1.- INTRODUCTION AND OBJECTIVES OF THE STUDY

The explanation for the existence of FDI is closely associated with the analysis of the internationalisation of trade and production through trans-national companies. Beyond the concept of FDI, there are many different ways in which companies might undertake simultaneous activities in several different countries at the same time: e.g., license agreements, franchises, management contracts, strategic alliances and joint-ventures being among the most common. It is quite obvious, therefore, that the internationalisation of production is not merely a growing phenomenon, but one that is in continuous transformation.

The internationalisation of tourism is one of the results of the globalisation of international investment, encouraging hotel companies to search for new destinations in an effort to diversify their offer and give a more flexible service. The hotel sector, as the entire service industry, can successfully separate capital investment from management skills, and stands as a clear example of how internationalisation can be modelled without having to take shareholder investment into account. Indeed, although the dynamic investment, in terms of FDI, undertaken by Spanish hotel chains achieved an annual growth rate of 73% in 1999, this entry mode considers only a quarter of the total amount of foreign properties that are administrated by the Spanish hotel sector.

The final objective of this study is to identify the key factors that influence the decision-making process employed by the Spanish hotel companies in choosing a mode for international expansion and then to compare our findings with those of other analyses previously published on the international hotel industry. To do so, and in keeping with the methods of other studies previously done (Contractor and

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1 This study is just part of a much wider study, financed through a scholarship sponsored by the Secretariat of the Ministry of State, Commerce and Tourism, in its programme “Turismo de España” for Doctorate Theses, in which in-depth interviews are conducted with foreign expansion managers from prestigious Spanish hotel chains like Sol Meliá, Tryp, Iberostar, Riu, Hesperia, and NH, among others.
Kundu, 1998a, 2000), a logistic regression is carried out in an effort to provide the answer to the key question: What are the factors that determine whether a management’s decision to opt for foreign investment materialises in a direct investment, a management contract, a lease or a franchise?

2.- SPECIFICATION OF THE MODEL. FORMULATION OF THE HYPOTHESIS

Accepting a syncretic approach as a conceptual framework for analysis, (Kim and Hwang, 1992, Contractor, 1990, Erramilli and Rao, 1993 and Contractor and Kundu, 1998, 2000), we shall now proceed to verify whether the concepts derived from the transaction-cost theory, the agency theory and the strategic theory regarding the knowledge and the organisational capacities of the firm can really explain the foreign expansion mode employed by the Spanish hotel industry.

The analysis is done on data obtained from both primary and secondary sources. The primary information was collected, fundamentally, from a questionnaire presented to each of the 26 Spanish hotel companies that were operating at least one hotel outside Spain at the end of 1999. Twenty of these companies, representing 77% of the total sample and 94% of the investment decisions, responded to our questionnaire, covering 323 hotels abroad, with 90,818 rooms in 33 different countries².

The dependent variable is M = 1 if the establishment operates as a franchise, M = 2 if it operates under a management contract, M = 3 if it is on lease, M = 4 if it is partially owned (joint-venture) and M=5 when the property is entirely owned³. The dependent variable M is, therefore, a polytomous ordinal measure, which means that the higher it is, the greater the volume of investment stock that is held by the multinational investors and, subsequently, the greater the control they have over the new foreign firm, leaving the parent company less flexibility and unable to vary significantly in its international position. This question prompts us to use an ordinal logistic regression analysis so that the order that is implicit in the different measurement categories for the evaluating of the multinomial M are taken into account.

** Independent variables

² As a hotel chain may vary its choice of entry mode, according to the size and diversity of its international operations, the unit for analysis in this model is any given foreign establishment.

³ This study carried-out two different regressions, one for the inclusion of the 20 hotels that Spanish companies operate on lease abroad (Regression B), and another for when they were not included, at which time the dependent variable assumes four different values. This is, firstly, because the results of Adjustment A offer better values, and secondly, because we have found no references to leasing as an entry mode in the existing literature on the subject, and thirdly, because we wanted to be able to compare our results on the Spanish hotel industry with those of
A. - Country-specific Variables

Of the many aspects about a given country that could affect the international operations of a multinational firm, the following were incorporated into our model:

**THE COUNTRY’S LEVEL OF RISK (POLITICAL, ECONOMIC AND FINANCIAL).** Kim and Hwang (1992), Agarwal and Ramaswami (1992) and Gatignon and Anderson (1988) propose, *ceteris paribus*, that the higher the risk, the greater the tendency to enter foreign markets in ways that imply a smaller commitment of resources and, thus, greater flexibility in adapting to the oscillations of external conditions without incurring high fixed costs. This aspect is corroborated by Erramilli and Rao (1993). Indeed, if there is uncertainty about a highly volatile political and/or economic environment, the agency theory suggests that a franchise would be the best way of investing (Shane, 1996); and Buckley and Casson (1998) state that “internalisation becomes less attractive”. Consequently, our hypothesis is:

\[ H_1: M \text{ (a dependent variable that shows increments in the level shareholding and control) will be negatively associated with the level of political and/or economic risk of the country)} \]

**CULTURAL DISTANCE:** There are several studies that assume that the cultural differences between the company’s country of origin and the host country are a powerful determining factor in the choice of an entry mode. The precise value that this relationship acquires, however, is by no means conclusive from the existing literature. On the one hand, we find a series of studies that justify the belief that the greater the cultural difference is, the less shareholding ownership will be and, therefore, a greater incidence will have cooperative modes, *ceteris paribus* (Kogut and Singh, 1988; Erramilli, 1991; Kim and Hwang, 1992; Davidson, 1980; Stopford and Wells, 1972; Johanson and Vahlne, 1977, Fladmoe-Lindquist and Jacque (1995)).

Other authors state, however, that when faced with unknown cultures, a company prefers to enter solo and impose its own operating methods. In an unknown environment a foreign company does not entirely trust in a local management and would therefore prefer to do the administration for itself. This supports the idea, defended by Hymer (1976), that it is precisely in the ambience of different operating systems where it is sometimes necessary to rely on the advantage of property ownership to be

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Kundu and Contractor (1998a) for the international hotel industry in general. As it strengthens the validity of the model, it is interesting to note that the results obtained from both regressions are quite consistent.
able to compete with the local companies in their own environment. Gatignon and Anderson (1986) postulate that the newcomers to an unknown environment are not very likely to be able to sign contracts that impose their own style of doing business and therefore question the suitability of licensing or franchising activities in environments that are culturally far removed. Shane (1994) shows empirically that in highly integrated economies, the investing company sustains lower transactional costs, which induces it to prefer a franchise or a license instead of direct investment, and vice versa\(^5\).

We opt to formulate our hypothesis in an alternative way since some studies, focused mainly on service companies (Erramilli and Rao, 1990; Li and Guisinger, 1992), demonstrate that knowledge about the target market is a decisive element in the choice of more aggressive ways of entering foreign markets. The significance of such knowledge lies in their experience in supplying or servicing clients in the target market whose needs are already well known to them from previous experience in their own national markets. Our hypothesis, therefore, would be:

\[ H_2: \text{The modes of entry into foreign markets with higher shareholder involvement will be positively associated with increments in cultural distance between the country of origin and the host country.} \]

\[ \text{LEVEL OF ECONOMIC DEVELOPMENT:} \text{ Traditional theory has always defended the existence of certain initial endowments of an appropriate public infrastructure as a necessary prerequisite for the FDI to be manifest (Graham, 1992). Other authors also defend the idea that the FDI is more frequent in highly competitive markets and most preferably located in the most developed ones (Young et al., 1989). Since the study done by Dunning and McQueen (1981) on the hotel industry proposes that the incidence of share-holder involvement in the hotel business would be positively correlated with the economic development of the destination, and as they consider a strongly local hotel industry closely related to the level of development of the destination, our hypothesis will be:} \]

\[ H_3 = M \text{ (a dependent variable that shows increments in share-holder involvement and control) will be positively associated with the level of economic development of the country where the hotel is located.} \]

\(^4\) Nevertheless and since the data of the country’s risk is ordered on an inverted scale in which the highest risk = 0 and the lowest = 100 (see Chart 2), our hypothesis expects positive sign for the variable RISKi.

\(^5\) Regarding the discrepancy seen in the impact of cultural distance, in agreement with Gatignon and Anderson (1986), the transaction cost theory suggests that both visions are correct.
ENTRY OF FOREIGN INVESTMENT INTO A LOCAL ECONOMY

The study by Dunning and McQueen (1981) supposes that, ceteris paribus, in nations where there is a high concentration of FDI in their economies, investing companies will tend to choose entry modes that imply a high level of shareholder control. This assumption is based on the idea that the company follows its clients around the world, which impels an internationalisation of the hotel industry worldwide, as a great proportion of their customers are business people. This, however, is one aspect, that does not hold in the case of the Spanish hotel industry.

Once again, the literature is by no means conclusive on this topic. While some authors suggest that the greater the previous FDI there has been in a given country, the more experienced the local agents will be in administration and organizational capabilities. As a result of this wider spread of abilities, states Caves (1982), there will tend to be more franchises or licenses thanks to the greater possibilities of finding well-prepared local partners to assume the transfer of knowledge. At first glance, it does not seem that these premises are fulfilled by the Spanish hotel industry, so that our hypothesis will be:

\[ H_4: \text{M (a dependent variable that shows increments in the levels of shareholder involvement and control) is positively associated with the level of penetration of foreign investments of a given host country.} \]

B. - COMPANY-SPECIFIC FACTORS

COMPANY SIZE. Regarding the question of how the size of a company affects its tendency to choose a non-shareholder entry mode, most of the studies published so far indicate that the bigger the firm, the more probable it is that it will opt for direct investment, and suppose that the smaller companies, suffering from a lack of resources, will be induced to share the control of the foreign enterprise and, at the same time, reduce risks (Agarwal and Ramaswami, 1992). Indeed, in the literature based on the manufacturing sector, the size of the company has been shown to be positively related to the probability of FDI (Horst, 1972; Hymer, 1976). In the services sector, the size has a positive impact on the international behaviour of advertising agencies and banks (Trepstra and Yu, 1988; Tschoegl,
1983). Given the high volume of investment required by the hotel industry, we shall formally verify these points of view, proposing the following hypothesis:

\[ H_5 = \text{We expect a positive relationship between the size of the company and M} \]

(a dependent variable that measures increments in the level of share-holder involvement and control).

**INTERNATIONAL EXPERIENCE AND DEGREE OF INTERNATIONALIZATION**

The most traditional views on the benefits of having some previous international experience when choosing an entry mode supposes that the more experience the firm has, the less help it will require from a local partner and will therefore be less inclined to use cooperative modes (Johanson and Vahlne, 1977; Erramilli, 1991). On the other hand, however, there is also a non-traditional view that states that the more international experience a firm has, the better it will be at evaluating the behaviour of its local partners and will therefore see the advantage of using a different entry mode. In this respect, an analysis of the transactional costs confirms that a lack of international experience causes organizational uncertainty within the company, which is manifest in their choice of direct investment, since the company would finds it rather difficult to evaluate the results of its franchised partner (Fladmoe-Lindquist and Jacque, 1995). The empirical evidence found on the hotel industry (Contractor and Kundu, 1998a, 1998b, 2000) corroborates the traditional point of view. Our direct contact with the Spanish hotel industry, however, certainly supports the opposite view, since the only companies that enter into franchise agreements are precisely those with the most international experience.

Following Erramilli (1991), we can find two theoretical explanations for this negative relationship between uncertainty and the desire to control. The first of these is the so-called “ethnocentric argument”. Indeed, Gatingnon and Anderson (1986) state that in international expansion, many of the newer multinational firms insist that some of their own national executives hold managerial positions in the foreign operation. Since it is improbable that such a desire is satisfied in agreements on shared control of the new enterprise, the investing companies generally opt for total ownership and control.

7 Other studies, however, suggest quite the opposite when they state that entrance models that imply a high level of control are less probable for the bigger companies (Gatignon and Anderson, 1988). This argument is based on the belief that a large volume of foreign operations within the industry will force the bigger companies to accept partners with whom to share the global cost of the investment.

8 The management contract mode employed by the hotel industry in its foreign expansion, allows the parent company to enjoy a high level of control over its foreign activities without the need to give up its flexibility. Nevertheless, achieving a management
On the other hand, the analysis of transactional costs suggests that when uncertainty is high (whether due to a lack of experience or to having to operate in a culturally distant environment), the investing company experiences difficulty in evaluating its local partner’s performance. This supports what Williamson (1985) suggests in stating that operations that imply a high integration of the company’s activities are more efficient, as they help to avoid negotiation costs and the supervision of either a partners or a local agent. This form of reasoning seems logical enough, since one of the main difficulties that face a multinational company when it attempts to enter into a cooperative agreement is sharing a common managerial philosophy with its local partner.

\[ H_6: M \text{ (a dependent variable that shows increments in the level of share-holder involvement and control) is negatively related to the international experience of the company.} \]

On the other hand, due to the dynamism of some international hotel companies’ expansion process, we propose another measurable variable based on the degree internationalisation acquired by the firm, provided that these variables do not demonstrate any multi-co-linearity.

\[ H_7: M \text{ (a dependent variable that shows increments in the level of share-holder involvement and control) and the company’s degree of experience in internationalisation are negatively associated.} \]

C. - The company’s strategic and control factors

We must remember that the determining factor in the choice of an entry mode, regardless of choice, should not be linked to the peculiarities of that specific transaction, but rather to the company’s medium- and long-term global strategy. The perception that the firm’s executives have of given variables must influence such a decision, giving the internationalisation process a more dynamic perspective. We therefore intend to verify the subjective information obtained from the questionnaires presented to Spanish hotel executives, in which, on a scale of 1 to 5, they responded to questions related to their perceived importance of the following variables:

\[ \text{PERCEIVED STRATEGIC IMPORTANCE OF SCALE ECONOMIES.} \]

A branch of the literature insists that to attain economies of global scale, a company must have a high level of control, in terms of both ownership and management of its foreign operations. If we accept that the scale economies of the contract of third-party property implies investing greater and greater volumes of resources apart from having an acceptable prestige and previous experience. On certain occasions this is supplanted by the relationships that the agents have with their
tourist sector, regarding such things as logistics, purchases or common architectural designs, can be shared among franchise networks and local partners at a relatively low cost for the transfer of knowledge (Contractor and Kundu, 1998a), then such economies can be attained without the need for direct investment or even representation at the management level. We nevertheless consider that a certain derived cost, from the market’s failures and directly related to the transfer of specialized knowledge, does exist for the Spanish hotel industry. We therefore propose:

H₆: Perceived importance of the scale in the global operations of the hotel will be positively related to M (a dependent variable that shows increments in the level of share-holder involvement and control).

PERCEIVED STRATEGIC IMPORTANCE OF SIZE IN THE COMPANY’S GLOBAL OPERATIONS.

To define this variable, the executives were asked to evaluate the importance of the company’s size as a strategic variable in the global operations of the hotel. According to the information obtained from the interviewees, firms that consider size as being important to a company’s group strategy tend to adopt indirect investment formulas. That is to say, in the case of the company’s growth being the main objective, it will tend to use more cooperative formulas that allows it to reduce costs and speed up its growth, and vice versa, i.e., multinationals that do not perceive size as an important competitive advantage will opt for less dynamic growth⁹. Our hypothesis, therefore, supposes that:

H₇: The perception of the importance of a company’s size will be negatively associated to M (a dependent variable that shows increments in the level of shareholder involvement and control).

PERCEIVED STRATEGIC IMPORTANCE OF THE GLOBAL RESERVATIONS SYSTEM AND TRADE NAME.

The relationship between desire to control its foreign activities and position its trade name is a matter which also shows some contradiction. Gattingnon and Anderson (1986) illustrate this aspect perfectly when they explain that while some studies suggest that for trade names with a strong market position and supported by huge advertising and marketing budgets, a greater control of their activities is advisable (Caves, 1981; Davidson, 1982). Other studies, however, suggest quite the opposite (Calvet, 1982), although they do recognise problems in the transfer of knowledge. Specifically for service

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⁹ Although the prospective sign of this hypothesis seems to be incongruous with that of variable H₅, we must remember that H₉ refers to the medium- and long-term strategy of the company and H₅ to its current size. Thus, we include these two measures, objective and subjective, as they show no multicolinearity.
companies, the study done by Fladmoe-Lindquist and Jacque (1995) confirms empirically that the more important the trade name and the reputation of the company is perceived to be, the lesser the probability that it will expand through franchises.

In the hotel industry, the global reservation systems and the trade name are considered to be the two codified strategic assets, the control and ownership of which the parent company usually maintains, independently of the entry mode employed (Dunning and McQueen, 1981). Furthermore, these codified assets strengthen the company’s capacity to carry out successful alliances, (Contractor and Kundu, 1998a). We therefore propose:

\[ H_{10} \]: The perceived importance of the reservations systems will be negatively associated with M (a dependent variable that shows increments in the level of shareholder involvement and control).

\[ H_{11} \]: The perceived importance of the trade name will be negatively associated with M (a dependent variable that shows increments in the level of shareholder involvement and control).

**PERCEIVED STRATEGIC IMPORTANCE OF THE INVESTMENT IN TRAINING.** Gatignon and Anderson (1988) state that when know-how in products and processes is high, the choice of entry mode tends to be one that implies total ownership, since the returns on this competitive advantage can be better exploited through investment modes that guarantee greater control. For the hotel industry, investment in training is considered as important as resources dedicated to research and development, since it increases and updates knowledge and managerial skills at the global level, for both management and employees. The competitive advantages of such administrative skills and their spread across the worldwide network of the company allow it to earn higher returns, which could lead it to prefer shareholder involvement. On the other hand, the greater the tacit knowledge of the company the higher the cost of transferring that knowledge to its partners will be (Winter, 1987), and the probability of considering alliances will therefore diminish. This hypothesis was verified by Kim and Hwang (1992). We therefore propose:

\[ H_{12} \]: The perceived strategic importance of investment in training will be positively associated with M.

10 Although the global reservations system does not seem to be of much importance to the Spanish hotel industry, it seems only natural to assume that its importance will increase in the future if the industry diversifies its product and takes advantage of the opportunities that the new economy offers.
PERCEIVED STRATEGIC IMPORTANCE OF THE CONTROL OVER MANAGEMENT AND QUALITY.

The control over management is a complex and multi-dimensional aspect. If we identify the daily management and quality control as one of the dimensions of management control, we observe that it increases as the company moves from a franchise to shareholder involvement (Contractor and Kundu, 1998a). It is therefore to be expected, in general terms, that more important the executives consider a global control of operations and quality, the more probable it will be that the company opts for an entry mode that includes shareholding investment, ceteris paribus. We shall therefore define the hypothesis formally as:

**H13:** The perceived importance of control over management and quality will be positively related with M (a dependent variable that shows increments in the level of shareholder involvement and control).

Chart 1 outlines the definition and the way of measuring the independent variables, as well as the expected sign of the regression.

**CHART 1: HYPOTHESES PRESENTED AND WAY OF MEASURING THE INDEPENDENT VARIABLES.**

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>DEFINITION AND MEASUREMENT</th>
<th>EXPECTED SIGN</th>
</tr>
</thead>
<tbody>
<tr>
<td>RISK i</td>
<td>The risk index used for country i was taken from the <em>Institutional Investor Magazine</em> for the period 1985-1999 (The highest risk = 0 and the lowest = 100)(^{11}).</td>
<td>(+)</td>
</tr>
<tr>
<td>CULTD (ij)</td>
<td>CULTD(ij) = ((I_{h}-I_{ij})^2/V_{h})/4) where (I_{h}), (h=1,2,3,4) are four Hofstede (1980, 1991) cultural indexes and (V_{h}) is the variance of the (i)th index as proposed by Kogut and Singh (1988)(^{12}).</td>
<td>(+)</td>
</tr>
<tr>
<td>GDP/c</td>
<td>GDP per capita in the country (i) measured for the last four years of available data from IMF statistics(^{13}).</td>
<td>(+)</td>
</tr>
<tr>
<td>FDI/GDP</td>
<td>FDI/GDP ratio of the country (i) measured by the last four years of available data from the <em>World Investment Report</em>(^{14}).</td>
<td>(+)</td>
</tr>
</tbody>
</table>

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\(^{11}\) This index, which is published twice a year, is taken by calculating from 1979 onwards, and it has the advantage of including a great number of countries, so that it provides this variable for almost 100% of the countries included in our sample. Its modelling was based on a survey carried out with more than 100 representatives of the most important Banks, at the international level, in which, on a scale from 0 to 100, the interviewees evaluated the risk they perceived for each of the sample countries. The Institutional Investor weights these answers with a ratio that considers the level of sophistication of each bank in their analysis and evaluation of the loans they grant.

\(^{12}\) Using the indexes of Hofstede as a base, an index is composed that calculates the deviation of each of the four cultural dimensions with those of Spain, so that it allows us to measure the cultural distance between Spain and the rest of the countries. Nevertheless, Hofstede’s data covers only 66 countries, and lacks important data for destinations for the expansion of the
### STRUCTURAL FACTORS OF THE COMPANY

<table>
<thead>
<tr>
<th>SIZEj</th>
<th>EXPINTj</th>
<th>GRINTj</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure of income from worldwide sales, in pesetas, of the hotel company j over the last three years.</td>
<td>Time, in years, since the company j established its first hotel abroad.</td>
<td>Degree of internationalisation of the company j measured by the ratio between its foreign establishments and the total amount of its establishments.</td>
</tr>
</tbody>
</table>

### STRATEGIC FACTORS AND CONTROL FACTORS OF THE COMPANY

<table>
<thead>
<tr>
<th>PESCA</th>
<th>PSIZE</th>
<th>PIMAG</th>
<th>PFORM</th>
<th>PRES</th>
<th>PQUALI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived importance of strategic factors (5 = very important... 1 = unimportant) 15</td>
<td>Scale economies</td>
<td>Company size</td>
<td>Trade Names and Image</td>
<td>Investment in formation</td>
<td>Reservations System</td>
</tr>
</tbody>
</table>

### 3.- EMPIRICAL VERIFICATION. ORDINAL LOGISTIC MODEL

The following results from the ordinal logistic analysis allow us to verify the thirteen previously exposed hypotheses and identify the independent variables that exert the most influence on the firm’s choice of an entry mode 16.

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>REGRESSION A (WITHOUT HOTELS ON LEASE)</th>
<th>REGRESSION B (WITH LEASED HOTELS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MODEL 1</td>
<td>MODEL 2</td>
</tr>
</tbody>
</table>

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13 The only exception is the value of the GDP per capita of Cuba, which is obtained from data taken from the ECLAC for 1996.
14 The values that were lost for this variable, concerning Cuba and Tanzania, were substituted by the arithmetic average.
15 They were obtained from the questionnaire that the managers filled-in, evaluating the importance of the factors mentioned on a Likert scale.
16 First, we carried out an analysis of correlations to verify whether there was any multicolinearity among the explanatory variables. The variable GDPpc and the degree of the country’s risk only seem to be correlated negatively with a probability of 0.6. To prevent this relationship from affecting the adjustment, we present the results from two different models. In Model 1 we include the variable GDPpc as a proxy of the level of the country’s development and omit the variable that measures the country’s risk, and vice versa in Model 2.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient 1</th>
<th>Coefficient 2</th>
<th>Coefficient 3</th>
<th>Coefficient 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDPPC</td>
<td>0.000</td>
<td>0.000</td>
<td>-0.000</td>
<td>0.005</td>
</tr>
<tr>
<td></td>
<td>(0.000)**</td>
<td>(0.000)***</td>
<td>(0.000)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>FDI</td>
<td>0.016</td>
<td>0.009</td>
<td>0.005</td>
<td>0.005</td>
</tr>
<tr>
<td></td>
<td>(0.008)*</td>
<td>(0.008)</td>
<td>(0.008)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>DCULT</td>
<td>0.690</td>
<td>0.590</td>
<td>0.456</td>
<td>0.468</td>
</tr>
<tr>
<td></td>
<td>(0.150)***</td>
<td>(0.143)***</td>
<td>(0.131)***</td>
<td>(0.129)***</td>
</tr>
<tr>
<td>RISK</td>
<td>0.002</td>
<td>0.002</td>
<td>0.001</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>EXPINT</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(8.06e-06)</td>
<td>(7.95e-06)</td>
<td>(7.33e-06)</td>
<td>(7.33e-06)</td>
</tr>
<tr>
<td>SIZE</td>
<td>-1.552</td>
<td>-1.579</td>
<td>-1.29</td>
<td>-1.359</td>
</tr>
<tr>
<td></td>
<td>(0.707)**</td>
<td>(0.696)**</td>
<td>(0.635)**</td>
<td>(0.637)**</td>
</tr>
<tr>
<td>GRINT</td>
<td>-0.472</td>
<td>-0.481</td>
<td>-0.471</td>
<td>-0.506</td>
</tr>
<tr>
<td></td>
<td>(0.275)*</td>
<td>(0.272)*</td>
<td>(0.267)***</td>
<td>(0.268)*</td>
</tr>
<tr>
<td>PSIZE</td>
<td>0.647</td>
<td>0.573</td>
<td>0.456</td>
<td>0.511</td>
</tr>
<tr>
<td></td>
<td>(0.252)**</td>
<td>(0.251)**</td>
<td>(0.242)***</td>
<td>(0.244)**</td>
</tr>
<tr>
<td>PIMA</td>
<td>-0.312</td>
<td>-0.277</td>
<td>-0.264</td>
<td>-0.305</td>
</tr>
<tr>
<td></td>
<td>(0.203)</td>
<td>(0.201)</td>
<td>(0.177)</td>
<td>(0.179)</td>
</tr>
<tr>
<td>PFORM</td>
<td>-0.241</td>
<td>-0.244</td>
<td>-0.176</td>
<td>-0.159</td>
</tr>
<tr>
<td></td>
<td>(0.201)</td>
<td>(0.198)</td>
<td>(0.187)</td>
<td>(0.186)</td>
</tr>
<tr>
<td>PRESER</td>
<td>0.121</td>
<td>0.155</td>
<td>0.094</td>
<td>0.065</td>
</tr>
<tr>
<td></td>
<td>(0.268)</td>
<td>(0.264)</td>
<td>(0.242)</td>
<td>(0.241)</td>
</tr>
<tr>
<td>PESCA</td>
<td>0.646</td>
<td>0.580</td>
<td>0.527</td>
<td>0.583</td>
</tr>
<tr>
<td></td>
<td>(0.211)**</td>
<td>(0.207)**</td>
<td>(0.193)***</td>
<td>(0.196)***</td>
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<tr>
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** ** * Significance of more than 1% * * Significance of more than 5% * Significance of more than 10%

Both regressions are globally significant (p < 0.001) and their adjustments are acceptable (0.10 < Pseudo R² < 0.16) for these sorts of models. According to the results obtained, the variables of the development level of the country of destination, its risk level, the existence of FDI in the country of destination, the company’s degree of internationalisation and the perception that its executives have of size, the image of its trade name and its quality control, are the variables that best explain the different choices of entry modes made by the Spanish hotel companies to enter foreign markets. It is important to note, however, that our results differ from those obtained by Contractor and Kundu (1998a) for the global hotel industry due, fundamentally, to the Spanish hotel industry’s relative inexperience in the internationalisation process and their orientation towards tourist resorts.

3.1.- The roles played by cultural distance (H2) and international experience (H7):

Uncertainty about the transfer of specialized knowledge.

The conclusions of the logit were commented on later with some of the executive interviewees, who agreed with the results of the analysis.
In first place, the variable of cultural distance (H2) appears to be very significant in the model (p < 0.001) and with its expected sign. As such, the applicability of that branch of the literature that states that the greater the cultural distance that exists among countries, the greater the tendency the company will have to adopt cooperative formulas (Kogut and Singh, 1988; Gatignon and Anderson, 1988; Erramilli and Rao, 1993; Kim and Hwang, 1992) would be rejected for the Spanish hotel industry. However, it corroborates that the Spanish hotel industry aims at minimising agency costs and prefers to supervise the behaviour of their workers directly when the cultural distance can lead them to behave in a more “opportunist” way (Shane, 1994). As Hennart (1989) explains, the companies refuse the franchise arrangement because they fear that their trade names will be used without sufficient quality control. Such distrust increases as the differences in culture increase and can therefore also affect the behaviour of the management and the economic objectives of the firm.

The greater the cultural distance, therefore, the more the Spanish hotel companies tend to FDI and avoid contracts agreements. This result is coherent with the conclusions that we obtain for the variable of degree of internationalisation of the company (H7), as a proxy of its international experience. Indeed, consistent with the prospective hypothesis, this variable is significant in our model (p < 0.05) with a negative sign. It indicates that the higher the degree of internationalisation the company has, the more it will tend to choose a more flexible form of operation. In other words, as the company acquires greater knowledge, its internal uncertainty decreases (Gatignon and Anderson, 1986), quite the contrary of what an important branch of the literature on management supposes (Johanson and Vanhle, 1977; Kogut and Singh, 1988).

These conclusions corroborate the uniqueness of the Spanish hotel industry in contrast to other international chains, since, although cultural distance was not significant in Kundu and Contractor (1998a, 2000), international experience had a positive relationship with the companies’ desire to control, measured not only by the number of years that the companies were operating hotels abroad but also by the degree of international experience they had, thus confirming the theories of Johanson and Vanhle.

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18 This conclusion is also reinforced by the results of both models when we eliminate the countries for which Hofstede (1991) lacked cultural indexes, and the hotels in Cuba as well. This is done because the limited freedom to choose the entrance modes to this Caribbean country could be distorting the conclusions of the logistical analysis.
(1977) with regard to the hotel industry worldwide, but not so for the sample of the Spanish hotel industry included in our analyses.

Our results are consistent, however, with other studies, like Daniels et al., (1976), for example, who observe that the tendency to invest in foreign environments begins with the complete control of its foreign subsidiaries, but, as the company becomes more international, it tends to share this control with its local partners; also, Stopford and Wells (1972), in their analysis of the first five investments made by American companies outside the U.S. and Canada, in which the authors find that almost three quarters of these early foreign ventures were carried out under total ownership. It must be emphasised that both analyses are focused on the early phases of the companies’ internationalisation process.

In synthesis, therefore, and reaffirming our hypotheses, this preference for complete control when a company moves into an unknown environment, holds the most traditional transaction cost theory for the Spanish hotel industry in their choice of an entry mode and in their ethnocentric behaviour. In other words, entering a culturally similar market does not only help to avoid the uncertainty of evaluating unknown environments, but also facilitates the establishing and control of integrated operations. Indeed, this premeditated practice on the part of the investing company also facilitates the assumption of control. It would seem that, as the opportunities in these markets begin to diminish, and the companies meanwhile acquire greater international experience, it may be expected that their investments will be directed to more unknown environments, their ethnocentrism and their uncertainty having diminished.

Another form of reasoning that might explain the behaviour of the Spanish hotel industry in investing abroad is the role that the market knowledge plays in the internationalisation process (Erramilli and I Fray, 1990; Johanson and Vanlhe, 1977). Indeed, the fact that, in their internationalisation process, the companies continue dealing with the same clients that they have been servicing in their own local markets, allows them to assume a more aggressive behaviour in their choice of an entry mode. This point is supported empirically by Erramilli and Rao (1990) and, according to their conclusions, it is particularly so in the case of companies like hotels, which cannot physically separate consumption from production.
Another aspect of our conclusions relates directly to the transfer of specialized knowledge (Calvet, 1982). Indeed, and agreeing with Martínez Bobillo (1993), the transfer of technology, and especially when it implies a high degree of tacit knowledge, can easily fail if it is governed by a long-distance contract, as it requires a close and fluent liaison between those who are transferring the knowledge and those are receiving it. We can affirm that the different commercialisation models employed by the Spanish hotel industry, along with the relatively longer periods of time that their tourist clients spend at their holiday resorts, implies that the knowledge has certain tacit aspects (Teece, 1987) that hinder or make its complete specification and coding more expensive under a contract expansion mode, which is tends to be even more so in unknown environments and in labour-intensive activities\(^{20}\) (Johanson and Vanhle, 1977). If we add to this, the relatively recent emergence of the package tour industry, beginning from the second half of the 20\(^{th}\) Century, it verifies the assertion made by Weinstein (1974), that the more mature the product is, the less the control that is required. That is to say, and agreeing with Gatignon and Anderson (1986), that although it is true that greater uncertainty promotes more flexible formulas when the assets that are to be transferred expose the company to the risk of free-riders\(^{21}\), it is nevertheless forced to maintain its relationship with its partner and the supposed flexibility is therefore diminished.

In summary, the specialized knowledge of the Spanish hotel industry involves a higher level of tacit knowledge than that of the international hotel industry, thus hindering its transaction. Once again, we are referring to market failures regarding the transfer of intangible assets and to the risks of using licenses as an entry mode when the transaction costs derived from revealing valuable knowledge about the clients is high, which is very probably a vital question for the holiday resort industry.

\footnote{The study of Li and Guisinger (1997) on entrance models employed by service companies in their foreign expansion confirm that when a company follows its clients, the cultural distance acquires a less important role.}

\footnote{This aspect seems to corroborate one of the reasons for which the Spanish hotel industry is not very inclined to grant franchises for its activities. This tendency seems to diminish as the company acquires greater international experience. Indeed, in accordance with Gatignon and Anderson (1986), in the first phases and in cases in which the knowledge is not well structured or well defined its transfer is more expensive.}

\footnote{With this sort of performance “The user of the trade mark will try to maximize his revenue by reducing the quality of the goods while profiting from its prestige, which reduces the reputation and the advantages of the trade name for all of the other users of the trade mark” (Martínez Bobillo, 1993, page 136). Such behaviour is more frequent in businesses in which the probability of the same client repeating the purchase is low (Brickley and Dark, 1987).}

3.2.- The Country’s Level of Development (H3), its Previous FDI (H4) and its Risk Level (H1):

The security in the investment.
Although the insecurity inherent in dealing with cultural differences, as previously mentioned, leads one to prefer non-cooperatives entry modes, as the difficulties are not only in the transfer the knowledge, but also in the evaluation the partner’s performance, another of the results obtained from our study confirms that, in environments considered as being risky (H1), Spanish hotel companies prefer to share the control of their foreign interests with local agents, thus diminishing the obvious risk implicit in FDI. This statement correlates with the significance found between the level of development of a country (H3) and the type of an entry mode chosen, in a positive way and with the expected sign.

The interpretation of these results indicates how high risk environments generally have lower levels of GDPpc and the hotel companies tend to seek local partners with whom to share its foreign adventure. In comparing the results of Model 1 with those of Model 2, it is interesting to note that the variable GDPpc better explains the *modus operandi* of the Spanish hotel industry in choosing an entry mode than the variable of the level of risk of the country does, as the higher values of the pseudo-R2 demonstrate.

Our results reconfirm the analyses of Porter (1990), regarding developing countries as target destinations. These results are quite understandable when we consider the difficulty experienced in achieving management contracts in European countries where, supposedly, the required management skills for the administration of a hotel are more abundant.

On another aspect, the results obtained for the Spanish hotel industry show another important determining factor in the choice of an entry mode between the two different types of hotels, (the holiday resort or the business hotel), which would not have been expected at first glance. Indeed, the results that Contractor and Kundu (1998a) obtain for the international hotel industry, and contrary to what was expected, confirm that in high-income societies entry modes based on franchises and management contracts are relatively more important, the risk variable indicating the same conclusions as it does in our study. Therefore, the frequently quoted study indicates that international hotel companies with

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22 We must underline the scarce relationship between the uncertainty of the environment due to considerable cultural distance and the uncertainty of operating in risky destinations, which is confirmed by the values of the covariances of the two variables of barely 0.02.

23 The author suggests that infrastructure is a less important factor in attracting FDI to the developed countries than it is for the developing countries.

24 This general problem is even worse in the case of the Spanish hotel chains, as, according to their own executives, their positioning and prestige is basically tourist oriented.
principally urban-based hotels tend to adopt indirect investment entry modes in high-risk environments with higher levels of development, as measured through the PIB/pc\textsuperscript{25}.

The results of our study, confirm the statements of Dunning and McQueen (1981) and Gannon and Johnson (1997) for the hotel industry and those of Young et al., (1989) for internationalisation of firms, in the sense that it is more frequent to find direct investments in highly competitive markets that have a stronger autochthonous industry, characterized by a higher GDPpc and a greater FDI/GDP ratio, this latter aspect (H4) also having an influence on the Spanish hotel industry\textsuperscript{26}. Indeed the FDI/GDP ratio has a certain degree of significance in our model (p < 0.05) when we include GDP as an explanatory variable\textsuperscript{27} or when we do not take the hotels managed under lease contracts into account. We discard one of the reasonings most generically applied to the importance of GDPpc and that of the FDI/GDP ratio in the internationalisation of firms, which relates the level of a country’s development with the size of the market, and the presence of foreign investments with supplies to other companies, as this question does not apply to the internationalisation of the Spanish hotel industry. Intuition suggests, therefore, a certain amount of caution regarding foreign investment, influenced by the example of other foreign companies, when the firm considers countries with a high flow of FDI as being surer\textsuperscript{28}.

3.3.- The role played by the company’s size (H5 and H9)

Regarding the variable of the company’s size (H5) as an explanatory factor in the choice of a mode for entry into foreign markets, it has very little significance the results of Regression A, but increases in significance (p < 0.10) when establishments run under lease contracts are considered (Regression B), having the sign of the expected hypothesis. As such, it seems to moderately confirm, that the smaller Spanish hotel companies with fewer resources tend to prefer sharing the control of their foreign-based facilities, just as is seen in the case of the worldwide hotel industry.

\textsuperscript{25} The authors justify this apparent contradiction with the consideration that the returns on direct investments is considerably higher in the developing countries than it is in the richer countries.

\textsuperscript{26} Note that the significance of the level of economic development of the country and of the proportion of direct investment that appear as decisive elements in the choice of an entrance model disappear when we include the hotels on lease. This suggests the need for further analysis focused on leasing of property as a form of international expansion for the hotel industry.

\textsuperscript{27} We should emphasise that, although the significance of the variable FDI/GDP is conditioned by the inclusion of the variable GDP in the model, these measures do not show any multicolinealreality, which means that a high ratio of FDI/GDP does not imply a low GDPpc.

\textsuperscript{28} It is probably merely coincidental, in the case of certain developing countries like Mexico or the Dominican Republic, where the investments of the Spanish hotel industry are considerable, that it coincides with the opening up of these countries to FDI before the liberalization of wider sectors of their economies.
Nevertheless, as we had expected, the opinion that the managers have of a company’s size (H9) as strategic variable in the global operations of a hotel, appears with negative sign as an explanatory variable of an entry mode choice ($p < 0.001$), so that the more important it is for long- and medium-term objectives, the more they opt for dynamic growth through indirect investment, which reduces the volume of resources required for their expansion.

At least two questions arise from this sort of rationale require later analysis. In the first place, and relating our explanation to the importance placed on a company’s size, the larger the multinational company is, the more efficient a contracts growth strategy seems to be, as the tendency towards franchises demonstrates. In second place, we must not forget that, although asset growth requires greater resources, larger profits are also obtained with this strategy, which could facilitate a more dynamic company growth. This, however, is not directly applicable to the hotel companies that act merely as a “know-how” agents, which leads us to the intuition that other variables that have not been included in the model, such as the general orientation of the parent company, exert an external influence on the model.

3.4.- The image of the Trade Name (H11) and Quality Control (H13): Recognition of the Trade Name.

The sign that appears for the importance that the executives perceive of the image of a company’s trade name also seems contrary to the results obtained for the worldwide hotel industry and contrary to the expected hypothesis. Indeed, according to our results, the variable Pima (H11) is significant ($p < 0.001$), with a positive sign, in all of the adjustments carried out. This indicates that the greater the perceived importance of the image of the company’s trade name is, the less probable it is that the company will expand through franchises. We may well find ourselves up against an apparently incongruent result here, since it would be natural to expect that the greater the perceived importance of the trade name is, the greater the tendency towards franchises would also be. This unexpected result may well be rooted in the insecurity of the Spanish hotel industry regarding the transfer of its specialized management skills to third parties, which would be in keeping with the rationale previously expressed. Our results, however, agree with other studies that analyse the foreign expansion modes employed by service industries (Fladmoe-Lindquist and Jacque, 1995), which state that, in order to reduce the risk
that the foreign supplier might enjoy the benefits of the company’s good name without achieving its universally established standards of quality, they tend to adopt expansion modes that allow them to maintain an ample control over the local agent, and all the more so, the greater the importance it places on the image of its trade name.

We, nevertheless, deduce that the current positioning of the Spanish trade name does not reduce the problem of bounded rationality and the risk of a partners’ opportunism, and indicates the need to invest more heavily in their trade names. Indeed, the lack of a strong positioning is one of the more common deficiencies among the Spanish hotel chains, that no doubt hinder the generation of strategic value in the hotel’s name, and this holds for the entire industry.

To sum up, the best way for the Spanish hotel sector to maintain the prestige of their image and their trade names, (and the greater the importance given to the name, the more urgent this measure is), would be to adopt formulas that imply a greater investment of resources and a more direct supervision of their standards. Fundamentally, because of the initial phases in which the recognition of their trade names is, since, when the positioning of the trade name is strong, short-term gains may be obtained at the expense of long-term benefits (Gatignon and Anderson, 1986). The companies will control their foreign activities to protect their trade name from degradation by the so-called free-riders (Davidson, 1982) or to prevent the agents from making use of their trade mark in an inconsistent way, diluting or confusing the international position of the name. Caves (1982) highlights the dangers inherent in a local partner, who has less to lose in degrading a trade name than the investing firm has, and it is evident that the companies demand higher control levels when the standardisation of the product design, the style, the quality and the trade mark are part of the strategy of the parent company. Quality control becomes a critical aspect (H10) whenever the strategy depends on ensuring the good reputation and the survival of the company. This statement agrees with the results we obtain for the variable of the perceived importance of quality control (H10) for the Spanish hotel sector, which is directly and significantly related (p < 0.001) to the dependent variable. The Spanish hotel industry seems to fulfil the postulates of Hennart

29 In our opinion, this danger is greater for the holiday hotel sector than for the urban ones because the lowering of standards or quality in a hotel franchisee in Rome or New York, for example, does not imply that the establishment will not continue being profitable during the high season. With certain caution, therefore, one can state that their location in large capital cities around the globe afford the urban hotel chains a captive patronage within its target market, which is not so in the case of the holiday resort hotels, which have a high risk of substitution, especially when they are marketed exclusively under the current formula, in which the tourist travels more to the hotel than to the destination itself.
(1991) who states that “the choice between a franchise or direct investment of resources depends on the comparison between two different sorts of costs: that of supervising the efforts of the local employees and that of specifying and reinforcing the minimum level of quality stipulated in the contract” (p. 89). When it is difficult to specify the exact standard of quality and there is not sufficient quality control to give third parties the management of the know-how, the firm tends to operate directly, generating higher costs in the pursuit of the correct use of the transferred knowledge (Young et al., 1989), which is the main barrier that threatens the growth of the Spanish hotel industry through franchises.

4.- CONCLUSIONS

Several results are obtained on the entry modes commonly chosen for expansion into foreign markets from the logistical analysis carried out:

1.-THE SYNCRETIC THEORY AS A POSSIBLE EXPLANATION FOR THE CHOICE OF AN ENTRY MODE.

In the first place, it has been shown that not only the characteristics of the host country, but also various factors related to the structure and the strategic objectives of a company, are all determining factors in the choice of an entry mode, thus confirming the applicability of the so-called syncretic theory in the case of the Spanish hotel industry, although with certain adaptations to the specific peculiarities of this branch of the industry. We must also emphasise the importance of the relationship that the company has with its environment (from the perspective of the formation of networks) and the possible conception that the company has regarding their real state assets in deciding on an entry mode for a foreign market. Indeed, and in agreement with Coviello and McAuley (1999), based on the first works by Johanson and Vahnele, to get a clear understanding of the internationalisation process, the entry mode must be understood as a gradual process that results from the interacting, cultivating and maintaining of relationships over time.

2.- PECULIARITIES OF THE SPANISH HOTEL INDUSTRY.

It has also been shown that the main features that differentiate the entry modes chosen by the Spanish hotel industry from those of the global international industry are, for one thing, their different

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30 Indeed, during the interviews we discovered that some of the entries made in collaboration with other companies are done through personal contacts between the people who make the expansion decisions within the Spanish hotel chains, and private investors, either local or foreign, or with government agents from the countries concerned. This verifies that the role played by
stages of internationalisation and, for another, the Spanish hotels orientation is almost exclusively towards holiday resorts. Indeed, while the few analyses done on the worldwide hotel industry are focused on companies that manage an average of over ten thousand rooms abroad each, the Spanish hotel industry averages no more than four thousand rooms per chain. Furthermore, 42% of the Spanish chains are still in the early phases of internationalisation, the largest operating a maximum of two hotels abroad each. Their lower level of internationalisation is further accentuated by the total number of countries in which they operate. Whilst most of the other international chains are relatively more dispersed, the Spanish hotel industry tends to be located exclusively in holiday centres, which results in differences in their international experiences as well as in the way they organise their knowledge, all of which influences their choice of entry mode for foreign expansion.

3.- SECURITY AND TRUST IN THE TARGETED ENVIRONMENT IS REQUIRED FOR DIRECT INVESTMENT.

In summary, we have demonstrated that the Spanish hotel industry tends to commit itself to a greater investment of resources and, therefore, to enjoy a greater control over its international facilities in:

a) Areas that are culturally different, given the difficulty in appropriately evaluating the behaviour of their partners \textit{ceteris paribus}.

b) Countries that do not represent any high political, economic or financial risk, since the FDI is hardly flexible and requires a high volume of resources, \textit{ceteris paribus}.

c) Destinations with a high GDPpc and FDI/PIB as proxy variable of the infrastructure of the country and of the security of the direct investment, \textit{ceteris paribus} (without forgetting that it is more difficultly for Spanish multinational firms to achieve management contracts in the European countries).

4.- THE SPANISH HOTEL INDUSTRY’S LACK OF CODED ASSETS.

The Spanish hotel industry, in contrast to the global international industry, maintains a strong dose of tacit knowledge in its know-how and lacks of coded strategic assets. This is due mainly to their holiday-resort orientation and their relatively recent international experience, which causes difficulties
not only in the definition of the standards to be followed, but also due to the total dependence of the industry on foreign tour agents in distributing and marketing their products. It all contributes to the difficulty experienced in the transmission of knowledge to third parties through contracts, which we can only expect will decrease as the industry not only consolidates its international expansion but also applies the new technology aimed at information and marketing, and exploits Spain’s potential as a source of holiday-makers. These considerations lead us to refute the statement expressed in Contractor and Kundu (1998a) that the co-operative operations seen within the hotel sector suggest that the failures of the market are not common and to reaffirm that the transaction-cost theory certainly applies in the case of the Spanish hotel industry.

5.- THE NEED TO STRENGTHEN THE IMAGE OF THEIR TRADE NAMES.

We have seen the need for the great majority of chains hotel Spaniards to consolidate the current phase of their international expansion, endowing the image of their trade names with more strategic value, and the need to codify, to mature and to structure their technical management knowledge in a way that allows them to develop a system of effective quality control and auditing for their service activities which would facilitate their transfer to third parties. Therefore, as the international expansion of the sector becomes more consolidated and the image of their trade names become more prestigious, we can expect an increase in their use of franchises (McGuffie, 1996). The resources that are invested today in achieving such goals are crucial, since, when the cyclical evolution of the hotel industry has difficulties in obtaining capital to finance its growth, the companies that are not able to adapt to the new situation will find that its international positioning is in danger. In this regard, we should evaluate the investment strategies employed by the hotel companies and aimed at promoting their trade names among the target market and not to trust in the publicity done exclusively by tour operators.

6.- COMPANY STRATEGY AS A DECISIVE ELEMENT IN THE ENTRY MODE CHOICE.

On one hand, it has been shown that the global strategies of a company, as a complement to the transaction-cost theory, play an important role in the choice of an entry mode, so that if the company places more importance on its size it will opt for indirect investment modes. In this sense, it is necessary to differentiate between companies that are merely management agents and those who combine both
activities, management and ownership. It should be remembered that, in the hotel industry, some of the FDI in hotels are aimed more at the benefits that may be derived from the appreciation in the value of the real state property than at the income obtained from the administration of the property (Davé, 1984; Kundu, 1994; Dunning and McQueen, 1982a). It is therefore possible that the existence of companies who consider their activities as agents as a function of their real state speculation may prompt them to search for shareholder partners. On the other hand, there is another group the Spanish hotel companies who act exclusively as management agents and do not seem to be interested in investing in property, either because they lack sufficient experience in the administration of real state property, so that they do not wish to run such risks, or because such an expansion would be reduced by the need to indebt themselves with such high amounts of capital, which would confirm the hypotheses of Dunning and McQueen (1982b). It is, perhaps, these companies who act merely as services exporters who more urgently need to improve the strategic value of their trade names to ensure that they maintain and improve their positioning in the international market.

7.- THE “U” FORM OF THE RELATIONSHIP BETWEEN THE DESIRE TO CONTROL AND INTERNATIONAL EXPERIENCE.

Although our analyses confirm that internationalisation is a gradual process, agreeing with Johanson and Vählne, the behaviour observed within the Spanish hotel industry forces us to distinguish between its different modes of application, depending on the stage of the company’s internationalisation process. This also verifies the studies on service companies published by Erramilli (1991), in the sense that the relationship between the parent company’s desire to control and its international experience can be visualised in the form of a “U”. As such, and considering that the Spanish hotel industry is, today, in a less advanced phase of the process than the average international hotel chain is, this “U” relationship means that they are still in the negative slope of the curve (point A) (without ignoring that some of the Spanish companies have indeed surpassed this point of inflection). In fact, the studies on the international hotel industry done by Contractor and Kundu (1998a) show that, in global terms, the industry has arrived at a phase of consolidation in its international expansion that positions it on the positive side (point B) of the curve (Figure 2).
Our conclusions lead us to suggest that in later analyses of the internationalisation of the Spanish hotel companies, when the industry will have acquired greater international experience and trade mark positioning, the sign and the significance of the determining variables should vary, as corresponds to the dynamic processes like internationalisation of managerial skills (Johanson and Vanlhe, 1977; Erramilli, 1991). It would certainly mean that the consolidation of the internationalisation process has been achieved by a greater number of Spanish hotel chains.

5.- Bibliography


