Competences and Managerial Profile as Drivers of Hotel Internationalization: Implications on Firm's Internationalization Strategy Pattern

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Abstract

Literature indicates that internationalization is a phenomenon influenced by firm specific and environmental factors. However, the international entrepreneurship literature has recently attributed to entrepreneur manager a prominent role in the internationalization decisions. Combining economic and behavioural theories we deliver to international literature an integrated approach adding entrepreneurial principles for explain the Portuguese hotel sector internationalization. Beyond exploring the main internal and external motivational factors that leads to the decision of internationalization and its influence internalization patterns, this study also proposes to investigate the role of the manager facing firm's ownership advantages and international market opportunities. Since the research focuses on understanding and explaining the internationalization process of Portuguese hotel firms, a comprehensive multi-case study was applied as a research method. Evidence shows that stimulus responsible for internationalization were mainly competence based, within a strong managerial push component evidencing the appropriateness of resource based-view and international entrepreneurship as most appropriate theoretical foundations to support the explanation of the initiation of international activities. Concerning the relation between motivational factors and the patterns of internationalization, it was found a clear contribution from economic and behavioural theories evidencing the complementarity between the different theories as a valid and appropriate approach to support the explanation of internationalization phenomena. Several implications can be drawn from the study findings for corporate and public sector. The study further adds to international entrepreneurship literature a new perspective in the sense that the scope of the study goes beyond the creation of international new ventures being its integration with other models a credible approach between scholars. Directions for future research are provided with grounded proposition for further testing.

Keywords: Case Theoretic Approaches, Resource-Based View or Resource-Based Theory Competitive Advantage, Entrepreneurship Business Strategy, Travel and Tourism.

JEL classification: M30, M31

1.Introduction

Literature shows that internationalization is a phenomenon influenced by several factors such as, firm characteristics and environment (Dunning, 1988). More recent studies introduced the firm manager as a strategic actor in the decision on firm's internationalization (Andersson & Florén, 2008; Oviatt & McDougal, 1994). Maseda et al. (2015) and Llorens et al. (2016) evidenced that in small and peripheral economies proactive managers can pull SME's competences to develop and implement firm's expansion strategies.

The present study seeks to extend the knowledge on contemporary international research by adding an entrepreneurial perspective to explain firm's internationalization. According Senik et al. (2010), the explanation of firm's internationalization can be studied through motives. The knowledge of environmental and organizational motivational factors can enable managers to prepare strategies during the process of internationalization (Kubickova et al., 2014). Tupurra

et al. (2008) emphasize the importance of the motivational stimulus and its impact on firm's strategic behavior

2. Study relevance

The future of the Portuguese economy is based on the success of its companies in the international markets (Leite, 2010). Internationalization is an important strategy particularly for companies who are constrained by small markets (O'Gorman and Tierman, 2000). In a peripheral economy where 45% of the 1000 biggest companies are family-owned (Silva, 1997), and small and medium companies are responsible for 80% of the total employment, operating 60% of the gross value added (INE, 2014), the firm's tacit knowledge and managerial expertise (Kruesi et al. 2017) are fundamental for the development of expansion strategies. According the World Travel and Tourism Council (2013), the total contribution of tourism to GDP in 2012 was USD 26.4 billion, corresponding to 15.9% of Portuguese GDP. In this context, the Portuguese hotel firms (PHF's), which represents one of the most important components of the Portuguese tourist industry has been taking over internationalization in recent years as a business development strategy. The fact that 0.2% of the contribution of total international business in Portugal is only in the tourism sector (INE, 2014) is a relevant issue with an immense potential for growth and little explored by PHF's. The hotel industry is the most internationalized sector of world excluding on-line travel agencies (UNCTAD, 2016).

Recent studies on the internationalization of hotel industry mostly cover large hotel firms (Go, 1989; Litteljohn and Bettie, 1992; Contractor and Kundu, 1998a and 1998b; Rodriguez, 2002; Sanchez-Peinado and Pla-Barber 2006, Andreu et al. 2017; Kruesi et al., 2017; Santos et al., 2016; Brida et al., 2016). However, large multinational hotel enterprises are important players in supply for tourists, independent and small hotel company's role in peripheral and small economies should not be neglected (Ruzzier and Konecnik, 2005).

3. Research problem

The literature has rarely adopted an integrated approach to understand why, when and how the firms expand into foreigner markets (Welch and Paavilainen-Mantymaki,2014). To understand internationalization, it is necessary to study the factors that make it happen or at least the main ones (Mejri and Umemoto, 2010). There is a lack of knowledge regarding the factors that drives internationalization (Leonidou, 2005; Tan et al.2007; Kubickova et al, 2014) and there has been little effort to examine its impacts on internationalization strategies (Pett et al. 2004). Welch and Paavilainen-Mantymaki, 2014) emphasized the need of explanatory models to understand firm's expansion patterns. Cuervo-Cazurra (2011) argues that the heterogeneity of firm's knowledge developed in home country results in a variation in a firm's internationalization firm strategy. Child and Hsieh (2014) states that the profile of decision makers is likely to affect the firm's strategic decisions. The significant role played by individual decision makers means that their personal characteristics are highly likely to affect their strategic decisions, including those on internationalization (Hsu, Chen and Cheng, 2013).

The purpose of this study to explain the influence the firm's based competences and manager's profile as motivational stimulus on the PHF's internationalization decision and validate its influence on the internationalization strategy pattern. Thereby we develop a set of propositions from the literature, which be used to explain to what extent these motivational factors are related with strategies that are carried out by PHF's addressing the following research questions:

- 1 Why do PHF's take the decision to enter in international markets.
- 2 How do PHF's develop strategies in their internationalization process.
- 3 How the PHR's internationalization strategies are influenced by motivational factors.

4. Literature review

Resource-based-view

The uses of difficult-to-imitate assets are becoming the key drivers in gaining competitive advantages (Teece et al., 1997). That advantage can be sustained over longer periods of time to the extent that the firm is able to protect against resource imitation, transfer, or substitution. In general, empirical studies using the RBV theory have strongly supported the resource-based view (Sharma and Erramili 2004).

Barney (1991) suggests that firms get competitive advantages by implementing strategies that exploit their internal strengths, through responses to the opportunities of the environment. The resource-based models view in international expansion as an extension of resource and competences development with implications for organizational learning, extending it to the entire organization.

International entrepreneurship

McDougall and Oviatt (2000) define international entrepreneurship as a combination of proactive and risk-seeking behaviour, to create value to the firm. Zahra and George (2002) developed another definition, taking into consideration that international entrepreneurship is the process of creatively discovering and exploiting opportunities that lie outside a firm domestic market, in the pursuit of a competitive advantage. Etemad (2004) described international entrepreneurship, as a phenomenon that incorporates multi-levels of interaction, between firm, market and environment. In pursuing international opportunities, the entrepreneurial manager must assess whether devoting scarce resources under uncertain market conditions is worthwhile given the opportunity cost of diverting from the existing operations (Perks and Hughes, 2008). The manager's judgement of the firms of the extent to which the tangible and intangible assets are valuable and non-substitutable indicate is critical on firm's international engagement (Leiblein and Reuer, 2004).

5. The study propositions development

After the research questions had been formulated a set of theory-derived propositions were developed to further test and confirmation. Each proposition directs attention to something that should be examined within the scope of the study (Yin, 2004), which points directions and somehow, narrows the field of study, in terms of data requirements.

The initial assumption of firm's competences, and opportunity based management as internal and external organizational drivers with a positive influence in PHF's internationalization will not be the ultimate goal of the study. An open-minded attitude will consent the hotel managers to explain what motivates internationalization PHF's allowing the researcher, if necessary, to add and modify the initial propositions and, the related internationalization approach. The range of research and theorizing in internationalization, as well as the heterogeneity of the sample, can lead to unexpected results. In this semi-exploratory approach, unexpected results may emerge, which may require a reset of the model, in terms of variables and propositions, always based on complementary, and or, competing theories. The set of propositions were organized according to Wiedersheim-Paul, Olsen and Welch's (1978) international process approach, where the motivational drivers are among the most dynamic and critical elements of the decision to undertake international operations, with clear impact on strategic choices such as, time of entry, choice of market and entry mode. International growth approach is a construct, meant to find and differentiate companies, according to their motivation to seek international markets, and thus, identifying the factors behind the chosen growth strategies (Nummela et al. 2004).

5.1 Propositions of motivational stimuli factors influencing the initiation of international activities

Several studies of internationalization examined environmental and organizational as determinants factors in the decision to go abroad. Santos and Garcia (2011) concludes that international operations is dependent on managers' attitudes internationalization. Prahalad and Hamel (1994) argued the goals of being proactive while exploiting opportunities are value-oriented by stretching and leveraging firm internal competencies. Other authors deal with the influence of various motives on the internationalization willingness. For example, Baldauf et al. (2000) found out that the proactive external motives have a positive effect on the export efficiency and intensity, while the reactive external motives (e.g. competitive pressures in domestic market) decrease the internationalization willingness. According Voerman (2003), the responding to negative pressures, unlike taking the foreign market opportunities, does not improve the export efficiency. Current research suggests hotel companies employ proactive responses to international markets (Alexander & Lockwood, 1996). (Hutchinson et al. 2007) argue that push factors are no longer the determinants of international development. There is an increasing amount of evidence suggesting that international orientation is influenced by firms' competitive advantages based on internal organisational factors (Barney's 1991; Doz et al. 2001; Meyer, Wright, & Pruthi, 2009; Teece, 2014) and opportunity-based entrepreneurial culture based on external organizational factors. (Andresson, 2000; Dimitratos, 2016). Environments influence internationalization, but the pool of competencies within a firm must be combined appropriately to succeed in international markets (Ortega & Vera, 2005). In most cases, a combination of internal and external factors trigger internationalization (Rundh, 2007), and therefore:

Proposition 1 – The PHF's initiation of international activities s is positively influenced by proactive internal and external motivational stimuli.

5.2 Propositions of motivational stimuli factors influencing the international market strategies.

Firms can internationalize from inception / short after, or, in the opposite way, long after inception, according to Svensson's (2006) time scale. Tuppura et al. (2008), adopted from other authors, the time dimension, as a field of study, and classified the time path followed by firms, in their internationalization by, born global, born again global and traditionally internationalizing firms. According to the same authors, the time delay for the market entry may have far-reaching consequences, in terms of future performance. The achievement of a critical size is addressed by many authors as one of the determining factors in the time dimension of internationalization. Johanson and Vahlne (1977) founded that the accumulation of direct experience, and the combination of new experiences, enabled firms to develop a solid resource and related competence base, easing the initial move, from an established domestic market, into an international one. The more domestic experience, the more confident and risk taken are the hotel executives in the internationalization moves (Johnson & Vaneti, 2005). According to Dunning (1980), the firm's ownership advantages like business knowledge are acquired through time experience. To strengthen the previous premises within the proactive motivational stimulus, the possession of a network of contacts is a crucial factor for the organic growth of the firm. According to Johansson and Mattson (1988), the internationalization of the company begins with the company being initially engaged in a network that is, primarily domestic. A firm internationalization process commences well before its first action abroad (Casillas et al., 2009). The recognition of a potential opportunity for better taking advantage of firm's resources is within the firm competences. Thus, and considering that the PHF's

international engagement is driven by proactive motivational stimulus based essentially tacit competences, acquired over a period of business experience in the domestic market, means that:

Proposition 2 - The delay time till internationalization, is positively influenced by PHF's motivational stimuli factors.

Countries, characterized by a high market potential, can absorb additional productive capacity and, therefore, provide opportunities for companies (Darder, Garcia & Barber, 2010). The size of the market, its potential growth in terms of tourism income, and the level of internal competition, are relevant when choosing the country. Besides the importance of the destination itself, in terms of localization, certain market characteristics and business familiarity are significant, to develop the ownership-advantages of the firm. The market size, the market growth rate, country risk, the market competitiveness and psychic distance are strong country host determinants while choosing hotel location strategies (Kundu & Contractor, 1999). According Buvik (2002), the market competitiveness and location familiarity are indicators of country attractiveness for the market choice strategy. When the internal motivations of the firm are triggered by proactive stimulus as firm's ownership advantages (Dunning, 2000) and related competitive advantages (Barney, 1991), the business environment is fundamental to enhance those skills in overseas markets. The manager's perceptions of location-specific factors play an important part, in combination with internationalization of ownership-specific advantages, in determining where, overseas production can occur (Dunning, 2000). Due the relevance of exploring ownership-specific advantages, the environment scanning is a key step in PHF's internationalization process. In other words, manager and firm willingness to exploit existing resources and competences are implicit in the process of market selection, meaning that;

Proposition 3 – The country choice decision is positively influenced by PHF's proactive international stimulus.

The selection of the entry mode is one of the most critical strategic decisions for multinational companies. It affects future decisions and performance in foreign markets, and, it entails a concomitant level of resource commitment which is difficult to transfer from one to another, especially from high level to low level (Root 1998). Resource commitment involves the dedication of assets, to specific use that are difficult to reallocate without considerable cost. Unlike the manufacturing firms which allow limited or no local presence in a foreign market, hotels always need a major local presence because consumption cannot be separated from production (Ekeledo and Sivakumar, 1998; Erramilli, 1993. This restriction could limit the range of options available to the hotels when contemplating international expansion (Ekeledo and Sivakumar, 1998), being the control needs, a constant concern in the service sector (Erramili, 1993).

The control is defined as the ability of the firm to influence the various management systems of the organization, to improve its competitive position, and maximize returns on firm specific assets (Peinedo & Barber, 2006). According to Woodcock (1994), the resource commitment and control are highly correlated. The entry mode is an economic and rational decision based on the trade-off between the cost of control and the cost of capital. A multinational seeks expansion, by direct investment, when it has competitive advantages over other firms of foreign market and its specific advantage needs to be protected by its organizational structure, by that a multinational internalizes its foreign market activity (Buckley and Carson, 1976). The hotel's operations combine capital intensive and knowledge resources and its transference in terms of transaction costs depends, on the level of protection mechanism against third parts. Due limited scale size effect and little international experience within a weak brand awareness, the PHF's have in their competences and related tacit knowledge, the main motivational stimulus to

internationalize. Tacit knowledge is not easily transferred in contractual and cooperative entry modes (Contractor and Kundu, 1998). In these circumstances, it might occur higher transaction costs when the PHF's externalizes its operation, and therefore;

Proposition 4 - The entry mode choice is positively influenced by PHF's the proactive motivational stimulus.

6. Approach and methodology

In the sphere of a deductive theoretical model, this study is beyond finding and explaining the main motivations on the Portuguese hotel sector internationalization. It is also to comprehend if the nature of motivational stimuli that leads companies to internationalize are, somehow, linked to the development of the strategies in their international process.

Since the research was focused on understanding and explaining the internationalization process of Portuguese hotel sector, a comprehensive multi-case study was applied as a research method (Yin, 2004). Propositions relating to internal and external stimulus motivating the international market entry and dimensions of internationalization patterns are created and evaluated (Meredith,1998). Therefore, interviews, confirmatory questionnaires and secondary information were used to test the study propositions through exploration of studied dimensions and the determinants identified from the literature (Miles and Huberman, 1994). The use of semi-structured interviews, later supplemented by confirmatory questionnaire, as primary sources, and external sources, as memos, press releases and media articles, allowed researchers to achieve and improve the study validity, in a strong effort towards triangulation (Patton, 2008). Due to the limited number of the total population a non-probability purposive sampling method was adopted. As the purpose of study is not to look for the frequency of a phenomenon but, to examine patterns of behavior, the importance of sample logic is misplaced, in statistical terms (Yin, 1994).

7. Results and findings

Evidence refine that stimulus responsible for internationalization were mainly competence based, within a strong managerial push component evidencing the appropriateness of resource-based-view and international entrepreneurship fundaments. as most appropriate theories. It was found a balance between environmental and organizational proactive stimuli factors, which can indicate some risk weighting, considering the amount of investment that normally occurs in the hotel sector.

Despite the achievement of a critical size and business knowledge positively influenced the internationalization time delay others determinant factors negatively influenced this pattern. Despite it was observed that the accumulation of resources and competences, presuppose the learning effect in a certain period (Johanson and Vahlne 1977), moreover, the appearance of an entrepreneurial management may accelerate the internationalization process (Zahra & Garvis, 2000).

Low market competitiveness, cultural proximity, political stability and governmental incentives were pointed as main country choice determinants. The cooperation between national and foreign government organizations with hotel managers was mention as a positive factor in market location choice. As pointed out by respondents there is a positive relation between previous manager's network and firm the commitment to internationalize in a certain market. A high degree of control was found within a clear asset commitment in entry, contrary to some studies already done for the sector (Contractor & Kundu, 1998; 1999; Pla-Barber Darder, 2002). The evidence suggests some reluctance in adopting cooperative forms of entry mode mainly due to the intangible and tacit nature of competences. Unlike expected, the

country specific risk was not limiting factor for direct investment (FDI), by the contrary, there was a perception that the specific risk was negligible.

Moreover, other important deductions from the facts arise from multi case-study cross analysis meeting the other main purpose of the study. The first is that the tacit nature of the firm competences clearly influences the patterns of internationalization. Secondly is the evidence that the managerial international experience within an opportunity-based entrepreneurial culture has a prominent influence in the internationalization pattern adopted by Portuguese hotels.

Several implications can be draw from the study findings for corporate and public sector meeting the importance evidenced by study participants concerning the key role of the entrepreneur manager as a privileged interlocutor between the public entities and firms. Other host country factors as political risk, availability capable of local partners and cultural affinities were explored as important considerations.

The study further adds to international entrepreneurship literature a new perspective in the sense that the scope of the study goes beyond the creation of international new ventures focusing the importance of the entrepreneur manger in traditional companies. Interesting directions for future research are provided with grounded proposition for further testing. It should be remembered that this study was conducted within a national context, and this may limit the generalizability of conclusions. Finally, an interesting extension of this study would be the potential effect of the degree of internationalization of Portuguese hotels in the dimensions of the study.

8. Theoretical contributions

This study contributes to advance the literature in different ways. First, we provide a deeper knowledge of motivational stimuli regarding internationalization. Results suggest the importance of internal and external stimuli during international engagement. Another contribution is a broader view of internationalization, adjusted to an explanatory view of organizational behaviors and practices. Integration of various theoretical perspectives found in the internationalization area had been neglected to its potential by previous studies, being a value added to explain the phenomenon within its complex behaviors. Thus, the integration of economic paradigms with behavior theories and RBV to understand why and how Portuguese hotel companies engage in international endeavors is a major contribution of this study. Wright and Ricks (1994) and Coviello and McAuley (1999) call for researchers to examine international business in an integrated, multidisciplinary way. Young et al. (2003) call for more focus on environmental and institutional approaches, and innovation and resource-based perspectives. (Coviello et al., 2011). Kruesi et al. 2017 concludes the appropriateness of combining RBV and TCE approaches in hotel internationalization sector. Noteworthy are contributions to international entrepreneurship by strengthening the role of entrepreneurship as an individual act within existing social networks established by managers and the management team regarding previous business experiences, and the impact of this profile on a firm's behaviors. The explanatory model relies on the fact that PFH's have proactive involvement due primarily to managers' profiles, the nature of firm competencies, existing networks and environmental contexts, filling the gap identified by Zahra and George (2002), who propose a combined study of firm resources, capabilities, and entrepreneurial orientation. Keupp and Gassmann (2009) call for more theoretical integration in the international entrepreneurs hip research area. According to Jones (2011), recognition and introduction of entrepreneurs hip beyond business-oriented technology are ways to open horizons in the study of international entrepreneurship. Scokic et al. (2016) appeals for the contextualization of entrepreneurship theories such as situational and temporal boundaries.

9. Managerial Contributions

The way how PHF's succeed international market it's a valuable information and could work as a catalyst for other hotel companies that wanted to follow internationalization. The need to deepen the knowledge about the PHF's motivations and internationalization patterns is critical to understand the movements of the economic agents and the trends that are designed in an increasingly competitive international scenario. It is vital to realize that the motivation that lead firm's to internationalization is important both in terms of others company's vision as well as from the perspective of policy makers and government (Stewart and MacAuley, 1999). When motives that drives firms to international markets are known, the government support may be efficient and thus may better stimulate them (Kubicova et al. 2014). Our configuration approach suggests that is important for decision-makers to diagnose their internal competences and how far they can rely on existing available networks and human resources to exploit with success internationalization opportunities.

10. Limitations and avenues for future research

Despite the contributions, this study has limitations. Limitations relate to the cross-sectional nature of the study and sample size. Despite the appropriateness of open-ended, face-to-face interviews, based on the dynamic character of the subject, longitudinal approaches would have been more accurate, following development and causal relationships between drivers and strategies. Although the study captures past events, the methods relied on rationalization from respondents. The use of non-random sampling and its non-representativeness of the population, and the related sample size might have influenced results since there were no guarantees that chosen companies were the most appropriate for establishing standards of behaviors. Excluding companies with identical profiles offered no guarantee of representativeness, but was a result of time and resources constraints. Thus, due these constraints, it was not possible to test the model statistically.

Using a qualitative approach, having the best interlocutor to observe and collect the best possible information proved difficult. By collecting and researching secondary sources, participating firms suggested the names of managers who would answer questions best. In some companies, these were not first choices, which led to adding a confirmatory questionnaire, with a domestic player who attempted to capture the most valid information through triangulation. Opportunities remained to go further, with more focus on reliability and adequacy of information sources. The deductive character of research, with anticipated scenarios, was a weakness, interfering with data collection. Although the study allowed some exploration and alternative scenarios, other determinants and explanations might have emerged had an inductive approach, with more exploratory character, been used, thus avoiding the possibility of biased conclusions.

The implications and weaknesses of this study lead to future research suggestions to better understand and refine the determinants under study. A component regarding comprehension of stimuli and motivations during hotel internationalization was added, but researchers could go further empirically if micro and small businesses were considered. Future studies should complement this study by identifying factors that demotivate decisions to internationalize. Since most companies are not internationalized, studying factors that inhibit international involvement might be a way to increment comprehension of the motivations and stimuli of international engagement. Simultaneously, it is possible to increase sample size, enabling quantitative dimensions in future investigations. Another missing link is performance. Although it was deduced that good performance in domestic markets plays a role in hotels' motivations, encouraging involvement in international markets, it is worth exploring

performance with a more rigorous examination of its impact on motivations within organizational levels. Another issue that emerged but remains undeveloped is relationships between shareholder statuses of a manager and international engagement, or the influence of ownership structures on all international processes. In terms of methods, more longitudinal aspects of data collection and analyses are warranted as a way to capture the dynamism of internationalization by capturing more accurately relationships among motivational stimuli, international engagement, and related strategies.

Acknowledgements

This paper was realized within the project "Tourism Project: Characterization, Impact and Sustainability of Madeira Tourism", co-financed by the Operational - Program of the Autonomous Region of Madeira 2014-2020 (Portaria n. ° 92/2015), M14-20-01-0145-FEDER-000007, of the University of Madeira.

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