moreover, 44% of their planned expansion in the region is China (Starwood Hotels and Resorts, 2013). For Marriot, the trend is similar with one hotel opening expected every week over 10 of its brands to double its presence in the region and to a size of 96,000 rooms over 330 hotels by 2016. As with the other organisations, China is the main focus of expansion, with Marriott aiming to reach more than 150 hotels in the country by 2016 (Marriott International, 2013). IHG, which groups Asia, the Middle East and Africa in one region, has 18% of its global new room pipeline focused in it, while in 2013 it only constituted 9% of its room count. Moreover, 30% of the organisation's pipeline is focused on China, which constituted only 10% of its IHG room count in 2013. Therefore, with over 200 open hotels and 170 hotels in the pipeline, IHG currently leads the market in terms of system size and hotel signings in Greater China over all the other foreign competitors (InterContinental Hotels Group, 2013). For Hilton, while Asia-Pacific is not the main growth region, the organisation has greatly increased its presence in China. In 2007, Hilton had only six hotels in China. By the end of 2013, this number had grown to 43, with another 141 hotels in the pipeline for Greater China (Hilton Worldwide, 2013). Hyatt is also not focusing more heavily on the Asia-Pacific region; however, the organisation still had approximately 50 Hyatt hotels open or under development in China at the end of 2012 (Hyatt Hotels Corporation, 2014). Finally, Home Inns as a domestic Chinese organisation will be expanding all of its 161 hotel pipeline in the Greater China region (Home Inns & Hotel Management, 2013). Conversely, Carlson Rezidor, while also significantly expanding in the Asia-Pacific region, with 91 hotels in operation, 93 hotels under development and 29 signings in 2013, the majority (50% approx.) of the new signings were in India with only about 20% in China (Carlson, 2013).

2.3.9 Section Conclusion

In this section, the historical development of hotels and hotel chains was reviewed before the major industry structures in the hotel industry were summarised. The largest hotel organisations globally were then examined, before the advantages and disadvantages of internationalisation in the hotel industry were outlined. The geographic concentration of the largest hotel chains was then presented and the proportion of franchising and management contracts (non-equity or asset-light models) used by the largest hotel organisation in the world was outlined. Finally, the current and future trends of the largest hotel organisations were outlined.

2.4 Hotel Entry Mode Studies

Following the review of the evolution and trends in the hotel industry, the academic literature on the subject is now reviewed. In order to evaluate the state of the hotel entry mode literature, all of the studies, both empirical and theoretical, focused on entry modes in the hotel industry identified on the Hospitality and Tourism Complete database were chronologically listed and segmented by year, purpose, theory and methodology, as shown in Appendix 5. The keywords used in the searches were as follows: hotel, international expansion, entry mode, management contract and franchising. As can be seen in Appendix 5, entry mode research in the hotel industry began in the early 1980s and continued through the 1990s; however, it was not until the turn of the millennium that the literature began to gain momentum. Moving past 2010, moreover, it can be seen that the rate of publications has not decreased and that studies are moving into different niche foci and examining a wide variety of different theories.

2.4.1 Closely Related Studies

Of the studies included in Appendix 5, some studies in particular are closely related to this thesis and represent the research stream that this thesis aims to build on.

One of the pioneering studies in the research stream, that of Dunning and McQueen (1982) based on their data originally published in Dunning & McQueen, 1981), is important in the context of this thesis because it was among the first to propose that ownership and control in the hotel industry are not necessarily correlated with each other. Moreover, the article pinpoints the different motives by which international hotel chains will favour expansions through equity or non-equity entry modes.

A decade and a half later, Contractor and Kundu (1998b) were the first to apply the so-called synergetic theory, combining TCE, agency theory, corporate knowledge theory and the organisational capability perspective (OCP) (in this thesis, RBV), to examine entry mode choice in the hotel industry. The findings of the study indicate that a solid entry mode theory in the hotel industry must necessarily be syncretic and must bear in mind corporate factors of a strategic and control-related nature.

After the turn of the millennium, Rodríguez (2002) also employed the syncretic theory to explain entry modes used in the Spanish hotel industry, highlighting the factors that have allowed Spanish hotel organisations to expand internationally through non-equity growth strategies.

In the same year, an empirical study by Erramilli et al. (2002) was the first to focus exclusively on the choice between non-equity modes, and as such, their study represents the origins of the specific research stream this thesis aims to contribute to. The study highlighted that there are differences between franchising and management contracts and that imperfect imitability, among other variables is a determinant prompting the use of management contracts.

Three years later, Chen and Dimou (2005) set up a theoretical framework of the factors that could influence the entry mode choices of hotel organisations, and their findings highlighted that while franchising and management contracts are similar in some ways, the differences in control over the operations and tacit knowledge of the firm justify a different treatment and evaluation of these non-equity modes.

Two years later, Quer et al. (2007) contributed further empirical research to this stream, highlighting that entry modes in the hotel industry need to be examined from a complete theoretical framework that examines both environment-level and firm-level factors.

In 2010, Cunill and Forteza (2010) further built on the hotel franchise literature. The findings of their study were that franchising has become the most widely used entry mode in the hotel industry and that the franchise strategy allows hotel organisations to achieve increasing market concentrations.

Further building on the franchise literature, Alon et al. (2012) showed in their research how critical the number of franchises and the experience an organisation has in franchising is in influencing the time it takes to expand internationally through franchising.

In the same year, Martorell-Cunill, Gil-Lafuente, Salvà, and Forteza (2012) found that non-equity entry modes have become by far the most popular entry modes in the hotel industry compared with equity and leasing modes. They highlight, from a forgotten effects matrix, that in the internationalisation of hotel organisations, the majority of cases prompt non-equity modes. Moreover, they state that a non-equity strategy allows rapid and significant growth while retaining control over the operation.

Finally, that year, Villar et al. (2012) highlighted the compatibility of TCE and the OCP in determining the entry mode choice. The authors argued that while both theories are different, their approach leads to similar managerial implications. They exemplify this by suggesting that if the nature of the firm's knowledge is tacit, complex or difficult to teach, or intangible (imperfect imitability), internal modes are more appropriate. From TCE reasoning, it is exactly in these cases that contracting becomes more complex and problematic, thus increasing the transaction cost and prompting internalisation.

The following year, Martorell, Mulet, and Otero (2013) and Cunill, Forteza, and Gil-Lafuente (2013) confirmed that the choice of foreign market entry mode cannot rely solely on host-specific factors, but must also rely on the principles of syncretic theory, proposed initially by Contractor and Kundu (1998b). The authors found that both factors specific to the host country and those specific to the firm had an effect on Spanish firms expanding into the Caribbean region.

2.4.2 Geographical Trends in Hotel Entry Mode Research

As highlighted above, the Chinese hotel industry and Chinese hotel organisations have become the fastest growing in the world. This trend can also be observed in the literature, with the majority of country-specific hotel entry mode studies published over the past 15 years focused on China. Initially, Wu, Costa, and Teare (1998) found that because of the increasing uncertainty and complexity of the international hotel industry, international hotel organisations and their managers need to be aware of the business environment trends when deciding on their entry mode. Pine et al. (2000) showed in their review that there are continuously increasing changes in the tourism and hotel industries in China, which provides growth opportunities for both franchised hotel operations and local hotel chains. Pine and Qi (2004) identified and discussed economic and political systems, hotel ownership, hotel management capability and resources and competition between local and foreign firms, which the authors suggested are the main categories of barriers to the development of hotel chains. Heung et al. (2008) found that the majority of state-owned hotels (independent hotels, not chains) intend to join an international franchise operation within the next five years. Moreover, the paper identifies profit improvement, market expansion, product or service standardisation, professionalism of staff, information sharing and resources integration as the major factors affecting the franchising of Chinese state-owned hotels. Xiao et al. (2008) found that the level of work experience and education of Chinese hotel operators may impact on their preferences in regard to franchising, and the level of brand awareness, support from a centralised reservations system, returns on investment and franchise fees will determine how attractive franchises are for potential Chinese franchisees. Finally, Zeng (2010) concluded that hotel chains can be grouped into four strategic groups – (1) strategically concentrated group, (2) close function group, (3) widespread alliance group and (4) loose union group – based on the two dimensions of unification management function scope and the unification management degree. Finally, they highlighted that hotel chains have three expansions paths: (1) stability path, (2) growth path and (3) undulation path).

2.4.3 Section Conclusion

In this section, all the articles published, both empirical and theoretical, focused on entry modes in the hotel industry identified on the Hospitality and Tourism Complete database were chronologically listed and segmented by year, purpose, theory and methodology (see Appendix 5). The findings of the articles that are most closely related to this thesis were then more closely reviewed, highlighting the research stream this thesis builds on, before highlighting that the country that has received the most attention in the hotel entry mode literature is China, which is likely because it has also become the major focus for expansion for large international hotel organisations.

CHAPTER 3 STUDY 1

An Assessment of Entry Mode Theories from an Industry Perspective

3.1 Introduction

This chapter details Study 1, a qualitative examination of the theories of NIE in the context of choosing between franchising and management contracts in the international hotel industry. The first objective of this study was to examine which theories of NIE would best explain the decisions made between franchising and management contracts in the hotel industry from the perspective of individuals who actually make these decisions, that is, high-level hotel executives. The second objective was to use these findings to inform further quantitative analysis based on the theories found most effective in this context. The chapter is split into four sections. Initially, the literature on which the study is based is reviewed, before the methods used in this study are explained. This is followed by an outline of the findings, and finally, a conclusion of the findings is presented.

3.2 Literature Review

This section serves as an overview of the theories that constitute NIE, the theoretical paradigm that informed Study 1. The theories will be individually reviewed, compared and contrasted, and the research questions for Study 1 will also be presented.

3.2.1 Entry Mode Research

International entry mode research is a relatively young field that commenced with Hymer's (1960) seminal insights in deconstructing the complexity of the internationalisation phenomenon into several comprehensive concepts. The foundations of this literature were further laid by Stopford and Wells (1972), who examined the different types of entry modes used by MNCs. However, no theoretical explanations were given in these publications for the various modal choices of MNCs. Theory-based entry mode literature gained momentum in the late 1980s and early 1990s with fundamental studies, including those of Anderson and Gatignon (1986), Gatignon and Anderson (1988), Gomes-Casseres (1989) and Hennart (1991). These articles were both theoretical and empirical in nature, and all used TCE as their theoretical foundation. Since then, several theories have been proposed through which to examine the entry mode choice of MNCs (Brouthers & Hennart, 2007; Canabal & White, 2008). However, a consensus has not been reached in the literature as to which theoretical perspective, or which combination of them, is the most effective in explaining the entry mode choices of MNCs (Sanchez-Peinado et al., 2007).

3.2.2 The Conventional Theory of the Firm: Neoclassical Economics

The traditional view of the firm or 'the theory of the firm' arises from neoclassical economics. From this perspective, firms are seen as production units (P. G. Klein, 2000). In other words, neoclassical economics views the firm as a production function or as production possibilities. This view of the firm is referred to as the 'black box model', in which firms are seen more as 'plant' in which inputs create direct outputs. From the production perspective, management decisions are relatively quantifiable, revolving around input levels and employment levels and how they relate to the firm's output levels, considering economies of scale and scope (Spulber, 1989). This view of the firm has brought about several insights on pricing and output decisions through analysing factors such as input prices, demand schedules and technology in order to maximise firm profits (Spulber, 1989). However, the arguments of this school of thought are more appropriate when the firm is seen as a single actor; that is, there is little insight in this paradigm about the boundaries of the firm, which is a central consideration in this thesis and entry mode research more generally.

3.2.3 New Institutional Economics

NIE has its roots in the work of Coase (1937) which was the first study to examine the boundaries of the firm, and the reason why this school of thought is also referred to as the Coasian view of the firm. From the Coasian perspective, firms are seen as legal entities and as governance structures. The work of Coase (1937) highlighted that theory needs to focus not only on production but also on the cost of transacting business. These ideas were then expanded and further developed, most notably by Williamson (1975, 1985), B. Klein, Crawford, and Alchian (1978), Grossman and Hart (1986) and Hart and Moore (1990), and thus NIE came into being, the term coined by Williamson (1975). NIE is fundamentally concerned with the 'make or buy decision' – the question of whether to organise transactions hierarchically (within the firm) or through market mechanisms (external from the firm). In other words, it is concerned with governance structure, that is, the level of vertical integration (Grossman & Hart, 1986; Williamson, 1975, 1985). Market mechanisms entail costs such as those of negotiating and enforcing contracts. Hierarchically, these transaction costs can be reduced. However, internal operations bring about other transaction costs such as problems of information flow, incentives for monitoring performance and a substantial resource commitment. NIE dictates that the relative costs of internal and external routes must therefore be evaluated and the governance structure, that is, the degree of vertical integration, then be decided based on the relative costs of the governance structure alternatives. NIE has grown in popularity owing to the complex nature of firms. According to Buckley and Casson (1991), firms are not only producers of goods (as viewed from the traditional theory of the firm and the neoclassical perspective); they also contract, research and develop, train employees, procure financial assets and sell intermediate products within the multinational framework, using administrative fiat via transfer pricing, that is, through orders issued with executive authority (Williams, 1997). It needs to be noted, however, that NIE is not a stand-alone paradigm but rather seeks to build on neoclassical institutional economics. For example, NIE draws heavily from the goal of seeking optimisation. As stated by Hira and Hira (2000), "rather than seeking to replace neoclassical economics, the new institutionalists wish only to modify the rational choice, utility-based neoclassical model by relaxing some of its assumptions. The new institutionalism focuses on the central assumption of zero transactions costs in neoclassical economic models as the main gap to be filled" (p. 269).

3.2.4 The Predominant Theories of Entry Mode Research

The major theories used to analyse the entry mode decisions in IB and management literature (Werner, 2002) all stem to some extent from the NIE paradigm. Consequently, there are several similarities and overlaps in these theories as well as significant differences. These theories will now be individually reviewed before their similarities and differences are briefly outlined and the research questions for Study 1 are presented. The differences and similarities of the theories are summarised in Table 3.1. The research questions are summarised in Table 3.2.

3.2.5 Transaction Cost Economics

The transaction cost theory, or TCE, views firms as governance structures and is fundamentally concerned with the 'make or buy' decision, that is, evaluating the governance structure that will incur the least amount of transaction costs based on the assumptions of bounded rationality and opportunism and underpinned by asset specificity, uncertainty and frequency. The theory is defined as follows:

> As compared with other approaches to the study of economic organization, transaction cost economics (1) is more microanalytic, (2) is more self-conscious about its behavioral assumptions, (3) introduces and develops the economic importance of asset specificity, (4) relies more on comparative institutional analysis, (5) regards the business firm as a governance structure rather than a production function, and (6) place greater weight on the ex post institutions of contract, with special emphasis on private ordering (as compared with court ordering) (Williamson, 1985, pp. 17–18).

TCE has its roots in the work of Coase (1937), however, while discussing variables related to TCE and identifying firms as governance structures with differing transaction costs he did not coin the term. The term and broader theory, TCE, was established by the works of Williamson (1975, 1979, 1985, 1991), incorporating Coase's (1937) considerations in a theory of organisational economics. It has been recognised that TCE is a major theory of entry mode research (Leon-Darder et al., 2011), and despite some criticisms laid against it, it is the predominant theory for explaining entry mode decisions of MNCs (Brouthers et al., 2008).

TCE weighs up the cost of market procurement over the cost of internalisation, that is, the make or buy decision (Williamson, 1985). It involves the comparative assessment of planning, monitoring, enforcing and adapting the costs involved in a transaction and the alternative organisational forms available. More simply, TCE dictates that there is always a comparison made between different organisational forms, that is, governance structures (Williamson, 1985). According to the rationale of the theory, however, these alternatives have to be considered in terms of their feasibility, which can be determined through two behavioural assumptions: (1) opportunism and (2) bounded rationality.

3.2.5.1 Opportunism

Opportunism is defined as "self-interest seeking with guile" (Williamson, 1985, p. 47) and is a key assumption of TCE. The assumption relates to the possible negative actions of economic agents, which take the form of lying, cheating, violating agreements and not fulfilling promises on the part of economic actors involved in the transaction (Williamson, 1985). In cases where firms expect high opportunism, internal governance becomes more advantageous than market mechanisms.

3.2.5.2 Bounded Rationality

Bounded rationality is defined as "[economic actors being] intendedly rational but only limited so" (Simon, 1961, p. xxiv) and is the second key assumption of TCE. While the economic actor may intend to behave rationally, the assumption is that people inherently lack the ability to foresee all the knowledge and skills that will be needed in a transaction. In other words, economic actors make rational decisions based on the information they have; however, as not all possible information is available, their rationality is bounded. In cases where firms expect high bounded rationality, internal governance becomes more advantageous than market mechanisms.

As mentioned above, TCE evaluates the transaction costs of alternative governance structures in a transaction. To analyse transaction costs, TCE has three further considerations or constructs, which are (1) asset specificity, (2) uncertainty and (3) frequency.

3.2.5.3 Asset Specificity

Asset specificity refers to the degree to which assets, both physical and human, are locked into a particular use and the consequent difficulty of redeploying these assets for another use without affecting the productive value of the asset (Williamson, 1985). In other words, it is an asset that is specific to a certain type of transaction and loses value if control is lost. When considering the assumptions of opportunism and bounded rationality, asset specificity becomes a critical consideration owing to the bilateral dependency the principal has with the economic agent to protect the asset (Williamson, 1996).

3.2.5.4 Uncertainty

The uncertainty construct is often split into environmental uncertainty and behavioural uncertainty. Environmental uncertainty arises from unpredictability of the business environment in the host country and the inherent risks revolving around the nature of the economic, fiscal and political conditions in the country as well as cultural and geographic distance (Gatignon & Anderson, 1988; Lopez-Duarte & Vidal-Suarez, 2010; K. D. Miller, 1993; Sanchez-Peinado & Pla-Barber, 2006b; Villar et al., 2012; Williamson, 1985, 1991). Behavioural uncertainty arises from the inherent risk of dealing with the economic agents. It revolves around the transaction cost of monitoring and enforcing contracts and legal agreements as well as controlling the actions of the agent (Cho, 2005); therefore, behavioural uncertainty is closely linked with opportunism. Considering the points outlined above, uncertainty is a particularly important consideration in cases where bilateral dependency exists, especially in cases of high asset specificity.

3.2.5.5 Frequency

Frequency refers to the degree and reoccurrence of transactions. This construct is considered in TCE because the costs associated with complicated governance structures become more profitable as the number of transactions increase (Williamson, 1985).

3.2.5.6 Transaction Cost Research Question

TCE was the pioneering theory to emerge out of the Coasian view of the firm and to theoretically ground the NIE (P. G. Klein, 2000; Williamson, 1975). TCE is fundamentally concerned with the 'make or buy' decision, that is, evaluating the governance structure that will incur the least amount of transaction costs based on the assumptions of bounded rationality and opportunism and underpinned by asset specificity, uncertainty and frequency. The unit of analysis in this theory is the transaction.

> RQ1: How salient are the assumptions, constructs and focus of transaction cost economics in a hotel executive's choice between franchising and management contracts?

3.2.6 Agency Theory

Agency theory focuses on contractual agreements between two or more parties whereby the 'agent' acts on behalf of the 'principal'. Moreover, the principal has decision-making authority over the agent. The theory is defined as follows:

> Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes toward risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences. (Eisenhardt, 1989, p. 58)

The basic model of conflict between shareholders and managers, what is now called the principal–agent problem, can be traced back to Berle and Means's (1932) identification of the 'separation of ownership and control'. According to Berle and Means (1932), modern corporations are not run by the owners but by managers who are paid by salary (as opposed to a percentage of the profits) and may therefore have differing goals than the owners; that is, they may not be as concerned with the overall profitability of the firm as they are with personal gains.

Agency theory was formally developed through the works of Jensen and Mecklin (1976), Fama (1980), Fama and Jensen (1983) and Jensen (1986). Two research streams have evolved in agency theory literature: (1) 'positivist agency' theory and (2) the 'principal–agent' research stream.

3.2.6.1 Positivist Agency Theory

Positive agency theory is focused mainly on the relationship between owners and managers of larger corporations (Jensen & Meckling, 1976). More specifically, it focuses on the situations of adverse selection and moral hazard. More often than not, research based on agency theory focuses on this research stream, that is, the effects of adverse selection (precontractual information asymmetry (bounded rationality)) (Akerlof, 1970) and moral hazard (the lack of effort from agents or the temptation to act inefficiently or provide distorted information due to nonalignment of the principals' and agents' goals (opportunism). Two mechanisms are proposed in the literature for the principal to mitigate these problems arising from the agency relationship: (1) outcome-based contracts and (2) the use of information systems.

Outcome-Based Contracts

Outcome-based contracts for the agents in theory decrease managerial opportunism as both the agent and the principal profit from an alignment of interests (Jensen & Meckling, 1976).

Information Systems

Information systems are proposed in the theory as an alternative when it is difficult to align the interests of the principal and the agent. Information systems allow for the monitoring of agents' behaviour and therefore lessen the opportunistic tendencies of agents because they know they are being monitored (Jensen & Meckling, 1976).

It is also suggested in the literature that the use of several agents can help in evaluating whether the agents are acting in the interests of the principal as the relative performance of the agents can be evaluated (Sappington, 1991). In other words, the use of additional agents can allow for the evaluation of any specific agent.

3.2.6.2 Principal–Agent Research

Principal–agent research is concerned with risk sharing and is a consideration when the agent and principal have different attitudes towards risk. It is assumed that both the principal and the agent are risk averse to some extent. The problem that arises is that the principal and agent may prefer different actions because of their different risk preferences (Eisenhardt, 1989).

This stream focuses on choosing the optimal contract based on the trade-off between the cost of measuring the agent's performance and the outcomes of transferring the risk to the agent. In other words, the degree of risk aversion of the agent is positively related to preferring behaviour-based contracts to outcome-based contracts. The less risk averse the principal is the more likely he or she is to shift the risk to the agent through an outcome-based contract, which implies the opposite if the principal is more risk averse; that is, risk aversion of the principal is positively associated with outcome-based contracts and negatively associated with behaviour-based contracts. Finally, a further distinction from positivist agency theory is that principal–agent research is concerned with a broader range of principal–agent relationships than the positivist stream of research; it includes not only owner–manager relationships but also buyer–supplier and consultant–client relationships (Eisenhardt, 1989).

3.2.6.3 Agency Theory Research Question

Agency theory, like TCE, is concerned with governance structure decisions (Jensen & Meckling, 1976; B. Klein et al., 1978; Williamson, 1985); however, agency theory focuses more on ex-ante considerations, whereas TCE is concerned more with ex-post considerations (P. G. Klein, 2000). Moreover, TCE and agency theory are both part of what Williamson (1996) referred to as a managerial discretion set-up, which means that both theories are underpinned by the assumptions of opportunism and bounded rationality. However, they use different terms, with moral hazard or agency costs referring to opportunism (Jensen & Meckling, 1976). Both TCE and agency theory view the firm as a legal entity; however, while TCE views the firm as a governance structure, agency theory sees the firm as a 'nexus of contracts' (Jensen & Meckling, 1976). Moreover, while TCE grew from a focus on vertical integration, agency theory grew from a focus on corporate control (P. G. Klein, 2000). Finally, TCE and agency theory have differing units of analysis, with agency theory's unit of analysis being the individual agent. However, it is suggested by some scholars that these differences are overstated, as the theories are quite similar (Contractor & Kundu, 1998a).

> RQ2: How salient are the assumptions, constructs and focus of agency theory in a hotel executive's choice between franchising and management contracts?

3.2.7 Internalisation Theory

Internalisation theory posits that the entry mode decision of firms will be incremental and time dependent; that is, firms gradually intensify their activities in foreign markets from external modes to internalised modes. Internalisation is defined as follows:

> Internalization is a general principle that explains the boundaries of organizations; its application to the MNE is just one of its many spin-offs. It is a highly specialized principle, targeted specifically on explaining where boundaries lie, and how they shift in response to changing circumstances. (Buckley & Casson, 2009)

Internalisation theory has its origins in the works of Hymer (1960, 1976), Kindleberger (1969) and Caves (1971), that is, market imperfection theory or the Hymer-Kindleberger hypothesis. It is suggested from this perspective that MNCs exist because of market imperfections (i.e. anything that interferes with trade or the smooth operation of the business). In other words, by firms seeking efficiency, market imperfections are vehicles that lead to FDI. According to Hymer (1960), FDI is not a function for the transfer of capital as this could be supplied to the host country collaborator using other forms of international financing. Rather, the theory suggests that FDI is a function for transferring business techniques, personnel and assets, both tangible and intangible. Moreover, it is suggested from this perspective that firms that have to compete in a foreign market are at a disadvantage owing to the costs and complications arising from competing in that foreign environment. Therefore, the firm has to have some ownership advantages over its local competitors if they are to engage in international production. The degree of market imperfection existing in the foreign market and potential for monopolistic advantage for the entering firm determines the motivation for FDI.

Buckley and Casson (1976) used the Hymer-Kindleberger hypothesis to transform the concept of internalisation into a full-fledged theory through incorporating it in the Coasian view of the firm (Castro, 2000). Based on the profit maximisation and growth principles of firms (TCE/Coasian view of the firm), Buckley and Cason (1976) argued that because of market imperfections in intermediate products, notably knowledge, firms will create an internal market (internalise the external market) in order to increase profits and avoid certain costs (the Hymer-Kindleberger hypothesis). It was the assertion of Buckley and Casson (1976) that MNCs are typically both horizontally and vertically integrated that founded their model centred on the relationship between firm knowledge, market imperfections and internalising the market for intermediate goods. The internal market avoids the imperfections of the external market but at the cost of being more resource intensive. The costs of internalisation are exemplified in higher communication costs, higher resource costs and the potential for costs incurred from increased political interference in the host country. According to Rugman (1981), it is market failure in relation to knowledge that prompts internalisation. The internalisation of intermediate products is central to the operation of MNCs; therefore, information and knowledge are critical intermediate products, and through internalising information flow within an internal market, the firm is able to recoup the costs of generating the information. Moreover, through internal information flow, the firm is able to create a product that is specific to the firm (this is akin to TCE/asset specificity reasoning). In addition, it allows control of products and avoids dissemination of its information advantages. Finally, in cases where there are high tariffs, taxation differences or capital flow restrictions, firms will choose to create an internal market.

Buckley and Casson 1998) suggest that internalisation theory has two implications: (1) firms will choose the lowest cost location for any activity and (2) firms will prefer growth through internalisation until the costs of internalisation are equal to its benefits. When applied to entry mode choice in the context of this thesis, internalisation theory suggests that firms initially enter a foreign market through low resource commitment modes such as exporting, thus minimising the risk and cost of international activity. As the firm gains experience in and knowledge of the host country, it will shift to higher resource commitment (more internalised) modes (initially through JVs and then through WOSs).

3.2.7.1 Internalisation Research Question

Internalisation theory is based partly on TCE and, more broadly, on the Coasian view of the firm and market imperfection theory. The theory retains the Coasian aim for profit maximisation and the assumption of doing so under the conditions of underlying market failure. In both theories, the governance structure is determined through the motive of cost minimisation in transactions. The fundamental grounding of both theories is that market inefficiencies prompt firms to internalise their operations. Consequently, internalisation views MNCs as extensions of the Coasian firm. Moreover, internalisation is based on the premise that the risk of losing specific knowledge prompts firms to internalise the transaction, influencing the commitment preferences of the firm (Buckley & Casson, 1976). The theories are distinct, however, in that TCE focuses on single transactions while in internalisation theory the unit of analysis is the firm. Moreover, internalisation theory suggests that internal modes are favoured as market know-how increases, whereas TCE suggests that this is due to micro-level transaction characteristics, for example, asset specificity. Apart from TCE, internalisation theory is also based on the assumptions of market imperfections. Hymer's (1960) seminal insights were developed into a paradigm focused on market imperfections through the works of Hymer (1960, 1976), Kindleberger (1969) and Caves (1971) and is referred to as market imperfection theory or the Hymer-Kindleberger hypothesis. The Hymer-Kindleberger hypothesis suggests that the degree of market imperfection existing in the foreign market and potential for monopolistic advantage for the entering firm determine the motivation for FDI.

> RQ3: How salient are the assumptions, constructs and focus of internalisation theory in a hotel executive's choice between franchising and management contracts?

3.2.8 Dunning's Eclectic Theory

Dunning's eclectic paradigm (or OLI theory), explains outward FDI by suggesting that it is dependent on the existence or lack of ownership advantages, location advantages and internalisation advantages (Dunning, 1980, 1981, 1988, 1992). The paradigm views ownership advantages, internalisation advantages and location advantages as interrelated and as prerequisites for FDI. The theory is defined as follows:

> The eclectic paradigm has been developed by John Dunning in a series of publications (Dunning, 1980, 1981, 1988, 1992). There are three factors that determine the international activities of multinational enterprises (MNEs). These are ownership (O) advantages, location (L) advantages, and internalization (I) advantages. (Rugman, 2010, p. 2)

The theory is a combination of industrial organisation theory, internalisation theory and location theory. All of which are proposed by Dunning (1980, 1981, 1988, 1992) to be important considerations in investment decisions. These 'advantages' are now elaborated on.

3.2.8.1 Ownership Advantages

According to the paradigm, ownership advantages are determined by three factors: (1) access to materials, (2) access to the endowments of the parent company at low cost and (3) advantages arising from being international, allowing for control of unique host country factors such as product differentiation, innovation, experience, favoured access to inputs and use of specific assets. There are two types of assets that, according to the theory, embody the ownership advantages: (1) the firm's intangible assets such as brands, knowledge, management skills and organisational routines (asset ownership advantages) and (2) country factors such as favourable natural factor endowments, natural resources and the cultural, institutional and legal environment. In addition, access to and control over host country resources fall into this category (transactional ownership advantages).

3.2.8.2 Location Advantages

Location advantages include the size of the market, natural resources, aspects of the infrastructure, the education system and political or governmental activity. It is important to note that it is only the existence of these factors that creates the advantage. If, for example, an MNC was given access to these advantages over another MNC, for example, by gaining access to natural resources, it becomes an ownership advantage.

3.2.8.3 Internalisation Advantages

Internalisation derives from Hymer's market imperfection theory, the Coasian view of the firm and TCE. Following TCE logic, it is suggested that internalisation should be sought in three instances: (1) in cases of perceived risk and uncertainty, (2) as a result of economies of scale in an imperfect market and (3) in cases of the market not pricing externalities to transactions. The distinction between ownership advantages and internalisation advantages can only exist within NIE where ownership and control are not synonymous. In other words, a firm must have some ownership advantages to internalise.

In short, the theory suggests that ownership advantages must be present before market failure leads to internalisation and location factors will dictate the site of investment. Moreover, internalisation factors when combined with location factors determine the organisational form. Dunning views internalisation and ownership advantages as distinct and argues that market failure leads to internalisation, while it is the ownership of a particular asset or a set of assets that explains why firms are multinational or domestic. Finally, location advantages relate to both the home country of the MNC and the host country. According to Dunning (1988), they are interdependent with ownership advantages, and internalisation advantages include input prices, barriers to trade, tax regimes, institutional arrangements, and prospects of the economy and socio-political situations. These factors dictate why MNCs choose FDI in particular locations rather than exporting or licensing.

3.2.8.4 Dunning's Eclectic Paradigm Research Question

Dunning's eclectic paradigm draws from TCE and, more broadly, from the traditional Coasian model (i.e. the focus on governance structures) but expands it by adding three factors: ownership advantages, location advantages and internalisation advantages (Dunning, 1980, 1981, 1988, 1992). The similarities between TCE and OLI are further embodied in these advantages, specifically ownership advantages, referred to as firm-specific variables, as well as location advantages, referred to as market or environment specific variables in TCE jargon. Moreover, the eclectic paradigm also draws on internalisation theory (the theory outlined above). The unit of analysis in this theory is the firm.

> RQ4: How salient are the assumptions, constructs and focus of Dunning's eclectic paradigm in a hotel executive's choice between franchising and management contracts?

3.2.9 Institutional Theory

Institutional theory in the context of IB suggests that the institutional environment of the host country or market determines the entry mode decision of MNCs. There is no unified definition of institutions in the IB literature and how institutions influence the behaviour of MNCs (Hotho & Pedersen, 2012). The pioneers of the two main research streams defined institutions as follows:

> Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change. (North, 1990, p. 3)

> Institutions are social structures that have attained a high degree of resilience. (Scott, 1995, p. 33)

Institutional theory in IB examines how firms enter and operate in an institutional context defined by certain rules, norms and values (Davis, Desai, & Francis, 2000; Meyer & Nguyen, 2005). From this perspective, firms are therefore seen as passive agents operating within the broader frames of reference resulting from institutions. A key tenet of institutional theory is isomorphism (DiMaggio & Powell, 1983). Embedded isomorphic pressures can have a significant influence on the entry mode choice of MNCs (Brouthers, 2002). For example, institutional theory suggests that firms entering a new market will mimic local host country firm actions or competitor actions in order to legitimise their operations and their market presence (Davis et al., 2000; Kostova, Roth, & Dacin, 2008). There are two research streams that have evolved in the literature on institutional theory in IB; these are the sociological perspective and the economic perspective.

3.2.9.1 The Sociological Perspective

The sociological perspective examines the interactions between organisations and institutions through the differing perspectives of the 'actors' of the institutions, that is, individuals, organisations and sovereign states, to examine the behaviour of organisations and their impact on the society (Scott, 1995). Scott's (1995) analogy of institutional theory consists of three 'pillars', which are as follows:

1) The regulative pillar – consisting of the formal rules, laws and regulations that exist in a state

2) The normative pillar – including professional societal bodies that outline the rules and expectations for certain groups

3) The cultural-cognitive pillar – the accepted beliefs and values shared among individuals through social interactions that guide behaviour

3.2.9.2 The Economic Perspective

The economic perspective of institutional theory in IB was put forward by North (1990, 1991) and is based on the assumptions of TCE and founded in NIE. One key notion put forward in this theory is the analogy of the 'game'. The rules of the game are dictated by two different institutional contexts: (1) the formal institutional context and (2) the informal institutional context.

Formal Institutions

Formal institutions take the form of laws, property rights and sanctions, at both federal and regional levels. Formal institutions can be changed relatively swiftly as a result of changes in regulations that are enforced by the government (Chavance, 2008; Lauth, 2004; North, 1990).

Informal Institutions

Informal institutions take the form of taboos, values, customs and traditions, and networks. Networks facilitate intra- and interorganisational operations (Peng, 2003) and are often used within political circles and MNCs to facilitate policy creation (Lawton et al., 2013). Unlike formal institutions, informal institutions are more resistant to change because they are the shared beliefs and norms of the society (Chavance, 2008; Lauth, 2004; North, 1990).

Formal and informal institutions have both been suggested as influencing the entry mode choices of MNCs (Meyer & Nguyen, 2005). Where regional governments are not allowed or are unable to exercise their law-making powers (formal institutions), they utilise informal institutions to facilitate transactions. MNCs have to weigh up the incentives provided by both the federal and the regional governments. Location factors are context specific and influence the entry mode choice of MNCs (Agarwal & Ramaswami, 1992). Moreover, the entry mode choice also depends on whether institutions facilitate access to scarce resources or not. Where the federal or regional governments facilitate this access, foreign MNCs prefer JVs with the local firms (Meyer & Nguyen, 2005). However, the governments also have the power to impose restrictions on JVs in particular sectors. As a result, the national institutional framework is a vital determinant in the strategic internationalisation decisions of MNCs. Furthermore, the regional and federal governments play different roles in facilitating FDI activities. This area has, however, received very little attention in the IB literature (Meyer & Nguyen, 2005; Wang, Hong, Kafouros, & Wright, 2012).

It is noted in the literature that the level of development in a country has a relationship with the preference for either formal or informal institutions. Continual changes in the formal institutional environment experiences, particularly in emerging economies, encourages the development and strengthening of informal institutions, which MNCs from emerging economies rely on heavily (Marinova, Child, & Marinov, 2012). Conversely, more developed countries are likely to have more established and well-enforced formal institutions and therefore prefer them.

Government officials as well as MNCs use informal institutions such as networks to facilitate their own interests (Grzymala-Busse, 2010; Levitsky & Murillo, 2009). The interplay between formal and informal institutions is vital in the operations of MNCs (Chavance, 2008; Mudambi & Navarra, 2002); however, research remains scarce on this issue also. The use of both institutions is evident at all the levels of business–government interactions.

The key assumptions and insights from the economic and sociological perspectives have enabled IB scholars to add depth to organisational analyses. Institutional theory enables better understanding of more complex aspects of social structure (Scott, 2008), where formal and informal institutions are utilised in order to enable MNCs to operate in these complex environments (North, 1990). In this thesis, the focus will be on North's institutional theory because of its foundation in NIE.

3.2.9.3 Institutional Theory Research Question

North's institutional theory is founded in NIE; however, unlike the other theories reviewed here, the focus of the theory is not on the firm but rather on the environment. Specifically, it considers the effect of formal and informal institutions and how they influence the governance structure choices of MNCs as opposed to considering how factors within the firm influence these choices. The unit of analysis of this theory is the institutional environment of the host country.

> RQ5: How salient are the assumptions, constructs and focus of institutional theory in a hotel executive's choice between franchising and management contracts?

3.2.10 Resource-Based View

From the RBV, the basis of every firm's competitive advantage rests in its heterogeneous resources or capabilities. A resource can be thought of as an asset that is tangible or intangible, such as capital or machinery and brand names or production knowledge respectively (Barney, 1991; Fahy, 1996; Lado & Zhang, 1998). Moreover, it can be human or non-human (Lado & Zhang, 1998). The theory is defined as follows:

> The resource-based view of the firm substitutes two alternate assumptions in analyzing sources of competitive advantage. First, this model assumes that firms within an industry (or group) may be heterogeneous with respect to the strategic resources they control. Second, this model assumes that these resources may not be perfectly mobile across firms, and thus heterogeneity can be long lasting. (Barney, 1991, p. 101)

Aspects of the RBV have been theorised over for some time, before these concepts were formally combined into an academic theory by Wernerfelt (1984). This publication was followed by Barney (1986a, 1986b), who articulated similar lines of reasoning and terminology. Other notable publications at this early stage, such as Conner (1991), Grant (1991), Mahoney and Pandian (1992) and Peteraf (1993) also helped to establish the theory in the literature. The RBV has been criticised for being unclear in its terminology. According to Foss (1997), the literature on the RBV is a 'terminological soup', referring to the non-homogeneous use of terms such as resources, capabilities, competencies and assets, which complicates the concept and hinders the usability of the theory due to tautology. In this study, when discussing the RBV, all knowledge-based and organisational capability, competency or core competency theories will also be referred to, as done in Brouthers and Hennart (2007). However, a short outline of the dynamic capability perspective is provided at the end of this section due to its increasing popularity in the literature.

From the RBV, when these resources and capabilities are bundled up, they embody the firm's competitive advantage (Barney, 1991; Collis & Montgomery, 1995; Dev et al., 2007; Madhok, 1997, 1998). The RBV determines the entry mode decision through the efficiency of transferring the resources and capabilities of the firm to the host country (Barney, 1991; Madhok, 1998). Rather than being focused on control and risk, as is the case for TCE, this line of reasoning posits that it is the resources of the firm and their transfer that determines the entry mode decision (Agarwal & Ramaswami, 1992; Ainuddin, Beamish, Hulland, & Rouse, 2007; Collis, 1991; Lado & Zhang, 1998). The easiest way to transfer these resources across country borders in a way that retains the firm's competitive advantage will be chosen (Luo, 2002; Madhok, 1997).

The RBV suggests four characteristics that relate to the resources or capabilities controlled by the organisation. It is proposed by Barney (1991) that for resources to provide a long-term competitive advantage, they must be 'VRIN': valuable, rare, inimitable and substitutable (Ainuddin et al., 2007; Barney, 1991; W. C. Kim & Hwang, 1992; Lavie, 2006; Luo, 2002; Madhok, 1997, 1998). These four constructs will now be elaborated on.

3.2.10.1 Value of Resources

The resources of a firm that are characterised as valuable are those that create a competitive advantage that is sustainable over a long period. From the RBV, resources are also valuable when they allow a firm to implement incentives and strategies that improve the efficiency and effectiveness of resource transfer across country borders. Finally, the resource is deemed valuable if it aids in neutralising external threats and fosters possible opportunities for the firm (Ainuddin et al., 2007; Barney, 1991; Fahy, 1996; Lado & Zhang, 1998).

3.2.10.2 Rarity of Resources

A resource must be rare to be valuable. By definition, value is lost as rarity decreases. From the RBV, if several competing firms possess the same resource then that resource will no longer be a source of sustained competitive advantage. Therefore, even if firm resources are valuable, they will not be a source of competitive advantage if they are not rare (Ainuddin et al., 2007; Barney, 1991; Fahy, 1996; W. C. Kim & Hwang, 1992).

3.2.10.3 Non-substitutability of Resources

Non-substitutability is the last requirement for a sustained competitive advantage. Even if the resources of a firm are valuable and rare, an equally important consideration is whether they are non-substitutable. If a competitor can provide a similar product or service as a substitute then the competitive advantage is lost (Ainuddin et al., 2007; Barney, 1991; Fahy, 1996; W. C. Kim & Hwang, 1992; Lavie, 2006).

3.2.10.4 Imperfect Imitability

The term imperfect imitability has its roots in the RBV and was initially developed by Lippman and Rumelt (1982) and then further refined by Barney (1986a, 1986b). These scholars suggest that for a sustained competitive advantage to be achieved, a firm must have a bundle of firm-specific resources that in combination are imperfectly imitable. In other words, it should not be possible for competitors to perfectly imitate these resources. Over time, firms develop resource-based advantages (Barney, 1991); if the capabilities that arise through these resources are imperfectly imitable then it means that they are highly embedded in the firm's organisational routines (Ainuddin et al., 2007; Brown et al., 2003; Fahy, 1996; W. C. Kim & Hwang, 1992; Lam, 1997; Lavie, 2006). In other words, if the managerial skills, the knowledge of the industry, the training or the organisational routines of a hotel organisation have been developed over time and cannot be or are not held by one person per se, then the capabilities of that firm would be embedded (Dev et al., 2007; Kogut & Zander, 1993; Lam, 1997; Luo, 2001).

3.2.10.5 The Dynamic Capability Perspective

The dynamic capability perspective builds on the assumptions and considerations of the RBV. The RBV has been shown as an effective theoretical perspective in static environments, however, it is arguably less effective in dynamic environments (Teece, Pisano, & Shuen, 1997), as it fails to explain the sustainment of competitive advantage of firms in environments and regimes of dynamism. The initial intention of the dynamic capability framework therefore was to provide an explanation for this (Teece & Pisano, 1994; Teece et al., 1997). In other words, the dynamic capability perspective focuses on the ability of continual change and adaption of a firm's capabilities i.e. resources. It is therefore regarded as an extension of the resource-based view (Eisenhardt & Martin, 2000; Helfat et al., 2007; Zollo & Winter, 2002).

The dynamic capability perspective has received increasing attention since the seminal work of Teece et al. (1997). According to Di Stefano, Peteraf, and Verona (2014), the number of publications founded on the dynamic capability perspective have increased yearly. However, it has been suggested that the organisational capability perspective is still relatively young and not yet fully developed (Helfat et al., 2007), which is highlighted by the lack of coherence in literature on the theory. Firstly, the field is negatively impacted by confusion over the concept itself (Di Stefano et al., 2014; Wilden, Devinney, & Dowling, 2013). Some authors have argued that capabilities are an idiosyncratic ability (Teece et al., 1997), while others argue that dynamic capability is a best-practice process that can be found in various organisations (Eisenhardt & Martin, 2000). Moreover, it is argued by some authors that managers are key agents for dynamic capabilities (Adner & Helfat, 2003; Martin, 2011), while others have argued that dynamic capabilities should be implemented as the modus operandi (Zollo & Winter, 2002). Finally, some authors regard dynamic capabilities as an adjustment mechanism (Kale & Singh, 2007; Santos & Eisenhardt, 2005), whereas other authors have emphasised the creation of something new (Katkalo, Pitelis, & Teece, 2010; Teece, 2007).

Considering these points, it is therefore not surprising that various scholars have criticised the concept of dynamic capabilities for its lack of coherent theoretical foundations and the fragmented nature of the literature (Arend & Bromiley, 2009; Argyres, Felin, Foss, & Zenger, 2012). It is for these reasons, that this thesis focuses only on the traditional RBV, which as mentioned at the start of this section suffers itself from terminological confusion (Foss, 1997).

3.2.10.6 The Resource-Based View Research Question

Like TCE, the RBV is concerned with the governance structure of firms; moreover, a central role is given to bounded rationality (Barney, 1991). However, if excluding institutional theory, this theory is perhaps the most different from TCE when compared with those listed above (Madhok, 1996, 1997, 1998). While TCE is concerned with lessening transaction costs, the RBV is concerned with the development and exploitation of the firm’s resources and capabilities. Moreover, from the RBV, TCE is not comprehensive enough to explain the existence of firms or to be a theory of economic organisation more generally, as it ignores the fact that firms are a hub of research and of resources and capabilities (Erramilli et al., 2002; Madhok, 1998), that is, TCE does not examine all the processes that take place within the firm. The unit of analysis in the RBV is the firm.

> RQ6: How salient are the assumptions, constructs and focus of the resource-based view in a hotel executive’s choice between franchising and management contracts?

Table 3.1: Theories on New Institutional Economics – Comparisons

Considerations	TCE	Agency theory	Internalisation theory	OLI	Institutional theory	RBV
Unit of analysis	Transactions	The agent	The firm	The firm	Institutional environment	The firm
Primary focus	Transaction characteristics	Contract between the principal and the agent	Gradual internalisation of market imperfections	The OLI advantages	Regulatory, normative and cognitive environments	Firm resources and capabilities
Key theoretical/ behavioural assumptions	Opportunism and bounded rationality	Moral hazard and agency cost	Internal markets are the most efficient	All OLI advantages are prerequisites of FDI	The three pillars and the formal and informal institutions	Bounded rationality
Key market assumptions	Markets can fail	Markets are efficient	Markets can fail/are imperfect	Markets can fail	Institutions exist in larger ecologies (social and economic)	Markets are not efficient
Primary management consideration	Cost minimisation	Choosing the optimal contract	Cost minimisation	Cost minimisation	Optimal interactions with the institutional environment	Development and exploitation of firm resources and capabilities
Primary firm consideration	Transaction cost minimisation to establish the best governance structure	Principal–agent relationships should reflect efficient structure of organisation and risk-bearing costs	There is a direct relationship between increasing experience/ know-how and increasing firm's resource commitment	Evaluating the best governance structure as dictated by the OLI advantages	Evaluating the best governance structure by evaluating the optimal interaction with institutions	Contributions towards and demands placed on firm resources and capabilities

(Buckley & Casson, 1976; Dunning, 1988; Eisenhardt, 1989; P. G. Klein, 2000; Madhok, 1997; North, 1990; Scott, 1995; Williamson, 1996)

Table 3.2: Summary of the Research Questions for Study 1

RQ1	How salient are the assumptions, constructs and focus of transaction cost economics in a hotel executive's choice between franchising and management contracts?
RQ2	How salient are the assumptions, constructs and focus of agency theory in a hotel executive's choice between franchising and management contracts?
RQ3	How salient are the assumptions, constructs and focus of internalisation theory in a hotel executive's choice between franchising and management contracts?
RQ4	How salient are the assumptions, constructs and focus of Dunning's eclectic paradigm in a hotel executive's choice between franchising and management contracts?
RQ5	How salient are the assumptions, constructs and focus of institutional theory in a hotel executive's choice between franchising and management contracts?
RQ6	How salient are the assumptions, constructs and focus of the resource-based view in a hotel executive's choice between franchising and management contracts?

3.2.11 Section Conclusions

In this section, the shift from neoclassical economics to NIE in IB research was outlined. It was highlighted that neoclassical economics with its view of firms as production units does not account for the complexity of modern firms and the institutional context within which MNCs operate today. It is suggested in the literature that the theories of NIE conversely are more suited to examinations of today's international market place owing to its focus on the boundaries of the firm. TCE, agency theory, internalisation theory, Dunning's OLI and the RBV, all founded in NIE, are the major theories of entry mode research. These theories were individually reviewed: their origins, development, underlying constructs and assumptions were outlined and their similarities and differences were briefly reviewed before presenting the research questions.

3.3 Methods

The purpose of this section is to outline the methods that were used in this study. Initially, the research design for the study is outlined, followed by an explanation of how the instrument (interview questions) was developed and then a listing of the actual questions asked. Finally, the research sample is shown, and it is briefly explained how the data was analysed.

3.3.1 Research Design

For this study, a qualitative approach was taken with key informant interviews, however, while this study is qualitative in nature, allowing for more in-depth analysis, the study uses a deductive approach. Although qualitative research is generally seen as inductive, especially in the case of grounded theory research (Bruce, 2007), qualitative research can also take a deductive approach when guided by a rigorous theoretical foundation (O'Reilly & Parker, 2012). This approach was adopted to examine and deduce which theories of NIE would best explain the decision between franchising and management contracts in the hotel industry, and then use these findings to inform further quantitative analysis. This approach also fits best with the overall post-positive paradigm of the thesis, which aims to be as objective as possible.

The advantage of this methodology is that it is structured but still exploratory in nature, by allowing the interviewees to answer in their own words. This was emphasised in this research by directly quoting the respondents to capture their insights more directly. Moreover, it can be seen in the literature that the majority of entry mode research has been quantitative in nature (Canabal & White, 2008; Sarkar & Cavusgil, 1996), and there has been a growing stream of studies examining entry modes through qualitative methods for service firms (Czinkota, Grossman, Javalgi, & Nugent, 2009), retail firms (Doherty, 2000; Picot-Coupey, 2006) and hotel firms (Altinay, 2005, 2007; Kruesi & Zamborsky, in press; Lamminmaki, 2005).

3.3.2 Instrumentation and Data Collection

In qualitative research, relatively little structured instrumentation is used. In fact, it is proposed that the researcher is essentially the main 'instrument' (Miles, Huberman, & Saldaña, 2013). Moreover, it is pointed out by Miles et al. (2013) that researchers are generally affected by pre-existing knowledge and perceptions that influence the interpretation of the responses. N. Lee and Lings (2008) suggest that a clear line of questioning or a conceptual framework as a structure allows researchers to shape their analysis in a way that focuses on the problem being investigated; however, it should be noted that the researchers must 'let the data speak for itself'.

According to Punch (2013), questions are useful in qualitative research to guide the interview; however, only general open-ended questions should be set up in advance because before empirical research is carried out, it is not possible (or, if possible, not sensible) to identify overly specific research questions. The factors for closer examination will become clear only as the research unfolds, and as a specific focus for the work is developed. In qualitative research methods, the data is usually unstructured at the point of collection (Punch, 2013). No pre-established categories or codes are used. The structure of the data, the categories and the codes emerge from the data during the analysis. This point about data has implications for instrumentation in qualitative data collection.

The instruments used in qualitative research have a major influence on the data collected. If only a few prepared instruments are used (i.e. interview questions, observation logbooks and schedules etc.), there is a risk of not being able to differentiate between useful data and irrelevant data. However, if there is too much structure, it can leave researchers blind to the situational context and overly influenced by previous models. N. Lee and Lings (2008) recommend that it is usually best to settle somewhere in the middle; the more exploratory the study, the less instrumentation is used. If the aim of the research is to compare multiple cases or situations, however, instrumentation will be of considerable help (N. Lee & Lings, 2008), as is the case in this thesis.

For this study, the instruments were designed to be flexible and to be used more as guidance than as a structured template to follow. This approach was chosen to answer the research questions developed for this study most effectively. Specifically, the particulars of the theories, as outlined in Section 3.2, had to be explained to some respondents during the interviews to ensure that the questions asked were fully understood by the respondents.

As was explored in the previous section, the theories under investigation for this study have evolved out of NIE and TCE. Therefore, many theories have similar management concerns and behavioural and market assumptions. These factors were probed only once (mainly in the TCE section) and not again for the following theories. Instead, the questions for the following theories probed the characteristics that distinguish these theories from TCE. Specifically, Question 1, on the motive of cost minimisation and profit maximisation, is also relevant to internalisation theory, agency theory and OLI. Question 2, on opportunism, is also relevant to internalisation theory, OLI and the RBV, and this question also probes the importance of the behavioural uncertainty construct of TCE. Question 3, on bounded rationality, is also relevant to internalisation theory, OLI and the RBV; this question also probes the importance of the behavioural uncertainty construct of TCE. Question 4, on asset specificity, also relates to internalisation theory and OLI. Finally, Questions 9 and 10, on internalisation theory, also relate to OLI.

Interview Questions

Transaction Cost Economics

1) How important is the motive of transaction cost minimisation / profit maximisation, in particular, ex-post cost minimisation, in deciding between franchising and management contracts? (INT/OLI/AT)

2) How does the expectation of opportunism from the partner impact on the decision between franchising and management contracts? (BU)(INT/OLI/AT)

3) How does bounded rationality in a transaction impact on the decision between franchising and management contracts? (EU)(OLI/INT/RBV)

Asset Specificity

4) How did the aim to protect and control your specific assets impact on the decision between franchising and management contracts? (OLI/INT)

Environmental Uncertainty

5) How does environmental uncertainty impact on the decision between franchising and management contracts?

Frequency

6) Does the frequency of transactions impact on the decision between franchising and management contracts?

Agency Theory

7) How do the differing goals between the principal and agent impact on the decision between franchising and management contracts?

8) How does the ease or difficulty of monitoring the performance of the agent impact on the decision between franchising and management contracts?

9) How does the motive for risk sharing between the principal and agent impact on the decision between franchising and management contracts?

Internalisation Theory

10) How does the concept of gradually increasing control from low to high, i.e. internalising the external market, apply to franchising and management contracts? (OLI)

11) How does the motive to internalise imperfect markets impact on the decision between franchising and management contracts?

Dunning's Eclectic Paradigm (OLI Theory)

12) How do location advantages impact on the decision between franchising and management contracts?

Institutional Theory

13) How do formal institutions impact on the decision between franchising and management contracts?

14) How do informal institutions impact on the decision between franchising and management contracts?

Resource-Based View

15) How important is the efficient transfer of resources and capabilities to the host country in the decision between franchising and management contracts?

Imperfect Imitability

16) How did the aim to protect and control your specific assets impact on the decision between franchising and management contracts?

3.3.3 Pilot Study

After having designed the interview, a two-stage pilot study was conducted before commencing the data collection. In the first stage of the pilot study, the interview was conducted with the project supervisors. The researcher interviewed the supervisors jointly and the questions were modified for clarity. In the second stage, the researcher independently interviewed two further individuals, both senior lecturers. These individuals were chosen due to their relevant academic and industry knowledge. One of these individuals is an expert in service firm internationalisation as well as having specific knowledge of non-equity entry modes. The second individual is currently a lecturer in the field of hospitality and has significant hotel industry experience from before entering academia. The interviewees were asked to identify anything related to the flow of the interview or the construction of the wording that may pose problems or hinder understanding of the questions. Based on their feedback, the main change that was made to the interview was some minor rewording to remove questions that were essentially repetitive – a result of the similarities between some of the theories. These changes in the wording and a reduction in the number of questions improved the comprehension and flow of the interview.

3.3.4 Research Sample

The interviewees were specifically chosen for their expertise, that is, as key informants, to explore their views and expertise on non-equity entry modes in the hotel sector and the theories examined in this study. Table 3.3 summarises the profiles of the interviewees. The interviewees were chosen based on the purposive sampling method (Sangpikul & Kim, 2009). The aim was to select interviewees who are very high up in the information hierarchy, as proposed by Marschan-Piekkari and Welch (2004), and therefore, only top-level hotel executives. To gain access to such high-level executives, who are dispersed across the globe, it was deemed appropriate by the research team to attend a major hotel conference. Consequently, the IHIF 2013 in Berlin was chosen.

For networking purposes, the IHIF provides an 'in-mail' service, which is operational two months before commencement of the conference. This time was used to review the 1,312 attendees and identify appropriate, knowledgeable and high-level potential respondents. A total of 108 potential interviewees were identified and research invitations and participant information sheets were sent to these individuals. Of these 108, 11 responded and were willing to meet; however, owing to time constraints and scheduling clashes, three of these potential interviewees were not able to meet. The final sample for the interviews was therefore eight, as seen in Table 3.3. The interviewees were all in high-level management positions and had extensive experience in the hotel industry (a total of 141 years between them). These executives, moreover, were based in different parts of the globe. As the conference was held in Germany, the majority came from the United

Kingdom; however, there was also one representative each from South Africa, the United Arab Emirates and the United States.

The sample size of 8 executives could be considered a limitation of this study. As such, it could be argued that perhaps data saturation may not have been reached. However,it is suggested by O'Reilly and Parker (2012) that data saturation should not be viewed as a generic requirement that is to be applied to all types of qualitative research. Nor should data saturation be viewed as a quality criterion for all qualitative studies. As mentioned in Section 3.3.1, while qualitative research is generally viewed as inductive (Bruce, 2007), a deductive approach can also be taken (O'Reilly & Parker, 2012) as is used in this study. Although data saturation can be viewed as criterion applicable to truly inductive research, such as grounded theory research, a deductive approach is not necessarily guided by the types of revelations or 'categories' that may emerge from the data when collecting it. Study 1 was deductive as it was guided by a rigorous theoretical foundation with a clear aim of deducing the most appropriate theories to use for Study 2.

Table 3.3: Key Informants

Respondent	Position	Years of experience	Country
1	CEO of a hotel asset management company	12	United Kingdom
2	CEO of a hotel organisation	26	South Africa
3	Regional president of a hotel organisation	15	United Arab Emirates
4	Senior vice-president of a hotel organisation	10	United States of America
5	Managing director of a hotel organisation	44	United Kingdom
6	Franchise development manager of a hotel organisation	13	United Kingdom
7	Hotel law firm partner	13	United Kingdom
8	Hotel law firm partner	8	United Kingdom

3.3.5 Data Analysis

The qualitative data collected through the in-depth interviews was analysed by content and thematic analyses. By analysing the qualitative data, the factors and constraints that could possibly affect the choice between franchising and management contracts were identified. To carry out the qualitative data analysis, the interviews were transcribed and printed, and the themes were coded by colour. It is suggested by Veal (2006) that a sophisticated analysis of qualitative data could be regarded as less important, and to some extent, unnecessary when the purpose of an in-depth or informal interview is to help the formation of a formal survey questionnaire, which was one of the objectives of this initial stage of the research. However, since in-depth interviews can help unveil underlying dynamics, which a questionnaire is not able to do, the text derived from those interviews and the analysis of that text may be regarded as a case study within the thesis. As previously noted, this analysis forms the subject matter of the next chapter. Specifically, the data collected was analysed through the four-step process suggested by Phillips (2010), which is as follows:

Step 1: Observing and Searching

Remain objective when reading through the data, keep an open mind and reserve any prior judgement.

Step 2: Sorting and Coding

Identify single words and short phrases, that is, meaningful units or segments of text (Hruschka et al., 2004), that were repeated. These units and segments were then coded.

Step 3: Discovering and Coding

Establish if any patterns arise and evaluate what the similarities and the differences are.

Step 4: Reobserve and Reread

Reobserve the data and evaluate if any new insights present themselves.

3.4 Findings

The purpose of this section is to present the findings of Study 1. The findings are structured in the same order as the questions were asked (see interview questions). The theories of NIE were all discussed with the respondents and their applicability to the decision between franchising and management contracts was explored. Moreover, as the interviews were semi-structured, there were findings were not expected and these are also outlined in this section as they impacted on the hypotheses development of the following round.

3.4.1 Transaction Cost Economics

Initially, the importance of the transaction cost minimisation rationale of TCE in deciding between franchising and management contracts was probed. It was highlighted by all of the participants that transaction costs, both ex-ante and ex-post, are important considerations.

> "If you are going to look at the tightest, best negotiated franchise agreement, you might as well make it a management contract. If you are going to protect your brand to that extent you might as well go and operate it yourself." (Respondent 4)

> "Yes in one sense it is more efficient go with a management agreement because you don't have break-in costs, you don't have re-entry cost, if you would lose the franchise agreement." (Respondent 8)

It was noted, however, by Respondent (7) that transaction costs, while a consideration, are far outweighed by the potential for profit.

> "I think that is a lesser consideration, there are more things to look at if you are just looking at the transaction costs, they may be higher one way or the other but no investor is solely driven by the cost or risk [aversion] they are driven by the return. So, OK, it may cost me more to do this than that but that is a lot more profitable, I am going to go that way and don't mind taking on the cost and risk." (Respondent 7)

However, as profit maximisation is also central to TCE, this comment does not contradict TCE reasoning. The respondents were then asked about how the potential for opportunistic behaviour on the part of the host country partner impacts on the decision between franchising and management contracts. Overwhelmingly, the consensus among the respondents was that opportunism is a major consideration for hotel organisations in choosing between franchising and management contracts. Local partners potentially misusing the brand was a central consideration for several respondents, as highlighted by Respondents (1), (2) and (3).

> "If there are issues in regard to the execution of the brand standards and [the local partner] exposes you … you find the franchisor coming back and saying 'well we won't franchise anymore, we'll do a management agreement'." (Respondent 1)

> "In franchising all you have is your brand, if you choose the wrong partners and they tarnish your brand it will cost you, not just in that market but potentially in other markets also." (Respondent 2)

> "If I felt there was any potential for brand misuse I would not consider a franchise depending on how desperate I would be to get into that market." (Respondent 3)

Respondents also highlighted that the hotel organisation's appetite for risk dictates whether opportunistic behaviour affects the decision between franchising and management contracts, as summed up best by Respondents (6) and (8).

> "You would never put yourself in position where you feel as though you have overexposed your brand. So there is always a caution there actually … if it's too high risk for your brand, you just wouldn't do it." (Respondent 6)

> "So I would think from an Accor perspective for example, a lot of it would be judged on a risk basis/ if its high risk they would want to do a management contract." (Respondent 8)

Distrust was also found to be a major characteristic of expected opportunistic behaviour, as highlighted by participants (2), (4) and (6).

> "In Africa the decision has been taken by lots of companies to use management contracts. For example in Mozambique if you work with a local operator you will

very quickly realise that they are often not operating ethically and would likely [act opportunistically].” (Respondent 2)

> “Not because they get more or earn more from management agreements, but because they don’t trust anybody [as they might] redeploy that brand for themselves.” (Respondent 2)

> “The general breakdown would be whether you would trust somebody with the processes you developed; that is absolutely critical to the success of the brand”. (Respondent 4)

> “You might find that there is just no third party manager that you will trust.” (Respondent 6)

The impact of bounded rationality was examined next, and similarly to opportunism, the respondents highlighted that bounded rationality impacts significantly on the decision between franchising and management contracts by prompting the use of management contracts. It was highlighted by Respondent (2) that in cases of bounded rationality management contracts are preferred because generally hotel organisations have a longer-term view of internationalisation than just their immediate profits.

> “If you do a franchise deal that in 10 years’ time falls apart, that cost you. So you need to be in the position where you have longevity.” (Respondent 2)

It was further indicated that when hotel organisations move into a new market, the rationality is always bounded to some extent, and therefore, management contracts are generally always preferred when entering a new market.

> “I think with a new territory that can take years to understand and consequently the speed of growth would be slowed if you don’t fully understand it and put boots on the ground.” (Respondent 3)

> “In another market which is untested, such as for example moving into Warsaw where you don’t have a presence yet … you would probably try and get a feel for that market through a management contract before you pass it on.” (Respondent 4)

> “So, in countries you don’t know much about, in some ways you would want to go with a managed operation.” (Respondent 8)

3.4.1.1 Asset Specificity

The impact of asset specificity was probed next and it was identified overwhelmingly by the respondents as being central in prompting hotel organisations to use management contracts. It was highlighted by Respondents (1), (6) and (7) that protection of the brand standards and knowledge is a critical consideration.

> “It is a central consideration, if you implicitly believe that [you cannot] ensure the brand protection and the brand standard delivery, then you’re more likely to say ‘it’s just not worth it for a franchise fee, if I can’t do this through a management agreement I’m not going to do it at all’.” (Respondent 1)

> “If you can’t protect you brand you would need to rule out franchising” (Respondent 6)

> "In terms of protecting your brand/brand image, your knowledge, you would use a management contract." (Respondent 7)

It was, moreover, suggested by the respondents that keeping control over assets is important and that, even where market modes are possible, hotel organisations generally prefer to remain in control.

> "Absolutely central I think that's the fundamental decision. I mean clearly there are situations where even in an environment where it would be easy and reliable to pass on the information but brand owners always think 'can I actually rely on and control my intellectual property under a franchise agreement or do I need to keep control of that'." (Respondent 3)
>
> "I don't know if I would feel comfortable losing too much control over [respondent's brand] especially because it is [a luxury brand]." (Respondent 4)

3.4.2 Environmental Uncertainty

In terms of the effect environmental uncertainty has on the decision between franchising and management contracts, there were mixed responses. It was suggested that certain markets are characterised as being more established and developed, and therefore, there is less uncertainty and risk in those markets, leading firms to prefer franchising to management contracts, as highlighted by Respondents (6) and (8).

> "I think it is important to consider the region you are entering and how well developed the hotel operating standards are in that country … if it is well established … franchising is a suitable way of achieving growth in those markets but if they are not and you feel that the market is too underdeveloped and therefore too many uncertainties in the market, then management contracts are the better route." (Respondent 6)
>
> "The environment does matter in that a market like the United States, which is well developed is much safer if you will for a franchisor than an undeveloped market which doesn't have any safeguards and established industry standards." (Respondent 8)

It was also noted by Respondents (1) and (3) that hotel organisations have preconceived perceptions of different markets and if the organisation judges an area as 'risky', hotel organisations choose the security of management contracts.

> "The environment is important, in the sense that you make subjective decision about the environment very early on where you say 'just not going to that region' with franchise, just not going to that area with franchising." (Respondent 1)
>
> "Franchise comes with more risk so you need to do it in the right markets." (Respondent 3)

Conversely, other respondents noted that the environment and any uncertainty around it would not be a central consideration. It was noted by Respondent (2) that when deciding between franchising and management contracts environmental factors are of lesser concern because in either case the financial commitment in the market is not as large as if the organisation was to own the hotel in the foreign market.

> "Ultimately the asset can remain and I can leave the country if I had to, that's the worst case scenario but it does change the investment criteria that you work with." (Respondent 2)

Moreover, it was highlighted by Respondent (4) that the brand concerns would be more central than environmental concerns.

> "Environmental uncertainty doesn't really impact [choosing between franchising and management contracts] you are either going to franchise the InterContinental brand or you're not. You're not going to say 'I'll franchise it in London I won't franchise it in Istanbul'." (Respondent 4)

3.4.2.1 Frequency

As with the environmental uncertainty, the respondents had mixed opinions in regard to frequency and its impact on the decision between franchising and management contracts. The majority agreed that it is not as critical as brand and environmental decisions, with Respondent (1) noting:

> "Choosing between franchising and management contracts is not based on the number of different hotel properties you move to a new market or the number of times you do it." (Respondent 1)

Conversely, it was noted by some respondents that franchising can only be profitable if a minimum number of hotel properties are established. As explained by Respondent (3), the hotel organisation may not be able to establish several properties at once, owing to a limited market size or, for example, the organisation may prefer management contracts.

> "If you are going to a big deal of 10 or 15 properties in a country like Germany for example, you would just get on and franchise it … in smaller markets where you only intend to have a limited number of hotels, [you may be more likely] to franchise." (Respondent 3)

Moreover, it was noted by Respondent (6) that developing the franchise infrastructure in a foreign market is only worth it if there are several hotel properties planned because of the difficulty of being regulated in some markets.

> "There are other markets for example in some European jurisdictions where being a regulated franchisor has some obligations, which you find a pain in the backside! It might become a real regulating hassle. You might need to translate all of your documents into the local language, get it tested and regulated, have the trademarks filed with some office other than the patent office or with the trademarks office. That could be hassle if it's a small market where you are intending to only do one or two deals."(Respondent 6)

3.4.3 Agency Theory

The differing goals between the principal and agent were explored, and it was noted by several respondents that it does impact on the decision between franchising and management contracts. As explained by Respondent (4), hotels are well aware of this issue.

> "That is always a consideration when we give it third party managers who are motivated solely by bottom line then they will cut corners and the luxury hospitality experience will be impaired. They cut the wrong corners and you will end up destroying the brand." (Respondent 4)

However, it was highlighted by most of the respondents that this was not such a major concern as there are well-established mechanisms in place to monitor the performance of the economic agents. Respondent (2) noted that:

> "If you're the franchisor, you can quite easily create a dashboard of protection, where you can identify whether franchisees are behaving, as they should do. These can be anything from guest satisfaction feedback, through to specific hallmarks you expect to receive or experience within the service and then you send inspectors to check if these are done." (Respondent 2)

Similarly, Respondent (5) stated:

> "There are quite clear spectrums you can quite clearly identify who are good franchisee and who are not." (Respondent 5)

In addition, the motive for risk sharing between the principal and agent was probed to see how it impacts on the decision between franchising and management contracts. The majority of the respondents indicated that that would not be a concern because of the lower investment levels of both franchising and management contracts compared with equity modes, as highlighted by Respondent (3).

> "We would consider risk sharing a consideration more in [equity] joint ventures." (Respondent 3)

However as highlighted by Respondents (6) and (7), there can be some advantages to sharing risk with local partners in cases where there is a trusted local partner

> "[As long as] it's a partner you have dealt with before or that you trust, then spreading the risk between you and them through franchising can have its advantages." (Respondent 6)
>
> "It depends, we may have long-standing partners who propose we move into a new territory, if they present [a good business plan] we would be happy to support them with our brand." (Respondent 7)

3.4.4 Internalisation Theory

Exploring how the concept of gradually increasing control from low to high, that is, internalising the external market incrementally, and how it impacts on the decision between franchising and management contracts produced quite a clear trend. The theory suggests that firms internationalise from low resource commitment to high resource commitment; however, when choosing between franchising and management contracts in the context of the hotel industry, the participants unanimously noted it would be the exact opposite. Hotel organisations always enter markets through management contracts first and then follow this up by franchising, that is, moving from high control to low control, as exemplified by Respondents (1), (2) and (5).

> "I think you would only franchise once you have already established your own procedure and controls so I think it's much more likely that it would be reverse of that. Let's understand what our hotels are about, now we can actually record that and set up manuals and procedures and then we can transfer that responsibility to a third party. I don't see it going the other way." (Respondent 1)
>
> "When [hotel organisations internationalise] they go in with their own people first and then they franchise thereafter." (Respondent 2)
>
> "What tends to happen in practice is if a brand has the ambition to franchise, they will establish first two or three properties out of their own resources so they will become owner–operators first." (Respondent 5)

How the motivation of hotel organisations to internalise imperfect markets impacts on the decision between franchising and management contracts was explored and it was found that the recent trend (over the past century) is that hotel organisations generally prefer lower control modes when at all possible, contradicting the rationale of this theory that the higher the ownership, and consequent control, the better. This trend is explained best by Respondents (1) and (4).

> "It really came about at the beginning of this century when hotel brands and operating companies were under heavy city pressure for the return on capital employed and actually owning the assets is very capital intensive. It also clearly limits their ability to expand a brand if they have to use equity to do so." (Respondent 1)
>
> "I think the way that the industry has moved in recent years is to go asset light instead. To sell off the real estate to generate funds that they can then expand their portfolio through investing in what they retain or in a lot of cases where hotel companies have moved away from ownership all together, it's to provide shareholder dividends. Where you can put money back into the pockets of the shareholders."(Respondent 4)

3.4.5 Dunning's Eclectic Paradigm (OLI Theory)

As Dunning's OLI paradigm is 'eclectic', drawing from several research streams, as described in the literature review above, not only have the key market, management assumptions and characteristics already been probed through the internalisation theory and agency theory questions but also ownership advantages and internalisation advantages were probed with the TCE questions and the internalisation theory questions respectively. Therefore, only the concept of location advantage was explored as determinants for choosing between franchising and management contracts to complete the OLI exploration. As with most of the feedback received on the theories and constructs examined, there were mixed results in regard to location advantages. It was suggested by Respondents (4) and (6) that location advantages matter and prompt the use of management contracts.

> "In terms of location advantages, let's look at China. Everybody expects massive market growth, they expect the demographics to produce a customer segment which just grows and grows and grows and the proof in the pudding is that everyone has gone from management agreements." (Respondent 4)
>
> "If you are going into a country where there is a perception that this country's economy is going to grow and you want to be part of that growth with your brand then you may feel in the short term that going in to manage your own property is perhaps a more certain way of developing the business how you want to develop it. By franchising you are very reliant on engaging with hoteliers who already have their own way of doing things." (Respondent 6)

In addition, Respondent (5) indicated that in certain markets, there need to be location advantages in the form of some governmental support.

> "In term of the local aspect. If you take place like China, unless you team up with a local business you're not going to do it. So it tends to be some kind of joint venture franchise that occurs, in India that was the only way historically that a brand could get into a country." (Respondent 5)

However, it was suggested by Respondents (1) and (3) that location advantages would be of little concern in the decision and that it is dictated instead by brand concerns.

> "I am not sure that location does. No I don't think location does. As I mentioned earlier you are not going to franchise a brand you usually manage due to market differences. No I don't think location is relevant." (Respondent 1)
>
> "It depends on the organisational structure of the company, are they operations or brand lead, locational factors do not supersede that." (Respondent 3)

3.4.6 Institutional Theory

The effect of the institutional environment proved to be quite influential in the decision between franchising and management contracts, highlighting the appropriateness of NIE in general as a valid theoretical grounding through which to explore non-equity entry mode choices of hotel organisations. Initially, the formal institutions were explored, and while all the participants noted that the institutional environment was a factor in the decision, their opinions differed as to the effect. Respondents (1) and (2) noted that for franchising to be considered, there must be a well-established and enforced legal system.

> "In a franchise you need to be confident … that there's a strong rule of law to protect your franchise … you need to do it in the right markets." (Respondent 1)
>
> "If you feel that there is not sufficient legal precedent and process to safeguard your franchise you won't do a franchise." (Respondent 2)

In addition, it was suggested by Respondent (8) that the political situation is also a consideration.

> "The stability of the government is also important, I wouldn't franchise in a market where there was significant political instability." (Respondent 8)

Respondent (3) further indicated that the stability or instability of the formal institutions is a major determinant for choosing management contracts.

> "That has got to be a major concern for people. If they say 'look franchise agreements in … pick a country, can be terminated by the franchisee with six months' notice'. That's the law. Then you think twice about putting the infrastructure in place to support that. There are places where that is a concern." (Respondent 3)

Respondent (8) indicated the opposite, stating that franchising would be preferred as the local partner is more easily able to navigate the local institutional environment.

> "Where I would need a local insider for is how to procure things how move things through the country how to make sure I am law abiding how to take advantage of government incentives, tariffs all those kinds of aspects. That's where the local partner is absolutely key." (Respondent 8)

However, even in a well-established and enforceable legal framework, a hotel organisation may still prefer management contracts. Respondents (4) and (6) highlighted that, owing to the difficulty of being regulated as a franchisor in certain markets, management contracts may be preferred.

> "In some European jurisdictions, being a regulated franchisor has some obligations which you find a pain in the backside. You might need to translate all of your documents into the local language, get it tested and only then you get regulated." (Respondent 4)
>
> "In the EU, some countries have been overzealous in how they implemented their local law, in terms of regulation, a good example is Belgium." (6)

The informal institutions were also found to be of importance, but again it was highlighted, by Respondents (2), (3) and (4), that these informal institutions have a mixed effect on the decision between franchising and management contracts. Respondents indicated that the less familiar hotel organisations are with the local institutional environment, the more likely they are to retain control.

> "Whether it's been Accor in Africa, they came in they did it themselves, put boots on the ground, InterContinental has done the same, Radisson is doing the same,

Starwood is doing the same, Hilton is doing the same so in many respects because the way of doing business in Africa is so different from the western world [and therefore] organisations prefer [more] control." (Respondent 2)

> "Say in terms 'Guanxi', I might have to shout my local partner and his mates a huge Chinese New Year's dinner that would last three weeks and that would be the appropriate thing to do from their perspective, but from our perspective, that would just be bad business. Where there are institutional differences like that, there's all the more reason to have tighter control on the management." (Respondent 3)

> "If you look at the history of our company, we have gone into markets where there would just be night and day differences between the formal and informal parameters that prevail vis-à-vis the United States, we have gone in and owned and have owned very successfully and by owning so far you can, has really controlled the destiny of those hotels and have established them as the market leader and being the best hotels in town and our learning and experience over 40 years of doing that would be that's a good way to protect your brand." (Respondent 4)

Conversely, it was also explained by Respondents (5) and (6) that to succeed in an institutional market that is unknown, collaborating through a franchise is vital in order to succeed in navigating the informal institutions.

> "I think it could be central consideration, one example we could cite in Europe is the brands moving into Russia. Now Russia post-Soviet is a very difficult place to work. They have their own way of doing business. There is supposedly the Russian mafia, which tends to start with Mr Putin but don't quote me on that one!" (Respondent 5)

> "In China, because of the nature of the country being so diverse, the way that things work in northern China are very different to way that thing work down south China and Hong Kong, Shanghai for example has its own set of rules, its own business practices and the only way to do business in China is to team up with a Chinese company. That's the sensible way of doing it." (Respondent 6)

3.4.7 Resource-Based View

The importance of efficient resource transfer to the host country was proposed by almost all of the respondents as being a motivation for hotel use management contracts. Respondents (1) and (3) indicated that owing to the nature of some services, hotel organisations might be concerned at how difficult it would be for the local partner to replicate the service in the host country.

> "You may not trust the ability of the local management to deliver a service level consistent with your brand standards or where the cost of doing so is particularly high in resource and cost terms, then you would not go the franchise route." (Respondent 1)

> "By and large companies would be very reluctant to hand over the management of a luxury brand that they own to a third party so the reason why you won't find too many Sofitel franchises is because Accor will say 'there is just a certain way that Sofitel is run. The luxury touch that keeps the Sofitel guests coming back is something we only trust ourselves to do'." (Respondent 3)

It was worded differently by Respondent (4), who simply stated:

> "In terms of franchising you would only do a franchise with people you know are capable of running it and in the case of [respondent's organisation] there isn't many. So that is one of the reasons why we have so few franchise agreements, we just don't trust enough people to get on and do it like we do!" (4)

3.4.7.1 Imperfect Imitability

The imitability of the firm's capabilities was explored and a clear trend was found that imperfect imitability prompted the use of management contracts, as highlighted by Respondent (8), who stated that a service can be very difficult to deliver correctly.

> "The design and the look of the hotel can be easily duplicated, the technology is easily duplicated, but that tacit knowledge and the expertise of the people who know your culture and establish that culture and the brand … you can lose those people of course, but it is in these cases that franchise would not allow this to be effectively duplicated." (Respondent 8)

In addition, Respondents (1) and (3) stated that if you have a specialised service, you need to be confident in your local partner's ability to absorb and replicate it.

> "You may not trust the ability of the local management to imitate your brand or to deliver a service that is consistent with your brand standards or where the cost of controlling them and doing so is particularly high in resource and cost terms, then you would not go the franchise route." (Respondent 1)
>
> "If you have a franchisee that cannot replicate your service then you wouldn't want to deal with them, it's your brand reputation, you can't risk that." (Respondent 3)

Overall, the majority of the respondents agreed that it is the type of service you are offering that determines the choice, clearly supporting the rationale of imperfect imitability as explained by Respondents (4), (6) and (7).

> "When you have cookie cutter brand like a motel you have certain basic amenities and functions available to the guest … it's much easier to replicate, it's much easier to have manual that says 'provided you do A,B,C and D, you're good'. So it is far easier to franchise something that has fewer touch points and the other big element is the human element. Service differentiates the luxury experience predominantly and that comes from the human element, the number of people and the quality of people required to provide that service experience." (Respondent 4)
>
> "If it's a limited service hotel operation then the actual effect of the management is reduced and therefore providing a franchise is sufficient to maintain ethos. In other more upscale brands the actual service delivery is variable and a key component and therefore the management agreement is more appropriate." (Respondent 6)
>
> "The more sophisticated the business process is, the more difficult it is to transfer it across borders or across business sites. So, as you get into more successful and complex organisations, hotels that really have assets that they build into such a complex web of organisational routines, secrets and ways of managing people and delivering the service, the more difficult it is to transfer. But the second part of it is, it's not just the level of tacitness of knowledge or the imperfect imitability. Then

> you're mentioning here the second side, the absorptive capacity of the recipient." (Respondent 7)

3.4.8 Unexpected Findings

The interviews were semi-structured in nature to allow participants to express their points of view on the theories that were examined and to allow them to go off into different tangents, as they desired. Because of this, the interviewees often discussed other factors that determine the choice between franchising and management contracts that were not explored in the direct questions asked. There were cases where some or several respondents made similar points. Firstly, the respondents indicated that the availability of capable managerial staff in the host country would be a critical determinant. Secondly, the level of investment into the resources and capabilities needs to be considered. Finally, the size of the organisation is important as it was proposed by several that firm size is critical for franchising to be possible. Although these points have been raised in previous literature, it was unexpected how important these particular factors were in the specific context of choosing between franchising and management contracts, according to the executives interviewed.

3.4.8.1 Availability of Capable Management

The majority of the participants made similar points about the availability of capable management staff in the host country. It was highlighted by Respondents (1), (2) and (8) that sometimes there is no capable management in a certain location as such and the organisations are forced to use management contracts.

> "In certain markets where there is maybe no expertise, there isn't personnel or it's an underdeveloped market, they would prefer to put a management contract." (Respondent 1)
>
> "For example it is very difficult to enter a market like Africa under a franchise model to start with because you need to be convinced that there are individuals and companies in that country that can actually run a hotel to your accepted brand standards. So while generally using franchising everywhere else in the world they would use a management contract in the beginning [in Africa]." (Respondent 2)
>
> "So for example in China … I don't know if anyone there would be the sort of pool of unbranded operators who could actually perform the task the same as the brand, so therefore you're almost compelled both from an owner perspective but also from a brands perspective to go the management agreement route." (Respondent 8)

Moreover, respondents indicated that hotel organisations generally only deal with experienced local management, as explained by Respondent (3).

> "To get a foothold in a new territory we would engage with someone who already has 20–25 of their own hotels that they own and manage but without a brand and we could give them the licence to grow our brand." (Respondent 3)

Similar lines of reasoning were voiced by Respondent (4).

> "Once you have got trusted operators you stick with them." (Respondent 4)

It was highlighted by Respondent (6) that in cases where there is available capable management, hotel organisations are likely to opt for franchising.

> "The availability of a trusted third party operator, knowledge of a certain market. You might find for example that you know the Berlin market intimately. You know the operator [the third party manager] that will be running that hotel and you feel confident that you know how it's going to develop then you might just go with a franchise." (Respondent 6)

3.4.8.2 Size of the Organisation

It was highlighted by several respondents that owing to the structure and size of organisations either franchising or management contracts would be preferred. Larger organisations are more likely to have the ability to franchise, whereas smaller hotel companies are less likely to, as explained by Respondents (2) and (4).

> "If I am in a position where I was able to do 50 easy hotels across the high growth destinations in Africa for example, OK, then I would be inclined to choose franchising but our organisation is not that large." (Respondent 2)
>
> "It depends … franchising would become more profitable if you or your organisation has the capacity to open 20–30 properties in one swoop but that takes a certain firm size." (Respondent 4)

3.4.8.3 Investment Considerations

It was suggested by some of the respondents that a determinant for choosing between franchising and management contracts is the amount of investment that has been made into their brand standards and management practices, as highlighted by Respondents (1) and (8).

> "You wouldn't want to just share the information on your processes … you have spent money [developing this] and you don't want the [local] guy gaining all the benefits from that investment." (Respondent 1)
>
> "Of course you have to consider how much money you have spent establishing your brand. You wouldn't want to risk that investment by the actions of [your local partner]." (Respondent 8)

This can be explained from a TCE perspective, specifically through asset specificity reasoning. If there has been a substantial investment made into an asset such as a brand and its associated service standards, dissemination and possible opportunistic behaviour on the part of the local agent would be a major concern. Conversely, if the asset is not as specific and has already been franchised then this would be classed as 'sunk costs' and therefore investment would be a lesser factor.

3.4.8.4 NIE Reasoning Flaws

Some respondents indicated that the overall reasoning behind the theories explored was not all encompassing. In other words, it was suggested that NIE does not capture a complete picture of the factors affecting entry mode choice in the hotel sector. The points suggested by some respondents that are not considered from the NIE perspective are presented below.

Hotel Organisations Have Preferences

As indicated by Respondent (5), the theories suggest that hotel organisations are constantly making this decision, when in fact some hotel organisations generally favour one mode over the others.

> "I think the decision comes before that [NIE reasoning]. You ask yourself, Do I want to run the hotel myself or do I want someone to run it for me and then once that decision has been taken then it's who should I get to team up with me as a franchise or who should I approach as a manager." (Respondent 5)

Similar lines of reasoning were put forward by Respondents (3) and (6), that firms will likely be set up to enjoy the advantages of either franchising or management contracts but not both.

> "Fundamentally it comes down to if you are a brand or an operations lead organisation." (Respondent 3)
>
> "Choice Hotels, you would take the franchise, much more difficult to see you taking them as a management company cos they are just not set up in that way." (Respondent 6)

The Owner Has the Bargaining Power

Moreover, it was suggested by Respondent (5) that the theories falsely assume that it is the hotel organisation that can make this decision, when it is in fact the owner of the hotel who has the bargaining power.

> "For hotel chains where some hotels are franchised and others are managed, the decision is not taken by the hotel chain the decision is made by the investor because they are the one with the money." (Respondent 5)

This point was echoed by Respondents (7) and (8).

> "I think it's in the business model of the investor, there are some investors who would never operate under a franchise." (7)
>
> "The [hotel organisation] can say 'no I will not franchise this with you because you don't have the experience to maintain our brand' but that person if he is set on being a franchisor is not just going to say 'oh ok I'll just have a management agreement instead' … They will still want franchise and if the hotel organisation doesn't like it the owner will simply choose another brand." (8)

Hotel Organisations Are Ad Hoc in Their Decision Making

It was also suggested by the respondents that hotel organisations are more ad hoc in their decision making, rather than strategic. They simply figure out what works best on a case-by-case basis, as suggested by Respondent (5).

> "I take a more cynical view that a brand will look at a market and then will work out what it thinks is the best way to get into that market, 'how do I get flags in this particular jurisdiction. On map of the world there are some white pins where I am not present and now how do I get there' and the rest follows after that … I think it is far more ad hoc in my view." (Respondent 5)

Respondents (4) and (8) indicated similar lines of reasoning.

> "I think the theories are valid. Although it doesn't always happen in practice, that doesn't mean that the theories are wrong it's just that we have to be dynamic and adaptable if we want to be competitive." (Respondent 4)
>
> "It's what you can get. Particularly in today's market which is really very difficult economic market throughout the world, you know the development teams of all the major brands are struggling to meet targets and if you can't get a management contract, choose get a franchise." (8)

Star Level

Finally, it was suggested by several of the respondents that the theories are overly complicated when it is largely a matter of the star level of the chain. In other words, if it is a luxury brand, the organisation will manage the hotel themselves and if it is a budget brand then the hotel organisation would franchise, as explained by Respondents (1), (4) and (7).

> "Well, certainly a lot of it will be down to which brands they are working with if it's budget sector it's more likely to be franchised. If it's top end … and I guess InterContinental is a good example of that, bottom end lower budget hotels, a lot more franchises. At the top end with InterContinental itself almost no franchises." (Respondent 1)
>
> "You will see franchising done at the very top level, but it is extremely rare." (Respondent 4)
>
> "That's one of the prime reasons it tends to be the upscale and luxury brands where they won't franchise unless there are special circumstances. It tends to be the economy and limited service brands that are more prepared to franchise and it is just to create consistency." (Respondent 7)

3.5 Discussion

This study highlighted that while none of the theories were inclusive enough to be applicable in their entirety, all of the theories have some ability in terms of explaining the decision between franchising and management contracts but to differing degrees. The findings, as grouped by the theories the research questions were testing, will now be summarised and linked to the literature.

TCE was found to be an appropriate theoretical lens through which to examine the motives of hotel organisations choosing between franchising and management contracts. In particular, the assumptions of opportunism and bounded rationality were clearly explained by the respondents as prompting the choice of management contracts, confirming these underlying assumptions of TCE as central considerations (Dimou, 2003; Lamminmaki, 2005). Moreover, the motive to protect and control specific assets was suggested by the majority of the respondents as prompting the use of management contracts, as suggested by Lamminmaki (2005). In terms of uncertainty and frequency, there were mixed results found, with the respondents indicating that frequency does favour franchising but others claiming it was not a central consideration and that environmental uncertainty can lead to both franchising and management contracts. This is not surprising considering, for example, that a point of contention in the literature is the effect of host country uncertainty as a determinant of entry mode choice. One stream of research posits that when environmental uncertainty is high, firms will choose a less resource-intensive mode to be more flexible and allow the firm to exit more easily in case the venture fails (Erramilli & Rao, 1993; Fladmoe-Lindquist & Jacque, 1995; W. C. Kim & Hwang, 1992; Mutinelli & Piscitello, 1998). Conversely, other studies have suggested that when environmental uncertainty is high, stronger control is needed in the form of high resource entry modes to manage the effects of this uncertainty (Altinay, 2007; Dev et al., 2002; Erramilli et al., 2002; Madhok, 1998).

Agency theory was explored by examining the characteristics that differentiate it from TCE, that is, the differing motives of the agent and principal and the ease or difficulty of monitoring them. It was highlighted that while the differing goals of the agent and principal can lead to problems, it is quite easy to monitor the performance of agents through several mechanisms such as sending inspectors, contradicting the findings of Dimou (2003). In terms of risk sharing, some respondents indicated that in environments that are uncertain hotel organisations tend to sometimes share the risk of entry with the local partner through franchising, but only in situations where the organisation has trusted partners. This finding is consistent with Cho (2005), Erramili et al. (2002) and Dev et al. (2002).

Internalisation theory was explored, and while there was support found for the underlying view of the firm, the market assumption and the management concerns, which are the same as TCE, the characteristics that differentiate internalisation theory from TCE were not shown to be applicable in this research context. Firstly, support was not found for the rationale that firms will always prefer internalisation, as suggested strongly in the literature by (Brown et al., 2003; Contractor & Kundu, 1998a; Cunill & Forteza, 2010; Dev et al., 2002; Erramilli et al., 2002; Sanchez-Peinado & Pla-Barber, 2006a, 2006b; Sanchez-Peinado et al., 2007), who highlight that control can be obtained through non-equity modes through de facto control. Secondly, it was suggested unanimously by the respondents that the rationale of this theory to gradually internalise their operations was not applicable to hotel organisations because they will always manage first and then gradually pass on the control later (i.e. do the opposite). This is highlighted clearly in Section 2.2, which demonstrates the preference firms have for external modes.

For OLI founded in TCE, that is, with the same market assumptions and management concerns, there was some support found for the theory, particularly for the ownership advantage component, which as highlighted throughout the interviews is a vital consideration. However, the location advantage variable produced mixed results and was not put forward as critical by the respondents, supporting the findings of Villar et al. (2012). Moreover, the internalisation advantage factor, as highlighted above, is also not appropriate.

Institutional theory was explored and it was highlighted that institutions, both formal and informal, are considered by hotel chains. However, as with most of the theories, there were discrepancies in the responses received. The respondents highlighted that strong formal institutional regulations are needed for franchising to be considered, but at the same time, such strong regulation can become difficult to navigate and therefore may prompt hotel organisations to use management contracts. As with environmental uncertainty, this split option can also be observed in the literature, with some scholars arguing that highly regulated formal institutions lead to trust and a preference for external modes (Marinova et al., 2012), while others argue the opposite – that it leads to a preference for internalised modes to ensure that the 'rules of the game' are followed carefully to avoid consequences related to breaking these rules, such as legal consequences (Kostova et al., 2008).

Finally, the RBV was examined, and it was found that resources and capabilities are essentially what the brand is selling and therefore the potential of inefficient transfers can harm the brand, supporting the findings of Barney (1991), Erramilli et al. (2002) and Dev et al. (2002). It was highlighted that services are not easily transferred and that the local partners need to be capable to replicate the service as suggested by Madhok (1998). Finally, imperfect imitability was probed, and as put forward in the literature, the imitability or inimitability of a hotel organisation's services will dictate the entry mode choice, with imperfect imitability prompting the use of management contracts in the context of this study, strongly supporting the findings of Erramilli et al. (2002) and Dev et al. (2002).

3.6 Conclusion

This study highlighted that while none of the theories were inclusive enough to be applicable in their entirety, all of the theories have some ability in terms of explaining the decision between franchising and management contracts, but to differing degrees. The findings, as grouped by research question, will now be summarised and linked to the literature.

The theories that were found in this study to be the most appropriate in the context of choosing between franchising and management contracts in the hotel sector were TCE and the RBV, in particular, asset specificity and imperfect imitability. This is for several reasons. First and foremost, this is because of the findings of Study 1, that is, the expert insights of the respondents. The respondents mostly agreed that the concerns raised by these theories are critical considerations in the choice between franchising and management contracts. Specifically, this concerns the assumptions of opportunism and bounded rationality, the motive for cost minimisation, profit maximisation, the concerns for protection and control over assets and resources and their efficient transfer to capable individuals in the local market. Moreover, these theories were found to be more appropriate in the context of non-equity entry mode research, specifically in examining the determining factors for choosing between franchising management contracts, than the other theories examined.

Firstly, agency theory was found to be quite valid in terms of the managerial concerns (moral hazard and agency cost); however, this is already a tenant of TCE, that is, opportunism. The focus agency theory has on the differing goals of the principal and the agent and how to monitor performance was not found to be particularly critical as performance evaluation can be done quite easily, according to the respondents. Moreover, the concerns of risk sharing, while partly supported, were only proposed in situations where organisations have trusted partners with whom they have done business successfully in the past.

In terms of internalisation theory and OLI, these theories would only add explanatory power if the characteristics that differentiate them from TCE brought some insights to this research. However, this is not the case and that is likely due to the assumption these theories have that FDI is the most efficient mode and as such always the goal of MNCs.

Finally, institutional theory, although clearly a consideration, will also not be explored further because, firstly, the responses indicated mixed options on the effect the institutions have. Moreover, TCE and the RBV, as part of NIE, view the firm as operating with and within institutions, and therefore, institutional considerations are still explored within these theories.

For these reasons, TCE and the RBV are the theoretical foundation for the quantitative study to follow. Besides the use of TCE and the RBV, the insights of the respondents brought about some unexpected findings: considerations around the availability of capable local partners, the size of the firm and the level of investment into strategic assets. Moreover, there were some flaws suggested in the underlying assumptions of the theories, such as the hotel organisation having the bargaining power when in fact it is generally the investor who holds it, and that organisations generally do not make these 'decisions' as they are just set up to perform either franchising or management contracts and because they can be ad hoc and just see what works best on a case-by-case basis. These points are also explored in the following quantitative round, Study 2.

CHAPTER 4 STUDY 2

Non-Equity Entry Mode Choice in the Hotel Sector: An Examination Based on Transaction Cost Economics and the Resource-Based View

4.1 Introduction

This chapter outlines Study 2, a quantitative examination, based on TCE and the RBV, on the factors that affect the decision between franchising and management contracts in the international expansion of large hotel organisations. The chapter is split into three sections: Initially, the methods used in this study are explained, then the findings are outlined, and finally, the study is concluded.

4.2 Literature Review

This section serves as the literature review for Study 2. The theories that were found in Study 1 to be the most appropriate in the particular case of deciding between management contracts and franchising in the hotel industry are TCE and the RBV, as described in the previous chapter. In particular, asset specificity and imperfect imitability were explored because these were suggested by the respondents of Study 1 to be the most appropriate for choosing between franchising and management contracts in the hotel sector. Therefore, as the hypotheses are based on asset specificity and imperfect imitability as well as the broader TCE and RBV perspectives respectively, the rationales of TCE and asset specificity as well as those of the RBV and imperfect imitability will be extensively reviewed before the hypotheses are presented. Initially, a further review of asset specificity and imperfect imitability is provided, followed by an exploration of the compatibility of TCE and RBV. The modal choice assumptions of TCE and the RBV as well as those of asset specificity and imperfect imitability are then reviewed. The other factors that emerged from Study 1, which were split into country-specific factors and firm-specific factors, are then examined through the TCE–RBV lens. Finally, the hypotheses are developed and linked to the direct source literature.

4.2.1 Asset Specificity and Imperfect Imitability – A Closer Look

Asset specificity and imperfect imitability, as explained earlier, are central theoretical constructs in this thesis. As such, the dimensions of asset specificity and the antecedents of imperfect imitability will be briefly reviewed here.

4.2.1.1 *The Dimensions of Asset Specificity*

Asset specificity, as outlined by Williamson (1985), includes six dimensions: human asset specificity, physical asset specificity, site specificity, dedicated assets specificity, brand capital and temporal specificity. A plethora of publications have focused primarily on asset specificity, using one or a combination of these dimensions, as their theoretical foundation (De Vita, Tekaya, & Wang, 2011). However, according to Lamminmaki (2005) and De Vita et al. (2011), in different industries, different levels of value are placed on these various types of asset specificity. In terms of the hospitality industry, human specificity, site specificity and brand specificity were put forward as most important (Lamminmaki, 2005). Although in most publications these dimensions are not explicitly stated, it is instead understood in the context of the publication. In an aim to be clear and comprehensive in this review, the different dimensions of asset specificity will now be briefly reviewed.

(i) Human Asset Specificity

Human asset specificity refers to the unique knowledge or skills that a firm has in its employees. This knowledge, which is gained throughout the career of the employee, is therefore highly specialised and has limited relevance in any other application. Furthermore, the amount of time it takes to amass this type of knowledge and its tacit nature render it difficult to transfer (S. Klein, Frazier, & Roth, 1990; Lamminmaki, 2005). Human asset specificity was found to be the most important of the dimensions and the most widely applied in previous publications (Lohita, Brooks, & Krapfel, 1994).

(ii) Physical Asset Specificity

Physical asset specificity refers to the physical assets such as real estate or other high-value physical assets for which significant investments have been made, or those that are specific to the type of business or transaction (De Vita et al., 2011; S. Klein et al., 1990; Lohita et al., 1994; Murray & Kotabe, 1999).

(iii) Site Specificity

Site specificity refers to the investments made to be located close to specific buyers or sellers in order to facilitate a trade relationship. The high relocation costs are an important consideration in this dimension. Therefore, it is often a consideration of long-term strategic alliances (Lamminmaki, 2005; Lohita et al., 1994; Williamson, 1983).

(iv) Dedicated Asset Specificity

Dedicated asset specificity refers to assets that have a general purpose as opposed to a specialised or specific one. These assets are ones that, although more widely applicable, have been acquired for a specific transactional agreement, which is usually long term in nature (Lamminmaki, 2005; Lohita et al., 1994; Williamson, 1983).

(v) Brand Capital Specificity

Brand capital refers to the reputation of a firm and the investments that have been made to establish that reputation. By giving control of actions under this brand to an unreliable contracted agent, it could damage the brand capital and may therefore have an impact on the reputation of the entire business (Gatignon & Anderson, 1988; Lamminmaki, 2005; Lohita et al., 1994).

(vi) Temporal Specificity

Temporal specificity refers to the investments in which timing or coordination is crucial (Lamminmaki, 2005; Lohita et al., 1994). The asset will be characterised as time specific, if its value is impacted negatively by not being done at a certain time.

4.2.1.2 The Ascendants of Imperfect Imitability

Imperfect imitability is explained by Barney (1991) as being the outcome of three factors: (1) unique historical conditions, (2) casual ambiguity and (3) social complexity. According to Barney (1991), imperfect imitability is achieved in a resource, through either one or a combination of these three factors. As with the dimensions of asset specificity, these ascendants of imperfect imitability are not often discussed in the literature, and therefore, in an aim to provide a complete review of the theory, these three factors will now be explored.

(i) Unique Historical Conditions

Unique historical conditions will likely lead to imperfect imitability because the beginnings and backgrounds of most firms are varied, having happened in the context of different industries, at different times and in different places. Unique historical conditions may also lead to first mover advantages; otherwise, the competitive advantage of imperfect imitability could be a result of resources that have been either developed or acquired in the past (Barney, 1991).

(ii) Casual Ambiguity

Casual ambiguity is also a source of imperfect imitability as it would be difficult for competing firms to imitate the resources of a firm if it is casually ambiguous what the relationship between the resource and the competitive advantage actually is. Furthermore, the resources may be taken for granted or it may be the case that there are many small resources that on their own may be of little significance but if put together create or add to the competitive advantage of a firm (Barney, 1991).

(iii) Social Complexity

Finally, social complexity will likely lead to imperfect imitability when the resources of a firm are integrated into the social network of managers or the firm culture, or when an easy way cannot be found to quantify the resource. Social complexity may also be the result of the perception held of the firm by its suppliers and customers. The imitation of such a tacit resource is constrained and therefore provides for a sustained competitive advantage (Barney, 1991).

4.2.2 The Compatibility of TCE and the RBV

TCE and the RBV were found in Study 1 to be the most appropriate and effective theories through which to examine the non-equity entry mode decisions of hotel organisations, and as such, a further review of these theories and their compatibility is deemed appropriate. It is suggested in the literature that TCE and the RBV are similar enough to be evaluated in unison but different enough to provide deeper insights than if evaluated independently. Brouthers and Hennart (2007) suggest that scholars should consider combining the RBV and TCE as well as combinations of other theories, to evaluate entry mode decisions more comprehensively. Brown et al. (2003) used TCE and the RBV in unison as the theoretical foundation of their research. Arnold (2000) used TCE and the concept of core competencies, under the RBV, to examine the relationship between firms and their suppliers. Using the assumptions of opportunism and bounded rationality, which characterise asset specificity, Madhok (1996, 1997, 1998) investigated the RBV and how these theories could work in unison. Madhok (1996) stated that the TCE theory proposed by Williamson (1985) is not complete enough to explain the determinants of modal decisions or governance structure and that the theory should be combined with the RBV to give it more depth. Madhok (1997) pointed out that, although these theories evaluate entry mode decisions from different perspectives and although both perspectives are valid, perhaps the efficiency-related determinants focused on by the RBV may be more critical in determining entry mode decisions. This is a finding that was backed up by Conner and Prahalad (1996) and Teece et al. (2008). Madhok (1998) again examined TCE and the RBV and reiterated that efficiency-related concerns will be more critical to the entry mode decision. Moreover, Kogut and Zander (1993) suggested that when combined with TCE, the RBV broadens the focus on transactions by also incorporating the value of efficient resource transfers. Furthermore, although not mentioning the theories RBV and TCE explicitly, Bouquet et al. (2004) used the concepts of opportunism and the efficient transfer of idiosyncratic services to theorise over the transfer of firm-specific assets.

Studies that have focused on the non-equity entry mode decisions of hotel organisations have used both TCE and the RBV as their theoretical foundations (Cho, 2005; Dev et al., 2002; Erramilli et al., 2002). However, the authors of these studies used TCE and the RBV independently and did not consider these theories together. Espino-Rodriguez et al. (2008) combined TCE and the RBV to examine hotel outsourcing decisions; however, these authors made asset specificity the central determinant and did not focus on imperfect imitability. Furthermore, Espino-Rodriguez et al. (2008) combined TCE with the RBV and came to the conclusion that high asset specificity, if examined through the RBV lens, will lead firms to internalise as opposed to outsourcing in the hotel sector. These authors state that outsourcing something characterised as having high asset specificity will likely damage the performance of the firm and impact on its competitive advantage. Therefore, outsourcing should happen only when the asset being transferred is not specific.

In a more recent publication, Huang, Han, Roche and Cassidy (2011) aimed to create an integrative conceptual framework combining TCE, OLI and institutional theory. Even more recently, Villar et al. (2012) used a combination of TCE and the OCP as the theoretical lens through which they examined the hospitality industry. According to these scholars, TCE and the RBV have emerged as the leading theories to examine entry mode decisions. Furthermore, Villar et al. (2012) states that these two theories both evaluate the same thing, that is, the transfer of assets/resources across country borders. TCE under the assumption of opportunism and bounded rationality identifies the mode with the lowest transaction cost and the RBV, focused on 'embeddedness', identifies the mode through weighing up cost against efficiency. Villar et al. (2012) went on to state that the two theories in unison broaden the focus of the research, and although both theories are different, they are compatible and may lead to similar managerial implications.

4.2.3 Comparing Asset Specificity and Imperfect Imitability Modal Choice Assumptions

After an extensive examination of the literature on entry modes, asset specificity and imperfect imitability were found to be very effective in explaining the non-equity entry mode decision in the hospitality sector. From the RBV, if knowledge is intangible or tacit, or highly interconnected and therefore difficult to transfer, an internalised mode would be chosen (Barney, 1991; Brown et al., 2003; Lam, 1997; Madhok, 1997). From the TCE perspective, it is exactly in these cases that an asset will also be characterised as highly specific to the transaction. Opportunism from the economic agent in such cases would likely erode the competitive advantage created through the asset also prompting an internal mode (Cho, 2005; Erramilli & Rao, 1993; Villar et al., 2012). Although both theories view the entry mode decision from different perspectives and have different rationales, they are proposed in this study as having a very close relationship. Asset specificity focuses on the control and protection of the asset or resource, while imperfect imitability focuses on the efficiency of transferring the asset or resource. It is expected, drawing on these assumptions, that those hotel organisations that generate their competitive advantage from assets or resources that are specific and imperfectly imitable are more likely to choose management contracts over franchising. Conversely, hotel organisations that operate chains classified as having assets or resources that are less specific and more imitable will likely choose franchising over management contracts. It will be determined, if the resources of a hotel chain such as its brand, industry and management knowledge and specialised operational routines are highly interconnected or embedded and are therefore imperfectly imitable, whether the specificity of the asset or resource also increases. Although these constructs have different perspectives, motives or rationales, they complement each other and lead to or prompt the same decision from hotel organisations.

4.2.4 Modal Choice Based on Asset Specificity

A firm entering a foreign market must choose whether or not to transfer its goods or services across firm boundaries. If done, there is a risk of eroding the competitive advantage owing to the limited amount of control available to a firm in such modes. Conversely, the firm can internalise the action, retaining control, but thereby having to commit more financial resources to the venture (De Vita et al., 2011; Williamson, 1985). Asset specificity suggests that the pursuit of the lowest possible transaction costs will drive the decision of governance structure used in the market entry (Anderson & Gatignon, 1986; Hennart, 1989; Williamson, 1985). Transaction costs include the ex-ante cost of negotiating contracts and the ex-post costs of monitoring the performance and behaviour of partners and other contracted parties or economic agents (Anderson & Gatignon, 1986; Hennart, 1989; Williamson, 1985). As these transactions costs decrease, the firm will prefer external transfers through the use of non-equity modes (Hill et al., 1990; Madhok, 1997). If these costs rise past the cost of committing the extra resources of an internalised mode, a rational firm is likely to favour an internalised mode (Luo, 2001). Opportunism and bounded rationality, as outlined previously in this chapter, also factor into asset specificity. In particular, opportunism or the potential of opportunism is considered under asset specificity.

According to Williamson (1985), parties in a transaction generally develop safeguards that best protect against opportunism that may arise from asset specificity. These safeguards can take the following forms:

1) incentive realignment through measures such as severance payment or the imposing of penalties for premature termination;

2) private ordering as opposed to court ordering where contract incompleteness is more common and different mechanisms are used to resolve disputes such as arbitration;

3) embeddedness of the transaction in a more complex trading network, which incorporates the transaction into a broader network of transactions making it difficult for either party to act opportunistically in respect of that transaction.

Asset specificity has been the predominant explanatory variable used in TCE-focused entry mode studies (Brouthers & Hennart, 2007; De Vita et al., 2011), and also named as the most important variable of the concept (De Vita et al., 2011; Williamson, 1985). In studies focused on the hospitality industry, positive results were found by Contractor and Kundu (1998a), who came to the conclusion that there was a link between the idiosyncratic asset of training in the hospitality industry and the decision of which entry mode to use. According to Altinay (2007), a hotel organisation will choose a low control mode if asset specificity is low. If the transaction cost resulting from asset specificity increases, however, it will prompt the organisation to choose a higher control mode. Furthermore, Cho (2005) found in his case study of the Holiday Inn Seoul that service firm modified asset specificity, affected the decision between franchising and equity modes in the same manner. These authors have adapted and modified the asset specificity theory from its original application, as TCE has been in these and other publications mentioned earlier. This modification has been to purposely theorise over a specific type of horizontal investment that takes into account the tacit nature of the asset and the ability of transferring it to the foreign market via a non-equity mode. There have, moreover, been some studies examining the outsourcing decisions of hotel chains through the lens of asset specificity (Espino-Rodriguez et al., 2008; Espino-Rodriguez & Padron, 2005; Kruesi & Zamborsky, in press; Lamminmaki, 2005). These authors came to similar conclusions, that is, asset specificity prompts internalisation and the lack of asset specificity prompts outsourcing.

4.2.4.1 Franchising and Asset Specificity

In terms of franchising, asset specificity takes the form of sharing an intangible asset, that is, the trademark or the brand. The brand name is perhaps the most important intangible asset hotel firms have and it is therefore vital to protect it against potential problems related to post-contractual opportunistic behaviour. Hotel organisations, like all service firms, cannot depend on the legal protection of proprietary technology or processes against close substitutes. Therefore, when international hotel organisations decide to expand using franchising, they are doing so with the risk of leakage of proprietary knowledge (Hennart, 1988). The franchisee will receive guidance such as training and operating manuals that will allow the franchisee to operate the hotel at the level of quality of the brand. As a result of this, the operator may behave opportunistically when it comes to the contract renewal, for example. The franchisee could ask for more advantageous contract terms or even refuse the renewal since he or she now has the required knowledge to operate a competing hotel. A strong brand name is a safeguard against opportunistic behaviour on the part of the franchisee since the franchisee's interest is to stay with the brand.

4.2.4.2 Management Contracts and Asset Specificity

In the case of management contracts, conversely, the daily operations of the firm are under the control of the parent company, not the owner of the hotel property. It is therefore considered that management contracts can be viewed as an ownership substitute through operational control keeping the transfer of knowledge from the home country to the host country within the parent firm. While in both franchising and management contracts the operational staff must be hired in the host country, the management positions are held by the parent company, and therefore, the amount of tacit knowledge appropriated by the local staff is less than in the case of franchising (Dimou, Chen, & Archer, 2003; Lamminmaki, 2005).

4.2.5 Modal Choice Based on Imperfect Imitability

A firm entering a foreign market must choose whether or not to transfer its goods or services across firm boundaries. If done, there is a risk of eroding the competitive advantage owing to the inefficient transfer of firm resources and capabilities in such modes. Conversely, the firm can internalise the action, ensuring a more efficient resource transfer. From the RBV, it is expected that the host country collaborator will not be able to replicate the service as well as the individuals from within the firm. Therefore, the more embedded the resource or capability of the firm is, the more value it loses in an external transfer as it is expected that the transfer to the host country collaborator would be inefficient (Barney, 1991). In such cases, a rational firm would choose an internalised mode to preserve the value and increase the transferability of the resources or capability (Barney, 1991; Dev et al., 2007; Lam, 1997; Madhok, 1997, 1998).

Previous research examining the RBV empirically in entry mode research found that if the resource transfer proves inefficient owing to the inability of the local agent to absorb and replicate the capability as intended, the firm will likely choose an internalised mode to retain their competitive advantage (Barney, 1991; Contractor & Kundu, 1998b; Dev et al., 2007; Lam, 1997; Madhok, 1997, 1998). Dev et al. (2002), Erramilli et al. (2002) and Kruesi and Zamborsky (in press) empirically examined the non-equity entry mode decisions of hotel organisations from the RBV and found that imperfect imitability is a central determinant of the decision, that is, prompting firms into the use of a management contract over franchising.

4.2.5.1 Franchising and Imperfect Imitability

In terms of franchising, imperfect imitability takes the form of sharing knowledge about services, organisational routines and procedures on how to run a hotel property. These procedures represent one of the most important intangible assets hotel firms have. It is therefore vital to ensure that these services are efficiently transferred to the host country collaborator. Hotel organisations need to ensure a consistent service across their chain. Therefore, when international hotel organisations decide to expand using franchising, they are doing so with the risk that the host country collaborator will not be able to appropriately replicate the service. In such cases, the hotel organisation would be forced to invest heavily in ensuring the proper service delivery. If the services are not easily replicated or absorbed, this will incur significant cost and may impact negatively on the brand (Dev et al., 2002; Erramilli et al., 2002).

4.2.5.2 Management Contracts and Imperfect Imitability

In the case of management contracts, conversely, the daily operations of the firm are under the control of the parent company, not the owner of the hotel property. The firm is therefore able to more easily transfer their resources and capabilities within firm boundaries, ensuring the highest level of efficiency (Dev et al., 2002; Erramilli et al., 2002).

4.2.6 Firm-Level Factors

The firm-level factors were examined in Study 1 through the TCE questions, specifically, the opportunism, bounded rationality and asset specificity questions, as well as both the RBV questions. Moreover, the respondents frequently discussed these factors throughout the interview and so they have been included in the ‘unexpected findings’ section in the previous chapter. The participants highlighted that there are important ‘firm-level’ considerations. In particular, two factors were proposed as important: (1) structural or strategy factors and (2) firm-specific assets or resources. There is abundant literature that is focused on both of these firm-level factors, with some studies arguing that firm-level factors are more critical in the entry mode decision than environmental factors (Kruesi & Zamborsky, in press; Villar et al., 2012). Structural and strategic factors are suggested in several studies as being determinants of entry mode choice (Agarwal & Ramaswami, 1992; Contractor & Kundu, 1998b; Erramilli & Rao, 1993; Martorell et al., 2013). The structural and strategic factors being tested in this study are the size of the company and investment levels, as proposed by the respondents of Study 1.

4.2.7 The Size of the Company

The commonly used measure for assessing the size of a company is the volume of sales (Campa & Guillén, 1999; Contractor & Kundu, 1998b). Several studies have shown that as the size of a company grows, it is more likely to opt for direct investment through ownership (Agarwal & Ramaswami, 1992; Campa & Guillén, 1999; Gomes-Casseres, 1989; Stopford & Wells, 1972; Trevino & Grosse, 2002), while smaller companies with more limited resources or skills in investing in foreign markets will prefer shared modes of control (Erramilli & Rao, 1993). However, in the case of the hotel industry, as was found during Study 1, it is exactly the opposite. This was also highlighted by Gatignon and Anderson (Gatignon & Anderson, 1988) and Martorell et al. (2013), who suggested that high control strategies are not as favoured in large-scale foreign investments in the hotel industry because hotel organisations prefer and are almost forced to share the investment with a partner owing to the scale of international operations in the hotel industry.

4.2.8 Investment Factors

In the case of the hotel industry, it is proposed that when hotel organisations place greater priority on larger operations and personnel training (Gatignon & Anderson, 1988), they tend to invest in strategies that require capital expenditures because the benefits they are able to obtain are easier to control. It is also expected that the more importance hotel executives place on investments in management controls and quality controls, the more likely it is that the organisation will opt for an equity-based entry mode (Martorell et al., 2013). This was supported by Study 1, where the respondents indicated that investment in training would prompt a management contract. From the TCE perspective, if significant investment is made into operations or services, these are likely to be specific to the firm since they are not sunk costs prompting internalisation (Williamson, 1985). From the RBV, significant investment in and specialisation of an organisation's operations or services impairs the replication (imitability) of the service (Barney, 1991; Erramilli et al., 2002).

4.2.9 Intangible Firm-Specific Assets or Resources

Firm-specific assets or resources refer to both the tangible and the intangible assets. In this thesis, intangible assets are of interest. Specifically, such assets include the brand of the hotels ,managerial expertise, organisational routines, training and reservation systems, and industry knowledge, as opposed to the hotel property itself or any of its furnishings, which are the tangible assets. This approach has also been taken by Brouthers and Brouther (2003) and Erramilli and Rao (1990, 1993). From the perspective of asset specificity, the aim is to protect and control the asset; from the perspective of imperfect imitability, it is an asset that is not easily transferred from one embedded context to another. The firm-level factors tested in this study are brand name or brand standard, industry knowledge and the training systems.

4.2.9.1 Brand Name or Service Standards

In the hotel industry, an established brand and its associated service standard is a firm's advantage, which the parent company normally owns and controls (Dunning & McQueen, 1982). This advantage also boosts the possibility of successful alliances (Contractor & Kundu, 1998a). Thus, companies with well-known trade names tend to increase the number of franchise operations and management contracts they use. From the TCE perspective, the brand standards with high specificity will not be eagerly shared with the host country collaborator. Contractual problems can arise when one party has control over activities that can damage the brand reputation of a second party. For this reason, TCE theory holds that an activity will tend not to be outsourced if it results in a subcontractor being placed in a position enabling it to (wittingly or otherwise) inflict damage on the reputation of the hotel's business (Kruesi & Zamborsky, in press; Lamminmaki, 2005; Lohita et al., 1994; Williamson, 1985). From the RBV, brand standards, which are highly integrated into the firm and are categorised by inimitability, are not easily transferred to the host country collaborator (Barney, 1986a, 1986b; Erramilli et al., 2002; Kruesi & Zamborsky, in press).

4.2.9.2 Industry Knowledge

In the case of the hotel industry, the importance of industry knowledge, including but not limited to the requirements and tastes of hotel customers, is a key advantage over other hotel organisations (Dunning & McQueen, 1982). The unique knowledge or skills that employees develop over time represents specialised know-how or experience specific to a particular employer–employee relationship; that is, the knowledge or skill is not transferable as it has limited relevance to other job situations. Related to this dimension of asset specificity, Deegan (1997) found some support for the view that human asset specificity can affect remuneration. The industry knowledge with high specificity will not be eagerly shared with the host country collaborator (Lamminmaki, 2005). From the RBV, similar conclusions can be reached. According to Hu (1995), transferring tacit knowledge is difficult because it is complex; acquired through experience, and through trial and error; taught and learnt through demonstration, observation, imitation, practice and feedback; and continuously evolving. According to Kogut and Zander (Kogut & Zander, 1993), the less teachable, more codified and more complex the knowledge is, the more difficult it is to replicate and transfer across firm boundaries. From the RBV, imperfect imitability results from embeddedness, that is, when the capability is deeply embedded within organisational routines and becomes specific to a firm (Madhok, 1997). Lam (1997) explained that embedded knowledge is not owned by any specific individual, but is embedded in complex social interactions and team relationships within an organisation. It cannot be systematically coded and it can be transferred only through intimate social interaction. Furthermore, transfer of embedded knowledge requires the use of established routines and organisational processes. For these reasons, the RBV suggests that internal modes are more effective than market modes to transfer imperfectly imitable capabilities (Madhok, 1997).

Moreover, proprietary content leads to management contracts, that is, the investment in specific assets. According to TCE, international hotel chains usually provide highly idiosyncratic services that are characterised by specialised know-how, high levels of professional skills and managerial expertise as well as services that require the use of codified assets such as central reservation systems; services that require professional skill are usually associated with significant human investments. According to Williamson (1985), high asset specificity is considered one of the main features of the transaction that favours 'hierarchy' (internal) over the 'market' (external) transactions. Therefore, the greater the specialised know-how characterising a service and the required investment in human highly specific physical assets, the more likely it is that hierarchy modes will be preferred.

From the RBV, the transfer of specialised knowledge and idiosyncratic knowledge faces the additional problem of 'information impactedness', which also tends to favour external modes over internal ones. According to Williamson (1975), information impactedness refers not only to the information asymmetry between the two parties of the transaction but also to the high costs of achieving information parity, the proclivity of parties to behave opportunistically and the small number of contracting situations developed owing to the distribution of information among parties (Williamson, 1975)

According to TCE, when the same brand name is used jointly by many franchisees, the classic externality problem arises: freeloading – if one franchise cheats on the quality of the product, he or she will benefit from the full amount of the savings from reduced quality, but the cost of decreased customer loyalty will be spread to each one of the franchises (Williamson, 1985). TCE suggests that when the value of the brand name is high, there is also a high potential for free riding; therefore, higher degrees of control are more efficient (B. Klein, 1980).

4.2.9.3 Training Systems

In the hotel industry, training is deemed essential (Dunning & McQueen, 1982). Training is even more important for the larger hotel companies (Martorell et al., 2013), and thus training is deemed essential in the non-equity entry mode decisions because the largest hotel companies focus most on these modes. From the TCE perspective, Lamminmaki (2005) suggests that any provider of a service would have to make some human capital investment by training personnel in knowledge that is specific to the needs of the hotel. If the contract with the hotel were to lapse, the value of this hotel-specific investment would be lost. This is supported by other research, as opportunism from the economic agents in such cases would also likely erode the competitive advantage created through the asset, prompting an internal mode (Cho, 2005; Erramilli & Rao, 1993; Villar et al., 2012). Companies that invest heavily in their training procedures tend to choose equity-based growth strategies such as ownership, because the profits that can be reaped from staff training are put to better use under systems that guarantee stricter control (Gatignon & Anderson, 1988). From the RBV, as with industry knowledge, if training procedures are not easily codified and are embedded in the organisational routines of the firm, transferring these procedures to a host country collaborator becomes difficult to the point of prompting the hotel organisation to internalise the action (Barney, 1991).

4.2.10 Environmental-Level Factors

The environmental factors were examined in Study 1 through the environmental uncertainty questions, the location advantage questions and the institutional theory questions. The respondents highlighted that there are important 'environment-level' considerations. Specifically, these include host country factors, including the level of risk and development of the host country as well as the availability of capable local partners.

4.2.11 Host Country Factors

The host country environment refers to the nature of the economic, fiscal and political conditions as well as the culture of the country that a foreign firm enters (Gatignon & Anderson, 1988; K. D. Miller, 1993; Sanchez-Peinado & Pla-Barber, 2006b; Williamson, 1985, 1991). Several scholars put uncertainty about a host country's environment forward as a central determinant of entry mode decisions (Gatignon & Anderson, 1988; K. D. Miller, 1993; Sanchez-Peinado & Pla-Barber, 2006b; Williamson, 1985, 1991). The effect of host country uncertainty as a determinant of entry mode decision has become a point of contention in the literature, however. One stream of research posits that when environmental uncertainty is high, firms will choose a less resource-intensive mode to be more flexible and allow the firm to exit more easily in case the venture fails (Erramilli &

Rao, 1993; Fladmoe-Lindquist & Jacque, 1995; W. C. Kim & Hwang, 1992; Mutinelli & Piscitello, 1998). Conversely, other studies have identified that when environmental uncertainty is high, stronger control is needed in the form of high resource entry modes to manage the effects of this uncertainty (Altinay, 2007; Dev et al., 2002; Erramilli et al., 2002; Madhok, 1998).

The hospitality industry, specifically, is characterised as being capital intensive, in regard to the ownership of physical assets such as real estate. It is therefore common to separate industry knowledge and managerial expertise from the ownership of these physical assets (Brown et al., 2003; Contractor & Kundu, 1998a; Cunill & Forteza, 2010; Rodríguez, 2002). It is because of this ability to separate ownership of the physical hotel and the managerial skills to operate it that environmental factors tend to play a minimal role in determining the non-equity entry mode decision of hotel organisations. In their study of the Spanish hotel industry, Villar et al. (2012) found that, for service firms, the nature of the service being transferred generally plays a more critical role than location-related factors. For these reasons, it is expected that environmental factors, while playing a role in choosing between equity and non-equity entry modes, have a lesser effect on the decision between different non-equity entry modes; this point is supported by Kruesi and Zamborsky (2015). However, it was clearly highlighted by the respondents of Study 1 that host country factors are a consideration, and as such, they are included in this study. The rationale is that host country factors are outside of the firm and often outside of the firm's control; therefore, firms consider these factors in their entry mode choices. The host country factors tested in this study are politico-economic risk, legal risk and the level of economic development, as is common in the literature (Martorell et al., 2013).

4.2.11.1 Politico-Economic Risk

Political risk can include the extent to which governmental policies are favourable or unfavourable for the entering firm. Moreover, it arises when the political regime is characterised by turmoil, and finally, there may be restrictions concerning ownership and control over corporate assets, as well as the repatriation of profits and royalties. Economic uncertainty revolves partly around the uncertainties related to currency differences. Fluctuating exchange rates (between home and host country) may result in reduced income for the parent company and difficulty setting prices. In addition, economic risk revolves around local demand variability.

Considering the TCE rationale, external uncertainty leads to low control modes (Williamson, 1975, 1985). This is because, according to TCE reasoning, environmental uncertainty by itself does not impede a market mode. It is the introduction of asset specificity that causes the 'market' to fail and thus more control is preferred (Williamson, 1991). In other words, environmental uncertainty itself suggests that market modes are more appropriate to give the firm flexibility, as higher investment modes would incur higher switching costs (Gatignon & Anderson, 1988).

Several studies suggest that equity implies limited flexibility and that non-equity modes (both franchising and management contracts) have the same flexibility. This is not the case in this thesis, however, as franchising is seen as being more flexible. This is because there is still non-trivial resource commitment in management contracts, that is, investment in transaction-specific staff such as managerial staff and training staff, personnel transfer as well as the time spent acquiring local knowledge, the pre-opening costs and the costs of redecoration and refurbishment (which is often shared by the owner and the hotel organisation in management contracts).

In franchising, the resource commitment is much lower when compared with management contracts because the managerial cost of adding a franchised outlet to the chain, including training and the provision of operating manuals and other assistance, is quite low (Sandman, 2003). Franchising represents a low asset specificity mode since the franchisor is trading assets already at hand (sunk costs) instead of investing in new and specific assets. Moreover, franchising lowers the cost of acquiring knowledge about the local market since the company does not have to invest in resources to learn about local input suppliers, marketing strategies, consumer preferences and the labour market.

While it is accepted here that the negative impacts arising from politico-economic risk are lower in management contracts than in equity modes, clearly, equity modes have higher investment levels and it is harder to leave the market when the hotel properties are owned. However, it is argued here that although the investment level is lower, it is still high enough to discourage the use of management contracts and dictates a low specificity mode, that is, franchising.

4.2.11.2 Legal Risk

Legal risk is also a major source of environmental uncertainty and refers to the legal, intellectual property rights. In this thesis, legal risk refers to both local regulation and policies regarding trademark and intellectual property right protection as well as the enforcement of this protection. The less developed the legal systems of a host country, the weaker the enforcement of laws and contract enforcement. This is critical for hotel chains because brand name protection is a major concern.

Franchising, therefore, entails the risk of quality debasement, which can negatively affect the reputation of the brand in the local market. From the TCE perspective, if franchisees behave opportunistically, they can become competitors in the future using the knowledge. In management contracts, these risks are largely mitigated since at least senior if not also middle management is employed by the operator so it is more difficult for the local partner to redeploy these practices or standards. From the RBV, countries categorised with high levels of legal risk would have lower and perhaps illicit standards of local managers and therefore would increase the bounded rationality of the entry prompt firms to prefer the guaranteed efficiency of management contracts.

4.2.11.3 The Level of Economic Development

According to Contractor and Kundu (1998a, 1998b), the more developed a nation is in economic terms, the higher the hotel organisation's likelihood of using contractual modes as opposed to equity. TCE suggests several reasons why a lack of economic development leads to a motivation for seeking control. The first argument refers to the transaction cost incurred when tacit knowledge is transferred from the home market to a less developed one. International hotel chains usually need to transfer specific knowledge and expertise when a new hotel is about to be operating in a new market. The population's educational level in developing countries is considered low; thus, prospective franchises are usually characterised by lower absorptive capacity, leading to management contracts. According to Williamson (1975), in these cases equity is preferred. It leads to wanting more control to ensure the proper use of codified assets such as reservation systems and operating procedure. From the RBV, a critical consideration is 'absorptive capacity', referring to the ability of local collaborators, 'the receiving firm', to absorb and replicate the service (Cohen & Levinthal, 1990). In countries characterised as being undeveloped, the absorptive capacity of the local managers is expected to be lower than in developed countries (Contractor & Kundu, 1998a; Erramilli et al., 2002).

4.2.12 The Availability of Capable Local Partners/Managers

The availability of capable partners in the host country was put forward by almost all of the respondents in the previous study as being a critical consideration. As mentioned above, the absorptive capacity of local management is a key consideration in the literature (Cohen & Levinthal, 1990; Erramilli et al., 2002). From the TCE, if there is a concern that the local manager does not have the ability to provide the service, which would affect the brand of the hotel organisation (asset specificity), this would be an example of market failure causing firms to internalise the entry mode. From the RBV, the importance of supporting infrastructure, both within and outside the firm, that may impede or facilitate the transfer of resources and capabilities is a central consideration (Hu, 1995; Madhok, 1997). While the resources may be able to be transferred via a market mode, there may not be a capable manager in the country to provide the service. Franchising becomes a problem when there is a lack of competent managerial staff in the host country. Therefore, rather than destroying the value of the capability through franchising, firms will prefer to internalise the entry mode.

4.2.13 Hypotheses Development Study 2

The literature review above was used to develop the hypotheses of this study. These hypotheses are now presented along with a summary of the informative literature used to develop them.

Asset specificity has been the predominant theoretical construct used in TCE-focused entry mode studies (Brouthers & Hennart, 2007; De Vita et al., 2011). Transaction costs, which include the ex-ante cost of negotiating contracts and the ex-post costs of monitoring the performance and behaviour of partners and other contracted parties or economic agents, increase in cases where there are specific assets involved in the transactions (Anderson & Gatignon, 1986; Hennart, 1989; Williamson, 1985). Asset specificity suggests that the pursuit of the lowest possible transaction costs will drive the decision of governance structure used in the market entry (Anderson & Gatignon, 1986; Hennart, 1989; Williamson, 1985). Therefore, as the transaction costs arising from asset specificity increase past those of employing an internalised mode, the firm will internalise. In studies focused on the hospitality industry, Contractor and Kundu (1998a) came to the conclusion that there was a link between asset specificity and the desire for control. Moreover, according to Altinay (2007), a hotel organisation will choose a low control mode if asset specificity is low. If the transaction cost resulting from asset specificity increases, however, it will prompt the organisation to choose a higher control mode. These studies looked at the choice between equity and non-equity modes. This thesis attempts to establish if this relationship also exists between different non-equity modes.

> H1: The higher the asset specificity, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

Imperfect imitability has been the predominant theoretical construct used in RBV-focused entry mode studies (Erramilli et al. 2002, Madhok, 1997, 1998). From the RBV, it is expected that the contracted parties or economic agents will not be able to replicate the resource or capability as well as the individuals from within the firm in cases when the resources are imperfectly imitable. Therefore, the more embedded the resource or capability of the firm is, the more value it loses in an external transfer as it is expected that the transfer to the host country collaborator would be inefficient (Barney, 1991). Studies focused on the entry mode choices of hotel organisations that used imperfect imitability partly as their theoretical lens found that it prompts the choice of higher control (Brown et al., 2002; Dev et al., 2002; Erramilli et al. 2002). These authors also highlighted that this can be achieved through management contracts. While these studies used secondary data and a sample consisting of general managers, this thesis attempts to establish if this relationship also exists by using a sample of hotel executives who actually make these decisions.

> H2: The higher the imperfect imitability, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

Several studies have shown that as the size of a company grows, the likelihood to opt for direct investment through ownership also increases (Agarwal & Ramaswami, 1992; Campa & Guillén, 1999; Gomes-Casseres, 1989; Stopford & Wells, 1972; Trevino & Grosse, 2002), while smaller companies with more limited resources or skills in investing in foreign markets will prefer shared modes of control (Erramilli & Rao, 1993). However, in the case of the hotel industry, as was found during Study 1, it is exactly the opposite. This was also highlighted by Gatignon and Anderson (1988) and Martorell (2013), who suggested that high control strategies are not as favoured in large-scale foreign investments in the hotel industry because hotel organisations prefer and are almost forced to share the investment with a partner owing to the scale of international operations in the hotel industry. This thesis attempts to establish if this relationship also exists by using a sample of hotel executives who actually make these decisions.

> H3: The larger the size of the organisation, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.

In the case of the hotel industry, it is proposed that when hotel organisations place greater priority on larger operations and personnel training (Gatignon & Anderson, 1988), they will tend to invest in strategies that require capital expenditures because the benefits they are able to obtain are easier to control. Moreover, if significant investment is made into operations or services, these are likely to be specific to the firm and therefore are not sunk costs prompting internalisation (Williamson, 1985). Moreover, investment in and specialisation of an organisation's operations or services impairs the replication (imitability) of the service (Barney, 1991; Erramilli et al., 2002), thus prompting internalisation. This thesis attempts to establish if this relationship also exists between franchising and management contracts.

> H4: The higher the investment of the organisation, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

Because the assets in non-equity entry modes in the hotel sector and the service sector more broadly are intangible in nature, imitability becomes a central consideration, as it is difficult to transfer to a third party. An example is tacit knowledge, which is constantly evolving and has been amassed through experience and learning through trial and error, imitation, practice and feedback (Hu, 1995). According to Kogut and Zander (1993), the more complex the knowledge and the less codifiable and teachable it is, the more difficult it is for it to be replicated across firm boundaries. Therefore, in cases where the resources and capabilities are imperfectly imitable in nature, firms will choose internalised modes. This thesis attempts to establish if this relationship also exists when choosing between franchising management contracts by probing the following intangible assets: brand name or brand standard, industry or managerial knowledge and the training systems.

> H5: The higher the importance placed on intangible assets, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

Host country factors that were examined are politico-economic risk or legal risk and the level of economic development. A vast body of literature focuses on the risk associated with entering foreign markets and how it affects modal choice (Anderson & Gatignon, 1986; Erramilli & Rao, 1990, 1993; Gatignon & Anderson, 1988). Research conducted on this topic by Gatignon and Anderson (1988) suggests that country risk prompts firms to use equity modes. Conversely, Agarwal and Ramaswami (1992) suggest the opposite, that is, that high risk prompts the use of low control modes. In studies focused on the service sector, Fladmoe-Lindquist and Jacque (Fladmoe-Lindquist & Jacque, 1995) found no relationship between country risk and franchising, and Contractor and Kundu (1998b) also found no support for the relationship between country risk and entry mode choice. While there is disagreement in the literature, the participants of Study 1 did hint at the fact that they are considerations prompting internalisation. This thesis attempts to establish the relationship between politico-economic risk or legal risk and low economic development inclination to use management contracts over franchising.

> H6: The higher the environmental uncertainty, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.

The absorptive capacity of local management is a key consideration in deciding how to transfer a service internationally and across firm boundaries (Cohen & Levinthal, 1990; Erramilli et al., 2002). If there is a concern that the local manager does not have the ability to provide the service, which would affect the brand of the hotel organisation (asset specificity), this would be an example of market failure causing firms to internalise the entry mode (Williamson, 1985). Moreover, the importance of supporting infrastructure, both within and outside the firm, that may impede or facilitate the transfer of resources and capabilities is a central consideration (Hu, 1995; Madhok, 1997). If there is a lack local partners with skilled management personnel, it prompts firms to internalise. This thesis attempts to establish if there is a relationship between the availability of local management and the choice between franchising and management contracts.

> H7: The higher the availability of partners, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.

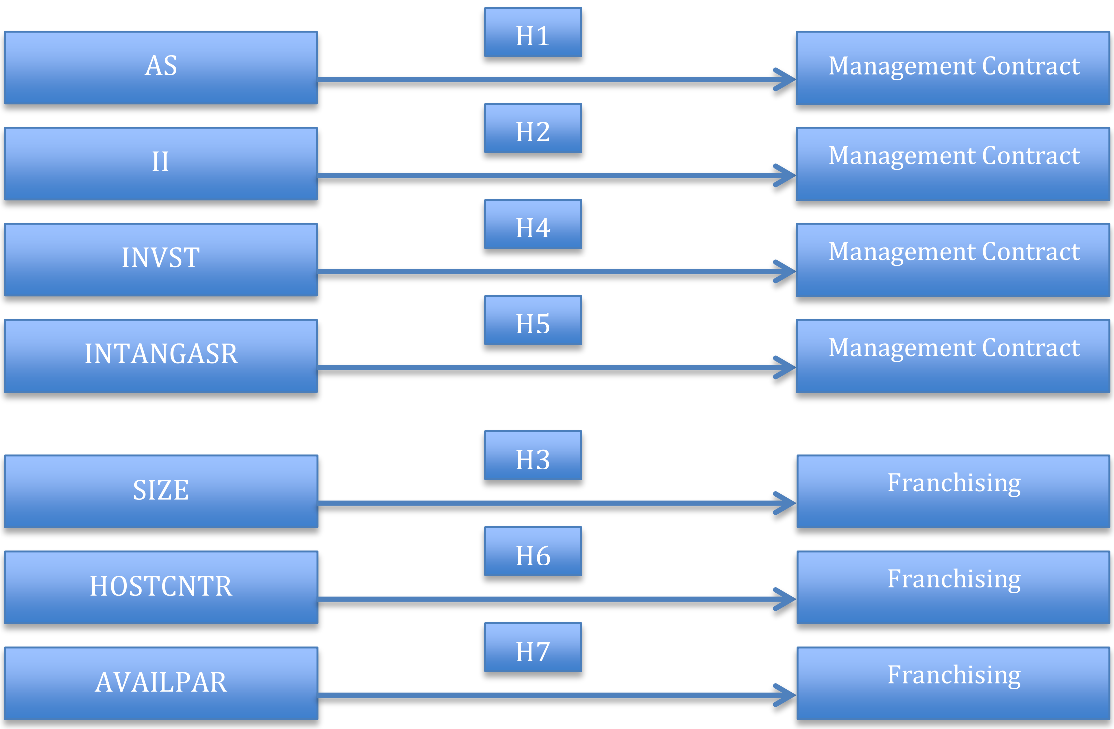
Table 4.1 is a summary of the hypotheses and their expected sign, that is, the effect of the variables on the choice between franchising and management contracts. Figure 4.1 is a visual representation of this in the form of a theoretical framework. The independent variables and their construction will be outlined in the following section.

Table 4.1: Summary of the Hypotheses/Independent Variables

Hypotheses	Description	Independent variables
H1	Asset specificity → Management contract	AS
H2	Imperfect imitability → Management contract	II
H3	Firm size → Franchising	SIZE
H4	Investment factors → Management contract	INVST
H5	Brand name Industry knowledge Training systems → Management contract	INTANGASR
H6	Politico-economic risk Legal risk Economic development → Franchising	HOSTCNTR
H7	The availability of partners → Franchising	AVAILPR

Figure 4.1: Theoretical Framework of the Hypotheses, Dependent and Independent Variables

Independent Variable **Hypotheses** **Dependent Variable**



4.2.14 Originality

In order to evaluate the originality and consequently the gap that this thesis fills, the entry mode focused publications included in the literature review that use TCE and the RBV, independently, in unison with each other or in unison with an alternate theory, as their theoretical foundation have been segmented as shown in Table 4.2. The table segments these 51 publications as follows.

Running along the Y-axis are:

- the publications that have TCE or the RBV independently as their theoretical foundation,
- the publications that have TCE and the RBV in unison as their theoretical foundation,
- the publications that have TCE or the RBV in combination with an alternate theory or alternate theories as their theoretical foundation.

Running along the X-axis are:

- the publications that examine manufacturing firms or a combination of manufacturing and service firms,
- the publications that examine only service firms,
- the publications that examine exclusively the hotel sector.

Table 4.2: The Research Foci of the Empirical TCE and RBV Founded Articles

Theories	Manufacturing and service firm oriented research	Service firm oriented research	Hospitality industry oriented research
TCE independently	(Brouthers & Brouthers, 2003), (Brouthers, Brouthers, & Werner, 2003), (Gatignon & Anderson, 1988), (Gomes-Casseres, 1989), (Hennart, 1991), (W. C. Kim & Hwang, 1992), (Lopez-Duarte & Vidal-Suarez, 2010)	(Erramilli & Rao, 1993), (Murray & Kotabe, 1999), (Pla-Barber et al., 2010)	(Cho, 2005)****
TCE combined with one or more alternate theories	(Brouthers, 2002), (Lu, 2002), (Luo, 2001)*	(Fladmoe-Lindquist & Jacque, 1995)	(Altinay, 2005), (Chen & Dimou, 2005), (Contractor & Kundu, 1998a, 1998b)*, (Huang et al., 2011), (Cunill et al., 2013), (Quer et al., 2007), (Martorell et al., 2013)
RBV independently	(Collis, 1991), (Ekeledo & Sivakumar, 2004), (Feller, Parhankangas, & Smeds, 2009), (Kogut & Zander, 1993), (Luo, 2002), (Trevino & Grosse, 2002)	(Sanchez-Peinado & Pla-Barber, 2006b)	(Brown et al., 2003), (Dev et al., 2007), (Espino-Rodriguez & Padron, 2005)
RBV combined with one or more alternate theories	(Brouthers et al., 2008), (Luo, 2001)*, (Wang et al., 2012)	(Sanchez-Peinado & Pla-Barber, 2006a), (Sanchez-Peinado et al., 2007)	(Rodríguez, 2002), (Contractor & Kundu, 1998a, 1998b)*
TCE and RBV combined	(Madhok, 1997)		(Kruesi & Zamborsky, in press)***, (Leon-Darder et al., 2011), (Villar et al., 2012), (Zeng, 2010)
Asset specificity independently	(Deegan, 1997)		(Espino-Rodriguez et al., 2008), (Lamminmaki, 2005)
Imperfect imitability independently			(Dev et al., 2002)**, (Erramilli et al., 2002) **
TCE and/or RBV used independently or with an alternate theory used to examine exclusively non-equity modes	(S. Klein et al., 1990)	(Lam, 1997)	(Altinay, 2007), (Cho, 2005)****, (Dev et al., 2002)**, (Erramilli et al., 2002)**, (Kruesi & Zamborsky, in press)***

Key

* These articles use TCE and the RBV as well as alternate theories and thus fit into two fields.

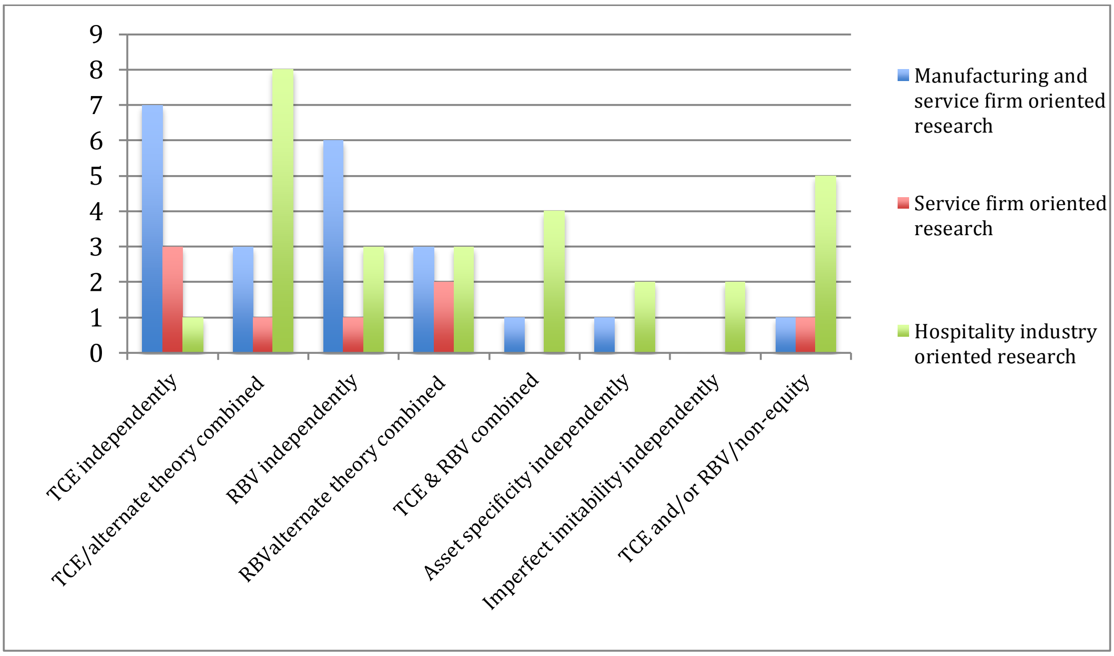
**These articles use imperfect imitability independently and focus exclusively on non-equity modes and thus fit into two fields.

*** This article uses TCE and the RBV in the hospitality industry and focuses exclusively on non-equity modes and thus fits into two fields.

**** This article uses exclusively TCE in the hospitality industry and focuses exclusively on non-equity modes and thus fits into two fields.

A visual representation of Table 4.2 in the form of a clustered column graph is provided in Figure 4.2.

Figure 4.2: Graph of the Article Segmentation



It can be seen in Table 4.2 and Figure 4.2 that even the publications that focus exclusively on non-equity modes in the hospitality industry only constitute one third of the publications in this segment; that is, of all the TCE/TBV-focused empirical articles on hotel entry modes that were reviewed in this thesis, only 30% (approx.) of the articles focused exclusively on non-equity entry modes. This is despite the fact that non-equity modes constitute 95% (approx.) of the entry modes used by largest hotel organisations, as mentioned in Chapter 1. This clearly highlights the discrepancy between the literature in its current stage and the realities of the hotel industry and the significance of this research.

Table 4.2 and Figure 4.2, moreover, help to visualise that although the publications reviewed above are all related to the thesis, there are significant differences between these publications and this thesis. Six points can be identified when studying the table and graph that highlight the gap in the literature this thesis fills. These are as follows:

1) Initially, it can be seen that a large number of the studies focus either exclusively on manufacturing firms or on a mix of manufacturing and service firms. However, as seen in the literature, the findings of manufacturing firm oriented research cannot be effectively transferred to studying service firms (Bouquet et al., 2004; Brouthers & Brouthers, 2003; Leon-Darder et al., 2011; Pla-Barber et al., 2010). Moreover, as mentioned above, service firm oriented research is under-represented in the literature and authors of recent publications highlight the need

for expanding this literature (Bouquet et al., 2004; Brouthers & Brouthers, 2003; Leon-Darder et al., 2011; Pla-Barber et al., 2010). It is clear that this research would address these points and build on underdeveloped service firm entry mode literature.

2) Despite the thorough review of hotel-focused studies conducted in this thesis (see Chapter 2), only 22 empirical studies were identified that focus on the hotel sector. This is despite the fact that the hotel sector is put forward as being ideal for drawing broader conclusions for soft service firms (Blomstermo et al., 2006; Brown et al., 2003).

3) Only five studies used both TCE and the RBV as their theoretical foundation. This is despite the fact that these theories are put forward as being the leading theories in entry mode research (Villar et al., 2012) and highly compatible with each other (Brouthers & Hennart, 2007; Brown et al., 2003; Espino-Rodriguez et al., 2008; Madhok, 1996, 1997, 1998; Villar et al., 2012), and they were also put forward as important by the respondents of Study 1.

4) Only four publications used both TCE and the RBV as their theoretical foundation to examine the hotel sector with only Kruesi and Zamborsky (in press) examining exclusively non-equity modes. This is despite the fact that these theories are compatible, as mentioned above, yet have largely been used independently or in unison with another theory or other theories to examine the hotel sector.

5) Only four articles use asset specificity independently from uncertainty and frequency, that is, the broader TCE, despite the fact that asset specificity has been deemed the most important or critical variable under the broader TCE (Brouthers & Hennart, 2007; De Vita et al., 2011; Williamson, 1985).

6) Only two articles use imperfect imitability independently from the other characteristics of sustained competitive advantage under the broader RBV, that is, value, rarity and non-substitutability.

4.2.15 Section Conclusions

In this section, an in-depth review of TCE and the RBV was presented. These theories were suggested by the respondents of Study 1 as being effective in the context of non-equity entry mode choice in the hotel sector. The theories were compared and contrasted, and the hypotheses development followed this. Finally, the originality of the theoretical foundation in the context of this study was highlighted.

4.3 Methods

In this section, the methods used in this study are outlined. Initially, the research design is briefly explained. Following this, the dependent and independent variables are presented along with an explanation of how the items for the survey were developed. The development of the survey design is then explained and justified before the pilot study and how it aided in creating the final version of the survey is outlined. The final version of the survey that was completed by the respondents is then also presented.

4.3.1 Research Design

For this study, a quantitative approach was taken with a scenario-based online survey. This approach was adopted for several reasons, including the nature and global distribution of the respondents as well as the nature of the research aims. Seven independent variables were constructed through the combined lenses of TCE and the RBV to identify the variables that are important when hotel executives choose between franchising and management contracts when expanding internationally. Accordingly, the aim of this study is to gather deductive insights. The advantage of this methodology is that it is deterministic in nature and allows for defined hypotheses to be tested (Oppenheim, 1992). It can be seen in the literature that the majority of entry mode research is quantitative in nature (Canabal & White, 2008; Sarkar & Cavusgil, 1996), and as such, quantitative research, underpinned by the earlier qualitative study, was deemed appropriate for examining the non-equity entry mode choices of international hotel organisations after the qualitative methods used in Study 1.

The aim of this study is to examine the factors proposed in the literature that hotel executives consider when choosing between franchising and management contracts. According to the literature, entry mode research generally focuses on specific theories, on firm-level factors and on environment-level factors (Morschett et al., 2010). It is suggested in the literature that environmental factors may have lesser influence on the entry mode choice of service firms and hotel organisations, as specifically explained in Chapter 2. However, it was found in Study 1 that environmental factors are a consideration in the decision between franchising and management contracts in the international hotel industry. Therefore, both firm-level factors and environmental factors are tested in this survey, in addition to TCE and RBV and their central constructs, asset specificity and imperfect imitability respectively.

4.3.2 Variables

4.3.2.1 Dependent Variable

The dependent variable in this study is a dichotomous variable coded as 1 for franchising and 0 for management contracts. The dependent variable was assigned based on which scenario in the survey the respondent selected to complete: the franchise scenario survey or the management contract scenario survey.

4.3.2.2 Independent Variables

Seven independent variables were tested in this study. They are as follows:

1) AS (Asset specificity)
2) II (Imperfect imitability)
3) SIZE (Size of the organisation)
4) INVST (Investment factors)
5) INTANGASR (Intangible assets and resources)
6) HOSTCNTR (Host country factors)
7) AVAILPAR (Availability of local partners)

4.3.3 Items and Scales

The research items used in the online survey to test the independent variables were developed based on the literature-derived hypotheses and the findings of Study 1. The items themselves are listed below and the sources of the items are summarised in Table 4.3 below. The items were grouped by their independent variables in the survey, that is, all the items were presented in their own section, which was named after the independent variable and is presented thus below. The actual items grouped by the independent variables were then presented to the respondents.

AS

1) It is difficult for an outsider to learn ‘our way of doing things’ at this hotel chain.
2) To be effective, employees of this hotel chain have to take a lot of time to get to know the customers’ expectations.
3) Employees of this hotel chain need to spend much time and effort learning the skills needed to provide the expected service.

4) The hotel organisation has spent much time and effort developing the service offerings of this hotel chain.

5) Specialised knowledge is needed to adequately provide the service required at this hotel chain.

6) A large investment and a long time a needed for training employees to adequately provide the service expected at this hotel chain.

7) The hotel organisation has spent much time and effort to learn and perfect the key factors for success of this hotel chain.

8) An employee's inside information on the procedures employed at this hotel chain would be very helpful to the organisation's competitors.

9) The skill level of the employees working at this hotel chain is significantly customised to the organisation's brand standards.

10) It is important to retain the inside information on the processes which give this hotel chain a competitive advantage.

11) The hotel organisation has spent much time and effort developing the workflows and routines of this hotel chain.

II

1) It is difficult for competitors to imitate the service offerings of this chain.

2) The services offered at this chain are unique and nobody else can offer them.

3) It took the hotel organisation years to build the brand reputation of this hotel chain; nobody can easily copy it.

4) The competitive advantages of this hotel chain are embodied in the company and not in the individuals; i.e. nobody can easily copy the service offerings of this hotel chain by stealing away employees.

5) Nobody can copy the corporate routines, processes and culture of the hotel chain.

6) The corporate routines, processes and culture of this hotel chain would be difficult for other parties to absorb and recreate.

7) For this hotel chain the services that are offered are unique and it would be difficult for other parties to recreate/absorb it.

8) The industry knowledge the managers of this hotel chain have would be difficult for other parties to absorb and recreate.

9) The reputation of this hotel chain has been developed over a long time.

INTANGASR

1) I chose franchising over a management contract/a management contract over franchising to protect the brand standards of the hotel chain.

2) I chose franchising over a management contract/a management contract over franchising to retain control over the organisational routines of the hotel chain.

3) I chose franchising over a management contract/a management contract over franchising to retain control over the training systems of the hotel chain.

4) I chose franchising over a management contract/a management contract over franchising to protect the industry and managerial expertise required to operate the hotel chain.

HOSTCNTR

1) I chose franchising over a management contract/a management contract over franchising to mitigate the risk of political instability in the foreign market.

2) I chose franchising over a management contract/a management contract over franchising because of the favourable business conditions of the foreign market.

3) I chose franchising over a management contract/a management contract over franchising because of the economic development of the foreign market.

4) I chose franchising over a management contract/a management contract over franchising because of the quality infrastructure in the foreign market.

5) I chose franchising over a management contract/a management contract over franchising due to the cultural differences between my hotel organisation's home market and the foreign market.

SIZE

1) I chose franchising over a management contract/a management contract over franchising because of the large size of this hotel organisation.

2) I chose franchising over a management contract/a management contract over franchising because of the large scope of this hotel organisation's global operations in terms of the number of regions it operates in.

3) I chose franchising over a management contract/a management contract over franchising because of the high level of international experience of the executives of this hotel organisation.

INVST

1) I chose franchising over a management contract/a management contract over franchising because of the large investment made into training.

2) I chose franchising over a management contract/a management contract over franchising because of the large investment made into management controls.

3) I chose franchising over a management contract/a management contract over franchising because of the large investment made into quality controls.

AVAILPAR

1) I chose franchising over a management contract/a management contract over franchising because of the large availability of qualified managerial staff in the host country.

2) I chose franchising over a management contract/a management contract over franchising because of the large availability of qualified local investment partners in the host country.

3) I chose franchising over a management contract/a management contract over franchising because of the large availability of trustworthy local investment partners.

Following the items for the independent variables, a second section was included that was not based on the scenario. The question for this section was as follows:

> For these following statements you do not have to imagine the scenario, just indicate your level of agreement, from strongly disagree to strongly agree.

This section commenced by probing the significance of the factors that the respondents of Study 1 suggested were not considered by the NIE rationale, that is, the points described in Section 3.4.8.4 (NIE reasoning flaws).

NIE Reasoning Flaws

1) For hotel chains that have both franchised and managed hotels in their portfolio, the decision to use one or the other is not made by the hotel organisation; the decision is made by the investor, because they are the one with the money.

2) We choose franchising because our business is just set up that way.

3) We are ad hoc in our decision making; we just see what works best on a case-by-case basis.

4) The choice between franchising and management contracts is simply a matter of the star level of the chain.

5) In the instances where a hotel owner wants to operate on management contract and the hotel organisation does not, the hotel owner would simply find another hotel organisation.

6) There is no real 'decision' as it's based on the business model of the investor; there are some investors who would simply never operate under franchise agreement.

7) When making this decision I think, "Do I want to run the hotel myself or do I want someone to run it for me?" That's the main consideration.

Finally, the survey concluded with demographic questions. This section was included because the contribution of this thesis is mainly based on the expertise of the respondents. Therefore, the questions were designed to elicit information not only on age, gender, sex and geographical location, as is commonly done in surveys, but also on the experience of the respondents based on their position and industry experience, and the level of influence they have in the company.

Demographic Items

1) What is your age?

2) What is your gender?

3) What country do you work in?

4) What is your current position?

5) How many years have you worked in the hotel industry?

6) How many years have you been employed in your current position?

7) Have you made the decision between franchising and management contracts in the past?

8) What is your level of expertise in making this decision?

9) What level of influence do you have in the decision-making process?

Table 4.3: The Items and Their Sources

Variable	Sources
AS	Klein et al. (1990), Zaheer and Venkatraman (1994), Christiaanse and Venkatraman (2002)
II	Erramilli et al. (2002), Dev et al. (2002), Brown et al. (2002), Barney (1997)
SIZE	Gatignon and Anderson (1988), Martorell et al. (2013) AND Study 1 findings
INVST	Barney (1991), (1991), Erramilli et al. (2002), Martorell et al. (2013) AND Study 1 findings
INTANGASR	Barney (1991), Dev et al. (2002), Erramilli et al. (2002), Hu (1995), Kogut and Zander (1993) AND Study 1 findings
HOSTCNTR	Anderson and Gatignon (1986), Erramilli and Rao (1990, 1993), Gatignon and Anderson (1988) AND Study 1 findings
AVAILPAR	Erramilli et al. (2002), Hu (1995), Madhok (1997), Cohen and Levinthal (1990) AND Study 1 findings

Specifically, the items were created as follows. For AS, three sources were used: Klein et al. (1990), Zaheer and Venkatraman (1994), Christiaanse and Venkatraman (2002). These articles deployed empirically tested items for measuring asset specificity. The items in these articles were only changed slightly to fit the purpose of the survey, such as changing 'firm' to 'hotel organisation'. For II, the items used were directly taken from Erramilli et al. (2002), who tested imperfect imitability in the same way as proposed in this study. For SIZE and INVST, the items were constructed from the responses of Study 1 and by using keywords derived from Martorell et al. (2013). For INTANGASR, the items were constructed from the responses of Study 1 and from Martorell et al. (2013), Barney (1991) and Williamson (1985). The items developed to measure HOSTCNTR were constructed from the responses of Study 1 and by using keywords derived from Anderson and Gatignon (1986), Erramilli and Rao (1990, 1993), Gatignon and Anderson (1988). Finally, AVAILPAR was included because of the findings of Study 1; it is taken from Erramilli et al. (2002) and only changed slightly to fit the style of the other questions.

In terms of the scale used in the survey, a 7-point Likert scale was chosen, which is the most commonly used psychometric scale in surveys and questionnaires (DeCoster, 2000). This is because it is recognised in the literature that seven-point scales are more reliable than equivalent items with greater or fewer response options (DeCoster, 2000). Moreover, it needs to be noted that the scale is conventional and symmetrical with (1) = strongly disagree, (2) = disagree, (3) = somewhat disagree, (4) = neither agree nor disagree, (5) = somewhat agree, (6) = agree and (7) = strongly agree. It was decided to not 'force' respondents to commit to one side or the other, by retaining a neutral option (Leung, 2011).

4.3.4 Survey Design

Designing a survey that is capable of accurately testing the hypotheses developed in the literature review is critical in reaching the research goals of this study. Accordingly, there were several considerations, as suggested by Oppenheim (1992), such as what variables should be measured? What kind of samples will be drawn? Who will be questioned, and how often should they be questioned? Based on the problem statement in Chapter 1 and also the nature of the hypotheses, this study is more descriptive than analytical. As such, the survey had to be constructed in way that allowed for the identification of the variables that impact on the choice made by executives between franchising and management contracts in the hotel industry. Moreover, the in-depth interviews that were conducted in Study 1 also influenced the formation of the survey. For example, participants of Study 1 identified the importance of environment-level factors and the availability of suitable local partners, as mentioned above. Moreover, Study 1 highlighted the need to avoid academic jargon in favour of direct, practical language. An example is the independent variable INTAGAS, which tests the impact of intangible assets. Instead of using the term directly, the respondents were asked about specific intangible assets that they would understand, examples of these being the brand, training systems and proprietary managerial or industry knowledge, as mentioned above. These specific intangible assets were chosen based on the literature, as can be seen in Chapter 2.

A scenario-based online survey consisting of two scenarios was the method used in this study. The respondents were asked to imagine a scenario in which they are the head of a large hotel organisation (defined by being international, having a corporate headquarters and controlling several chains or brands). In this position, they were asked to imagine that they have recently internationalised a hotel chain by setting up a new hotel in a foreign market. The respondents were then asked to choose either the franchise scenario or the management contract scenario survey, based on the entry mode they would be more knowledgeable about. It was deemed appropriate to allow the respondents to choose the scenario based on expertise because the contribution of this study lies in their knowledge and experience, and consequent credibility.

The main reason for choosing a scenario-based approach is that, although the sample is quite homogeneous, their circumstances, such as their geographic dispersion and the structures and strategies of their organisations, are relatively heterogeneous. The scenario reduces the likelihood that respondents will focus on the particulars of their own organisation when completing the survey and instead focus on a more generalised concept of a hotel organisation. Scenario-based surveys have been widely used by researchers for this purpose, obtaining some more control over the experimental conditions and the manipulated variables while at the same time reducing random 'noise' (Bitner, 1990; Dabholkar, 1994; Weijters et al., 2007). Moreover, while the scenario is based on a fictional non-equity entry mode decision, the respondents, as will be highlighted later in this chapter, are or were at some point all high-level hotel executives on the executive board of their organisations. In other words, these individuals have experience with this type of decision, which means that they are drawing from experience rather than abstractly theorising.

The main reason for choosing to administer the survey via an online platform is twofold. Firstly, owing to the relatively small number of high-level hotel executives of large hotel organisations, the data collection had to be done on a global scale, making the sending of paper-based surveys inefficient. Secondly, another characteristic of the sample is that by the nature of their high-level positions, gaining access to these individuals is quite a challenge, as observed by Anseel et al. (2010) and Rogelberg and Stanton (2007), who note that top-management participants generally yield the lowest response rates in organisational research. In this study, the online survey tool used was Qualtrics.

4.3.5 Pilot Study

After having designed the survey, a two-stage pilot study was conducted before the main survey was initiated. In the first stage of the pilot study, the survey was administered to the project supervisors. The researcher was present in order to answer any questions as the survey was being completed. This process was repeated two times. In the second stage, the survey was administered to 11 respondents, as a paper-based survey to five respondents and as an online to survey six respondents. The reason for doing so was, firstly, to facilitate feedback from the respondents through the paper-based surveys (these were administered to respondents who were geographically proximate). Secondly, as the final survey would be electronic, the respondents who were not geographically proximate were asked to complete the online survey. The respondents of the paper-based survey included five academics ranging from senior lecturer to associate professor. The respondents of the online surveys included four hotel practitioners, three general managers and one leasing manager, as well as two academics, a senior lecturer and a professor. The respondents were asked to identify anything related to the flow of the survey or if the construction of the wording posed any problems or hindered understanding. Based on the feedback, several changes were made and the survey was rechecked with the respondents. The following item exemplifies the type of wording changes that were made:

Pilot

> *"The larger the size of the hotel organisation the more likelihood the preference for management contracts over franchising."*

Final Survey

> *"I chose a management contract over franchising because of the large size of the hotel organisation."*

These changes in the wording and flow aided comprehension and also suited the context of the scenario.

4.3.6 The Final Survey Overview

The final version of the survey will now be discussed. The actual survey can be seen in Appendix 8. The survey is structured with 12 sections. The first two sections are used to explain the background of the survey. The third and fourth sections serve to explain the respondents' task in the survey and to ask the respondents to choose between the franchise scenario survey and the management contract scenario survey. The purpose of the fifth and sixth sections is to examine the effect of asset specificity and imperfect imitability respectively on the choice of franchising and management contracts. These items, unlike the ones used for the other five independent variables, are structured differently because they are taken directly from the literature in order to test established theoretical constructs. An example is:

> *"It is difficult for an outsider of this chain to …"*
>
> *"It is important for employees of this chain to …"*

The purpose of the seventh, eighth and ninth sections is to examine the firm-level and environment-level factors that affect the choice between franchising and management contracts. Unlike the fifth and sixth sections, these items are more survey specific and are worded as follows:

> *"I chose a management contract over franchising/franchising over management contract* [because]"

The purpose of the 10th section is to examine the flaws of NIE reasoning as based on the findings of Study 1. Finally, the purpose of Section 11 is to gather general demographic information from the respondents, which includes gender, age, position, geographical location, years of experience and level of influence.

4.3.7 Sample Selection

The aim of the study was to select a sample of the highest-level international hotel executives. There are very few of these individuals, especially compared with the number of hotel general managers, which is the population that has generally been used in previous studies, as explained in Chapter 1. In order to identify this specific research sample, a list of the 300 largest hotel organisations (Hotel-Mule, 2010) was initially examined and all the hotel organisations that did not operate any franchises or management contracts or that only operated domestically were excluded from the list, leaving 145 hotel organisations. In order to identify the executives working in these organisations, access was gained to the TOPHOTELCHAINS database (TOPHOTELPROJECTS, 2014). The database contains, among other things, the contact details of most of the hotel executives working in all of the international hotel organisations and chains in the world. The executive positions covered in this database contain several positions whose holders would have limited knowledge in areas related to the aims of this study, including IT, food and beverage, public relations and construction executives. Consequently, these positions were excluded. A list was then created of the contact details of the remaining positions, including strategic, operational and franchise or management executives as well as all CEOs, chief financial officers (CFOs), chief operating officers (COOs), directors, presidents and vice-presidents, which represent the population of this study. The final list numbered 1,855.

4.3.8 Research Recruitment

The 1,855 individuals identified through the process mentioned above were e-mailed a research invitation with a link to the survey (as seen in Appendix 8). From the first round of research invitations, 135 people responded to the survey. Two weeks later, a reminder e-mail was sent to the population (apart from those individuals who requested not to be further contacted, which was approximately 300 individuals, as some CEOs also answered on behalf of their company). The reminder e-mail generated a further 64 responses to the survey. That equates to a response rate of 11%, which is relatively high for this type of population (Anseel, Lievens, Schollaert, & Choragwicka, 2010; Rogelberg & Stanton, 2007). However, of these 199, only 109, or 55%, were usable, as the others were only very partially completed responses. For the descriptive statistics, these 109 responses were used. For the MANOVA, ANOVAs and the discriminant function analysis, a further 14 responses had to be excluded because of some missing values (the criterion was no more than five items missing). In terms of the split between responses for the two scenarios, the management contract scenario proved substantially more popular, with 74 responses, than the franchise scenario, with 36 responses.

4.3.9 Data Analysis

For the quantitative data analysis, initially, univariate data analysis was conducted to present the descriptive statistics and the correlations between the different independent variables. This was followed by a MANOVA of all the independent variables together and ANOVAs for the independent variables individually to find mean differences. Finally, a discriminant function analysis was conducted on the data to predict group membership. Discriminant function analysis is very similar to logistic regression and both can be used to answer the same research questions (Hair, Black, Babin, Anderson, & Tatham, 2006). Unlike logistic regression, however, discriminant analysis can be used with small sample sizes; moreover, if the sample sizes are not equal, but homogeneity of variance or covariance still holds, discriminant analysis is more accurate (Hair et al., 2006). With all this being considered, logistic regression is the common choice nowadays, since the assumptions of discriminant analysis are rarely met, as will be explained later, owing to the nature of self-selecting groups. The statistical software package used to analyse the data was SPSS version 22.

4.4 Findings

In this section, the findings of the survey are presented. Initially, independent variables are tested through Cronbach’s alpha to establish the internal consistency of the variables. Following the validity test, the descriptive statistics, that is, the means and standard deviations of the independent variables and their significant correlations, are reported. Finally, the results of the MANOVA and the ANOVAs as well as those of the discriminant function analysis are reported.

4.4.1 Descriptive Statistics

This section will highlight the characteristics of the participants, looking at their demographics as explained above. As there were two scenario options for the participants to choose from, the demographics will be examined separately for the two groups.

4.4.1.1 *Age of the Participants*

The demographic section started by inquiring as to the age of the participants with the following question:

"What is your age?"

When examining Tables 4.4 and 4.5, it can be seen that the age profiles are relatively similar. For the management contract scenario, the largest age group was 51–60, at 39%, compared with the 41–50 age group for the franchise scenario, at 46%.

Table 4.4: Age Profile Management Contract Scenario

Answer	Response	%
18–30	2	3
31–40	17	23
41–50	20	27
51–60	29	39
61–70	5	7
71–80	1	1
Total	74	100

Table 4.5: Age Profile Franchise Scenario

Answer	Response	%
18–30	2	6
31–40	5	14
41–50	16	46
51–60	8	23
61–70	4	11
71–80	0	0
Total	35	100

4.4.1.2 *Gender of the Participants*

The gender of the participants was then probed with the following question:

"What is your gender?"

In terms of the gender profile of the respondents, a clear majority of males participated. For the two scenarios, this trend is fairly similar, with 89% of the management contract scenario respondents being male compared with 83% for the franchise scenario as seen in Tables 4.6 and 4.7.

Table 4.6: Gender Profile Management Contract Scenario

Answer	Response	%
Male	66	89
Female	8	11
Total	74	100

Table 4.7: Gender Profile Franchise Scenario

Answer	Response	%
Male	29	83
Female	6	17
Total	35	100

4.4.1.3 Age and Gender of the Participants

As can be seen in Tables 4.4–4.7, the majority of the respondents are in the middle to late middle age range and are predominantly male. To segment the participants further, a cross tabulation of the age and gender of the participants is presented in Tables 4.8 and 4.9.

Table 4.8: Management Contracts Scenario Age/Gender Cross Tabulation

Gender	Age						
	18–30	31–40	41–50	51–60	61–70	71–80	Total
Male	1	15	17	27	5	1	66
Female	1	2	3	2	0	0	8
Total	2	17	20	29	5	1	74

Table 4.9: Franchise Scenario Age/Gender Cross Tabulation

Gender	Age						
	18–30	31–40	41–50	51–60	61–70	71–80	Total
Male	2	5	13	5	4	0	29
Female	0	0	3	3	0	0	6
Total	2	5	16	8	4	0	35

4.4.1.4 Geographic Distribution of the Participants

Online surveys have the advantage of being easily disseminated across the globe. To examine where in the world the respondents are based, the following question was asked:

> *"What country do you work in?"*

In terms of the geographic distribution of the participants, it can be seen when examining Figures 4.3 and 4.4 that this is truly a global study, with responses from the United Kingdom, Continental Europe, Asia, the Middle East, Australasia, Africa, North America and South America. For the management contract scenario, the majority of the responses came jointly from Germany and the United Arab Emirates, each with eight respondents. For the franchise survey, the majority of the responses came from the United States.

Figure 4.3: Geographic Distribution of the Management Contract Scenario Participants

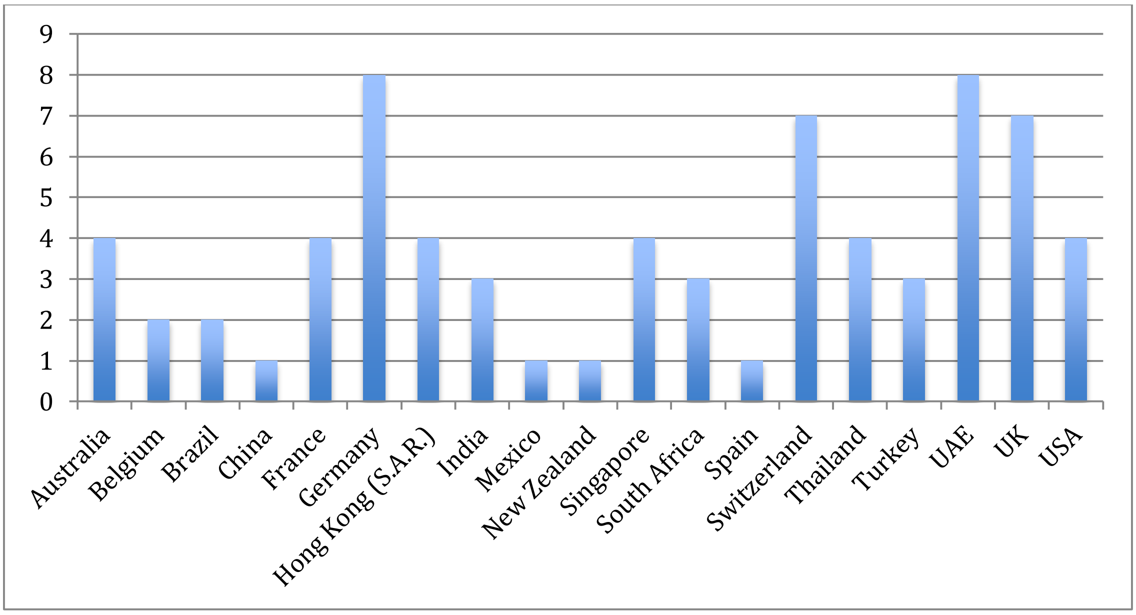
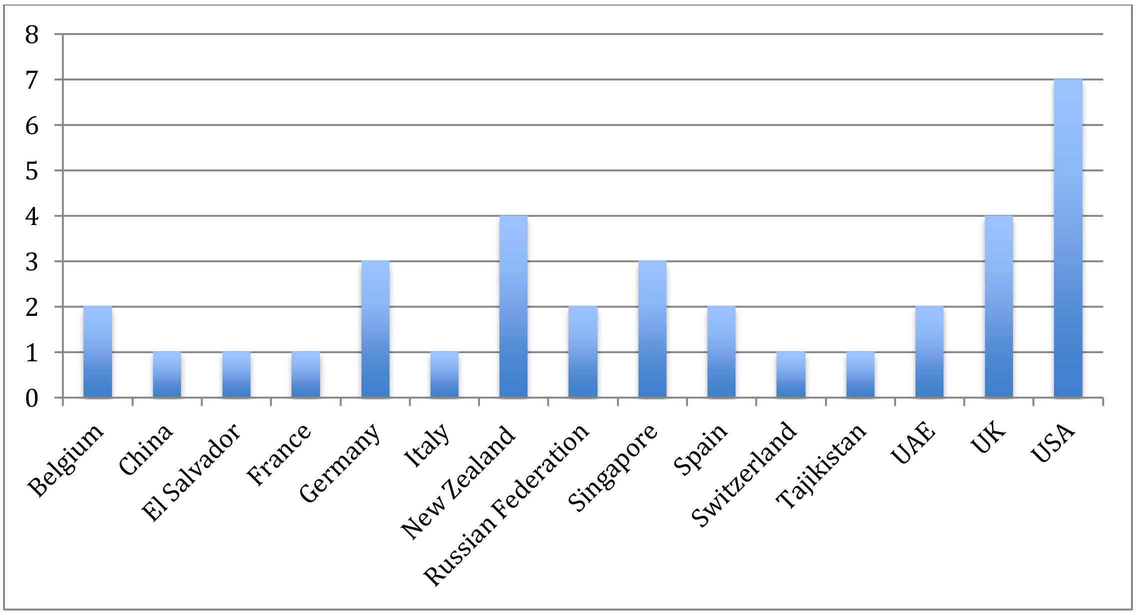


Figure 4.4: Geographic Distribution of the Franchise Contract Scenario Participants



4.4.1.5 Participant Positions

The positions of the participants and their expertise are central to gauging the value of this research. Therefore, the position of the respondents was probed with the following question:

> *"What is your current position?"*

As can be seen when examining Tables 4.10 and 4.11, the largest number of responses came from vice-presidents in both the scenarios, accounting for 37% of the management contract scenario and 29% for the franchise scenario. Overall, there are no major differences between the position profiles of the participants in the two scenarios other than the relatively large number of ‘other’ responses for the franchise scenario, at 23%.

Table 4.10: Position Profile Management Contract Scenario

Answer	Response	%
CEO	5	7
CFO	3	4
COO	5	7
Vice-president	26	37
President	2	3
Director	13	18
Managing director	7	10
Head of a division	8	11
Other	2	3
Total	71	100

Table 4.11: Position Profile Management Contract Scenario

Answer	Response	%
CEO	1	3
CFO	1	3
COO	4	11
Vice-president	10	29
President	1	3
Director	6	17
Managing director	2	6
Head of a division	2	6
Other	8	23
Total	35	100

4.4.1.6 Tenure in Current Position

The years the respondents have spent in their current position was then probed through the following question:

> *“How many years have you been employed in your current position?”*

When examining Figures 4.5 and 4.6, it can be seen that there is a similar trend in the two scenarios in regard to tenure of the respondents in their current position, with the majority of the responses in both scenarios being the ‘1–5 years’ time frame. When calculating the mean tenure of the respondents across the scenarios, moreover, it is further highlighted that they are very similar with a mean of 6.84 ‘years’ for the management contract scenario respondents as opposed to 6.97 'years' for the franchise scenario.

Figure 4.5: Tenure in Current Position – Management Contract Scenario

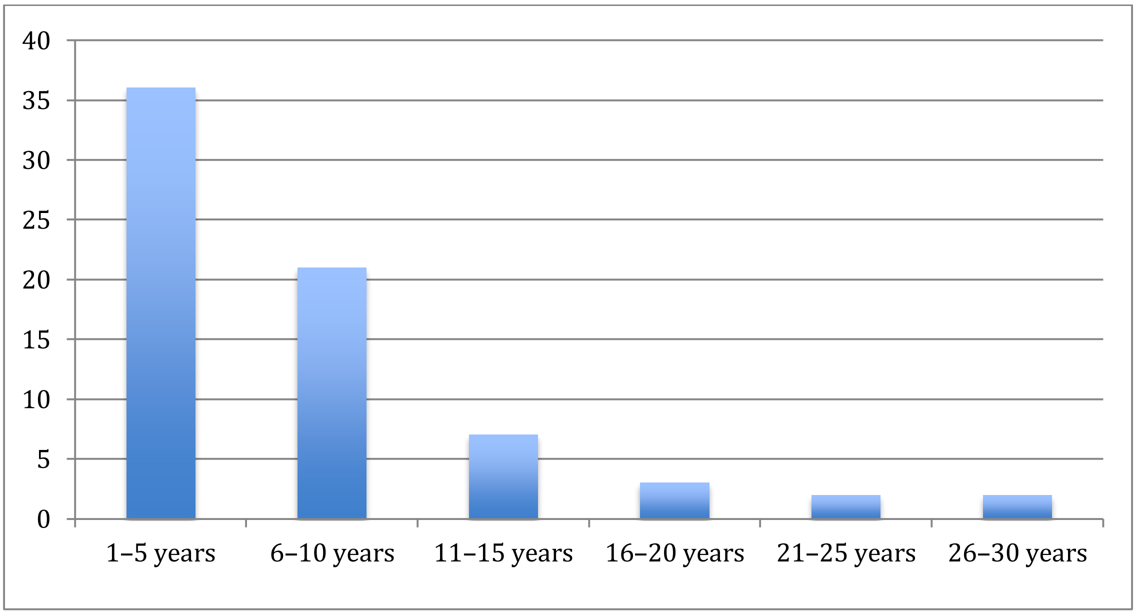
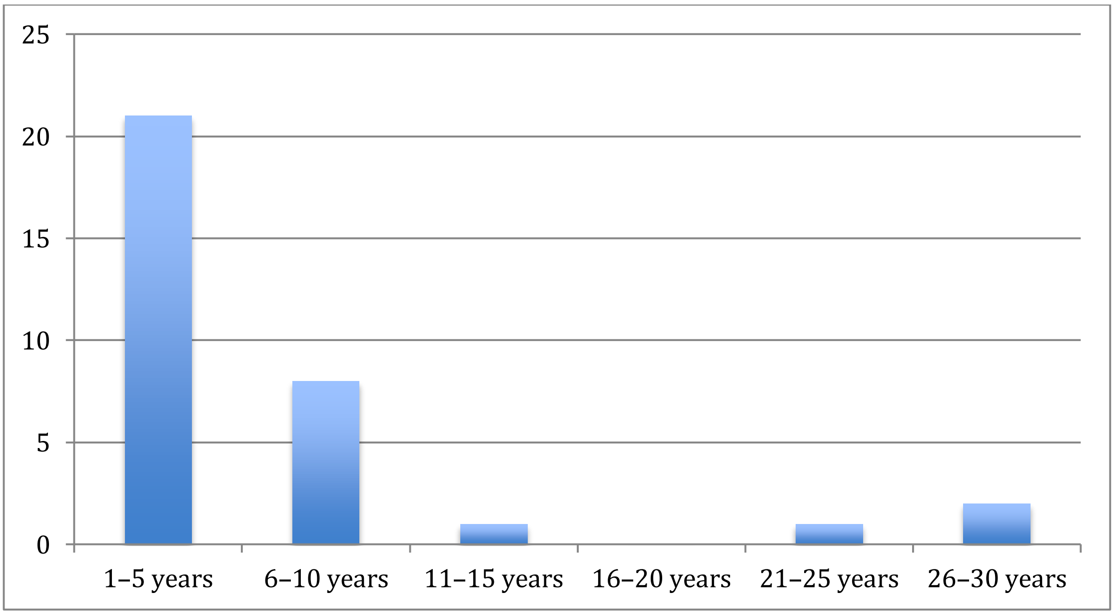


Figure 4.6: Tenure in Current Position – Franchise Scenario



4.4.1.7 Experience in the Hotel Industry

The overall experience of the participants in the hotel industry was also probed, through the following question:

> *"How many years have you worked in the hotel industry?"*

When examining Figures 4.7 and 4.8, it can be seen that there is some variance in the experience levels of the respondents. For the management contract scenario, the respondents' experience is averaged at 23.58 'years', and for the franchise scenario, it averaged at 18.03 'years'.

Figure 4.7: Experience of the Respondents – Management Contract Scenario

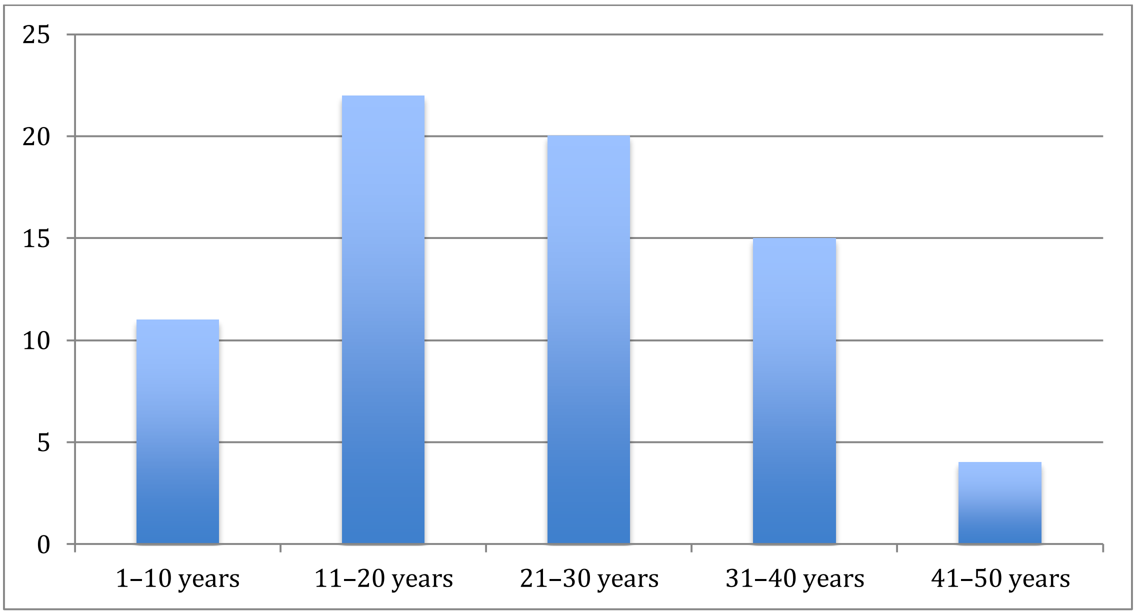
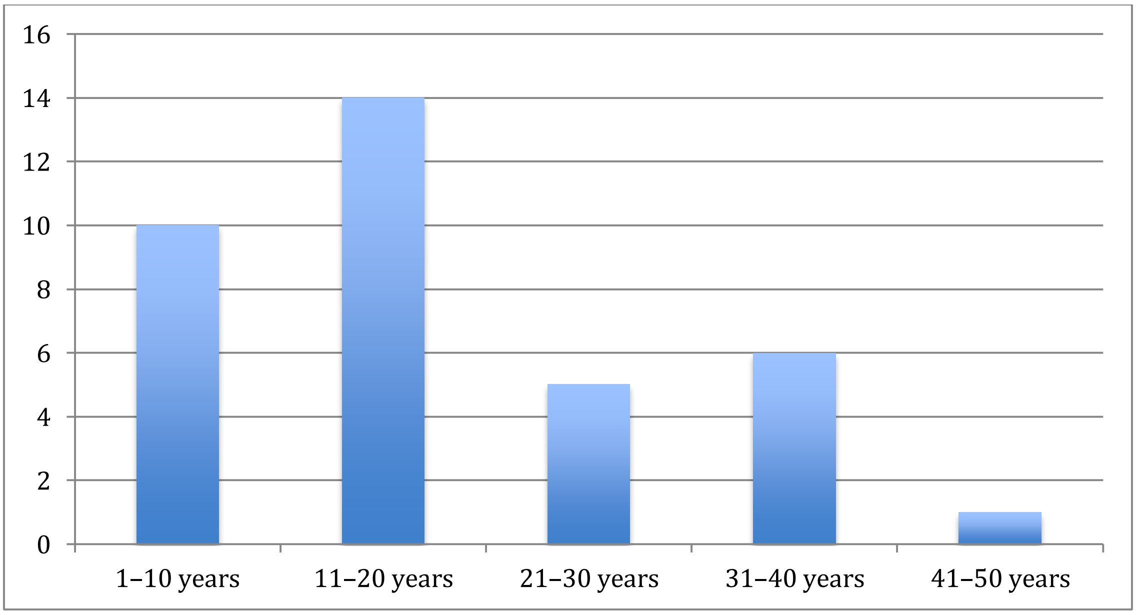


Figure 4.8: Experience of the Respondents – Franchise Scenario



4.4.1.8 Making the Decision between Management Contracts and Franchising

In order to evaluate what percentage of the participants has made the decision between management contracts and franchising in the past, the following question was posed:

> *"Have you made the decision between franchising and management contracts in the past?"*

As can be seen in Tables 4.12 and 4.13, the majority of the participants have previous experience in making the decision between management contracts and franchising. For the management contract scenario, 75% of the participants have at some point in their career made the decision, which is just slightly lower than the 78% for the franchise scenario participants.

Table 4.12: Respondents Who Have Made the Decision – Management Contract Scenario

Answer	Response	%
Yes	55	75
No	18	25
Total	73	100

Table 4.13: Respondents Who Have Made the Decision – Franchise Scenario

Answer	Response	%
Yes	28	78
No	8	22
Total	36	100

4.4.1.9 Level of Expertise Making the Decision between Management Contracts and Franchising

Establishing the proportion of the participants who have made the decision in the past, the level of expertise the participants have in making the decision was also evaluated through the following question:

> *"What is your level of expertise in making this decision?"*

When examining Tables 4.14 and 4.15, it can be seen that the vast majority of the participants have a medium to high level of expertise in making the decision. The management contract scenario has a slightly higher percentage of respondents with a 'high' level of expertise in the decision, at 73%, than the franchise scenario, at 61%.

Table 4.14: Decision Expertise of the Respondents – Management Contract Scenario

Answer	Response	%
Low	5	7
Medium	14	20
High	52	73
Total	71	100

Table 4.15: Decision Expertise of the Respondents – Franchise Scenario

Answer	Response	%
Low	1	3
Medium	13	36
High	22	61
Total	36	100

4.4.1.10 Level of Influence

Finally, the level of influence the participants have in making the decision between management contracts and franchising was probed through the following question:

> *"What level of influence do you have in the decision-making process?"*

In terms of the influence the respondents have in the decision, it can be seen in Tables 4.16 and 4.17 that the respondents of both scenarios have a high level of influence within their organisations in the decision between franchising and management contracts, as was expected with the high levels of experience noted by the respondents. For the management contract scenario, 68% of the respondents indicated that they have a high level of influence in the decision compared with 57% for the franchise scenario.

Table 4.16: Influence of the Respondents in the Decision – Management Contract Scenario

Answer	Response	%
Low	4	6
Medium	19	26
High	49	68
Total	72	100

Table 4.17: Influence of the Respondents in the Decision – Franchise Scenario

Answer	Response	%
Low	5	14
Medium	10	29
High	20	57
Total	35	100

4.4.1.11 Summary of the Questions and the Predominant Trends

It can be seen when examining the characteristics of the respondents' profiles that for the two scenarios the responses are relatively similar, with no major differences between them for any of the questions, indicating that, although the franchise respondent numbers are quite low, they had several similarities, which somewhat validates the statistics on this group that follow in the next section. The questions asked of the participants and the predominant trends identified in their responses are summarised in Table 4.18.

Table 4.18: Summary of the Questions and the Predominant Trends

	Question	Management contract scenario participant trends	Franchise scenario participant trends
Age	What is your age?	The average age of the respondents is 51–60 years	The average age of the respondents is 41–50 years
Gender	What is your gender?	The respondents are predominantly male participants, at 89%, compared with 11% females	The respondents are predominantly male participants, at 83%, compared with 17% females
Geographic	What country do you work in?	The respondents are globally distributed over: 6 continents 19 countries	The respondents are globally distributed over: 5 continents 15 countries
Position	What is your current position?	The most common position of the respondents is vice-president, at 37%	The most common position of the respondents is vice-president, at 29%
Years in current Position	How many years have you been employed in your current position?	The average time the respondents have been employed in their current position is 6.84 years	The average time the respondents have been employed in their current position is 6.97 years
Years of hotel experience	How many years have you worked in the hotel industry?	The average time the respondents have been employed in the hotel industry is 23.58 years	The average time the respondents have been employed in the hotel industry is 18.03 years
Decision made before	Have you made the decision between franchising and management contracts in the past?	The decision has been made before by the majority of the participants, at 75%, as opposed to 25% who have not	The decision has been made before by the majority of the participants, at 78%, as opposed to 22% who have not
Expertise in the decision making	What is your level of expertise in making this decision?	The expertise of the respondents is predominantly 'high', at 73%, with the average approximately halfway between 'medium' and 'high', i.e. μ 2.66	The expertise of the respondents is predominantly 'high', at 61%, with the average approximately halfway between 'medium' and 'high', i.e. μ 2.58
Influence in the decision making	What level of influence do you have in the decision-making process?	The respondents predominantly have a high level of influence on the decision, at 68%, with the average approximately halfway between medium (2) and high (3), i.e. μ 2.63	The respondents predominantly have a high level of influence on the decision, at 57%, with the average approximately halfway between 'medium' and 'high' i.e. μ 2.43

4.4.2 NIE Reasoning Flaws

In Study 1, some of the participants indicated that there were some reasoning flaws in some of the rationales and assumptions of the theories that were examined. In order to gain some insight from the quantitative sample of Study 2 on the reasoning flaws suggested in Study 1, the following items were included in the survey:

1) For hotel chains that have both franchised and managed hotels in their portfolio, the decision to use one or the other is not made by the hotel organisation; the decision is made by the investor, because they are the one with the money.

2) We choose management contracts/franchising because our business is just set up that way.

3) We are ad hoc in our decision making; we just see what works best on a case-by-case basis.

4) The choice between franchising and management contracts is simply a matter of the star level of the chain.

5) In the instances where a hotel owner wants to operate on management contract and the hotel organisation does not, the hotel owner would simply find another hotel organisation.

6) There is no real 'decision' as it's based on the business model of the investor; there are some investors who would simply never operate under franchise agreement.

7) When making this decision I think, "Do I want to run the hotel myself or do I want someone to run it for me?" That's the main consideration.

When examining Tables 4.19 and 4.20, it can be seen that the means are between 3.61 and 4.87 for all the items but one, indicating no strong trends, with 4.00 representing the neutral response in the Likert scale. However, for both the management contract scenario and the franchise scenario surveys, the respondents clearly disagreed with item 4; that is, both groups of respondents highlighted that the choice between franchising and management contracts is not simply a matter of the star level of the chain.

Table 4.19: NIE Reasoning Flaws – Management Contract Scenario

Statistic	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7
Min value	1	1	1	1	1	1	1
Max value	7	7	7	6	7	7	7
Mean	3.80	4.78	4.05	2.80	4.87	4.58	4.42
Standard deviation	1.90	1.50	1.99	1.70	1.62	1.89	1.75
Total responses	75	76	76	76	76	76	76

Table 4.20: NIE Reasoning Flaws – Franchise Scenario

Statistic	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7
Min value	1	1	1	1	1	1	1
Max value	7	7	7	6	7	7	7
Mean	4.36	4.36	4.86	2.83	3.61	4.69	4.74
Standard deviation	1.97	1.78	1.97	1.68	1.78	1.80	1.63
Total responses	36	36	36	36	36	36	35

4.4.3 Descriptive Statistics of the Independent Variables

When examining the differences in the means between the groups in Table 4.21, it can be seen that there are clear differences between some variables. Therefore, seeing that they are quite different gives us enough motivation to further analyse these differences in the variables for determining group membership. In particular, the differences among AS, II, INTNAGAS and SIZE highlight the differences between the two groups. It must be noted here that the position taken in this study is that we can draw conclusions from both groups; that is, although the franchise group is significantly smaller, the similarity of the responses to the demographics sections highlighted above suggests that the responses are reliable.

Table 4.21: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. deviation
Scenario choice	113	1.00	2.00	1.6814	.46800
Asset specificity	112	2.73	6.82	5.3203	.76042
Imperfect imitability	112	2.22	6.67	4.4583	.98472
Intangible assets	112	1.00	7.00	4.9635	1.58417
Host country factors	112	1.00	7.00	4.4304	1.24603
Organisational size	112	1.00	7.00	4.6161	1.39297
Investment factors	111	1.00	7.00	4.6096	1.35875
Available partners	110	1.00	7.00	4.5515	1.43314

4.4.4 Reliability Testing

Testing the internal consistency of the items that comprise the independent variables was done using Cronbach's alpha. As can be seen in Table 4.22, all of the independent variables were above the accepted cut-off point of .7 (Hair et al., 2006).

Table 4.22: Cronbach's Alpha

Variable	N	Minimum	Maximum	Mean	Std. deviation
Scenario choice	113	1.00	2.00	1.6814	.46800
Asset specificity	112	2.73	6.82	5.3203	.76042
Imperfect imitability	112	2.22	6.67	4.4583	.98472
Intangible assets	112	1.00	7.00	4.9635	1.58417
Host country factors	112	1.00	7.00	4.4304	1.24603
Organisational size	112	1.00	7.00	4.6161	1.39297
Investment factors	111	1.00	7.00	4.6096	1.35875
Available partners	110	1.00	7.00	4.5515	1.43314

4.4.5 Correlation Analysis

In order to get a better understanding of the relationships between the variables used in the analysis, a correlation analysis was conducted. The most commonly used correlations are bivariate Pearson correlation coefficients (Hair et al., 2006). The significant correlations that were found between the variables are now presented and summarised in Table 4.23. The complete set of correlations for all the items in the survey can be seen in Appendix 10 – initially, for the whole data set and then separately for the two respondent groups, that is, the franchise scenario and the management contract scenario survey.

Table 4.23: Correlations of the Independent Variables (N = 109)

Variable	Scenario choice	Asset specificity	Imperfect imitability	Intangible assets	Host country factors	Organisational size	Investment factors	Available partners
Asset specificity	.345** 112							
Imperfect imitability	.127 112	.387**						
Intangible assets	.708** 112	.354**	.183					
Host country factors	–.275** 112	–.098	–.003	–.054				
Organisational size	–.265** 112	–.224*	–.065	–.050	.391**			
Investment factors	.163 111	.210*	.239*	.380**	.144	.398**		
Available partners	–.238* 110	–.097	–.091	–.212*	.351**	.395**	.218*	

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

There were some correlations that are significant, as highlighted by the asterisks in the table. The column named 'scenario choice' indicates the dependent variable, and as can be seen, INTANGASR and AS are positively correlated with the dependent variable. As hypothesised, INTANGASR and AS both prompted management contracts, which lends support to the hypotheses. Moreover, it can be seen in the table that there are significant negative correlations between the dependent variable and HOSTCNTR, SIZE and AVAILPAR. This is again encouraging for the hypotheses as these variables were hypothesised as prompting franchising. Moreover, there were some correlations between the independent variables. Firstly, it can be seen that AS is positively correlated to II as well as INTANGASR and INVST. This is promising as the hypotheses these variables are testing all move in the same direction, that is, management contracts. This is also seen in the positive correlation between INTANGASR and INVST. The correlations also match the variables that move in the opposite direction, that is, franchising, as highlighted by the positive correlations between HOSTCNTR, SIZE and AVAILPAR. In other words, the hypotheses being tested by AS, II, INTANGASR and INVST all suggest that management contracts would be chosen over franchising, and the hypotheses being tested by HOSTCNTR, SIZE and AVAILPAR all suggest that franchising would be chosen over management contracts. Moreover, AS is negatively correlated with SIZE, which was also expected as increasing size was hypothesised as prompting franchising while increasing asset specificity was hypothesised as prompting management contracts.

4.4.6 Multivariate Statistics

4.4.6.1 MANOVA and ANOVAs

Considering the differences in the means explained above, it was deemed appropriate to conduct a MANOVA and separate ANOVAs on the variables of interest. MANOVAs are statistical tests for comparing the multivariate means of several variables (Hair et al., 2006). The test uses the variance-covariance between variables in testing the statistical significance differences in the means of the variables. As such the aim of this analysis in the context of this study is to see if the independent variables have an effect on the dependent variable The ANOVA conversely is not generalised but rather a univariate analysis of variance, which tests the significance of group differences based on one variable. The difference between MANOVAs and ANOVAs is that in a MANOVA you study group differences based on two or more related variables which amounts to controlling for the correlation between the other variables.

In order to meet the requirements of the multivariate normality assumption (critical for both the MANOVA and the Discriminant function analysis to follow), normality was checked for each variable individually through a visual inspection of the Q-Q plots.

Moreover Mardia's coefficient test was insignificant (p = 0.2139) further confirming approximate multivariate normality. Following this Box's M test of Equality of Covariance Matrices was used to check the assumption of homogeneity of covariance across groups. The results of the test were not significant [Box's M (192.661), p = (0.199)] allowing the conclusion that there are not significant differences between the covariance matrices. Since the assumption is not violated, Wilk's Lambda can be used to test model fit (Hair et al., 2009).

Following Box's M test, Levene's test for homogeneity of variance was conducted, which tests the null hypotheses that the error variance is equal across groups. For this test, the results should not be significant and as can be seen in Table 4.24 below that INTANGASR and SIZE are significant. However, when examining the means of these variables presented above, it can be seen that for the INTANGASR and SIZE variables the standard deviation is not bigger than two times the standard deviation across the groups, allowing for further testing (Hair et al., 2009). To do a final check that the assumptions of the MANOVA and discriminant analysis are met, some post hoc tests were conducted using Brown-Forsythe F and Welch's F statistics on the INTANGASR and SIZE variables. The results remain unchanged, suggesting that this violation of the homogeneity of variance assumption for INTANGASR and SIZE does not pose a threat to the validity of the results.

Table 4.24: Levene's Test of Equality of Error Variances[a]

Variable	F	df1	df2	Sig.
Asset specificity	1.612	1	93	.207
Imperfect imitability	.017	1	93	.896
Intangible assets	20.027	1	93	.000
Environment-level factors	.511	1	93	.476
Organisational size	5.058	1	93	.027
Investment factors	.020	1	93	.889
Available partners	.261	1	93	.610

Having established that the assumptions of MANOVA and discriminant analysis are met, the multivariate tests for model fit are now presented. The MANOVA analysis confirmed that there was a significant multivariate effect. As can be seen in Table 4.25, the Wilk's lambda, which is the most established test for model fit = 0.299, $F(16, 78) = 11.426$, $p < 0.001$. When examining the partial eta squared, it can be seen that about 70% of the variance in group differences can be explained by the two groups (i.e. the two scenarios). Pillai's test also shows model fit = 0.701, $F(16, 78) = 11.426$, $p < 0.001$.

Table 4.25: Multivariate Tests[a]

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial eta squared	Noncent. parameter	Observed power[c]
Scenario	Pillai's Trace	.701	11.426[b]	16.000	78.000	.000	.701	182.821	1.000
	Wilks' lambda	.299	11.426[b]	16.000	78.000	.000	.701	182.821	1.000
	Hotelling's Trace	2.344	11.426[b]	16.000	78.000	.000	.701	182.821	1.000
	Roy's Largest Root	2.344	11.426[b]	16.000	78.000	.000	.701	182.821	1.000

Following the MANOVA and establishing univariate independence allows for the examination of the individual one-way ANOVAs with confidence that they are valid. In fact, all the independent variables show significant main effects for the different groups, as can be seen in Table 4.26, in terms of asset specificity $F(1, 93) = 11.542$, $p < 0.001$; imperfect imitability $F(1, 93) = 1.071$, $p < 0.001$; intangible assets $F(1, 93) = 87.784$, $p < 0.001$; host country factors $F(1, 93) = 13.549$, $p < 0.001$; organisational size $F(1, 93) = 7.108$, $p < 0.001$; investment factors $F(1, 93) = 3.190$, $p < 0.001$; availability of partners $F(1, 93) = 6.545$, $p < 0.001$.

Table 4.26: Tests of Between Subjects Effects

Variable	df	Mean square	F	Sig.	Partial eta squared
Asset specificity	1	5.987	11.542	.001	.110
Imperfect imitability	1	1.015	1.071	.303	.011
Intangible assets	1	122.976	87.783	.000	.486
Host country factors	1	18.788	13.549	.000	.127
Organisational size	1	11.679	7.108	.009	.071
Investment factors	1	5.846	3.190	.077	.033
Available partners	1	12.007	6.545	.012	.066

4.4.6.2 Discriminant Analysis

Discriminant function analysis is a statistical analysis designed to predict a categorical dependent variable (called a grouping variable) by one or more independent variables (Hair et al., 2006). The analysis determines whether a set of variables is effective in predicting category membership. Discriminant functions, unlike in cluster analysis, are done when the groups are known 'priori' (Hair et al., 2006). The logic behind the discriminant analysis is to try to identify uncorrelated linear combinations of predictor variables (= discriminant function) as doing so allows for the identification of the variables that discriminate between group memberships. It is suggested in the literature that discriminant analyses are closely linked and complementary tests for MANOVAs (Hair et al., 2006). Therefore, the assumptions for these two statistical tests are the same, and as highlighted above, these assumptions have been met. The results will now be presented. As can be seen in Table 4.27, the conical correlation coefficient is significant at .837.

Table 4.27: Eigenvalues

Function	Eigenvalue	% of variance	Cumulative %	Canonical correlation
1	2.344[a]	100.0	100.0	.837

Moreover, Wilk's Lambda highlights that the discriminant function is statistically significant at .299, as seen in Table 4.28.

Table 4.28: Wilk's Lambda

Test of function(s)	Wilks' lambda	Chi-square	df	Sig.
1	.299	102.606	16	.000

When examining the standardised conical discriminant function coefficients in Table 4.29, it can be seen that there is a clear discriminant function for intangible assets and also partly for HOSTCNTR and AS. In other words, these variables discriminate between group membership.

Table 4.29: Standardised Canonical Discriminant Function Coefficients

Variable	Function
	1
Asset specificity	–.069
Imperfect imitability	.037
Intangible assets	–1.099
Host country factors	.316
Organisational size	.290
Investment factors	–.031
Available partners	.060

The structure matrix presented in Table 4.30 provides another way of indicating the relative importance of the predictors. The structure matrix is generally considered more accurate than the standardised canonical discriminant function, and therefore, it is these results that are used to test the hypotheses, as presented in the following section. The structure matrix shows the correlations of each variable with each discriminant function. These Pearson coefficients are structure coefficients or discriminant loadings, serving like factor loadings in factor analysis. Generally, just like factor loadings, 0.30 is seen as the cut-off between important and less important variables (Hair et al., 2006). In this study, it can be seen that INTANGASR is well above this cut-off point at –.635, highlighting that the variable is highly loaded on the discriminant function. HOSTCNTR and AS, although slightly below the cut-off point at .249 and -2.30 respectively, are still loaded on the discriminant function, that is, they are good predictors and suggest HOSTCNTR and AS are associated with the choice between franchising and management contracts.

Table 4.30: Structure Matrix

Variable	Function
	1
Intangible assets	–.635
Host country factors	.249
Asset specificity	–.230
Organisational size	.181
Available partners	.173
Investment factors	–.121
Imperfect imitability	–.070

In terms of the classification function coefficients (see Table 4.3.1), again we can see a clear relationship between the dependent variable (the scenario choice) and the independent variable INTANGASR.

Table 4.31: Classification Function Coefficients

Variable	Scenario choice	
	0	**1**
Asset specificity	9.006	9.316
Imperfect imitability	6.600	6.478
Intangible assets	–.981	2.020
Host country factors	2.148	1.282
Organisational size	2.698	1.967
Investment factors	–2.790	–2.717
Available partners	3.418	3.276

Table 4.32 presents the classification results, which are the values that the independent variables take on the discriminant function for the different groups. As can be seen, group 1, the management contract group, classified slightly better than group 0, the franchising group, for both the original grouped cases and the cross-validated grouped cases. For the original grouped cases, group 0 and group 1 were 83.9% and 98.4% correctly classified respectively. For the cross-validation, it can be seen that for group 0 and group 1, 74.2% and 95.3% of the grouped cases respectively classified correctly.

Table 4.32: Classification Results

		Scenario choice	Predicted group membership		Total
			0	1	
Original	Count	0	26	5	31
		1	1	63	64
	%	0	83.9	16.1	100.0
		1	1.6	98.4	100.0
Cross-validated[b]	Count	0	23	8	31
		1	3	61	64
	%	0	74.2	25.8	100.0
		1	4.7	95.3	100.0

4.4.6.3 Report of the Hypotheses

The results of the hypotheses testing indicate that three of the seven hypotheses can be considered supported. The details are as follows, and summarised in Table 4.33:

H1 The higher the asset specificity, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

It is shown in Table 4.30 that, although the discriminant function of AS is below the cut-off of 0.30, at –230, it is still fairly loaded on the discriminant function, indicating a preference for management contracts; thus, H1 is supported by this research. In other words, asset specificity could be a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

H2 The higher the imperfect imitability, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

This hypothesis is not supported by this research because the function is well below the accepted cut-off. In other words, imperfect imitability is not a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

H3 The larger the size of the organisation, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.

This hypothesis is not supported by this research because the function is well below the accepted cut-off. In other words, the size of the organisation is not a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

H4 The higher the investment of the organisation, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

This hypothesis is not supported by this research because the function is well below the accepted cut-off. In other words, the size of the organisation is not a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

H5 The higher the importance placed on intangible assets, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

It is shown in Table 4.30 that the discriminant function of INTANGASR is well above the cut-off at –.635. In other words, intangible assets could be a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

H6 The higher the environmental uncertainty, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.

As seen in Table 4.30, while the discriminant function of HSTCNTR is below the cut-off of 0.30, at .249, it is still fairly loaded on the discriminant function and indicates a preference for franchising; thus, H6 is supported by this research. In other words, host country factors could be a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

H7 The higher the availability of partners, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.

This hypothesis is not supported by this research because the function is well below the accepted cut-off. In other words, the availability of partners is not a good predictor of a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.

Table 4.33: Summary of Hypotheses with Result

Hypotheses	Result
H1 The higher the asset specificity, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.	Supported
H2 The higher the imperfect imitability, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.	Not supported
H3 The larger the size of the organisation, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.	Not supported
H4 The higher the investment of the organisation, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.	Not supported
H5 The higher the importance placed on intangible assets, the more likely is a hotel executive's intention to choose a management contract over franchising in the international expansion of a hotel chain.	Supported
H6 The higher the environmental uncertainty, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.	Supported
H7 The higher the availability of partners, the more likely is a hotel executive's intention to choose franchising over a management contract in the international expansion of a hotel chain.	Not supported

4.5 Discussion

This study highlighted that intangible assets and resources, asset specificity and host country factors do have an effect on the preference for choosing between franchising and management contracts. The other variables – imperfect imitability, size of the organisation, investment factors and availability of local partners – were not found to have a central effect on the decision.

By far the most powerful predictor variable examined in this study is intangible assets and resources. Intangible assets and resources in the context of this study include the brand of the hotels managerial expertise, organisational routines, training and reservation systems and industry knowledge, as opposed to the hotel property itself or any of its furnishings, which are the tangible assets (Brouthers & Brouthers, 2003; Erramilli & Rao, 1990, 1993). This finding supports the notion that, firstly, from the RBV, if knowledge is intangible or tacit, or highly interconnected, and therefore difficult to transfer, an internalised mode would be chosen (Barney, 1991; Brown et al., 2003; Lam, 1997; Madhok, 1997). Secondly, from the TCE perspective, it is exactly in these cases that an asset will also be characterised as highly specific to the transaction. Opportunism from the economic agent in such cases would likely erode the competitive advantage created through the asset also prompting an internal mode (Cho, 2005; Erramilli & Rao, 1993; Villar et al., 2012). Furthermore, this study supported the findings of Contractor and Kundu (1998a), who came to the conclusion that there was a link between the idiosyncratic asset of training in the hospitality industry and the decision on which entry mode to use.

Host country factors had a significant loading in the discriminant function. In the context of this study, host country factors are the economic, fiscal and political conditions of a market a foreign firm enters (Gatignon & Anderson, 1988; K. D. Miller, 1993; Sanchez-Peinado & Pla-Barber, 2006b; Williamson, 1985, 1991). It was found in this study that host country factors have an impact on entry mode choice, as suggested by Gatignon and Anderson (1988); K. D. Miller (1993); Sanchez-Peinado and Pla-Barber (2006b); Williamson (1985); (1991). Several studies have identified that when environmental uncertainty is high, stronger control is needed in the form of high resource entry modes to manage the effects of this uncertainty (Altinay, 2007; Dev et al., 2002; Erramilli et al., 2002; Madhok, 1998). However, in this study the opposite was found: that when environmental uncertainty is high, firms will choose a less resource-intensive mode to be more flexible and allow the firm to exit more easily in case the venture fails as suggested by Erramilli and Rao (1993), Fladmoe-Lindquist and Jacque (1995), Kim and Hwang (1992) and Mutinelli and Piscitello (1998). Fladmore-Linquist and Jacque (1995) found no relationship between country risk and the choice of entry mode. Moreover, Contractor and Kundu (1998b) also found no support for the relationship between country risk and entry mode choice. However, in this study it was shown that environmental uncertainties do prompt hotel executives to favour franchising over management contracts.

Asset specificity is the last variable that had a significant loading in the discriminant function. Asset specificity, in this study, refers to the degree to which assets, both physical and human, are locked into a particular use and the consequent difficulty of redeploying these assets for another use without affecting the productive value of the asset (Williamson, 1985). As suggested by Altinay (2007), it was found that a hotel organisation will choose a low control mode if asset specificity is low. If the transaction cost resulting from asset specificity increases, however, it will prompt the organisation to choose a higher control mode. Furthermore, this study supports the findings of Cho (2005) that asset specificity affected the decision between franchising and equity modes in the same manner and also supports studies examining the outsourcing decisions of hotel chains through the lens of asset specificity that found that asset specificity prompts internalisation and that lack of asset specificity prompts outsourcing (Espino-Rodriguez et al., 2008; Espino-Rodriguez & Padron, 2005; Kruesi & Zamborsky, in press; Lamminmaki, 2005). Finally, as suggested by Kruesi and Zamborsky (in press); Lamminmaki (2005); Lohita et al. (1994); Williamson (1985), it was found in this study that the possibility of a partner inflicting damage on the reputation of the hotel's business through opportunism would prompt the choice of a management contract.

Imperfect imitability unexpectedly had the lowest loading in the discriminant function of all the independent variables. In this study, imperfect imitability tested the importance of firm-specific resources that in combination are imperfectly imitable, that is, resources that are very difficult to replicate perfectly (Barney, 1991). Dev et al. (2002), Erramilli et al. (2002) and Kruesi and Zamborsky (in press) empirically examined the non-equity entry mode decisions of hotel organisations and found that imperfect imitability is a central determinant prompting hotel organisations to use management contracts over franchising. However, in this study, although the factor loading for imperfect imitability is negative, that is, leaning towards management contracts, no definitive support was found for imperfect imitability prompting the use of management contracts.

Size of the organisation had slightly higher loadings than imperfect imitability in testing the relationship between organisational size in the choice between franchising and management contracts in the hotel industry. It is suggested in the literature that as the size of a company grows, it is more likely to opt for direct investment through ownership (Agarwal & Ramaswami, 1992; Campa & Guillén, 1999; Gomes-Casseres, 1989; Stopford & Wells, 1972; Trevino & Grosse, 2002), while smaller companies with more limited resources or skills in investing in foreign markets will prefer shared modes of control (Erramilli & Rao, 1993). However, this study rather supports the reasoning suggested by Gatignon and Anderson (1988) and Martorell et al. (2013) that high control strategies are not as favoured in large-scale foreign investments in the hotel industry because hotel organisations prefer and are almost forced to share the investment with a partner because of the scale of international operations in the hotel industry.

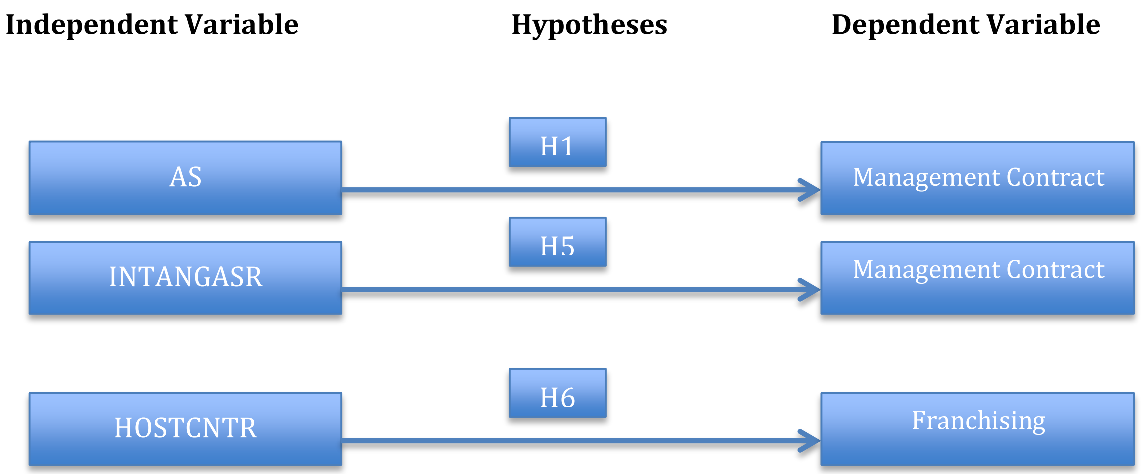
Investment factors had the second lowest loading in the discriminant function. In the case of the hotel industry, investment factors tested whether hotel organisations that place greater priority on larger operations, personnel training (Gatignon & Anderson, 1988) and on investments in management controls and quality controls are more likely to opt for a high control entry mode (Martorell et al., 2013), that is, management contracts. While the factor loading was low, the results supported this, suggesting that significant investment and specialisation prompts the use of management contracts.

Finally, availability of local partners had a loading not much lower than size of the organisation. Availability of local partners tested the absorptive capacity of local management in deciding how to transfer a service internationally and across firm boundaries (Cohen & Levinthal, 1990; Erramilli et al., 2002). It is suggested in the literature that if there is a concern that the local manager does not have the ability to provide the service, which would affect the brand of the hotel organisation, this would cause a hotel organisation to internalise the entry mode (Erramilli et al., 2002). Although the factor loading is not that high, the findings do suggest that the importance of supporting infrastructure both within and outside the firm that may facilitate the transfer of resources and capabilities does prompt the use of franchising, as suggested by (Hu, 1995; Madhok, 1997).

4.5.1 Revised Theoretical Framework

Considering the discussion above, a revised version of the theoretical framework proposed in Section 4.2.13 is presented below. As can be seen, asset specificity and intangible assets and resource, hypotheses one and five respectively, both prompt management contracts. Conversely the host country environment, hypothesis six, prompts franchising.

Figure 4.9: Revised Version of the Theoretical Framework



4.6 Conclusion

This study examined the variables that might impact on the choice between franchising and management contracts in the hotel industry. Initially, the assumptions of discriminant function were checked with a normal distribution of the predictor variables (multivariate normality) observed. Following this, a discriminant analysis was conducted to predict whether respondents would have a preference for management contracts or for franchising. The predictor variables for this analysis were asset specificity, imperfect imitability, intangible assets and resources, the size of the organisation, host country factors and the availability of local management. It is seen that there are several correlations between the variable, which lends support for the hypotheses. However, for the hypotheses testing only the more rigorous results of the discriminant function were considered. Initially the assumption testing for the discriminant analysis was conducted.

Box's M indicated that the assumption of equality of covariance matrices was met. In addition the assumption of multivariate normality was tested using Mardia's coefficient test also indicating that the assumption was met. The significant of the discriminant function as assessed using Wilk's lambda. This test indicated that the function is highly significant. Hence, the discriminate function revealed a good ability to discriminate between groups, although closer analysis of the structure matrix revealed that only three significant predictors, namely intangible assets and resources, host country and asset specificity existed. Moreover the cross-validated classification in particular showed that 74.2% and 95.3% of group 0 and group 1 respectively, were correctly classified, providing further support that the discriminant function created by this analysis can be used to predict the choice between management contracts and franchising in the hotel industry.

CHAPTER 5 CONCLUSION

5.1 Introduction

In this chapter, the main findings of the research are summarised followed by an outline of the practical implications. After that, the contributions of this research to entry mode research will be explained before the limitations are outlined and some recommendations for future research are suggested.

5.2 Summary of Key Findings

As was highlighted in Chapter 1, there were initially three research questions developed based on preliminary literature reviews: (1) How are the predominant theories of entry mode literature perceived by high-level hotel executives? (2) Which of the predominant theories of entry mode literature is the most effective in explaining the specific decision made between franchising and management contracts? and (3) What independent variables can be identified to predict the preference of hotel executives when choosing between franchising and management contracts in the hotel industry? These questions then informed the literature review for this thesis.

The research questions were based initially on previous empirical research conducted by the researcher as well as a literature review. Therefore, the objectives of the research were (1) to examine and analyse non-equity entry modes in the hotel sector independently from equity entry modes; (2) to identify which of the predominant theories, or which combination of theories in the entry mode literature, is the most effective in the context of choosing between franchising and management contracts in the hotel industry; and (3) to identify, analyse and test the key factors associated with the choice between franchising and management contracts.

Initially, these objectives were explored through qualitative research, in Study 1, and then probed in more detail through quantitative research, in Study 2. Based on the research objectives, research questions and the findings of Study 1, the hypotheses for the study were developed, as summarised in Table 4.33.

5.2.1 Summary of Key Findings of Study 1

The main finding to come out of Study 1 is that TCE and the RBV were the most appropriate and all-inclusive theories in the context of choosing between franchising and management contracts. Asset specificity and imperfect imitability were suggested as particularly appropriate theoretical rationales. There were parts of other theories that the respondents indicated were considerations, such as those of agency theory. The principal–agent problem was seen as important; however, the TCE is more inclusive and also considers this ‘problem’ with its underlying assumption of opportunism or opportunistic behaviour of the contracted party.

Furthermore, it was found that all of the theories had flaws in terms of the restrictions placed on them. This has highlighted that, firstly, the theorising is overthinking a basic problem: establishing a new hotel in a new country; that is, rather than following some set parameters, executives are far more ad hoc in their decision making, simply opting for whatever strategy works based (in the context of the firm’s ability and strengths). Moreover, it was suggested that the theories that focus on the decision of the hotel firm are missing the whole picture, especially in the case of non-equity modes. By definition, non-equity modes require a partner, and as the partner is the party investing capital, often they are the ones with the demands and the bargaining power.

5.2.2 Summary of Key Findings Study 2

The main finding of this study is that control over or ownership of intangible assets is an important consideration when internationalising a hotel and is empirically shown to affect the preference of management contracts over franchising. Although this has already been highlighted in the literature, it had not yet been empirically tested on a sample of such high-level decision makers and experts. Moreover, host country uncertainty or risk was shown in the study to prompt hotel executives to favour franchising in order to reduce this risk and asset specificity was shown to prompt hotel executives to favour management contracts over franchising. The other independent variables tested in the discriminant function, availability of local partners, size of the organisation and investment factors were not very strongly supported, indicating that these variables are less important in the decision made between franchising and management contracts in the hotel industry.

5.3 Practical Implications

Entry mode decisions have become a critical consideration in the hotel sector. While the hospitality industry has existed for centuries, the concept of the hotel chain has existed for only just over a century. Moreover, the internationalisation of these chains only started in the 1950s and 1960s, with non–equity internationalisation only gaining real momentum in the past two to three decades. Finally, in their relatively brief history, franchise agreements and management contracts in the hotel sector have evolved greatly and continue to do so. Considering the developing nature of these agreements, the empirical data collected in this research sheds further light on some of the salient considerations in the entry mode decision, which may aid better understanding and further improving internationalisation strategies in the hotel sector. Therefore, this research has practical implications for hotel owners and operators.

The implications arising from this research for hotel owners is twofold. Firstly, hotel owners must carefully consider not only which brand they would like to represent their hotels but also which organisation would be a good fit with the goals and intentions of the owners. Secondly, hotel owners must also be aware of how risky or uncertain their home country is for hotel organisations when considering which model they would like to operate.

It was highlighted in the findings from Study 1 that owners may have the bargaining power of choosing between management contracts and franchising; however, the fit between the organisations must be considered in terms of the offerings of the hotel organisations and the aims or goals of the hotel owner. Hotel owners may want to operate the hotel themselves and prefer franchising, but they must then consider brands that are not as fiercely controlled by the hotel organisation and that the staff of the hotel owner can replicate appropriately. This is because both micro-management from the hotel organisation and inadequate delivery of the brand standards will negatively affect the hotel owner.

Moreover, the owners of hotels in countries characterised by uncertainty or perceived as risky by the hotel organisation must be prepared to consider franchising over management contracts because such factors may lead hotel organisations to minimise the risk through franchising. Consequently, hotel owners in such regions need to focus on the quality of their staff and the training systems they employ to increase the chances of operating with hotel organisations that control more upscale brands.

In terms of hotel operators, the research highlights that it is important to retain control over the intangible assets a chain controls. If hotel operators own or control intangible assets, the research highlights that tight control should be retained over these assets. Moreover, this is the case when the specificity of the intangible assets is high.

In addition, hotel organisations should consider franchising in uncertain markets and hand over control of the operations to a local partner in such situations. The uncertainties of the local market will make the operation of the hotel more difficult for the foreign hotel organisation than for the local partner who will have more knowledge and thus be able to more efficiently operate in the market.

5.3.1 Executives' Feedback with Practical literature

In order to examine the practical implications further, feedback was sought from the participants of Study 2 after the completion of the study. A total of 34 of the executives that took part in the study where contacted and sent an executive report of the research. These 34 individuals where the ones that had indicated, at the point of completing the survey, that they would be willing to provide feedback. Of the executives contacted, five replied with positive feedback and/or general observations on the industry or their organisation as outlined later in this section, and one provided useful critical feedback as seen below:

> "There are some interesting ideas [developed in this study]… [However] your findings are somewhat different from the practice at Marriott in terms of uncertainty. For example, for us, an "uncertain operating environment" would make us highly <u>unlikely</u> to want to franchise. There would be very few circumstances where new/inexperienced operators under a franchise would be able to perform better than Marriott itself under a management contract – hence why under management contracts we are generally able to demand much higher fees."

Clearly this statement highlights the point that the protection and delivery of the brand and service offerings of Marriott International, Inc are important, and thus, uncertain environments prompt the company to retain control through management contracts. This has been suggested in the literature where several authors argue that in cases of high environmental uncertainty, stronger control is favoured through a higher resource entry mode to manage the effects of the uncertainty (Altinay, 2007; Dev et al., 2002; Erramilli et al., 2002; Madhok, 1998). When examining other examples of Marriott International, Inc.'s expansion, two of their new properties in the United States, their home market and consequently their most certain market, opened this year under a franchise agreements, highlighting that trend further (Resource, 2015).

This trend is also observed with InterContinental Hotels Group. When examining their annual report for 2013, it can be seen that in their home continent of Europe, the organisation franchises 84% of its non-equity portfolio as opposed to 16% operated under management contracts. In the USA, the same trend is seen, where 94% of hotels are franchises and 6% are managed. However, when examining their other main markets, that include Asia, the Middle East and Africa, which could be described as more 'uncertain', the relationship is distinctly different, with 2% of the non-equity portfolio franchised and 98% under management contracts. This highlights the fact that IHG also prefers the use of management contracts in uncertain environments (InterContinental Hotels Group, 2013).

However, the opposite can also be seen in the recent expansion of other large hotel organisations (as suggested by the findings of Study 2), where high environmental uncertainty prompts some firms to choose a less resource-intensive mode that facilitates easier exit from the market should the venture fail, or because local operators are likely to know more about the local market as suggested by Erramilli and Rao (1993), Fladmoe-Lindquist and Jacque (1995), Kim and Hwang (1992) and Mutinelli and Piscitello (1998). This was highlighted by the response of one of the five, hotel executives that provided feedback:

> "The legal and regulatory environment is an important consideration. Sometimes we decide to enter a market with franchise contracts because we feel that the legal system is not mature enough to support management agreements and desire to lower our own exposure through franchising."

An example of this strategy is employed by the Wyndham Hotel Group, that has predominantly used franchises in uncertain markets such as across Africa, while a large percentage of its management contracts are in the USA, which is the company's home market (Wyndham Worldwide Corporation, 2012). However, very recently, Wyndham Hotel Group has started its first management contract in Africa (Wyndham Worldwide Corporation, 2014). As suggested by the executive's feedback above, as the legal and regulatory environment matures, management contracts become more favourable.

This trend is also observed with Hilton Hotels & Resorts. A specific example is Hiltons DoubleTree brand's recent expansion into Colombia. The company has decided to enter the Colombian market under a franchise agreement (Hotel News Resource, 2015), while in contrast, the rest of their expansion in central and South America through DoubleTree has used management contracts (DoubleTree, 2014; PM Hospitality Strategies, n.d.). This is relevant due to the fact that in the 7th annual political risk Atlas, released by global risk analytics company Verisk Maplecroft, it can be seen that Colombia has the highest political risk of all of the Americas. In fact, it is the only country in both North and South America defined as 'high risk' (Maplecroft, 2015). It must also be noted that Hilton's local partner is a well-established and trusted hotel operator in the Colombian market (Hotel News Resource, 2015). This is a critical example to consider due to the fact that in the feedback received from the executive of Marriott International Inc., he/she referred to "new/inexperienced operators", which would obviously not be able to perform at the same level as the hotel organisation itself. This point is also highlighted by two of the other five executives that responded, which stated:

> "In many developing markets the lack of credible franchise partners forces hotel companies to focus on management contracts. This changes over time as the market matures and owners gain experience."

> "A critical condition for franchising is the availability of operators capable of running the hotel in-line with the brand standards, if they are not there, management contracts are the only option...."

This is interesting for the AVAILPAR variable, which tested for the importance of the availability of capable partners in deciding between franchising and management contracts. This hypothesis suggesting that the availability of capable partners leads to franchising was not supported in this study. However, this may have occurred due to confines of the scenario based survey, as AVAILPAR tested the importance of capable partners in all markets regardless of uncertainty. Future research could therefore test the impact of AVAILPAR in the context of high environmental uncertainty, where it would likely be a much more powerful independent variable.

5.4 Contribution to the Literature

This research contributes to the entry mode literature in the following ways.

There has been much quantitative research done in entry mode research as well as some qualitative research that may generate incomplete and less representative results. In this thesis, the two methods are combined to better understand the motives of hotel executives in deciding between franchising and management contracts. Specifically, Study 1 reduces the dependency on a researcher-led agenda and adds validity to the measuring items used in Study 2.

As highlighted in Section 4.2.14, this thesis is one of a very few studies to focus exclusively on non-equity entry modes and the first to use TCE and the RBV in such an investigation. This is a significant contribution, as highlighted in Section 1.3 where it is shown that while 91.9% of the entry modes used by the 10 largest hotel chains comprise franchising and management contracts, the majority of hotel entry mode studies, including recent ones, focus largely on choosing between equity and non-equity modes, that is, considering franchising and management contracts as equal.

Moreover, this thesis provides empirical evidence that both TCE and RBV reasoning is salient in non-equity entry mode decisions. Specifically, as suggested by the RBV, the resources of the hotel chain are the major driver for the entry mode decision. This was shown to be valid through the large predictive power of intangible assets and resources in choosing management contracts. Moreover, it highlights that, from the TCE perspective, the protection and control of these resources is the reason for this.

Finally, this thesis adds further empirical findings on the effect of host country variables on the choice between franchising and management contracts. A vast body of literature presents contradictory findings on the effect of host country uncertainty and risk, with some suggesting higher control modes and other suggesting lower control modes. This study has shown that in the case of the hotel industry, host country risk and uncertainty is more likely to prompt hotel executives to prefer franchising, that is, a lower control mode.

5.5 Theoretical and Practical Value of the Thesis

This study is first to conduct quantitative research on entry modes with decision makers at the senior executive level in hotel firms. As such this study provides useful information on the considerations of the actual corporate level decision makers, as opposed to general managers or other operational level hotel practitioners, which has generally been the case in previous research.

Moreover, this thesis holds theoretical value as it confirms the assertions in the literature that the aim to protect and control intangible assets and resources and the aim to transfer these effectively across markets, leads managers to prefer higher control entry modes. This finding is valuable theoretically because these factors have not previously been tested quantitatively with senior executive level decision makers.

Furthermore, this research is of value theoretically as it sheds light on the effect of the host country environment. It was shown that in the specific case of choosing between franchising and management contracts, host country uncertainty leads managers to be risk averse. However, as highlighted in the previous section, there are clearly individuals and companies that prefer to retain control of their operation in uncertain environments.

Practically there is value in this thesis as franchising and management contracts change and evolve over time. as does their use in the hotel industry. As such, this research provides an overview of the of the current considerations and trends in non-equity/asset light expansion, as well as considerations for how these modes will evolve over the following decade.

This thesis is also of value to hotel industry practitioners because the samples for both Study 1 and Study 2 were high level hotel executives. These are the individuals at the decision making level of the largest hotel organisations in the world. As such, their responses are very credible and reliable. Hotel practitioners who are not at the executive level can therefore also gain insight from the findings of this study.

5.6 Limitations

There are some limitations in this research, including some of the underlying assumptions of the theoretical underpinnings of the thesis, the limited perspective possible in the scope of this research and the relatively small number of participants for both Study 1 and Study 2.

NIE and specifically TCE and the RBV were shown to be an appropriate theoretical lens to understand the way in which hotel executives make the decision between franchising and management contracts. However, non-equity internationalisation does not depend only on the preferences of the hotel executives but also on the preferences of the local partner, that is, the hotel owner.

Due to the scope of this research project, it was not possible to incorporate the viewpoint of the owners into the analysis. This is because the effect of the hotel owner on the entry mode decision would require a different research design altogether. Moreover, it would require access to data that hotel organisations would be reluctant to reveal for confidentiality reasons.

Moreover, if the aim of the research was to examine both the hotel organisation and the hotel owners, that is, both parties of the transaction, a different theoretical approach would be required. Perhaps a grounded theory approach would be most suited for such analysis.

A further limitation in this thesis is the implicit assumption that the hotel executives have already decided between franchising and management contracts. Accordingly, no analysis is possible on the interaction between hotel executives' decision to expand and the actual entry mode used.

A final limitation revolves around the limited number of high-level hotel executives who make these decisions in large organisations. Firstly, it was not possible to include a hotel executive in the pilot study for Study 1, as none of the executives approached responded to the research invitation. Secondly, it was difficult to obtain a large sample for quantitative analysis in such cases. Thirdly, a global sample had to be used to obtain the responses for both Study 1 and Study 2. Therefore, the sample comprises several small groups of company home countries. This allows only for analysis of how the host country affects the entry mode choice but does not allow for any analysis on how a hotel organisation's home country affects the decision.

5.7 Future Research

Considering the growing importance of the service sector and the hotel industry specifically, and that this sector favours the use of non-equity modes, it is necessary for future researchers to continue on this research stream. Specifically, it is suggested that further analysis be conducted on the hotel owners, the interaction between firm-level and environmental-level factors and that further empirical research be conducted on hotel executives.

As mentioned in the previous section, this thesis examines the entry mode choice from the perspective of the hotel organisation as opposed to the hotel owner. It would therefore be of interest to examine the variables that affect the decisions of the hotel owners to cooperate with the hotel organisations and under what terms. In order to analyse the entry mode decision from both perspectives, a possible approach would be inductive in nature, with interviews, a case study or a focus group to see how the hotel owners are approached or to approach hotel organisations and the variables that affect their negotiation. Conversely, a Delphi analysis with a mixed sample of hotel owners and hotel organisations could be used to identify the variables that prompt hotel owners to work with a particular hotel organisation.

The results indicated that the higher the host country risk the more likely hotel firms are to use franchising over management contracts. However, the strongest predictor variable, based on the effect that intangible assets have on the decision, showed that firm-level factors have a strong effect that prompts a preference for management contracts. It would be interesting for further research to examine this relationship between various firm-level factors and environment-level factors and how they affect the entry mode choice.

Furthermore, Study 1 and Study 2 are two of the very few research projects that sample high-level hotel executives. In fact, to the knowledge of the researcher, Study 2 is the only quantitative analysis of high-level hotel executives. Therefore, future research should focus further on this sample, although access to the sample may be difficult. Researchers aiming to sample high-level executives must create some type of value for the executives and include them in the research process. Perhaps by first approaching only the CEOs and asking them what they would like to discover and including it in the instrumentation of the surveys and interviews to be conducted, the research would be mutually beneficial and thus would facilitate access for the researcher.

Finally, a theoretical foundation such as the one developed in this thesis could be used in the analysis of the expansion of other businesses in the hospitality industry and also the service sector more broadly.

References

Accor. (2013). *Business review 2013*. Retrieved from http://www.accor.com/uploads/static/ra2013/en/10.html

Adner, R., & Helfat, C. E. (2003). Corporate effects and dynamic managerial capabilities. *Strategic Management Journal, 24*(10), 1011–1025. doi:10.1002/smj.331

Agarwal, S., & Ramaswami, S. N. (1992). Choice of foreign market entry mode: Impact of ownership, location and internalization factors. *Journal of International Business Studies, 23*(1), 1–27. doi:10.1057/palgrave.jibs.8490257

Ainuddin, R. A., Beamish, P. W., Hulland, J. S., & Rouse, M. J. (2007). Resource attributes and firm performance in international joint ventures. *Journal of World Business, 42*(1), 47–60. doi:10.1016/j.jwb.2006.11.001

Akerlof, G. A. (1970). The market for "lemons": Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 488–500. doi:10.2307/1879431

Alon, I., Ni, L., & Wang, Y. (2012). Examining the determinants of hotel chain expansion through international franchising. *International Journal of Hospitality Management, 31*(2), 379–386. doi:10.1016/j.ijhm.2011.06.009

Altinay, L. (2005). Factors influencing entry mode choices: Empirical findings from an international hotel organisation. *Journal of Hospitality & Leisure Marketing, 12*(3), 5–28. doi:10.1300/J150v12n03_02

Altinay, L. (2007). The internationalization of hospitality firms: Factors influencing a franchise decision-making process. *Journal of Services Marketing, 21*(6), 398–409. doi:10.1108/08876040710818895

Altinay, L., & Altinay, M. (2003). How will growth be financed by the international hotel companies? *International Journal of Contemporary Hospitality Management, 15*(5), 274–282. doi:10.1108/09596110310482191

Anderson, E., & Gatignon, H. (1986). Modes of foreign entry: A transaction cost analysis and propositions. *Journal of International Business Studies, 17*(3), 1–26. doi:10.1057/palgrave.jibs.8490432

Anseel, F., Lievens, F., Schollaert, E., & Choragwicka, B. (2010). Response rates in organizational science, 1995–2008: A meta-analytic review and guidelines for survey researchers. *Journal of Business and Psychology, 25*(3), 335–349. doi:10.1007/s10869-010-9157-6

Arend, R., & Bromiley, P. (2009). Assessing the dynamic capabilities view: Spare change, everyone? *Strategic Organization, 7*(1), 75–90. doi:10.1177/1476127008100132

Argyres, N. S., Felin, T., Foss, N., & Zenger, T. (2012). Organizational economics of capability and heterogeneity. *Organization Science, 23*(5), 1213–1226.

Arnold, U. (2000). New dimensions of outsourcing: A combination of transaction cost economics and the core competencies concept. *European Journal of Purchasing & Supply Management, 6*(1), 23–29. doi:10.1016/S0969-7012(99)00028-3

Bader, E., & Lababedi, A. (2007). Hotel management contracts in Europe. *Journal of Retail & Leisure Property, 6*(2), 171–179. doi:10.1057/palgrave.rlp.5100053

Barnes, R. (2012). Franchise, management, leasing. *Hotel Innovations & Technologies SMART Report*.

Barney, J. B. (1986a). Organizational culture: Can it be a source of sustained competitive advantage? *The Academy of Management Review, 11*(3), 656–665. doi:10.2307/258317

Barney, J. B. (1986b). Strategic factor markets: Expectations, luck, and business strategy. *Management Science, 32*(10), 1231.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99–120. doi:10.1177/014920639101700108

Bell, C. A. (1993). Agreements with chain-hotel companies. *The Cornell Hotel and Restaurant Administration Quarterly, 34*(1), 27–33. doi:10.1177/001088049303400106

Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property*. New York, NY: Macmillan.

Blomstermo, A., Sharma, D. D., & Sallis, J. (2006). Choice of foreign market entry mode in service firms. *International Marketing Review, 23*(2), 211–229. doi:10.1108/02651330610660092

Bouquet, C., Hébert, L., & Delios, A. (2004). Foreign expansion in service industries: Separability and human capital intensity. *Journal of Business Research, 57*(1), 35–46. doi:10.1016/S0148-2963(02)00282-5

Bowen, D. E., & Jones, G. R. (1986). Transaction cost analysis of service organization-customer exchange. *Academy of Management Review, 11*(2), 428–441. doi:10.2307/258470

Brouthers, K. D. (2002). Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies, 33*(2), 203–221. doi:10.1057/palgrave.jibs.8491013

Brouthers, K. D., & Brouthers, L. E. (2003). Why service and manufacturing entry mode choices differ: The influence of transaction cost factors, risk and trust. *Journal of Management Studies, 40*(5), 1179–1204. doi:10.1111/1467-6486.00376

Brouthers, K. D., Brouthers, L. E., & Werner, S. (2003). Transaction cost-enhanced entry mode choices and firm performance. *Strategic Management Journal, 24*(12), 1239–1248. doi:10.1002/smj.362

Brouthers, K. D., Brouthers, L. E., & Werner, S. (2008). Resource-based advantages in an international context. *Journal of Management, 34*(2), 189–217. doi:10.1177/0149206307312508

Brouthers, K. D., & Hennart, J. F. (2007). Boundaries of the firm: Insights from international entry mode research. *Journal of Management, 33*(3), 395–425. doi:10.1177/0149206307300817

Brown, J. R., Dev, C. S., & Zhou, Z. (2003). Broadening the foreign market entry mode decision: Separating ownership and control. *Journal of International Business Studies, 34*(5), 473–488. doi:10.1057/palgrave.jibs.8400050

Bruce, C. D. (2007). Questions arising about emergence, data collection, and its interaction with analysis in a grounded theory study. *International Journal of Qualitative Methods, 6*(1), 51–68.

Buckley, P. J., & Casson, M. C. (1976). *The future of the multinational enterprise*. London, England: Macmillan.

Buckley, P. J., & Casson, M. C. (1991). *The future of the multinational enterprise* (2nd ed.). London, England: Macmillan.

Buckley, P. J., & Casson, M. C. (1998). Analyzing foreign market entry strategies: Extending the internalization approach. *Journal of International Business Studies, 29*(3), 539–561. doi:10.1057/palgrave.jibs.8490006

Buckley, P. J., & Casson, M. C. (2009). The internalisation theory of the multinational enterprise: A review of the progress of a research agenda after 30 years. *Journal of International Business Studies, 40*(9), 1563–1580. doi:10.1057/jibs.2009.49

Campa, J., & Guillén, M. F. (1999). The internalization of exports: Firm-and location-specific factors in a middle-income country. *Management Science, 45*(11), 1463–1478. doi:10.1287/mnsc.45.11.1463

Canabal, A., & White, G. O. (2008). Entry mode research: Past and future. *International Business Review, 17*(3), 267–284. doi:10.1016/j.ibusrev.2008.01.003

Carlson. (2013). *2013 Annual report*. Retrieved from http://www.carlson.com/cdc-cms/2013%20Annual%20Report%20Carlson.pdf

Castro, F. (2000). *Foreign direct investment in the European periphery: The competitiveness of Portugal* (Doctoral thesis, University of Leeds, England). Retrieved from http://www.fep.up.pt/docentes/fcastro/contents.htm

Castrogiovanni, G. J., Bennett, N., & Combs, J. G. (1995). Franchisor types: Reexamination and clarification. *Journal of Small Business Management, 33*, 45–55. doi:10.2139/ssrn.2399964

Caves, R. E. (1971). International corporations: The industrial economics of foreign investment. *Economica, 38*(149), 1–27. doi:10.2307/2551748

Chavance, B. (2008). Formal and informal institutional change: The experience of postsocialist transformation. *The European Journal of Comparative Economics, 5*(1), 57–71.

Chen, J. J., & Dimou, I. (2005). Expansion strategy of international hotel firms. *Journal of Business Research, 58*(12), 1730–1740. doi:10.1016/j.jbusres.2004.11.001

Cho, M. (2004). Factors contributing to middle market hotel franchising in Korea: The franchisee perspective. *Tourism Management, 25*(5), 547–557. doi:10.1016/j.tourman.2003.07.001

Cho, M. (2005). Transaction costs influencing international hotel franchise agreements: The case of the Holiday Inn Seoul. *Journal of Vacation Marketing, 11*(2), 121–134. doi:10.1177/1356766705052570

Choice Hotels International. (2013). *Choice Hotels International reports first quarter 2013*. Retrieved 5 November 2014, from http://media.choicehotels.com/phoenix.zhtml?c=217856&p=irol-newsArticle&ID=1812292

Coase, R. (1937). The nature of the firm. *Economica, 4*(16), 386–405. doi:10.1111/j.1468-0335.1937.tb00002.x

Cohen, W. M., & Levinthal, D. A. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly, 35*(1), 128–152. doi:10.2307/2393553

Collis, D. J. (1991). A resource-based analysis of global competition: The case of the bearings industry. *Strategic Management Journal, 12*(S1), 49–68. doi:10.1002/smj.4250120906

Collis, D. J., & Montgomery, C. A. (1995). Competing on resources: Strategy in the 1990s. *Harvard Business Review, 73*(4), 118–128.

Conner, K. R. (1991). A historical comparison of resource-based theory and five schools of thought within industrial organisation economics: Do we have a new theory of the firm? *Journal of Management, 17*(1), 121–154. doi:10.1177/014920639101700109

Conner, K. R., & Prahalad, C. K. (1996). A resource-based theory of the firm: Knowledge versus opportunism. *Organization Science, 7*(5), 477–501. doi:10.1287/orsc.7.5.477

Contractor, F. J., & Kundu, S. K. (1998a). Franchising versus company run operations: Modal choice in the global hotel sector. *Journal of International Marketing, 6*(2), 28–53.

Contractor, F. J., & Kundu, S. K. (1998b). Modal choice in a world of alliances: Analyzing organizational forms in the international hotel sector. *Journal of International Business Studies, 29*(2), 325–358. doi:10.1057/palgrave.jibs.8490039

Crotty, M. (1998). *The foundations of social research: Meaning and perspective in the research process*. NSW, Australia: SAGE.

Cunill, O. M., & Forteza, C. M. (2010). The franchise contract in hotel chains: A study of hotel chain growth and market concentrations. *Tourism Economics, 16*(3), 493–515. doi:10.5367/000000010792278446

Cunill, O. M., Forteza, C. M., & Gil-Lafuente, A. M. (2013). Choice of entry mode into a foreign market: The case of Balearic hotel chains in the Caribbean region. *Kybernetes, 42*(5), 800–814. doi:10.1108/K-07-2013-0135

Cunill, O. M., Forteza, C. M., & Miralles, M. R. (2008). Valuing growth strategy management by hotel chains based on the real options approach. *Tourism Economics, 14*(3), 511–526. doi:10.5367/000000008785633640

Czinkota, M. R., Grossman, D. A., Javalgi, R. R. G., & Nugent, N. (2009). Foreign market entry mode of service firms: The case of US MBA programs. *Journal of World Business, 44*(3), 274–286. doi:10.1016/j.jwb.2008.08.002

Das, V., & De Groote, P. (2008). Globalisation in hotel chains. Case study: Profile of the Belgian business traveller.

Davis, P. S., Desai, A. B., & Francis, J. D. (2000). Mode of international entry: An isomorphism perspective. *Journal of International Business Studies, 31*(2), 239–258. doi:10.1057/palgrave.jibs.8490904

De Groote, P. (1987). *De belgische hotelsector: Een economisch-geografische analyse*. Leuven, Belgium: Universitaire Pers.

De Vita, G., Tekaya, A., & Wang, C. L. (2011). The many faces of asset specificity: A critical review of key theoretical perspectives. *International Journal of Management Reviews, 13*(4), 329–348. doi:10.1111/j.1468-2370.2010.00294.x

DeCoster, J. (2000). *Scale construction notes*. Retrieved from http://stat-help.com/scale_20100316.pdf

Deegan, C. (1997). Efficient management remuneration plan design: A consideration of specific human capital investments. *Accounting & Finance, 37*(1), 1–40. doi:10.1111/j.1467-629X.1997.tb00312.x

Deroos, J. A. (2010). Hotel management contracts—Past and present. *Cornell Hospitality Quarterly, 51*(1), 68–80. doi:10.1177/1938965509354865

Dev, C. S., Brown, J. R., & Zhengzhou, K. (2007). Global brand expansion: How to select a market entry strategy. *Cornell Hotel and Restaurant Administration Quarterly, 48*(1), 13–27. doi:10.1177/0010880406294472

Dev, C. S., Erramilli, M. K., & Agarwal, S. (2002). Brands across borders: Determining factors in choosing franchising or management contracts for entering international markets. *The Cornell Hotel and Restaurant Administration Quarterly, 43*(6), 91–104. doi:10.1016/S0010-8804(02)80075-1

Di Stefano, G., Peteraf, M., & Verona, G. (2014). The organizational drivetrain: A road to integration of dynamic capabilities research. *The Academy of Management Perspectives, 28*(4), 307–327.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American sociological review, 48*(2), 147–160. doi:10.2307/2095101

Dimou, I., Archer, S., & Chen, J. (2003). Corporate development of international hotel firms: A transaction cost economics and agency theory approach. *The International Journal of Tourism Research, 5*(2), 147–149. doi:10.1002/jtr.424

Dimou, I., Chen, J., & Archer, S. (2003). The choice between management contracts and franchise agreements in the corporate development of international hotel firms. *Journal of Marketing Channels, 10*(3-4), 33. doi:10.1300/J049v10n03_03

Doherty, A. M. (2000). Market entry mode strategy: Qualitative evidence from the UK fashion sector. *Journal of Marketing Management, 16*(1-3), 223–245. doi:10.1362/026725700785100514

DoubleTree. (2014). *Hilton Worldwide signs management agreement for DoubleTree by Hilton development in Veracruz, Mexico*. Retrieved September 2015, from http://news.doubletree.com/index.cfm/news/hilton-worldwide-signs-management-agreement-for-doubletree-by-hilton-development-in-veracruz-mexico

Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies, 11*(Spring/Summer), 9–31. doi:10.1057/palgrave.jibs.8490593

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

Dunning, J. H. (1988). *Explaining international production*. London, England: Unwin Hyman.

Dunning, J. H. (1992). *Multinational enterprises and the global economy*. Workingham, England: Addison-Wesley.

Dunning, J. H., & McQueen, M. (1982). Multinational corporations in the international hotel industry. *Annals of Tourism Research, 9*(1), 69–90. doi:10.1016/0160-7383(82)90035-4

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review, 14*(1), 57–74.

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal, 21*(10–11), 1105–1121. doi:10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E

Ekeledo, I., & Sivakumar, K. (2004). International market entry mode strategies of manufacturing firms and service firms: A resource-based perspective. *International Marketing Review, 21*(1), 68–101. doi:10.1108/02651330410522943

Erramilli, M. K., Agarwal, S., & Dev, C. S. (2002). Choice between non-equity entry modes: An organizational capability perspective. *Journal of International Business Studies, 33*(2), 223–242. doi:10.1057/palgrave.jibs.8491014

Erramilli, M. K., & Rao, C. P. (1990). Choice of foreign market entry modes by service firms: Role of market knowledge. *Management International Review, 30*(2), 135–150.

Erramilli, M. K., & Rao, C. P. (1993). Service firms' international entry mode-choice: A modified transaction-cost analysis approach. *Journal of Marketing Management, 57*(3), 19–38. doi:10.2307/1251852

Espino-Rodriguez, T. F., Lai, P. C., & Baum, T. (2008). Asset specificity in make or buy decisions for service operations: An empirical application in the Scottish hotel sector. *International Journal of Service Industry Management, 19*(1), 111–133. doi:10.1108/09564230810855734

Espino-Rodriguez, T. F., & Padron, R. V. (2005). A resource-based view of outsourcing and its implications for organisational performance in the hotel sector. *Tourism Management, 26*(5), 701–721. doi:10.1016/j.tourman.2004.03.013

Fahy, J. (1996). Competitive advantage in international services: A resource-based view. *International Studies of Management & Organization, 26*(2), 24–37.

Fama, E. F. (1980). Agency problems and the theory of the firm. *The Journal of Political Economy, 88*(2), 288–307. doi:10.1086/260866

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics, 26*, 301–325. doi:10.1086/467037

Feller, J., Parhankangas, A., & Smeds, R. (2009). Inter-partner relationship, knowledge transfer mechanisms, and improved capability to manage R and D alliances: Evidence from the telecommunications industry. *International Journal of Technology Management, 47*(4), 346–370. doi:10.1504/IJTM.2009.024434

Fladmoe-Lindquist, K., & Jacque, L. L. (1995). Control modes in international service operations: The propensity to franchise. *Management Science, 41*(7), 1238–1249. doi:10.1287/mnsc.41.7.1238

Foss, N. J. (1997). *Resources and strategy: A brief overview of themes and contributions. Resources, firms and strategies: A reader in the resource-based perspective*. Oxford, England: Oxford University Press.

Gatignon, H., & Anderson, E. (1988). The multinational corporation's degree of control over 28 foreign subsidiaries: An empirical test of a transaction cost explanation. *Journal of Law, Economics and Organization, 4*(2), 305–336.

Gee, C. Y., Singh, A. J., & American Hotel & Lodging Educational Institute. (2012). *International hotels: Development and management* (2nd ed.): Prentice Hall.

GHGBA. (n.d.). *The global hotel group and brand analyses*. Retrieved 13 March, 2012, from http://www.globalhoteldata.com

Goddard, P., & Standish-Wilkinson, G. (2002). Hotel management contract trends in the Middle East. *Journal of Leisure Property, 2*(1), 66–80. doi:10.1057/palgrave.rlp.5090140

Gomes-Casseres, B. (1989). Ownership structures of foreign subsidiaries. *Journal of Economic Behavior and Organizations, 11*(1), 1–25. doi:10.1016/0167-2681(89)90061-9

Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review, 33*(3), 114–135. doi:10.2307/41166664

Gross, M. J., & Huang, S. (2011). Exploring the internationalisation prospects of a Chinese domestic hotel firm. *International Journal of Contemporary Hospitality Management, 23*(2), 261–274. doi:10.1108/09596111111119365

Grossman, S. J., & Hart, O. D. (1986). The costs and benefits of ownership: A theory of vertical and lateral integration. *The Journal of Political Economy, 94*(4), 691–719. doi:10.1086/261404

Guba, E. G. (1990). *The paradigm dialog*. Newbury Park, CA: SAGE.

Habib, M. M., & Victor, B. (1991). Strategy, structure, and performance of U.S. manufacturing and service MNCs: A comparative analysis. *Strategic Management Journal, 12*(8), 589–606. doi:10.1002/smj.4250120803

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate data analysis* (Vol. 6). Upper Saddle River, NJ: Pearson Prentice Hall.

Hart, O., & Moore, J. (1990). Property rights and the nature of the firm. *Journal of political economy, 98*(6), 1119–1158. doi:10.1086/261729

Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece, D., & Winter, S. G. (2007). *Dynamic capabilities: Understanding strategic change in organizations*. Malden, MA: John Wiley & Sons.

Hennart, J. F. (1988). A transaction costs theory of equity joint ventures. *Strategic Management Journal, 9*(4), 361–374. doi:10.1002/smj.4250090406

Hennart, J. F. (1989). Can the "new forms of investment" substitute for the "old forms"? A transaction cost perspective. *Journal of International Business Studies, 20*(2), 211–234. doi:10.1057/palgrave.jibs.8490358

Hennart, J. F. (1991). The transaction costs theory of joint ventures: An empirical study of Japanese subsidiaries in the United States. *Management Science, 37*(4), 483–497. doi:10.1287/mnsc.37.4.483

Heung, V. C. S., Zhang, H., & Jiang, C. (2008). International franchising: Opportunities for China's state-owned hotels? *International Journal of Hospitality Management, 27*(3), 368–380. doi:10.1016/j.ijhm.2007.10.002

Hill, C. W. L., Hwang, P., & Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic Management Journal, 11*(2), 117–128. doi:10.1002/smj.4250110204

Hilton Worldwide. (2013). *2013 Annual report*. Retrieved from http://ir.hiltonworldwide.com/files/doc_financials/Hilton_2013_AR.pdf

Hira, A., & Hira, R. (2000). The new institutionalism. *American Journal of Economics and Sociology, 59*(2), 267–282. doi:10.1111/1536-7150.00026

Home Inns & Hotel Management. (2013). *Annual report and Form 20-F*. Retrieved from http://media.corporate-ir.net/media_files/IROL/20/203641/2013_annual_report_hmin.pdf

HospitalityNet. (2013a). *World ranking 2013 of hotel groups and brands*. Retrieved from http://www.hospitalitynet.org/news/4060119.html

HospitalityNet. (2013b). *World ranking 2013 of hotel groups and brands*. Retrieved 15 October 2015, from http://www.hospitalitynet.org/news/4060119.html

HospitalityNet. (2014). *Rezidor signed 32 projects and opened 14 hotels in 2013*. Retrieved 5 November 2014, from http://www.hospitalitynet.org/news/4063779.html

Hotel-Mule. (2010). *World's 300 largest hotel companies chart*. Retrieved 6 July, 2014, from http://www.hotelmule.com/forum/viewthread.php?tid=1196

Hotel News Resource. (2015). *DoubleTree by Hilton enters Colombia with two new hotel signings in Bogota*. Retrieved from http://www.hotelnewsresource.com/article85662.html

Hotels Special Report. (2002, June). *Corporate 300*.

Hotho, J. J., & Pedersen, T. (2012). Institutions and international business research: Three institutional approaches and recommendations for future research. *Progress In International Business Research, 7*, 135–152. doi:10.1108/S1745-8862(2012)0000007009

Hruschka, D. J., Schwartz, D., St. John, D., C., Picone-Decaro, E., Jenkins, R. A., & Carey, J. W. (2004). Reliability in coding open-ended data: Lessons learned from HIV behavioral research. *Field Methods, 16*(3), 307–331. doi:10.1177/1525822X04266540

Hu, Y. S. (1995). The international transferability of the firm's advantages. *California Management Review, 37*(4), 73–88. doi:10.2307/41165811

Huang, Z., Han, X., Roche, F., & Cassidy, J. (2011). The dilemma facing strategic choice of entry mode: Multinational hotels in China. *Global Business Review, 12*(2), 181–192. doi:10.1177/097215091101200201

Hyatt Hotels Corporation. (2014). *Annual report 2013*. Retrieved from http://investors.hyatt.com/files/doc_financials/annual%202013/Hyatt-Form-10-K.pdf

Hymer, S. H. (1960). *The international operations of national firms: A study of direct foreign investment* (Doctoral thesis, Massachusetts Institute of Technology). Retrieved from http://hdl.handle.net/1721.1/27375

Hymer, S. H. (1976). *The international operations of national firms: A study of direct foreign investment*. Cambridge, MA: MIT Press.

InterContinental Hotels Group. (2013). *Annual report and Form 20-F*. Retrieved from http://www.ihgplc.com/files/reports/ar2013/

Ivanova, M. G., & Ivanov, S. (2014). Hotel chains' entry mode in Bulgaria. *Anatolia, 25*(1), 131–135. doi:10.1080/13032917.2013.815117

Jennings, G. (2001). *Tourism research*. Milton, Australia: John Wiley & Sons.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American economic review, 76*(2), 323–329.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360. doi:10.1016/0304-405X(76)90026-X

Johnson, C., & Vanetti, M. (2005). Locational strategies of international hotel chains. *Annals of Tourism Research, 32*(4), 1077–1099. doi:10.1016/j.annals.2005.03.003

Kale, P., & Singh, H. (2007). Building firm capabilities through learning: The role of the alliance learning process in alliance capability and firm ‐ level alliance success. *Strategic Management Journal, 28*(10), 981–1000. doi:10.1002/smj.616

Katkalo, V. S., Pitelis, C. N., & Teece, D. J. (2010). Introduction: On the nature and scope of dynamic capabilities. *Industrial and Corporate Change*, 1175–1186. doi:10.1093/icc/dtq026

Kim, S. Y. (2008). Hotel management contract: Impact on performance in the Korean hotel sector. *Service Industries Journal, 28*(5), 701–718. doi:10.1080/02642060801988332

Kim, W. C., & Hwang, P. (1992). Global strategy and multinationals entry mode choice. *Journal of International Business Studies, 23*(1), 29–53. doi:10.1057/palgrave.jibs.8490258

Kindleberger, C. P. (1969). American business abroad. *The International Executive, 11*(2), 11–12. doi:10.1002/tie.5060110207

Klein, B. (1980). Transaction cost determinants of "unfair" contractual arrangements. *The American economic review, 70*(2), 356–362.

Klein, B., Crawford, R. G., & Alchian, A. A. (1978). Vertical integration, appropriable rents, and the competitive contracting process. *Journal of Law and Economics, 21*(2), 297–326. doi:10.1086/466922

Klein, P. G. (2000). New institutional economics. In B. Bouckeart & G. De Geest (Eds.), *Encylopedia of law and economics* (pp. 456–489). Cheltenham, England: Edward Elgar.

Klein, S., Frazier, G. L., & Roth, V. J. (1990). A transaction cost analysis model of channel integration in international markets. *Journal of Marketing Research, 27*(2), 196–208. doi:10.2307/3172846

Kogut, B., & Zander, Z. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies, 24*(4), 625–646. doi:10.1057/palgrave.jibs.8490248

Kostova, T., Roth, K., & Dacin, M. T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of Management Review, 33*(4), 994–1006. doi:10.5465/AMR.2008.34422026

Kruesi, M. K., & Zamborsky, P. (in press). The non-equity entry mode choices of international hotel organisations in New Zealand. *International Journal of Tourism and Hospitality Administration*.

Lado, A. A., & Zhang, M. J. (1998). Expert systems, knowledge development and utilization and sustained competitive advantage: A resource-based model. *Journal of Management, 24*(4), 489–509. doi:10.1016/S0149-2063(99)80070-1

Lam, A. (1997). Embedded firms, embedded knowledge: Problems of collaboration and knowledge transfer in global cooperative ventures. *Organization Studies, 18*(6), 973–996. doi:10.1177/017084069701800604

Lamminmaki, D. (2005). Why do hotels outsource? An investigation using asset specificity. *International Journal of Contemporary Hospitality Management, 17*(6/7), 516–528. doi:10.1108/09596110510612158

Lauth, H.-J. (2004). Formal and informal institutions: On structuring their mutual co-existence. *Romanian Journal of Political Science, 4*(1), 67–89.

Lavie, D. (2006). The competitive advantage of interconnected firms: An extension of the resource-based view. *Academy of Management Review, 31*(3), 638–658. doi:10.5465/AMR.2006.21318922

Lee, N., & Lings, I. (2008). *Doing business research: A guide to theory and practice*. London, England: SAGE.

Lee, S. (2008). Internationalization of US multinational hotel companies: Expansion to Asia versus Europe. *International Journal of Hospitality Management, 27*(4), 657–664. doi:10.1016/j.ijhm.2007.09.002

Leon-Darder, F., Villar-Garcia, C., & Pla-Barber, J. (2011). Entry mode choice in the internationalisation of the hotel industry: A holistic approach. *The Service Industries Journal, 31*(16), 107–122. doi:10.1080/02642069.2010.485198

Leung, S.-O. (2011). A comparison of psychometric properties and normality in 4-, 5-, 6-, and 11-point Likert scales. *Journal of Social Service Research, 37*(4), 412–421.

Levy-Bonvin, J. (2003). *Hotels*. Retrieved October, 2014, from http://www.hospitalitynet.org/news/4017990.html

Lippman, S., & Rumelt, R. (1982). Uncertain imitability: An analysis of interfirm differences in efficiency under competition. *Bell Journal of Economics, 13*(2), 418–438. doi:10.2307/3003464

Litteljohn, D. (1997). Internationalization in hotels: Current aspects and developments. *International Journal of Contemporary Hospitality Management, 9*(5-6), 187–192. doi:10.1108/09596119710172534

Lohita, R., Brooks, C., & Krapfel, E. (1994). What constitutes a transaction-specific asset? An examination of the dimensions and types. *Journal of Business Research, 30*(3), 261–270. doi:10.1016/0148-2963(94)90056-6

Lopez-Duarte, C., & Vidal-Suarez, M. M. (2010). External uncertainty and entry mode choice: Cultural distance, political risk and language diversity. *International Business Review, 19*(6), 575–588. doi:10.1016/j.ibusrev.2010.03.007

Lu, J. W. (2002). Intra- and inter-organizational imitative behaviour: Institutional influences on Japanese firms' entry mode choice. *Journal of International Business Studies, 33*(1), 19–37. doi:10.1057/palgrave.jibs.8491003

Luo, Y. (2001). Determinants of entry in an emerging economy: A multilevel approach. *Journal of Management Studies, 38*(3), 443–472. doi:10.1111/1467-6486.00244

Luo, Y. (2002). Capability exploitation and building in a foreign market: Implications for multinational enterprises. *Organization Science, 13*(1), 48–63. doi:10.1287/orsc.13.1.48.538

Madhok, A. (1996). The organization of economic activity: Transaction costs, firm capabilities, and the nature of governance. *Organization Science, 7*(5), 577–590. doi:10.1287/orsc.7.5.577

Madhok, A. (1997). Cost, value and foreign market entry mode: The transaction and the firm. *Strategic Management Journal, 18*(1), 39–61. doi:10.1002/(SICI)1097-0266(199701)18:1<39::AID-SMJ841>3.0.CO;2-J

Madhok, A. (1998). The nature of multinational firm boundaries: Transaction costs, firm capabilities and foreign market entry mode. *International Business Review, 7*(3), 259–291. doi:10.1016/S0969-5931(98)00009-2

Mahoney, J. T., & Pandian, J. R. (1992). The resource-based view within the conversation of strategic management. *Strategic Management Journal, 13*(5), 363–380. doi:10.1002/smj.4250130505

Maplecroft, V. (2015). *Political Risk Atlas*. Retrieved from http://maplecroft.com/portfolio/new-analysis/2014/12/10/volatile-elections-instability-and-rising-violence-leave-investors-facing-turbulent-2015-emerging-markets-verisk-maplecroft-political-risk-atlas/

Marinova, S., Child, J., & Marinov, M. (2012). Institutional field for outward foreign direct investment: A theoretical extension? In L. Tihanyi, T. M. Devinney, & T. Pedersen (Eds.), *Advances in International Management* (Vol. 25, pp. 233–261): Emerald Group Publishing Limited.

Marriott International. (2013). *2013 Annual report*. Retrieved from http://investor.shareholder.com/MAR/marriottAR13/index.html

Marschan-Piekkari, R., & Welch, C. (Eds.). (2004). *Handbook of qualitative research methods for international business*. Cheltenham, UK: Edward Elgar.

Martin, J. A. (2011). Dynamic managerial capabilities and the multibusiness team: The role of episodic teams in executive leadership groups. *Organization Science, 22*(1), 118–140. doi:10.1287/orsc.1090.0515

Martorell-Cunill, O., Gil-Lafuente, A. M., Salvà, A. S., & Forteza, C. M. (2012). Non-equity agreements in the hospitality industry: Analysis from the perspective of the forgotten effects. In A. M. Gil-Lafuente, J. Gil-Lafuente, & J. M. Merigó-Lindahl (Eds.), *Soft computing in management and business economics* (Vol. 2, pp. 269–285). Retrieved from http://link.springer.com/chapter/10.1007%2F978-3-642-30451-4_19

Martorell, O., Mulet, C., & Otero, L. (2013). Choice of market entry mode by Balearic hotel chains in the Caribbean and Gulf of Mexico. *International Journal of Hospitality Management, 32*(0), 217–227. doi:10.1016/j.ijhm.2012.06.001

Meyer, K. E., & Nguyen, H. V. (2005). Foreign investment strategies and sub‐national institutions in emerging markets: Evidence from Vietnam. *Journal of Management Studies, 42*(1), 63‐93. doi:10.1111/j.1467-6486.2005.00489.x

Miles, M. B., Huberman, A. M., & Saldaña, J. M. (2013). *Qualitative data analysis: A methods sourcebook*. Thousand Oaks, CA: SAGE.

Miller, D. C., & Salkind, N. J. (2002). *Handbook of research design and social measurement* (6 ed.). Thousand Oaks, CA: SAGE.

Miller, K. D. (1993). Industry and country effects on managers' perceptions of environmental uncertainties. *Journal of International Business Studies, 24*(4), 693–714. doi:10.1057/palgrave.jibs.8490251

Morschett, D., Schramm-Klein, H., & Swoboda, B. (2010). Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice? *Journal of International Management, 16*(1), 60–77. doi:10.1016/j.intman.2009.09.002

Mudambi, R., & Navarra, P. (2002). Institutions and international business: A theoretical overview. *International Business Review, 11*(6), 635–646. doi:10.1016/S0969-5931(02)00042-2

Murray, J. Y., & Kotabe, M. (1999). Sourcing strategies of U.S. service companies: A modified transaction-cost analysis. *Strategic Management Journal, 20*(9), 791–809. doi:10.1002/(SICI)1097-0266(199909)20:9<791::AID-SMJ49>3.0.CO;2-U

Mutinelli, M., & Piscitello, L. (1998). The entry mode choice of MNEs: An evolutionary approach. *Research Policy, 27*(5), 491–506. doi:10.1016/S0048-7333(98)00063-8

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge, England: Cambridge University Press.

North, D. C. (1991). Institutions. *Journal of Economic Perspectives, 5*(1), 97–112. doi:10.1257/jep.5.1.97

O'Reilly, M., & Parker, N. (2012). 'Unsatisfactory Saturation': A critical exploration of the notion of saturated sample sizes in qualitative research. *Qualitative Research, 13*(2), 190–197. doi:10.1177/1468794112446106

Oppenheim, A. N. (1992). *Questionnaire design, interviewing and attitude measurement*. London, England: Pinter.

Pan, Y., & Tse, D. K. (2000). The hierarchical model of market entry modes. *Journal of International Business Studies, 31*(4), 535–554. doi:10.1057/palgrave.jibs.8490921

Panvisavas, V., & Taylor, J. S. (2008). Restraining opportunism in hotel management contracts. *Tourism and Hospitality Research, 8*(4), 324–336. doi:10.1057/thr.2008.33

Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review, 28*(2), 275–296.

Peteraf, M. A. (1993). The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal, 14*(3), 179–191. doi:10.1002/smj.4250140303

Phillips, P. P. (Ed.). (2010). *ASTD handbook for measuring and evaluating training*. Cambridge, MA: American Society for Training & Development.

Picot-Coupey, K. (2006). Determinants of international retail operation mode choice: Towards a conceptual framework based on evidence from French specialised retail chains. *International Review of Retail, Distribution and Consumer Research, 16*(02), 215–237. doi:10.1080/09593960600572282

Pine, R., & Qi, P. (2004). Barriers to hotel chain development in china. *International Journal of Contemporary Hospitality Management, 16*(1), 37–44. doi:10.1108/09596110410516543

Pine, R., Zhang, H. Q., & Qi, P. (2000). The challenges and opportunities of franchising in China's hotel industry. *International Journal of Contemporary Hospitality Management, 12*(5), 300–307. doi:10.1108/09596110010339670

Pla-Barber, J., Sanchez-Peinado, E., & Madhok, A. (2010). Investment and control decisions in foreign markets: Evidence from service industries. *Journal of Management, 21*(3), 736–753. doi:10.1111/j.1467-8551.2010.00698.x

Pla, J., & Leon, F. (2002). *Entry modes in the internationalisation of the Spanish hotel industry: An empirical approach*. Paper presented at the meeting of the 28th Annual Conference of European International Business Academy, Athens, Greece.

PM Hospitality Strategies. (n.d.). *PM Hospitality Strategies, Inc. announces management contract for the DoubleTree DFW Airport Hotel*. Retrieved from http://www.pmhs.com/ap-pm-hospitality-strategies-inc-announces-management-contract-for-doubletree-by-hilton-dfw-airpo-1419277715.php

Punch, K. F. (2013). *Introduction to social research: Quantitative and qualitative approaches*. London, England: SAGE.

Quer, D., Claver, E., & Andreu, R. (2007). Foreign market entry mode in the hotel industry: The impact of country- and firm-specific factors. *International Business Review, 16*(3), 362–376. doi:10.1016/j.ibusrev.2007.01.003

Resource, H. N. (2015). *Dual Branded TownePlace Suites & Courtyard By Marriott Open In Abilene, Texas*. Retrieved from http://www.hotelnewsresource.com/article85460.html

Rodríguez, R. A. (2002). Determining factors in entry choice for international expansion. The case of the Spanish hotel industry. *Tourism Management, 23*(6), 597–607. doi:10.1016/S0261-5177(02)00024-9

Rogelberg, S. G., & Stanton, J. M. (2007). Introduction understanding and dealing with organizational survey nonresponse. *Organizational Research Methods, 10*(2), 195–209. doi:10.1177/1094428106294693

Rugman, A. M. (1981). *Inside the multinationals: The economics of internal markets*. New York, NY: Columbia University Press.

Rugman, A. M. (2010). Reconciling internalization theory and the eclectic paradigm. *Multinational Business Review, 18*(2), 1–12. doi:10.1108/1525383X201000007

Rushmore, S. (2002). *Hotel investments handbook*. New York, NY: West Group.

Sanchez-Peinado, E., & Pla-Barber, J. (2006a). Mode of entry in service firms: Strategic variables and characteristics of service influencing the internationalization process. *Advances in International Marketing, 17*, 159–192. doi:10.1016/S1474-7979(06)17006-4

Sanchez-Peinado, E., & Pla-Barber, J. (2006b). A multidimensional concept of uncertainty and its influence on the entry mode choice: An empirical analysis in the service sector. *International Business Review, 15*(3), 215–232. doi:10.1016/j.ibusrev.2006.02.002

Sanchez-Peinado, E., Pla-Barber, J., & Hebert, L. (2007). Strategic variables that influence entry mode choice in service firms. *Journal of International Marketing, 15*(1), 67–91. doi:10.1509/jimk.15.1.067

Sandman, W. (2003). *Management contracts and franchise agreements in the sale of a hotel*. Retrieved 16 March, 2012, from http://www.grahamdunn.com/go/articles/management-contracts-and-franchise-agreements-in-the-sale-of-a-hotel

Sangpikul, A., & Kim, S. (2009). An overview and identification of barriers affecting the meeting and convention industry in Thailand. *Journal of Convention & Event Tourism, 10*(3), 185–210. doi:10.1080/15470140903131822

Santos, F. M., & Eisenhardt, K. M. (2005). Organizational boundaries and theories of organization. *Organization Science, 16*(5), 491–508.

Sappington, D. E. (1991). Incentives in principal-agent relationships. *The Journal of Economic Perspectives, 5*(2), 45–66. doi:10.1257/jep.5.2.45

Sarkar, M., & Cavusgil, S. T. (1996). Trends in international business thought and literature: A review of international market entry mode research: Integration and synthesis. *International Business Review, 38*(6), 825–847. doi:10.1002/tie.5060380608

Scott, W. R. (1995). *Institutions and organizations: Ideas and interests* (2nd ed.). Thousand Oaks, CA: SAGE.

Scott, W. R. (2008). Approaching adulthood: The maturing of institutional theory. *Theory and Society, 37*(5), 427–442.

Sharma, V. M., & Erramilli, M. K. (2004). Resource-based explanation of entry mode choice. *Journal of Marketing Theory and Practice, 12*(1), 1–18.

Simon, H. A. (1961). *Administrative behavior*. New York, NY: Macmillan.

Spulber, D. F. (1989). *Regulation and markets*. Cambridge, MA: MIT Press.

Starwood Hotels and Resorts. (2013). *2013 Proxy statement and 2012 Annual report*. Retrieved from http://development.starwoodhotels.com/writable/resources/2012_hot_annual_report.pdf

Stopford, J. M., & Wells, L. T. (1972). *Managing the multinational enterprise/organization of the firm and ownership of the subsidiaries*. New York, NY: Basic Books.

Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal, 28*(13), 1319–1350.

Teece, D. J., & Pisano, G. (1994). The dynamic capabilities of firms: An introduction. *Industrial and Corporate Change, 3*(3), 537–556.

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal, 18*(7), 509–533.

Teece, D. J., Pisano, G., & Shuen, A. (2008). Dynamic capabilities and strategic management technological know-how, organizational capabilities, and strategic management: Business strategy and enterprise development in competitive environments. *Strategic Management Journal, 18*(7), 27–51.

Tihanyi, L., Griffith, D. A., & Russell, C. J. (2005). The effect of cultural distance on entry mode choice, international diversification, and MNE performance: A meta-analysis. *Journal of International Business Studies, 36*(3), 270–283. doi:10.1057/palgrave.jibs.8400136

TOPHOTELPROJECTS. (2014). *Hyatt announces sale of 38 select service hotels*. Retrieved 15 November 2014, from http://hotelprojectsworldwide.com/tag/hyatt-hotels-corporation/

Trevino, L. J., & Grosse, R. (2002). An analysis of firm-specific resources and foreign direct investment in the United States. *International Business Review, 11*(4), 431–452. doi:10.1016/S0969-5931(02)00018-5

Tse, E., & West, J. J. (1992). Development strategies for international hospitality markets. In R. Teare & M. Olsen (Eds.), *International hospitality management: Corporate strategy in practice* (pp. 118–134). London, England: Pitman Publishing.

Turner, A. S. (2013). *Wyndham eyes 'creative' growth avenues*. Retrieved 20 November 2014, from http://www.hotelnewsnow.com/Article/9847/Wyndham-eyes-creative-growth-avenues

Turner, M. J., & Guilding, C. (2010). Hotel management contracts and deficiencies in owner-operator capital expenditure goal congruency. *Journal of Hospitality & Tourism Research, 34*(4), 478–511. doi:10.1177/1096348010370855

van Ginneken, R. (2011). Expert attitudes to management contracts in the Dutch hotel industry: A Delphi approach. *Journal of Hospitality & Tourism Management, 18*(1), 140–146. doi:10.1375/jhtm.18.1.140

Veerades, P., & Taylor, J. S. (2006). The use of management contracts by international hotel firms in Thailand. *International Journal of Contemporary Hospitality Management, 18*(3), 231–245. doi:10.1108/09596110610658634

Villar, C., Pla-Barber, J., & Leon-Darder, F. (2012). Service characteristics as moderators of the entry mode choice: Empirical evidence in the hotel industry. *The Service Industries Journal, 32*(7), 1137–1148. doi:10.1080/02642069.2012.662497

Walle, A. H. (1997). Quantitative versus qualitative tourism research. *Annals of Tourism Research, 24*(3), 524–536.

Wang, C., Hong, J., Kafouros, M., & Wright, M. (2012). Exploring the role of government involvement in outward FDI from emerging economies. *Journal of International Business Studies, 43*(7), 655–676. doi:10.1057/jibs.2012.18

Werner, S. (2002). Recent developments in international management research: A review of 20 top management journals. *Journal of Management, 28*(3), 277–305. doi:10.1177/014920630202800303

Wernerfelt, B. (1984). A resource based view of the firm. *Strategic Management Journal, 5*(2), 171–180. doi:10.1002/smj.4250050207

Wilden, R., Devinney, T., & Dowling, G. (2013, October). *The architecture of dynamic capability research: A scientometric investigation*. Paper presented at the meeting of the Academy of Management, Orlando, USA. Retrieved from http://proceedings.aom.org/content/2013/1/11807.abstract?related-urls=yes&legid=amproc;2013/1/11807

Williams, B. (1997). Positive theories of multinational banking: Eclectic theory versus internalisation theory. *Journal of Economic Surveys, 11*(1), 71. doi:10.1111/1467-6419.00024

Williamson, O. E. (1975). *Markets and hierarchies: Analysis and antitrust implications*. New York, NY: Free Press.

Williamson, O. E. (1979). Transaction-cost economics: The governance of contractual relations. *Journal of Law and Economics, 22*(2), 233–261. doi:10.1086/466942

Williamson, O. E. (1983). Credible commitments: Using hostages to support exchange. *American Economic Review, 73*(4), 519–540.

Williamson, O. E. (1985). *The economic institutions of capitalism free press*. New York, NY: Free Press.

Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly, 36*(2), 269–296. doi:10.2307/2393356

Williamson, O. E. (1996). *The mechanisms of governance*. New York, NY: Oxford University Press.

Wind, Y., & Perlmutter, H. (1977). On the identification of frontier issues in multinational marketing. *Columbia Journal of World Business, 12*(4), 131–139.

Wu, A., Costa, J., & Teare, R. (1998). Using environmental scanning for business expansion into China and Eastern Europe: The case of transnational hotel companies. *International Journal of Contemporary Hospitality Management, 10*(7), 257–263. doi:10.1108/09596119810240843

Wyndham Worldwide Corporation. (2012). *Wyndham Hotel Group and Hospitality Properties Trust announce agreement for the branding and management of 20 hotels*. Retrieved September 2015, from http://www.wyndhamworldwide.com/news-media/wyndham-hotel-group-and-hospitality-properties-trust-announce-agreement-branding-and#sthash.0l86YLCw.dpuf

Wyndham Worldwide Corporation. (2013). *Annual report and Form 20-F*. Retrieved from http://www.wyndhamworldwide.com/sites/default/files/Final%2010-K%202.14.14.pdf

Wyndham Worldwide Corporation. (2014). *Wyndham Hotel Group grows in Africa with first hotel in Ethiopia*. Retrieved from http://www.wyndhamworldwide.com/news-media/press-releases/wyndham-hotel-group-grows-africa-first-hotel-ethiopia

Xiao, O., O'Neill, J. W., & Wang, H. (2008). International hotel development: A study of potential franchisees in China. *International Journal of Hospitality Management, 27*(3), 325–336. doi:10.1016/j.ijhm.2007.10.006

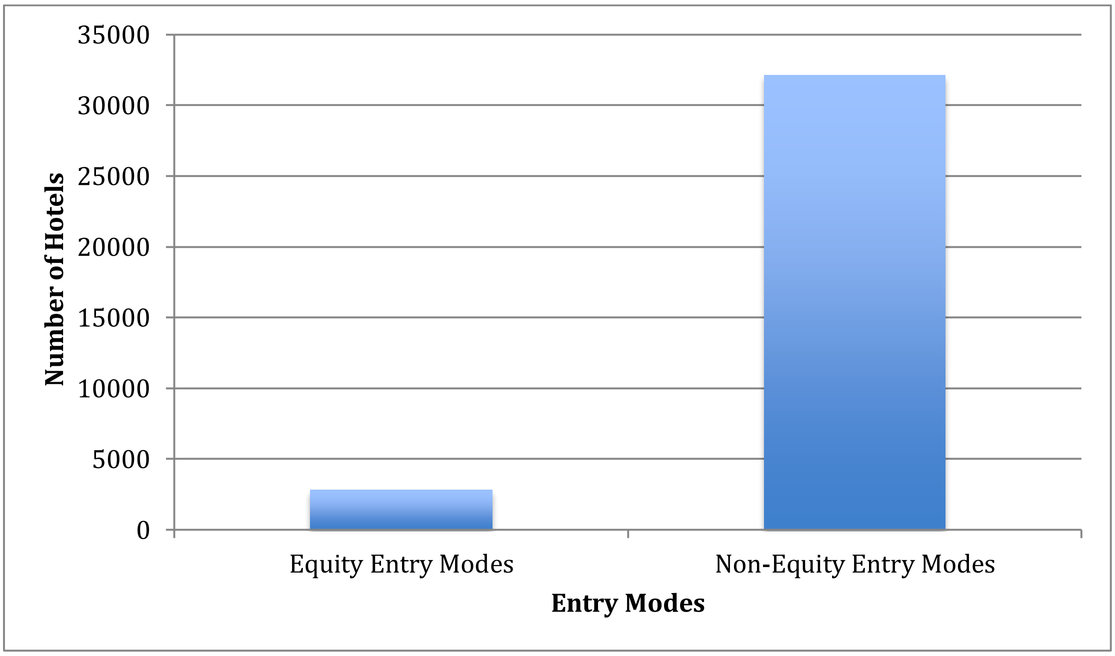
Zeng, G. (2010). Expansion strategies and evolution paths of hotel groups in China. *Chinese Geographical Science, 20*(4), 372–380. doi:10.1007/s11769-010-0410-8

Zhao, H., Luo, Y., & Taewon, S. (2004). Transaction cost determinants and ownership-based entry mode choice: A meta-analytical review. *Journal of International Business Studies, 35*(6), 524–544. doi:10.1057/palgrave.jibs.8400106

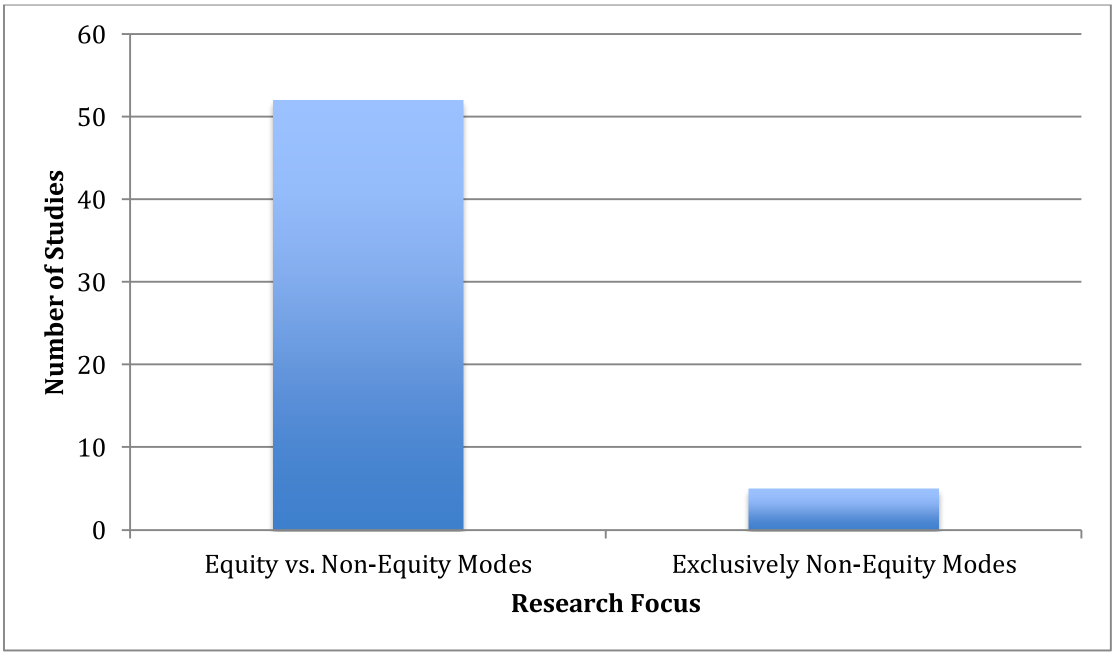
Zollo, M., & Winter, S. G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science, 13*(3), 339–351.

Appendices

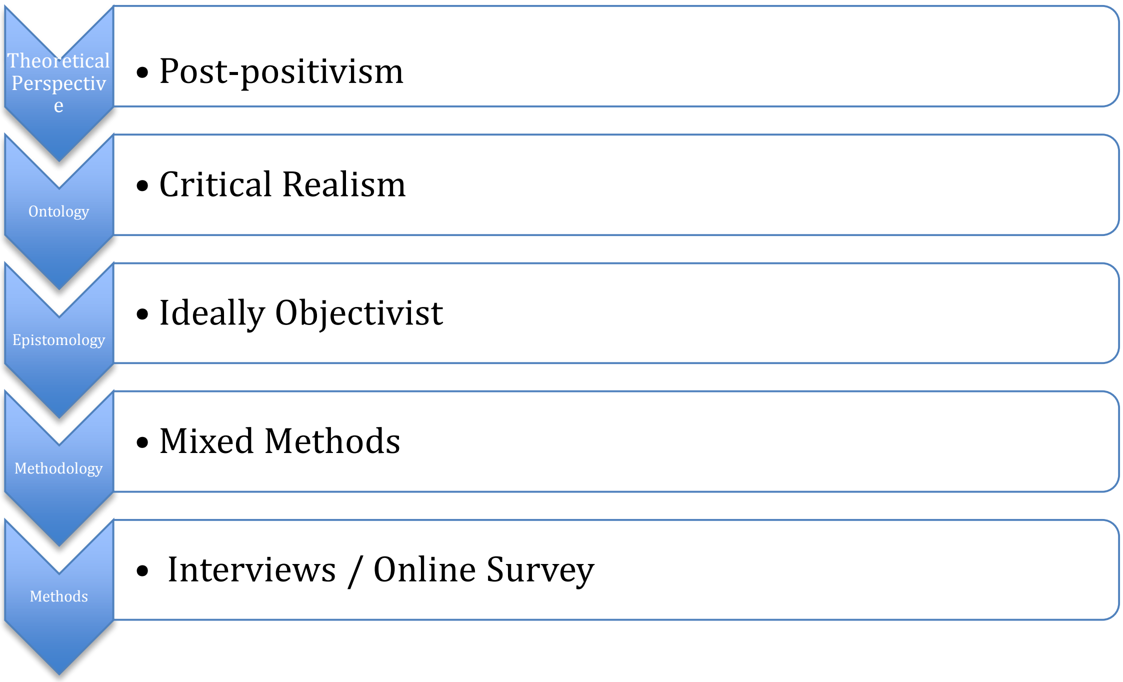
Appendix 1 Proportion of Equity vs. Non-Equity Entry Modes Used in the 10 Largest Hotel Organisations Globally



Appendix 2 Proportion of Equity vs. Non-Equity Oriented Hotel Entry Mode Research

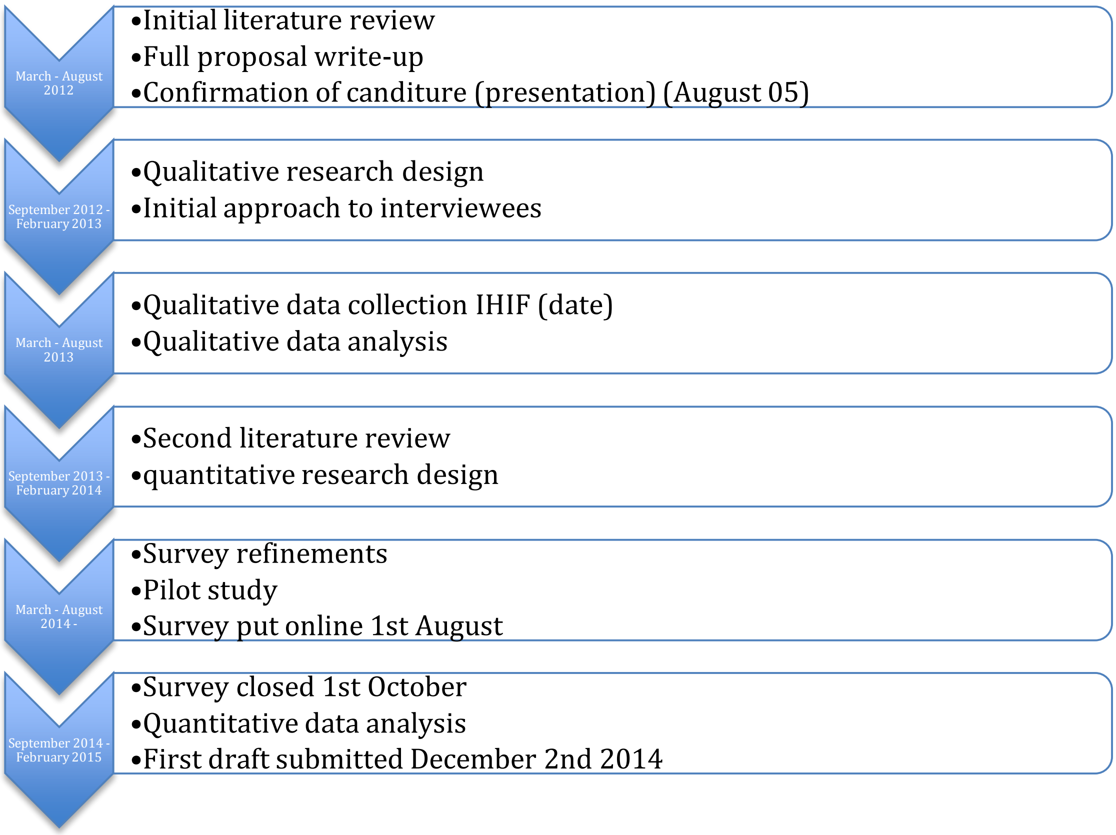


Appendix 3 The Theoretical Paradigm of This Thesis



Adapted from Crotty (1998)

Appendix 4 Flow Diagram of the PhD Research Process



Appendix 5 Hotel Entry Mode Studies over the Past 30 Years

Year	Author/s	Purpose	Theory	Methodology
1982	(Dunning & McQueen, 1982)	Analyses the various strategies used by international hotel chains to see which of them contributes most to competitive advantage, also highlighting the need to distinguish between ownership and control of hotels	- OLI	- Empirical – Quant. - Statistical tests on existing dataset
1997	(Litteljohn, 1997)	Examines internationalisation in the hotel industry and proposes new approaches that hotel chains must consider when internationalising and provides implications for future research	- No theory	- Theoretical - Secondary data
1998	(Contractor & Kundu, 1998a)	Examines the factors that prompt franchising, for a particular hotel property given a choice between a company-run and a franchised operation.	- TCE - Agency theory - Corporate knowledge theory - OCP (RBV)	- Empirical – Quant. - Statistical tests on existing dataset
	(Contractor & Kundu, 1998b)	Examines the determinants of the optimum choice of organisational mode (entry mode)	- TCE - Agency theory - Corporate knowledge theory - OCP (RBV) - Synergetic theory	- Empirical – Quant. - Statistical tests on existing dataset
	(Wu et al., 1998)	Analyses the relationship between environmental scanning activities and business expansion strategies of transnational hotel companies	- No theory	- Empirical – Quant - Survey
2000	(Ray Pine, Zhang, & Qi, 2000)	Reviews the recent trends of franchising in the hotel industry and the development of the hotel industry in China and discusses the challenges and opportunities of franchising in the China context	- No theory	- Theoretical - Review
2002	(Dev et al., 2002)	Examines the choice between management contracts and franchising	- OCP (RBV)	- Empirical – Quant. - Survey
	(Erramilli et al., 2002)	Examines the choice between management contracts and franchising	- OCP (RBV)	- Empirical – Quant - Survey

Year	Author/s	Purpose	Theory	Methodology
	(Goddard & Standish-Wilkinson, 2002)	Reviews hotel management contract trends in the Middle East since the 1970s	- No theory	Theoretical Secondary data
	(Rodríguez, 2002)	Examines the determining factors in entry choice in the Spanish hotel industry, aiming to verify whether TCE, agency theory and the strategic theories of OCP and knowledge	- TCE - Agency theory - OCP (RBV) - Knowledge theory - Synergetic theory	- Empirical – Quant. - Statistical tests on existing dataset
2003	(Altinay & Altinay, 2003)	Examines the environmental factors influencing the international expansion plans of Bass Hotels and Resorts	- OLI	- Theoretical - Secondary data - Case study
	(Brown et al., 2003)	Examines the separation ownership and control dimensions in the foreign market entry mode choice of hotel organisations	- RBV	- Empirical – Quant. - Questionnaire
	(Dimou, Archer, & Chen, 2003)	Develops a theoretical framework to explain the choice between franchising and management contracts in the corporate development of international hotel firms	- TCE - Agency theory	- Theoretical - Proposition development
	(Dimou, Chen, et al., 2003)	Develops a theoretical framework to explain the choice between franchising and management contracts in the corporate development of international hotel firms	- TCE - Agency theory	- Theoretical - Proposition development
2004	(R. Pine & Qi, 2004)	Examines the development of hotel chains in China since 1978 and recommends policy and operational guidelines for their further expansion	- No theory	- Empirical – Qual. - Case study
	(Cho, 2004)	Examines, from the franchisee perspectives in Korea, if franchising of mid-class hotels will achieve success in Korea as it has in North America and some other parts of the world	- No theory	- Empirical – Quant. - Questionnaire
2005	(Altinay, 2005)	Examines the factors influencing the entry mode choices of an international hotel company	- TCE - OLI	- Empirical – Qual. - Case study

Year	Author/s	Purpose	Theory	Methodology
	(Chen & Dimou, 2005)	Identifies the country- and firm-specific factors that influence the choice among franchising, management contracts and company ownership	- TCE - Agency theory	- Empirical – Quant. - Statistical tests on existing dataset
	(Cho, 2005)	Provides insights into a hotel franchisee's perspectives in relation to transaction costs in Korea	- TCE	- Empirical – Qual. - Case study
	(Espino-Rodriguez & Padron, 2005)	Studies, from a strategic perspective, the characteristics that hotel activities must possess for them to be outsourced	- RBV	- Empirical – Mixed - Interview - Questionnaire
	(Johnson & Vanetti, 2005)	Examines the expansion strategies of international hotel operators in five countries in Eastern Central Europe	- OLI	- Empirical – Quant. - Survey
	(Lamminmaki, 2005)	Applies Williamson's six dimensional typology of asset specificity as a theoretical framework for appraising the nature of outsourcing activities in hotels	- Asset specificity	- Empirical – Qual. - Interviews
2006	(Veerades & Taylor, 2006)	Seeks to examine the extent to which management contracts used by international hotel firms in Thailand mirror those used in the USA	- No theory	- Empirical – Qual. - Interviews
2007	(Altinay, 2007)	Evaluates the factors that influence a multinational hospitality organisation's franchise decision-making process	- OLI - TCE	- Empirical – Qual. - Case study
	(Bader & Lababedi, 2007)	Reviews the main terms, definitions and applications of a typical European hotel management contract	- No theory	- Theoretical - Review
	(Dev et al., 2007)	Examines the marketing-entry strategies surrounding the separation of the ownership from managerial control, in particular, control over marketing and operations	- OCP (RBV)	- Empirical – Quant. - Questionnaire
	(Quer et al., 2007)	Examines the impact of country- and firm-specific factors on the foreign market entry mode in the hotel industry	- TCE - OLI - Hymer's theory - RBV	- Empirical – Quant. - Survey
2008	(Cunill, Forteza, & Miralles, 2008)	Proposes a method for valuing growth strategies by hotel chains, especially when the investment project involves a high degree of uncertainty	- No theory (Real options approach)	- Theoretical - Method development

Year	Author/s	Purpose	Theory	Methodology
	(Das & De Groote, 2008)	Investigates the degree of globalisation in hotel chains in Belgium and examines the profile of the business travellers as guests in hotel chains	- No theory	- Theoretical - Secondary data
	(Espino-Rodriguez et al., 2008)	Examines asset specificity in 'make or buy' decisions in the Scottish hotel sector	- Asset specificity	- Empirical – Quant. - Survey
	(Heung, Zhang, & Jiang, 2008)	Examines the international franchising opportunities for China's state-owned hotels	- No theory	- Empirical – Qual. - Interviews
	(S. Y. Kim, 2008)	Investigates the influence of hotel management contracts on the performance of super-deluxe hotels in Korea and identifies how the 1996–1997 tourism recessions affected the relationship between management contracts and hotel performance	- No theory	- Empirical – Quant. - Statistical tests on existing dataset
	(S. Lee, 2008)	Examines the internationalisation of US multinational hotel companies i.e. expansion to Asia versus Europe	- Internalisation - Agency theory - Imperfect capital market theory	- Empirical – Quant. - Statistical tests on existing dataset
	(Panvisavas & Taylor, 2008)	Evaluates how Thai hotel owners seek to control the international hotel chains where properties are operated under management contracts	- Agency theory	- Empirical – Qual. - Interviews
	(Xiao et al., 2008)	Examines the perspective of China's domestic hotel operators regarding franchising and analyses a mix of factors that may affect such a perspective	- No theory	- Empirical – Quant. - Questionnaire
2010	(Cunill & Forteza, 2010)	Demonstrates that entry modes not based on capital transactions, particularly franchise agreements, are the strategies that hotel chains prefer when carrying out expansion programs	- No theory	- Empirical – Quant. - Delphi analysis - Questionnaire
	(Deroos, 2010)	Reviews hotel management contracts past and present	- No theory	- Theoretical - Review
	(M. J. Turner & Guilding, 2010)	Reviews the findings of prior empirical research concerning hotel management contracts between owners and operators	- Agency theory	- Theoretical - Review
	(Zeng, 2010)	Studies the expansion strategies and evolution paths of hotel groups in China	- TCE - RBV	- Empirical – Quant. - Survey

Year	Author/s	Purpose	Theory	Methodology
2011	(Gross & Huang, 2011)	Develops an understanding of the internationalisation prospects of Chinese domestic hotel firms	- Uppsala model	- Empirical – Qual. - Case study
	(Huang et al., 2011)	Combines TCE, Dunning's OLI paradigm and institutional theory in an integrative framework to examine the relationship of firms' foreign market entry mode choice and performance outcomes	- TCE - OLI - Institutional theory	- Theoretical - Proposition development
	(Leon-Darder et al., 2011)	Investigates the entry mode choice in the hotel industry up to 2009, identifying the factors that influence the mode choice of incorporating each new hotel within the chain	- TCE - RBV	- Empirical – Quant. - Statistical tests on existing dataset
	(van Ginneken, 2011)	Examines expert attitudes to management contracts in the Dutch hotel industry	- No theory	- Empirical – Qual. - Delphi analysis
2012	(Alon et al., 2012)	Proposes and tests an agency-based organisational model of internationalisation through franchising in the hotel sector	- Agency theory	- Empirical – Quant. - Statistical tests on existing dataset
	(Martorell-Cunill et al., 2012)	Explains the main direct and indirect causes of the marked proliferation in non-equity growth strategies by the world's top chains	- No theory	- Empirical – Mixed. - Delphi analysis
	(Villar et al., 2012)	Examines the importance of the services' characteristics on the entry mode choice in the hotel industry	- TCE - OCP (RBV)	- Empirical – Quant. - Statistical tests on existing dataset
2013	(Martorell et al., 2013)	Pinpoints the factors that play a decisive role in the decision process of Balearic hotel chains when choosing a growth strategy for expansion into the Caribbean	- TCE - Agency theory - Synergetic theory	- Empirical – Quant. - Survey - Delphi analysis
	(Cunill et al., 2013)	Examines the factors that play a decisive role in determining growth strategies implemented by the hotel chains of the Balearic Islands in the Caribbean and Gulf of Mexico	- TCE - Agency theory - Synergetic theory	- Empirical – Quant. - Survey - Delphi analysis

Year	Author/s	Purpose	Theory	Methodology
2014	(Ivanova & Ivanov, 2014)	Identifies the entry modes applied by foreign and domestic hotel chains in the Bulgarian hotel market, evaluating any differences between foreign and domestic chains in Bulgaria and identifying the most suitable type of entry mode from the viewpoints of the chains and the affiliated properties	- No theory	- Empirical – Quant. - Questionnaire
2015	(Kruesi & Zamborsky, in press)	Examines the choice between franchising and management contracts of international hotel organisations entering New Zealand	- TCE - RBV	- Empirical – Qual. - Interviews

Appendix 6 Study 1 Participant Information Sheet

Participant Information Sheet

AUT UNIVERSITY
TE WĀNANGA ARONUI O TAMAKI MAKAU RAU

Date Information Sheet Produced: 12 Nov 2012

Project Title

The Determinants of Non-Equity Entry Mode Decisions in the Hospitality Industry: Combining Asset Specificity with Imperfect Imitability

An Invitation

My Name is Michael Kruesi, I am a confirmed Ph.D. candidate at the Auckland University of Technology in New Zealand. I am writing to invite you to participate in this study of the non-equity entry modes used by international hotel organisations. Specifically the research is focused on the determining factors for choosing between franchising and management contracts in the hotel industry. During the interview I would like to discuss these determining factors with you. Participation in this research is voluntary and the participant has the right to withdraw from the research at any stage prior to the completion of the data collection. I would like to assure you that participation or non-participation will neither advantage nor disadvantage you in any way and that participation in the study will be completely confidential.

What is the purpose of this research?

This research is conducted as part of a Ph.D. thesis and may also contribute to other academic publications and presentations as part of the qualification. I would like to assure you that the data collected during the interviews will not be used for any other purpose.

How was I identified and why am I being invited to participate in this research?

Your contact details were obtained either through the AUT staff directory or through the delegate list of the 16th International Hotel Investment Forum. You were chosen specifically due to the expertise and relevant subject knowledge you have on the topic being investigated.

What will happen in this research?

During the interview I would like to discuss franchising and management contracts and validate the theoretical foundation of the study. To that end I would require approximately 45 minutes of your time.

What are the benefits?

As the participant, you will benefit by being presented with the findings of the research upon its completion. The benefits for me include engaging in the academic conversation in my field and the potential validation of a conceptual framework I created. The wider community will benefit academically by building on the literature. Specifically by building on service firm entry mode literature, non-equity entry mode literature as well as the literature on transaction cost economics and the resource-based view. The wider community will further benefit from this research practically. Specifically by being a guide for practitioners and a reference on the variations as well as the pros and cons of franchising and management contracts.

How will my privacy be protected?

This research will be completely confidential. No information that could identify you will be included in the thesis or any other publication or presentation resulting from this research.

What are the costs of participating in this research?

Participation in this research project does not entail any direct costs. The only cost of participation entails approximately 40 minutes of your time.

What opportunity do I have to consider this invitation?

The research will involve interviews in Auckland, New Zealand and Berlin, Germany. The interviews in Auckland will take place between the 12th to the 22nd of February 2013. The interviews in Berlin will take place at the International Hotel Investment Forum, from the 4th to the 7th of March 2013.

How do I agree to participate in this research?

To officially agree to participate in this research, you will need to sign a consent form. This consent form will be provided to you immediately prior to the commencement of the interview.

Will I receive feedback on the results of this research?

Upon completion of the study, you will be provided with an executive report, which outlines the findings of the research.

What do I do if I have concerns about this research?

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Prof Nigel Hemmington, nigel.hemmington@aut.ac.nz, +64 9 921 9999 ext. 827.

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEC, Dr Rosemary Godbold, rosemary.godbold@aut.ac.nz, (+64) 921 9999 ext. 6902.

Whom do I contact for further information about this research?

Researcher Contact Details:

Michael Kruesi, Auckland University of Technology, School of Hospitality and Tourism, WH Building, 55 Wellesley Street East, Auckland 1142, New Zealand. E-mail: cnv4094@aut.ac.nz

Project Supervisor Contact Details:

Primary Supervisor: Prof Nigel Hemmington, Auckland University of Technology, School of Hospitality and Tourism, WH Building, 55 Wellesley Street East, Auckland 1142, New Zealand. E-mail: nigel.hemmington@aut.ac.nz, telephone: +64 9 921 9999 ext. 827

Approved by the Auckland University of Technology Ethics Committee on 05/12/12, AUTEC Reference number 12/314

Appendix 7a Study 2 Survey Research Invitation

[Date]

Dear Mr./Ms. [Name],

I would like to invite you to be a key participant in a major research project on management and franchise agreements in the hotel industry. Michael Kruesi is conducting this research under my supervision, at the Auckland University of Technology in New Zealand. I hope that you will agree to complete a survey, which will take approximately 15 minutes of your time.

I have asked you to participate in this research because of your specific expertise, which we feel would make a significant contribution to the research project and advance the literature in the field. Your participation in this study is voluntary. If you decide to participate, you may withdraw at any time.

Your anonymous responses will be confidential and we do not collect identifying information such as your name, email address or IP address. All data is stored in a password protected electronic format. The results of this study will be used for academic purposes and may be shared with representatives of the Auckland University of Technology. Should you be interested in the results of the research, you will receive an executive report of the findings upon completion of the project.

If you are willing to support us in this research please click in the following link:

https://nztri.qualtrics.com/SE/?SID=SV_cvSCE8siuMFLcXz

Thank you for your valuable support.

Kind regards,

Professor Nigel Hemmington
Dean of Culture and Society
Pro Vice-Chancellor International

Any questions about or concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Prof Nigel Hemmington, nigel.hemmington@aut.ac.nz, +64 9 921 9999 ext. 827.

Appendix 7b Study 2 Survey Research Invitation Reminder

[Date]

Dear Mr./Ms. [Name],

I am writing to you regarding the research invitation you received from Professor Nigel Hemmington. If you have been considering participating in the survey, may I encourage you to do so? Your responses would add valuable insight, which will help in developing the literature and furthering the understanding of the hotel industry as well as breaching the gap between hotel academics and hotel practitioners.

Please note that the survey has nothing to do with the organization where you are currently employed, or the part of the world where you are currently located. The survey is actually based on the expertise that you have amassed over your career in the hotel industry.

We would very much appreciate your support in this research project. If you are willing to support us or know anyone else who is knowledgeable and willing to take part, please use the following link:

https://nztri.qualtrics.com/SE/?SID=SV_cvSCE8siuMFLcXz

If you have any reservations about the study please do not hesitate to contact Professor Hemmington or myself.

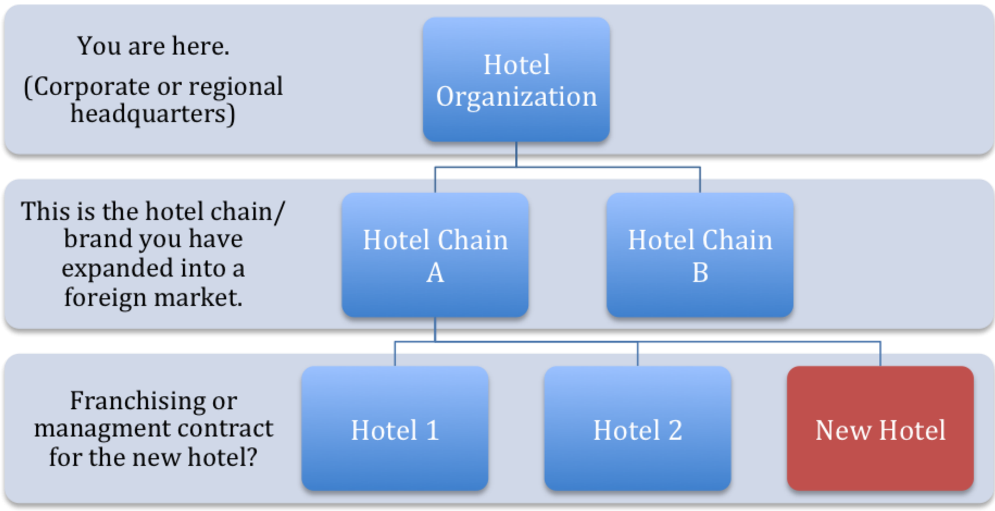
Kind regards,
Michael Kruesi
PhD Candidate, Auckland University of Technology

Any questions about or concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Prof Nigel Hemmington, nigel.hemmington@aut.ac.nz, +64 9 921 9999 ext. 827.

Appendix 8 Franchise/Management Contract Scenario Survey

Background

This survey is based on a brief "scenario" that puts you in the position of a hotel executive (employed at the corporate or regional headquarters of a large international hotel organization), who has just made a specific decision between a franchise agreement and a management contract to expand a hotel chain into a foreign market. There are many ways to internationalize a hotel chain and while you may not specifically have had to make this decision in the past, please answer as if you were in this position. To illustrate this more clearly, please see the diagram below.



If you would like some further background information on franchising and management contracts and the differences between them that are pertinent to this study, then click on 'More information'. By completing this survey you give consent for your survey responses to be included in this study.

- ❍ Survey (1)
- ❍ More information (2)

Franchising vs. Management Contracts

Franchising

- An agreement granting a license for a predetermined financial return (a royalty) by a franchising company (franchisor) to its franchisees.
- Entitles the franchisee to operate the hotel and make use of a complete business package, including training, support and the corporate name/brand.
- The hotel organization does not have operational control. The franchisee operates the hotel as their own businesses to exactly the same standards and format as the other units in the franchised chain.

Management Contract

- An agreement between a hotel organization and an owner/owner company (of a hotel property), where the hotel organization runs the hotel.

- A management team from the hotel organization operates the hotel.
- The hotel organization has full operational control i.e. the owner of the hotel property does not make any operational decisions.

In both the case of franchising and management contracts, while the hotel operates under a brand owned by the hotel organization, the building is not owned by the hotel organization. The major point of difference between the two options is that in franchising, the hotel owner or a third party operates the hotel whereas in a management contract, the hotel organization operates the hotel itself.

Task

Your task is to complete either the franchise scenario survey OR the management contract scenario survey based on your preference. Below you are presented with your two choices.

Scenario 1 – Franchising
Imagine you have decided to expand a hotel chain you control by setting up a new hotel in a foreign market through franchising over a management contract..

Scenario 2 – Management Contracts
Imagine you have decided to expand a hotel chain you control by setting up a new hotel in a foreign market through a management contract over franchising.
❍ Franchise Scenario Survey (1)
❍ Management Contract Scenario Survey (2)

Management Contract Scenario Survey

As an executive of a hotel organization, you have expanded one of your hotel chains by setting up a new hotel in a foreign market through a management contract. Consider the characteristics of a hotel chain which you would expand through management contracts over franchising it and keep these in mind as you complete the survey.

[OR]

Franchise Scenario Survey

As an executive of a hotel organization, you have expanded one of your hotel chains by setting up a new hotel in a foreign market through franchising. Consider the characteristics of a hotel chain which you would expand through management contracts over franchising it and keep these in mind as you complete the survey.

1A/B Asset Specificity

Considering the characteristics of a hotel chain you would expand through (management contracts / franchising), indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
It is difficult for an outsider to learn ‘our way of doing things’ at this hotel chain.	❍	❍	❍	❍	❍	❍	❍
To be effective, employees of this hotel chain have to take a lot of time to get to know the customers’ expectations.	❍	❍	❍	❍	❍	❍	❍
Employees of this hotel chain need to spent much time and effort learning the skills needed to provide the expected service.	❍	❍	❍	❍	❍	❍	❍
The hotel organization has spent much time and effort developing the service offerings of this hotel chain.	❍	❍	❍	❍	❍	❍	❍
Specialized knowledge is needed to adequately provide the service required at this hotel chain.	❍	❍	❍	❍	❍	❍	❍
A large investment and a long time is needed for training employees to adequately provide the service expected at this hotel chain.	❍	❍	❍	❍	❍	❍	❍
The hotel organization has spent much time and effort to learn and perfect the key factors for success of this hotel chain.	❍	❍	❍	❍	❍	❍	❍
An employee’s inside information on the procedures employed at this hotel chain would be very helpful to the organization's competitors.	❍	❍	❍	❍	❍	❍	❍
The skill level of the employees working at this hotel chain is significantly customized to your hotels’ brand standards.	❍	❍	❍	❍	❍	❍	❍
It is important to retain the inside information on the processes which give this hotel chain a competitive advantage.	❍	❍	❍	❍	❍	❍	❍
The hotel organization has spent much time and effort developing the workflows and routines of this hotel chain.	❍	❍	❍	❍	❍	❍	❍

2A/B Imperfect Imitability

Considering the characteristics of a hotel chain you would expand through (management contracts / franchising), indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
It is difficult for competitors to imitate the service offerings of this chain.	❍	❍	❍	❍	❍	❍	❍
The services offered at this chain are unique and nobody else can offer them.	❍	❍	❍	❍	❍	❍	❍
It took the hotel organization years to build the brand reputation of this hotel chain, nobody can easily copy it.	❍	❍	❍	❍	❍	❍	❍
The competitive advantages of this hotel chain are embodied in the company and not in the individuals i.e. nobody can easily copy the service offerings of this hotel chain by stealing away employees.	❍	❍	❍	❍	❍	❍	❍
Nobody can copy the corporate routines, processes and culture of this hotel chain.	❍	❍	❍	❍	❍	❍	❍
The corporate routines, processes and culture of this hotel chain would be difficult for other parties to absorb and then re-create.	❍	❍	❍	❍	❍	❍	❍
For this hotel chain the services that are offered are unique and it would be difficult for other parties to absorb and then re-create.	❍	❍	❍	❍	❍	❍	❍
The industry knowledge the mangers of this hotel chain have would be difficult for other parties to absorb and then re-create.	❍	❍	❍	❍	❍	❍	❍
The reputation of this hotel chain has been developed over a long time.	❍	❍	❍	❍	❍	❍	❍

3A/B Intangible Assets/Resources Considering the characteristics of a hotel chain you would expand through management contracts / franchising, indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I chose a management contract over franchising to protect the brand standards of the hotel chain.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising to retain control over the organizational routines of the hotel chain.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising to retain control over the training systems of the hotel chain.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising to protect the industry and managerial expertise required to operate the hotel chain.	❍	❍	❍	❍	❍	❍	❍

4A/B Host Country Factors

Considering the characteristics of a hotel chain you would expand through management contracts / franchising, indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I chose a management contract over franchising to mitigate the risk of political instability in the foreign market.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the favourable business conditions of the foreign market.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the economic development of the foreign market.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the quality infrastructure in the foreign market.							
I chose a management contract over franchising due to the cultural differences between my hotel organizations' home market and the foreign market.	❍	❍	❍	❍	❍	❍	❍

5A/B Size of the Organization

Considering the characteristics of a hotel chain you would expand through management contracts / franchising, indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I chose a management contract over franchising because of the large size of this hotel organization.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the large scope of this hotel organization's global operations in terms of the number of regions it operates in.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the high level of international experience of this hotel organization.	❍	❍	❍	❍	❍	❍	❍

6A/B Investment Factors

Considering the characteristics of a hotel chain you would expand through management contracts / franchising, indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I chose a management contract over franchising because of the large investment this hotel organization made into training.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the large investment this hotel organization made into management controls.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the large investment this hotel organization made into quality controls.	❍	❍	❍	❍	❍	❍	❍

7A/B Availability of Partners

Considering the characteristics of a hotel chain you would expand through management contracts / franchising, indicate your level of agreement to the following statements from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I chose a management contract over franchising because of the large availability of qualified managerial staff in the host country..	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the large availability of qualified local investment partners in the host country.	❍	❍	❍	❍	❍	❍	❍
I chose a management contract over franchising because of the large availability of trustworthy local investment partners	❍	❍	❍	❍	❍	❍	❍

8A/B Criticisms

For these following statements you do not have to imagine the scenario, just indicate your level of agreement from strongly disagree to strongly agree.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
For hotel chains, which have both franchised and managed hotels in their portfolio, the decision to use one or the other is not made by the hotel organization, the decision is made by the investor, because they are the one with the money	❍	❍	❍	❍	❍	❍	❍
We choose management contracts / franchising because our business model is just set up that way.	❍	❍	❍	❍	❍	❍	❍
We are ad hoc in our decision-making, we just see what works best on a case by case basis.	❍	❍	❍	❍	❍	❍	❍
The choice between franchising and management contracts is simply a matter of the star level of the chain.	❍	❍	❍	❍	❍	❍	❍
There no real 'decision' as it's based on the business model of the investor, there are some investors who would simply never operate under a management contract.	❍	❍	❍	❍	❍	❍	❍
When making this decision I think, "Do I want to run the hotel myself or do I want someone to run it for me?" That's the main consideration.	❍	❍	❍	❍	❍	❍	❍
In the instances where a hotel owner wants to operate on a management contract and the hotel organization does not, the hotel owner would simply find another hotel organization	❍	❍	❍	❍	❍	❍	❍

Demographic Section

9A/B Age
What is your age?

- 18 - 30 (1)
- 31 - 40 (2)
- 41 - 50 (3)
- 51 - 60 (4)
- 61 - 70 (5)
- 71 - 80 (6)

10A/B Gender
What is your gender?

- Male (1)
- Female (2)

11A/B Country
In which country do you work**?**

- Afghanistan (1) (through to)
- Zimbabwe (193)

12A/B Position
What is your current position?

- CEO (1)
- CFO (2)
- COO (3)
- Vice President (4)
- President (5)
- Director (6)
- Managing Director (7)
- Head of a division (8)
- Other (9)

11A/B Experience
How many years have you worked in the hotel industry?

- 1 (1) (through to)
- 50+ (50)

12A/B Employment
How many years have you been employed in your current position?

- 1 (1) (through to)
- 60 (60)

13A/B Decision
Have you made the decision between franchising and management contracts in the past?

- Yes (1)
- No (2)

14A/B Level of influence

What level of influence do you have in the decision making process?

- ❍ Low (13)
- ❍ Medium (14)
- ❍ High (15)

15A/B Level of experience

What is your level of expertise in making this decision?

- ❍ Low (1)
- ❍ Medium (2)
- ❍ High (3)

17A/B Additional Comments

If you have any additional comments about the survey, please state them here (optional)

Appendix 9 Means Split by Scenario

Scenario choice		Asset specificity	Imperfect imitability	Firm level factors	Environment level factors	Organisational size	Investment factors	Available partners	Age category	Gender	Region of origin	Position category	Years of current employment	Years of experience	Decision experience	Level of influence	Level of expertise
0	Mean	4.93	4.27	3.31	4.94	5.16	4.29	5.05	3.20	1.17	1.86	1.80	6.97	18.03	1.22	2.43	2.58
	N	35	35	35	35	35	35	35	35	35	35	35	33	36	36	35	36
	Std. Deviation	0.92	0.97	1.51	1.18	1.01	1.36	1.44	1.02	0.38	0.88	0.41	7.61	11.45	0.42	0.74	0.55
1	Mean	5.50	4.54	5.72	4.20	4.37	4.76	4.32	3.28	1.11	1.94	1.61	6.84	23.58	1.25	2.61	2.66
	N	77	77	77	77	77	76	75	74	74	71	71	69	73	73	72	71
	Std. Deviation	0.61	0.99	0.90	1.21	1.48	1.34	1.38	1.03	0.31	0.92	0.49	5.30	11.35	0.43	0.59	0.61
Total	Mean	5.32	4.46	4.96	4.43	4.62	4.61	4.55	3.26	1.13	1.92	1.67	6.88	21.74	1.24	2.55	2.64
	N	112	112	112	112	112	111	110	109	109	106	106	102	109	109	107	107
	Std. Deviation	0.76	0.98	1.58	1.25	1.39	1.36	1.43	1.02	0.34	0.91	0.47	6.11	11.63	0.43	0.65	0.59

Appendix 10 Correlation Tables

	Scenario choice	Asset specificity	Imperfect imitability	Firm level factors	Environment level factors	Organisational size	Investment factors	Available partners	Age category	Gender	Region of origin	Position category	Years of current employment	Years of experience	Decision experience	Level of influence
Asset specificity	.345**															
	112															
Imperfect imitability	.127	.387**														
	112	112														
Intangible assets	.708**	.354**	.183													
	112	112	112													
Host country factors	-.275**	-.098	-.003	-.054												
	112	112	112	112												
Organisational size	-.265**	-.224*	-.065	-.050	.391**											
	112	112	112	112	112											
Investment factors	.163	.210*	.239*	.380**	.144	.398**										
	111	111	111	111	111	111										
Available partners	-.238*	-.097	-.091	-.212*	.351**	.395**	.218*									
	110	110	110	110	110	110	110									
Age category	.038	.069	-.058	.073	-.052	.051	.186	.207*								
	109	108	108	108	108	108	108	107								
Gender	-.088	.133	.047	-.077	.023	.084	-.026	.043	-.070							
	109	108	108	108	108	108	108	107	109							
Region of origin	.045	.168	.014	.099	.012	.006	.204*	.068	.035	-.087						
	106	105	105	105	105	105	105	104	106	106						
Position category	-.194*	-.199*	-.142	-.123	.183	.010	-.110	-.044	-.060	-.141	-.082					
	106	105	105	105	105	105	105	104	106	106	105					
Years of current employment	-.010	.203*	-.154	.240*	.049	.015	.204*	.058	.410**	-.118	.070	.016				
	102	101	101	101	101	101	101	100	102	102	100	101				
Years of experience	.225*	.025	-.197*	-.016	-.125	.029	.033	.181	.632**	-.247**	-.044	.081	.117			
	109	108	108	108	108	108	108	107	108	108	105	106	102			
Decision experience	.027	-.048	-.028	.127	.036	.113	.047	-.020	.048	.170	.073	.027	-.084	-.028		
	109	108	108	108	108	108	108	107	108	108	105	106	102	109		
Level of influence	.133	.053	.012	.044	-.105	-.053	.120	-.042	.041	-.336**	.007	-.188	-.026	.287**	-.472**	
	107	106	106	106	106	106	106	105	106	106	103	104	100	107	107	
Level of expertise	.063	-.015	-.275**	-.010	-.129	-.070	.042	-.031	.096	-.353**	-.022	-.108	.143	.250**	-.392**	.648**
	107	106	106	106	106	106	106	105	106	106	103	104	101	107	107	105

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Scenario choice		Asset specificity	Imperfect imitability	Firm level factors	Environment level factors	Organisational size	Investment factors	Available partners	Age category	Gender	Region of origin	Position category	Years of current employment	Years of experience	Decision experience	Level of influence
0	Imperfect imitability	.503**														
		35														
	Intangible assets	.036	.126													
		35	35													
	Host Country factors	.071	-.234	.165												
		35	35	35												
	Organisational size	-.254	-.135	.079	.038											
		35	35	35	35											
	Investment factors	.095	.047	.505**	.167	.161										
		35	35	35	35	35										
	Available partners	.184	-.048	-.266	.331	.057	.103									
		35	35	35	35	35	35									
	Age category	.201	-.064	.172	-.067	-.010	.122	.232								
		34	34	34	34	34	34	34								
	Gender	.086	.029	-.210	-.050	.064	-.104	.213	.135							
		34	34	34	34	34	34	34	35							
	Region of origin	.259	-.158	.025	.209	-.202	.292	.017	.098	.075						
		34	34	34	34	34	34	34	35	35						
	Position category	-.209	-.380*	-.113	.131	.248	-.262	-.217	-.184	-.152	.000					
		34	34	34	34	34	34	34	35	35	35					
	Years of current employment	.263	-.097	.432*	.208	-.111	.113	.011	.520**	-.250	.135	.057				
		32	32	32	32	32	32	32	33	33	33	33				
	Years of experience	.219	-.233	-.251	-.050	.200	-.114	.279	.355*	.030	-.013	.147	-.066			
		35	35	35	35	35	35	35	35	35	35	35	33			
	Decision experience	-.014	.066	.321	.146	.048	-.015	-.066	-.108	.113	.168	-.068	-.054	-.244		
		35	35	35	35	35	35	35	35	35	35	35	33	36		
	Level of influence	.047	.039	.039	-.038	.034	.359*	-.013	-.160	-.278	-.250	-.247	-.315	.189	-.490**	
		34	34	34	34	34	34	34	34	34	34	34	32	35	35	
	Level of expertise	-.002	-.321	-.005	-.060	.057	.232	.014	.155	-.335*	-.189	-.130	.129	.209	-.448**	.602**
		35	35	35	35	35	35	35	35	35	35	35	33	36	36	35
1	Imperfect imitability	.292**														
		77														
	Intangible Assets	.313**	.145													
		77	77													
	Host country factors	-.051	.148	.254*												
		77	77	77												
	Organisational size	-.112	-.002	.297**	.438**											
		77	77	77	77											
	Investment factors	.221	.303**	.306**	.214	.565**										
		76	76	76	76	76										
	Available	-.161	-.072	.096	.289*	.460**	.347**									

	partners	75	75	75	75	75	75									
	Age category	-.045	-.067	-.051	-.023	.097	.204	.228								
		74	74	74	74	74	74	73								
	Gender	.253*	.076	.168	.021	.063	.044	-.106	-.182							
		74	74	74	74	74	74	73	74							
	Region of origin	.094	.081	.122	-.046	.093	.153	.121	.003	-.172						
		71	71	71	71	71	71	70	71	71						
	Position category	-.119	-.027	.092	.140	-.121	-.010	-.036	-.003	-.168	-.102					
		71	71	71	71	71	71	70	71	71	70					
	Years of current employment	.148	-.196	.157	-.003	.083	.252*	.109	.340**	-.008	.030	-.010				
		69	69	69	69	69	69	68	69	69	67	68				
	Years of experience	-.245*	-.233*	-.234*	-.081	.053	.050	.227	.775**	-.391**	-.079	.122	.257*			
		73	73	73	73	73	73	72	73	73	70	71	69			
	Decision experience	-.092	-.075	.046	-.004	.149	.072	.010	.118	.206	.027	.073	-.107	.064		
		73	73	73	73	73	73	72	73	73	70	71	69	73		
	Level of influence	-.009	-.024	-.119	-.104	-.053	-.040	-.020	.151	-.366**	.143	-.138	.219	.315**	-.489**	
		72	72	72	72	72	72	71	72	72	69	70	68	72	72	
	Level of expertise	-.073	-.278*	-.151	-.136	-.087	-.061	-.020	.064	-.363**	.044	-.084	.158	.258*	-.368**	.682**
		71	71	71	71	71	71	70	71	71	68	69	68	71	71	70

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).