


Inward Internationalization: A Case Study From the Hotel Industry

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EXECUTIVE SUMMARY

This chapter analyzes the internationalization strategy of a small hotel firm of Central region of Portugal. It is based on a case study and the main objective is to discuss what internationalization theory best explains the company's internationalization strategy. This chapter explores a gap in the literature on inward internationalization involving a player of service-based firm of the hotel industry. The literature reviews the main internationalization patterns—Uppsala model, network-based model, and inward internationalization—in order to analyze behavior of small hotel and its internationalization. At the end of the chapter, a table summarizes the main characteristics of the internationalization process of each model presented. This chapter adds value by explaining how a small service-based firm of the hotel industry manages to address its inward internationalization process.

INTRODUCTION

Internationalization of enterprises is a phenomenon often related to the entry in international markets and a process of growing international involvement (Moreira, 2009; Ribau, Moreira, & Raposo, 2018a). Normally, Small and Medium-sized Enterprises (SMEs) seek to exploit their competitive advantages in overseas markets (Ribau, Moreira, & Raposo, 2018a; Stanisauskaite & Kock, 2016), which involves outward internationalization processes. However, inward internationalization processes are not as extensively analyzed as outward internationalization processes (Moreira, Ferreira, & Silva, 2018).

Research on inward internationalization activities have been neglected given the scarce number of studies in this area when compared to outward internationalization (Karlsen, Silseth, Benito, & Welch, 2003; Moreira, Ferreira, & Silva, 2018). One of the possible explanations is that most of the theory analyzing internationalization is based on the typical industrial large companies, on one hand, in which the service perspective is marginally analyzed, and, on the other hand, the internationalization of the hotel industry players has been largely overlooked. Moreover, inward activities are more frequent in the early life of firms, particularly through the imports of raw materials, components, and machinery.

Companies must refine their resources and capabilities to operate internationally, in order to achieve a good export performance (Leonidou, Palihawadana, & Theodosio, 2011). This upgrade can lead to the development of an effective export marketing strategy, which will help companies win a competitive advantage. Therefore, companies look forward to improving their market and financial performance in both international and domestic markets. In the Hotel Industry, the flexibility of options presents challenges that differ from country to country and hotel to hotel. Thus, each country and hotel should evaluate their industry and establish the most appropriate way for its international market (Correia, Lengler, & Mohsin, 2019).

Although several theories have been put forward to explain the different internationalization strategies implemented by SMEs (Ribau et al., 2015; 2018a; 2018b), the Uppsala theory has been extensively used to explain the incremental perspective SMEs tend to use to become gradually involved in international markets despite their passive or active internationalization behavior (Ribau et al., 2015; Moreira et al., 2018a). SMEs also need to develop their capabilities and competitive advantages and assume a proactive behavior to internationalize (Ribau et al., 2017; 2019), which might involve a network-based approach to reach overseas markets.

The provision of services, namely in the hotel industry, means that internationalization represents the development and improvement of skills and competences of institutions that seek to exploit their competitive advantages in international markets. However, the provision of services in the hotel industry means that the service provider not only needs to have certain competitive advantages to outcompete their local rivals but also needs to be internationally competitive in order to attract international tourists. As such, service providers of the hotel industry face quite specific challenges in international markets in order to arrange inter-organizational activities so that they can generate a continuous flow of tourists so that they can 'export' their services. The same occurs in the higher education industry (Nogueira & Moreira, 2018).

This chapter aims to investigate the internationalization of a Portuguese company – named GAMMA for confidentiality reasons, established in the market since 1902 – that competes in the hotel industry and seeks to provide its services to international guests. As a Portuguese company, GAMMA belongs to the group of inward internationalizers that desires to expand their activities and embraced export promotion programs to achieve their goals.

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