THE INTERNATIONALIZATION OF ACCORHOTELS IN SOUTH AMERICA: WHY AND HOW?
JULIEN GAUTHIER WENDLING

THE INTERNATIONALIZATION OF ACCORHOTELS IN SOUTH AMERICA:
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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI)

Knowledge Field: Internationalization of Companies

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SÃO PAULO
2018
Wendling, Julien Gauthier.
93 f.

Orientador: Cyntia Vilasboas Calixto
Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo.


CDU 334.726::64.024.1
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Approval date:
20/08/2018

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ACKNOWLEDGEMENTS

I would like to thank my thesis advisor Cyntia for her availability, patience, professionalism, kindness and precious help during the writing of this dissertation. I wish her a great career in the academic world – which, I am sure, she will have – and success in life.

In addition, I am thankful towards all the participants in the interviews, who accepted to spend some time to help me in my research. I certainly learned a lot about AccorHotels and the hospitality industry, and my work would not have been the same without their collaboration.

Last but not least, I would like to express my gratitude to my family and friends who accompanied me in this long, arduous task, and never ceased to bring positive energy. More specifically, I would like to say many thanks to my husband Michel who assisted me in contacting AccorHotels’ managers and strongly, constantly supported me all over this experience.
ABSTRACT

The tourism industry has been booming worldwide over the last decades, and South America has not been an exception. According to the data provided by the UNWTO, the continent had one of the highest growth in terms of international arrivals in 2017. However, in parallel with this positive trend, some South American countries have been prey to a gloomy economic situation and political turmoil. In spite of these negative aspects, the French multinational hotel chain AccorHotels has always focused significantly on the region. In light of this a priori unintuitive phenomenon, the present research aims at identifying the reasons for AccorHotels’ internationalization in South America, along with the way the process has been carried out, from its arrival in Brazil in 1997 until nowadays. After reviewing the literature about internationalization strategies (especially within the hospitality sector), more specific data has been collected about the history and business strategies of AccorHotels in the frame of a single case study. These include secondary data retrieved from various written sources, but also primary data from the interviews of company’s managers and hospitality experts. In particular, three countries have been considered for this study, corresponding to AccorHotels’ main markets: Brazil (where the South American headquarters are located), Chile and Argentina. The results showed that the main drivers for the internationalization in South America were the economic potential of the countries and the various business opportunities available, coupled with the numerous business-related competences of the group, including experience, flexibility and strong business acumen. As for the expansion process, the eclectic paradigm best describes the internationalization of AccorHotels, and management contracts are the preferred entry modes for the group, due to the great balance between control, risk reduction and (lower) amount of investment. Since little research has been done so far about the internationalization of services companies – especially in the hospitality industry –, this dissertation provides updated material about the situation in these fields. As for managers, this work may provide them with a global overview of AccorHotels’ expansion over the years, and may help strategic actors from hotel chains to better understand the way the South American hospitality market works.

Keywords: internationalization, hospitality, AccorHotels
RESUMO

A indústria turística mundial expandiu-se fortemente nas últimas décadas, e a América do Sul não foi uma exceção. Segundo os dados fornecidos pela UNWTO, o continente teve um dos maiores crescimentos em termos de chegadas internacionais em 2017. Contudo, em contraste com essa tendência positiva, alguns países sul-americanos têm conhecido uma situação econômica complicada e problemas políticos. Apesar destes aspectos negativos, a AccorHotels, empresa multinacional francesa do setor hoteleiro, sempre tem focado significativamente nessa região. Considerando esse fenômeno a priori insólito, a presente pesquisa busca identificar as razões da internacionalização da AccorHotels na América do Sul, assim como a maneira como o processo tem sido realizado, desde a chegada do grupo no Brasil em 1977 até hoje. Depois ter revisado a literatura disponível sobre as estratégias de internacionalização (especialmente no setor hoteleiro), dados mais específicos foram coletados sobre a história e as estratégias da AccorHotels, no âmbito de um estudo de caso. Isso inclui dados secundários encontrados no material escrito, mas também dados primários obtidos através de entrevistas com gerentes da companhia e peritos do setor hoteleiro. Três países foram considerados nessa análise, correspondentes aos principais mercados da AccorHotels: Brasil (onde situa-se a sede), Chile e Argentina. Os resultados mostraram que os maiores fatores que levaram à internacionalização na América do Sul são o potencial econômico dos países e as demais oportunidades de negócios disponíveis no lugar, assim como as várias competências do grupo em matéria de negócios, incluindo experiência, flexibilidade e forte perspicácia empresarial. Sobre o processo de expansão, o paradigma eclético descreve ao máximo a internacionalização da AccorHotels, e os contratos de administração constituem o modo de entrada mais usado pela empresa, devido ao bom equilíbrio que eles oferecem entre controle, redução dos riscos e (baixo) investimento. Como poucas pesquisas foram feitas sobre a internacionalização de empresas de serviços – especialmente no setor hoteleiro –, o trabalho fornece dados atualizados sobre a situação nesses campos. Quanto aos gerentes, essa dissertação traz-lhes uma visão global da expansão da AccorHotels, e pode ajudar os atores estratégicos de redes hoteleiras a entender melhor o funcionamento do mercado hoteleiro na América do Sul.

Palavras-chave: internacionalização, hotelaria, AccorHotels
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I. INTRODUCTION

1. Context

In a world evolving faster than ever, tourism has never been booming so much than in the last decades. Over more than sixty years, tourism has been characterized with continued expansion and became one of the largest and fastest-growing economic sectors in the world. The number of international tourist almost doubled between 2000 and 2016, while international tourism receipts earned by destinations worldwide has been multiplied by 2.5 (UNWTO, 2017).

While this broad sector includes a series of sub-areas, it has been showed that the hospitality industry, relating to hotel services, makes up a large part of tourism (Go & Pine, 1995; Whitla, Walters, & Davies, 2000; Williams & Shaw, 2011). A certain number of business elements may distinguish hospitality from other sectors. First of all, unlike traditional, product manufacturing, this specific service industry stands out with the simultaneity between the production of the service and its consumption (Erramilli & Rao, 1993; Williams & Shaw, 2011). Another relevant characteristic may be the fact that hotels offer both contact-based and asset-based services, insofar as producers or consumers cross borders to engage in transactions; and commercial services are tied to foreign investment to establish operations (Litteljohn, Roper, & Altinay, 2007). Last but not least, Contractor & Kundu (2000) mention some other distinctive components such as global expansion and coverage, along with a higher degree of standardization.

One important characteristic of the hospitality industry is also its fast evolution. While the sector used to be dominated by the competition between various hotel chains, digitalization and the growth of the Internet significantly impacted tourism business. In particular, the influence of e-commerce in the hotel activity has been more and more salient all over the last few years, and online bookings represent up to 60% of the hotel sales (Lainé, 2018). In addition, the arrival of new actors such as Airbnb caused a revolution among the lodging market. Founded in 2008, the company now has more home listings than the three biggest hotel chains in the world, and the number of guests doubled between 2015 and 2016, from 40 million to 80 million travelers using this tool (Leonardo, 2017). As a counterpart, a loss of visitors and revenue has been registered by hotels. According to Farronato and Fradkin (2018), the entry of Airbnb resulted in 1.3 percent fewer hotel nights booked and a 1.5 percent loss in hotel revenue in the 10 cities with the largest Airbnb market share in the United States. Even though these
new trends and actors are not at the core of this research, it comes as no surprise that they will influence the strategy of traditional hoteliers.

Needless to say that the aforementioned, general growth movements also apply to specific regions, like South America. According to UNWTO’s Tourism Highlights (2017), South America has been leading growth in terms of international arrivals. If tourism growth reached a good +7% in 2016, there are significant rate discrepancies between the countries, with Chile displaying a huge +26% (Chile’s dynamism was also highlighted by Major, 2016) and Brazil a mere +4%, showing that the post-World-Cup and post-Olympics euphoria may have come to an end.

More generally, Brazil and most of the Latin-American continent have shown some negative signs for investors over the last years. Many authors outline a certain number of risks that may impact the tourism sector in these countries. Brazil, South America’s “supercountry”, has been experiencing an increase in violence, especially in the former under-the-spotlight city of Rio de Janeiro (Fox, 2016a). The falling rate of the national currency – the real – is also a source of matters for many (Fox, 2016a; Major, 2016; Santana, 2000), as well as complex bureaucracy (Doing Business 2018: Brazil, 2018), part of the so-called “Custo Brasil” (Brazilian Cost in English). Finally, endemic corruption is being observed on the whole continent. According to Transparency International (2018), most countries have a Corruption Perception Index below 40 (out of 100), and scandals regularly break out, like in the famous Petrobras case which started a couple of years ago. Briefly, one can notice that a rather instable political and economic climate has been set in most of the continent.

This dissertation aims at studying the internationalization process of hotel groups, especially the reasons that push them to invest despite the rather risky context of a region like South America and the way such process is performed. This central interrogation will be illustrated and tackled through the specific case of AccorHotels. The French multinational hotel group has a long tradition on the continent and still believes in the South American market, as the acquisition of Brazilian Hotel Group can testify. The understanding of such unintuitive phenomenon may complete the general elements identified beforehand and bring a deeper comprehension of the internationalization issue.

2. Importance of the research

Even though hospitality management is the main subject of specific journals (like the International Journal of Contemporary Hospitality Management) and topics like
internationalization of hotel groups have already been addressed, the lack of literature for this specific type of firm was already mentioned over the last two decades (Burgess, Hampton, Price, & Roper, 2015; Contractor & Kundu, 2000; Dewhurst, Harris, & Heywood, 2012; Litteljohn et al., 2007; Niewiadomski, 2014).

This observation has been confirmed through my personal research on the literature related to the topics of hotel internationalization. In February 2018, a total of 117 articles were identified on the database Web of Science matching the keywords “hotel” and “internationali*ation” (including the American word “internationalization” and the British “internationalisation”)

Some common shortfalls can be mentioned concerning these articles:

- Most articles have been written in the 90’s and the 00’s. There has been no article related to the pursuing of investment in Latin America even after the end of the “Olympic Games euphoria”.
- The articles are rarely cited, which makes the connection between the different themes more arduous.
- Most of them focus on East-Asia (12) and Spain (17). The other most cited countries are Turkey, South Africa, India and Chile. Except for the latter, these countries are not located on the South American continent.
- Most of them focus on evaluating the entry modes used in the hospitality industry (32 out of 117 results, namely 27%). Other rather focus on the topics of competitiveness and core competencies. In other terms, the articles rather focus on the way hospitality companies expanded abroad and less on the grounds.

This research on Web of Science, thus, outlined this lack of specific literature on my research topic. My dissertation, therefore, aims at bringing new, updated information to complete the existing literature. In particular, my work is intended to focus not only on the ways and patterns of internationalization (the “how” of the phenomenon) but also on the reasons that pushed the hotel company into internationalizing its operations in a specific location (the “why” part of the phenomenon). The research, therefore, has the objective to make up for this discrepancy and go beyond the mere “how” question, using more specifically the case study of AccorHotels and the exploration of its internationalization process through both aforementioned lenses.
Finally, this work based on specific literature review – including the authors aforementioned – and a case study on AccorHotels may be in line with one specific article by Carrasqueira, written in 2015. Carrasqueira focused on the internationalization of another European hospitality group in Brazil, using the case study of Pestana Group. While Pestana is a Portuguese medium-scale company, it will be interesting to compare her findings with those of my work, which will focus on a French multinational group.

This dissertation, which will focus on the under-researched topic of internationalization in the hospitality industry, may be very useful for researchers and students in this area who would like to go deeper into their knowledge of the subject. As for executives and business stakeholders, the analysis developed within this thesis may complete the institutional material possessed by hotel groups – in particular AccorHotels – and suggest complementary, more specific information that might be valued by the company’s managers.

3. **Research question**

As outlined in the two first parts of this introduction, my research will focus on the reasons and ways of internationalization of hotel groups in a specific location. The analysis will also be done through the case study of AccorHotels, which is characterized with the *a priori* unusual phenomenon of South American expansion.

All these elements can be summarized in the following question: *what determines the internationalization process of a hotel group to a region like South America?*

4. **Objectives**

*General objective*

In order to answer this question, this dissertation will investigate and provide a better understanding of the elements driving and characterizing the internationalization of enterprises belonging to the hospitality sector on the South American continent, based both on general and specific studies about the industry, the market and corporate strategy as a whole.
Specific objectives

a) Explore the reasons why some (hotel) companies may want to internationalize their operations in South America, based on the literature review;

b) Outline the way (hotel) groups lead this internationalization process and identify the specific patterns and entry modes that are related to it;

c) Complete and compare these general, theoretical findings with the case study of AccorHotels, in order to better understand the internationalization process of these companies and the reasons for the investments carried out by the firms.
II. THEORETICAL FRAMEWORK

This section will present the concepts related to the core question of this research, namely the internationalization of hotel groups in South America. As mentioned above, such theme can be analyzed through two different lenses: the reasons why hotel groups want to expand abroad (the answers to the “why” of the phenomenon) and the process through which these companies carry out this expansion (the answers to the “how” part of the phenomenon).

1. Why do hotel groups internationalize their operations?

Two different types of factors will incentivize companies to – or deter them from – establishing their presence in foreign countries. These elements are integrated in the so-called CSA-FSA matrix developed by Rugman (1981), explaining that such factors are interrelated and linked to the characteristics of the country where the firm will expand (country-specific factors/advantages, or CSA) and/or are inherent to the attributes of the company (firm-specific factors/advantages or FSA). This line of thinking was then used by Dunning & McQueen (1981) and by Ivanov & Ivanonva (2017) who applied it to the hotel industry.

1.1. Country-specific factors

According to Rugman (1981), country-specific factors refer to the economic, political, cultural and financial features of a country that may affect international business and, thus the expansion of a company. The following paragraphs will explore these aspects, considering those which may be relevant for the internationalization of hotel chains and with a focus on the South American territory.

1.1.1. Economic potential of a specific location

Among the intuitive explanations related to the internationalization of a hotel group, one can imagine that these companies are attracted by the local business opportunities and a sound business environment. These findings have confirmed by various authors and institutions.

On a global scale and independently from the industry in which a firm operates, high market potential implies the possibility of” absorbing additional productive capacity”, which,
in turn, will enable the creation economies of scale and operational efficiency. On the contrary, a static market is quite unattractive for these firms since the potential sales may not compensate the high amount of resources that have been invested (León-Darder, Villar-García, & Pla-Barber, 2011). In the case of the hotel industry, building new properties does require significant financial investments, along with all the costs related to the activity of the hotel: human resources, purchases, administration costs, and so forth. Thus, establishing operations abroad and opening a new property requires a secure business environment in order to have a positive ROI.

The tourism industry, whose main activity is related to the hospitality sector, appears to be a promising field in terms of investment opportunities. Indeed, as mentioned in the introduction of this dissertation, tourism has been booming over the last decades, with “continued expansion and diversification to become one of the largest and fastest-growing economic sectors in the world” (UNWTO, 2017). Such success has resulted in the creation of jobs and other ventures, export revenues and the development of infrastructures (UNWTO, 2017). This trend is also not meant to be reversed, as international tourist arrivals worldwide are expected to grow by 3.3% (UNWTO, 2017).

Concerning this business potential, some locations have particularly stood out in terms of economic performance: the emerging countries. While Europe and North America traditionally dominated the world in this regard, a shift is being observed towards Africa, Asia and Latin America in terms of dynamism. These countries are characterized with high growth, as nearly 40% of the global growth will be generated in 400 mid-size emerging market cities (Dewhurst et al., 2012). The International Monetary Fund confirmed this trend, stating that “the ten fastest-growing economies during the years ahead will all be in emerging markets” (Dewhurst et al., 2012). Last but not least, growth and returns are expected to be higher in such countries, since the market is often not saturated (implying weaker competition), due to their late economic development (Contractor & Kundu, 1998). All these growth signs are to be seen in the tourism sector as well, insofar as arrivals in emerging destinations (+4.4% a year) are expected to increase at twice the rate of those in advanced economies (+2.2% a year) between 2010 and 2030 (UNWTO, 2017).

Focusing on the region at the heart of this research, South America has been marked with such positive trends as well, especially in the tourism area. The sector’s growth rate in the continent is between 4% and 26% depending on the country, leading the way for all the Americas (UNWTO, 2017). Three causes that have been spotted for the development of the area in the region are twofold. First, tourism has long been a motor of economic expansion in
Latin America (Arespacochaga, 1968); second, the last years have seen a political and financial stabilization of the continent that have facilitated and incentivized the progress of touristic activities (Santana, 2000). This dynamism can be seen through the increase of supply in major Latin American cities (Major, 2016; UNWTO, 2017).

When talking about the success of South America in this area, the case of Chile is particularly salient. First of all, the increase of international arrivals was of 26% for the 2016-2017 period and has been the highest of the whole continent (UNWTO, 2017). As Major (2016) also mentions, the country continues to emerge as one of the region’s most diverse and upward-bound economies, due to a healthy manufacturing sector and a successful hospitality market, entailing stable occupancy rates and strong tourism. One can deduct from this last statement that corporate tourism plays an important role in this country. Indeed, the opening and localization of hotels in the country are mainly determined by their proximity to innovation centers, business parks, main roadways and transportation hubs like airports (Hidalgo, Azar, Borsdorf, & Paulsen, 2016), all of these elements being carefully considered by business travelers. This importance of corporate tourism in the success of Chile is completed by leisure, religious and cultural tourism, due to the landscapes and rich historical past of the country (Hidalgo et al., 2016).

Nevertheless, the main South American country, namely Brazil, shall not be forgotten under any circumstances when studying this region. A lot of literature material, mainly in Portuguese, has been developed about economy and tourism on the Brazilian territory. First of all, it is part of the so-called BRIC countries, a group of four highly populated nations (Brazil, Russia, India and China) whose growth rates are among the highest in the world, with very high market potential and the possibility of overtaking the traditional superpowers (O’Neill, 2011). Generally speaking, Brazil has seen great development over the past decades. During the 00’s, the middle class rose from 30% to 50% of the population, and the economy was boosted by strong Chinese demand for commodities (de Castro Neves & Reis, 2016). Since the fast economic progress of the country is still quite new, there is also a need for infrastructure and a lot is still to be done. As a consequence, and considering these demographic and structural factors, the country should , at least theoretically, suggest a series of business opportunities.

As for the tourism area, up trends can also be identified. International arrivals annual growth is expected to be of 5% in 2018 and 5.7% in 2021. In addition, agreements between American and Brazilian airlines have been signed to boost traffic on the Brazil-US route, and a visa agreement between China and Brazil may make bilateral tourism smoother between the two countries (Brazil Tourism Report, 2018). All these elements are supposed to increase the
demand in country’s tourism industry, which in counterpart needs to be balanced with a higher supply.

Another factor influencing the demand positively has been the creation of events. These events can be divided into two categories: leisure and corporate. As for the former, the organization of the World Cup in 2014 and of the Olympic Games in 2016 definitely stimulated the Brazilian economy, entailing the opening of new hotels in the country, especially in Rio de Janeiro (Fox, 2016a). The latter is relevant in the biggest metropoles of the country, in a nation where the event sector is booming and invigorates the whole tourism economy (Alcedo Barbeirotti, 2014). São Paulo, the economic capital of the country, may be the most striking example in this regard: about 90,000 events are organized in the city every year (Alcedo Barbeirotti, 2014). Furthermore, local tourism actors like São Paulo Turismo (SPTuris), São Paulo Convention & Visitors Bureau (SPCVB) and the Municipal Department of Culture aim at increasing the flow of tourism in the city to increase the demand (Tomazzoni & Costa, 2015). This growth in the demand shall create opportunities for the actors of the “supply side” (namely the hoteliers) in a market already very competitive (Canteras et al., 2014; Carasqueira, 2015).

To sum up, a large series of elements show that South America is full of economic potential and business opportunities, which can be a first general factor that may attract hotel investors in the region.

1.1.2. Risks and cheaper assets

Unlike the aforementioned characteristics, the South American continent is affected by a series of risks and negative points. These aspects, however, may be compensated by a lower requirements and restrictions for investors.

As announced in the introduction, the economic and political situation has deteriorated in some countries. As for Brazil, the country has been hit with an economic crisis that started in 2013 and marked with one of the deepest recession periods in its history. Over the last four years, Brazil’s GDP has decreased about 10% (de Castro Neves & Reis, 2016). The end of the so-called commodities boom, formerly fueled by the development of agriculture and the high demand of China, also contributed to this shift in the economy. Such downfall of the activity is particularly visible in Rio de Janeiro, where security issues burst after the end of the “glorious” period of the World Cup and Olympic Games (Canteras et al., 2014; Fox, 2016a). Finally, along with this economic aspect, Brazil was also the scene of political scandals with serious consequences. Such issues have been brought to light through the Lava Jato (Car Wash
in English), an operation which started in 2014 at the initiative of Curitiba’s police workforce and unveiled corruption mechanisms involving both well-known figures of the business arena and government officials. This, among others, led to the impeachment of former President Dilma Rousseff, who stepped down at the end of August 2016.

Other countries of Latin America also display some uncertainties. We can cite the example of Argentina as an example. Even though the Argentinian economy recovered after the 2015 elections and growth is coming back through economic reforms and dynamic agricultural, manufacturing and services sectors (“The World Bank in Argentina,” 2018), the investments in the country have been extremely varying over the last years, as shown in Figure 1 (Argentina, 2017). Furthermore, the country’s corruption rate is high, and Argentina’s ranking in the Corruption Perceptions Index by Transparency International (2018) is 85 (out of 180 countries). More generally, the recent, post-Kirchner economic transformation of the country still needs to prove its worth.

These elements of risks, applied in the hotel industry, may have an effect on the demand. Indeed, the political and economic turmoil may create insecurity issues – as it happened in some Brazilian cities like Rio de Janeiro – which would deter both customers and investors to consider a specific location concerned with such matters. Therefore, as economic basics suggest, a decrease in the demand is accompanied by a decrease in the prices. This assumption, on the contrary, may attract investors – provided other positive elements are present as well.
As for the prices of assets, another element plays in favor of foreign investors: the depreciation of currency in Latin America. While this element is negative for customers willing to travel abroad (Major, 2016), this is a bargain for investors coming from strong currency regions like Europe. As an example, we can mention the case of Brazil, whose currency volatility is particularly striking. Over one year (April 2017- April 2018), the value of the euro compared to the real evolved from approximately 3.5 to 4.2 (XE, 2018). This plummeting is partially due to the aforementioned risks of the country. More generally speaking, the currencies of other Latin American are weak compared to the euro, which makes assets cheap for European investors. Carrasqueira (2015) gives us the example of the hotel group Pestana, which managed to enter the Argentinian market by making the most of the default situation in 2001 and the depreciation of the peso to make acquisitions at a cheap price.

To conclude this part, one can say that uncertain political and economic situation of South American countries entails a depreciation of prices and currencies which makes assets less expensive for investors. As mentioned in the previous section, such investments are particularly significant in the hotel industry, which is why a price decrease is very welcome.

1.1.3. Cultural proximity

Another element that may incentivize companies in the hospitality industry to invest in South America is the cultural proximity between this continent and the European continent. This element, related to the psychic distance between some determined countries, was already studied by Johanson & Vahlne (1977) through the so-called Uppsala model of internationalization (Fleury & Fleury, 2011). Such pattern will be explained in further details later on.

Historical links existing between territories may facilitate business relationships. The creation of the Commonwealth, an intergovernmental organization of former territories of the British Empire, is one example. Despite the dismantling of the colonial system, the creation of this organization helped the United Kingdom keep correct relationships with the former colonies, also in terms of trade. In the case of Latin America, the countries were almost all colonized by Spain and Portugal, two European countries. Even after the decolonization process, the commercial relations were still going on and contacts had not stopped. Such elements may account for easier relationships between the European and Latin American continents in general.
Another theme that is directly related to these cultural and historical issues is the question of the language. As the continent is mainly made of former colonies of the Iberian Peninsula, the two main languages spoken in Latin American territories are Spanish and Portuguese. Linguistically speaking, these two languages are close one to another, present a lot of similarities and form the group of Ibero-Romance languages. More generally, the Spanish and Portuguese languages belong to the broader family of Romance languages, including also French, Italian and Romanian, also presenting a lot of similarities (Sala & Posner, 1999). As a consequence, learning, speaking, writing and understanding these languages may be easier for people belonging to the corresponding countries, and this may help building trade relations as well, as communication is essential in this field.

A last topic, making the link between the former two, might be more complex to study. Due to their proximity in terms of history and languages, one can assume that a specific, quite common culture binds territories one to another. Applying this concept to the aforementioned countries, we can believe that cultural similarities exist between Spain, Portugal and Latin America (due to colonial past and common languages), but also between Portugal, Spain, Italy and France (due to the linguistic and geographical proximity). Therefore, (trade) relationships between them all should be incentivized. Again, we can mention the example of the Portuguese group Pestana, which cited the language proximity as the main motivation to enter the South American market, since it made operations more efficient during the opening of the properties and facilitated the circulation of business and technical frameworks (Carrasqueira, 2015).

Cultural proximity and issues, therefore, may explain why companies choose (or not) to expand to a specific territory. In the case of South America, the Latin culture, history and languages may encourage the internationalization process.

1.1.4. Business-friendly environment

If a territory may be very attractive for a business due to “innate” resources and generally good economic situation (see 1.1.1), there can also be direct incentives from the local institutions that may help companies to settle their operations on the spot.

Overall, Brazil is characterized with intricate bureaucracy. With 11 procedures and an average of 101 days to open a business in the economic capital São Paulo, Brazil is one of the most complicated country to start a business (Doing Business 2018: Brazil, 2018). This number of procedures and time frame widens with the next steps, such as construction permit, access
to electricity, property registration and so forth. This is part of the aforementioned *Custo Brasil*, a risk that need to be taken into consideration by companies when expanding to Brazil. Nevertheless, when considering the tourism industry, these negative points are mitigated. Indeed, the Ministry of Tourism still plays an active role in the development of the sector. Such institution sets the general strategy of the sector through the regularly updated National Tourism Plan. Furthermore, the ministry gives responsibility and autonomy to the regions to better implement and adapt the general strategy, and tries to publicize destinations domestically and internationally through strong marketing (*Brazil Tourism Report*, 2018). The country lately recognized the tourism industry as a “promoter of economic and social development” (Santana, 2000), which is why it tries to stimulate this sector. The hosting of the World Cup in 2014 and the Olympic Games in 2016 were an excellent and successful occasion to promote the Brazilian destination as a whole, attracting tourists and hotel companies from all over the world (*Brazil Tourism Report*, 2018; Fox, 2016a). Last but not least, incentives also happen on a legal level. One good example is the SUDENE program launched by the Brazilian government in 2002, which included a series of tax incentives for firms in the Northeast of Brazil (Garsous, Novoa, & Velasco, 2015).

Other South American countries may be described with the same stimulating environment in the tourism industry. One good example in this regard is Chile. In this country, public administration constructed specific infrastructures in partnership with private actors, in order to develop tourism activities (Hidalgo et al., 2016). Just like the Brazilian case, this may be related to the awareness that tourism is a motor for economic development (Arespacochaga, 1968), along with a growing demand from business tourists, both domestically and internationally. In terms of easiness and efficiency to open a business, the country’s ranking is 55 out of 190 countries, the best performance in the South American continent. Brazil and Argentina, in comparison, are ranked 125 and 117 respectively (*Doing Business 2018: Chile*, 2018).

Thus, South American countries, despite an often complex administration system, present some good incentives in the tourism sector that should attract hotel companies.

### 1.1.5. Global presence

While all the aforementioned elements focus on the characteristics of a specific country or region in relation to the internationalization process, Ivanov & Ivanova (2017) come up with a rather original, unintuitive argument: hotel companies rather look for a global presence of
their brand and do not pay full attention to the countries’ features. Such strategy was called “tokenism” by the two authors, who state that some hotel chains internationalize their operations in some destinations only to have a minimal presence in the region, without the objective of conquering and expanding in the territory.

After studying the impact of different country-specific factors on the expansion of hotel companies (size of hotel industry, average capacity of hotels, size of tourism sector, importance of tourism for the economy, population size, economy size, wealth of local population, level of globalization, destination competitiveness, human development, geographic location, least developed country status and OECD membership) on a large sample of nations, the Bulgarian authors did not come to a significant conclusion. As their paper reads, “at the end of the day on macro level only few factors actually have statistically significant impact on their market presence in a destination.”

Therefore, one can emit two hypotheses: first, companies think of the internationalization process as a whole, global phenomenon and not as a country or region-related behavior; second, one can extend this line of argumentation by saying that the international expansion does not exclusively follow a specific, rational, data-driven protocol but may also be influenced by other, more personal factors. One justification for this paradox may be the search for prestige and reputation, showing performance through the ability of expanding the world. This may also be related to the agency theory, explained in further details in a further section.

To conclude this last section, we can say that country-specific factors may also be completed by other more global, less business-related considerations. The next part of this dissertation will focus on another type of influencing factors, related to the features of the firm.

1.2. Firm-specific factors

Beyond the aforementioned characteristics, which depend on the qualities of the location, the assets that a firm possesses can also determine its internationalization. More specifically, Collinson & Rugman (2011) have outlined firm-specific advantages which push companies to expand abroad, insofar as they allow it “to overcome the liability of foreignness in doing business abroad”.

As a matter of fact, one critical factor that will guide the success of international expansion is a competitive advantage (Carraçaerreira, 2015; Dicken, 2003; Litteljohn et al., 2007). Such competitive advantage can be made of three different aspects and can imply a
certain knowledge, skill and/or attitude. It also presents several business-related characteristics (Fleury & Fleury, 2011):

- It can allow a specific company to enter a new market or to launch new products/services. The former element, in particular, is at the core of this study.
- It has a positive effect on the perceived value of the product/service
- It is hard for competitors to imitate it. These last two aspect is closely related to the definition of the competitive advantage given by Barney (1991), who describes it as the creation of value by a company when implementing a strategy different from its competitors’.

As for the “birth” of such competitive advantages, these specific competencies are created through the articulation and coordination of the company’s resources (Bourne & Neely, 2003). This statement confirms the concept evoked by Penrose (1959) and later on Aung (2000), according to whom the value creation in a firm is not related to the possession of resources, but to its relevant use.

Concerning these resources, different definitions and categorizations have been observed in the literature. According to Barney (1991), resources represent “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness”. From this very precise definition, one can notice the diversity in the types of resources and the close link to strategy and competitive advantage. Barney goes further in the analysis by differentiating, eventually, three categories of resources:

- Physical capital, including technology, equipment, geographic location and access to raw materials.
- Human capital, including training, experience, judgement, intelligence, relationships and insights of managers and workers
- Organizational capital, including reporting structure, formal and informal planning, controlling, coordinating systems and informal relations between groups within a and those in its environment.

Another perspective about resources and competitive advantage is brought by Grant (2010). The author also distinguishes three different types of resources, but in a different way compared to Barney. Indeed Grant uses the following separation:

- Tangible resources, including physical and financial resources
- Intangible resources, including technology, reputation and culture
Human resources, including skills and know-how, communication and collaboration and motivation

Such types of resources are integrated in a more comprehensive framework, which integrates other components such as the strategy of the firm, its capacities and competitive advantage, as illustrated by Figure 2 below.

![Figure 2. The Links among Resources, Capabilities and Competitive Advantage. Reprinted from Contemporary Strategy Analysis (p. 127) by R. M. Grant, 2010, Chichester: John Wiley & Sons Ltd. Copyright 2010 by R. M. Grant.](image)

Although they include very interesting elements in the analysis of the firm-specific factors, they need to be adapted to a specific service sector like the hospitality industry. This framework, in particular, shows the importance of the hospitality industry and its rapid evolution – as mentioned in the introduction – over the elaboration of the strategy by hotel chains. Due to the transformation happening in this sector, firms have to react and find a way to counter-attack the arrival of new actors in order to keep their relevance and maintain their success. In other terms, the firm needs to find and/or create a competitive advantage that will help them stand out from the other players.

Regarding the use of resources and capabilities in the hospitality industry, one of the most relevant work has been written by Aung (2000). The Thai scholar studied the case of a specific hotel group (Accor) in her own country. She identified four core competences related to three different functions inherent to a service firm:

- Human Resources should provide nurturing (“the ability to create an emotional bond with employees”) and empowerment (“the ability to provide [a specific
culture] that enables its personnel to adapt to changes in the marketplace more effectively.

- Operations should excel at data management ("apply information technology know-how to designing and initializing databases with appropriate hardware and software packages")
- Marketing should enable the development of new service, in order to "create strong images in the mind of the customers".

This analysis is interesting insofar as the competences identified are relevant before, during and after the internationalization process. Upstream from the expansion abroad, managers should evaluate if they have such competences that may guarantee the survival and success of their company once implanted on the destination. Downstream, once the company settles down and in the following years, it is crucial to apply and develop these core competences on a regular basis in order for the business to be viable and successful. This last element is closely related to the search for a positive ROI by hotel investors.

To conclude this last paragraph, we can say that the combination of available resources and their use, along with the capacities and general strategy of the company are meant to influence the internationalization process just as the aforementioned country-specific factors. This general information can be transposed to the services industries, a fortiori the hospitality activity. One shall assess if foreign hotel companies present in South America possess, apply and are aware of such competences in their internationalization process towards the continent. These firm-specific factors, who incentivize the company to expand abroad, are also integrated in and explained by the economic theories of internationalization themselves.

The present section attempted to gather and synthetize the information available to answer the “why” question of the internationalization of hotel firms to a specific location like South America. The next section will focus on another angle, namely the “how” part of the phenomenon.

2. How do hotel groups settle abroad?

Companies in and out of the hospitality sector follow a specific process and course of action when internationalizing their operations. This section will analyze which are the common patterns when talking about expansion abroad, and present the way firms enter a
specific market. Finally, after a general analysis about the internationalization process, a reserved section will account for the peculiarities in Brazil and other countries located on the South American continent.

2.1. Patterns of internationalization

Different models and frameworks have been theorized to describe the expansion of companies abroad (Carrasqueira, 2015). Historically, the internationalization process of firms can be seen as a three-step procedure, with a first focus on the flow of foreign direct investment (1950-1970), then on the strategy and organization of multinationals (1970-1990), and finally on the drivers related to globalization (1990-present) (Buckley, 2002). As for the “international experience” itself (Brida, Driha, Ramón-Rodríguez, & Scuderi, 2015), it has been studied from two perspectives: the firm’s entry age in international markets (Jones & Coviello, 2005) and the rhythm of internationalization over time (Zucchella, Palamara, & Denicolai, 2007).

While the following analysis and study will include these elements, it will be constructed around a different, twofold structure, which separates economic theories and behavioral ones. This distinction has also been used by Fleury & Fleury (2011) and Carrasqueira (2015).

The next paragraphs will explain in further details the two main theories related to this dual categorization: the eclectic paradigm (also called “OLI” paradigm) for the economic theories and the so-called Uppsala model for the behavioral ones. Thereafter, it will be completed with the concepts of the resource-based view and the so-called RAT-CAT model, also related to internationalization.

2.1.1. The eclectic paradigm (“OLI”)

Among the economic theories of internationalization, the main one may be the eclectic paradigm. From the beginning of the 20th century, the United States became the cradle of large international companies and developed innovative production models with Taylorism and Fordism. In the 70’s, to explain the success of the US subsidiaries, the professor John Dunning decided to focus on multinationals instead of the whole country, and developed a specific called the eclectic paradigm (J. Dunning, 1979). This framework is quite comprehensive and enables the identification of the factors that influence both, the initial decision of a company to produce abroad and the growth of this production (Fleury & Fleury, 2011). To explain these elements,
three aspects are taken into account by Dunning, integrating the elements of the CSA-FSA framework and summed up with the initials O-L-I:

- Ownership specific advantages. These are specifically relating to the nature and/or nationality of the property, and are derived from the possession of unique and privileged access to resources that create assets (natural, technological, human resources…).

- Location specific advantages. These are related to the location where firms deploy their foreign operations, and are derived from local conditions that influence company’s economic performance (for instance, tax wars, subsidies, and others). This characteristic is actually closely linked to the business potential of a country, as evoked in the first section above. However, the location-specific advantages can also interact with the firm-specific factors, insofar as the national policy of a country help integrate FSAs (Collinson & Rugman, 2011).

- Internalization specific advantages, which accounts for the possibilities of transferring assets through national borders inside the company’s structure. This enables the company to avoid risks and uncertainty and create economies of scale. In addition, as the previous section mentioned, the internalization theory is closely related to the identification and use of the FSAs by a specific company, and it integrates a series of strategic concepts and disciplines that allow a multifaceted approach of the international business strategy of a firm. Therefore, this lens is particularly useful for an in-depth analysis of MNE’s regional strategies (Verbeke & Kano, 2012).

In the end, four motivations emerge to account for the internationalization of companies, related to the seeking for resources, market opportunities, efficiency and/or strategic assets and competences (J. Dunning, 1979; Fleury & Fleury, 2011).

The same framework was then extended to the field of services, more specifically to the hospitality industry (J. H. Dunning & McQueen, 1981). The ownership advantages derive from the nature of the service provided, which is considered as an “experience good” with specific standards guaranteed by the trademark of the company. In addition, the firm often has “significant economies of size and logistical skills which enable the knowledge and expertise”. As for the location, firms will pay attention to the place where they expand since they are forced to set a physical presence to their services nature. (J. H. Dunning & McQueen, 1981). Finally, the internalization will occur through stronger, often equity-based entry modes that enable a real and better control on the operations (J. H. Dunning & McQueen, 1981; Quer, Claver, & Andreu, 2007). This phenomenon will be explained in further details later on in this dissertation.
This framework was also used and applied to the hospitality sector by Litteljohn (2007) and Williams & Shaw (2011) some decades later.

Closely related to the eclectic paradigm developed by Dunning, some authors theorized the so-called transaction theory. Originally elaborated by Williamson (1985), this theory depends on the choices made by a company to integrate or not part or all of their business transactions in order to avoid transaction costs. Such transaction costs include costs connected with finding a contractual partner, identifying a contract, and ensuring that the defined goals will be met (Altinay, 2007; Williamson, 1985). One can thus see the direct relation between transaction cost and the internalization part of the eclectic paradigm with, again, the choice of specific, equity-based entry modes (Altinay, 2007; Contractor & Kundu, 1998; Erramilli & Rao, 1993; Litteljohn et al., 2007). Besides, additional costs associated with information collection and disrupt communication can be generated as well, and these processes “require some common ground in order to code and decode the information” (Pak & Park, 2004). These specific elements, thus, require the acquisition of knowledge and know-how, a trait that is also developed in the behavioral theory, analyzed in the next paragraphs.

To conclude, the eclectic paradigm presents economic, business-related features that can be used and assessed to account for the expansion of a firm abroad. As mentioned above, other scholars developed another model related to the behavior of the firms themselves. This framework, called the Uppsala model, will be explained in the next section.

2.1.2. The Uppsala model

At the end of the 70’s, another pattern of internationalization has been theorized among the behavioral theories: the so-called “Uppsala model”. As the name reads, this model was created by scholars from the University of Uppsala, who used the case studies of a series of large Swedish companies, including Pharmacia, Sandvik, Atlas Copco, Facit and Volvo (Fleury & Fleury, 2011; Johanson & Vahlne, 1977). This model brings a series of contributions and concepts:

- The expansion of the firms that have been studied is gradual in terms of resources used in order to enter specific markets. As for manufacturing firms, for example, the company will first establish exports, then create a sales subsidiary and finally a production subsidiary.

- The internationalization is also gradual in terms of the places chosen by the company. Indeed, this second aspect of this progressive process is closely related to the concept
of psychic distance between countries. This integrates a “set of factors that can interfere with the flow of information […]’: geographical distance, differences in political, economic and social development, educational levels, language, culture, political systems, and institutions, among other factors’ (Fleury & Fleury, 2011). Thus, a country would first operate in a country it is physically and/or culturally close to, and then move on to territories that are less similar.

- The gradual process is closely linked to the learning process, knowledge building and integration in international networks. In other terms, a firm needs to acquire specific skills and know-how in the first countries it is expanding to. This will enable it to apply this new set of competences elsewhere in the world and better apprehend the other potential countries where the company want to settle down.

Just like the OLI paradigm, this general model has then been applied to the hospitality sector by different authors (Azofra & Martinez, 1999; Carrasqueira, 2015; Rodriguez, 2002). Williams & Shaw (2011) believe that the framework developed by the Swedish scholars is still useful in this context, insofar as “firms are providing services to tourists in an institutionally different context, and have to develop new supply chains within this framework.” In other words, a hospitality company needs to adapt its operations and to the country it expands to, and this matter is all the more important since the psychic distance increases between the home and overseas countries. This, of course, may require organizational changes from the firm (Williams & Shaw, 2011).

Earlier in time, Contractor & Kundu (2000) also showed that this gradual expansion had been observed in the tourism sector, since the companies who had a lower degree of internationalization were usually concentrated in the same region. One can thus say that the geographic element of the psychic distance, often associated to other aspects as well (language, etc…), plays an important role in the internationalization of hotel groups that are not comfortable with the process and/or are still at an early stage of their international development.

The cultural distance also plays a role in the choice of entry mode for a hospitality company. Cultural distance reduces the likelihood of modal choice, since the firm needs to make up for the potential cost increase of expanding to a country it is not very familiar with and integrated into (Quer et al., 2007). In this regard, a higher cultural distance may oblige a hotel group to look for local support in order to facilitate product adaptation, share risks and avoid mistakes (Azofra & Martinez, 1999; Quer et al., 2007). Again, a section dedicated to the factors influencing the entry mode choice will explore this aspect in further details.
Last but not least, Carrasqueira (2015) studied the internationalization path of the Portuguese group Pestana, and the analysis showed that the hotel company mainly followed behavioral theories and the Uppsala model. A series of elements such as prudence of the firm, the sequential stages of the internationalization process (linked to the psychic distance of the destination countries) and the concepts of network and entrepreneurial skills were particularly salient and matched the Sweden-established framework.

As a conclusion, one can see that, just as the eclectic paradigm, the Uppsala model and its concepts can also be applied within the hospitality industry.

2.1.3. Resource-based view (RBV) and RAT-CAT

Beyond the two aforementioned internationalization theories, authors and scholars in the field of strategy have outlined other concepts that may be useful in order to analyze the hospitality industry and its global expansion.

The resource-based view (RBV) was developed by Barney (1991), who shows the firm as a set of resources which lead to its competitive advantage. Indeed, through the use of valuable, rare, inimitable and “non-substitutable” resources, a specific company can create and apply unique capabilities and learning that enable it to differentiate from its competitors (Ivanov & Ivanova, 2017; Penrose, 1959). As mentioned above, the concepts expressed within the RBV are interrelated with the FSAs within the OLI paradigm and the internalization theory (Verbeke & Kano, 2012). According, to this theory, however, the use of resources also influence the sociopolitical environment in which the firm is established (Mellahi & Frynas, 2015). Thus, the resource-based view also displays some links with the country-specific factors identified above. Concerning the focus of this research, the RBV framework has already been applied in the hospitality industry, especially in relation to international expansion and the choice of the “right” entry mode (Contractor & Kundu, 1998).

Closely related to the RBV, some authors also developed the so-called RAT-CAT model (Lessard, Lucea, & Vives, 2013). Such model is presented as a virtuous cycle, where a company can develop its capabilities by exploiting those that are relevant, appropriable and transferable (RAT) into a foreign country. Then, in a second phase, when the company is well settled down in the new market, it can enhance its overall capabilities by identifying the newly acquired skills that are complementary, appropriable and transferable (CAT) to all or part of the organization (see Figure 3). In the hospitality industry, such model has been followed by Accor. Indeed, the French company entered foreign markets applying the relevant skills that
were developed in France. While internationalizing its operations, the hotel chain also identified new assets and capabilities that could be reintegrated in the group’s core practices. This helped the company gain in size and expertise – with the development of new brands – and contributed to its success.

![Figure 3. The RAT-CAT cycle. From “Building your company’s capabilities through global expansion” by D. Lessard et al., 2013, MIT Sloan Management Review, 54(2), p.65. Copyright 2013 by the Massachusetts Institute of Technology](image)

To conclude this section, we can say that a high number of internationalization patterns have been identified in order to analyze the hospitality industry. A firm may not be characterized by a unique pattern over their lifetime, and there may be changes and bridges concerning the ways to go abroad all over the trajectory of this firm. In this regard, the following scheme aims at showing the links and integration between the patterns of internationalization and the CSA-FSA framework (see Figure 4). As we saw in the previous paragraphs and on Figure 4, most of the theories are used to explain the hotel chains’ choices in terms of entry mode. The next section will be dedicated to this specific aspect.

![Figure 4. CSA-FSA framework and internationalization patterns. Created by the author.](image)
2.2. Entry modes

In order to enter a specific foreign market, a company has a wide range of legal options to establish its presence abroad. As mentioned in the introduction, many authors have written about this subject in the fields of strategy and hospitality services. The following paragraphs aim at identifying these entry modes and their characteristics. Further on, a deeper analysis will be done to assess the suitability of an entry mode depending on the context of the expansion. This should enable a firm to make the “right” modal choice.

2.2.1. Overview of the entry modes

In their book *International Business, New Realities*, Cavusgil et al (2014) give us a definition of the possible entry modes available for a hotel company willing to internationalize its operations. Since we are dealing with firms selling hospitality services, some options like exporting are not relevant and will not be studied here.

* Franchising and Management Contract

A franchising agreement is another type of contract-based entry mode that allows a *franchisee* – the local company/partner – to operate a business using local – to operate a business using the parent company’s trademark, copyrights, patents, know-how and methods of operation. As a counterpart, the *franchisee* has to pay some royalties to the parent company, namely the *franchisor*. The terms and conditions, again, are fixed in a contract which establishes a series of elements like the services standards, the amount of the royalties, the marketing instructions and the rights and restrictions related to intellectual property. Such entry mode has the advantage of enabling control for the parent company over the subsidiary without the high amount of investment required by an equity-based entry mode (joint venture, wholly-owned subsidiary, …). This is particularly useful in risky and/or culturally distant usually have to release significant investment to expand abroad.

Choosing these entry mode requires a lot of interactions both at the company divisional level, between the various business units (legal, marketing, technical services, …) and at the host country level, between the country managers and the potential franchisees (Altinay, 2007).
This modal choice is particularly popular and relevant within the hospitality industry, with very positive trends (Altinay, 2007; Mello & Setton, 1999). In 1998, 28.4% of the hotel properties were managed through this type of contract.

A management service contract present more or less the same characteristics as a franchising agreement. In both cases, the parent company earns fees for selling the aforementioned intangibles. However, the management company is also paid for its managerial skills, and the contract can involve a wide range of functions, such as technical operation of a production facility, management of personnel, accounting, marketing services and training its operational investments. Thus, management do not only involve selling a method of doing things (as with franchising), but involves actually doing them. On the contrary, while the franchisee gets influences from affiliating with a big company, but it also keeps the rights of an independent businessperson (Zhou, 2014). Overall, in 1998, franchising agreements and management contracts were applied in almost two thirds (65.4%) of the hotel properties.

* Joint-Venture

A joint-venture is a form of equity-based collaboration between two or more firms to create a jointly-owned enterprise (Cavusgil et al., 2014). The parties wish to reach a common business target and choose this option to share risks, knowledge and expertise in order to increase their competitive advantage. A so-called “umbrella agreement” is at the core of the joint-venture establishment and sets the bases of the association among parties, along with the related rights and obligations falling to them. This can include the bylaws or articles of association, a sales agreement, the terms of a loan and/or the licensing trade mark patent.

As the companies have a direct share in the newly-created venture, it enables them to better control their operations. This aspect is particularly relevant and useful when investing in a region that is risky and/or the company is not very familiar with. In this last case, the share of local expertise and market knowledge increases the chances of success in this specific location.

One recent example of joint-venture in the hospitality industry may be the creation of a joint venture between Starwood Capital – integrated in the hotel group Marriott – and Shimao Property Holdings in China (Fox & Mest, 2017). The two parties should gain advantages from this operation. Indeed, Starwood should benefit from Shimao’s knowledge and network to better penetrate the Chinese market (the American group is more and more focused on the
Asian continent), while the Shimao will make the most of Starwood’s financial and operational expertise in the hospitality industry.

* Foreign Direct Investment (FDI)

Last but not least, hotel firms can enter a specific market through foreign direct investment (FDI), an equity-based internationalization strategy in which the firm establishes a physical presence abroad (Cavusgil et al., 2014). Three types of FDIs can be identified:

- Acquisitions: direct investment to purchase an existing company or facility.
- Merger: a special type of acquisition in which two firms join to form a new larger firm.
- Greenfield: direct investment to build a new manufacturing, marketing or administrative facility. In this case, the parent company owns 100% of the subsidiary.

Depending on the country where the firm will deploy its activities, FDIs are ruled by different laws and involve different types of company denominations and legal considerations.

As for the advantages of such modal choice, one can see that it can enable a major or full control of the subsidiary, which, again, is particularly convenient when investing in a new, unfamiliar country. As a counterpart, however, this type of investment is also the “heaviest” in terms of required resources. In other terms, it is mainly the biggest and well-established hotel chains that are able to resort to such option.

An example of a foreign direct investment within the hospitality industry is the aforementioned company Starwood, which was recently acquired by Marriott, in order to form the largest hotel group in the world (Starwood, 2015).

There is, thus, a wide range of legal options in order for a hospitality firm to enter a foreign, implying more or less resources and control. This aspect will be studied in more details in the next section, along with other aspects that influence the modal choice of a company.

2.2.2. Classification and choice of entry modes

Selecting the right way to enter a specific is a key stake within the strategy of a company, and a lot of parameters should be taken into account when choosing an entry mode.
The aforementioned options can be classified according to the degree of control they provide and the amount of resources they require. As shown on Figure 5, 6 and 7 below, the more an entry mode requires investment (both in terms of money and knowledge), the more the company will be able to exert control on its operations. Control has been defined as the ability of the firm to influence the various management systems of the organization in order to improve its competitive position and maximize returns on firm-specific assets (Agarwal & Ramaswami, 1991).

A contract-based modal choice like franchising will not require as much investment as a joint-venture or a greenfield strategy, insofar as the company will not need to invest a lot of capital expenditures (e.g. to build the property). However, even though the terms of the franchising agreement may be very precise and cover a vast area of the business activity, the parent company does not have a direct control on the subsidiary like it could have through a joint venture or a FDI, which also increases the risk for the company (Osland, Taylor, & Zou, 2001). In these last two cases, the share of the parent company in relation to the business partner should also be assessed in order to evaluate these risks. On the other hand, even though contract management does not allow a full control on operations, it is an interesting and popular option for a firm willing to invest in a risky country, since the lower involvement may facilitate both the entry and the exit of the company in case of failure (Ivanov & Ivanova, 2017). It is up to the firm to decide which option she would prefer according to the circumstances.

Figure 5. Entry modes according to risk and control.
Created by the author
These aspects have been confirmed by Garrido, Vieira, Slongo, & Larentis (2009), who identified the main aspects of each entry mode at different levels (control, resources, access to information, technology transfer, contact with the customer, risks, …). They classified these two entry modes according to their “complexity”. In the case of the hospitality industry, the entry modes used by hotel companies (see 2.2.1) are considered as being of higher complexity. In particular, these modal choices imply a high control over marketing activities, good access to information and higher contact with the customer. In return, such choices require higher investments and operational risks. All these elements are summarized in the table below.

<table>
<thead>
<tr>
<th>Entry modes on international markets</th>
<th>Lower complexity</th>
<th>Higher complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct and indirect export</td>
<td>Franchising, Licensing and Management Contracts</td>
<td>Joint Ventures and FDIs</td>
</tr>
<tr>
<td>Little or no control over international marketing activities</td>
<td>High control over international marketing activities</td>
<td>Full control over international marketing activities</td>
</tr>
<tr>
<td>Use of intermediaries in the internationalization process</td>
<td>Use of international partners or associates in the internationalization process</td>
<td>No intermediaries or partners in the internationalization process (direct application)</td>
</tr>
<tr>
<td>Higher difficulty to access and select information</td>
<td>Good access to information</td>
<td>Higher access to information</td>
</tr>
<tr>
<td>Lower need for resources and investments</td>
<td>Medium need for resources and investments</td>
<td>High need for resources and investments</td>
</tr>
<tr>
<td>Little contact with the customer/consumer, international competitor and external environment</td>
<td>Medium contact with the customer/consumer, international competitor and external environment</td>
<td>High contact with the customer/consumer, international competitor and external environment</td>
</tr>
<tr>
<td>Lower operational risks</td>
<td>Medium operational risks</td>
<td>Higher operational risks</td>
</tr>
</tbody>
</table>

Table 1. Comparison of entry modes on international markets. Adapted from “A escala Experf e os modos de entrada: um proposta de mensuração de desempenho.” by Garrido et al, 2009, Revista de Administração e Contabilidade da Unisinos (BASE), 6(4), 312-327. Translated by the author.
Such controlling aspect in the entry mode selection has been adapted and applied to the hotel industry as well. In this regard, Contractor & Kundu (1998) also established a classification of the aforementioned four entry modes according to the control they enable for the parent company. In the case of daily management and quality, the best control is ensured when the company owns its property, while franchising does not allow the company to monitor well its operations. As for joint-venture and management controls, these options offer reasonable control over daily management and quality. These elements are summed up in the table below.

<table>
<thead>
<tr>
<th>Entry modes</th>
<th>Extent of control</th>
<th>FDI (fully owned hotel)</th>
<th>FDI (shared ownership)</th>
<th>Management contracts</th>
<th>Franchise contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strong control</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium control</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Little or no control</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Table 2: Entry modes and control over daily management and quality in the hospitality industry. Adapted from “Modal Choice in a World of Alliances: Analyzing Organizational Forms in the International Hotel Sector” by F. Contractor & S. Kundu, 1998, *Journal of International Business Studies*, 29(2), 325-358

In addition to all the aforementioned elements, the same distinction between country-specific and firm-specific factors that shall account for the internationalization of a firm can also be applied on a more specific level, namely the choice of the “right” entry mode. As already mentioned in the section about internationalization patterns, the OLI paradigm has been applied to the hospitality industry (J. H. Dunning & McQueen, 1981) and features, and its characteristics overlap the country and firm-specific factors mentioned here. In particular, the political and economic situation of a country, the presence or not of skilled labors and the organization of the firm itself may influence the involvement of the company in the destination country. Such twofold influences was also confirmed by Ivanov & Ivanovna (2017), both for the push for internationalization and for the selection of an entry mode.

One important element in the country-specific factors that should be outlined is the influence of cultural distance on the modal choice. Many authors sustain that a higher cultural distance may imply higher transaction costs, which is why a firm has an expressed interest in internalizing these costs; and such internalization may happen only through an equity-based entry mode like a joint venture or an FDI (Altinay, 2007; León-Darder et al., 2011; Quer et al., 2007). Besides, if following the Uppsala model (Johanson & Vahlne, 1977), a firm may only
invest more and in culturally distant countries at a later stage of their internationalization, after acquiring enough financial resources and knowledge.

As for the firm-specific advantages, the skills of a firm also influence the choice of an entry mode. Such assumption means that this choice is not only ruled by the situation of a specific country and the ability of the parent company to control the subsidiary, but also to the transfer of capabilities (Dev, Erramilli, & Argawal, 2002), linked to the strategy of the company and its competitive advantage (Grant, 2010).

At a crossroad between country-specific and firm-specific aspects, FDIs present different characteristics and patterns according to the industry and its features (Södersten & Reed, 1994; Williams & Shaw, 2011). Indeed, the hotel industry necessitates a physical presence of the firm on the spot. If no partner has been found in order to establish a property in the destination, the company will be forced to enter through a greenfield, which is why this modal choice is still significant in the industry (Contractor & Kundu, 1998).

Within the hospitality industry and just as for the decision to internationalize per se, the selection of an entry mode is influenced by a series of factors depending on the features of a firm and the destination country. As for the latter, some specificities exist in each location a firm wants to expand to. The following last section will provide an overview of these specificities in Brazil and the rest of South America, since these territories are at the core of this research.

2.2.3. Important aspects for the case of South America

As shown in the aforementioned paragraphs, the choice of an entry mode is determined by a series of parameters. In addition to this, some peculiarities of the South American countries may bring a further influence in the choice of an entry mode.

* Brazil

Differences between hotel guests require adaptation from the local actors and institutions (León-Darder et al., 2011; Richard, 2017). For a few decades now, Brazil has been developing some incentives in order to develop the tourism industry, attracting thus foreign tourists and, as a consequence, investors (Santana, 2000). These incentives concern both the leisure part – with historically touristic destinations like Rio de Janeiro – and the corporate one. In both cases, the Ministry of Tourism and local tourism actors deploy a lot of efforts in order
to stimulate the touristic activity. One may think that all these aspects may entail less restrictions concerning the modal choice through which a foreign firm is going to establish its operations there, since the *a priori* prosperous hotel market would “ensure” success.

However, in terms of entry modes, it is actually on a legal level that Brazilian specificities should be mentioned. While franchising in Brazil has been very popular in the country due to the limited risks and investments for the expanding company (Mello & Setton, 1999), it is also an administrative burden. This entry mode is ruled by Law 8,955 of 1994 and requires prior approval and registration at competent government agencies, along with the filing of a number of documents related to the Franchising transaction & International Franchise Model Of Operations. Such element may deter companies from choosing this entry mode to expand to Brazil.

Concerning joint-ventures, flexibility is ensured towards the two parties insofar as there are no statutory rules governing this type of entity. Therefore, profit sharing, income & expenses are shared among partners based on contractual terms. Moreover, the participation of a Brazilian legal entity or partner within the joint venture is not mandatory. Nevertheless, such option is often chosen by foreign companies since it enables them to better manage operations and financial aspects. This issue is linked to the cultural distance and acquisition of experience that were mentioned above, which have an impact on the success of an expanding business.

As for FDIs, two options are possible for a foreign investor in order to enter the Brazilian market: the creation of a Limited Liability Company (LLC) or a Joint-Stock company (JSC). The former option is more popular interesting since the registration procedure is simpler than for the JSC. Furthermore, the capital contribution may be in the form of assets or cash, at any time after the creation of the subsidiary. However, the JSC presents an advantage of transparency that may also please the investors, especially in bigger companies.

All these entry modes, of course, are closely linked to the notion of risk. Brazil is characterized with a series of political and economic instabilities like the volatility of its currency, an endemic corruption and a complex bureaucracy (see 1.1.2). The latter aspect, in particular, had the country ranked at the 125th spot (out of 190 countries) in terms of easiness to create a business (*Doing Business 2018: Brazil*, 2018). Considering the risky aspect of Brazil, hotel firms should carefully consider the modal choice to enter the market. On the one hand, franchising requires a lower amount of investment (which makes it painless to enter and to leave the market) while enabling a medium control. On the other hand, a joint-venture on a FDI would provide full control, but with a high amount of investment. In the case of the hospitality industry, the financial resources required to build or acquire a property is
particularly significant and can reach more than a billion dollars. The situation and strategy of the company should guide managers in doing the most convenient choice to enter a foreign country.

Figure 6, in particular, shows the inward FDI in Brazil from 1990 to 2014. In spite of the political and economic turmoil affecting the country, one can notice that pro-market reforms and the end of the hyperinflation provoked an overall increase of the inward FDIs. One can guess from this data that such entry mode may be suitable to the particular situation of the country.

Thus, a series of legal and economic peculiarities of Brazil may influence the way a hotel company will penetrate this market. Gauging the amount of risks, control and required resources is at stake at this early stage of the internationalization process. The last section will evoke the case of other countries located on the continent and their particularities.

* Other South American countries

While Brazil represents the biggest country in South America, it is interesting to have a look at the characteristics of the other Spanish-speaking countries that shall play a role in the choice of an entry mode.

Just like Brazil, the rest of the continent also sees tourism as a great opportunity of development. Such element was already notice half a century ago (Arespacochaga, 1968), and the good trends of the market were confirmed by the Annual Report on Tourism of the United
Nations, as South America is leading the growth trends in terms of tourist arrivals (2017). Like Brazil, such phenomenon is the result of an active role of local institutions, but also of the low value of the local currencies, which entails cheaper destinations and a flow of international tourists (Major, 2016).

Generally, successful Latin American multinational companies are characterized with operational excellence and an optimized use of information technologies (Fleury & Fleury, 2011). Since these elements can be perceived as key factors of success, the company should think about an entry mode that would enable the firm to make the most of these qualities. In other terms, it should consider a modal choice through which there is no intermediary that may interfere and hinder the efficiency of the subsidiary. Thus, a joint-venture or a FDI may be the most appropriate option.

In addition and similarly to Brazil, South American countries are characterized with a series of potential risks (Fleury & Fleury, 2011) affecting modal choice. Among them, one can mention the political uncertainty and corruption, with most of the countries scoring less than 50 on the Corruption Perceptions Index (Amnesty International, 2017). Violence can also affect the tourism industry and scare tourists – and, thus hotel investors – who will rather go for another destination. The question of the geographical isolation is also relevant. Since networks are important in the internationalization process and the acquisition of knowledge, the integration within these networks is of great importance and the country needs to be well-integrated regionally and globally. A bad example for this situation may be Venezuela, which decided to cut relationships with the United States. On the contrary, the “Mercosur” regional alliance allows good trade relationships between Brazil, Argentina, Paraguay and Uruguay. Concerning these trade issues, the Trans-Pacific Partnership is a way for Chile to increase its commercial activity with another eleven countries. However, Donald Trump’s wishes to withdraw from the partnership may affect all the members.

To close this section, we can briefly analyze the case of two large South American nations: Chile and Argentina. Overall, most of the economic and political indicators are on green for Chile. The country has one of the lowest corruption index in the country and ranks highest in South America in terms of easiness to open a business (Doing Business 2018: Chile, 2018). As for tourism, the activity has developed in the country, with the support of national institutions for the creation of infrastructures to meet the demand from leisure and corporate tourists (Hidalgo et al., 2016). The case of Argentina is a bit more complex. Recent reports (Argentina, 2017, “The World Bank in Argentina,” 2018) show positive prospects for the country, with the sustainable development of the agribusiness, but also the services industry.
Furthermore, poverty has been decreasing and the deficit went from 4.3% in 2016 to 3.8% of the GDP in 2017. Nevertheless, some uncertainties remain as investments are very variable every year (see Figure 1, 1.1.2.).

Thus, South American countries have a number of opportunities and risks related to their economic and political situation. As mentioned above with the case of Brazil, such features should be taken into account – especially the risks – in order to choose a suitable entry mode for an internationalizing hotel chain.

The literature review about international strategy and the hospitality industry made it possible to identify a lot of elements related to the reasons why a firm want to expand abroad and the way it shall perform this process. As for the former, the macro-economic situation of a country (CSA) and the adequate use of the company’s resources (FSA) provide some explanations concerning the push for internationalization of hotel firms. As for the latter, economic and behavioral theories of expansion and entry mode strategies are completely integrated in the procedure. All the elements identified in the previous paragraphs may be applied to specific locations like the South American continent, and should help us better understand the internationalization of a multinational hotel group like AccorHotels in this particular region.

Following all these theoretical findings, we can suggest two different proposals for the case of hospitality groups:

1. Due to the hotel industry’s strong dependence to macro-economic environment, the decision for hospitality group to internationalize should mainly be determined by rational, economic factors related to the situation of the country and its potential.
2. Beyond the economic context of a determined country, the entry modes chosen by hospitality groups shall depend on their resources and competences.
III. METHODOLOGY

This section aims at presenting the methodological process of this work. A first section will explain the choice of a qualitative research and of a single-case study. The next parts will account for the research setting, the data collection strategies, the data analysis procedures and, lastly, the validation of the findings.

1. Qualitative research and case study

1.1. Qualitative research

This research will be done through a qualitative study, namely “a situated activity that locates the observer in the world [and] consists of a set of interpretive, material practices that make the world visible” (Denzin & Lincoln, 2003). It is also a way to explore and understand the meaning the meaning individuals or groups ascribe to a social or human problem (Creswell, 2014). Four main characteristics have been identified to talk about this type of study (Merriam, 1998):

- There is a “focus on meaning and understanding”. In our case, the research will focus on the drivers and features of the internationalization process of a hotel chain.
- The researcher is the primary instrument to collect and analyze data and is at the core of the process.
- It is an “inductive process”, which means that the collection and analysis of data will result in the creation of new theories.
- “The product is richly descriptive” and has a lot of features to be analyzed.

As for Stake (2010), the author uses other keywords to describe the qualitative study, which is experiential, field-oriented, situational, “personalistic” and interpretive. All these aspects can be observed in the present work as well.

The qualitative method has been chosen here insofar as it focuses on the essence, the understanding and the description of a specific phenomenon (Bogdan & Biklen, 1994; Patton, 2001; Taylor & Bogdan, 1984). It also helps discover the meaning of this phenomenon (Merriam, 1998) while considering the context of the research (Godoy, 1995).

Nevertheless, the expression “qualitative study” are quite broad and encompasses various forms to conduct the research (Merriam, 1998). In this regard, different approaches have been described by Creswell (2014), such as the “narrative research, the “phenomenology,
the “grounded theory”, the “ethnography” and, last but not least, the “case study”. Since this research is conducted through this last method, the next section will be dedicated to it.

1.2. Case study

Case study is a design of inquiry in which “the researcher develops an in-depth analysis of a case, often a program, event, activity, process, or one or more individuals”. Through a case study, researchers collect detailed information using various data collection procedures over a certain period of time (Creswell, 2014; Yin, 2001). Along with a thorough analysis, the case study has the advantage of enabling a rich description of a specific situation (Hancock & Algozzine, 2006).

As it aims at studying the expansion process of a firm and its international success, the case study seems particularly adapted to this research. Furthermore, according to K. M. Eisenhardt (2016) and Merriam (1998), the case study contributes to the construction of theories and the development and understanding of the studied phenomenon. Last but not least, Yin (2001) suggests that an investigation attempting to answer the “why” and “how” questions requires the case study as a design to conduct the research. As mentioned in the introduction, exploring the reasons why a hotel firm internationalize its operations, and looking at how the process is actually carried out, are the core interrogations guiding this analysis.

This dissertation is organized around a single-case study, for it will take into account only one hotel group, namely the French multinational AccorHotels, which expanded globally since its creation more than fifty years ago. The choice of studying this single company is both personal and practical. First, the collection of data would be easier thanks to more direct connections with managers and employees of the company. Second, having one firm to study would make it possible to lead an intensive examination and provide a more comprehensive analysis (Yin, 2001).

The choice of AccorHotels was not random. The French company is the hospitality leader in South America and in Europe, and among the leading hotel chains in the world (Faibis, 2017). As explained later on in this work, the group has a revenue of about €5.6 billion and operates in more than 4,000 properties on all the continents, corresponding to about 600,000 rooms. All these elements enable the researcher to consider AccorHotels as a “remarkable case” (Yin, 2001).

As for the hotel industry itself, both professional experience and personal interests accounted for this choice. However, the it is also particularly relevant and interesting in the
field of internationalization, since the hospitality sector and the services industry in general have been quite understudied compared to manufacturing companies (Contractor & Kundu, 1998; Litteljohn et al., 2007). Furthermore, as AccorHotels is a multinational enterprise well-established in the industry, it has experienced expansion all over the world, implying that the internationalization process is already at a late stage and that a pertinent retrospective analysis can be done about it. Such aspect is closely related to the “information-rich and illuminative” dimensions suggested by Patton (2001).

Considering all the aforementioned elements, the case study seems to be the most adapted option to account for the internationalization of hotel chains. The next section will specify the conditions of this research and bring more details about the research setting.

2. Research setting

The research setting (or research locus) includes the place, the time frame and the sample associated with a determined study. Thus, it aims at answering the “where”, “when” and “who” questions of the investigation.

As the title of this work reads, the exploration happened on the South American continent. This choice is mainly determined by geographic factors, since the collection of information and insights “on the spot” will be easier and quite appreciated, especially in a time-limited context. However, since thirteen countries make up the whole territory and AccorHotels operates in 10 of them, it was decided to restrain the study to the three nations where the number of properties is the highest, namely Brazil, Argentina and Chile (AccorHotels, 2018a). Concerning the company itself, both the South American headquarters (HQ) in São Paulo, Brazil, and the single properties in Brazil, Argentina and Chile will be the stage of the analysis. Finally, as AccorHotels integrates 28 brands divided in 3 segments of consumers (AccorHotels, 2018b), it would be more sensible to focus on one brand, in order to be able to make comparisons between the different units and countries studied. The brand chosen here is Ibis, which is related to the economic segment and whose growth and revenue creation are the highest for the group AccorHotels in the world. Nevertheless, some insights within two Brazilian properties from the midscale brand Mercure and upscale brand Grand Mercure were also taken into account since retrieving information in this country was simpler. Last but not least, the institutional information was completed with opinions from experts in a hotel consulting firm in São Paulo which has worked and had projects with AccorHotels in Brazil.
The research started in February 2018 with the research of literature about internationalization strategy, the hospitality industry and AccorHotels. Even though the most intensive collection phase happened in February and March, it has been going on for the next months. As for primary data (interviews), AccorHotels managers and experts of the hotel industry were contacted as from April 2018, and the interviews happened in the next two months. Concerning the data per se, they will cover the whole history of the company, from 1967 to 2018. This choice is coherent with the retrospective aspect of the research and the comprehensive analysis of the internationalization process, seen as a continuous path. In addition, the aim of this dissertation is to provide more specific insights about the current situation of the internationalization process of AccorHotels, with the context of both the economic and political turmoil on the continent and the end of world-scale events like the World Cup and the Olympic Games. However, insights about the future of AccorHotels’ expansion may be provided as well, especially through primary data.

As set in the aforementioned paragraphs, people involved in the research mainly include managers from AccorHotels, both from the HQ and some relevant properties in Brazil, Argentina and Chile, along with experts about the hotel industry. These people were interviewed in order to get comprehensive perceptions about AccorHotels’ internationalization on the South American continent. Further details about this will be given in the next section.

3. Data collection

3.1. Primary data

Primary data is intended as “empirical data collected by researchers themselves” (Eriksson & Kovalainen, 2008). This empirical data was retrieved through interviews with managers from AccorHotels and experts from the hotel industry. Such interviews were done mainly via Skype, or by phone. If consented by the interviewee, the Skype conversation was recorded; otherwise, the insights would be documented through note taking, either on a computer or on paper. Upstream of the interview, managers were contacted via email or LinkedIn and, if unsuccessful, through phone calls. Downstream, the information would be transcribed from notes and tapes of the interview, in order to facilitate the analysis of the data. In total, the researcher recorded 2 videos (of 25 and 55 minutes) and wrote down 28 pages of notes.

More generally, this kind of interviews present a series of advantages. First of all, they allow the researcher to collect information in an efficient and practical way (Eriksson &
Kovalainen, 2008). Second, they make it possible to access data that cannot be found in the academic, journalistic and/or institutional literature (Eriksson & Kovalainen, 2008). Lastly, in the case of Skype interviews, the more direct contact with the interviewee enables the researcher to better grasp “experiences, opinions, feelings and knowledge” of the interviewee (Patton, 2001). This subjectivity is important to be considered when analyzing the data afterwards.

3.1.1. The participants

The panel of interviewees was chosen according to several “guiding rules” in order to avoid research bias. First of all, the managers were picked across different South American countries, namely Brazil, Chile and Argentina, which are also the main markets of the company (AccorHotels, 2018a). The interviews were done in the native language of the interviewee, in order to make them feel more comfortable and at ease with expressing their ideas (Creswell, 2014). Besides, managers were contacted both within the HQ and the single properties. This would enable the researcher to have a corporate insight coupled with “on the field” opinions. As for their titles, general and department managers of the hotel units where considered, insofar as they both know very well the business context in which their property is integrated; concerning the HQ, a project manager in direct contact with AccorHotels South America’s CEO Patrick Mendès was selected, insofar as he has a broad view on the strategy of the company and on its business environment. All of these actors have a several-year experience within the company, which suggests more pertinence for the collected information. Unfortunately, while relevant managers working for the global HQ in France were contacted but could not be reached for an interview. The reasons are twofold: first, most of the managers who are knowledgeable and in charge of the South American continent are located in the local HQ in São Paulo; second, the only managers dealing with the South American continent are in the top management and hardly accessible. Finally, the institutional observations were completed with hotel industry experts’ suggestions. These actors were chosen for their previous knowledge of the company and their “neutrality” in the perception of AccorHotels’ internationalization process, so their insights would complete and be compared with the institutional voice.

In total, 7 interviews were done, covering all the aforementioned possibilities of interviewees. These include 6 interviews of managers working for AccorHotels, and one expert working for the hospitality consultancy firm Hotel Invest in São Paulo. For time and resource
constraints, it would have been hard to proceed to further interviews. In addition, due to the broad diversity of actors that have been interviewed, one can consider that further conversations and perceptions will not bring new relevant material (Charmaz, 2006).

Table 3 (see below) was adapted from Rivet (2011) and contains the list of interviewees and their characteristics, along with further details about the interviews.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Company/Unit</th>
<th>Location</th>
<th>Contacted through</th>
<th>Interview type</th>
<th>Duration</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapahel Pouget</td>
<td>Project Manager</td>
<td>Accorhotels South America HQ</td>
<td>São Paulo, Brazil</td>
<td>LinkedIn</td>
<td>Skype</td>
<td>55 min</td>
<td>French</td>
</tr>
<tr>
<td></td>
<td>Direct collaborator of Patrick Mendes, CEO Accorhotels South America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caroline Costa</td>
<td>Department Manager</td>
<td>Ibis universe (much experience in various Ibis properties in RJ)</td>
<td>Goiânia, Brazil (Rio de Janeiro, Brazil)</td>
<td>Phone Call</td>
<td>Phone</td>
<td>25 min</td>
<td>Portuguese</td>
</tr>
<tr>
<td>Caroline Oliveira</td>
<td>Department Manager</td>
<td>Grand Mercure Boa Viagem</td>
<td>Recife, Brazil</td>
<td>Phone Call</td>
<td>Phone</td>
<td>15 min</td>
<td>Portuguese</td>
</tr>
<tr>
<td>XXX</td>
<td>General Manager</td>
<td>Ibis property</td>
<td>Santiago, Chile</td>
<td>Email, Phone Call</td>
<td>Skype</td>
<td>25 min</td>
<td>French</td>
</tr>
<tr>
<td>Marcello Tsururu</td>
<td>Department Manager</td>
<td>Ibis Buenos Aires Obelisco</td>
<td>Buenos Aires, Argentina</td>
<td>Email, Phone Call</td>
<td>Skype</td>
<td>25 min</td>
<td>Spanish</td>
</tr>
<tr>
<td>Rafaello Enrico Costa</td>
<td>Department Manager</td>
<td>Mercure Belo Horizonte Lourdes</td>
<td>Belo Horizonte, Brazil</td>
<td>Phone Call</td>
<td>Phone</td>
<td>20 min</td>
<td>Portuguese</td>
</tr>
<tr>
<td>Thaís Perfeito</td>
<td>Partner</td>
<td>Hotel Invest</td>
<td>São Paulo, Brazil</td>
<td>Email, Phone Call</td>
<td>Skype</td>
<td>25 min</td>
<td>Portuguese</td>
</tr>
</tbody>
</table>

Table 3: Interviewees and other characteristics of the interviews. Frame adapted from “The Challenges of Repositioning an International Brand: A Case Study on the Hospitality Industry” by V. Rivet, 2011.

### 3.1.2. The interview structure

Among the options presented by Creswell (2014), this research will use semi-structured interviews to collect primary data. This format enables the researcher to investigate specific themes relevant to the analysis, though with a certain degree of freedom allowed by the open questions and their order (Eriksson & Kovalainen, 2008). In this way, the semi-structured interviews mix a systematic, rigid basis with the possibilities of adaptation along the interview. This flexible organization also creates a less formal environment that is favorable for a rich conversation and flow of information (Eriksson & Kovalainen, 2008).

One of the key elements in these semi-structured interviews was certainly the protocol. This protocol would help the researcher better organize its thoughts during the conversation and, thus, would participate in the fluidity of the interview. Again, the protocol translates this combination of rigidity and flexibility. Indeed, the elaboration of the questions beforehand makes it possible for the researcher to cover all the issues that need to be assessed, while there is also room for improvisation and alternative questions if needed (Patton, 2001).
In the frame of this research, a general protocol was developed for all kinds of interviewees. This outlined some general, “compulsory” questions to have first, spontaneous, genuine answers from the interviewees, but also provided a series complementary questions to reorient the conversation in case some more specific topics evoked in the literature review and that had not been addressed naturally by the participants. Of course, depending on the kind of interviewee (property managers, HQ managers and consultants), the questions would be slightly different and adapted to the context.

As for the structure of the protocol, it was divided into four parts:

- Ice-breaking and introduction of the interviewee. The elements of introduction are both personal and professional. Although it does not bring information about the studied topic, this part is important to (re)justify the relevance of the interviewee choice, and may also create a more casual atmosphere that would release them from any inhibitions during the conversation (Creswell, 2014).

- Overview of the company and its operations. This part will help the researcher better understand the business context of the company and will contribute to the fluidity of the conversation. It will be used as a transition towards the core questions of the research and will also help the interviewee get comfortable with a subject he or she particularly masters.

- Understanding of the reasons why AccorHotels invested in this specific location. This part is closely linked to the first “why” part of the theoretical framework, and the interviewees will provide their own insights about the related topics.

- Assessing the way AccorHotels established its presence in the region. This part is closely linked to the second “how” part of the theoretical framework, and the interviewees will provide their own insights about the related topics.

The detailed interview protocol of this research is available in appendix A.

3.2. Secondary data

As mentioned in the paragraphs above, the interviews of managers and experts were preceded by the collection of secondary information, insofar as some authors must have already written about the studied topics (Eriksson & Kovalainen, 2008). The choice of this last verb denotes the type of material in question here, which mainly includes documents (Patton, 2001).

In this case, these documents usually take the form of academic papers, books, reports, web and magazine articles. The topics covered range from internationalization strategy to
managerial issues related to the hospitality industry, along with a general overview of the sector. As it is a case study about AccorHotels, collection of institutional, written material – a book about the history of the company in South America was released on the occasion of the 40th year of operations in Brazil – and journal articles about the French firm were also of great relevance. Some free video material has also been found about the company on social media YouTube, but was not directly linked to the topics studied here.

In total, 30 journal articles were taken into consideration about these topics, 7 about AccorHotels and the hotel industry, 4 theses about the same topics and, lastly, the comprehensive book about the company and its history in South America. These were completed by material retrieved on AccorHotels’ official website and hospitality-related web pages (Hotel Management, etc…).

The collection of this kind of data was important for two reasons. First, it helped the researcher know more about the studied topics and “get the big picture” about internationalization and hotel industry. Then, in a second time, a better knowledge about these fields of study helped structure the whole dissertation and served as guidelines for the elaboration of the interview protocol.

4. Data analysis procedures

It is important to keep in mind the objectives of the research and remind that this research incorporates both descriptive and analytical content. It provides a description of AccorHotels’ history, strategy and development over the years, within the more general context in South America and the world. Additionally, the researcher aimed at identifying the drivers of this expansion process – more specifically towards the South American continent – and the way it entered this market.

After collecting secondary and primary data, the main task of the researcher was to analyze the information that had been gathered. This analysis was facilitated, in a first time, by the transcription of all the data that has been provided. In particular, this helped “sorting and arranging the data into different types depending on the sources of information” (Creswell, 2014).

Once this first step had been carried out, the researcher had to examine and read through all the data so as to outline the recurrent, most important elements. This action is closely related to the synthetization of the information and the identification of the most meaningful findings (Hancock & Algozzine, 2006).
Following this, a core initiative resided in organizing and coding (Creswell, 2014) the data. In other terms, the different pieces of information that had been retrieved needed to be classified according to the key ideas and specific topics they were related to. In this regard, Bardin (2013) provides us with some specific criteria in order to elaborate these categories:

- Homogeneous: the categories cannot mix different concepts
- Comprehensive: they need to cover the entire text
- Adequate or relevant: adapted to the content and objectives of the study
- Exclusive: one element of the content cannot be classified randomly in two or more different categories

After reviewing the literature and interviewing managers and experts according to the semi-structured protocol, some key concepts emerged, following the “why-how” dichotomy of the analysis guiding the analysis. These are summarized in the following table:

<table>
<thead>
<tr>
<th>Main questions</th>
<th>Theoretical concepts</th>
<th>Analysis categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why?</td>
<td>Country-specific advantages</td>
<td>Country potential/economic opportunities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Institutional incentives</td>
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<td></td>
<td></td>
<td>Risks</td>
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<td></td>
<td></td>
<td>Cultural issues</td>
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<tr>
<td></td>
<td>Firm-specific advantages</td>
<td>Core competences</td>
</tr>
<tr>
<td>How?</td>
<td>Internationalization patterns</td>
<td>Maturity of the firm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Learning process</td>
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<td></td>
<td>Entry modes</td>
<td>Ownership</td>
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<td>Management contracts</td>
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<td></td>
<td></td>
<td>Franchising</td>
</tr>
</tbody>
</table>

Table 4: Analysis categories related to the coding process. Adapted from L’Analyse de Contenu by L. Bardin, 2013, Paris, Presses Universitaires de France. Copyright 2013 by Presses Universitaires de France.

Concerning this classification, one observation needs to be made. Indeed, some other information out of these straightforward categories appeared, especially during the interviews of managers who either gave specific data about their own property or about the South American hotel industry in general.

Lastly, all the data were to be translated into a narrative “conveying the findings of the analysis” and then be interpreted in order to outline the main lessons that needed to be drawn (Creswell, 2014) regarding internationalization in the hospitality industry illustrated by the case of AccorHotels in South America.
Out of this analysis procedure, a final, fundamental step is the assessment of its validity. This will be explained in the next last section.

5. Verification

Validity has been defined as “the extent to which the findings of the study are true and accurate” (Holloway, 1997), and the researcher “needs to check for the accuracy of the findings by employing certain procedures” (Creswell, 2014). Validity is one of the strength of the qualitative research and is characterized by three aspects: the trustworthiness of the collected data, its authenticity and credibility (Creswell, 2014).

Creswell (2014) identifies different ways of ensuring the validity of the study. The following ones may have been the most relevant and suitable for this specific case:

- “Triangulate different sources of data” and establish the themes by converging these sources. This is the case here with both managers of the company and experts of the hotel industry among the interviewees.
- “Clarify the bias of the study”. The semi-structured protocol creates this research bias, with specific, oriented questions.
- “Member checking”. This supposes that the interviewees check if the transcription and interpretation of the data are correct, either by reading the final report or at an intermediary stage. To avoid misinterpretations and misunderstandings, careful listening, reformulation and clarification should be used during the interview (if necessary). Due to time constraints and difficulty to reach the interviewees, such method was not used here.
- “Prolonged time in the field”. The “on the spot” presence and/or direct contact when conducting the interview may give a better, thorough understanding of the context and field, which shall furnish descriptive, precise elements accounting for the credibility of the narrative. However, as interviewees preferred Skype/phone interviews and due to the difficulty to get into the workplaces physically, such procedure was not considered here either.

In addition, the interview protocol was submitted to two professors who would evaluate its pertinence and give some recommendations in order to improve it.
IV. ANALYSIS OF THE DATA

This section aims at presenting key business information about the company AccorHotels and the main points of its history and development, with a focus on the internationalization process of the firm.

1. Overview of AccorHotels’ business

In 2017, AccorHotels was the European leader in the hospitality industry (in number of hotels and rooms) and the 6th biggest company worldwide in the sector (Faibis, 2017). Today, the group manages about 4,300 hotels corresponding to 620,000 rooms and suites spread in 100 countries all over the globe. Half of these properties are managed through franchising (AccorHotels, 2018d). The revenue of the company in 2016 was €5.6 billion, a slight increase of 0.9% compared to the previous year (Faibis, 2017).

The group operates through a total of 28 brands (AccorHotels, 2018b) answering to the various customer needs. These brands are classified according to four market segments:
- “Economic” (e.g. Formule 1 or the Ibis family with Ibis Budget, Ibis and Ibis Styles)
- “Midscale” (e.g. Novotel, Mercure, Adagio, …)
- “Upscale” (e.g. Grand Mercure, Pullman, MGallery, the recently-acquired Swissôtel, …)
- “Luxury” (e.g. the Sofitel universe and the recently-acquired brands Fairmont and Raffles)

In terms of competition, other international, multi-brand groups like Marriott International, Hilton, IHG or Best Western are playing in the same industry and segments as AccorHotels. Other new actors such as Airbnb, which market millions of lodging listings, can also be mentioned as the new, threatening competitors of AccorHotels and hotel chains in general.

AccorHotels also displays a series of values applied daily within its properties and at the HQ. Such values include guest passion, sustainable performance, spirit of conquest, innovation, trust and respect (AccorHotels, 2017). Careful about the training of its employees, the group also created the Académie Accor in 1985, the first corporate university in the services sector in France (AccorHotels, 2018c).

Another important point that needs to be mentioned is the dichotomy between AccorHotels and AccorInvest. While the former business is at the core of this study and is about hotel operations activity, the latter acts as a hotel investor and is more related to the real-estate
activity. However, while AccorInvest used to be possessed by the group AccorHotels, the company announced its spin-off in February 2018, with 55 percent of its AccorInvest property business sold to a group of sovereign and institutional investors (Reuters, 2018a). This is the occasion for AccorHotels to focus again on its core business, namely hotel management and brand exploitation (Faibis, 2017). One important observation: AccorInvest and Hotel Invest are two different entities. While AccorInvest is partially related to AccorHotels (as explained before), Hotel Invest is a Brazilian consulting firm specialized in hotel investment advisory.

The last couple of years have been marked with a rapid development and expansion of the firm. Indeed, through acquisitions and organic growth, AccorHotels increased its number of rooms by 52,000 in 2017. This pace represents 1 hotel every 33 hours (AccorHotels, 2018d). These two ways of development have been at the core of AccorHotels’ strategy, who used to rely more on leasing until a few years ago (Eisen, 2014). The acquisition trend was particularly salient over the past few years, with the integration of the brands Raffles and Fairmont (from the Canadian group FRHI), Swissôtel, Banyan Tree, as luxury and lifestyle became the new focus of the company as well. More recently, the group acquired 100% of the Chilean management company Atton Hoteles, composed of 11 establishments, and 20% of the property company that owns the assets (Reuters, 2018b).

As for the target markets, the brand actually aims at reinforcing its position in the markets where it is leader, namely Asia, Latin America and especially Europe (AccorHotels, 2018d), where almost three quarters of the revenue is concentrated (Faibis, 2017). Nevertheless, AccorHotels also puts some emphasis on emerging markets like the Middle East, South-East Asia and Sub-Saharan Africa (AccorHotels, 2018d).

Thus, one can notice that AccorHotels has been particularly dynamic in its growth and expansion process. The next section will account for these two aspects, with a history of the company and an analysis of its internationalization path.

2. History and internationalization path

2.1. The global development of the group

Overall, AccorHotels’ expansion is characterized by two dimensions. The group consistently constructed or integrated hotels (and other types of companies) all over the years under a series of brands; this expansion in terms of size was, of course, accompanied by a geographic expansion around the world. The next sections will account for these two aspects.
2.1.1. An increase in the activities

The venture of AccorHotels started in 1967 when Paul Dubrule and George Pélisson opened their first property in Lille, in the North of France. The hotel’s brand was Novotel and this first establishment belonged to the group SIEH, namely the Société d'investissement et d'exploitation hôteliers. When building this property, Dubrule and Pelisson followed the model applied by the brand Holiday Inn and opened an American-style hotel, following also an American-style management (Morschett, Schramm Klein, & Zentes, 2011). As for the localization of the firm, the French businessmen did not follow the traditional patterns of the industry at the time. While central localization and luxurious features were the main characteristics of the properties, the Novotel-branded hotel was located close to the main roadways and peripheral business centers, and it privileged practicality over opulence (Varlese, 2017).

Seven years later, the group launched its iconic, economic brand Ibis with a first property opening in Bordeaux in 1974. From this year on, the growth of the company took a faster pace. One year later, the group acquired the three-star chain Mercure, and in 1980 it took over the brand Sofitel which would become the emblematic luxury brand of the company. After changing its name to Accor in 1983, the firm acquired the Formule 1 budget chain in 1985. The economic segment of the company was then completed in 1991 with the integration of the brand Etap Hotel, which will assume the name Ibis Budget twenty years later (AccorHotels, 2018c).

The second half of the 2000’s represents another key period in terms of brand creation. In 2007, Accor created 2 brands: All Seasons, a non-standardized economy brand that will then become part of the Ibis universe under the name Ibis Styles; and Pullman, an upscale brand dedicated to business travelers. One year later, the upscale segment gains a new brand with the launch of MGallery. Finally, the 2010’s will show a focus of the newly-named company AccorHotels on the luxury segment, with the acquisition of the group FRHI and its brands Raffles and Fairmont in 2016, along with the Swiss brand Swissôtel. In the same year, the Singaporean luxury brand Banyan Tree added to the AccorHotels’ portfolio (AccorHotels, 2018c).

The main steps in the growth of AccorHotels’ activities and brand creation are summarized in the following time line:
Last but not least, even though AccorHotels’ core business is hotel operating, the group has diversified and spun off some of its activities over the years. The group has history in the field of Food & Beverage with the acquisition of the Courtepaille chain restaurants in 1973, then sold to the investment fund Fondations Capital in 2011 (Soubes, 2010). In 1982, Jacques Borel and its core brand Ticket Restaurant (a meal voucher scheme for employees) are bought out by the hotel company. The activity was then separated from the core hotel activity of Accor in 2010 and became Edenred (Palierse, 2010). Among its other activities, we can also mention wellness therapy with the acquisition of the Quiberon thalassotherapy center in the 80’s and
the creation of the brand Thalasso; concierge services with the buyout of world-class conciergerie John Paul in 2016; e-commerce, private sales of luxury and upscale stays with the acquisition of Very Chic Travel in 2017; and lastly catering with the purchase of the French traiteur Potel & Chabot (AccorHotels, 2018c).

This diversification of brands comes at a time when AccorHotels and hotel groups in general need to react to the arrival of new competitors like Airbnb. Through the creation of the brand Adagio, AccorHotels wanted to rejuvenate the hotel experience and create a feeling of “being home” like its competitor suggest through its various flat and house listings. Consistently with the refocusing on upscale and luxury brands and the rise of new players, the French company also invested in collaborative economy actors like Onefinestay, a luxury-focused lodging company using the same business model as Airbnb. Nevertheless, through spin-offs and other strategic moves, the group’s main trend is to refocus on its core business, namely hotel management and administration (Faibis, 2017).

The aforementioned paragraphs show the rapid growth of AccorHotels all over the years. However, since the core subject of this study is the geographical, cross-border development of AccorHotels, these brand-related elements will not be analyzed here. The next section will focus on other features of AccorHotels with a direct link with the main topic of the study: the spatial expansion and settling overseas.

2.1.2. A spatial expansion: an overview of the internationalization process

From its creation in 1967, AccorHotels has not followed a straightforward, step-by-step path concerning the internationalization of its activities. The group has been investing in many countries all over the world, at different periods of times, with different degrees of involvement according to the strategy of the group. The initial governing principle in terms of internationalization for the group was to reduce its dependence on the French market where it was well settled (in 2000, 60% of the properties were located in this country) and make the most of the growth happening in emerging markets, as Raphaël Pouget, Project Manager at AccorHotels South America mentioned. Nevertheless, this strategy has shifted and been adjusted over the years, setting all the markets which the firm needs to focus on, and thus embracing a lot of territories at the same time (AccorHotels, 2018d). In most cases, the company would not let a market down after entering it but rather invest more and set other properties from different brands.
The first move abroad happened five years after the creation of the SIEH with the opening of a Novotel property in Neuchâtel, in the French-speaking part of border state Switzerland (AccorHotels, 2018c). In the same year, the company also opened a hotel in the Belgian capital, Brussels (Morschett et al., 2011).

No more than one year later, the group pulls up the European frontiers and establishes a new Novotel-branded hotel in Sharjah, UAE, in 1973. This move to a completely different region is explained by the economic potential of the Middle East due to the booming of the petrol industry.

A couple of years later, the African continent is a new target for the group which built a new hotel in the French-speaking country Cameroon. The ambitions of Accor in Africa and its will to penetrate the continent were shown by the acquisition of the tour operator Africatours, in order to set a network there. This was also an opportunity for the group to look more towards the leisure tourism business (AccorHotels, 2018c).

In 1977, Accor makes its first investments in Latin America with the construction of a Novotel property in São Paulo, Brazil. The country will stay among the biggest areas of potential over the years, as shown later on in this study.

1984 signs the entry of Accor on the Asian continent. Attracted by the recent development of China and its opening to the rest of the world, the group opened a property in Beijing. The growth of the group on this continent was remarkable, as 100 hotels were settled in China after only 25 years. Looking at the Asia-Pacific region in general, Accor made it at the core of its strategy due to the huge potential of the region in various sectors, and the group has lately managed to have more than 500 properties in the region.

Lastly, the group entered the American continent quite lately in 1990, through the acquisition of the chain Motel 6. Even though the country represents the biggest market worldwide in the hospitality industry, it is also highly competitive, which, according to Raphaël Pouget, would make it extremely hard for AccorHotels to be a leader in this country. This is the reason why the country, unlike more promising emerging countries, is not at the core of AccorHotels’ strategy.

The timeline (Figure 8) and map below (Figure 9) respectively summarize the main steps of AccorHotels geographic expansion and the countries where it is present in 2018.
In terms of entry modes, the French hotel company implemented different strategies all over the years. At the outset, Accor used to be a builder, owner and operator at the same time, possessing full control over its properties in France (Morschett et al., 2011). However, although it enables great control over the assets, this strategy would be very costly and resource-involved when settling abroad. Therefore, as soon as the 70’s, the group decided to use management contracts or franchise agreements for their foreign properties. As explained earlier, the management contract makes it possible for employees working for the hotel to apply...
Recently, two opposing strategies have been observed at AccorHotels concerning modal choices. At the beginning of the 2010’s, the newly-appointed CEO Denis Hennequin launched a so-called “asset-light approach”, which puts a focus on developing management contracts and selling off owned real estate (Eisen, 2014). This trend was reversed a few years later by the new CEO Sébastien Bazin, who went against the general tendencies of the industry and decided to focus on acquiring relevant companies (hotel operators and/or real estate) and selling unprofitable, underperforming properties or activities in the frame of the so-called “asset-right approach” (Eisen, 2014; Morschett et al., 2011). The real estate dimension of this strategy, however, might be upset by the spin-off of AccorInvest one year ago.

Yet, independently from these “asset-light” and “asset-right” strategies, Morschett et al (2011) suggest that “it is impossible to generalize a specific entry mode according to a segment, brand or location because the Accor management determines each kind of market entry from case to case”.

To conclude this section, we can say that AccorHotels’ growth happened with the increase of its brands and properties and through its global expansion, implying different management styles and entry modes. Without overgeneralizing some aspects that have been pointed out (especially modal choice), the next section will analyze the case at the core of this research, namely the internationalization of AccorHotels in South America.

2.2. The South American case

According to Raphaël Pouget, AccorHotels’ properties in South America represent about 10% of its worldwide network. As explained before, and due to time and resource constraints, the expansion of AccorHotels in South America will be analyzed from the study of the three main countries for the group in the region (in terms of properties): Brazil, Chile and Argentina.

2.2.1. Brazil

2.2.1.1. General overview
Brazil was the first country in the Americas where Accor set its presence. In 1977, the group opened its first Novotel property in Morumbi, a traditional neighborhood of São Paulo. This venture was motivated by the fast development of the city during the decade, as the city and state of São Paulo started to become a major economic pole in Brazil. As for the location, Accor followed the same rules as it did in Lille ten years earlier, and decided to build a functional, non-luxurious hotel close to the main roads and business centers (Varlese, 2017).

In the following 40 years of operations in the country, AccorHotels has developed a large portfolio of properties covering all the territory and every marketing segment of the company (economic, midscale, upscale and luxury). In the 80’s, in addition to its hotel activity, Accor also created a joint-venture with the company Parthenon which sold and managed flats. In 2006, this residence-focused activity through Parthenon was “absorbed” by Accor, and the flats got incorporated within the brand Mercure. More generally speaking, the years of AccorHotels’ operations in Brazil were marked by various periods of growth, development, refocusing and/or diversification in order to adapt to the Brazilian market and economic fluctuations. These moves all matched different strategies of planning and entrepreneurship (Pereira, 2009).

Among the growth strategies of the company, AccorHotels used the tool of acquisitions. This already happened in the 80’s with the acquisition of Quatro Rodas, while the most recent initiative happened in 2017 with the Brazilian Hospitality Group (BHG). The diversification was driven through the implantation of different brands corresponding to different segments of customers that could be reached. These brands were those already present in other countries, like Ibis (economic), Mercure (midscale) and Sofitel (luxury). As evoked earlier, the refocusing trend was done through the separation from the real estate activity (by selling properties) to be more of a hotel operator. All these phases and strategies are summed up in appendix B (until 2006).

Due to the importance of its operations in the country, AccorHotels’ headquarters for South America are located in Brazil, more specifically in the economic capital São Paulo. As opposed to the properties who manage day-to-day operations and some local administrative tasks, the HQ concentrates the activities related to marketing, human resources, distribution, revenue management, legal issues, finance/accounting, IT and design.

As for the competition, few significant competitors have been identified on a national level. According to Raphaël Pouget, Project Manager at AccorHotels South America in São Paulo:
AccorHotels is the clear number one the Brazilian market. It operates in more than 300 hotels across the country, while its biggest competitor, the Brazilian chain Atlantica Hotels, has only 60.

The second main competitor was actually BHG, recently acquired by the company. Some international names can also be mentioned, like the American chains Wyndham and Marriott, the latter being the biggest hotel group in the world in number of rooms; their presence on the continent, however, is not comparable to AccorHotels’. Besides, on a more local level, several managers even consider that there is no significant direct competitor for their properties, due mainly to their exclusive location and/or the specific segment in which they operate (Grand Mercure Boa Viagem and Ibis property in Goiânia). On the contrary, some other locations are now characterized with a high concentration of hotels. For instance, over the last five years, about 18 hotels have opened in the city of Belo Horizonte, namely under the management of the competitors.

Nowadays, AccorHotels is the clear number 1 on the Brazilian and South American market in the hospitality sector. The group has about 300 hotels in the country – which makes it the 3rd biggest country in number of properties – corresponding to about 45,000 rooms. These Brazilian properties actually represent 90% of AccorHotels’ South American market, and are distributed among 14 brands, covering all the marketing segments. The country is one of the main growth areas for the group, as it is currently the second country in terms of property openings (it used to be the first one from 2014 to 2016).

2.2.1.2. The reasons for internationalizing

A lot of reasons have been identified by the management to explain the expansion of AccorHotels in Brazil. First of all, the supply/demand was extremely favorable, meaning a lot of opportunities for hotel chains. Thais Perfeito, partner at the independent hotel consulting firm Hotel Invest, summarize the situation in the following terms:

While the demand for the hospitality sector was high, the supply in properties was quite low, which represented great opportunities for hotel chains in the country.

On the demand side, the market was and is still huge. The country is inhabited by more than 200 million people, among whom about 50% are potential travelers, due to the rise of
revenues and the development of the middle class in the 2000’s. Domestic travelers actually represent the biggest part of hotel customers in Brazil, with only 15% of international tourists staying in the country – 6 millions of people, compared to 84 millions in France. On the supply side, the lack of hospitality infrastructures to welcome these potential customers was mainly due to the new, fast-paced economic development which the construction of hotels could hardly live up to. An example of this general situation was reported by Rafaello Enrico Costa, department manager at Mercure Belo Horizonte Lourdes, who mentioned the lack of properties in the city as opposed to the high demand which was related to the great number of steel companies in the region.

Concerning the type of hotel customers, the Brazilian market is mainly driven by a rather regular clientele of corporate clients. On a national level, corporate travelers represent about 60% of AccorHotels’ customers, with big discrepancies according to the location of the properties. In Belo Horizonte and Goiânia, the managers outlined the importance of corporate tourism compared to leisure travelling – in Goiânia, up to 90% of the customers are corporate travelers. Even Recife, which used to be a famous resort destination due to its coastal location, now tends to rely much more on corporate tourism. The city has been losing leisure customers in the last few years and the creation of hotels from other chains made the market more competitive in this field. One exception to the rule may be Rio de Janeiro, with a high number of both corporate and leisure customers all over the year, ensuring steady occupation rates every day (especially before the crisis).

One important aspect to be considered is the impact of events on the activity of the properties. Such events, both corporate and leisure, can generate a high demand and boost, at least temporarily, the activity of the hotel which can increase its occupation rate and prices. Two iconic examples for the Brazilian markets were the World Cup in 2014 and the Olympic Games in 2016. These two events generated excellent occupation rates and opportunities of building new hotels in order to meet and capture the demand of customers. The most impacted city was, of course, Rio de Janeiro, but also other places like Belo Horizonte, as Mercure Belo Horizonte Lourdes was one of the official hotels for the World Cup. On a more daily basis, more straightforward events like shows, fairs and other types of corporate events drive and have a positive effect on the hotel revenue in most big cities like São Paulo, Rio de Janeiro, Belo Horizonte and other capitals like Goiânia. While we mainly see the beneficial aspects of events, some managers also draw attention to their temporary character and their return on the long term. Raphaël Pouget warned about this double-edged situation:
Events do not have an impact on the company’s development on the long term. Venues like the World Cup or the Olympics last about one month; however, the opening of a property represents an investment on 20 or 30 years.

In other terms, this kind of demand is punctual, while the supply is permanent. Indeed, after the euphoria of the World Cup and the Olympic Games, a lot of hotels were closed in Rio de Janeiro due to this post-event lack of demand – also coupled with other negative economic and political factors. This discrepancy between the demand and the supply during calm periods represents an issue for property managers in cities like Belo Horizonte and Goiânia, which have a significant hospitality structure but sometimes too few customers to fill the rooms.

Concerning the last global events organized in Rio de Janeiro, Caroline Costa, department manager at an Ibis property in Goiânia and former employee of various Ibis in Rio de Janeiro, reported that the government and other institutions launched a lot of incentives to enhance the creation of hotels. This initiative, again, was meant to match the supply and the exceptionally high demand.

In addition to all the aforementioned elements mostly related to the context of Brazil, the interviewed managers outlined the main qualities of AccorHotels that, according to them, contributed to a successful expansion. One key element mentioned by Raphaël Pouget and Thais Perfeito was the flexibility of the company:

*R.P.: I believe that French managers fit in quite well when abroad, and they adapted quickly to the Brazilian culture. I have in mind some foreign companies that are less developed in Latin America especially because they lacked this flexibility.*

*T.P.: The foreign companies coming to Brazil were not 100% in Brazil. They wanted to impose their way of doing business, for example by making the contract in their own language. On the contrary, AccorHotels was more flexible and adapted to the market’s characteristics, which made the process easier.*

As for the local managers of specific properties, they point out the large experience acquired by AccorHotels over the year as a key factor of success in the expansion to Brazil. More specifically, Caroline Costa cited the better know-how of the company that made a strong difference, especially in new, unusual places and “has made the wheel turn better”. 
Despite all the aforementioned positive elements, the Brazilian country went through a several crises that affected its business. The last one hit Brazil in 2014. In his interview, Raphaël Pouget mentioned the difficulties encountered by AccorHotels since then:

"As the hospitality industry is highly correlated to the economic performance – namely the GDP growth of the country – the big recession in Brazil entailed a downfall of the occupation rate and the RevPar (revenue per available room). The RevPAR decreased by 30%, while the country’s inflation reached up to 40%.

The biggest effects were felt in Rio de Janeiro, where a social crisis and later a wave of violence were coupled to the political and economic aspects post-Olympics. More generally, the fall in domestic travels impacted the tourism business of other cities.

Luckily for AccorHotels, Raphaël Pouget added that the group could always count on the support of the global headquarters in Paris and could be helped thanks to all the resources of the group, which was confronted to a better situation in other regions of the world (e.g. Asia). This structural strength of the company actually led smaller, weaker Brazilian hotel chains to look for AccorHotels in order to be acquired and managed by them.

2.2.1.3. The process

As for the entry modes used by AccorHotels in Brazil, the most used tool was definitely the contract of management. These contracts are used in about 75% of the group’s properties in the country. They are managed by the HQ in São Paulo and are mostly used in the biggest cities of the country. This type of contract presents a series of advantages.

- It enables the company to have better control over the brand and over the quality of the hotel management.
- It gives a higher autonomy for the company. An interesting example is the Mercure Belo Horizonte Lourdes, where AccorHotels is also a partner of the business. In this way, AccorHotels receives part of the revenue and has a close eye on the activity. The hotel management, thus, becomes more independent, more efficient and less bound.
- The management contract has a financial advantage insofar as the hotel company does not need to buy the real estate, which represents a much lower investment in terms of money while still enabling control over the business.
Lastly, one other great advantage through management contract is the opportunities offered to managers and employees of the group. As they are incorporated within a higher, stronger entity which gives them full support, the collaborators can benefit from more professional opportunities within the group worldwide, along with better organization and tools (especially information technology) in order to improve the efficiency in daily operations and the well-being of employees.

One reservation has been emitted by Thais Perfeito though:

*Management contracts contain risks related to the more easiness for the owner to break the contract with the hotel administrator, namely AccorHotels. They also include rather high fees and taxes. These aspects should be taken into account by AccorHotels when making the deal.*

Another entry mode used by AccorHotels in Brazil is franchising. These represent about 25% of the properties in Brazil. Unlike the management contracts, the headquarters do not have control over franchise contracts, and this tool is mainly used in the smaller cities of Brazil. According to Raphaël Pouget, this option can be considered as AccorHotels’ activity in Brazil is already very mature, and franchising acts as a way to reinforce its network and presence over the country without a high investment. Besides, franchising by AccorHotels enable the “professionalization” of small, remote properties which had lower standards. However, franchising does not come without risks. Indeed, a hotel operated does not follow strictly the rules imposed by AccorHotels, which may entail issues for the brand image and the organization of the business. This is the reason why Thais Perfeito, along with other managers, recommend that the intermediary who will administrate the hotel should be trustful and reliable, as well as the owner of the hotel (who are often “amateurs” in the sector and have different interests).

Concerning the possibility of acquiring the real estate of a property, this option is almost never chosen by AccorHotels, mainly because of the high investment it represents. For example, in the case of BHG in 2017, the company did not buy the real estate, but only took over the management contracts of some properties. This has created an interesting situation where BHG is still owner of the property, but the management and operations have been delegated to AccorHotels, as Caroline Oliveira, department manager at Grand Mercure Boa Viagem (Recife) explains.
2.2.2. Chile

2.2.2.1 General overview

Accor entered the Chilean market in 2001 with the implantation of an Ibis-branded property in the capital Santiago. The brand opened its last property in the same city in December 2013, in the peripheral business neighborhood of Manquehue. Meanwhile, the group had established its midscale brands Mercure and Novotel in the capital and expanded to other cities in the country. Beyond these properties, the group also has an administrative unit that completes the other functions centralized at the HQ in São Paulo (mainly marketing, human resources and director of operations in the case of Chile).

In terms of competition, the group is ranked 2\(^{nd}\) in number of properties within the country, but is about to become 1\(^{st}\) after the recent acquisition of Atton Hoteles in May 2018 (Reuters, 2018b). AccorHotels’ main local competitor in the country is the chain Diego de Almagro composed of 17 hotels located in the major cities of Chile (“Diego de Almagro Hoteles,” 2018). In addition, the biggest hospitality group worldwide Marriott represents the main international competitor in Chile and in the other Spanish-speaking countries of the continent.

Today, AccorHotels has 15 hotels in Chile corresponding to 2,223 rooms, split under 4 brands from the economy to the midscale segments. These numbers will be completed soon with the integration of Atton Hoteles’ 11 properties. Through these acquisitions, AccorHotels aims at reinforcing its presence both in the Spanish-speaking area (the group has properties in Chile but also in Colombia and Peru) and in the upscale segment, as some of the hotels belong to this category.

2.2.2.2. The reasons for internationalizing

AccorHotels’ choice to go to Chile depended on a series of aspects, as the General Manager (GM) of an Ibis property in Santiago suggested. First of all, the situation of the country was actually favorable for AccorHotels to settle down there. The country has been one of the fastest-growing economies in Latin America (“The World Bank in Chile,” 2018) and is characterized with economic stability, including a low, regular inflation. In addition, Chile is considered as a safe country, especially compared to other nations in the region, which creates an environment that is more suitable for tourism.
GM also identified a number of opportunities, both related to the location and to the industry, which could have triggered the opening of hotels in Chile, especially the property she is currently running in Santiago. First of all, the hospitality sector was and is still not very competitive, with only few local and American chains being present in the city and the country. Besides, the area where the hotel is located did not have a significant economy-scale property (only midscale or luxury hotels), so there was no competition on this segment and a great possibility of market entry. Lastly, the opening of her property in a purely business area made it possible to attract local customers and focus on a profitable, regular corporate clientele.

Concerning particularly this type of customers, mentions the impact of events on the activity of Santiago’s properties. The city is well furnished in terms of hotels and the offer is usually higher than the demand. However, different kinds of venues (shows, fairs, …) reverse this tendency and boost the occupation rates. Thus, some successful events like the international Air Show Feria Internacional del Aire y del Espacio (FIDAE) or the mining fair Expomin had a very positive effect on the tourism industry. These events are usually concentrated in specific months of the year (April, September, …) and create very prosperous months within the hospitality activity.

Regarding AccorHotels itself, GM also believes that the experience acquired by the company all over the years played a key role:

*I believe that AccorHotels gained a lot of expertise in 50 years of activity. The company could test and learn a lot in the other countries where it was already set up before entering this specific market.*

This aspect certainly helped in the internationalization towards Chile and other South American countries. Two examples can illustrate this statement: first, the opening of the first Latin American property by AccorHotels clearly followed the characteristics of the French hotels in terms of location and services, which were proved to be efficient in order to capture customers; second, the distinctive, customer-adapted pattern of the economic brand Ibis demonstrated its success in a variety of countries before entering the South American market, and there was no reason not to follow this innovative format in this new region full of potential.

### 2.2.2.3. The process

As for the way the French hotel chain entered the Chilean market, management contracts have exclusively been used, while the franchising option has been rejected by the
company. According to Raphaël Pouget, this entry mode offers advantages like a better control over the brand and the quality of the hotel management, which are key elements when entering in a new, “unknown” foreign market. As an “on the field” professional, GM also appreciates the greater contact with the company and the possibility of benefiting from the numerous resources of the firm, especially in terms of training and know-how.

Nevertheless, one example stands out from this global rule. The recent acquisition of Atton Hoteles by AccorHotels is quite peculiar since the French firm did not only buy 100% of the management company, but also a part of the real estate through the purchase of 20% of the property company owning the assets. This, as a consequence, made the value of the investment much higher, amounting to $105 million (Reuters, 2018b).

2.2.3. Argentina

2.2.3.1. General overview

The French hotel chain arrived in Argentina in 1998 with the opening of an Ibis-branded hotel in the wine city of Mendoza. From the 2000’s on, the group continued implanting properties in the country, starting with the opening of another Ibis property in the capital Buenos Aires in 2001 (“El nuevo hotel Ibis, en un área de protección histórica urbana,” 2001). Other brands from different segments also appeared on the Argentinean market, namely Mercure, Novotel, Pullman, Sofitel, and lastly MGallery in 2018 (“La cadena Accor abrirá su hotel número 11 en Argentina,” 2018).

The “structure” of the competition on the Argentinean market is similar to Chile’s, with both local and international hotel chains. The first hospitality group on the Argentinean market is the American Wyndham, which recently acquired the local company Fen Hoteles (Fox, 2016b). Besides, the leading hospitality group Marriott planned to open new properties in the country after the buyout of Starwood (Rebon, 2016). These competitors are usually relevant for the midscale and upscale segments, with hotels between 3 and 5 stars. However, as for the economic brand Ibis, few or no competitors can be identified. Marcela Iturburu, General Manager at Ibis Obelisco Buenos Aires, identified the brand Holiday Inn Express from the British group IHG among the possible competitors, but the presence of the brand is very limited in the city.

Nowadays, AccorHotels operates in Argentina through 11 properties, covering all the territory and all marketing segments (economic, midscale, upscale and luxury). Despite the positive elements identified above and the recent declaration of the group to open 19 more
properties in the country (Rebon, 2017), the complicated economic and political situation in Argentina act as a deterrent for AccorHotels which decided not to focus on this specific country.

2.2.3.2. The reasons for internationalizing

The choice of a strategic localization for the Argentinean properties was key for its implantation in the country. The brand followed the same principles identified in the previous sections, namely the ones with a potential to attract leisure and/or corporate tourists, both in the capital Buenos Aires and in other cities in the country (Mendoza, Puerto Iguazu, …). Ibis Buenos Aires Obelisco captures the two types of clientele. Indeed, the central location of the hotel in Buenos Aires, close to touristic places like the Teatro Colón and the Obelisco, but also to the main commercial and business areas, attract both leisure and corporate customers. This last category actually represents about half of the business of the hotel, and an exclusive sales team is dedicated to them.

Like in Brazil and Chile, events boost the activity of the hospitality and tourism industry. For the year 2018, Marcela mentioned the Summer Olympic Games as a big example. More generally, she mentioned the football games as a good support for the activity as well.

However, the most important element concerning the rather successful implantation of AccorHotels in Argentina appears in the qualities and characteristics of AccorHotels itself. Marcela mentioned the experience of the company and the capacity of the brand to create a service adapted to the customers who are the main focus and the heart of the company’s vision:

The economic brand Ibis includes the guarantee of a certain number of services through a specific pattern imposed by AccorHotels. Thus, it is particularly adapted to a range of customers and could be relevant in almost every country in the world. This was why the group came to Argentina with this brand.

This adaptation is related to the general flexibility of AccorHotels, a characteristic already reported both by Raphaël Pouget and Thais Perfeito in Brazil. Finally, innovation in services and modernization of management tools (mainly related to information technologies) have also been identified by Marcela as major features to please the customer and facilitate day-to-day operations within the properties.
2.2.3.3. The process

As for the entry modes, the properties have been exclusively administrated by AccorHotels through management contracts. Such entry mode presents a great advantage for AccorHotels to better control the operations while enabling significant autonomy for the management team, as Marcela reported. Raphaël Pouget evoked the capacity of mitigating risks and ensure control over the brand and hotel management through this specific entry mode. Such risks include a cost inflation higher than the revenue inflation and, generally speaking, a rather complicated economic situation. Applied to the Argentinian case, the country’s instable economy represents a significant threat for AccorHotels, which is why the firm decided to choose a specific entry mode – contract managements – which would ensure control over management and flexibility to reduce this uncertainty.
V. DISCUSSION

1. Why has AccorHotels been investing in South America?

The information collected in primary and secondary data indicate that the most salient elements that led AccorHotels to come to and stay in South America were the economic potential of the region and the related opportunities, independently from the brand in which they operate. As for Brazil, which is by far the main market for the company in the region, the great size of the population, which includes a lot of potential travelers, had a big, positive impact on the tourism industry (Brazil Tourism Report, 2018; Santana, 2000; UNWTO, 2017). Among these travelers, corporate customers represent a large share, and the fact that this clientele is regular and less impacted by external events is appreciated within the tourism industry. Therefore, AccorHotels seized this opportunity and built properties in strategic areas of these regions, in order to attract them better.

The general, direct consequence of this situation was an increase in the demand that needed to be counterbalanced with an increase in the supply. This trend was accentuated by the hosting of global events like the World Cup and the Olympics, but is also driven by more common, frequent events like congresses, fairs and shows. Lastly, the differentiation of AccorHotels in terms of location and services offered, combined to an already weak supply, was one more opportunity for AccorHotels to enter the various Brazilian cities. As for Chile, the economic and political context – including low and regular inflation and security – also played a major role in the decision of AccorHotels to make it its new market focus.

Concerning the possibility of institutional incentives in the tourism industry, this happened mainly in Brazil, which was particularly concerned with the high demand incurred by events like the World Cup and the Olympics, as mentioned by Canteras et al (2014), Fox (2016a) and Caroline Costa during her interview. This led AccorHotels and other hotel chains to open new hotels in the city of Rio de Janeiro. However, the temporary aspect of these events coupled with the crisis that has later hit the city and the whole country led these companies to close some properties.

The Brazilian crisis had a negative impact on all the tourism actors in the country. Nevertheless, the global, solid structure of AccorHotels helped the company resist this situation, while smaller chains would look for the French firm in order to be acquired and supported by it. Even though acquisitions happened in Chile as well, these were not led by a general, negative economic situation.
As for the other country-specific factors, the cultural proximity (Carrasqueira, 2015; Johanson & Vahlne, 1977) and the need to look for a global presence without any specific economic purpose (Ivanov & Ivanova, 2017) was and is not relevant for the three South American countries studied here.

On the contrary, some firm-specific features played a major role in the internationalization of AccorHotels on the continent. The company managed to create a competitive advantage based on several resources. These include the greater financial resources due to the global scale of the company, but also other competences like a spirit of entrepreneurship, a strong business acumen, expert and “happy” staff, flexibility and easiness to adapt, operational excellence and innovation. All these elements can be contained in the three categories of resources mentioned by Grant (2010), namely tangible, intangible and human resources. AccorHotels’ strength in operations and human resources, mentioned by Aung (2001) in its study on the Thai market, are confirmed here on the South American market. The strong capacities in marketing, even though they exist, have not been mentioned as a key factor of success for the expansion and success on the continent. Finally, the success of AccorHotels has also been explained through the experience managers acquired all over the years, which helped enter the countries and keep an efficient activity on the territory.

An interesting example concerning AccorHotels core competences is Argentina. Unlike the two other countries studied, the economic situation and potential does not seem to have played an important role in the implantation of the hotel chain. The country’s current situation is not at its best (high inflation), and AccorHotels decided not to focus on Argentina. However, the capacity to propose an innovative product, adapted to the country and the needs of its population, represented the main decisive point and factor of success in the internationalization towards this country. As for Brazil and Chile, all the aforementioned competences and experience combined with the contextual, country-specific elements explain the expansion and success in these countries.

To conclude, the expansion of AccorHotels to South America was mostly explained by the economic potential offered by the region and the numerous, great resources and competences detained by the company. This confirms the first proposal suggested by the researcher. The findings, however, are not homogeneous for all the countries, which have their own context and situation, and which AccorHotels needed to adapt to with the right strategy.
2. How has AccorHotels entered the South American market?

Some elements of the Uppsala model theorized by Johansson & Vahlne (1977) can explain the beginning of AccorHotels’ internationalization process. The French firm first expanded to close, border countries which were also French-speaking, namely Switzerland and Belgium in 1972. In the next years, the arrival on the African continent happened through the opening of a property in Cameroon, a former French colony which speaks the national language. One can thus notice that the first stage of expansion only included countries with a low psychic distance with France; in other terms, the target countries chosen by AccorHotels were rather similar to France geographically and/or culturally. Eventually, the importance for AccorHotels to acquire experience over the global internationalization process at an early, “immature” stage of its history can also be associated to the Uppsala model.

Nevertheless, most of AccorHotels history of expansion can rather be explained through the lenses of the OLI paradigm, and this is particularly the case here in South America. The previous section outlined the importance of the macro-economic context and the competences of the firm to enter a market. In this sense, AccorHotels found a series of location and ownership advantages that helped the company in its internationalization process. The location advantages are related to the country-specific factors evoked in the previous sections, in particular to the size and economic development of the country and its population. The ownership advantages, on the contrary, are related to the strengths of the company per se, which has great financial resources, hospitality management expertise and a flexible spirit of entrepreneurship. The internalization advantages are not as salient as the former two, even though some can be found through the entry modes chosen by the firm (see below).

In relation to the aforementioned ownership advantages, the RBV model is also relevant in this case, insofar as the firm managed to exploit all the types of resources (tangible, intangible and human) in order to develop a good strategy and have efficient operations, from the headquarters to the local units and subsidiaries. Such aspects are in accordance with Barney’s definition (1991) and with Penrose’s claims, according to whom the value creation of a firm is related to the use of resources and not merely to their possession. Concerning the RAT-CAT model established by Lessard et al (2013), AccorHotels managed to use the flexibility of its French managers and their business acumen as relevant, appropriable and transferable capabilities to enter Brazil and the South American market. Once settled there, the company managed to find and implement innovative services and learned more about risk.
management. These capacities could then be conveyed to the rest of the group as CAT (complementary, appropriable and transferable) capabilities.

Depending on the location, ownership and internalization advantages identified within the South American countries and the firm, AccorHotels used all the different processes available among the array of entry modes: management contracts, franchising, and partial/full ownership have all been used. Nevertheless, one should notice that the first option is clearly the preferred tool for the firm, which appreciates the strong control it enables over the hotel management and the brand (Contractor & Kundu, 1998; Grant, 2010), thus reducing risks. At the same time, this control does not oblige the firm to carry out high investment, insofar as it only acts as a hotel administrator and does not own or need to buy part of the expensive real estate. This entry mode is a good “win-win option” for the company, and it is used on a large scale within all the three countries studied. Again, franchising’s drawback is a general lack of control over operations (Contractor & Kundu, 1998), which is why this option is exclusively used in a mature market like Brazil as a “relay” to reinforce the network and professionalize the hospitality industry in smaller, remote cities. Eventually, the owning of a property through the purchase of the real estate is rarely to be seen in South America. Indeed, even though this entry mode enables an even stronger control from the hotel company over the operations (Contractor & Kundu, 1998), it represents a huge cost of investment and does not display a lot more advantages compared to management contracts. The most recent example was the acquisition of Atton Hoteles in Chile, where the buying of the 11 properties’ contracts and real estate represented a twice higher cost than the integration of BHG’s 26 properties through mere management contracts!

AccorHotels’ internationalization process in South America, thus, mainly follows the concepts of the eclectic paradigm, with a preponderance of location and ownership advantages already identified in the previous section. Although various options have been used by the French hotel chains to enter the South American market, the management contracts are preferred due to the high control for a rather low investment – thus, it can be considered as the “best value for money” solution. This reminds us of the importance of the firm’s resources and capacities in the choice of entry modes, thus confirming the second proposal. Consequently, one can observe more homogeneity in the way AccorHotels arrived in the three South American countries, whereas the reasons for internationalizing may change according to the market.
VI. CONCLUSION

This case study aimed at identifying the drivers of AccorHotels’ steady internationalization process in South America, before and after the negative events that have been hitting the continent over the last few years. The dissertation was structured and guided by two questions, namely the “why” and “how” of the hotel chain’s expansion. In order to answer them, a key theory was the CSA-FSA framework, which managed to integrate a series of interconnected elements in an almost exhaustive way.

After analyzing data from different types of sources, the results showed that the French hotel group was mostly motivated by the economic potential of the countries and actually had, internally, a lot of resources and competences that have also facilitated and incentivized the process. As for the country-specific aspects, the greater economic potential came from the size of the country and the growth of its tourism activity (Brazil) and/or from the prosperity and the peaceful character of the country (Chile). As for the features of the firm, the capacity to innovate and create a service adapted to the local needs was decisive in the entry on the Argentinean market. Finally, the experience of the firm and the great use of all its types of resources were relevant for all the three countries at the heart of the study, namely Brazil, Chile and Argentina.

Concerning the process in itself, more homogeneity has been observed. Indeed, the firm mostly followed the concepts of the eclectic paradigm, with location and ownership advantages particularly salient in the decision processes related to the internationalization of the firm. Nevertheless, some features related to the Uppsala model were observed in the very first stage of expansion, at a time when the firm still had little expertise. Besides, some elements of the RBV and RAT-CAT model have been observed as well, with the proper use of resources as an important element all over AccorHotels’ lifetime. Therefore, one can see the links and flexibility among the patterns of internationalization, as the firm adapts its strategy according to its needs over the years, thus highlighting the crucial question of time and maturity of the company in the internationalization process. As for entering the market, AccorHotels mostly went through management contracts as they represent the best balance between control, risk reduction and amount of investment. Franchising and real estate ownership have been used only in more specific, occasional situations.

While the research examined a series of criteria to explain and analyze the internationalization process of a hotel chain like AccorHotels, the outputs actually showed that the main motivation of the company to enter some South American markets were almost purely
economic and very rational, business-related. This comes tightly with the business-oriented staff, business acumen and entrepreneurial spirit that animate AccorHotels. On the contrary, cultural aspects or personal interests of managers did not emerge as relevant points here.

The research provides a deep and insightful eye over a specific case of internationalization within the hospitality industry. As mentioned earlier, the services industry has been less studied compared to other manufacturing industries, and the case of a hotel group like may provide some new material about this field of study. Furthermore, the company studied here can be considered as a remarkable case – due to its size, resources and global presence – and may serve as a good reference.

It can be a root for other researchers who may wish to explore a bit more the hospitality or services industry, and may be compared with the findings obtained in other industries. As for managers, the results of this study may help have a comprehensive overview of the internationalization process of AccorHotels and help them see what worked or could have been improved in these ventures. More generally, it can also be inspiring and helpful for other hotel chains – or entrepreneurs in other sectors – which would like to enter this market and do not have a lot of knowledge about it or about the way to approach the expansion process on the continent. Some concepts are actually transdisciplinary and can be applied to different situations and contexts.

Although this study gives rich data about internationalization, hospitality and AccorHotels in the context of South America, some limitations appear for the research. For time and resource constraints, only three countries have been studied. Even though the three territories present different characteristics and are major players on the continent, they may not represent the reality of the whole continent. Cases like Venezuela, Colombia or smaller countries like Ecuador should also be taken into account and examined to see if the results collected here are coherent with the findings obtained there.

In addition, while several local managers (working in hotels) were contacted, only one person from the HQ and from an external consulting firm were contacted. Further interviews with HQ managers or other sources could complete the study and provide more data in this field. More specifically, reaching managers both working for the global HQ in France and dealing with South America was not possible, so the researcher could not get insights from there.

Concerning the properties, only Ibis has been deeply studied, with no or few insights about the other segments and brands. A higher number of hotels could be considered in order
to provide a more comprehensive overview over the company’s case of internationalization in South America.

Lastly, one limitation comes from the nature of the case study itself. Indeed, only the case of AccorHotels has been analyzed here, and a main question is whether the findings can be transferable to other companies, in and out of the hospitality sector. Within the hospitality sector itself, the case of the hotel chain Pestana actually showed some opposite results, since the Portuguese firm, for example, rather followed the Uppsala model in its expansion process (Carrasqueira, 2015).

Thus, there are much opportunities ahead for researchers in the field of internationalization. First of all, further research should be conducted in other countries and continents to see if the same concepts deduced here are relevant there. This would complete the papers about AccorHotels issued by Aung (2001) or Pereira (2009). Beyond this geographical aspect, other brands should be examined in order to confirm or infirm the present data. Last but not least, the same type of study could be extended to other companies in the hospitality sector – to complete the works of Carrasqueira (2015) for instance – in services sector or even in the case of a manufacturing, product-selling company. This new material can then be compared with the phenomena observed at AccorHotels.
VII. REFERENCES


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Appendix A – Interview protocol

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<td>Personal background (name, country of origin, ...)</td>
<td>Could you please introduce yourself?</td>
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<td></td>
<td></td>
<td>Professional history, International experience, Years spent in South America, Years spent working for AccorHotels</td>
<td>What is your personal and professional background?</td>
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<td>How long have you been living in South America?</td>
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<td>How long have you been working for AccorHotels?</td>
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<td>What is the relation between you and the properties/the HQ (depending on the interviewee)?</td>
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<td>Assessing the way AccorHotels established its presence in the region (how?)</td>
<td>Internationalization process</td>
<td>Internationalization theories (OLI, Uppsala, ...), Entry modes</td>
<td>When did AccorHotels enter the Brazilian/Argentinian/Chilean market? Explain briefly the different entry modes. 2 different series of questions according to the type of interviewer: For HQ: What were the main entry modes chosen for the region/country and why? What are the advantages and disadvantages (control, risks, ...)? What about the strategy shift operated by AccorHotels a few years ago (franchising -&gt; acquisitions)? For properties: What was the entry mode chosen for this property and why? As a professional working “on the field”, what are the advantages and disadvantages (control, risks, ...)?</td>
<td>Johansson and Vahlne (1997), Dunning &amp; McQueen (1981), Williamson (1985), Contractor &amp; Kanda (1998, 2000), Jones &amp; Coviello (2003), Aihay (2007), Littlejohn (2007), Zucchella et al (2007), Fleury &amp; Fleury (2011), León-Durder et al (2011), Williams &amp; Shaw (2011), Vilasboas Calixto (2015), Carrasquilla (2015), Borda et al (2015), Ivanov &amp; Ivanova (2017)</td>
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