ENTRY MODES IN THE INTERNATIONALISATION OF THE SPANISH HOTEL INDUSTRY. AN EMPIRICAL APPROACH

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SUMMARY:

This study analyses the process of internationalisation of the Spanish hotel sector. On the basis of a sample of 402 hotels corresponding to 22 chains, we try to identify the factors influencing the determination of the form of incorporation of each new hotel (franchise, management contract, shared ownership or full ownership). Among factors relating to the destination country we consider the country risk, cultural distance and market potential. Among factors relating to the organisational capabilities of the internationalised firm we consider its size, international experience and possession of certain intangible assets, competences and skills.

Key Words: Hotel chains, internationalisation, modes of entry.

ENTRY MODES IN THE INTERNATIONALISATION OF THE SPANISH HOTEL INDUSTRY. AN EMPIRICAL APPROACH

1. Introduction

The choice of mode of entry into a foreign market is one of the most critical strategic decisions faced by a firm, as it will exert great influence over its future business success (Young et. al., 1989). In principle, there are three generic ways to serve foreign markets: to export, to grant licences or to make one's own direct investments. Each of these options implies differences in the degree of control that the firm can exercise over the foreign operation, the resources it must commit and the profits it could potentially obtain (Root, 1987; Buckley, 1995). In this sense, we observe that as the degree of control exercised by the firm over the foreign operation increases, the risk assumed is greater due to the increased responsibility in decision making and to the greater commitment of resources and, therefore, the medium term profits also tend to be greater. In the opposite direction, the methods that imply a low level of control minimise the risk assumed, but often at the expense of the medium term profits.

The study that we present centres specifically on the analysis of the modes of entry used by the Spanish hotel industry. The hotel sector is especially interesting for this type of studies because: a) given its high degree of client-supplier interaction, internationalisation necessarily implies a physical presence in the destination country, b) the sector's modes of entry cover a wide spectrum of possibilities (management contracts, franchises, joint ventures, wholly owned subsidiaries, acquisitions) and c) cooperative modes of entry are of equal or greater importance than those involving full ownership.

Adopting the perspective of the hotel chain that is being internationalised, the central question that we try to answer is: "What mode will the firm choose when it considers offering a hotel service in a particular foreign location?" The article suggests that this choice is influenced by a series of factors related to the conditions of the transaction and to the specific capabilities of the firm.

This study, additionally, offers empirical evidence of the internationalisation of the Spanish hotel sector, a highly significant phenomenon in recent years, marked by implantation in Latin America, but which has not been analysed by Spanish researchers in the depth that it deserves. Advancing this knowledge implies offering evidence on one of the few Spanish sectors that are competitive at global level. Therefore, according to the issues of the competitive advantage of nations (Porter, 1990), we would have to show that the specific conditions of the country of origin have a certain multiplier effect on the competitive advantages of these firms at an international level. The data of the WTO (2000), corresponding to 1999, bear witness to the experience of the Spanish tourism sector, which has consolidated itself as the second destination worldwide with 52 million tourists and growth of 8.8%, much higher than the average annual increase of 3.2%. In this context, the hotel chains are configured as the main movers and protagonists of the internationalisation of Spanish tourism firms, in a process starting in the late 1980s, and accelerating in recent years in response to the phenomena of horizontal and vertical integration that have been taking place in world tourism.

The article is structured as follows. In the second point we define the classification of the modes of entry used by the hotel industry. The third section reviews the theories most relevant to explaining the choice of entry mode and proposes a series of test hypotheses. The next section describes the methodology used in the empirical study, followed by the statistical analysis and discussion of the results. The last section reflects the principal conclusions obtained and suggests new fields of study in the sector.

2. Modes of entry in the hotel industry

The criterion used to classify the modes of entry in the hotel sector has been the degree of control exercised over the foreign operation. This control operates over four aspects: a) the daily running of the hotel, b) the physical assets, c) the organizational routines and tacit elements of the firm, and d) the codified assets (e.g. the brand or the booking system). Depending on the form of entry used, the responsibility for controlling the above elements will fall on the international hotel company or on the hotel in the destination country (Contractor and Kundu, 1997). In this sense, the different options fall into three groups: a) forms involving direct investment with total control (acquisitions and newly created subsidiaries), b) forms involving direct investment but with shared control and c) forms not involving contribution of capital (management contracts and franchises) (Buckley, 1995; Kumar and Subramanian, 1997).

In *direct investments involving 100% control* of the foreign operation (newly created subsidiaries and acquisitions[1]), the hotel company retains exclusive control over the four aspects mentioned above, while in *cooperative direct investments* (joint ventures) this exclusive control is only over the codified assets, but normally other aspects are shared with the partner.

In *management contracts* the chains are responsible for the operation of the hotel, they implant their systems, procedures and brand, appoint the hotel manager and impose their human resources and quality policies. The hotel is managed as if it were owned by the chain. The only aspect of control that varies relative to joint ventures is that exercised over physical assets which, in this case, is in the hands of the owner of the hotel without participation from the hotel chain. Finally, in *franchise contracts* the chain concedes its brand to the hotel and includes it in its system of commercialisation, marketing and quality control; the chain does

[1] In this study, we analyse partial acquisitions as if they were joint ventures, as the control over the foreign operation is shared. This same argument was used by Chang and Rosenzweig (2001), among others.

not manage the hotel, which retains control over everyday operations and over the physical assets in the hotel. The chain only reserves to itself the control over codified assets, while control over tacit assets is shared with the hotel. The next figure reflects this rationale, which will be used in the empirical part to define the dependent variable.

Fig. 1: Form of entry and type of control exercised by the hotel chain

	Forms of entry			
Type of control	**FDI (total ownership)**	**FDI (shared ownership)**	**Management contracts**	**Franchise contracts**
Strong control	a, b, c, d	d	d	d
Weak control		a, b, c	a, c	c
No control			b	a, b

a: control over everyday running of the hotel, b: control over physical assets

c: control over organisational routines / tacit elements of the firm, d: control over codified assets

Source: Contractor and Kundu (1997)

3. Review of theories, determining factors and hypotheses

There are basically two theories relevant to the explanation of the choice of modes of entry: the theory of internalisation (Buckley and Casson, 1976; 1988; Anderson and Gatignon, 1986) and the theory of organizational capabilities (Chandler, 1992; Kogut and Zander, 1993, Madhok, 1997). Although both theories provide complementary explanations when determining the choice of mode of entry, the basic interest of the theory of internalisation lies in analysing the problems relating to opportunism, limited rationality and transaction costs in bilateral negotiations, while the theory based on organizational capabilities is relevant for understanding what skills and resources are necessary to adopt certain decisions relating to the choice of mode of entry.

The theory of internalisation analyses which mode of entry minimises the transaction costs associated with the exploitation of a competitive advantage in a foreign market. In this sense, the firm will opt for the modes involving a greater degree of control when the markets in which the firm's competitive advantages can be negotiated do not function correctly, and it is therefore necessary to incur high transaction costs to guard against improper use of them in the event of a possible exchange with another firm (licence or joint enterprise) (Buckley and Casson, 1976, Dunning, 1988).

From the perspective of the theory of organizational capabilities, when the assets or processes capable of being exploited internationally are based on "know-how" with a high tacit component, such as management or marketing skills, investment in wholly owned subsidiaries will tend to predominate, as such assets are very difficult to transfer, on occasions, without transferring the team itself or the whole organisation. This argument justifies the efficiency of the firm in transmitting such knowledge to its subsidiaries at lower cost than to an outside organisation; and also that this knowledge becomes a platform facilitating the firm's growth and future expansion, being so new and difficult to imitate (Kogut and Zander, 1993). With this argument, we observe that the historical dimension of the firm is critical, as these past experiences generate the routines that form the basis for carrying out future actions; hence the organizational capabilities generate competitive advantages, but also certain restrictions (Madhok, 1997).

On the basis of these two generic theoretical perspectives, the different empirical studies have tried to determine the influence on the choice of mode of entry of a series of factors related to the specific conditions of the transaction and to the firm's organizational capabilities.

We believe that the factors selected below are the most significant in the hotel sector. The relationships posited should at all events be understood "*ceteris paribus*", i.e. the effect on mode of entry would be that prescribed in the relationship considering exclusively the influence of the independent variable in question.

Factors relating to the specific conditions of the transaction

Country Risk

Firms that operate in international environments face a series of circumstances related to the situation of the destination country (political instability, risk of expropriation, risk of convertibility of the currency, etc.). When these risks are high, the firm will seek positions in which it will be easy to abandon the country without substantial losses (Kim and Hwang, 1992). On the basis of this premise, it will be preferable to operate through licences or joint ventures rather than through investments involving full ownership because a) the amount invested will, in general terms, be less, and b) the flexibility for abandoning the market will be greater. As pointed out by Buckley and Casson (1996) volatility makes internalisation of transactions within the firm through wholly-owned subsidiaries less attractive. Therefore:

H1: Modes of entry involving a higher degree of control and commitment will be negatively associated with country risk.

Cultural Distance

The cultural distance perceived between the country of origin and the destination country has been one of the variables that has received most attention in the choice of mode of entry (Johanson and Vahlne, 1977; 1990). However, the different studies give uneven results. Following the first studies by the Uppsala school (Johanson and Vahlne, 1977), a whole series of studies were produced (Luostarinen, 1979; Davidson, 1980; Kogut and Singh, 1988; Kim and Hwang, 1992) showing how licences and joint ventures are favoured over the creation of subsidiaries in those situations where the psychological distance is greater. In these circumstances the managers of the investing firm are not familiar with the business practices, the culture, the economic system, etc., and therefore, the acquisition of the level of information needed to avoid making mistakes would mean incurring high costs which, in part, can be mitigated if some kind of agreement is reached with a local firm.

Other authors affirm that in the face of differing cultures it is more efficient to impose one's own methods of operation, due to the difficulties of training local agents and transferring the firm's *know-how* (Gatignon and Anderson, 1986). This is especially relevant in the case of firms that perform services (Erramilli and Rao, 1990; Anderson and Coughan, 1987). The internalisation of the foreign operation through modes of entry involving a high degree of control will ensure that the service will be performed in accordance with the standards required by the parent company, which, after all, is the "differentiating" advantage that enables it to be competitive with local firms (Hymer, 1976). In the case of the hotel industry, therefore, we define the hypothesis positively:

H2: Modes of entry involving a higher degree of control and commitment will be positively associated with the increase of cultural distance.

<u>Market Potential</u>

The size of market has been associated with the use of modes of entry that imply a greater degree of commitment and control, by both the internalisation theorists (Buckley and Casson, 1981), and the more classical studies relating to the life cycle of the product (Vernon, 1966). The possibility of achieving an adequate volume of sales when the market is in a phase of growth, permits the firm to amortise rapidly the fixed costs of operating with methods that involve high investment. In this sense:

H3: Modes of entry involving a higher degree of control and commitment will be positively associated with greater market potential.

<u>Factors relating to the firm's organizational capabilities</u>

<u>Size</u>

The creation of owned subsidiaries abroad is the riskiest option and the one that commits the greatest volume of resources and, therefore, will be within reach of firms whose size gives them the capacity necessary to withstand these levels of commitment (Agarwal and

Ramaswami, 1992). The resources needed to make these investments can be obtained internally through the firm's own *cash-flow*, or externally, from the financial markets. However, in countries like Spain, where the financial system is dominated by the big banks, it is much more difficult for small firms to obtain such levels of finance (Campa and Guillén, 1999). Furthermore, international activities require the consumption of many resources to obtain information and in using the time and talent of the managers, assets that are not always within the reach of small firms. Therefore, the limitation faced by small firms with regard to the availability of financial resources and managers implies the need for them to use methods based on the minimisation of risk and commitment. The studies by Stopford and Wells (1972); Gomes-Casseres (1985), Kogut and Singh (1988) and Agarwal and Ramaswami (1992) give evidence of this relation. Therefore:

H4: Modes of entry involving a higher degree of control and commitment will be positively associated with larger size of firm.

International Experience

The most classical literature suggests a positive relation between international experience and the adoption of modes of entry with a higher degree of control. Internationalisation implies entry into a complex environment where the firm has to deal with several factors, some of them different to those of the country of origin. Therefore the lack of knowledge about these markets is an important obstacle to developing operations (Johanson and Wiedershein-Paul, 1975; Johanson and Vahlne, 1977). The inexpert investor may make wrong decisions in relation to the location of the plant, the adaptation of products and services to local conditions, the management of relationships with workers, customers, local banks, etc. In this sense, firms prefer to start their international activity with methods of entry that imply a low level of commitment and to add methods involving higher levels of commitment and control step by step, as the international experience increases, and as the firm learns about the conditions of its local environment (Eriksson et. al. 1997).

Nevertheless, some studies suggest the opposite relationship (Gatignon and Anderson, 1986), arguing that in the early stages of internationalisation, the managers of multinationals have a very ethnocentric mentality, so they want to retain the maximum control over the foreign operation through the use of expatriates and majority shareholdings. Firms with more international experience tend to have a more polycentric attitude, and therefore present higher levels of trust in their possible local partners.

This controversy seems to be settled by Erramilli (1991). When the different stages of international development are introduced as a distinctive element, a U-shaped relationship can be suggested between experience and the desire for control. The growing experience in the early stages of internationalisation will lead to greater acceptance of cooperative modes of entry (shared control). However, in the more advanced stages of international growth, experience increases the firm's levels of trust and activates the need to control all the risk and profit, and in consequence, to direct the international operations independently. According to this argument:

H5: The relationship between the modes of entry involving a higher degree of control and commitment, and international experience, will adopt a U shape form.

Intangible Assets, Competences and Skills

When the development of the foreign operation includes a large component of intangibility and skills specific to the firm, it tends to choose modes of entry that imply a high level of control (Buckley and Casson, 1976, Kogut and Zander, 1993; Hill et al., 1990). In the hotel industry this variable is very important, as the competitive advantages of the hotel chains often rest on a whole series of services accessory to the basic one, with a high intangible and specific component. This control will prevent these competitive advantages being exploited by third parties (protection against opportunistic behaviour by partners or licensees), or ensure that the operation develops in accordance with the standards demanded by the parent company (protection against the local partner's incapacity to execute correctly the routines and procedures required). Therefore:

H6: Modes of entry involving a higher degree of control and commitment will be positively associated with a higher degree of intangibility/specificity of the service performed by the firm.

4. Methodology

Sample and data gathering

The population studied consisted of the Spanish hotel chains that possessed/ managed at least one hotel establishment abroad up to the end of 1999. Following the same methodology as other studies of the sector (Dunning and Kundu, 1995; Contractor and Kundu, 1997) we do not consider those hotels associated with Spanish hotel reservation centres, and do include all operations involving transfer abroad of hotel *know-how*.

The Spanish hotel chains that were international in 1999 were identified from the initial information supplied by the Government Agency of Tourism. Once the chains had been identified, the data base was constructed by seeking each particular operation in secondary sources, fundamentally the journal EDITUR (which reports practically all movements in the industry), complemented by a diversity of information appearing in the economic press (Expansión, Cinco Días, El País, Actualidad Económica, etc.). This information allows us to identify the characteristics related to each operation (mode of entry, country, year, number of stars and rooms, type of hotel, etc.). The period analysed runs from the first international operation carried out in 1985 (Melia-Bali) to late 1999, and covers a total of 402 hotels.

The information relating to hotel chains was obtained through the Hostelmarket yearbook, company reports, and the SABI and Duns 50.000 databases.

Despite the sector's extraordinary dynamism in recent years, our data base does not differ substantially with regard to number of hotels and countries from the official statistics presented by the Association of Spanish Hotel Chains. The table below shows the chains that entered into the study, the number of hotels and rooms that they manage abroad and the number of countries where they are present.

Table 2: Hotel chains included in the study

Hotel chain	Nº hotels abroad	Nº rooms abroad	Nº of countries
Barceló	46	9198	13
Best Hoteles	3	1630	1
Blau Hoteles	3	1150	2
Bahia Príncipe	2	1750	2
Confortel	9	1257	1
Cotursa	1	400	1
Catalonia	1	711	1
Fiesta Hoteles	4	1971	1
Globales	1	102	1
Guitard	3	230	1
Hoteles 10	1	630	1
Hoteles C	5	-	2
Hesperia	6	1102	1
Hotetur	9	1385	3
Iberoestar	16	8214	5
NH	13	1745	5
Occidental Hoteles	32	5112	11
Partner-hoteles	2	215	1
Riu	35	8000	9
Serhs	2	950	2
Sol-Melia	201	39580	35
Tryp	23	3555	6

Source: own database

Measurement of the dependent variable

The dependent variable is the mode of entry used in each operation. According to the theoretical arguments made in section 2, this variable is a polytomous ordinal measurement that implies higher levels of control over the foreign operation as its level increases. In this sense, the order of the different categories is relevant. The following table reflects the number of cases for each of the options.

Table 3: Dependent Variable: modes of entry

	Franchise	Management contract	Shared ownership	Total ownership
N	32	206	54	110
%	8	51,2	13,4	27,4

Measurements of independent variables

The most influential factors in the decision to enter, obtained from the literature review, have been measured as follows:

Country Risk (CRISK)

We have used the index of country risk provided by the journal Euromoney. It is one of the indices most used at European level. This index includes three categories: analytical indicators (40%), credit indicators (20%) and market indicators (40%). Its scale varies from 0 to 100 points.

Cultural Distance (CULD)

The cultural distance has been measured using the index developed by Kogut and Singh (1988) on the basis of the cultural indicators derived from the studies by Hofstede (1980, 1993). Therefore, we calculate for each of the four dimensions (distance from power, aversion to risk, collectivism and masculinity) the deviation existing between the country in question and Spain[2]. However, for some countries we do not have these indicators, and we have therefore used approximations following similar criteria to Erramilli (1991). Thus, for Tunis and Morocco we have used the indicators for Egypt, in Cuba and the Dominican Republic those for Costa Rica, in Puerto Rico those of Panama, in Nicaragua those of El Salvador, in Cyprus the mean of the values of Greece and Turkey, and finally, in Vietnam the mean of the indicators of Malaysia, Indonesia and Thailand.

Market Potential (MKET)

As an approximation to the market potential of the hotel chains we have used the average revenue from tourism in the country in question during the period 1995 to 1999. These data were obtained from the WTO (2000).

Size (SIZE)

The size of firm is measured by the average of the sales of the hotel chain for the last three years. These data were obtained through the SABI and Duns 50,000 databases.

International Experience (IEXP)

This variable measures the chain's international experience at the time of the particular entry operation. This is calculated from the difference between the year of entry and the year of the firm's first international activity. Alternatively we have constructed an index that measures the degree of internationalisation of the chain (DINT). This index is calculated by dividing the number of rooms abroad by the total number of rooms controlled by the chain. The use of two different variables as indicators of international experience is justified by the fact that we want to verify the consistency of the U-shaped relationship in different variables.

Intangible Assets, competence and skills (ASSET)

[2] The index was calculated as follows: DCULij: $\sum(Ih\text{-}Ihj)^2$ / Vh)/4, where Ih, h: 1,2,3,4 are each one of the dimensions of Hofstede, and Vh is the variance of the i-th index.

As an indicator that can approximate the concept that we are trying to measure (the extent to which the services performed are a differentiating factor) we have used the number of stars of the hotel in question.

Control Variable (TYPE)

The type of hotel (vacational or urban) is introduced as a control variable, so as to verify whether there is some kind of relation with the dependent variable.

5. Statistical analysis and discussion of results

As the dependent variable is ordinal, the analysis used to verify the effect of the independent variables on the dependent variable is the logistical ordinal regression. The model examines the sign of the regression coefficients of the statistically significant variables. A positive coefficient means that the independent variable increases the probability of using entry modes with a higher degree of control, whereas a negative coefficient implies the opposite. Before applying the model, the correlation matrix was analysed.

Table 4: Correlation Matrix

	CRISK	CULD	MKET	SIZE	IEXP	DINT	ASSET	MODE
CRISK	1							
CULD	-0,22**	1						
MKET	0,60**	0,14**	1					
SIZE	0,11**	-0,19**	0,00	1				
IEXP	0,16**	-0,18**	0,39	0,23**	1			
DINT	-0,12	0,11**	0,05	0,30**	0,41**	1		
ASSET	-0,18**	0,27**	-0,10**	-0,00	-0,10**	-0,06	1	
MODE	0,01	0,14**	0,14	0,00	-0,25**	-0,14**	0,26**	1

** p<0,01

As we can observe, the variables CRISK - MKET and the variables IEXP - DINT present positive correlations (0,6 and 0,41) that could affect the regression analysis. For this reason, we will try to control for these possible effects, by introducing different models. Thus, in models 1, 2 and 3 we use as an indicator of international experience the number of years operating abroad, and we control for the effects of CRISK and MKET. In models 4, 5 and 6 we introduce the effect of the variable "degree of internationalisation of the firm". In this way, we can verify the consistency of the results obtained in the different models.

Table 5: Logistic ordinal regression models

VARIABLE	MOD 1	MOD 2	MOD 3	MOD 4	MOD 5	MOD 6
	B (p)	*B (p)*	*B (p)*	*B (p)*	*B (p)*	*B (p)*
CRISK	0,015**		0,0006		0,015**	
MKET		0,00034**	0,00024**	0,00031***		0,00034***
CULD	0,45**	0,45**	0,508**	0,585***	0,55**	0,46***
SIZE	8,1e-10*	8,1e-10*	8,1e-10*	3,0e-10*	5,0e-10	9,30e-10*
IEXP	-0,35***	-0,35***	-0,35***			-036***
IXPI^2	0,014***	0,014***	0,014***			0,015**
DINT				-11,78**	-8,99**	1,64
DINT^2				10,50**	7,35**	-2,41
ASSET	0,84***	1,05***	1,05***	0,90***	0,79***	1,05***
TYPE						
Vac.	-0,35	-0,01	-0,08	-0,27	-0,47	-0,55
Urb.						
chi^2	81,42***	109,49***	110,1***	75,94***	53,17***	107,64***
Pseudo R^2	0,207	0,274	0,275	0,20	0,14	0,272
-2 log. l.	789,32	765,24	764,6	695,8	736,7	752,41
N	392	385	385	381	388	381

*** P<0,1; ** p< 0,05; *** p<0,001**

We can observe that all the regression models have a highly significant power of explanation.

The control variable "type of hotel" (urban or vacational) is not significant in any of the models, so the choice of mode of entry is not influenced by the different nature of these two sub-sectors. We give below the main results obtained, which allow us to "not reject" any of the hypotheses put forward.

Country Risk and Market Potential (H1 and H3)

If we introduce the variables country risk and market potential separately (models 1 and 2), both variables are significant and of positive sign. The methods that imply a higher degree of control are associated with the least risky countries[3] and with the markets with highest sales potential.

In local environments of high risk, firms prefer to share the investment with local partners or to use modes of entry that have greater flexibility. In environments with low market potential, firms prefer to make marginal investments.

If we introduce the two variables together, the effect of the country risk variable is diluted (possibly by multi-colineality), and market potential prevails as the more explanatory variable, as indicated by the higher value of pseudo-R^2. This relationship may be influenced by the greater difficulty found by Spanish hotel chains in obtaining management contracts or franchising hotels in countries like the United States, France, Germany, Italy, Mexico, etc. (high tourism revenues / low risk levels), where there is strong competition from the big international chains.

Cultural Distance and Intangible Assets, Competences and Skills (H2 and H6)

These variables present a positive and significant association in all the models. Increase in cultural distance and in intangibility/ specificity of the processes implies the use of modes of entry with a higher degree of control.

The sign of these variables is, we believe, heavily influenced by the specific characteristics of the sector. Hotel services present a large intangibility/ specificity component, imbued in the routines, procedures and personnel of the chain. Therefore, in more distant cultures it will be much more difficult to transmit these assets to third parties because of the problems related to the misuse of these assets, the difficulties of controlling them and the possible loss of reputation. This is reinforced when the hotel has a greater number of stars, as the difficulties of transmitting the additional services of this type of hotel increase, with the consequent

[3] The index of risk is measured from 0 to 100, the highest levels corresponding to the most solvent countries (e.g. Luxemburg: 98,90).

increased risk of operations of higher “added value” for the chain and “higher cost” for the customers.

Size (H4)

The size variable is significant in all the models, but its degree of influence seems to be much more moderate than that of the other variables. As in many studies of modes of entry, the smaller firms of the sector present a higher probability of using cooperative methods than larger firms.

International Experience (H5)

The ratio obtained in this variable is important because it confirms for the Spanish hotel sector the evidence obtained by Erramilli (1991) in other service sectors. The negative sign of the variables IEXP and DINT, and the positive sign of their squares, shows the U-shaped relationship prescribed in the theoretical part. The two variables used are statistically significant when introduced into different models. However, when considered together, the variable IEXP seems to be the more suitable.

According to these last results, experience plays a determining role in the choice of mode of entry, but its influence will depend on the stage of international development at which the chain finds itself. The probability of choosing modes of entry that imply greater control is higher when international experience is low, low at moderate levels of international experience, and high again when international experience is very high. This seems to confirm the ethnocentric argument (aversion to risk) in the initial stages of internationalisation, and the maximum exploitation of opportunities in the stages of widest international development.

6. Conclusions

This study shows the influence of certain variables in the choice of the mode of entry into a foreign market. These variables were drawn from the most significant theories in the explanation of the internationalisation of the firm: the theory of internalisation and the theory of resources and capabilities.

The empirical study centred on the Spanish hotel sector because, despite being one of the few Spanish sectors that are competitive at global level, it has received very little attention on the part of researchers into international business. In addition, the hotel sector presents characteristics that differentiate it from other industrial sectors and make it especially interesting for this type of study.

The results obtained show a high level of congruence with the hypotheses derived from the theoretical review. The use of modes of entry that imply greater control of the foreign operation is associated with:

- Low risk environments.
- Markets with high potential.
- More distant Cultures.
- Greater specificity of assets.
- Very low and very high levels of international experience.

This study could be complemented by obtaining information directly from the companies, so that we could incorporate variables relating to the strategy of the firm, or to aspects of its internal management. It could also be completed by the inclusion of new modes of entry (e.g. leasing, reservation systems, etc.), new factors, or even making more partial analyses for each of the possibilities of the dependent variable. A final limitation of the article would be the need to relate measurements of performance to the use of certain modes of entry.

Nevertheless, despite these limitations, the conclusions obtained enable us to advance in the knowledge of a reality that has been little explored in the Spanish context. In the academic sphere they can serve as a reference to enrich a field of study that is incipient in our country; in the institutional and business sphere they may favour reflection as to what are the most relevant factors in the choice of mode of entry, and how these requirements are to be met.

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