INTERNAL RESOURCES AND INTERNATIONAL ENTRY STRATEGIES

The serviced apartment context

Master´s Thesis
in International Business

Author:
BSc. Juha Hämäläinen

Supervisors:
PhD. Niina Nummela
MSc. Anna Karhu

23.10.2016
Jessheim, Norge

Table of contents

Figures

Tables

1 INTRODUCTION

1.1 The research context

During the past seven years the number of serviced apartments has increased by 80 percent, which illustrates the dynamic nature of the business field today (Harris, McCrow, & Vos 2015/16, 7). The business field is located in between rental and hotel markets and includes many different variations from single apartments in an ordinary housing community to full serviced extended stay hotels. The concept has become very popular due to a few obvious benefits it offers over a hotel room: additional space, cooking possibilities ideal for mid and long-term stays and the tiered pricing structure meaning that the longer the stay, the lower the daily rate. (Harris et al., 2015/16, 7.) The concept is well established especially in the United States and in Asia Pacific; however, the European market is still relatively new and possesses huge growth potential (McKenney 2014, 3). As a result, the serviced apartment industry has already experienced rapid growth in Europe during the last decade. For example, in the UK the serviced apartment demand is growing faster than the supply. The main growth factors are an increasingly mobile workforce of global companies in addition to leisure customers looking for more space and amenities than a conventional hotel room offers. (Manzoori-Stamford & Thompson 2014, 203.)

In addition to external forces, the internal change of the business structure is a key growth driver. The industry is currently defining its shape and form in terms of standardizing quality. The Association of Serviced Apartment Providers, which is based in the UK, has provided a standardization scheme which has been adopted by many operators afterwards. (Travel Daily Media 2014.) Defining common standards allows prospective clients to understand better the value of their purchase. This in turn increases the business volume especially on the traditional hotel customer side. The focus of this research is focused more on the internal structures of companies than on external forces. The sector’s external environment has developed so quickly within even the past five years that companies have to ensure that their internal structure is strong and flexible enough to survive the growing competition from unexpected directions.

The top 15 global suppliers in the serviced apartment industry are listed in the Figure 1 below. Each of the companies is a supplier and may represent one or more serviced apartment brands. For example, InterContinental Hotel Group (IHG) includes two brands: Candlewood Suites and Staybridge Suites. (Harris et al. 2015/16, 104.)

Top 15 global suppliers

			Locations	Apartments
1	Marriott (Worldwide)		945	109,306
2	Extended Stay Hotels (USA)		686	77,588
3	Intercontinental Hotel Group (Worldwide)		512	51,732
4	Homewood Suites and Home 2 Suites	Hilton Worldwide	390	43,321
5	The Ascott Ltd (Worldwide)		218	30,519
6	Oakwood Corp Housing (estimated)		1,895	25,350
8	Accor Hotels (Worldwide)		201	22,647
7	Pierre & Vacances (Europe)		257	22,252
9	Value Place (USA)		181	21,587
10	Mantra Group		113	11,622
11	Choice Hotels (USA)		106	10,681
13	Frasers Hospitality (Worldwide)		60	10,075
12	Hawthorn Suites		92	10,000
14	Quest Serviced Apartments (Asia Pacific)		148	8,251
15	Sun Suites (USA)		56	7,560
		Total	5,860	462,491

Figure 1 The top 15 global serviced apartment suppliers (Harris et al., 2015/16, 104.).

The number of locations the big suppliers have is c.a. 1 out of 100 compared to the number of apartments. This fact illustrates the structure of the major suppliers’ business; most of them focus on large units having 100 apartments on average per location. (Harris et al., 2015/16, 103.) Recently, the new players have redefined the market by aiming to be, for instance, a leading platform providing apartments in any city in the world, like Airbnb has succesfully done in already more than 190 countries. Alternatively, a provider can be an intermediary between the booker and the property. Intermediaries such as The Apartment Service provid added value by having all necessary information on one web page, including photos and apartment facilities. An intermediary can also provide value by focusing on certain segments by grouping properties which are targeted to clients with certain quality expectations. To summarize, the major suppliers represent the traditional serviced apartment business model of focusing on offerings operated by them and which are branded under one of their brands. In contrast, the new business models are based on web platforms, on the power of information, and on creating an offering which is easy for clients to understand and access. In this business model, the company might be an operator providing the actual apartment services, but more often the company is a booking agency responsible only for the reservation process.

Due to the features of a dynamic growing industry, which is relatively new especially in Europe, it is very interesting to examine how traditional theoretical models, international entry modes and a resource-based view fit in the industry context. The application of the theoretical structures will allow for efficient decision-making by clarifying the industry structure and defining the features of the key strategies and the assets in the business field. In addition, an optimal mix of resources and entry strategies can be built for a serviced apartment operator when the two following theoretical viewpoints are combined: international entry strategies and the resource-based view.

This research is divided into two theoretical sections. The first section focuses on international entry strategies used in the accommodation industry. The existing entry strategy literature is applied as a frame of reference, especially when it relates to the hotel sector, which has been extensively investigated during the last decades (see Dunning & McQueen 1982; Brown, Dev & Zhou 2007; Leo´n-Darder, Villar-Garcı´a & Pla-Barber 2011; Canabal & White 2006, 274). The second section focuses on company resources, assets and capabilities to determine the key company-specific resources in the business area. The resource-based view is used as a framework (Barney 1991) to analyze the resources and the competitive advantage they deliver. In addition, the transaction cost framework (Williamson 1971, 117; Williamson & Masten 1995, xv, 104).) is presented shortly as the theories have some similarities (Mahoney 2001) and the concept of specific assets in specific complements well the resource-based view's definition of key assets. The research questions in the study are the following:

1. Which international entry strategies are applied in the serviced apartment industry in Europe and globally?
2. What are the key resources in the serviced apartment industry and how do they create a competitive advantage for the firms in the business?
3. What is an optimal resource - entry mode bundle for a company from a competitive advantage perspective?

The theoretical contribution this study strives to create is based on three interrelated pillars: Firstly, the competitive advantage generated by a resource, asset or capability needs to be exploited with the right strategy to fully deliver the benefits of the "potential" competitive advantage. Secondly, a control over a resource, asset or capability varies from one entry mode to another and needs to be examined in the business context in question. Furthermore, certain entry modes require commitments to assets specific to this strategy and the commitments may differ if another strategy is used. Thus, these two concepts cannot be mixed without losing their explanatory power. Finally, a firm controlling and investing in certain resources, assets and capabilities needs to ensure that the chosen entry strategy is in line with the company's resource structure. In conclusion, by combining the resource-based view and the international entry mode concepts on a sufficient level, a firm can analyze how its competitive advantage is built and exploited efficiently.

1.2 The serviced apartment product

The term "serviced apartments" can be seen as a broad concept covering different categories, depending on the body responsible for the classification. According to The Global Serviced Apartments Industry Report (Harris et al. 2015/16, 8), traditionally the concept is defined as "an alternative to hotel accommodation for long stay business or leisure travel in urban locations." They classify serviced apartments on a continuum which includes everything from aparthotels to corporate housing. On the upper end, aparthotels are buildings often featuring hotel facilities such as a 24-hour reception, restaurant and daily or weekly room service. On the lower end, corporate housing can simply mean that an apartment with certain furniture and equipment is provided. The corporate housing services can possibly be upgraded to include maintenance, cleaning and remote 24-hour customer care. The classification can be extended to rental and hotel markets to form a comprehensive graph of housing and accommodation markets (Figure 2).

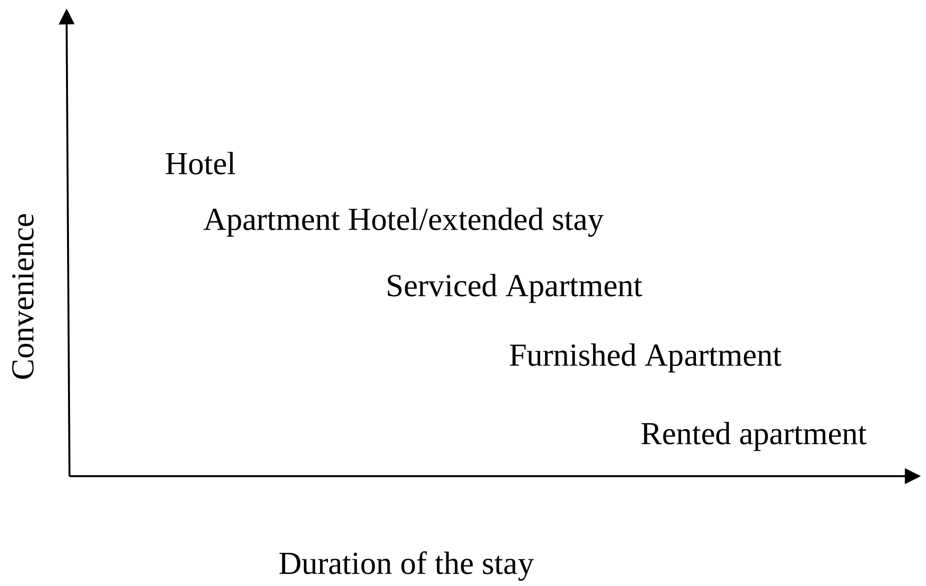


Figure 2 The convenience duration scale (Ekholm 2012)

The effort a customer makes to arrange accommodate is the largest on the rental end of the scale and the smallest on the hotel end of the scale. For example, it requires a lot of work from a customer to bring furniture to an empty apartment and make the apartment livable. In contrast, in a hotel everything is ready upon the customer's arrival, and such amenities as breakfast and spa services are often offered. In addition, a customer tends to rent an empty apartment for a few years rather than for a few nights, which is the case with hotels. Thus, serviced apartment solutions are located between these two ends in terms of convenience and duration of stay. From the perspective of an individual firm, the position is beneficial; the service can be extended in both directions, and options to widen and narrow the market are many. However, the whole accommodation industry is much broader than the simplistic description in Figure 2 (McKenney 2014). The accommodation industry includes everything from holiday parks and camping areas to hotels, serviced accommodation and timeshare solutions, where a private person owns a share of a holiday home together with many other owners.

The main product a company operating in the serviced apartment industry offers is a furnished apartment. In addition, complementary services such as cleaning and linen change can be offered (Kotimaailma 2012). Services in general can be divided into *hard services*, which can be exported, and into *soft services*, which are produced and consumed simultaneously[1] (see Sanchez-Peinado, Pla-Barber & Hébert, 2007, 87). According to this division, a furnished apartment belongs to the latter as complementary serviced are provided during the stay. A similar definition divides services into three classes (Boddewyn, Halbrich & Perry, 1986, 42):

- Foreign tradable services
- Location bound services
- Combination/mixed services

An important feature of any apartment is location; additionally, the consumption and production of complementary services happens at the same time. For this reason, furnished, or in other words serviced apartment, is a location bound service. Thus, the nature of the service in the accommodation industry requires a strong local presence from the service operator. At the same time, new technology has a crucial role in enabling remote reservations and payments. (Erramilli 1991, Erramilli & Rao, 1993, 19).

Typical reasons to book a furnished apartment are personal or work-related travel. For example, moving from one city or country to another, damage to a home or a divorce can all be causes for renting a furnished apartment. In addition, overheated rental markets can cause an increased demand of furnished apartments since empty apartments

---

[1] Erramilli, M.K. (1990) Entry Mode Choice in Service Industries. *International Marketing Review*, Vol 7 (5), 50–62.

are simply not available. Volatility characterizes the situation in many service industries. Customer needs may change quickly which calls for quick responses from service firms. (Kim & Hwang 1992.)

Even though a furnished apartment is a physical product, the product is combined with additional services and with a system for making the apartments available to customers. Thus, following the industry classification of hotels (Contractor & Kundu 2003, 10), serviced apartments belong to the service industry. Actually, few of the services are pure services (Shostack 1977, 74). Products and services are placed in a continuum of highly tangible goods, goods service bundles and highly intangible services (Sanchez-Peinado and Pla-Barber 2006, 217; Cloninger 2004, 128). The classification is presented as a continuum, not as a strict division between these classes. Serviced apartments, offering good service bundles, are positioned in the middle of the continuum.

Understanding of the nature of the product in the serviced apartment sector is crucial in this study from two perspectives. Firstly, the entry mode is affected by the product nature. As a location-bound service, the location decisions are the most crucial decisions in the sector. A chosen target market cannot be changed in the short term after the initial investments are made. This is the case with most of the available entry modes, even though the most flexible ones (e.g. licensing) give more room for an operator to change locations. Secondly, the operational mode provides for and requires from an operator a certain level of control and commitment. When an operator delivers both goods (the physical apartment and amenities) and the service (each interaction with a client during the stay), the control and commitment decisions must be made by taking both of the elements into account. In the next chapter, these entry modes are discussed in more depth. Many variations exist, and depending on the choice, the control over and the commitment to the service and the product varies greatly.

2 INTERNATIONAL ENTRY STRATEGIES

2.1 The entry mode framework and its applicability

During the past few decades, companies have had to realize that they do not own their local markets. This has pushed companies to develop international strategies with the purpose of surviving in the arena of global competition. (Root 1987, 2.) An essential part of an international strategy is the entry mode. The question is how to enter a target market (Bennett 1995, 59). Next a commitment control model is presented to form a basic structure for the study. The structure is a good starting point in differentiating entry modes. Following this, the specific features in the entry strategies in the accommodation industry are described.

Entry modes can be classified depending on the level of commitment and control achieved by the chosen strategy (León-Darder et al. 2011, 108). Control is defined as the ability to influence systems, methods, and decisions. Resource commitment in turn relates closely to control since companies adjust their level of control to increase or decrease commitment. (Anderson & Gatignon 1986, 3) More specifically, the definition of commitment used in the study is the assets which are fixed in a certain purpose, and transfer of the assets to a different purpose is not possible without losing its value partly or wholly (Kim & Hwang 1992, 31). The commitment control model is depicted in Figure 3 below.

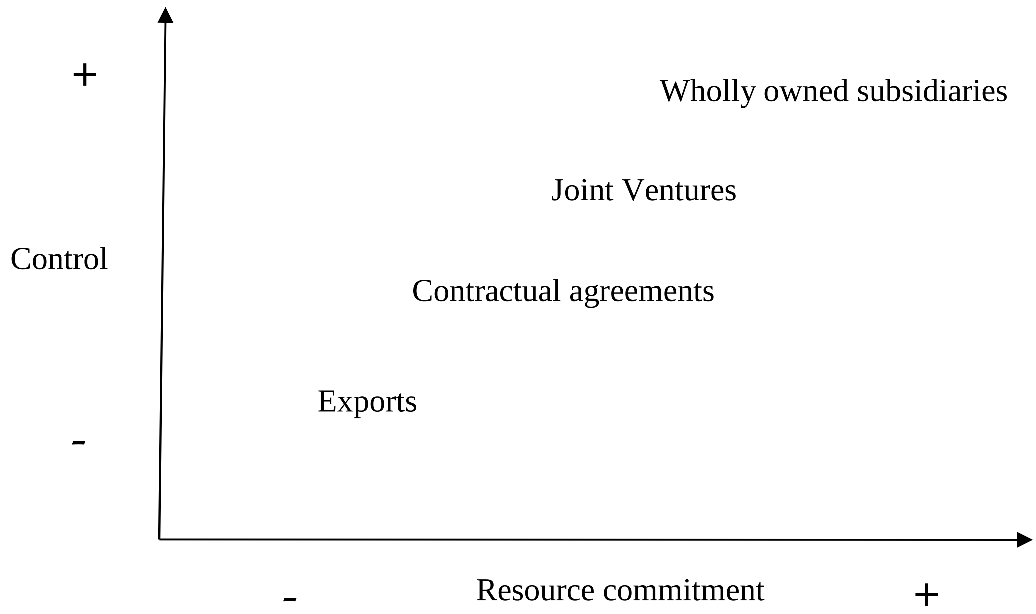


Figure 3 Entry modes and the level of commitment and control (Anderson & Gatignon 1986, 5–6; Sanchez-Peinado & Pla-Barber 2006, 223)

Some scholars also add risk as a factor to the framework (see Vandermerwe & Chadwick 1989, 90). However, risk is not included in this study because it is seen as a result of the control and commitment choices. The less a company has control over its operations and the more it invests in the operation, the higher the risk and vice versa.

Figure 4 shows that exporting involves the least amount of commitment, whereas wholly owned subsidiaries involve the greatest amount of commitment. Most of the classes include a few subclasses. For example, contractual agreements can be divided into licensing, franchising, technical agreements, service contracts and management contracts. Moreover, joint ventures can be applied in numerous ways depending on the companies involved. Furthermore, wholly-owned subsidiaries can be started from scratch as a Greenfield investment or by acquiring another company. In addition to these modes, several other variations of the aforementioned modes can be used. Examples include contract manufacturer and co-production agreements, to name a couple. (Root 1987, 6.)

The commitment – control continuum is criticized as the entry modes can also be differentiated based on the timing of remuneration. If suppliers are paid ex ante for their inputs, the mode is classified as a contractual. However, if a supplier receives the payment of inputs ex post, the entry mode is either wholly-owned subsidiary or joint venture. Thus, the entry modes are divided into contractual and equity. (Hennart 1988a, 1989, 362; Hennart & Brouthers 2007, 397.) However, the commitment – control continuum model is used in this research since a continuous scale is a good basis for the further analysis of entry mode differences in the focus industry,

The traditional entry mode classification serves as a framework for this research even though specific entry modes in the accommodation industry carry features which differ in terms of how they provide commitment and control for operators. For example, some entry modes may provide an operator 100 percent control without any equity investments and vice versa (Dunning & McQueen 1982). From a broad viewpoint, suitable entry modes for the accommodation industry can be classified in three ways: full equity, shared equity and non-capital entry modes. Full equity entry modes are comprised of Greenfield and acquisition entries. Joint venture is an entry mode where commitment and control are shared. Management contracts, franchising and lease agreements are examples of non-equity entry modes used in the industry. (Quer, Claver & Andreu 2007, 368–369; León-Darder et al. 2011.) One additional entry category is added to the research and is applied specifically in the serviced apartment sector: partnership strategies as a unique form of licensing. (SACO 2015, The Apartment Service 2014) The strategy will be discussed in detail later.

One differentiating key feature in the accommodation business is that property owners are often very involved in the actual business. This feature is the most evident if the operating model is management contract (Detlefsen, Glodz 2013). A hospitality strategist needs to take into account both sides of the coin, the operator's and the owner's, to formulate the most efficient strategy for a certain type of service. As figure 4 illustrates, when it comes to the entry mode choice, the risk – benefit relationship for a hotel owner develops in a way opposite to that for a hotel operator (Hallé 2012; Collins & Perret 2015).

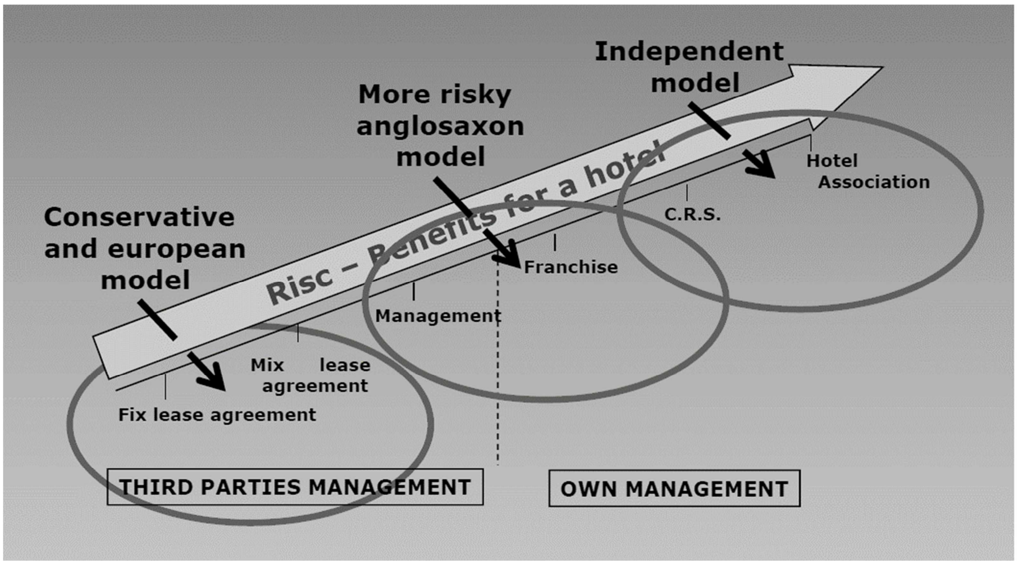


Figure 4 Entry modes for property owners and the risk – benefit relationship (Hallé, 2012)

Even though the study approaches the entry strategy theme from the operator's point of view, it is important to understand both sides of the coin. From the property owner's perspective, an owner has the lowest risk and gains the least benefit when participating in a fixed-lease agreement. In contrast, for an accommodation operator, this is a high commitment and control mode. On the other end of the continuum, the owner is a member of a hotel association but responsible for every single aspect of the hotel management. This entry mode for an accommodation operator would be almost risk-free. In between these two are other entry modes. (Halle 2012; Collins & Perret 2015.) The broken line dividing the figure into two parts in the middle of the scale determines who is responsible for managing the daily operations. For example, if the franchising mode is used, the property owner manages the hotel. In contrast, a management contract means that the hotel operator is responsible for daily operations. (Hallé 2012; León-Darder et al. 2011, 109.)

The entry modes are also classified in the figure according to their geographical distribution. In Europe, fixed-lease agreements and mixed-lease agreements are popular in the accommodation industry even though the last financial crisis has shifted the industry towards more flexible ones (from the operator's viewpoint) (Hallé 2012; Martin 2012). The Anglo-Saxon model, widely used in the USA for instance, includes management contract and franchise. Finally, C.R.S (centralized reservation system) and hotel association are general modes which can be found everywhere. The present trend favors variable leasing, management contracts and franchise, whereas fixed leasing and a wholly owned property are losing their foothold. (Halle 2012.)

A global summary of the prevalence of the mainstream entry modes is provided in the Table 1 below. The sample covered 1131 hotels in 1998 and gives a comprehensive picture of the applied entry strategies by hotels at the time of the research. (Contractor & Kundu 1998b, 328.)

Table 1 Distribution of Hotel properties and rooms (Contractor & Kundu 1998b, 328.)

Distribution of Hotel Properties And Rooms Outside The Home Country of the Firm				
Modal choice	Number of Properties	Percentage	Number of Rooms	Percentage
EQUITY				
Fully owned	213	18,8 %	60376	17,0 %
Partly owned (Joint Venture)	179	15,8 %	62202	17,3 %
NON EQUITY				
Management Service Contract	418	37,0 %	135660	38,2 %
Franchise Ageement	321	28,4 %	96924	27,3 %
TOTAL	1131	100,0 %	355169	100,0 %

According to the sample the most common entry mode (37 %) is management service contract, or management contract. The least common entry mode is partly owned (Joint Venture) (15,8 %). Non-equity entry modes are clearly more popular than more capital-intensive equity entries. However, there are differences between regions, as the next table below demonstrates. In North America, franchise agreements (38,3 %) and management service contracts (40,8 %) are extremely popular. On the contrary, in Europe fully-owned entries (28,6 %) are almost as popular as contractual entry modes. In Asia, management service contract (42,2 %) is the most common entry mode. (Contractor & Kundu 1998b, 328.)

Contractor and Kundu's research is however already 18 years old and a recent consulting report provides a different, fresh perspective on the issue. Even though the figures are not directly comparable, it is obvious that the provision of franchised locations has drastically increased. The change has occurred at the cost of owned and managed operations. Collins and Perret (2015, 2) have examined the world's largest hotel chains, Accor, IHG, Hilton, Hyatt and Marriott, and present that in North America 85 % of the hotels are franchised, while the same figure in Europe is 50 %. Moreover, 13 % of hotels in North America and 21 % in Europe operate under a management contract. The rest of the hotels, 2 % in North America and 29 % in Europe, are either owned or leased.

Table 2 Distribution of Modal Types Across Major Regions (Contractor & Kundu 1998b, 328.)

Distribution of Modal Types Across Major Regions of Destination			
Modal choice	North America	Europe	Asia
Fully owned	9,5 %	28,6 %	22,4 %
Partly owned	11,5 %	6,2 %	22,9 %
Franchise Agreement	38,3 %	28,7 %	12,5 %
Management Service Contract	40,8 %	36,5 %	42,2 %

Table 2 indicates why franchise agreement and management service contracts have been named as Anglo-Saxon modes in Figure 4 as they are the most common in North America. As mentioned above, the term is becoming obsolete due to the growing prevalence of franchising contracts at least in Europe and North America. At the same time, the categorization of the two equity and the two non-equity entry modes does not provide a complete picture of the different variations applied in the industry. For instance, lease agreements are fully excluded from the figures even though this entry mode is used widely in all of the continents.

In conclusion, in the accommodation industry the whole universe of differing entry modes need to be taken into account to have a complete picture of the features of these strategies. In addition, the entry strategies need to be analyzed from both a property owner's and property operator's viewpoint. (cf. Berbel-Pineda & Ramirez-Hurtado 2012, 285). Even though the operator's viewpoint is a focus of this study, finding a balance between the two opposite interests enhances a successful strategy creation. Next, the three entry mode categories in the focus industry are discussed in detail.

2.2 Equity strategies

Equity entry modes are divided into horizontal and vertical modes (Caves 1971, 3) depending on the new subsidiary's position within the existing organization. Vertical investment means that the parent country is a supplier of the host country subsidiary. Horizontal mode means that the parent and the subsidiary have similar product lines. (Root 1987, 143.) Foreign direct investment is defined as "occurring when the level of ownership via equity in a foreign enterprise reaches a certain level that is deemed to imply that the investing company acquires a significant influence, whether exercised or not, over the key policies of the foreign entity, through a long term investment." (Welch, Benito & Petersen 2007, 320–321) Foreign direct investment is more often a process which happens within a certain time period than a one-time investment. The equity strategies are divided into three different forms: acquisition, Greenfield investment and joint venture. (Welch et al. 2007, 321.)

Together with lease agreements, equity entry strategies have been probably the most common form of governance in the hospitality industry before World War II (Bell 1993, 27–28). However, at the turn of the 21st century, only 18,8 percent of international hotel entries were fully owned and 15,8 percent of the entries were partly owned joint ventures (Contractor & Kundu 1998b, 328). The rest of the used entry modes were contractual governance forms. These figures illustrate the change from equity entries towards contractual forms during the past century in the hospitality industry. One reason for the change is a hotel investor side which has pressured hotel operators to lighten their balance sheets (Collins & Perret 2015, 2).

In the following three chapters, Greenfield investment, acquisition and joint venture are discussed. All of the modes have their own unique features and characteristics; consequently, the modes are discussed briefly and the most differentiating features are presented.

2.2.1 Greenfield

Large multinational companies are the most frequent users of high control and commitment entry modes (Young et al. 1989, 236). Greenfield investment is a wholly-owned subsidiary which is established by a parent company from the ground up (Welch et al., 2007, 321; Investopedia US 2012) and the investment is 100 percent owned by the parent (Young et al., 1989, 236). Greenfield investments are favored especially by developing countries due to their job-creating impact (Investopedia US 2012). This statement is supported by the fact that hotel franchising is applied especially in developed economies as a contractual entry mode (Contractor & Kundu 1998a, 46). The entry mode offers a company a maximal amount of control over its operations (Young et al., 1989, 19). However, there are certain drawbacks as well in the use of this entry mode. In addition to the advantages and drawbacks of the entry mode, the different types of wholly-owned subsidiaries are presented.

A company investing in a country might have three motives in a broad context: Firstly, a company may be interested in offering its products locally in the markets of the target country. Thus, this is known as the Name Market Oriented Investment. Secondly, the company might look for cost advantages in producing its products. Products can be produced in a country where labor costs are low and then be exported elsewhere. This investment method is called Cost Oriented. Moreover, companies in the extractive industry establish a mine to satisfy the needs of their global markets. The last motive is called Resource Oriented Investment. (Young et al., 1989, 19.) In the hospitality industry the motive is almost purely market oriented due to the product nature which was discussed earlier.

Certain advantages and disadvantages of wholly-owned subsidiaries are listed below in Table 3. In addition to the maximal amount of control, a company benefits from less cumbersome negotiating processes compared to some other modes when the international operation is wholly owned. Moreover, by having a stable foothold in the target market, the company can efficiently exploit the opportunity of being close to its customers. (Young et al., 1989, 236; Welch et al. 2017, 326.) According to Contractor and Kundu’s (1998a, 47) study, company-run operations are favored over franchising in situations where the hotel has a great amount of international experience or an extensive global coverage. However, in the case of a wholly-owned subsidiary, the company needs to accept a high level of risk and commitment. (Young et al., 1989, 236.) That is especially true in the hospitality industry; establishing a new hotel property with a suitable infrastructure may cost $100 million in some locations (Contractor & Kundu 1998a, 29). Also the bureaucratic burden is higher than in most other strategic options. However, a clear benefit of this strategy is that a company in the accommodation industry can choose the property location more freely than the companies which are not able to buy real estate. Moreover, a company receives the benefits of economies of scale, for example, when purchasing services and materials, as the company needs to invest a greater amount in the beginning. (Brown & Dev 2000, 343.)

Table 3 Advantages and disadvantages of a Greenfield investment (Young et al. 1989, 19, 236; Welch et al. 2007, 325–326; Collins & Perret 2015, 2)

Advantages	Disadvantages
• Powerful foreign market exploitation & expansion • Full return on assets • Tight control of operations • Avoid the problems associated with negotiating contractual agreements and with shared decision making • Exploitation of unique assets, e.g. technology, know-how and brands • Proximity to customer • Marketing benefits to be derived from establishing a greater presence in the foreign country • Ability to choose more freely the property location than in contractual strategies • Economies of scale for instance in purchasing which reduces costs	• High level of risk and the substantial commitment of capital and management • Time consuming and requires a lot of effort in the beginning • Investors in the hospitality sector are reluctant to finance operations with a heavy balance sheet • Bureaucratical burden when establishing operations from the beginning

When entering a target market the level of ownership is a key decision. Greenfield investment as an entry mode is a strategy with 100 percent commitment to the target market. (Welch et al. 2007, 330–331.) In the hotel industry, the operator has no need to negotiate with a property owner about contract type and terms. The negotiation is focused on the buying of a property. Due to the invested capital, a company must have huge financial muscles and a solid understanding of the target markets.

2.2.2 Acquisition

Acquisition is another form of a wholly-owned subsidiary (Young et al., 1989, 2). Instead of starting from scratch, one company buys another company when entering a new market (Root, 1987, 142; Welch et al. 2007, 321). A crucial reason to enter a market is to diversify a company’s operations (Blomström, Kokko, & Zejan, 2000, 7). In addition to reasons for acquisition entry, the acquisition types and advantages and disadvantages of the entry mode are discussed next.

There are four types of acquisition entries: horizontal, vertical, concentric and conglomerate. In the case of a horizontal acquisition, a company buys another company which offers products targeted for the same market as the products of the acquiring company. A vertical acquisition happens when a customer buys a supplier company or vice versa. Concentric acquisition means that both of the companies serve the same markets but with a different technology, or both of the companies have the same technology but different target markets. A company becomes a conglomerate by acquiring a company from a different industry. (Root, 1987, 143.) In the accommodation industry the acquisitions are mainly horizontal; however, the other types of acquisitions are also possible.

Three common reasons for acquiring a company are product diversification, geographical diversification and financial diversification. In addition, a company may be interested in acquiring specific assets such as management, technology, distribution channels, workers and others. Moreover, sourcing of raw material or other products might be a reason for an acquisition. (Root, 1987, 143–144; Welch et al., 2007, 333–343.) In the accommodation industry real estate buildings are the raw materials which are transferred to end products. A company in the serviced apartment industry might be interested in acquiring another due to good location of their extended-stay hotel, for example. The reason for an acquisition may also be mixed, and two or more of the previously mentioned motives may affect the decision making. For instance, according to Root (1987, 143–144), geographical diversification should be the primary reason for an acquisition, instead of product line diversification.

A few key advantages of an acquisition entry relate to the possible resources acquired and the faster start-up in comparison to a Greenfield investment. In contrast, clear disadvantages of an acquisition entry are the burdensome process of buying a company, the challenge of integrating the acquired company with the parent company and possible hostility of host country or government (Root, 1987, 143; Bennett, 1995, 74; Welch et al., 2007, 333–343). The key advantages and disadvantages are listed in the Table 4 below.

Table 4 Advantages and disadvantages of an acquisition investment (Root, 1987, 143; Bennett, 1995, 74; Welch et al. 2007, 333–343)

Advantages	Disadvantages
• Faster start in exploiting the foreign market… • …and shorter payback period compared to a Greenfield investment • Immediate possession of a functioning administrative structure • May provide a resource not otherwise available • Acquisition of new product lines • Possible synergy of operations between the companies	• Locating and evaluating acquisition candidates can be difficult • The post-acquisition process of fitting the acquired company to the operations and policies of the investor can constrain performance and earnings • Existing staff may leave the company • Differences between product lines and companies procedures cause managerial problems • Host government views the acquisition as less favorable than a new venture • Control difficulties created by having to manage a large and diverse organization could arise • High failure rate • Lack of suitable firms to acquire

Many of the advantages and disadvantages listed above are similar to the advantages and disadvantages of the Greenfield entry mode. Even though the modes have their own unique features, a comparison gives perspective on how a specific mode is related to the other. Clearly, a major differentiating factor between the two modes is the ability to control operations. In the case of acquisition a company has to buy the whole package, not just the best parts of it. Thus, controlling the operation is a key issue when choosing acquisition as an entry mode. (Bennett, 1995, 74.)

2.2.3 Joint Venture

In a joint venture both of the parties share the commitment and the risk of the operation (Young et al., 1989, 2). Many times the sharing of equity happens between a multinational company and a local partner (Root, 1987, 146). An interesting fact about joint ventures is that the birth rate and the death rate among joint venture projects is high (Brooke & Remmers, 1978, 200–201). The joint venture entry mode provides less control for a firm than a full-equity mode (Root, 1987, 146). This and other features of the entry mode are next discussed. Firstly, the reasons for a joint venture are presented. Secondly, joint venture classification depending on the model of sharing equity is discussed. Finally, advantages and disadvantages of the entry mode are proposed.

There are several reasons to choose a joint venture as a primary entry mode. The government of a host country has a big role in planning investment policies (Blomström et al. 2000, 30). In some countries, joint venture can be the only possible way to enter. Other reasons vary from a need for a partner to help understand the local markets to sharing capital costs of a large project. Moreover, joint venture can be chosen to most efficiently satisfy needs of a large target market. Additionally, joint venture might be an appropriate mode to take the advantage of the partner's specific resources[2] (see Blomström et al. 2000, 32–33). According to Blomström et al. (2000, 30), a major reason why joint ventures exist are the restrictive policies of governments in target markets.

The equity in joint venture can be shared in any way depending on the partners' preferences. In addition, the length of a joint venture contract can be determined to be indefinite or fixed. (Young et al., 1989, 2, 18.) Three ways to share the equity are classified as minority-owned, 50-50, and majority-owned venture (Root, 1987, 146). The contribution related to equity sharing can relate to the money partners provide for the project. However, the distribution may also be based on technology, management, or access to certain markets and on other factors. (Young et al., 1989, 2.) This is common in the accommodation industry due to the property owner's involvement in the business, as discussed in the beginning of this chapter. For example, the accommodation provider may provide the management of the building and take part in the investment with a minority stake while the real estate partner has a bigger commitment. Oakwood and Mapletree published their partnership in 2014. The joint venture combines the leading global, Los Angeles-based corporate housing provider Oakwood with Mapletree, the Singaporean real estate development, investment and capital management company. The purpose is to open 100 new properties throughout the world as a result of the cooperation. (Oakwood Worldwide 2014). Host country legislation may also determine how the shares need to be distributed (Young et al., 1989, 2).

On one hand, the main advantages related to the joint venture entry mode are the possibility to comply with host country regulations, sharing the risk and commitment with a partner and sharing possible resources. On the other hand, the clear disadvantages of joint ventures are interests which may conflict with partners, an amount of control which is smaller than in a full-equity mode, possibilities for opportunism and vanishing responsibility when none of the partners is dominant. (Brooke & Remmers, 1978, 205–214; Young et al., 1989, 18; Bennett, 1995, 76; Welch et al. 2007, 330–331.) However, in some cases joint venture can be more efficient than a sole venture

---

[2] Beamish, Paul W. (1988) *Multinational joint ventures in developing countries.* Routledge, London.

Stopford, J. M. & Wells, L.T. Jr. (1972) *Managing the multinational enterprise; organization of the firm and ownership of the subsidiaries.*

when local and foreign competences are combined in the correct manner (Root, 1987, 149). A list of main advantages and disadvantages of the joint venture entry mode is presented in the Table 5 below.

Table 5 Advantages and disadvantages of a joint venture (Brooke & Remmers, 1978, 205–214; Young et al., 1989, 18; Root, 1987, 149; Bennett, 1995, 76; Welch et al. 2007, 330–331)

Advantages	Disadvantages
• A way to comply with host government restrictions and possibly better relations with national governments • Lower risk and commitment compared to a sole venture due to the capital sharing • Higher returns than with licensing/franchising • Substantial control over production and marketing • Local partner can provide a foreign company with knowledge of the environment and business habits and managerial, marketing and production skills and other resources • Local prestige and participation in the society	• Provides less control than a sole venture • Conflicting interests possible • A partner firm might not pull its weight • Need to share intellectual property • Difficult to integrate into an overall corporate strategy • Transfer pricing problems as goods pass between partners • Possible differences in management culture among participating firms • Possible lack of overall leadership and hence non-completion of critically important tasks

Among equity entry modes, a joint venture gives a firm the least amount of control. However, there are clearly certain benefits, which the other equity entry modes do not provide. Compared to an acquisition, a joint venture makes possible the acquisition of a partner's resources with less commitment than in the acquisition mode (Brooke & Remmers, 1978, 205). However, due to opportunism, a firm entering a joint venture needs to define strictly which resources it wants to share and which are limited to fully-owned operations (Bennett, 1995, 76).

2.3 Non-equity strategies

Traditionally, multinational companies have entered foreign markets by creating or buying wholly-owned subsidiaries. Later, companies have adopted more complex modes to penetrate a new market. Governments have had a role in this development by formulating FDI restricting policies. For example, in Thailand the government restricts a foreign investor's stake up to 49 percent. Contractual entry modes, which are used as a synonym of non-equity strategies in this study, are the result of this development. (Blomström et al. 2000, 15; Panvisavas & Taylor 2006, 232.) Large multinational companies in the hospitality industry tend to use contractual entry modes more often than their counterparts in other industries. In the turn of the 21st century, 65,4 percent of forms of governance in the hospitality industry were either management contracts or franchising agreements. (Contractor & Kundu 1998b, 328, 353.)

In the accommodation sector, the contractual strategies are efficient if a company has the goal to quickly increase its room or apartment portfolio without financial investments (Quer et al., 2007, 363). At the same time, in the industry contractual strategies are often based on long contract periods, which alleviates long-term strategic planning and increases business stability. Quer et al. (2007, 366) also point out, based on Dunning and McQueen's (1982, 70) study, that due to the industry's nature to commit resources other than financial capital, non-equity strategies in the accommodation industry may provide an operator with the same level of control as equity strategies in other industries.

Next, four contractual entry modes are discussed specifically: lease agreements, management contract, franchising and licensing. The first three entry modes are commonly used in the accommodation industry (Quer et al. 2007, 368–369). Licensing has many forms and is not that commonly mentioned in the literature, probably due to the challenge of the modes definition. For example, franchising is often presented as a sub category of licensing. In this chapter licensing is described from the serviced apartment sector's perspective, where licensing is an independent and distinctive operating mode.

2.3.1 Lease agreements

A lease agreement is a traditional operating model of a hotel chain which was used together with owning before more developed contract modes such as management contracts and franchising agreements were developed after World War II (Bell 1993). An operator who signs a lease agreement with a property owner agrees to pays rent to the owner and has a right to use and operate the property. The tenant can also choose to subcontract the operation of the property to a franchisee or a management company. The agreed lease can be fixed, variable or a hybrid mode of the former two. In its pure fixed form, a lease agreement transfers the whole operational risk of a property from an owner to an operator. More specifically, an operator is responsible for hotel operations, supplier and employee relations and capital investments. In this exchange an operator receives a residual income of the hotel property. (Balekjian & Sarheim 2011, 8–10; Collins & Perret 2015, 2)

The tenure of a property lease agreement may vary from a few years to even 999 years, which was the contract length signed recently by Union Hanover in London (Harris et al. 2015/16). This example and the previously-mentioned features of an entry mode illustrate the fact that in the hospitality sector contractual modes, especially lease agreements, enable companies to pursue a long-term strategy without large equity investments. In other words, an operator receives a high level of operating control by using lease agreements as an entry strategy. (cf. Quer et al., 2007, 366; Dunning & McQueen 1982, 70.)

In addition to the control over operations, excellent control over positioning of the company's brand and the product itself is gained by using rental contracts. Another important benefit is that an operator has a real chance to receive extra income in a favorable market situation after rent and operative costs are paid. However, a company accepts a high degree of market and operational risk due to the fixed rent each month, whether it has customers or not. Variable-lease agreements have alleviated this situation, which in turn requires an owner's involvement in the business. Variable leases have another advantage over fixed leases, as fixed leases carry a debt like liability in the balance sheet. In the case of fixed leases, this affects a company's debt capacity, credit rating and share price negatively. Finally, fixed-lease agreements have a strong tenant right in case of a foreclosure. At the same time, the contract termination and exit might be difficult to negotiate. (Collins & Perret 2015, 2–3.)

In the hotel industry in Europe, 29 percent of contracts are either owned or leased, making it the second most popular entry mode in that region. Interestingly enough, in the USA the same figure is 2 percent, which illustrates the mode's popularity in Europe. (Collins & Perret 2015, 2.) In the serviced apartment industry, 30 percent of the agreements in Europe are lease agreements; this is the main contract type in this region at present (Oehmichen 2015, 5).

One important difference between the lease agreements in the extended stay industry, which is similar to the hotel sector, and the distinct corporate housing industry is that in the corporate housing sector the lease agreements are flexible and the apartment inventory can be adjusted based on demand. For example, in the US this has helped the operators keep the occupancy rate high. (Harris et al. 2015/16, 8–9, 95.) In addition, it can be assumed that corporate housing operators make less capital investments in amenities and facilities than the more location-bound extended stay operators. This decreases the financial risks of companies operating in the corporate housing sector during downturns. It is also important to note that the industry and these classifications change constantly. For instance, in Finland a trend in the corporate housing markets is to move from single furnished apartments towards apartment hotels. Benefiting from economies of scale is an obvious reason for the development. (Kauppalehti, 2012, 8–9.)

The key benefits and drawbacks of a lease agreement for a property operator in the serviced apartment sector as a whole are depicted in the chart below.

Table 6 Advantages and disadvantages of a lease agreement (Balekjian & Sarheim 2011, 8–10; Collins & Perret 2015, 2–3; Bell 1993, 27–28)

Advantages	Disadvantages
• Enables a company to pursue long-term strategy without equity investments • Potentially low operating costs due to the security the model provides for owners • Greater profit potential during a positive cycle than other contractual modes • Good operating control and operator motivation due to responsibility over every function of the business • Predictable costs • Flexibility to adjust apartment inventory if a company operates in the corporate housing sector	• The operator carries the whole operating risk which can lead to large financial losses in unstable economies • High financial risks during downturns (especially in the extended stay sector) • Heavy balance sheet in case of fixed-lease agreements • Difficult to terminate the contract

2.3.2 Management contract

Didier Boidin, Vice President of Operations at InterContinental Hotels Group states that a company cannot be good at both owning and managing. For this reason the group's strategy is to use only management contracts in their operations. (Boidin 2012.) Among hotel operators management contracts are the single most applied form of governance globally (Contractor & Kundu 2000, 300–302). The contract type has been a crucial cornerstone in the industry's growth, especially in the US since the early 1970s (Eyster 1997, 14). At present, 13 percent of the contracts in the US and 21 percent of the contracts in Europe are management contracts in the hotel industry (Collins & Perret 2015, 2). In the serviced apartment industry management contracts are also well adopted: 23 percent of operating models in Europe are management contracts (Oehmichen, 2015, 5) In addition to the hospitality industry, the entry mode is common in industries such as transportation, agriculture, public utilities, mining and minerals. Next, the definition of a management contract is presented, the contract types and terms are introduced and the pros and cons of the entry mode are discussed.

There are two basic types of management contracts. A typical management contract relates to a specific project. The contract ends when, for instance, a construction project is completed, the local staff are trained and the responsibility for the property is handed over to the local operator. (Bennett, 1995, 69.) The managing party's control over the business functions depends on the agreement and varies from full control over the business to a specific part of the business (e.g., accounting) (Welch et al. 2007, 145). Manufacturers rarely use a management contract alone to enter a market. The mode is often used to complement a joint venture or a turnkey project. Thus, the company gains more managerial control over its operations. The length of a management contract is usually not defined. However, if the length is defined, it is often seven years or less. (Young et al. 1989, 14–15.) Thus, one drawback is a difficulty to build up a permanent market position when the contract is for a fixed period of time. (Root, 1987, 115, 5; Young et al. 1989, 14.)

Management contract can also mean a long-term agreement for managing daily operations. In this case, a business is managed by an outside operator who takes care of daily tasks. The entry mode often includes a basic fee, an incentive and such separately invoiced services as marketing, pre-operations assistance and training and recruitment of personnel. However, the operator is not able to make new investments, assume a long term debt or make changes in management or dividend policies, for instance. The operator offers such services as general management, financial administration, personnel administration, production management and marketing. (Young et al. 1989, 1, 14–15; welch et al. 2007, 146.)

This mode is especially popular among service industries (hotel, transportation, etc.) (Young et al. 1989, 14–15.). In the hotel industry the saying "bricks and brains split" describes well this operational mode where the hotel operations are separated from real estate assets (Gannon, Roper & Doherty 2009, 639). The operator is responsible for managing all of the hotel's departments, operating the hotel according to the agreed terms, budget and brand standards, employee relations, prices and terms, marketing and public relations, decisions on capital expenditures, financial statements and reporting for the owner and subcontractor relations (Detlefsen & Glodz 2013, 2).

A typical management contract in the hotel industry includes the following topics: contract term length, management fees (typically 2-4 percent of gross revenue), reserve for replacement, working capital, termination clauses, insurance, dispute settlement, budgets and financial reporting, area restrictions and employment (Detlefsen & Glodz 2013, 2–15). Twenty-year contracts are common in this sector; globally, the average length of the initial term is 18,3 years while in Europe it is 21,1 years (Thadani & Mobar, 2014, 5). A management contract operator can be a first-tier branded operator (like Marriott and Hilton) or a second-tier operator without its own brand (like Interstate Hotels or Richfield Management) (Lloyd-Jones & Rushmore 1996, 4).

The key reasons why companies become involved in management contracts are the low capital requirement and the high level of control a company receives (Bennett, 1995, 69; Welch et al. 2007, 153). The mode is also described as an “asset light” strategy (Gannon et al. 2009, 640). In addition, the risks of the operation are low as well (Root, 1987, 115). The income flow is smooth and predictable (Bennett, 1995, 69). Moreover, a company can focus on its on core competence: managing the operation (Boidin, 2012). In contrast, although the profit stream is smooth, it is comparatively low. In addition, the negotiation of the contract takes a lot of time and managerial resources are often scarce. (Root, 1987, 115.) There is also a risk that once the ordering company has successfully transferred managerial assets, technology, etc., to the contractor, the contractor may become a competitor who is armed with new skills and technologies (Welch et al. 2007, 153). The main advantages and disadvantages of management contract as an entry mode are listed on Table 7 below.

Table 7 Advantages and disadvantages of a management contract (Root, 1987, 115; Young et al. 1989, 14; Bennett, 1995, 69; Boidin 2012; Detlefsen & Glodz 2013, 2; Collins & Perret 2015, 3–4; Welch et al. 2007, 144–153)

Advantages	Disadvantages
• A low-risk entry mode, allows expansion of a brand with a minimal investment • Possible to use with other entry modes to form a beneficial combination • Returns are predetermined • Little risk of expropriation • Focus on core competence: management • An operator has a high level of control • Provides instant local market recognition for the brand in the hotel sector • Efficiently divides the necessary functions between the parties	• Low profits: income limited to a management fee • May develop future competitors • Time-consuming contract negotiations • Operator is dependent on owner’s ability and willingness to invest in the property • Market-based operating fee structure may increase operator’s risk • Does not allow a firm to build up a permanent market position (if a specific project)

Even though the management contract mode is seen as a minor entering mode among manufacturing companies (Root, 1987, 115), the mode has an essential role in internationalizing service industries. Starwood, a hotel chain with over 300 000 luxury and upper scale hotel rooms worldwide, uses management contracts as a main way to enter a target market (Martin 2012; Collins & Perret 2015, 6). An example of the strategy’s success is that Starwood is one of the few international hotel chains which has been able to position itself successfully in the Chinese market (Monasterio, 2012).

2.3.3 Franchising

In the 1960s in the USA, franchising became very common among many service industries. Some well-known examples of franchised brands are McDonald's, Coca-Cola and Hilton Hotels. Holiday Inn was the first hotel chain to franchise its business in the 1950s. Some other examples of the world's biggest chains using franchising as an operating mode in the hotel industry include Marriott and Intercontinental Hotels Group. According to a recent survey in 2015, the strategy is the most exploited in the US, where 80 percent of operations of major hotel chains are franchised. The corresponding figure in Europe is 50 percent, which is a very high stake as well. Thus, compared to the figures presented in the chapter introduction, the modal choice has prominently increased its popularity within 17 years. In the serviced apartment sector the business concept is in its infancy with a 12 percent stake in Europe, making it the least adopted strategy among operators. The franchising mode is a form of licensing, where the business concept, brand, distribution channels and other property rights are licensed to a company or an individual. (Bell 1993, 30; Root, 1987, 109–111; Collins & Perret 2015, 2, 6; Oehmichen 2015, 5.) It is also a commercial relationship between two agents which are legally and financially independent but share a common target (Insa-Ciriza 2003, 58). Next, the roles of franchisor and franchisee are clarified, how the model is applied is presented and a few major pros and cons of franchising are discussed.

In return for licensing the business concept to a franchisee, a franchisor receives royalties and other payments (Root, 1987, 109). For instance, in the hotel sector in the US the franchising fee median is 11,8 %. This is three to four times higher than the first franchising fees were in the middle of the 20th century. Currently, the fee consists of an initial fee, a royalty fee, a marketing fee, a reservation fee, a frequent traveler program fee and a miscellaneous fee. (Rushmore & Bagley 2014, 2.) The franchisor retains control of how products are marketed and the franchisee carries the risk of business failure. The question relates to exchange: the franchisor gets local knowledge about the target market and the franchisee learns how the business is organized. (Bennett, 1995, 68.) Specifically, in addition to trademark and know-how, the franchisee gains local exclusivity rights, gets management and financial assistance and participates in joint advertising. From the public point of view, the franchisee's business is not seen as a single unit but as a part of a bigger chain. (Young et al. 1989, 1, 13.)

Franchising is a good entry mode for companies with products not suitable for exporting. In addition, the production process needs to be sufficiently simple to easily allowit to be transferred from a company to another. Franchising is also a good option if a company is unwilling to invest in the potential target market. Franchising should not be applied if a company's product is physical and the production process uses capital intensive techniques. Furthermore, knowledge intensive services requiring a lot of managerial, technical or other sophisticated expertise should not be franchised. Thus, franchising is widely adopted among consumer service firms, where the production processes are not too complex and capital intensive. (Root, 1987, 110; Vandermerwe & Chadwick 1989, 84.)

Franchising makes rapid international expansion possible due to the low capital requirements of the entry mode. Another major advantage of the mode is low political risk because of the benefits franchising brings to the local community (employment, technology). Moreover, franchisees are highly motivated as they have invested their own money into the business. However, there are a few drawbacks, of which limitations on the franchisor’s profits is one. Another major drawback is that the franchisor does not have a full control over franchisee’s operations. The advantages and disadvantages of the entry mode are listed on the Table 8 below.

Table 8 Advantages and disadvantages of franchising (Root, 1987, 110; Young et al. 1989, 13; Collins & Perret 2015, 2; Berbel-Pineda & Ramirez-Hurtado 2012, 286; Welch et al. 2007, 90)

Advantages	Disadvantages
• Rapid expansion into a foreign market with low capital outlays & a ready business structure • A standardized method of marketing with a distinctive image; opportunity to develop brand quickly • Highly motivated franchisees • Low political risks, host country benefits from franchising are high • Low market & operating risk for a hotel chain	• Limitations on the franchisor’s profit • Lack of full control over the franchisee’s operations; can negatively affect the brand if a hotel is managed poorly • The possible creation of competitors • Restrictions imposed by governments on the terms of franchise agreements

The benefits of franchising greatly outweigh the drawbacks in certain industries and companies. For example, for Holiday Inn, an international chain of hotels, franchising is the most important entry mode. The chain has expanded internationally with astonishing speed. Franchising offers the company an internationally consistent image and standardization of services and quality management systems. In addition, the company has a centralized reservation system to help every single franchisee in their business. (Bennett, 1995, 69.) At the same time, a company needs to create a powerful brand image to succeed with the concept (Berbel-Pineda & Ramirez-Hurtado 2012, 290).

2.3.4 Licensing

Licensing in its traditional form means that a licensor gives a licensee a right to sell products, deliver services or use processes originally developed by the licensor. A brand name may be included in the agreement. In return for this right, the licensor receives royalties and a lump sum payment from the licensee. A licensor may have several reasons to license its product: the market the licensor enters may be too small to make an equity investment, the target market may be too risky for an investment or the host government does not allow any other entry forms in the country. In addition, a licensor may want to test a market before a larger scale entrance. (Lasserre 2007, 206.)

In the hotel industry international hotel chains tend to be involved in management or franchising agreements when the chain allows a third party to use its brand (Brown, Dev & Zhou 2007, 15–17). However, in the serviced apartment industry several companies have launched partnership programs and they operate simultaneously not only as an independent operator but as an agent licensing their service model to property owners and operators in different regions (Harris et al. 2015/16, 10–11, 44). In the introduction to the accommodation entry strategies (see chapter 3), the C.R.S (centralized reservation system) was depicted as a low-risk entry mode from the hotel chain's perspective and as high risk for the hotel owner. Licensing strategy is similar to C.R.S as the hotel or serviced apartment brand may be only a booking agency without concrete operations at the properties (SACO 2015).

In the serviced apartment sector there are various modes of licensing. One common feature of a licensing program seems to be willingness to determine the depth of a relationship. Operators are eager to have partners who are strongly linked to their service practices and brand standards. The preferred providers are rewarded for their loyalty and gain larger proportions of reservation flows than occasional providers. (see SACO 2015; Bridgestreet Network Members 2015).

Licensing has several advantages and drawbacks which are summarized below in the table. The main advantage is the relative low risk and commitment a company has with this strategy choice. In addition, licensing may work well as a stepping stone strategy to test the market reaction before a company invests more heavily. Licensing could also help companies access markets which would not be otherwise available, e.g., due to governmental regulations. However, a main concern a licensor may have is that licensing is a way to access important technologies or other resources and licensees may become competitors in the future. In addition, licensing partners often enter into a long term commitment but may not have information on the quality the partner delivers in its operations. (Welch et al. 2007, 96–135)

Table 9 Advantages and disadvantages of licensing (Welch et al. 2007, 96–135; Lasserre 2007, 206; SACO 2015; Bridgestreet Network Members 2015)

Advantages	Disadvantages
• Low personnel & capital commitment • Allows an operator to quickly grow their global portfolio especially in the serviced apartment sector • Opportunity to access blocked markets • Can be a good stepping stone strategy to open a new market before higher commitment	• Risk of technological appropriation as the licensee may be a future competitor • Quality control challenges arise due to lack of control over operations • Distance from the target market causes it to be difficult to impact the licensee company's direction

The licensing strategy has emerged during the empirical stage of this research; thus, this discussion will be revisited later in the research findings in the chapter 5.2.

2.4 Summary of applied strategies

The entry strategy decision is made according to certain criteria and it is important to clarify which is the focus party in the study. In this research international strategies and companies' resources are examined from the accommodation operator's perspective in all the other strategies except in the case of licensing and franchising where the analysis is made from the chain's perspective. In the case of a joint venture the other party may be only investing capital in the cooperation. In this situation the party which is examined is the one operating the property. These choices are made to examine always the party which will make the international strategy decision. A common denominator of the companies in focus is that they provide accommodation for their clients through their sales channels. Thus, the term *accommodation provider* is used in the research.

This structure gives a meaningful order in terms of the level of control provided by each strategy and the level of commitment required in each strategy. The Table 10 below summarizes the responsibilities of accommodation providers has in each strategy option. The responsibilities are divided into seven areas: property operations, suppliers/employees, capital investment, residual income of the property, operational risk, quality standards and brand name. Residual income means the incomes which the agreement party receives after all the costs are paid (Investopedia 2016).

The strategies listed in the table are the ones discussed above, with two exceptions. Lease agreements are divided into two subsections, variable and fixed-lease agreements.

In addition, management contract is divided also into two subsections, management contract with a company owning a brand but not operations and management contract with an operator without a brand. These two can be also combined, meaning that the company has both brand and operations assuming larger responsibility in the relationship.

Table 10 The international strategies and the accommodation provider responsibilities (cf. Collins & Perret, 2015, 5)

Accommodation provider responsibilities / agreement type	Property operations	Suppliers/employees	Capital investment	Residual income of the property	Operational risk	Quality standards	Brand name
EQUITY							
Greenfield/brownfield	X	X	X	X	X	X	X
Acquisition	X	X	X	X	X	X	X
Joint Venture	X	X	According to the share %	According to the share %	According to the share %	X	X
NON EQUITY							
Lease agreement, fixed	X	X	X (if not agreed differently)	X	X	X	X
Lease agreement, variable	X	X	X (if not agreed differently)	-	-	X	X
Management contract, brand	-	-	-	-	-	X	X
Management contract, operator	X	X	-	-	- (if not a profit based model)	-	-
Franchising (owner = operator)	-	-	-	-	-	X	X

Licensing	-	-	-	-	-	- (if not agreed differently)	X

The summary provided above depicts that companies applying the Greenfield strategy have significantly more responsibilities than companies applying the licensing strategy. This observation is obvious based on the features of these strategies discussed earlier. At the same time, the table provides a good starting point of analyzing control and commitment in each of the strategies which are specific to the accommodation sector. On onehand, in terms of commitment, the table clarifies which assets are invested in by a company applying a certain strategy. On the other hand, the table clarifies which assets are in control of a company if certain strategy type is used. In chapter 5, resources and entry strategies are combined to find the most beneficial mix of assets and an entry strategy. The above features of each strategy are important to understand in order to follow the analysis in chapter 5. Next, the theoretical framework of the resource perspective in this study is provided.

3 RESOURCES, ASSETS AND CAPABILITIES

3.1 Resource-based view and competitive advantage

3.1.1 The origins of resource-based view

The resource-based view as an academic structure has developed during the last six decades. A few scholars have provided essential contributions; probably three of the most influential have been Edith Penrose (1959), Birger Wernerfelt (1984) and Jay Barney (1991). In addition to the seminal work of these key influencers on business strategy, many others have developed and applied the concept (see e.g. Dierickx & Cool 1989; Peteraf 1993) and quite recently also empirical studies have been carried out to test the practical applicability and the suitability of the concept as a theory (see eg. Crook, Ketchen, Combs & Todd 2008). Later, the resource-based view is also applied in international entry mode research from different perspectives, in total in c.a. 10 studies (Canabal & White 2006, 272).

The work of Edith Penrose, Theory of the Growth of the Firm (1959, 58–66), emphasizes the division between internal and external factors which affect a firm differently. Internal factors are resources which may be either inducements or obstacles of growth. Her viewpoint highlights the nature of growth which causes a firm to never reach a point when all its resources are fully utilized. The reason for the constant change is that resources are acquired in discrete units and there are always areas which are underutilized and lead to new business opportunities.

The contribution of Wernerfelt (1984, 171–173) shifted the strategic discussion from the external forces towards a company’s internal structure. As Penrose did, Wernerfelt also emphasized the heterogeneity of firms in their resources and assets. A key merit in his work was to identify that resources can create a partial analogy with market-based models, a profitability barrier in a specific market. If a certain resource is an important profit driver, the owner of the resource has a competitive advantage in that market.

Barney (1991) was the first scholar to form a detailed structure for the resource-based view and has been acknowledged as a creator of the model (Priem & Butler, 2001, 23–24). In Barney’s (1991, 102–106) work the two essential axioms are heterogeneously distributed resources among firms and immobility of these resources. The model is based on these two assumptions and four key features of a resource: value, rarity, imitability and substitutability. The purpose of the model is to explain how sustainable competitive advantage can be built in a firm with resources unique to its holder.

3.1.2 The resource-based view concept

Daft (1983)[3] has defined resources as “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.” According to Wernerfelt (1984, 172) a resource is anything which could be a strength or a weakness of a firm. Resources can be also seen as “bundles of tangible and intangible assets including management skills, organizational processes and routines, information and knowledge it controls” (Barney, Wright & Ketchen, 2001; 625). The latter definition is used in this study due to its neutrality in terms of efficiency and effectiveness. This choice is made because of the otherwise overlapping meaning of the term “value” when compared to Daft’s definition, as explained later. In addition, Barney, Wright and Ketchen’s definition is more specific than Wernerfelt’s, which is useful later in the analysis of research participants’ resources.

Penrose (1959, 21–22) divided resources originally into two categories: physical and human. Later a new resource category was added: organizational (Tomer, 1987)[4]. This division into three categories is applied in the study. The aforementioned four criteria, value, rareness, imperfect imitability and substitutability, determine if a resource is able to create sustainable competitive advantage. (Barney 1991, 99–120.) The figure 6 below depicts the key elements of the resource-based view.

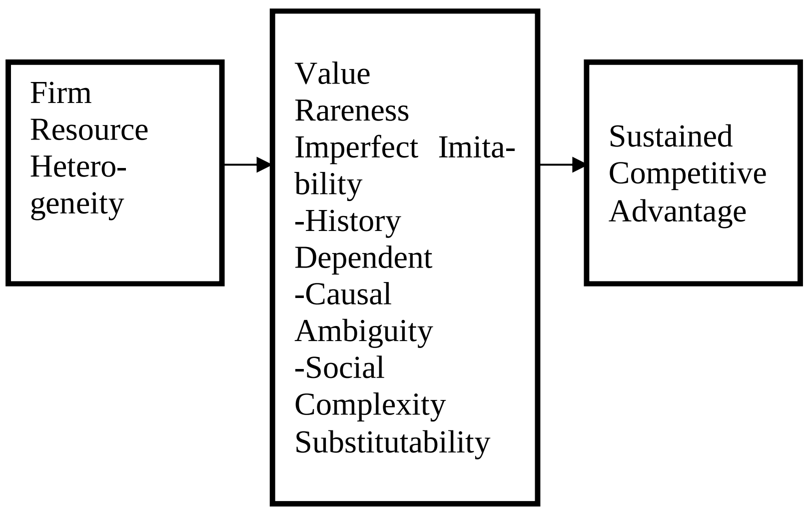


Figure 5 The resource-based view (Barney 1991, 99-120)

---

[3] Barney, J., (1991). Firm Resources and Sustained Competitive Advantage, *Journal of Management*, Vol 17 (1), 99–120

[4] Barney, J., (1991). Firm Resources and Sustained Competitive Advantage, *Journal of Management*, Vol 17 (1), 99–120

The view is based on two assumptions. First, resources are expected to be immobile. This means that there are no free markets for resources where any company could buy the resources they need to compete against each other. Second, resources are heterogeneous. (Barney 1991, 103-105.) Thus, firms differ in terms of their resource structure and are able to compete in the marketplace (Peteraf, 1993, 180).

According to the model, to be able to create sustainable competitive advantage, a resource needs to be valuable. A valuable resource enables a firm to apply strategies which improve its efficiency or effectiveness. Another important feature of a valuable resource is that it exploits opportunities and neutralizes threats in its environment. (Barney 1991, 105-106.)

In addition, the resource cannot be abundantly available. Otherwise it does not create sustainable competitive advantage as any firm can acquire it. (Barney 1991, 105-106.) In the model the general meaning of rarity is used without a specific definition (Priem & Butler, 2001; 28). Wernerfelt's (1984, 171–173) resource barrier refers to the same theme of rarity as a concept. If a resource forms a barrier in a market it is automatically rare since other firms are not able to pursue the same strategies. The purpose in his view is that a firm needs to simultaneously sustain the existing resource barrier and to find areas where resource barriers do not yet exist.

Moreover, if the resource is valuable and rare, it needs to be difficult to copy to enable a firm to retain the beneficial market position. If the resource can be easily copied, it may not be valuable anymore, not to mention rare. (Barney 1991, 105–106.) According to Barney (1991, 107–111), the three reasons for imperfect imitability of a resource are history dependency, causal ambiguity and social complexity. Dierickx and Cool (1989, 1507–1509) describe the same phenomenon with the following four terms: time compression diseconomies, asset mass efficiencies, causal ambiguity and interconnectedness of asset stocks.

First, history dependency refers to the fact that if a firm which has acquired a certain resource before competitors, it has a competitive advantage. This competitive advantage sustains because building a firm's assets happens in certain (probably lengthy) time periods and in a specific place; in addition, the asset may be part of a larger asset which may create mass benefits for the firm. (Barney, 1991, 107–108; Dierickx and Cool, 1989, 1507–1508.)

Second, causal ambiguity happens due to an unclear reason–result connection between resources and competitive advantage (Barney, 1991, 108–110). A firm may not be able to control the factors which lead to success or failure and the reason for the outcomes remains uncertain (Dierickx & Cool, 1989, 1508–1509). Thus, other firms are not able to imitate the resource which has resulted in success.

Third, many resources, for example organizational culture, can be socially complex, which makes them difficult to imitate (Barney, 1991,110). Dierickx and Cool, (1989, 1508), describe a similar phenomenon with the term “asset interconnectedness.” According to them, for example, certain technology may be difficult to imitate due to a service network which relates to that asset.

Finally, the last criterion for a resource to build sustainable competitive advantage is absence of substitute resources. Resources do not have to be identical, but if two resources deliver approximately the same benefits for a firm then they are substitutes of each other. (Barney 1991, 105-106.) If these kinds of substitutes are available, the value of the resource decreases and the returns the resource provides diminish (Wernerfelt, 1984, 173). An example of resource substitution is when Canon substituted the company’s service network with a superior technology, which made the Xerox service network obsolete (Dierickx & Cool, 1989, 1509).

In addition to the issues which cause resources to be difficult to imitate, it is important to note that “asset erosion” may cause a similar but opposite effect. Without maintenance, differing assets lose their value-creating power. For example, in a certain period of time equipment wears out, people forget brands and technologies become obsolete. (Dierickx & Cool, 1989, 1508.)

The main goal of the resource-based view is to determine how to build competitive advantage. According to Barney (1991, 102), the goal will be met by implementing strategies which create value. In addition, the strategy must be so unique that competitors cannot implement it simultaneously. To be able to sustain the competitive position, Barney states that the benefits the strategy delivers cannot be duplicated by competitors. Dierickx and Cool (1989, 1507–1509) have also emphasized the importance of inimitability and un-substitutability of an asset to retain a sustainable position in the marketplace. Another definition for competitive advantage, in an article which is not publicly available, is presented by Schoemaker (1990, 1179)[5]; he explains that a firm has a competitive advantage if it creates “systemically above average returns”.

The resource-based view was developed further by acknowledging the importance of resource organization in a firm (see Table 11). Depending on the resource nature, the competitive position and economic performance will be determined if the resource is exploited. Thus, an existence of a certain resource does not secure competitive or economic benefits; the resource needs to be efficiently exploited also. The new addition to the framework emphasizes the role of managers in an organization. (Barney 2007, 70–74.) For example, if a company has excellent customer service skills but these skills are

---

[5] Priem, R., & Butler, J. (2001) Is the resource-based “view” a useful perspective for strategic management research? *Academy of Management Review.* Vol. 26, No. 1, 22–40.

not linked to the customer interface due to inflexible processes, the skills are not exploited fully and part of the competitive advantage will be lost.

Table 11 The VRIO framework (Barney 2007, 70)

Valuable?	**Rare?**	**Costly to imitate?**	**Efficiently organised?**	**Competitive implications**	**Economic performance**
no	--	--	no	competitive disadvantage	below normal
yes	no	--		competitive parity	normal
yes	yes	no		temporary competitive	above normal
yes	yes	yes	yes	sustained competitive advantage	above normal

Barney does not mention a reason why the last element of the model, substitutability, was changed to the organization of a resource in the VRIO –framework. Most likely the complexity of the concept has caused the change. It is a lot easier to measure how difficult a resource is to imitate (e.g., financial costs) than to determine how a use of an alternative resource leads to similar or better results than the original resource. Whatever the reason, the change has made the framework more practical and forward-looking because it challenges firms to think about exploiting their strengths fully in the marketplace.

Notwithstanding the tautological nature of Barney's value–based definition of competitive advantage (Priem & Butler, 2001, 28), his definition is applied in this study. The tautology derives from the fact that the term "value" is a factor preceding competitive advantage in the model and at the same time the term is included in the definition of competitive advantage. However, Peteraf and Barney (2003, 314) have later specified the value concept by dividing the total price of a product into three different shares: economic cost, producer surplus and consumer surplus (see Figure 6 below).

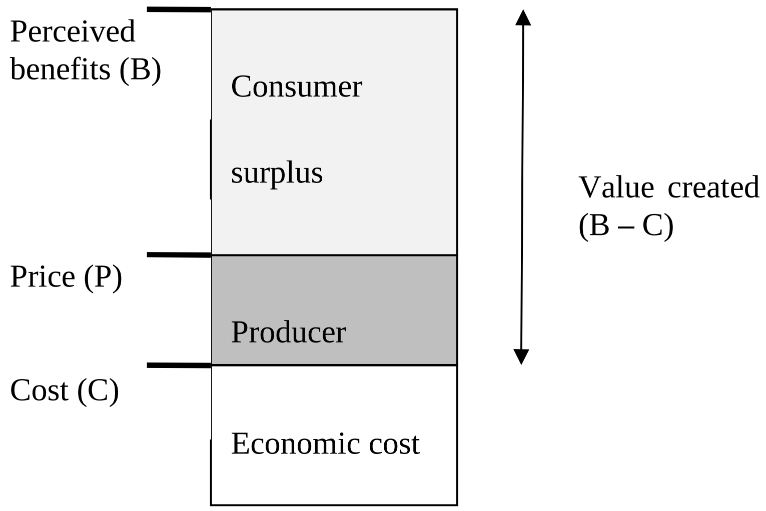


Figure 6 How is value created (Peteraf & Barney, 2003, 314)

According to the model, the value which a firm creates is a sum of the producer's and the consumer's surplus. The scholars state that a firm has a competitive advantage if it creates more value than a competitor which is able to breakeven in that specific market. (Peteraf & Barney, 2003, 314.) This definition is much more detailed than the original one discussed above. In addition, from the resource perspective it is more valid than the performance–based definition as presented by Schoemaker, due specifically to its versatility and flexibility as a definition.

3.1.3 The resource-based view future and criticism

There are three broad areas of criticism related to the resource-based view: Strategic scholars have paid attention to the conceptually incomplete state of the model (Priem & Butler, 2001, 28; Foss & Knudsen, 2003, 292), the suitability of the model for practical applications (Priem & Butler, 2001, 24, 33) and the view's simplistic assumption about environment (Priem & Butler, 2001, 29–31; Eisenhardt and Martin (2000, 1115).

On one hand, Foss and Knudsen (2003, 295–296) point out that Barney's definition of competitive advantage as a pursuit to implement value-creating strategy is problematic. Scholars state that the definition excludes many other possible sources of competitive advantage because of the requirement that the strategy has to be unique. On the other hand, Priem and Butler (2001, 32–33) criticize the loose definition of a resource covering everything from physical assets to tacit knowledge. Consequently, it is difficult to empirically test a resource – competitive advantage relationship. The aforementioned tautology with the "value" variable also needs more conceptualizing, according to the scholars.

Furthermore, Priem and Butler (2001, 24, 33) argue that it has been difficult to draw conclusions based on the resource-based view because it has not been clear why certain resources create value and others not. Not many scholars have attempted to find evidence for causal relationships between specific resources and competitive advantage. Most of the research carried out has been static cross-sectional studies.

Finally, it is argued that the resource-based view does not take the decision-making context into account and oversimplifies demand conditions. Eisenhardt and Martin (2000, 1115) describe how a high-velocity market differs from a moderately dynamic market in its ambiguity, unpredictability, fluency and change-prone nature. The scholars state that the resource-based view is not able to explain why certain firms have a competitive advantage in these kinds of markets.

Another point of view related to the disregarded environment is explained by Priem and Butler (2001, 31) who state that on one hand the resource based view implicitly assumes homogeneous and immobile markets and on the other hand it criticizes previous strategy literature which focuses too much on the competitive environment (see Barney, 1991, 99–101). The resource based view does not take into account a possible decrease in a market demand of a specific good, which in turn decreases the value of a resource producing that good (Priem & Butler, 2001, 29–31).

Barney and Peteraf (2003, 310) have addressed the criticism by explaining that the resource-based view was developed to describe performance differences which are derived from resources in competing firms. Thus, the definition of competitive advantage should not be broadened, as Foss and Knudsen (2003, 295–296) require. Even though Barney and Peteraf (2003, 320) admit that the framework needs more definitional clarity, they state that the model is not tautological because critical resources are defined as factors which lower company's costs or increase benefits, instead of value or rent-generation ability. This in turn affects the value a company generates (see Figure 6), and those companies which are over the breakeven point have a competitive advantage. The model presented in Figure 6 also partly responds to Priem and Butler's (2001, 24, 33) demand for a better definition of the value a resource generates. To Eisenhardt and Martin's (2000, 1115) criticism, Barney Wright and Ketchen (2001, 631) respond that in a dynamic environment one resource indicating competitive advantage can be the ability to apply dynamic capabilities "sooner, more astutely or more fortuitously" (Eisenhard & Martin, 2000, 1117). Thus, the model can be applied in a dynamic environment; however, the required resources, assets and capabilities differ from those used in more static environments. Moreover, the value of each resource need to be evaluated in its context (Barney et al 2001, 631).

Notwithstanding the criticism, the resource-based view provides a useful framework for the existing study to analyze the nature of a specific resource and the competitive advantage it carries. According to Barney and Peteraf (2003, 320) the framework is the most useful for “identifying resource-based indicators of a potential for greater profitability”. Thus, the framework should not be interpreted as a predictor of a company’s profit-generating skills but as a model which can indicate these opportunities.

3.2 The convergence of the resource-based view and the transaction cost theory

The transaction cost theory and its later applications are connected to the themes of this study due to one of its key concepts: asset specificity. Asset specificity can be defined in two ways: First, asset specificity can be an investment in a special purpose and in long-life equipment which is required to secure efficient supply of the products. Second, it can also be an advantage gained by a company that wins the contract as a first mover. An example of this advantage could be a unique location or acquisition of proprietary technologies. This definition is created before the latter applications, and crucial in the definition is that asset specificity occurs when two parties are involved in a transaction. In addition, it is emphasized that idiosyncratic goods and services need transaction-specific investments. (Williamson, 1971, 117; Williamson & Masten, 1995, xv, 104).

Another definition for a transaction-specific asset is the following: “Investments (physical and human) that are specialized to one or a few users or uses, including products and processes which are highly proprietary or unstructured and ill understood; products which are highly customized to each user; and products in the introductory or growth stage of the life cycle.” (Anderson & Gatignon 1986, 7; Young et al., 1989, 256.) The latter definition is an application of the original theory and is used especially in the international context to explain horizontal expansion (Anderson & Gatignon, 1986, 7), whereas the former definition concerns mainly vertical integration. This study focuses on international expansion and thus the latter definition is used where applicable. The concept of a specific asset is similar to the resources which create sustainable competitive advantage. A resource which is valuable, rare, inimitable and non-substitutable is often quite specific to the company.

Hotels are classified as capital intensive services (Contractor & Kundu, 2003, 10). In addition to human capital, physical assets have an important role in the business. However, in the service industry in general, specialized assets include a high level of professional skills, specialized know-how, or customization of the service offered (Erramilli and Rao, 1993, 21, 23). An example of an idiosyncratic asset in the hospitality industry would be a complex reservation system. In addition, a specific human asset could be developed by education and training. These assets are difficult to transfer from a company to another without a loss in the asset value (Brown, Dev, & Lee, 2000, 53). Furthermore, as in any international company and also in the hospitality industry, brand name, reputation, commercial skills and sales skills are very important and specific assets. A star rating is used to measure the specificity of these marketing-related assets in hotels. The more stars a hotel has, the higher the service quality and the level of differentiation in that hotel (León-Darder et al. 2011, 111). Although measuring asset specificity as a whole with a single star rating can be questioned, this model is used among researchers interested in hotels. The star rating is also used in the serviced apartment industry on some scale (A Barona Group Company, 2012, Bridgestreet, 2000–2013).

Asset specificity can be measured in different ways. R&D intensity and advertising intensity is also commonly used to compare companies in relation to their specific assets. (Hennart & Brouthers, 2007, 400.) R&D intensity stands for R&D spending in a company (Blomström et al., 2000, 69). High R&D spending benefits a company in two ways: First, a company creates new improved products. Second, the company's production processes are developed to be more efficient. (Buckley & Casson, 1976, 53.)

Technological knowhow caused by R&D investments is supposed to correlate strongly with a company's ability to differentiate its product offering (Blomström et al., 2000, 2). Also, advertising is a part of company's marketing efforts. Sanchez-Peinado and Pla-Barber (2006, 224) use Kim and Hwang's (1992) measure of marketing intensity in their research, which consists of an outcome of a company's reputation, international recognition of the brand and the quantity of investment in marketing. Marketing intensity is a special asset which needs to be protected from opportunistic behavior.

For instance, for some service industries the value of brand can be more important than the information needed to produce the actual service. The telecommunications, energy and hotel sectors are examples (Sanchez-Peinado & Pla-Barber, 2006, 222, 224). Didier Boidin, the Vice President of Operations in the Western Europe InterContinental Hotels Group, has mentioned that "having preferred hotel brands is critical to driving market shares (Boidin, 2012)".

The argument of the original transaction cost theory is that in a situation of frequent transactions and idiosyncratic investments, vertical integration is preferred. Transactions with items that cannot be bought or sold easily in the free markets are characterized as idiosyncratic. (Williamson, 1979, 102, 116.) Later, the theory is used to explain why a firm chooses a specific entry mode to enter its target market (Anderson & Gatignon, 1986, 1). The statement is as follows: high asset specificity leads a company to choose a high control entry mode (see e.g Anderson & Gatignon, 1986; Caves 1982, 3–4, 195, 204; Erramilli & Rao, 1993, 21). Even though, the use of theory is criticized (see e.g Hennart & Brouthers, 2007, 400–401; Davidson 1982, 193; Beije 1996, 313) due to the way it is applied, the international business society has persistently applied the framework to explain entry mode choices.

Barney & Clark (2007, 163–165) criticize the transaction cost framework in its ability to examine the relative assets of both of the parties. The assets of two parties may complement each other in a way that the risk of opportunism can be disregarded in order to acquire the benefits of cooperation with a market governance entry. He lists many reasons why market-based governance (contractual) would be more reasonable than the acquisition entry. By using the contractual entry strategy a company maintains operative flexibility, receives only the assets which are needed and receives the needed asset in full value without a risk of dilution in the integration, to name just a few examples. (Barney & Clark 2007, 171–177.)

Due to its partial emphasis on assets, the transaction cost theory is connected with the resource-based view. However, the viewpoints differ prominently: the resource-based view focuses on the nature and the exploitation of assets and asset combinations (Barney & Clark 2007, 14–19), whereas the transaction cost theory explains how different governance models are impacted by the aforementioned specific assets, uncertainty and transaction frequency (Williamson, 1979, 116). At the same time, the theories are seen as complementary (see e.g. Mahoney 2001) and provide a useful theoretical basis for this study. More specifically, the resource-based view complements the transaction cost theory by emphasizing the importance of value creation with a combination of assets instead of focusing on one specific asset and its implication to a boundary decision (Barney & Clark 2007, 183). For example, Barney and Clark (2007, 161–183) are more flexible in their position of using market-based governance modes (non-equity strategies), notwithstanding the possibility of opportunistic behavior, if the needed resources would be otherwise too expensive to acquire.

In this study the asset specificity concept is used to complement the picture of resources which are crucial for a firm in the serviced apartment industry. In a later stage of this study the effect of a resource on an entry strategy choice will be analyzed. As mentioned previously, according to the transaction cost framework's original statement, a possession of a specific asset causes a company to choose vertical integration, or in other words, equity investment. It is important to understand this background before moving on to analyzing the empirical material. As will be later explained, rather than having one specific asset causing a firm to choose a certain entry strategy type, a bundle of a company's assets is the reason to choose one strategy over another. In conclusion, the specific asset concept supports this research in determining features of resources which are important. However, an argument which either supports or criticizes the high control and commitment entry strategies if a specific asset exists is not necessarily valid. This argument is supported by the fact that companies have varied assets, which depend on the company's industry, and the common effect of the asset bundle is more important than specificity of a single asset. In the next chapter the research approach of this study will be explained in detail.

4 RESEARCH DESIGN

4.1 Research approach

The purpose of the research is to find a relationship between international entry strategy and a firm's key resources in the chosen business field. Through linking the managerial concepts of firms in the business to theoretical and empirical knowledge, decision - making can be supported. The business field of serviced apartments is relatively new for academic researchers. A lot of research has been completed about international strategies of hotel operators (see e.g. Brown, 2000; León-Darder et al., 2011). However, this dynamic sector between the hotel and rental markets has not yet been thoroughly explored. The lack of academic research in general has an impact on the research philosophy and approach of this study. It is important to investigate the industry mechanisms and structure deeply to understand what are the most relevant questions. In addition to decision making, the enhanced picture of the industry can be applied in other studies in this or similar industries.

The research follows a subjectivist research philosophy, which often leads the researcher to choose a qualitative research method (Eriksson & Kovalainen, 2008, 13–15). According to Eriksson and Kovalainen (2008, 13–15), subjectivism as a research philosophy states that the external world can only be accessed by our observations. The theme is also continued by stating that reality is formed through social and cognitive processes and can change depending on time and context. (cf. Puusa 2011a, 118.) Qualitative research serves well the main purpose of this research, which is to understand the business logic in the serviced apartment business field. According to Silverman (2010, 18), qualitative research answers the question of "how" rather than "how many".

Another reason for the method choice is the availability of potential research participants. In Europe, which is the geographical scope of the study, there are a limited number of international decision makers who are qualified to answer the research questions. Thus, the purpose of the research is more to understand the viewpoints of relatively few respondents rather than to test hypotheses based on quantitative data.

In addition to subjectivist research philosophy, Eriksson and Kovalainen (2008, 79–80) present three types of interview study: positivist, emotionalist and constructionist. Positivism as an approach to data collection which emphasizes facts and the objective nature of information, whereas supporters of emotionalist approach believe that gathered information is subjective and based on experiences, understanding and perceptions. Constructionists think that the researcher affects the course of discussion by bringing his or her own viewpoints to the table. Data was collected for this study through interviews, which contain elements from each of the philosophies but always includes multiple interpretations (Puusa 2011a, 73). Thus, the research data is mainly acquired by using an emotionalist interview philosophy.

In inductive research, a researcher's perceptions of the focus phenomenon are formed by the empirical sources (Tuomi & Sarajärvi, 2004, 95–102; Eriksson & Kovalainen, 2008, 21–23.) Due to the qualitative nature and the novel research field of the study, inductive reasoning is applied in this study. However, as background for the study two theoretical viewpoints are used: the resource-based view and the theory about international entry modes. It is natural that the research material and the existing theoretical perspectives impact the research process (Puusa 2011a, 120). The key concepts of the research and the related questions in the question form (see Appendix 1) for the interviews are presented in Table12 below.

Table 12 Operational table

Theoretical framework	The research questions	Key concepts	Interview themes
Resource-based view	What are the key resources in the serviced apartment industry and how do they create competitive advantage for the firms in the business?	Value	Resources: 1, 2
		Rareness	Resources: 1, 3
		Imperfect imitability History dependent Causal ambiguity Social complexity	Resources: 1, 4
		Substitutabality	Resources: 1, 5
Entry strategies	Which international entry strategies are applied in the serviced apartment industry in Europe and globally?	Greenfield & brownfield	Entry modes: 1, 2
		Whole property vs. single apartments	Entry modes: 1, 2
		Control	Entry modes: 3, 4
		Commitment	Entry modes: 5, 6
Synthesis	What is an optimal resource - entry mode bundle for a company from the competitive advantage perspective?	Competitive advantage & sustained competitive advantage	Synthesis: 1, 2, 3
		Resource entry mode bundle	Synthesis: 4

4.2 Data collection

4.2.1 Interview

The empiristic world view suggests that information can be acquired through observations[6]. The study at hand applies an empirical way to acquire information. Cross-sectional interviews are used for this purpose, which means that information is acquired from various participants in the course of the research (Metsämuuronen, 2006, 43, 314). Language and speech represent historical and cultural constructions which make it possible to interpret the concepts the informants describe (Puusa 2011a, 74). This is an axiom in this research and supports the data collection method choice.

Eriksson and Kovalainen (2008, 81) state that interviews are a good way to acquire information about people's experiences and views. The interview is chosen as a research method for several reasons. Hirsjärvi and Hurme (1988, 15) present a ten point list of the situations when interviews as a method of acquiring data are especially suitable. Three of these points are the following: the specific research area is under charting, representative examples are needed[7] and objective tests are missing in the research field. The research area, the dynamic serviced apartments industry, is relatively new at the time of this research. In addition, the research concept – finding an optimal entry strategy – resource combination – has not received academic attention at the time of the research, which means that there are no objective tests in place. Tuomi and Sarajärvi (2004, 75) state that empirical interviews are a good way to acquire information on sensitive topics. Thus, the strategic nature of the research also supports empirical interviews as a research method.

Data collection in empirical research may occur in many phases and through different information sources and collection methods (Puusa 2011a, 114). This describes well the nature of the research at hand. The information collection period of interviews took almost three years and occurred in two phases. To support and challenge the information collected in the interviews, personal notes, websites and short interviews were also used. This has helped to prioritize questions and focus on the most relevant issues during the actual interviews. One of the key challenges during the research, also pointed out by Hart (1991, 190) in her article about interviewing senior managers, has been reaching the right participants and agreeing on dates and time. Consequently, attending events has also made some of the face-to-face interviews possible.

Theme interview is used in the research, which uses certain themes to give a structure for the interview instead of specific questions. The interview form is called also as a semi-structured interview. (Hirsjärvi & Hurme, 1988, 36.) Key benefits in the semi-

---

[6] Kyrö P. (2000) Entrepreneurship education in a virtual learning environment. A paper introduced in ISCB world conference 2000. Jyväskylä University. Department of economics.

[7] Sanford, N. (1966) The interview in personality appraisal. In: *Testing problems in perspective,* eds. A. Anastasi. The American Council of Education, Washington.

structured interview form are that the material and the questions are well organized and at the same time the discussion is informal and relaxed. (Eriksson & Kovalainen, 2008, 82–83.) Tuomi and Sarajärvi (2004, 77) state that a theme interview is close to a deep interview in its openness. Each of the themes was discussed during the interview, but the sequence and depth of the questions vary from interview to interview (Puusa 2011b, 82).

The method is chosen due to three reasons. First, the method allows flexibility in the course of discussion (Puusa 2011b, 76). During the interview, a discussion that moves forward and good conversation flow are emphasized rather than a strict format. The practice is used to increase research reliability and to understand the nature of strategic decisions profoundly. The participant is more willing to give information in a setting tailored to him or her than in a situation where everybody is treated the same way. Moreover, a theme interview is a good tool to connect the background theory with the interview content. This allows a researcher to guide the conversation without limiting the flow of discussion too much (Puusa 2011b, 81). Finally, the interview themes focus on strategic level questions related to a company’s expansion and key assets. It would be difficult to get reliable and understandable answers to strictly structured questions due to the complexity and sensitivity of the topic.

The three themes applied in the interview are created by deriving them from the theory which makes the theoretical concept measurable (Eskola & Vastamäki, 2001, 25). In addition, at some point during the interview the background of the interviewee is covered and the company’s features are also discussed in general, in addition to the actual theme discussion (cf. Hart 1991, 194). The first two themes are based on the resource theories and international entry strategy theory (see Appendix 1). The third theme combines these two viewpoints and the purpose is to find a connection between the company’s resources and the chosen international entry strategy.

A theme interview can include questions at three levels (Eskola & Vastamäki, 2001, 36). In every interview, on the first level the broad themes (resources, entry strategies, synthesis) were mentioned to guide the discussion towards the research problems. On the second level, supportive questions were used if the interview did not proceed; this allowed the actual theme to be broken down (see Appendix 1). Third-level questions were used if the first-level or second-level questions did not provide enough information. These questions were specifically focused on a certain detail in the research problem.

Before the actual discussion, a question form including the themes was sent to the interview participants to familiarize the informant with the research concepts (cf. Puusa 2011b, 76). The length of the actual interviews were 30–90 minutes and the short interviews were approximately 15 minutes long. The length of the interview depended on the length of time the participant was available. All the interviews were recorded, except for the quick interviews, where a two-page concise interview form was used for writing down necessary information. The respondents seemed to be able to speak freely in spite of the recording. Many of the executives and managers are used to speaking publicly (Hart 1991, 196), which may have freed the discussion.

The interviews were held face-to-face or by Skype. Even though typically most of the interviews are held face-to-face (Eriksson & Kovalainen, 2008, 78), geographical distance limited these possibilities as participants were international decision makers. Additionally, it was easier to arrange remote sessions with busy top managers within the short time period of the research than to book physical meetings. If a physical meeting was arranged, the preferred interview place was at the interviewee's office. However, in one of the interviews – and in all of the quick interviews – this was not possible. The meeting times were not deliberately arranged for a specific time of day and varied from interview to interview. Generally, afternoons were more popular than mornings. After each interview, the participant received a summary table of the discussion for comments.

A main challenge which arose due to the interview method related to the researcher's ability to guide the discussion in the right direction despite using a non-native language. Many managers and executives were native English speakers, which made the conversations very rich and vivid but at the same time posed challenges in leading the discussion. However, an ability to understand the context and the industry processes, a prerequisite for using theme interview as a method according to Puusa (2011b, 81), allowed the interview process to flow. Another challenge concerned the strategic research concepts, which in some discussions remained quite abstract and difficult to tackle effectively by both interviewer and interviewee. This problem was partly addressed by defining the concepts specifically in the interview form and delivering the form to the participant beforehand. Practical examples of the concepts from day-to-day life were also used during some of the discussions; however, the need for this kind of simplifying was not fully met. Despite these challenges, a theme interview was a good choice for data collection in the study due to its aforementioned flexibility, clear connection to theory and the self-guiding features in the course of discussion.

4.2.2 Participant selection

One key benefit of the interview method is that participants can be freely chosen depending on how much experience they have in the field. Another benefit is that usually interviewees are willing to provide information during the discussion because they have already promised to participate in the interview. (Tuomi & Sarajärvi, 2004, 76; Puusa 2011b, 73.) In total 12 interviews were held for this study. In addition, as a method of triangulation, 5 short face-to-face interviews were held and 3 participants chose to fill in and return the same question form which was used for the short interviews.

The collected material enabled the researcher to form an extensive overall view of the focus industry and the research questions. However, to evaluate in detail specific key resources and entry strategies it would be important to have more in depth interviews with industry leaders in the future. This would later lead to a saturation point where new samples would not provide any new information. (see Aaltio & Puusa 2011b, 161). The summary of participants and interviews are provided below in Table 13 and Table 14.

It is important to note that four organizations were interviewed twice during the research. Thus, in Table 13 there is one interview with the same participant listed twice, one interview listed twice with an additional person in the same organization during the second interview, and two interviews had the same participant in Table 13 and Table 14. To sum up, Table 13 includes ten unique interviews and Table 14 six. The double interviews were very useful since there almost a year passed between the first and the second interview, and the situations in those organizations had changed. A similar process would have been followed in the case of each participant if there would have been more time and resources for the study.

Table 13 The interview summary

Locati-on	Date	Inter-view method	Inter-view durati-on	Organizati-on type	Participant role in the organiza-tion	Organizati-on coverage
Remote	10.10.2013	Skype inter-view	0:38	Branded operator	Global exe-cutive	Global
Remote	10.10.2013	Skype inter-view	0:32	Association	National executive	National
Remote	15.10.2013	Skype inter-view	0:33	Branded operator	Global exe-cutive	Global
Remote	25.10.2013	Skype inter-view	0:43	Branded operator	Interna-tional exe-cutive	International
Remote	1.11.2013	Skype inter-view	0:44	Branded operator	Global exe-cutive	Global
Turku, office	10.2.2015	Face–to-face in-terview	1:30	Branded operator	Local ent-repreneur	Local
Turku, office	10.2.2015	Face-to-face in-terview	1:15	Branded operator	Local ent-repreneur	Local
London, office	24.2.2015	Face-to-face in-terview	1:22	Branded operator	Global exe-cutive	Global
London, hotel read & work area	25.2.2015	Face-to-face in-terview	1:07	Manage-ment opera-tor	Interna-tional exe-cutive	International
Helsin-ki, offi-ce	3.3.2015	Face-to-face in-terview	1:28	Branded operator	Interna-tional exe-cutive	International
Remote	5.3.2015	Skype inter-view	0:50	Branded operator	Interna-tional exe-cutive	Global
Remote	19.3.2015	Skype inter-view	0:37	Interme-diary opera-tor	Interna-tional exe-cutive	Global

Table 14 The short interview summary

Location	Date	Interview method	Interview duration	Organization type	Participant role in the organization	Organization coverage
London, fair stand	25.2.2015	Quick face-to-face interview	0:10	Association	National executive	National
London, fair stand	25.2.2015	Quick face-to-face interview	0:15	Branded operator	Sales employee	Global
London, fair stand	26.2.2015	Quick face-to-face interview	0:15	Intermediary operator	International executive	Global
London, hotel lobby	26.2.2015	Quick face-to-face interview	0:20	Management operator	Local manager	Global
London, fair stand	26.2.2015	Quick face-to-face interview	0:10	Intermediary operator	Global executive	Global
London, fair stand	26.2.2015	Question form return	-	Branded operator	Local manager	Local
London, fair stand	26.2.2015	Question form return	-	Branded operator	NA	National
Email	12.6.2015	Question form return	-	Branded operator	- manager	Global

According to Wilkinson and Young (2004, 208–209), persons who are not directly involved in the business should be included in the group of interviewees in addition to the ones who are in the business. Most of the participants in the research were international business executives. These participants had the most information about the international operations of their companies. They also may have participated in decision-making related to investments in their company’s key assets and resources. In addition, a few participants were either national or local executives or managers. Moreover, one informant belonged to a corporate housing association which has a wide perspective on the industry. The business leaders provided the main information for the actual analysis. At the same time, the participant who was not directly involved with the business increased the understanding of the business context and provided useful contacts.

Because qualitative research aims at describing a certain phenomenon or event, understanding certain actions or forming a theoretical interpretation for a phenomenon, it is important that participants are chosen thoroughly and are able to give critical pieces of information for the study. (Tuomi & Sarajärvi, 2004, 87–88.) Two criteria were used when choosing participants. First of all, the participant had to have either international experience at the management level in the business, or at least a profound understanding of international business in the industry. Second, the company or the organization the participant worked for had to have international operations, or at least international cooperation with other organizations. These criteria were met with all the participants except in the case of four local/national executives/managers (see Table 13 and Table 14). The research focus is in Europe and all but two research participants were from Europe. To sum up, all the participants worked in organizations closely related to the area of focus and were able to give relevant information for the study. In addition, most of the participants had been involved in international business in the sector, thus making them the most valuable informants.

4.3 Data analysis

Understanding the focus business area has been an important objective in the course of the research. An underlying assumption in this study is that an interview is sensitive to the situation and purpose, and acquired information represents the participant’s interpretation of reality. Thus, the viewpoint in the study is derived from the research sample (Puusa 2011a, 118–119). Hirsjärvi, Remes and Sajavaara (1997, 220) recommend applying qualitative analysis in this situation. This can follow an inductive, deductive or abductive principle (Tuomi and Sarajärvi, 2002, 95–102). The analysis in the study follows the inductive principle and the purpose is to gather new viewpoints from the research data while the theoretical context remains in the background. Consequently, theory testing is not seen as an objective in the study. (Tuomi & Sarajärvi, 2002, 95–99.) More specifically, content analysis (see Grönfors, 1982, 160–161; Metsämuuronen, 2006, 124–125; Tuomi & Sarajärvi, 2002, 93–121, Puusa 2011a, 117–118) is chosen as a method of organizing the research data. The goal of the method is to organize the research data concisely and clearly without losing any necessary information (Puusa 2011a, 117).

The analysis of the research content follows the content analysis model as modified by Tuomi and Sarajärvi (2002, 94). Other researchers have also followed similar models (see Hart 1991, 200). The analysis includes the following steps:

1. Determining what is interesting information

2. Going through the research material and identifying the interesting issues
3. Removing other issues from the study
4. Gathering the identified interesting issues and analyzing them separately
5. Classifying, schematizing and typing the research material
6. Making conclusions (Tuomi and Sarajärvi, 2002, 94)

In the beginning of the analysis phase, the interviews are transcribed word-for-word. However, stresses, gaps, etc., are not documented unless a clear meaning of such an expression is noticed. After this the research data is organized into three themes, and several sub-themes are established to reduce observations, as Alasuutari (1999, 39–48) describes allows the researcher to interpret the content. Decisions concerning what is interesting information (step 1) were based on the themes which were originally derived from the background theory; all the information that included material related to the three research themes was included by marking them with different colors (step 2). Information on the business area in general was excluded (step 3) if it was not used for categorizing purposes.

After this the information was classified under sub-themes (step 5). The applied entry modes of the case company and the mentioned resources are documented carefully. In addition, each interesting issue was assigned a priority level based on explicit or implicit emphasis provided by the interviewee in the discussion. An example of sub-theme classification is provided as an appendix (see Appendix 2, row and column topics). In the table, the section related to resources was applied from Barney's and Clark's (2007, 70) VRIO framework (see Table 11) . The section related to the entry modes is connected to the ideology of Barney's VRIO framework by tackling the issue of resource exploitation (Barney & Clark 2007, 70–72). The control – commitment division in the table is derived from the entry mode literature (see chapter 3). Finally, the table was used for interpreting the research content after the classification (step 6) (the content inside the table).

Puusa (2011a, 114) and Hart (1991, 197) explains that standardized analysis methods for qualitative analysis are missing. Thus, a researcher has a lot of flexibility in the analysis method and the purpose of the research determines the final analysis process. Step 4 followed step 5 in this analysis. The nature of each resource is analyzed according to Barney's (1991, 105–112) classification (see chapter 3.1). In addition, the level of control and commitment was analyzed based on the participant's perception and the researcher's evaluation. These interpretations are quantified in the entry mode section to create a table of manageable size. However, the interpretation behind each commitment or control figure is subjective. It is based on the information from the interviewee or it is the researcher's own deduction based on the understanding of the context.

Step 6 included two stages for reaching conclusions. First, entry strategies were combined with resources to determine how a certain strategy exploits a key resource of a company. This forms the basis for the last stage of analysis, and conclusions were made concerning the optimal entry strategy – resource bundle for the company in question.

In the qualitative analysis, single cases are analyzed before comparing cases with each other (Puusa 2011a, 115). For example, each of the interviews is analyzed in its own specific context. Thus, for example, certain assets can create more competitive advantage for one company than for another if the context is taken into account. After the picture of every single case was clear, the information from all of the interviews was combined. The formed sub-categories were combined carefully and new high-level categories were formed. The combining of sub-categories was continued as long as possible with the goal of forming a single category representing all the sub-categories. This was a tool to form synthesis and draw conclusions which represent the whole focus area of entry strategies and resources in the serviced apartment industry. (cf. Puusa 2011a, 122–123.)

Two issues need to be taken into account before examining the analysis sheet. Firstly, notwithstanding the inductive nature of the research, the theories presented formerly have an impact on the research themes. The main themes were derived from the theory. However, the sub-themes in the table came up in the discussion. For example, the sub-themes are presented according to their overall emphasis in the interviews. In addition, the issues on the sheet were classified according to their incidence rate. Secondly, Grönfors (1982, 160–161) mentions in his book about qualitative fieldwork methods that even though the analysis method helps to put raw information into a manageable form, the final analysis is a result of the researcher’s thinking. Interpretations separate research from everyday reasoning (Puusa 2011a, 123). For example, the given priorities and level of control and commitment evaluations are subjectively interpreted by the researcher and depend highly on the interview context and the researcher’s ability to sense which issues are important for the interviewee and which are not.

4.4 Evaluating the research

In the research, four criteria are used to evaluate the quality of the research: credibility, transferability, dependability and confirmability. The four criteria which are used to evaluate this research were developed by Lincoln and Guba (1985, 300) and are later applied by other researchers (see e.g. Eriksson and Kovalainen, 2008, 294). Concepts such as validity and reliability are traditionally used to evaluate the quality of quantitative research. However, these evaluation concepts are based on belief of information’s objective nature. (Metsämuuronen, 2006, 133) On the contrary, this research is based on subjectivist ideology. The viewpoint, which understands that reality is formed through social and cognitive processes and can change depending on time and context, is applied in the study. (see chapter 4.1).

To ensure that the constructions presented in the study represent the reality and the original material adequately (Aaltio & Puusa, 2011, 157) Lincoln and Guba's five methods are applied to increase the research *credibility*:

- Activities increasing the probability that credible findings will be produced
- Peer debriefing
- Negative case analysis
- Referential adequacy
- Member checks (Lincoln & Guba, 1985, 301, 308–314)

The first method can be divided further into three steps: prolonged engagement, persistent observation and triangulation (Lincoln & Guba, 1985, 308–314; Aaltio & Puusa, 2011a, 164). In this research the first method is applied in two ways. First, prolonged engagement is acquired through the researcher's work experience of five years in the business. In addition, the duration of the research is over three years in total, which gives the researcher time to thoroughly understand the business concepts. Second, three triangulation methods are applied in the research. In addition to the material acquired in the actual interviews, short interviews were arranged (see chapter 4.2.2). Also, the participant companies' websites and press releases (if available) were investigated and compared to the interview information. This information was then used to complement the information from the interviews and to confirm issues which were unsure after an interview. (cf. Aaltio & Puusa 2011, 160.) In addition, company's classification information (e.g., the scale of a company's operations) was collected also from these sources. The researcher also had an opportunity to meet four companies twice. Either the same or a different representative was met. This increased the research credibility in these cases.

Peer debriefing was carried out twice in the course of the study to receive feedback on the research content. Both of the debriefings were very useful especially in developing the research setting. However, the actual findings were not challenged by peers due to the timing of the debriefings.

Credibility evaluation was implemented by sending the acquired and analyzed information after every interview to the interviewees for a member check. Even though only a few participants commented on the interview summary, it is assumed that incorrect interpretations would have received participants' attention and generated comments to the researcher.

Finally, after the analysis of the interviews, the raw data was compared to the actual analysis to carry out the referential adequacy. In addition, to further increase research credibility, negative case analysis could be carried out by revising the research hypotheses. Unfortunately, this was not possible within the extent of the present study.

The researcher needs to build strong logical links between the observations and categories. According to Eriksson and Kovalainen, (2008, 294), it is important to ask whether another researcher would come to the same conclusions in similar research. The operational worksheet where the research problem is divided into sub-problems, and further into interview questions, is provided as a table for this purpose (see Table 12). Furthermore, the analysis method used was discussed in chapter 4.3. By following the same research methods another researcher can find similar main conclusions. However, any research using interviews as a research method includes multiple interpretations. In addition, all the research participants and their backgrounds impact the interview situation. (Puusa 2011b, 77–79; Aaltio & Puusa 2011, 158–159.) Thus, it is realistic to assume that another study with similar research methods would at the very least find a different emphases when collecting the information and interpreting the findings.

In this study the research design is described extensively in chapter 4, as *transferability* can be increased by carefully documenting and communicating the way research is conducted (Lincoln & Guba, 1985, 316). Transferability means how well the study can be transferred and applied in a different context (Eriksson and Kovalainen, 2008, 294; Tynjälä, 1991, 390, Aaltio & Puusa 2011, 153). For example, participant selection is based on certain criteria and as has been described before (see chapter 4.2.2). Moreover, the analysis stage is discussed in chapter 4.3. Another example is quantifying, which is a way to increase the research trustworthiness (Tynjälä (1991, 394). For instance, the method is used in the study to measure the level of control and commitment (three levels) but also to inform a reader explicitly about the analysis methods used (see appendix 2).

At the time of writing this research, the research model of looking in detail at specific resources and their implication on control and commitment is most likely new to the academic field. In addition, there seems to be no academic research available in the serviced apartment business field. Thus, comparisons to other similar studies are not possible. Transferring the research model to other contexts may provide interesting results. At the same time, it is important to remember that transferability depends on the similarity of the sending and receiving contexts (Lincoln & Guba, 1985, 297; Tynjälä 1991, 390). For this reason, the key elements of the current context are described in chapter 1. Furthermore, it is recommended that the research setting is tested in the serviced apartment industry to have applicable models before the transfer. In the end, the final evaluation of transferability could be carried out by other academics who are interested in the research (Tynjälä 1991, 390).

The *dependability* of the research may be threatened due to the instability of the research situation, the researcher, the participant or the focus phenomenon (Tynjälä, 1991, 391). Each of the risks is prominent in the study, and variables affecting the research are listed in Table 15 below.

Table 15 Research dependability threats

Instability of the research situation	Time allocated for the interview (30–90 minutes) and for the quick interview (10–20 min.) varied
	The technical interview method varies (face-to-face vs. Skype)
	The interview location was not controlled
Instability of the researcher	Good flow of conversation emphasized instead of strict structure which causes information deviations
	The interviewing technique and the contextual understanding developed in the course of the study
	The researcher's energy level and ability to absorb information using a second language at the time of the interview
Instability of the participant	The level of trust varied from one participant to another
	A participant's ability to understand the research context depended on the participant's background
	Attitudes towards the research and possible work and time pressures most likely affected the interviews
Instability of the focus phenomenon	The context of focus phenomenon differs somewhat depending on which service model is used (see chapter 1)
	The industry has developed quickly and within three years the focus phenomenon and the companies may have changed

The factors above are taken into account, which may cause changes in the research setting (Lincoln & Guba, 1985, 299). The factors are accepted as limitations on the study and were minimized where possible by choosing a quiet place for the interviews, focusing on building trust in the beginning of the discussion, mental preparation before each interview and delivering the research themes to participants in advance. One example of the above mentioned variation is the researcher's own development as an interviewer (cf. Tynjälä 1991, 390), which caused the interviews towards the end of the research period more informative than in the beginning.

Furthermore, auditing would protect the research from dependability threats (Lincoln & Guba, 1985, 318). This was not possible with the resources allocated to the research. Consequently, the evaluation of the data coherence and the inquiry arrangements (Lincoln & Guba, 1985, 318) was completed only by the researcher. The interview setting is depicted before (see chapter 5.2.2) to provide a clear picture of the situation.

Confirmability is a qualitative equivalent to neutrality of a study (Lincoln & Guba, 1985, 299–300). To ensure that findings and interpretations are clearly linked to the data and conclusions are easy to follow (Eriksson and Kovalainen, 2008, 294) in the research the research process is described in the earlier chapters (see chapters 4.1, 4.2 and 4.3).

Following techniques can be used to increase research confirmability: confirmability audit, triangulation and keeping of a reflexive journal (Lincoln and Guba, 1985, 318–

319). It is mentioned earlier that auditing is not arranged for this research due to resource limits. However, three methods of triangulation used in this research are discussed earlier in this chapter: short interviews, reviews of company's websites and press releases and double interviews. Each of the methods increases research confirmability. Furthermore, even though the researcher did not keep a reflexive journal, participation in one of the business field's global reports (Harris et al. 2015/16, 76) as a content producer increases the confirmability of the research when it comes to understanding of the business context.

Lincoln's and Guba's four criteria in evaluating the research are discussed above. The last issue which is discussed in this chapter relates to the researcher's dual role as an academic and an employee inside the industry. In the study the researcher may have an impact on the research situation and its interpretation (Tuomi & Sarajärvi, 2002, 133).

Firstly, the researcher's experience in the business field may have an impact on the research results (dual role). This may increase the research quality because an understanding of certain issues and concepts in the field is acquired beforehand. (Tynjälä 1991, 393.) Five years of working experience in the focus industry has prominently increased the contextual understanding of the researcher. Moreover, one company which joined in the research was familiar beforehand due to this working experience. In addition, to capture a global perspective of the business field, three international industry events, the Hospitality Industry World Congress in Barcelona, the Business Travel Show in London and the Serviced Apartment Summit in London were attended during the research.

Secondly, the impact may also be the opposite if the researcher's context limits certain interpretations due to the pre-understanding which sets certain directions for the interpretations (Puusa 2011b, 77–80). This kind of effect could occur, for example, due to personal experience, which is mostly from the corporate housing segment, whereas the extended stay market was not familiar before the research process. Thus, interpretations are probably made through lenses with a more fragmented view about the industry than the extended stay market represents. In addition, the impact may also be the opposite due to possible conflicts of interest or partiality (see Silverman, 2010, 155) arising from the possible competitive position between the interviewee and the interviewer. This effect was intense especially because the working and the research process occurred simultaneously. To lower the impact, the researcher's dual role was explained and the operating area, which is far from the operating areas of most of the participants, was disclosed. Furthermore, the cooperative nature of the business field, the practice of sharing apartment inventories time to time, may also decrease the impact of the dual role.

Thirdly, in a qualitative study the language of the discussion, which delivers the meaning of the participant, receives a lot of attention (Tynjälä 1991, 396). Most of the interviews were held in English, which is a second language for the researcher and also for some participants. Consequently, the original message probably changed between the sender and the recipient during the discussions (cf. Puusa 2011b, 78). Even though recording of the interviews made this problem less significant, incorrect interpretations might have guided a discussion in the wrong direction occasionally.

To summarize the discussion of the research evaluation, this study can at its best deliver an overall picture of an interesting and dynamic industry, it can also point out certain directions where the industry is developing and it can deliver – quite extensively actually – a picture of the key assets and the entry strategies in the industry. However, due to the numerous limitations of the study which are listed above, the credibility of single detailed interpretations needs to be supported by other studies in this sector.

5 RESEARCH FINDINGS

5.1 The overview of the applied entry strategies

According to the research material, the companies in the serviced apartment business field have applied a variety of entry strategies, and all the categories from equity investments to contractual entry modes are exploited. The research results indicate that the industry is experiencing a booming stage presently and different strategy models are tested to boost the global growth. Each of the interviewed companies strives to gain their own share in the global competition. At the same time, the ways to achieve the growth are very different. Two identified main trends in the business are *owning the customer* and *owning the real estate.* On one hand, the companies in the first category aim to build a global network of apartments by offering partnerships to other apartment operator's around the globe. On the other hand, the companies focusing on owning real estate aim to set up new apartment hotels in all the key cities in the world. These companies either have a legacy from another business segment supporting this goal, or they work hard to increase their credibility in the financial markets. Thus, the most distinctive feature is how much a customer is able to affect the location of the stay upon an inquiry with a single accommodation provider. In this chapter, the applied entry strategies and their features in the serviced apartment industry will be provided and the two aforementioned distinctive trends will be discussed further.

The applied entry strategies in the industry relative to control and commitment are depicted below (see Figure 7). The strategies in the serviced apartment sector differ from the traditional model in that the industry emphasizes the contractual modes and in that the level of control these contractual modes is relatively high, as has been explained earlier. The phenomenon touches the hospitality industry as a whole. Another common observation in both the hotel and serviced apartment industries is that operators use multiple strategies simultaneously to penetrate new markets. Additionally, an interesting fact based on the research is that licensing as a new addition to the entry strategies is receiving a lot of emphasis in operators' entry portfolios. The reason for the strategy's popularity derives from the fact that many key clients are interested in global solutions in their accommodation needs. As a result, a company partners with a local apartment provider to satisfy their client's needs wherever they appear.

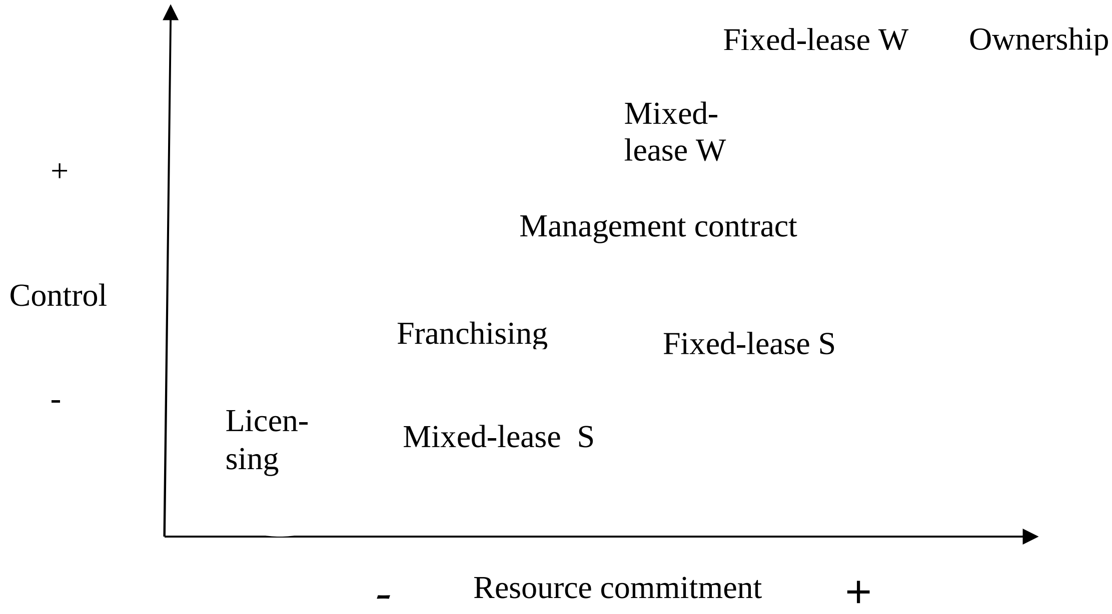


Figure 7 Entry strategies relative to control and commitment in the serviced apartment industry

Three strategies in the sector have variance in control depending on the used contract type between the parties. Thus, the exact location in the figure may move at some scale depending on the specific operation type. For example, the level of control in licensing depends upon whether or not the licensor has an exclusive right to use the partner's property. Moreover, in the case of a mixed-lease W (whole property) agreement, the owner may have control over a property's operations (e.g., pricing), which in turn affects the level of control the operator receives. Finally, the mixed-lease S (single apartments) agreement appears also in varied forms and the level of commitment and control depend on the contract type. Thus, in addition to the high variation of entry strategies in the industry, some of the strategies have different options inside of them from which to choose.

The fixed-lease and the mixed-lease agreements are listed twice in Figure 9 because of the two differing models in the sector: the single apartment model (S) and the whole property model (W). On one hand, the industry's sub area, corporate housing, is identified as a sector which uses individual apartments rented often from private landlords (fixed/mixed-lease S). This strategy provides a great amount of flexibility for an operator because the apartment inventory can be adjusted depending on the demand. This occurs due to the fact that individual lease agreements are often indefinite and can be terminated with a short notice. On the other hand, the other end of the service continuum, the extended stay sector (see Figure 2), operates with long-term, thirty-year lease (fixed/mixed-lease W) agreements not being rare. In this type of strategy all the apartments are situated in the same building. As a result, the commitment and control of the strategy is strongly affected by this strategy choice. The whole property model lease agreement provides a very high level of control for an operator, and in turn requires more commitment in the form of real estate facilities. However, an operator of single apartments has less control over its operations and at the same time the investments in the business are lower.

An issue which is not included in Figure 9 for the sake of clarity is the division between Greenfield and Brownfield investments. Both of the models are used in the industry widely. Concerning control, a Greenfield investment in a new building may provide higher control for the operator due to the possibility to take part in decisions on the building layout and materials together with the constructing company. A Brownfield investment in turn means that the operator has to accept the existing building as it is. In this case the operator can partially affect the building itself by making some changes in the layout, changing surfaces and bringing new technology to the building.

Finally, acquisition and joint venture as strategies are not included in the figure due to the multiple possibilities of control and commitment in the case of both of strategy types. Usually these strategies are combined with another operative mode (e.g., lease agreement) in the sector.

The growth in the serviced apartment sector will most likely continue; this will happen due to the attractiveness of the accommodation type over a traditional hotel room. In this competition, the players make one of the most crucial decisions each time they enter a new market: at its best, which strategy would deliver the results the company is seeking. Next, the key features of these strategies in the serviced apartment sector are highlighted based on the research interviews.

5.2 The specific features of the entry strategies

In this chapter the key features of entry strategies in the serviced apartment industry are discussed. Each model provides certain benefits and also has certain weaknesses as listed in chapter 2. In addition, it is important to mention that many operators tend to use multiple strategies simultaneously. Welch, Benito and Petersen (2007, 396–404) present five separate reasons why companies can combine entry strategies with each other: the business units are unrelated and strategies can be easily combined, the strategies serve different customer segments, a firm specializes its value activity or in other words its creates a division of labor, a firm bolsters commitment and control, or a firm benchmarks local operators. Benito, Petersen and Welch (2011, 816) have found in their study of six Norwegian companies that the use of entry strategy combinations are common among multinationals. Discussing the specific reasons for combining entry strategies in the serviced apartment sector is outside the scope of this research but has potential as a new research area. This is true especially due to wide use of strategy combinations in the sector.

Non-equity strategies have received more emphasis in this chapter due to their larger prevalence among serviced apartment operators. However, as discussed before, fixed long-term lease agreements and management contracts are often equivalents to equity strategies from the perspective of the amount of control provided. In addition, a long-term lease agreement can be seen as a debt, much like liability on an operator's balance sheet, due to the similar affect on a company's cash flow.

5.2.1 Non-equity strategies

5.2.1.1 Licensing

Licensing is depicted as the lowest control and commitment strategy in Figure 9. A managing director of a global serviced apartment operator explained during the interviews that companies in the serviced apartment business tend to cooperate often by sharing apartment inventories. He continues: "More operators are providing a service in the first instance and then tailoring that product to the demands of their guest to the secondary function." This means that to be able to meet the needs of their clients, a serviced apartment company would need partner operators in locations where they do not have their own apartments or hotels. This is the core idea of the licensing model in the industry. The model is applied in different manners, from ad hoc situations to deeper cooperation, as mentioned in sub-chapter 2.3.4. If an operator has a renowned brand, it is able to charge licensing fees from the partner operator. Some operators have even assumed a role much like a booking agency, which is illustrated by a marketing executive of a global firm who said that the company has a couple hundred apartments operated by them, more than ten thousand apartments offered on their website and the potential to book close to a million apartments. Thus, licensing as an entry strategy can appear in different forms in the industry depending on the depth of the cooperation, the power of the licensor's brand and the role the operator has assumed in the sector.

Licensing is a quick growth strategy in the industry as an operator can add new apartments to their portfolio without capital investments or setting up their own operations. The strategy gives an operator very wide geographical coverage and makes managing of global client accounts possible.

At the same time, the strategy generates low profits and low risk. In addition, there are some dilemma's which relate to the use of licensing in any industry and also serviced apartment operators should consider these factors before entering into a licensing relationship.

One managing director of a global operator was well aware of the risk of technology and concept appropriation when the company used the strategy. At the same time, the company was willing to take that risk to be able to provide apartments in, for example, key locations which would not be otherwise available. Thus the overall benefit exceeded the potential risks (if the level of the risk was properly evaluated).

Another issue arises when the licensor decides to start its own operations in the licensee's territory. In this case, the former partners will be competitors and there is a high risk that the investments made in the cooperation will provide no value after the licensor's expansion. The same phenomena can naturally occur in both directions, endangering a licensor's market position in its home market when the former licensee expands to new regions.

The third problem which the industry will face soon is a decreasing number of eligible potential licensees, as many of them have already entered into agreements with operators and they are neither willing nor able to enter into new relationships. This will result in a maturation of that specific entry strategy and the profit potential will decrease further.

Finally, a licensor is required to set up certain quality control procedures to ensure that the apartments the partner provides are in a good shape and according to the brand standards. At best these programs provide only a low level of control for the operator since both of the parties are more or less independent.

5.2.1.2 Franchising

Franchising as a method of growth in the serviced apartment industry is used in a fashion similar to the hotel industry. A serviced apartment operator gives the franchisee a right to use its brand name and global reservation channels. In addition, the operator gives guidance in establishing the business and provides brand standards which need to be obeyed. Thus, the operator retains some control over the business and the franchisee is responsible for all of the investments. The model is especially suitable if the operator does not have exact information related to how the demand will develop in the concerned region. A director of one of the leading serviced apartment providers in Europe points out that "our strategy is to lease strategic locations and to go for management contracts and franchising in other locations." This approach ensures that the company does not face severe losses during a possible downturn in franchised locations. The mode is used by operators with whole properties as well as single apartment operators. Key requirements in the franchising of a serviced apartment business are the clarity of the product, the service process and the brand. Heterogeneity of apartments as products applies pressure to standard other elements of the business; consequently, the operators which franchise their business tend to have a consistent brand image and a clear operating model. As a result, franchisors tend to focus more on development of the property base rather than developing a global network for key customers. This conclusion locates franchising strategy in *owning the real estate* –category instead of *owning the customer –category*.

5.2.1.3 Management contract

Like franchising, a management contract is a low-risk way to enter a new market, and they are used in very similar fashions in the serviced apartment industry and in the hotel industry. The operator has good control over all the operations and is responsible for the property start-up phase, staffing, budgets and sales. At the same time, the operator does not invest any equity in the business. However, depending on the contract structure, the management contract operator may share part of the property owner’s risk, increasing the operator’s commitment. For instance, a business partner of a management firm operating in the extended stay sector explains: “If it (the property) doesn't perform we don't get enough of a management fee, we don't get any dividends. So we have, as we say in English, we have our skin in the game.” This is an example of a profit-based fee in a management contract. The negotiation of a management contract takes much more time than in some other entry strategies, such as licensing. As a result, many operators using management contracts as a main way to enter a market operate in whole buildings and are property-focused companies. The contract structure would be too heavy for companies with single apartments and too inflexible if a company’s main goal is to follow key customers’ needs.

5.2.1.4 Fixed-lease agreements

The fixed-lease S agreements are used by operators which prioritize flexibility throughout different economic cycles. This business type is relatively easy to establish in a new market, because the start-up phase involves negotiating contracts of single units instead of large property investments. The operator does not have to have a renowned brand to gain beneficial contracts. At the same time, the operator retains medium control over operators, especially if tenants’ rights are strong in the focus country. However, the amount of control is decreased due to operations which are dispersed throughout cities instead of one or few buildings. In relation to control, the operator’s commitment is medium to high due to investments in equipment and furnishings in the apartment and the commitment to pay a fixed rent. At the same time, the contract length does not often play a major role due to what are generally flexible termination clauses. In some cases, a market entrance with single apartments may be "the only way to enter", possibly due to a lack of financial resources or a renowned brand name, as a CEO of a midsized serviced apartment firm in Europe explains. If this entry strategy is dominant in a specific region it may also be a sign of immaturity of the sector (Harris et al. 2015/16, 8). This contract type can be used in both purposes, focusing on owning real estate or owning customers. Due to the flexible element in this strategy it works especially well in the latter case.

The fixed-lease W strategy provides an operator a very high level of control and requires the most commitment after the full-ownership entry mode. A director of one of the leading serviced apartment providers in Europe puts it, "It's basically ours, it's like an owned property." The research does not indicate that the key features of the whole-property lease agreements in the serviced apartment industry would differ prominently from those used in the hotel industry. As was earlier mentioned, lease agreements (whole property) are preferred in strategic locations where the demand is secure. The lease agreement has the highest profit potential and risk. Companies using purely long-term leases in whole apartment blocks are often property focused instead of customer focused due to the inflexibility of the contract type. However, the strategies are not exclusive of each other since long-term leases can complement other operations and vice versa. The strategy is also used to increase an operator's credibility in the marketplace from a financial perspective, as mentioned above.

5.2.1.5 Mixed-lease agreements

The mixed-lease W agreement is depicted in Figure 7 as having almost the same level of control as a fixed-lease agreement in whole properties. At the same time, the operator's commitment to the agreement is lower since the paid rent varies depending on the turnover of the property. Thus, the company is not committed to certain fixed rents on a monthly basis. The company may lose part of its control if it has to give part of its decision-making power to the real estate owner due to the flexible rent. In this case, the control of the operator decreases when compared to the fixed-lease agreement in whole buildings.

The mixed-lease S agreement is an example which has a lot of variation in the applied strategies. The operator may have full responsibility of setting up a serviced apartment after the lease agreement is signed. On the other end of the spectrum, the operator is only a mediator between the guest and the apartment owner and has only a website platform for that purpose. Both of the examples emerged in the research. Depending on the agreement type, the operator's control varies from minimal transaction duties to full responsibility of the usage rate of the location. As is the case concerning control, the operator's commitment depends on the agreed level of investment in, for example, furniture included in the contract. The platform-based model has been a huge trend during the last couple of years due to the growth of operators utilizing sharing economy phenomena, of which Airbnb is the most renowned. The panel discussion topic, "If you can't beat them, join them," at the Serviced Apartment Summit 2015 (Serviced Apartment Summit 2015) illustrates the industry's effort to address the issue. A few months after the summit, Bridgestreet published exciting news about the company's cooperation with Airbnb to provide home-like locations to their B2B clients. At the same time, the partnership allows Airbnb to strengthen its position in the B2B segment, which has remained relatively small until today. (PRNewswire 2015)

5.2.2 The equity strategies

In this industry, full-equity investment or full ownership means that the serviced apartment company owns the property which they also operate. This enables a company to retain full control over operational and financial assets. At the same time, the required commitment is high. Consequently, this model is not very common due to the industry's ability to separate the ownership from the actual operations. In the course of this research, one participant indicated that the company owns a fraction of the buildings where they operate. However, this Director of Group Branding and Communications of a global serviced apartment operator explains: "We are not in real estate. If you are in the area of real estate investment then you buy properties." The example illustrates well the previously discussed hotel industry's ability to separate the ownership-based elements from the knowledge-based and managerial elements (Contractor & Kundu 2000, 299–300). Companies using the full-ownership entry strategy as a main way to enter a market are the most property-focused in the industry. In practice, the adaptations to customer needs are made within the limits of existing property without the customers having a chance to influence the location choice upon reservation. This strategy according to its name belongs purely to the *owning the real estate* –category.

Acquisition is an entry mode which was not depicted in Figure 7. In the hospitality industry, received control and required commitment depends fully on the complementing operation mode which will be applied post acquisition (e.g., lease agreement or management contract). During the research period, one research participant acquired another operator and another participant was considering an acquisition. In the former case, the acquired firm had fixed-lease agreements and single units even though many of the apartments were located in clusters. Consequently, the level of commitment is similar to lease agreement S's commitment but the control is somewhat lower due to the multiple factors affecting the integration phase of two companies. However, depending on the business type acquired, the commitment and control levels may vary prominently, as well as a company's motivation concerning either properties or customers.

A joint venture was also not depicted in Figure 7. The strategy was used by one research participant to acquire a minor share of a property. A real estate investor was the other party. The entry strategy was complemented by a management contract to arrange the property operations. The company acquiring the minor share had also the managing responsibility. Thus, the joint venture has the same level of control as a management contract in this case. Moreover, the commitment was higher due to the equity investment. In this joint venture type, the operator retains control over all the operations and also partly controls the asset. However, the level of control and commitment depends upon the agreed operation mode and the equity share. A company's focus on either customers or real estate is also determined by the actual type of operation, which is company specific.

It was mentioned in chapter 2.3.1 that lease agreements are seen as a debt, much like a liability on a company's balance sheet. The same is true of joint ventures due to the company's equity investment. An interesting fact about these contract types is that this liability can be seen also as a benefit. The business partner of the management firm explains: "I really prefer a joint venture or lease, especially lease if we can. That gives us more autonomy and also ownership. It helps us to build bigger covenant to do bigger projects." Thus, the equity investment can also mean credibility from the investor's viewpoint and can lead a company towards a bigger goal of owning more of their business.

5.3 Key resources in the serviced apartment industry

5.3.1 Employees as the most important resource

Kraaijenbrink, Spender and Groen (2010, 359) argue that human involvement plays a prominent role in creating value with resources. The research results confirm this argument by indicating company's *employees* are the most important asset, according to the majority of participants. The participants referred to employees by using examples of employee features such as implementation skill, managerial experience and ability to focus on customer's path throughout the reservation process. In addition, a few human resource functions were pointed out as essential to ensure a company's success: recruitment, training and global talent management. A General Manager of an extended stay hotel mentions that they recruit and train for personality instead of experience. Moreover, a Director of Group Branding and Communications at a global serviced apartment operator explains as follows: “If I am opening a property in Frankfurt, we are able to employ people from London or from the head office or even from a property in China.”

When analyzing human resources from the resource-based view perspective, Barney & Clark (2007, 121–141) emphasizes that the competitive advantage created by people is highly dependent on a firm’s human resource practices. According to the scholar, employees are the primary link in the firm’s value chain and the main factor behind customer satisfaction. Thus, by making sure that employees are satisfied in a firm, the firm ensures that its customers are also satisfied. The rarity of employees depends how a firm develops and exploits its human resources. If employees are seen as distinctive with different sets of skills and capabilities, a company is exploiting the available labor pool efficiently. In contrast, if the labor pool a company utilizes is seen as homogeneous, the criteria of rarity may not be met.

The imitability criteria relates strongly to the social complexity of an organization and the culture it has created over the years. In this research, the CEO of a mid-sized European serviced apartment operator emphasized the importance of transferring culture to new locations. Culture as a source of competitive advantage will be discussed later as one of the key resources in the serviced apartment industry. Finally, instead of addressing the question of un-substitutability, the researcher points out that in the end, the resource organization determines the generated competitive advantage. This relates directly to the role of a firm’s human resource function. The three actions a company should take to create sustainable competitive advantage are developing firm-specific skills instead of general skills, focusing on team building instead of individuals and establishing HR systems instead of single HR practices. (Barney & Clark 2007, 129–135.)

The importance of HR systems is earlier emphasized by Wright, Dunford and Snell (2001, 705–706) as a mean to stay competitive over time when people and practices change. However, the scholars admit that empirical tests are limited to two variables: HR practices and performance. In addition, from the perspective of the resource-based view, it would be important to have empirical evidence of correlation between HR practices and path dependency, causal ambiguity or inimitability. At the time of their study this evidence did not exist.

Kraaijenbrink et al. (2010, 359) state that the resource-based view would benefit greatly by **defining and categorizing** resources under separate categories such as tangible and intangible, financial, human, technological, and so on. According to the interview material, the other key assets in the industry fall under five different categories: *relationship and networks*, *competences and capabilities*, *processes*, *systems* and *intan-*

gible assets (see Figure 8). Financial resources are seen in the research as a way to achieve other resources; thus, this asset category is not listed in the figure.

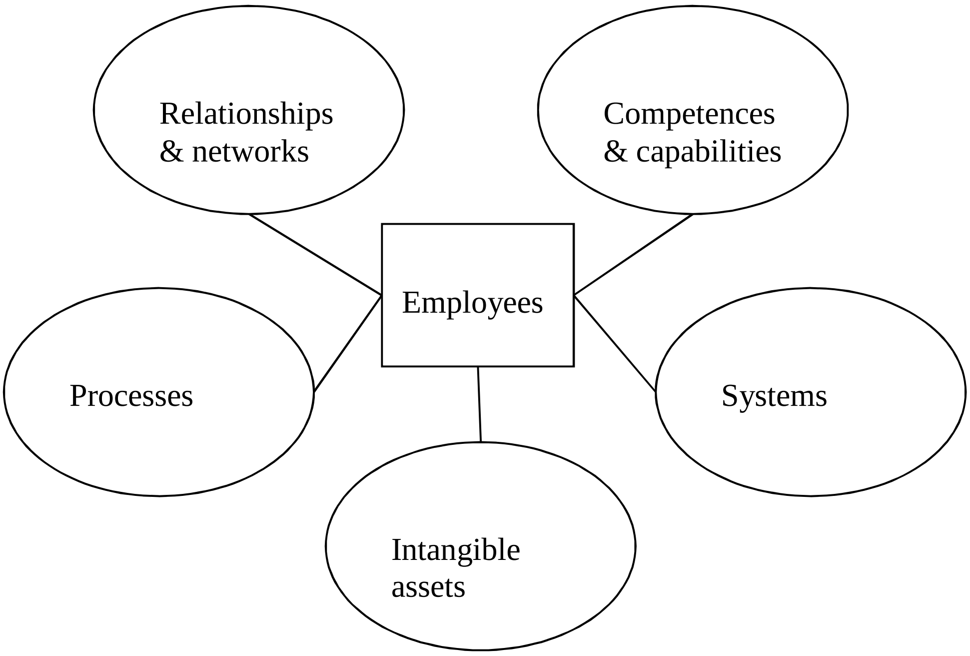


Figure 8 Resource categories in the serviced apartment industry

Even though the figure illustrates the five categories as equal, there are differences between the **importance** and the **sequence** for the research companies and for the sector as a whole. Firstly, *competences and capabilities* relate directly to employees as a resource and are necessary to be able to build other resource categories. Secondly, in the service industry, after a company has an employee(s) with competences and capabilities, it either has or can build *relationships and networks* to be able to develop processes, systems and intangible assets. Thirdly, *intangible assets* are partly a result of well-functioning *processes* and *systems*. Even though the intangible assets emphasized in the study do not directly relate to these other categories, due to the complexity and nature of these assets, well-developed processes and systems can be assumed to be a precondition to intangible assets. The importance of the resource categories is partly affected by the previously mentioned sequence. However, for instance, a renowned *brand* as an intangible asset which constantly generates new sales is obviously more valuable than an efficient *reservation system* because the latter would have no use without the former. Notwithstanding these types of differences, a specific priority for the resource categories in terms of **importance** to the companies in the sector is difficult to create. However, individual resources have different values. Each of these values are illustrated in the following chapters by explaining which individual resource is the most and which is the least important to the research participants. At the same time, it is important to mention that all the included resources are important on some level, and that there are numerous resources which are not listed at all in this study due to their low priority to the companies in the sector. The resources and their features are next presented separately.

5.3.2 Relationships and networks

Relationships and networks as resources increased their importance in the course of the research and were emphasized by many research participants. The critical dual position of the sector between the owner and the client relationships is an obvious reason for the importance. For instance, a partner in a management company explained: "For us, important to our success or our ability to grow is our relationship with our brands, owners, financial partners. -- It's not just about that but it's a bit more than that, such as you need to build trust."

The category includes three important resources: *company's customer base, property or apartment owner relationships* and *partner relationships*. In addition to these resources, *financial relationships* and *brand relationships* with extended hotel brands were mentioned by one research participant. Moreover, *supplier network* was seen as important by one operator. The subdivision of the relationships and networks asset is depicted in Figure 9. Next, the three most important relationship resources will be discussed, and finally the resource-based view framework is applied to analyze the competitive advantage provided by these resources.

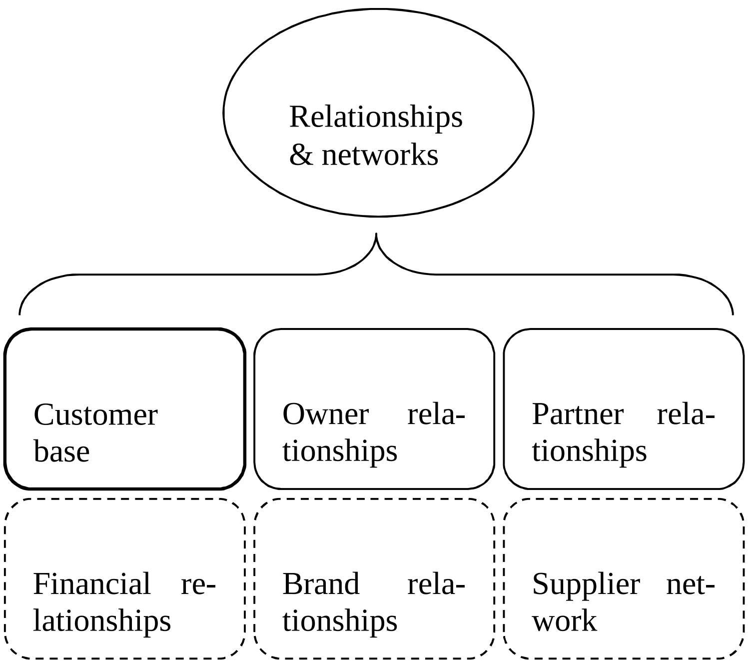


Figure 9 Key relationships and networks in the industry

The existing local and international *customer base* was a key resource for half of the participants. A managing director of the EMEA region of a company providing partner apartments in its portfolio emphasized the role of trust in network communication and continued, “We do have some of the biggest accounts in the world at the moment, and we provide all of their short-term accommodations.” Another medium-sized operator in Europe was on a good track of attracting repeat business from several key clients.

Almost half of the research participants indicated that *apartment or property owner relationships* are a key source of competitive advantage in their business. These relationships allowed the operators to acquire the right type of apartments in the desired locations close to the necessary infrastructure. For one research participant, operating in the quickly-growing, apartment-sharing, sub-industry of real estate owners – in addition to clients – has allowed these owners to become a part of their community which is highly involved in the business. A Managing Director of the EMEA region of a global operator explains that a real estate developer has a number of options when deciding on the end use of a property; residential and hotel properties are the main competitors of the serviced apartment sector. He summarizes: “I think that depending on the city, the key resource is the availability of suitable apartments to add to your portfolio.”

One of the research participants emphasized *partnership relationships* by saying that “good relationships can take an the extra percentage off of the provider’s costs and this can be passed on to your customer”. Even though the other research participants did not directly emphasize the importance of partnership relationships, it is obvious that this resource will grow in importance when more and more operators are adopting licensing strategies.

In light of the four criteria of the resource-based view, different resources can create more competitive advantage than others. Next, Barney’s criteria is used to evaluate the competitive advantage created by the three most important resources in the relationships and networks –category.

Firstly, a *customer base* as a resource creates value to its holder by generating turnover and profits. The value is determined based on this ability. Depending on the type of the patronage and the contract between partners, the value can be long-term or short-term. Secondly, the rarity of the clientele depends on the operator’s breadth and depth of the customer relations in the operating region.

According to Barney (1991, 107), two criteria of inimitability are social complexity and causal ambiguity. All the resources in the relationship & networks category are socially complex as they are formed between individuals. In addition, the longer the relationship, the more causally ambiguous this resource can be. Thus, all the key resources in this category are difficult to imitate if the relationships have long traditions and are enforced from time to time. Moreover, any customer base is difficult to imitate due to the element of keeping promises in the resource. As a Director of a European serviced apartment operator puts it: “For sure they can make the same promises as we have, but can they fulfill what they have promised?”

The last criterion of the resource-based view, non-substitutability, depends on the quality and the profit-making potential of the customer base with which it is compared. A competitor in the serviced apartment industry would have a hard time substituting the highest potential customers in that region; however, if the customers do not generate high levels of profits, substitutes are most likely available. In conclusion, a well-developed customer base is a crucial source of competitive advantage for a serviced apartment operator. However, the aforementioned factors determine if the resource is able to provide sustained or only temporary competitive advantage.

The value creation mechanism of *owner relationships* is connected to several features important in any property in the business: location, price, and quality. With better owner relationships, companies can improve the performance of these three elements in their apartment portfolios. As a result, a customer pays a company a certain value depending on these features. However, this factor in the industry often does not mean that every operator is interested in prime locations or the highest quality apartments. The question is more about finding the right fit between the customer and the apartment. As a Managing Director of the EMEA region of a global operator explains: “There are two things that make it work: One is the availability of inventory, and the second is the relationship with customers to fill the inventory.”

The rarity of owner relationships depends purely on the type of relationships a company has. As it is in many other markets, the real estate market has also a feature that part of the offering is publicly available but many are under the tip of the iceberg. An operator who is able to receive information before the apartments and properties are publicly offered is able to gain competitive advantage over their rivals. This element is connected to trust, as a partner in a management company explains: “When we have a good reputation, people with money want to come and work with us. “

The substitutability of the resource has been questioned recently by operators in the sharing economy (Harris et al. 2015/16, 21), who have been able to grow quickly by using an online platform instead of traditional face-to-face meetings to cultivate relationships. In addition, the new strategy in the industry, the partnership model, is also a substitute for owner relationships. Without these new phenomena, it would be difficult to find a substitute for well-developed relationships in real estate. In some of the sub-segments, such as extended stay, there are as of yet no substitutes for this key asset. To summarize the nature of well-developed owner relationships, they create value for any operator and can be extraordinary and difficult to imitate. However, substitutes have already emerged in the industry in the form of new entry strategies. Thus, at its best the resource can deliver a competitive advantage, but in the long term the competitive edge may decrease.

Partner relationships (partner in the same industry) create value in a way similar to owner relationships; the level of these relationships determines the location, price and quality of the operator's inventory which is using the model. However, in this case the partner operates in the same industry and the common value is greater if the partners have a synergy. For instance, an operator proposing a partnership might have a global sales network. In turn, the partner responding to the proposal might have a property in a prime location but not a well-established sales network. Thus the common value of the partners is higher than the value they would reach individually. In turn, the rarity of a partner network depends on the level of exclusiveness to which the partners have agreed. If an operator has an exclusive right to sell units of another partner, then the relationship is rare. One research participant explained that a certain type of partner is an extension of their service as the relationship is deep enough. However, these kinds of relationships are rare and it is more common in the partnership models to have several partners without exclusive rights.

Inimitability of partnership relations depends on the previously mentioned social complexity and causal ambiguity. The more a partnership includes relationships between employees in the two companies and the deeper these relationships are the more difficult the partnership relations are to imitate. Moreover, it may be difficult for competitors to find out how a partnership has develop over time and what kind of steps are taken, intentionally or unintentionally, to develop the cooperation. In addition, in a deep relationship the contract structure and the common processes may be so complex that imitating is difficult. However, at the moment the entry strategy is fairly young from a global perspective, which indicates that such relationships are not common. When it comes to substitutes of partner relationships, the other applied strategies in the industry can replace these relationships, whether it be through owning, leasing, managing, etc. In these cases the risk an operator assumes is usually higher and the pace of growth is lower than in the partnership model. To analyze the nature of the competitive advantage the partnership relations deliver, it can be stated that the resource creates value but is not generally rare or inimitable. Substitutes of the resource exist in traditional forms, and also a new substitute, the sharing economy, has emerged on a global scale. Thus, according to these factors, a company achieves competitive parity with the strategy.

According to Barney (1991, 105–106), the sustained competitive advantage a resource provides is a result of the four previously discussed criteria. Based on the precious analysis, a company's customer base, if it exists, has the highest potential of delivering sustained competitive advantage if the relationships are deep and wide and customer lock-in can be created to increase the switching costs of clients. Good owner relationships also provide competitive advantage even though substitutes have emerged in the business. Partner relationships are an unsure source of competitive advantage according to the analysis. However, companies who gain first-mover advantages definitely have a strong foothold when utilizing this asset compared to their slower counterparts. As a whole, the relationships and networks category and its importance for the sector is one major finding of this research.

5.3.3 Competences and capabilities

The *competences and capabilities* category includes three high-priority resources, two medium-priority resources and one low-priority resource in terms of their level of importance as mentioned in the interviews. The understanding of the *revenue generation* model, *marketing* skills and *sales* skills were indicated as the most important resources in this category. In addition, *real estate* competence and *operative management* skills were the second most important resources in this category according to the participants. Finally, *industry knowledge* received the lowest priority in this category. Figure 10 below depicts this subdivision. Next, the three most important resources will be discussed further.

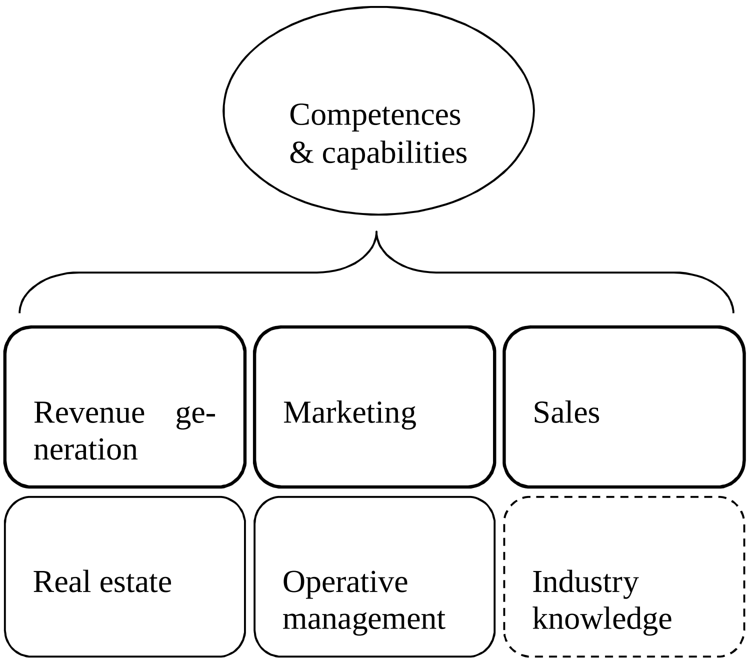


Figure 10 The subdivision of competences and capabilities

It was mentioned in the last chapter that an operator needs to find the right fit between an apartment or a property and a customer. This describes well the need of an operator to balance its real estate portfolio against customer demand in a specific region.

On one hand, the *revenue generation* resource can be a sophisticated revenue management tool with which to manage a growing portfolio of properties, as a European Director of a global extended stay operator mentions. It helps to design prices and to manage inventory in an optimal way in relation to the desired average daily rate and the length of the stay. This company follows the whole property strategies. On the other hand, the issue is about understanding which apartment or properties to acquire for which customer when the used apartment inventory fluctuates depending on demand at that point of time. According to the interviews, this resource is especially crucial for operators which manage an apartment portfolio of single units and adjust their offering monthly basis based on customer needs. As a whole, the resource was seen as important in one way or another by five participants.

From the resource-based perspective, the *revenue generation* model is at the core of value creation in the industry. Without the necessary knowledge of the business logic, the customers would not receive the right products and the operators would not receive sales. Rarity of this resource in the more stable sector (e.g., extended stay) depends on the complexity of the revenue management model. In turn, the corporate housing sector may also have sophisticated systems for adjusting inventory on a monthly basis, but the question is more about understanding the customer need and acquiring the right kind of apartments. This viewpoint was emphasized, for example, by a CEO of a mid-sized European operator in the sector and by another CEO operating at the national level in Europe. This understanding is most likely possessed by operators and employees who have been in the industry more than three years.

Imitability of either the sophisticated system or the business logic follows different routes. On one hand, technologies that are easy to transfer do not generate rents, but the interface between the technology and the user can be a source of competitive advantage (Barney, Wright, Ketchen 2001, 636). The situation may be different if the system is a result of long-term in-house development as was the case with one research participant. On the other hand, even though exceptions exist, understanding of the revenue generation logic cannot usually be immediately adopted, but within two to three years of being in the business the capability can definitely be acquired. When it comes to substitution, commission-based revenue models related to the sharing economy platforms and other business models which allow private persons to enter the market have challenged the basic business logic in the industry and present a notable substitute for this asset.

Marketing skills as a resource received emphasis by five of the research participants. Even though marketing as a resource is highly connected to sales, it is mentioned separately due to a few distinctive features between the concepts in the industry. Differentiating is a key skill in the business due to the very varied forms of offered accommodation options, from single rooms to huge penthouse suites in levels of quality from one to six stars. Differentiating occurs between and inside classes. A European Director clarifies: “-- there are a lot of players in the serviced apartment industry. We basically differentiate ourselves by saying we are an aparthotel and we have a specific segment in this market and we are focusing on this segment.”

In addition, technology has an essential role in marketing by making, for example, 3D apartment showings possible. Also understanding of e-commerce in the business has increased its importance with the growth of numerous online travel agencies, customer review platforms and social media channels. A CEO of a serviced apartment association describes the phenomenon: “And to support that argument, we know that TripAdvisor scores, in London the top ten hotels in London are not five-star hotels. My immediate concern would be therefore that the scoring mechanism does not really reflect the quality of the offering. --would you believe a number of hotels within that top ten within London are budget hotels.” In addition to needing standardized quality ratings, this comment emphasizes the need of skilled marketing professionals to respond to the changes in the environment.

Following Barney’s resource-based logic, *marketing* as an asset creates value by informing a potential customer about a serviced apartment provider’s offering and position in the marketplace. Eventually, marketing connects the customer with a sales representative or a reservation system to make a booking. Due to the nature of the asset and the various marketing channels of the industry (consumer, B2B, face-to-face, web), marketing operations can be very complex in the business field. Thus this asset in a serviced apartment firm has huge potential to be rare and inimitable among all the marketing departments in the business. Even though marketing is an essential function for almost all of the operators and cannot really be substituted, there are many different options which can be utilized inside the marketing umbrella. An interesting fact is that these substitutes may correlate with the length of the stay of a guest, thus not being real substitutes for each other. The issue is explained by a European Director of a global aparthotel chain as follows: “-- the longer the stay, the more manual it is, because the customer is booking for two or three months. He is willing to receive more information.”

Sales skill as a resource was also emphasized by five research participants. The issues which came up in the discussions can be divided into three categories: new business development, active customer approach and sales presence. At one of the leading global operators a Director of Group Branding and Communication explained that their new business development unit often goes to twenty or thirty cities even though they may not launch their business in any of them, and continues: “-- we look at the FDI for a country, we look at the trend over the last six years, we look at the social political environment -- the infrastructure needs to work, because otherwise there’s no point in having a home where you are isolated.”

The same perspective was emphasized by a Managing Director of another global operator: “We always have an eye on what’s happening from the market development perspective within a particular city or a particular country. That helps us to understand what the serviced apartment market requirement might be.” An active customer approach was emphasized by three operators, all of whom explained both the priority to talk to a prospective customer often and even before their need has arisen, and the importance of meeting them without a prescriptive view of offering either A, B or C. Finally, a wide sales presence in the industry, which is closely related to global mobility, supports a serviced apartment operator in two ways: On one hand, a local sales office generates local sales; but on the other hand, the office also supports all the other locations by sourcing local travelers to other destinations.

In terms of *sales*, the four criteria of the resource-based view, value, rarity, inimitability and non-substitutability, are connected to proficiency and experience of new business development practices, level of sales processes and the scale of the sales operations. This asset probably generates the most value in any company due to its closeness to the customer. However, according to one research participant, the industry is focusing mainly on properties instead of guest experience. Thus, a company with a highly-developed sales process can be rare among competitors in the business field. At the same time, many of the sales practices can be easily imitated by other companies. Business development processes, however, may be more complex and more difficult to imitate than sales processes due to a large amount of analyzed information and the level of decision-making involved in the use of this asset. At the moment, a global sales presence in the young industry is rare if large hotel chains operating in the extended stay sub segment, such as Marriott, Extended Stay Hotels and IHG (Harris et al. 2015/16, 7), are excluded. Imitating such a resource requires a large amount of financial resources. One research participant has such a network already and it is clearly a source of competitive advantage at least for a few years. In this study, a sale made online is separated from the sales asset and it represents a notable substitute for traditional sales. An example of the strength of the online sales tools is that 500 companies signed up for Airbnb’s business travel program in the first 24 hours of the initiative (Sell 2015a).

From the competitive advantage perspective, the revenue generation model and understanding the business logic is necessary to keep the business alive. At the same time, the models and the skills may not be so sophisticated that the asset could be a source of competitive advantage. In contrast, based on the previous analysis, the marketing asset has a huge potential to provide sustained competitive advantage in the industry due to the various and constantly evolving marketing channels and numerous marketing practices inside each channel. The complexity of the asset is the reason for its potential; however, a company can receive at best competitive parity if the asset is not fully utilized by prioritizing marketing channels in an effective and efficient manner. Thus, the question is about the organization, which is the “O” factor in the VRIO model presented by Barney & Clark (2007, 70) following the original resource-based view. Finally, sophisticated new business development practices, active sales processes and a wide sales presence are all sources of competitive advantage due to the large amount of resources and competences needed to substitute these assets. However, the new online-based sales channels present a clear substitute for the traditional sales forms, which indicates that these elements do not provide sustained competitive advantage in a long run.

5.3.4 Processes and systems

The *processes and systems* are incorporated in this chapter under one umbrella category due to their similarity to each other (see Figure 11). Three processes were seen as important by participants and two of them were seen as extremely important: *customer service process* and *marketing and sales process*. Both of these processes received the attention of seven participants. Moreover, the *apartment or property development process* was emphasized as important by two of the research participants. Furthermore, two systems were classified as a key resource in the industry: the *reservation system* and the *revenue management system*. The reservation system came up in total in four interviews and the revenue management system in one of them. Two of the aforementioned assets have already been discussed in previous chapters and they are included in Figure 13 due to the process or systematic nature of the asset. Next, the three most important processes and systems will be discussed.

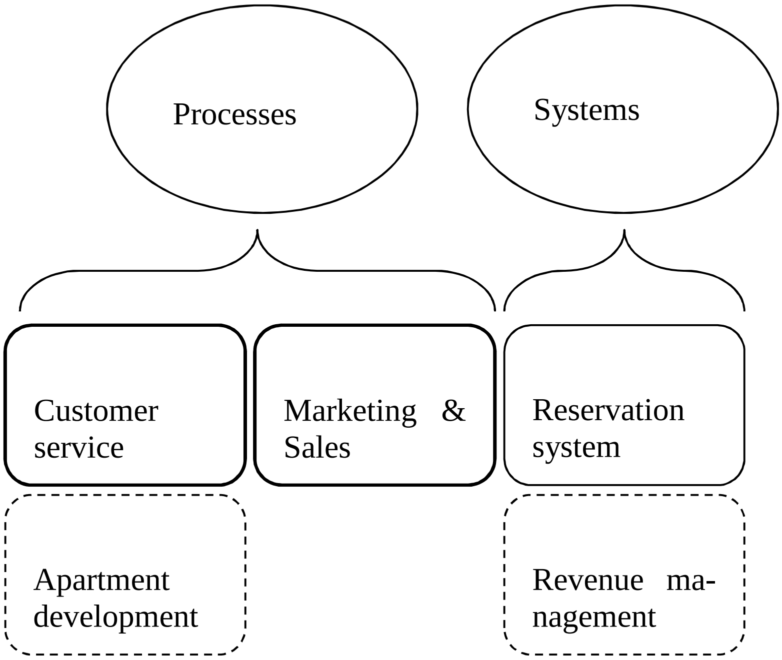


Figure 11 The subdivision of processes and systems

Customer service is defined in this study as "activities that involve episodes of interaction between customers (and agents acting on behalf of customers) and company employees when customers make inquiries, request changes to a policy, or conduct financial transactions (Ray, Barney, Muhanna 2004, 27)." The themes which arose in the interviews related to customer service process as an asset can be divided into three categories: the product quality, the service quality and the human interaction. Thus, the active role of customer service was not specifically emphasized by interviewees, probably due to the self-evident nature of that in the hospitality sector. The CEO of a serviced apartment association expresses his organization's viewpoint on quality covering both the product and the service quality as follows: "-- basically our quality control program is defined around the guest experience. -- guest experience from reviewing the website in detail, reviewing the customer experience, arrival procedure, entry to the property, hospitality level and the quality of the apartment. For all of those elements, the serviced apartments are assessed and they are measured in a score mechanism which grants a star rating from one to five. The important factor is that elements within that assessment are broken down. For example, we look at the hospitality level the guest would experience, we look at the housekeeping standard that the guest would experience, we look at the location of the property, and we also incorporate Internet reviews in to that mechanism as well."

When it comes to human interaction, two interviewees emphasized the service attitude and its importance. A Director of Group Branding and Communications at a global serviced apartment operator told a story about a customer who left his wallet with the passport in the property, but before he noticed that the wallet was missing the manager of the property was on his way to the airport where the customer had headed. According to a partner in an extended stay management company: “One thing you cannot teach any human being is how to smile. Because that comes from here (touching heart). A real smile doesn't come with training. A person has a smile in their personality or they don't.”

The other elements which were emphasized as important in customer service related to the flexibility to serve customers in a way they would like to be served, to effective response time, and to the quality of the process of guiding a customer all the way through the reservation to the end of their stay. The last element is linked to the reservation system of a company.

Customer service process as a whole generates value mostly for the traveler and the person who makes the reservation. This division into different type of customers is explained by one of the interviewees: “The traveler is one customer. The booker is another customer. The decision-maker is another one. Then there are other managers who have vested interests.” The end customer and the booker are the key persons delivering the message to decision-makers of service quality. A satisfied end customer helps the service provider receive orders in the future and thus creates value for the company. Even though excellent customer service is often rare, the level of customer service has taken prominent steps in the industry, probably due to the reference point the extended stay operators provide. Moreover, the key elements of good customer service are becoming common knowledge in the business field as international associations such as the US based CHPA (Corporate Housing Providers Association 2013) and the ASAP which is located in London, and other smaller associations on national levels, are driving the industry standards forward. However, good customer service does not really have any substitutes in the hospitality industry, and excellent customer service is still a differentiating factor especially in the serviced apartment sector, where the variance of service quality is greater than in the hotel sector. Another indicator that the customer service resource provides competitive advantage is that it utilizes several different resources and capabilities in the course of the interaction, and the service action includes both tangible and intangible assets. (cf. Ray et al. 2004, 26.)

Marketing and sales was already covered in the last chapter. However, it is difficult to separate these two functions, especially from a process point of view. For example, marketing can be seen as a process which transforms resources through managerial guidance into something which is valuable for a customer. From a resource-based perspective, marketing has a crucial role in identifying the market changes and how the changes affect company's structure and other resources. (Srivastava, Fahey & Christensen 2001, 778.) Both of the functions are used in different parts of a funnel the customer goes through. The better these functions are integrated into each other, the more the potential of competitive advantage of both of the assets increases. A Managing Director of the EMEA region at a global operator illustrates the issue as follows: "If you look our sales process, it is very difficult to replicate what we do because we have a very well-organized process and we are renowned for our global capabilities. So, in that sense, I could say that it's quite rare; there are one or two companies, three companies in the world that organize their sales team in the way we do."

A *reservation system* in the study refers to the IT system for managing an operator's reservation flows and placing the reservations into apartments. Often the system is connected to other customer service processes such as check-in information and customer feedback enquiries after the stay. Reservation systems have a crucial role in the hospitality industry. In addition to direct reservation channels, there are many powerful online travel agencies (OTAs) in the markets which could be integrated into the operator's system. A European Director of a major aparthotel operator in Europe explains: "We have a very strong reservation system technology. You know we are part of a large hotel chain and we benefit of course from the whole technological environment. So, that means PMS (property management system), CRS (centralized reservation system), all this. If I compare, in particular, to our competitors, this is a major strength because we have invested a lot of money as a group and it's really state-of-the-art."

Another operator which has an in-house reservation system emphasizes that the system needs to be scalable to support new market openings. Especially due to the heterogeneity of apartments as a product compared to hotel rooms, companies in the serviced apartment industry may realize that suitable reservation systems are not available in the markets. For this reason at least, this research participant had an in-house IT team responsible for the reservation system and its development.

As mentioned before, *reservation system*, or more generally, an IT system itself is not sufficient to generate rents to provide competitive advantage. However, if the user – system interface is well organized, the asset can be a source of competitive advantage (Barney, Wright, Ketchen 2001, 636; Wernerfelt 1984, 174). This bundle of a user and the system creates value in the serviced apartment industry by managing reservation flows and by ensuring that the customer will receive the right kind of apartment at the right time. All the operators have some kind of a reservation system; however, highly developed systems might be rare at the moment in the sector. Moreover, especially in-house reservation systems are difficult to imitate due to the unique history each company has in the industry. All the reservation systems are substitutes for each other, thus weakening the competitive advantage power of the asset.

Each of the above discussed process and system resources can be sources of competitive advantage, and especially the customer service process and marketing and sales processes can provide sustained competitive advantage if the resources are well organized. Reservation systems can be replaced with new ones over time; however, currently the industry is growing and highly developed reservation systems may not be abundantly available. Thus, this asset is a source of at least temporary competitive advantage at the moment.

5.3.5 Intangible assets

Two intangible assets turned out to be critical and one asset was seen an important, according to the research participants. Firstly, the most important intangible asset in the industry is the *brand* of an operator. Six of the interview participants emphasized the importance of brand in the serviced apartment sector. Secondly, four of the interviewee's pointed out the importance of *culture* as an asset when a company expands abroad. Finally, two research participants emphasized *responsible corporate image* and raised such subjects as ethicality, legal compliance and green values. These intangible assets are presented below in Figure 12. Next, two of the most important intangible assets will be discussed and their ability to generate competitive advantage will be analyzed.

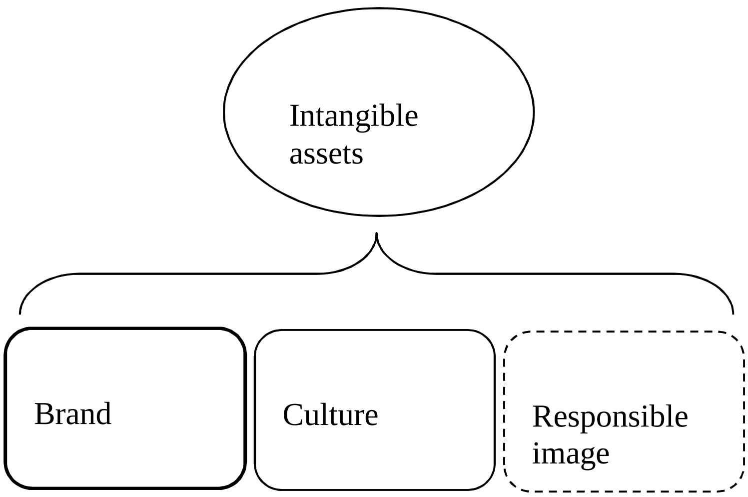


Figure 12 The subdivision of intangible assets

Brand was seen as an asset which affects in two ways in the serviced apartment sector. Firstly, a renowned brand assists the operator to acquire suitable properties and apartments into its portfolio. "So, we go out, and we sell the brand to the prospective partner who can give an entire building", mentions a Director of Group Branding and Communications at a global serviced apartment operator. The CEO of a mid-sized European serviced apartment operator explains how a brand affects the price of the lease agreement: “If an owner has two options to choose, an operator without a recognized brand would be ready to pay 110 percent rent or an international well-known and profit making brand with a 90 percent rent, many owners would choose the latter.”

Another side of the brand effect is how a company’s prospective clients see the service. The Director of Group Branding and Communications continues: When I talk about the importance of brand, it is the values. When you think about our company, I always ask my people what are the three words that come to mind. -- I hope that when you think of us, you know, it's a trusted brand, you trust it right, it's a caring brand and it cares for you. -- Your welfare is paramount. And I also wanted to be in an innovative brand.” Another perspective on the issues is the evolvement of a brand during its existence. A marketing executive in a global operator and agency mentions: “I think our brand is well known, it’s been around for 35 years. -- We are basically a global brand – because of all the activities we are doing.”

According to Brown and Dev (2000, 342), a hotel which is able to provide the highest price and the most extensive scale of services creates the most value. In practice, the number of stars of a hotel or a serviced apartment chain is an indicator of the service (Leo´n-Darder et al. 2011, 111).[8] Thus, following this logic, the *brands* which are the most luxurious create the most value. However, the scholars disregard the aspect of occupancy rate, which is important in the accommodation sector. If a luxurious brand has a wide range of services offered for a high price but the brand does not have many users, the created value will be diluted. Another aspect which is important to note is the effect of online rating platforms to an operator’s brand image. As the CEO of a serviced apartment association explains: “So, my immediate concern would be therefore that the scoring mechanism does not really reflect the quality of the offering, it reflects the guest’s perspective. And there are so many that are also coming to that perception such is value for money, price, and would you believe a number of hotels within that top ten, within London are budget hotels.”

As a result of the above deduction, a brand of any serviced apartment operator creates value by increasing prices and occupancy rate a company can charge. Moreover, the value of a brand itself depends on the combination of perceived and artificially decided or marketed brand image. In addition, a renowned brand creates value by decreasing the negotiation power of an owner or another contract party, as discussed previously. The serviced apartment sector is evolving quickly and new brands appear often. At the same time, very well-known brands are not common in Europe, which means that a good brand has a great potential to be rare in the region. When inimitability is dis-

[8] Bateson, J.E.G. (1992). Managing services marketing (2nd ed.). Fort Worth, TX: Dryden Press.

cussed, it is important to understand the difference between the tradable and non-tradable resources (Barney, Ketchen & Wright 2011, 1307). As discussed earlier, intangible assets, such as a brand, are difficult to specify, price and organize (Buckley & Casson, 1976, 37). Thus, a renowned profit-making brand would be very difficult to copy by another firm. However, a substitute of a brand could be any other brand with a similar profit-making potential. The industry will see these substitutes evolve within the next decades as long as the competitive environment matures in Europe. To summarize the discussion above, by building a renowned brand backed with efficient and high-quality operations, a serviced apartment operator receives a huge competitive advantage in the sector at the moment. At the same time, those brands which will remain in the competition within probably the next two decades will acquire a sustainable competitive advantage in the markets.

Organizational *culture* can be seen from different perspectives and the concept is multifaceted (Smircich 1983). In this study, the definition of an organizational culture is as follows: “A complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business (Barney 1986, 657).” The company’s brand values were described by one of the operators as trusted, caring and innovative. At their best, these values are instilled in the organization culture and can be used also in customer communication.

According to the research material, two features of a culture were especially emphasized by the participants. Most of the operators would like to be customer-centric in one manner or another. The operators fulfilled their customer’s need by arranging accommodation solutions which fit together with the customer’s preferences. The customer-centric culture also meant taking care of the client after their arrival to the property. Thus, at the one end of the scale, the operators modified their service portfolio to have a customer-specific offering, and this approach impacted the whole organization of the operator. In contrast, at the other end of the scale, the service concept and the organization were ready-made; however, the customer-centric culture was represented in the attitude of facing customers in a friendly and polite manner.

A corporate *culture* can provide value for a firm if it supports employees in achieving great results. One example of a successful organization culture is one which is simultaneously managed loosely yet still provides structured support for innovation and creativity (Barney 1986, 659)[9]. From the customer’s perspective, a flexible culture which enables a serviced apartment operator to react to a customer’s needs quickly and to organize the business based on that need creates a lot of value. An excellent customer service attitude after a reservation also delivers some value, but it can be assumed that

[9] Peters, T. J., & Waterman, R. H. (1982) In search of excellence. New York: Harper and Row.

the value is lower than in the first case. When the rarity of cultures in the industry is analyzed, the former culture is rarer than the latter, according to a Managing Director of the EMEA region), who earlier explained that there are just a few companies in the world which organize their sales process in the same fashion as themselves. The challenge of transferring such an intangible asset as culture from one company to another is similar to a brand. Any culture includes many tacit elements which are difficult to measure and are viewed more through a prism of common sense than as objective facts (Barney 1986, 661). Thus, it is almost impossible to imitate a successful corporate culture. The question of substitutability in the case of a culture is very broad, even in a specific industry. In the course of this study, the sharing economy has been a substitutability reference point because the emerging sector has challenged all of the traditional sales channels with an online platform. Thus, very different cultures can deliver good results, and substitutes do exist. However, it is clear that markets have room for distinctive players, and the competitive advantage acquired with a successful corporate culture is most likely sustainable.

Due to the intangible nature of a brand and a corporate culture as an asset, both of the assets have tremendous potential to deliver sustainable competitive advantage for a firm. At the same time, it is clear that a brand needs to bring profits, be efficiently managed and have an extraordinary appeal to achieve this competitive edge. Moreover, a corporate culture in the serviced apartment industry needs to be something more than just serving clients, in order to provide a sustainable competitive position for a firm. The question is about fine-tuning the culture towards a prospective client's operations, processes and systems to deliver maximal value for the customer.

5.3.6 Interconnected assets

One of the most interesting results of the study relates to the finding that many companies in the serviced apartment industry have a relatively tight connection to another industry. Three different industries were discovered in the research to be tightly connected: the **hotel sector**, **real estate sector** and **human resources industry** (see Figure 13). This connection is determined as a unique source of competitive advantage because all of the networks, practices and agreements between two separate sectors (e.g. serviced apartments and real estate) are involved in the same businesses. For example, a company may be part of a conglomerate which operates also in the *real estate industry*. This may lead a company to follow an "owning real estate" strategy, which has been previously discussed. At its best, this strategy allows the serviced apartment operator to acquire key locations which would not be available through contractual entry strategies. The real estate partner in turn is able increase their return on investment in properties by having one relevant end user for new real estate projects. Moreover, a company may be part of a group operating in the *human resource business* field. A company may have a terrific vantage point in analyzing global mobility through its partnership with a company involved in staffing. This interconnection also benefits the operator in human resources by supporting the housing of labor which is shifting internationally. Finally, a company may be formed by another company operating in the *hotel business,* or two companies from the accommodation sector may have merged to form this kind of a resource. The impact of this asset may show, for example, in a serviced apartment company's sophisticated reservation channels or reservation system.

In the hotel industry, the complementary assets and knowledge increasingly extend beyond production and distribution (Brown, Dev & Zhou 2007, 15). A good example of interconnection's impact on one of the corporates key assets is provided by one of the research participants: "Our first asset, it's our brand, we have invested a lot in it and we have created also our brand awareness; and, in conjunction with our brand, it's our network. We are now present in 10 countries, in 100 different locations." In this case the parent company's background is in the hotel sector; as a result, the serviced apartment operator has possibly received an effective reservation system, a wide presence in many markets and strong reservation channels from the beginning, all of which have helped it to become one of the leading operators in Europe at the moment. Brown and Dev (2000, 342) describe a hotel's participation in its chain's reservation system as a transaction-specific asset; this is quite similar to the example above where a serviced apartment operator utilizes the reservation system of a hotel chain either partially or wholly. According to the scholars, the more hotels invest in a transaction-specific asset, the more the asset generates output for the hotel. Another example of an interconnected asset is provided by a recent digital marketing analysis in the sector, which states that serviced apartment brands which are owned by hotel chains benefit from their parent company's marketing infrastructure, especially the digital infrastructure, which is measured by social media followers with an emphasis on loyalty marketing (Sell 2015b).

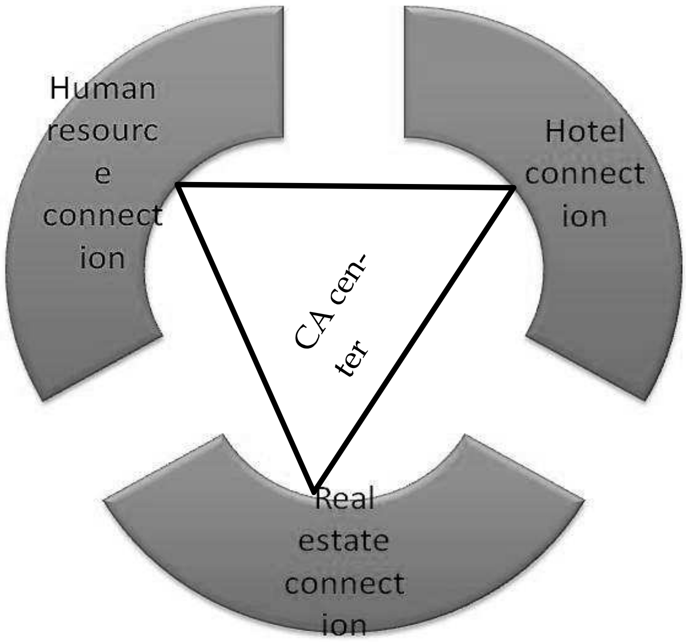


Figure 13 Interconnected assets in the serviced apartments industry

The most attractive perspective of the interconnected assets is the connection to another industry which has synergies with the serviced apartment sector and may generate tremendous value; it is often rare and very difficult to imitate, and creating relevant substitutes may take decades. Additionally, even though there are several players in the industry with this type of an asset, it is extremely difficult to find a player which combines two or three of these interconnected assets. Thus, an enviable position for any operator is in the middle of interconnected assets, depicted as a CA center in Figure 13, to receive the most sustainable competitive advantage.

The list of these three interconnected assets may not cover the whole sector. One emerging example of a new kind of an interconnected asset is the cooperation of Bridgestreet and Airbnb to combine the B2B corporate travel segment with the **sharing economy** phenomenon, as discussed earlier. This interconnected asset is included in the next chapter discussion of resource – strategy bundles. As a whole, there is the opportunity in the serviced apartment sector to build a sustainable competitive advantage for decades using interconnected assets.

5.4 How can the key resources be exploited by serviced apartment firms?

In the analysis, each of the resources is examined based on how a specific entry strategy exploits the resource. For example, if a company emphasizes marketing and sales as its key asset, the company might be willing to apply low control & commitment entry modes instead of other strategies. This relates well to a trend in the business to own either real estate or to own customers. If a company wants to own customers, it may place smaller emphasis on owning real estate due to the nature of the business; customers often require a wide network of accommodation locations but resources are limited, and so a partnership strategy can work well here. Thus, depending on a company's strategic emphasis, certain resources fit together better with certain strategies. The decision-making framework is illustrated in Figure 16 below.

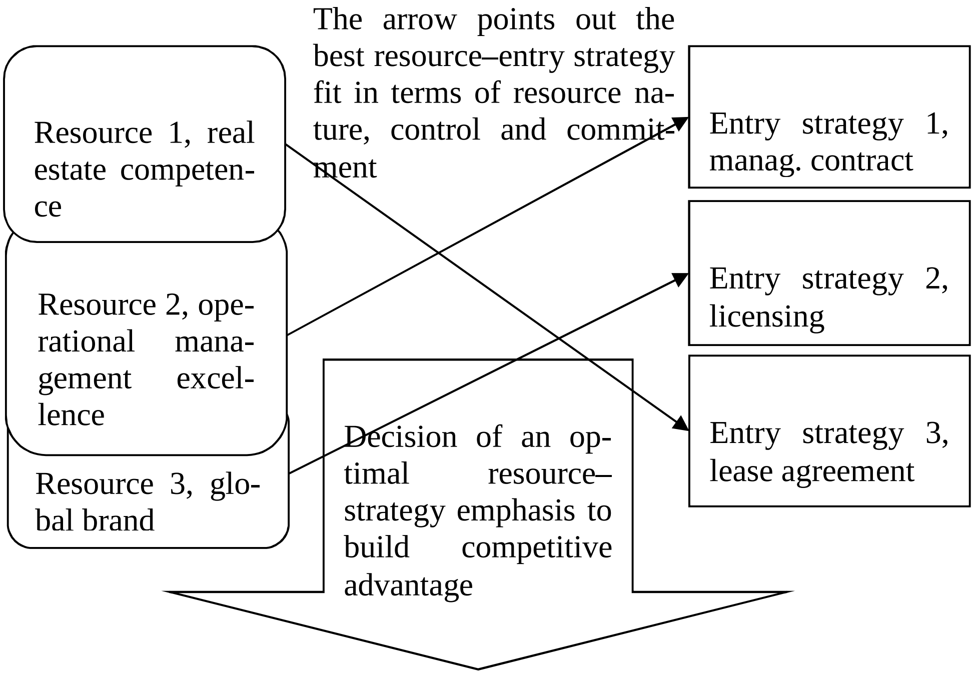


Figure 16 Resource–strategy analysis framework

Furthermore, conclusions can be made if the interviewed company is clear in their emphasis of key asset when considering strategies; in most of the cases the assets and strategies are in line with each other. However, in some cases there is the problem that top management of a company cannot clearly define which are key assets for their company. In other cases there are various assets which could be emphasized more (need to increase commitment) or some assets which are overemphasized (need to decrease commitment). Finally, certain strategies do not provide control over the defined key assets; for example, if operative efficiency and quality is a key asset and a partnership strategy is followed, the strategy does not exploit the key asset, as the partner's locations are operated by the partner and not by the company itself.

According to Kraaijenbrink et al. (2000, 356), the bundle of resources and managerial capabilities interact to exploit the opportunities implicit in both of them. These managerial capabilities are seen in this study as a starting point to create efficient strategies, although they can be seen as a resource as well. Examples of suitable resource bundles and strategies are presented next to provide perspective on which strategy-resource choices are in line with each other.

The flow of the following figures is from left to right. The first rectangles illustrate the resource package/s which a company hypothetically has and has identified them as high priority. The second rectangle illustrates the strategy which is suitable for the chosen resource package. The third square, competitive advantage, is the result of the right strategy choice. The large diamond illustrates the most beneficial interconnected asset for the chosen combination of a resource bundle and the entry strategy. The interconnected asset is a result of synergies between two related industries and is also usually a result of a long-term development. The last square in the figure, sustained competitive advantage, illustrates the end result of the strategic process, including prioritized resources, the right strategy choice and synergies from a related industry. It is important to emphasize that the examples are simplistic and hypothetical. At the same time, the information in the figures is collected based on the research material and an advanced understanding of the industry’s structure. Thus, the examples provide well-formed idea and point out a reasonable direction for a strategic decision-maker.

Licensing (see Figure 17) as a strategy requires a strong customer base and brand to attract property owners and other operators to join the company’s network. Marketing and sales competence supports creation of these assets. An example company with a strong emphasis on sales and marketing which follows this strategy is the serviced apartment company SACO (SACO 2015). The building of solid horizontal partnerships is the core of this strategy. In addition, the company has to manage the partnership relations well in order to keep the partners motivated to provide high-quality service to the clients. Having a hotel background as an interconnected asset supports the strategy as the clientele and the brand may be already recognized due to the existing operations. For instance, Bridgestreet, a global serviced apartment operator, is an example of a company which applies a licensing strategy as one entry method and is or has been owned by a large international hotel chain. (Bridgestreet 2003). The existing hotel business structure possibly provides ready-made practices for reservations, customer communication and possibly also the required technological interfaces between the licensor and the licensee. Often the hotel background also increases the negotiation power of a licensor towards a licensee as the brand power has the tendency to affect contract terms favorably.

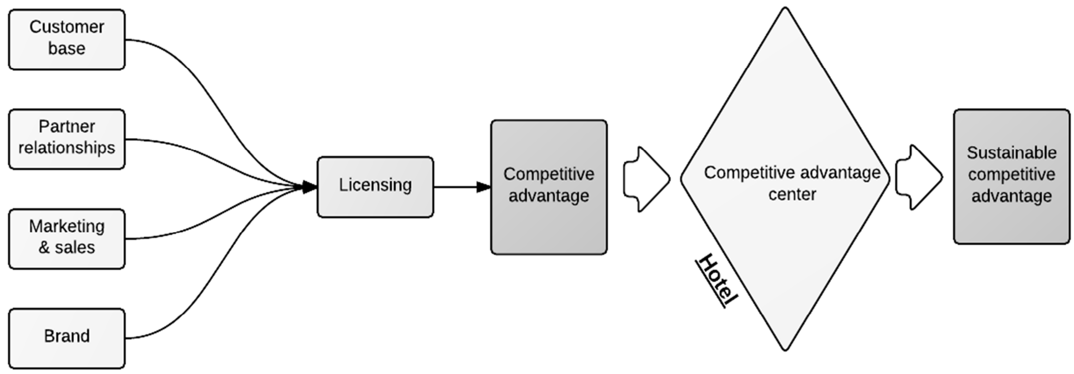


Figure 17 Licensing and the suitable asset combination

Below in Figure 18 a suitable asset combination is proposed for the variable-lease single apartment strategy. Also, a company applying this strategy needs to have a strong customer base as proof of a working business model and profits. An apartment owner assumes a greater risk in the case of a variable lease than in case of a fixed lease. Thus, the company needs to be able to prove that the owner will receive better income from the cooperation in comparison to the other available options. After the cooperation is established, the owner relationship needs to be constantly maintained through excellent communication. The larger the apartment owner base of a company, the larger the potential clientele base. Thus, the customer and the owner base form a positive spiral in this strategy, strengthening each other. Companies using this strategic approach are suggested to have skilled, especially digital and automation oriented, marketing competences. This is required in order to successfully reach all the single apartment owners and single clients in the markets. Thus, the mass-marketing perspective is more emphasized in this strategy than in others. In addition, a strong company culture which extends beyond company boundaries to the key stakeholders creates positive momentum and attracts new clients and owners to the network.

Currently, there are not many well-established companies which operate publicly with this strategy even though Airbnb utilizes a similar structure in its business to link home owners and accommodation clients. The emergence of the sharing economy has proven its strength and operates under this strategic umbrella, as the apartment owners receive an income based on the client volume, not based on a fixed rent. Even though companies like Airbnb are seen as only platform providers, this background fits perfectly with the variable-lease approach.

Scandinavian corporate housing provider Forenom offers owner partners an occupancy-linked accommodation income service – rental income from a second home – which is another example of this strategy. To maintain the owner relationship the company markets several additional services to apartment owners such as a rent monitoring service, a property condition service and a turnkey service known as Forenom Easy. (Forenom owner services 2016.)

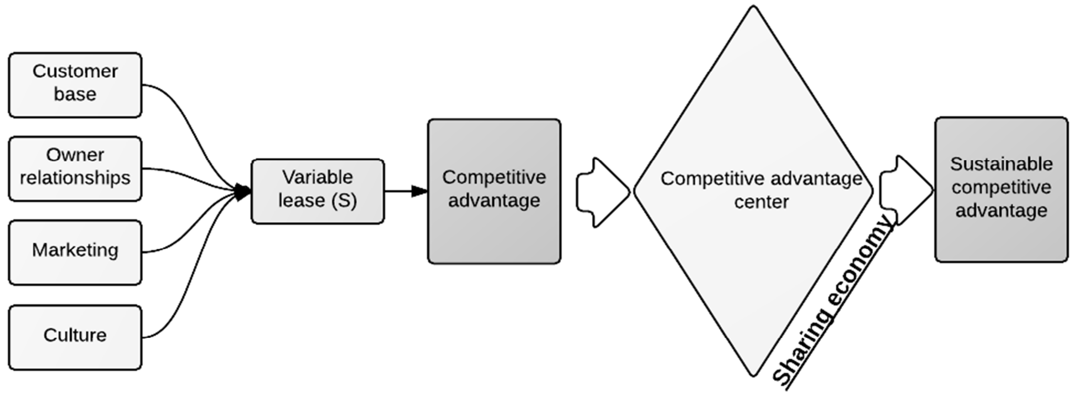


Figure 18 Variable-lease single apartments and the suitable asset combination

Figure 19 illustrates that a strong customer base and brand are required when the franchising strategy is applied to attract the best entrepreneurs to the chain. In the franchising strategy the property operations are the franchisee's responsibility; thus, the franchisor does not have to take care of the operative efficiency other than to provide quality standards. A director of a leading aparthotel operator in Europe explained that the modal choice is sometimes applied as a strategy in secondary locations due to the lower responsibility and risk. The same company identified brand and reservation system as their key assets, among others. The company has also a hotel background. Chain marketing supports the global operations and increases the motivation of the franchisees, even though the operative risk is carried by the franchisee. An efficient reservation system is a shared interface between the franchisor and franchisee; thus it has to function well, be profit focused and simple to use for all of the franchisor's and franchisee's employees.

Due to the prevalence of this strategy in the hotel sector, many of the assets specific to this strategy are in already place if the company has a background and brand in the hotel industry. Thus, this interconnected asset is an excellent background for the strategy choice. This asset attracts qualified entrepreneurs and allows clear procedures and guidelines for the franchisees to be implemented. For instance, Aparthotels Adagio, which is a joint venture between two well-established companies in the hotel sector, well-known holiday residence brand Pierre & Vacances Center Parcs group and the world's leading hotel brand Accor, is an example of a company which has used franchising as an expansion strategy globally (Aparthotel Adagio 2013).

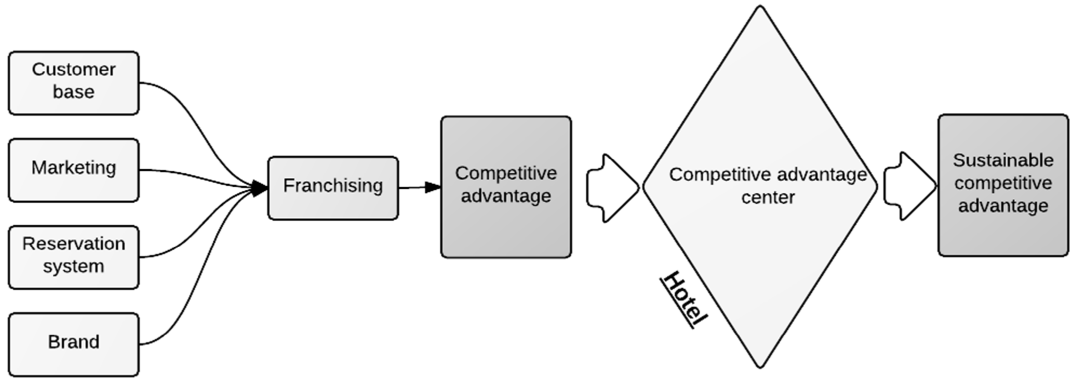


Figure 19 Franchising and the suitable asset combination

Management contract, presented in Figure 20, is an example of a strategy which is more property focused than client focused. However, in the accommodation sector, brand drives everything from customer bookings to stakeholder relationships, especially property owner relationships. A good brand allows the operator or chain to negotiate favorable terms. At the same time, a customer cannot choose the location as freely as in more flexible strategies because management contracts are fixed to certain buildings for a longer term. As a result, marketing by building a location brand based on its unique selling points is extremely important. This view is supported in one of the interviews with a General Manager of an extended stay hotel in London. The guest experience at the location is one of the main factors which determine whether the client is a repeat customer in the future or not. Thus, customer service in this location-bound strategy is even more essential than in other more flexible entry modes.

The hotel industry is used to the management contract concept and is also familiar with what are often complex management contract term structures. Thus, this background is beneficial when setting up a serviced apartment location under this category. For instance, Staybridge, which is IHG's extended stay brand, utilizes this strategy (Inter Continental Hotels Group 2013). Having stayed in one of their locations, the researcher must mention that the customer service experience was purely excellent in every aspect, from the client communication and information at the apartment to the General Manager's evening socials with free snacks and drinks. Finally, even though operative efficiency is not listed in Figure 20 as an important asset, this is also essential as the model itself is based on an operator's ability in managing hotels.

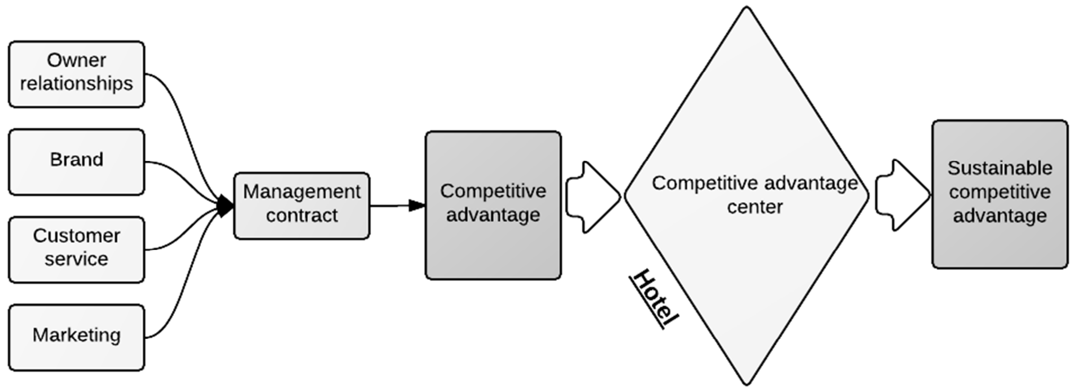


Figure 20 Management contract and the suitable asset combination

Fixed-lease agreements in single apartments, presented in Figure 21, allow operators to adapt their apartment inventory in the mid-term to the market situation. At the same time, the operator is responsible for paying the rent of each location in the short term. Thus, a stable customer base is needed due to the fixed rent burden, not only because of the operator's financial position but also because of the reliability towards the apartment owners. When an operator has several hundreds or thousands of individual apartments, it is important to understand how the revenue is generated in each location. The operator may not have the resources to analyze the profitability in each different location separately; thus, it is important that this competence is possessed by employees, or then alternatively, the processes need to be very clear.

One of the interviews conducted during the study was with an owner-entrepreneur of a company focused mainly on one city in Europe. The person was an embodiment of the company's P&L account, understanding immediately how different aspects from room sizes to included furniture and equipment of an apartment affect the company's profit margin. Marketing and especially sales assets are also of utmost importance. The apartment portfolio does not consist of clear, easily manageable blocks of buildings; thus, employees in the sales function need to have an ability to sell individual units based on the individual apartment features. Finally, culture of a company which follows this strategy needs to be aligned with the flexible and market-following nature of the business nature. Thus, the culture asset is emphasized even more to be even more important in this strategic approach than in others.

A background in human resources is an asset which allows flexible operation management and provides an enhanced perspective on human mobility, which will affect the company's inventory decisions.

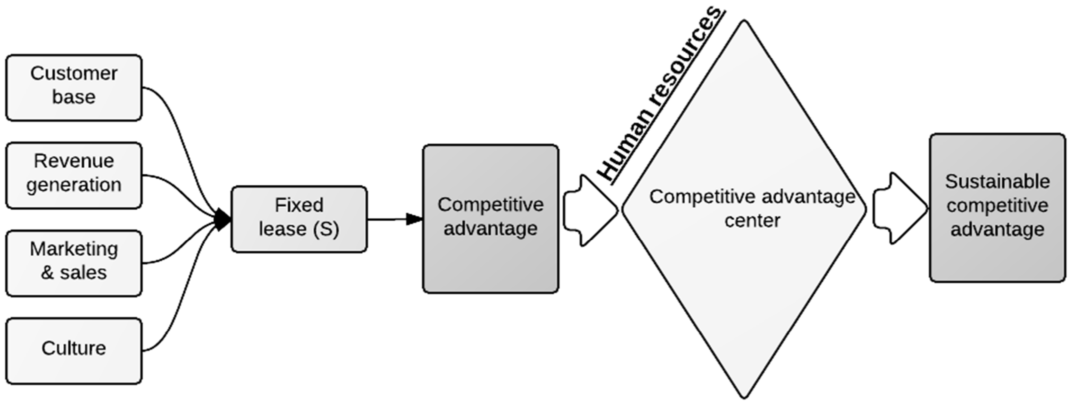


Figure 21 Fixed-lease single apartments and the suitable asset combination

The variable-lease whole property strategy emphasizes owner relationships. This and other suitable resources for the strategy are provided in Figure 22. The quality of these relationships either allows the company to acquire key locations in target cities or not. Trust with owners needs to be built over a long period. This is especially important because an owner needs to rely on the business model to receive the required rent level. A strong brand assists these negotiations, as mentioned earlier. An extensive customer base and effective sales organization and processes are also prerequisites for this strategy choice. These assets support the owner negotiations and also enable the company to maintain the property at the satisfied level of turnover throughout the agreement period.

An interviewed aparthotel company which applies this entry strategy as one of the ways to enter a new market had a hotel background and specifically emphasized the importance of a recognized brand and wide sales presence. A hotel background as an interconnected asset indeed supports the brand and also the customer base asset, as these may be provided at some level right from the beginning due to the existing hotel business. However, it is important to emphasize that aparthotels do not necessarily have the same clients hotels because the stays are longer in aparthotels than in hotels. Moreover, owner negotiations require real estate competences and connections. Thus, a real estate background gives a company a competitive advantage over competitors in the markets. In addition to these assets, marketing is also very important, especially due to the similarly inflexible nature of the offering in this strategy as is found with management contracts.

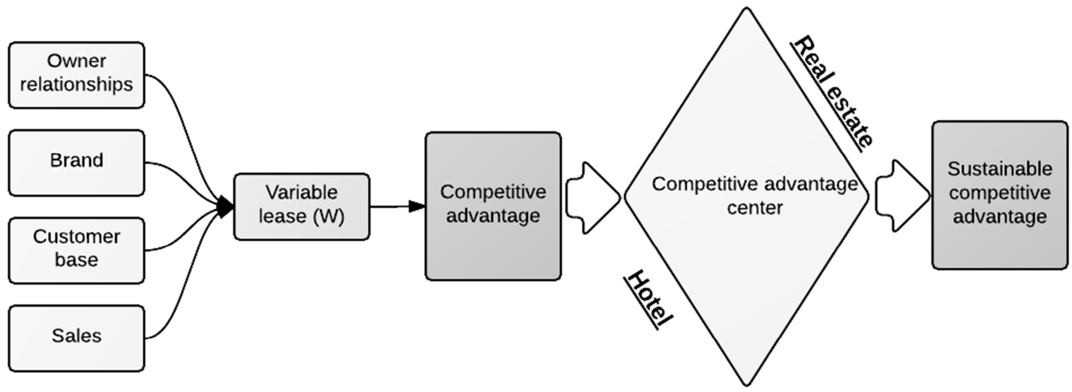


Figure 22 Variable-lease whole properties and the suitable asset combination

A suitable asset-strategy combination for the Fixed-lease whole property strategy is described in Figure 23. This strategy is more permanent in nature when compared to the more flexible single apartment strategies, and they provide higher risk and reward for an operator than less risky management contracts and franchising agreements. Thus, the customer base needs to be strong enough to be able reach the necessary turnover to break even. In addition, the revenue generation model can be depicted as a thorough process which starts before initial negotiations with a property owner and ends with daily, weekly and monthly tactical pricing actions. Marketing and sales need to work hand-in-hand to support monthly revenue generation and building the location brand. Both B2B and B2C sales and marketing must have a solid foundation in order to avoid significant losses. As a location-bound strategy, the better the position of the chain brand, the easier it is to sell and market the location and also to receive new location bids from investors.

Both real estate and hotel backgrounds support the efficient implementation of this strategy. Real estate competence, including well-established networks, is the first step towards establish a working revenue generation model because this competence increases the amount and quality of the available property options. In turn, a hotel background supports the customer base, sales and marketing and brand resources by providing some of these ready-made for the serviced apartment operator. Interestingly, one of the research participants applying this strategy operated in between the hotel sector and the real estate sector by offering efficient and profitable property management for the hotel and stable incomes for the property owner. The company had good relationships with both of the industries, and in a way operated in the competitive advantage center as shown in Figure 23.

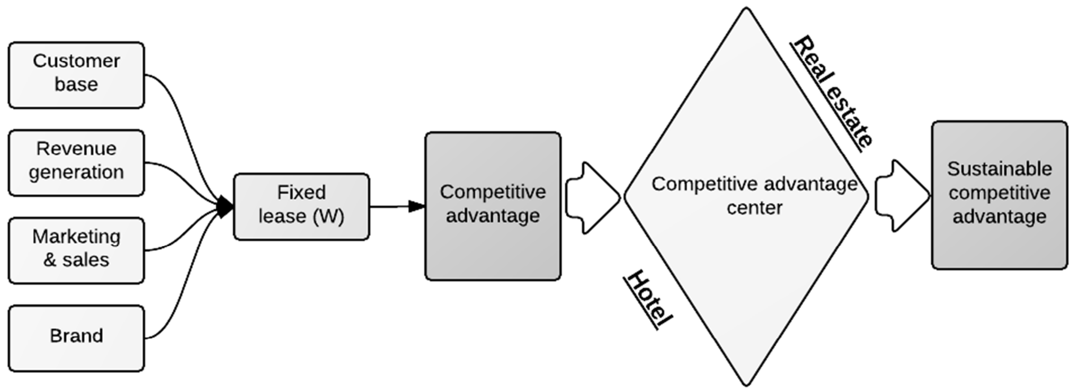


Figure 23 Fixed-lease whole properties and the suitable asset combination

In the case of the property ownership strategy in Figure 24, it is important to separate owner-operators (such as Frasers Centrepoint Limited) which are managing serviced apartment properties through real estate funds (such as Oaktree Capital) which invest in the hospitality industry but do not participate in the operative management of the property (Frasers Hospitality 2016; Hospitality Business News 2016). The former is included in the focus of this research while pure real estate funds are not covered. A property ownership strategy, in addition to financial resources, requires a strong brand, as is the case with all of the fixed locations (management contract, fixed-lease whole property and variable-lease whole property). Owned locations are usually large property units which include tens or several hundred apartments in the same building. The result of a strong brand is a solid customer base, which is necessary to be able to pay all the costs related to the property management, from interest and loan amortizations to employee salaries and running maintenance costs. Customer service is emphasized as the whole customer experience takes place in the same premises and is one determining in whether a client makes a repeat booking or not. Marketing is emphasized over sales in this strategy due to the previously mentioned fact that owned properties often include tens of similar apartment units which can be efficiently marketed in different channels, rather than spending huge amounts of time on personal sales, Thus, in comparison to, for example, the fixed-lease single apartments strategy, a company following the ownership strategy will achieve benefits of scale in marketing.

A background in real estate, as one interviewed global serviced apartment company possessed, naturally supports this entry strategy. The company owned several properties even though its main operating mode was management contracts. The right customer service and brand were included in the highly prioritized key assets of this company.

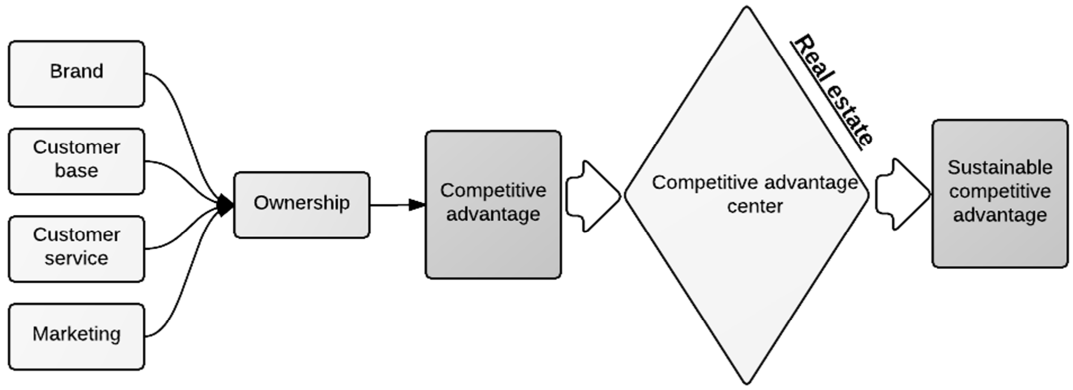


Figure 24 Ownership and the suitable asset combination

The suggestions presented above for optimal resource – strategy combinations provide a useful toolkit for top managers in the sector. The examples are simplistic and do not include every aspect and variations of each strategy. For example, different entry mode combinations are not included in this analysis (cf. Benito et al, 2011; Welch et al, 2007, 393–414). However, it is important to categorize the key assets and question their fit with the existing entry strategy. The accommodation sector is not an exception when it comes to the fact that in every company resources are limited and they need to be allocated efficiently. By ensuring that resources are constantly in line with the strategy, competitive advantage can be created and sustained. Even though the presented model may seem stable, the work cannot be completed once and then forgotten. Resources and their bond with strategy need to be updated regularly to sustain the competitive advantage.

Swoboda, Olejnik and Morschett (2011) have researched entry mode changes by analyzing data of 265 German firms in 320 mode changes. Based on the research results, the scholars argue that internal environment changes especially impact a company's entry strategy by increasing the company's commitment in a foreign market. The result relates to the assumption that when a firm learns and builds internal capabilities, it can invest more resources in foreign operations. The idea is surprisingly similar to the asset specificity concept from the transaction cost theory (see the chapter 3.2.). It follows the same logic, assuming that the more important a resource is for a company, then the more realistic is a high control and commitment entry strategy. However, according to the scholars, more research is needed to better understand which factors induce entry mode changes. This study reveals one framework to analyze the internal reasons to change an international strategy. Different resources are prioritized differently in each company and depending on these decisions, companies are willing to streamline their strategic choices to fit together with the company's internal structure.

6 CONCLUSIONS

6.1 Theoretical implications

How can a more than twenty-year old resource-based view stand the test of time in our dynamic and rapidly changing world? What is actually the value of Penrose's, Wernerfelt's, Barney's, and of other scholars' contributions to the concepts of today's business community? Could one framework be combined with another classical theory to provide more insights for academics, and more reliable information for international strategy developers? The resource-based view has been applied to the international entry strategy framework by several scholars (Canabal & White 2006, 272). However, the approach in this study is unique in examining the bundle of resources which are combined with suitable entry strategies. Some of the key contributions of the study are presented next.

On one hand, a resource-based view, of which the current form is developed by Barney (1991), is criticized as being too stable to provide value in the real world (Eisenhardt and Martin 2000, 1115). On the other hand, the question concerns direction and way how the model is applied. It is certainly true that nothing can be developed in a vacuum for this millennium's consumers. A firm cannot just develop valuable, rare, inimitable and un-substitutable resources and ignore the external environment. However, if the model is seen as constantly updating and interacting with a firm's environment, then it still carries prominent value for both academics and international managers. According to Wan, Hoskisson, Short and Yiu (2011, 1354), one interesting area of future research related to the resource-based view will be understanding more deeply how resources change and adapt using dynamic capabilities during the diversification process and integration. A dynamic perspective of resources is supported throughout the research. Internal resources and capabilities need to be built based upon the features of a firm's environment. Thus, the interaction with the environment has to be constant and must occur in both directions.

A firm with the resources which provide it with a huge competitive advantage must be capable of managing these resources in an organized and efficient manner. This is the "O" element which was later added to the resource-based concept (Barney & Clark 2007, 70). However, Barney has emphasized this last element to demonstrate the importance of a reporting structure, explicit management control systems and compensation policies (Barney & Clark, 2007, 67). This contribution does not go deeply into the strategic level, and it does not answer the following specific question: How should this organization be carried out? If a company does not have the means to organize their assets, then the assets have no value. A key contribution of this research is that the organization of key assets needs a strategic level structure when entering a new market. For this reason, the study combines the resource-based approach with the entry mode literature to increase the understanding of how resources are structured in a company.

A second important contribution of this research relates to commitment and control. It is obvious that one entry mode provides its users higher control over a firm's operations than another (see chapter 3). Furthermore, one entry mode requires more commitment than another. Many times these two concepts, control and commitment, are used simultaneously. The concepts are seen as almost synonyms, indicating that high commitment always lead to high control and vice versa. How well does this statement reflects the international business reality when many other elements, such as contract type (e.g., management contract), contract length (e.g., rental contract) and operational flexibility (e.g., one building vs multiple single apartments) may define the received level of control more accurately? At the same time, the required amount of commitment in each strategy depends on the contract type and does not necessarily correlate with the level of control, especially in the accommodation industry, where the equity investment is often separated from the investments in the operations (Contractor & Kundu 2000, 299–300; Dunning & McQueen, 1982, 87). Management contract and lease agreements are good examples of strategies where an operator has full control over operations but does not usually invest in the property.

More specifically, this research has provided answers to the questions about applied international strategies in the serviced apartment sectors and about the most important assets for these companies. The results suggest that entry strategy analysis needs to be industry specific in order to be able to estimate the control and commitment levels a strategy provides. One reason for the contradiction and differing opinions in the academic discussion about specific assets and their interaction with the commitment and control framework (see Brouthers & Hennart 2007; Erramilli 1991, 483–484) is the lack of specificity in the studies. In addition to this obvious risk, the applicability of the studies in the real business environment is low, and too broad of generalizations may endanger reliability of the study in question.

Throughout this research, the picture of international strategies is complemented with more varied options (see figure 9) than just a description of linear development of commitment and control (see figure 4). The study supports the statement of Brown et al. (2007, 14), who state that ownership should be separated from control decisions. A key difference between the common starting point in Figure 4 and the research results is the increased number of strategy options which provide different control and commitment levels. A new addition to the list of entry strategies in the accommodation industry is the division of lease agreements into varied and fixed-lease agreements. Moreover, the strategies are divided further into single apartment strategies and whole property strategies which differ prominently from each other, especially from the flexibility perspective. Furthermore, compared to the hotel industry (cf. Contractor & Kundu, 2000; León-Darder, et al., 2011) the serviced apartment sector has developed its licensing strategy rapidly. Evidence from the hotel sector shows that contractual entry strategies enable quicker growth than equity strategies. (Quer et al., 2007, 363). Another probable reason for the development is the availability of funds in this industry. Real estate funds are more used to investing in the hotel sector than in the newer, more fragmented serviced apartment sector. Currently, many investors see a serviced apartment property as an interesting target, and the situation is now changing. However, the industry has simultaneously developed more flexible strategies to avoid the funding problem and to meet changing client needs.

The resource-based view's biggest value for the research context lies in mapping the key resources, challenging the value of them with the four criteria and by posing the question if a resource is organized or not. It has been recently empirically tested that the features of the resource-based view improve a company's performance (Crook et al., 2008). The most important resources for the research participants are employees, customer base network, revenue generation competence, marketing and sales as a competence and as a process, and brand as an intangible asset. Furthermore, an interesting result discovered by this research was that certain assets lie behind synergies between two or more connected industries. The identified industries which bring synergy to the serviced apartment sector are the hotel sector, real estate sector, human resources industry and sharing economy industry. These synergies are powerful assets for a serviced apartment company possessing them. From the theoretical perspective, an interesting future area of studies is classifying complex assets like the interconnected ones in this study, and evaluating their impact on competitive advantage.

However, no asset can provide competitive advantage by itself. The resources need to be analyzed in a specific context and how the resources are used needs to be examined. Sirmon, Hitt, Ireland and Gilbert (2011)[10] state that the role of managers is to effectively structure, bundle and leverage a firm's resources. This study has provided a structure for the resources in the focus industry by dividing them into six distinctive categories: employees, relationships and networks, competences and capabilities, systems, processes and intangible assets. Furthermore, the resources are bundled under these categories. Finally, resource bundles are suggested to create competitive advantage when they are in line with the strategic choice. Laufs and Schwens (2014, 1124) state in their review of 33 entry strategy studies that the international entry mode literature is missing concrete research revenues derived from alternative theoretical perspec-

[10] Barney J., Ketchen D. & Wright M., (2011). The Future of Resource-Based Theory: Revitalization or Decline? *Journal of Management*, Vol 37 (5) 1299–1315

tives such as the resource-based view. This study fills the mentioned gap by stating that a chosen entry strategy has an ability to control the resource bundle as efficiently as possible. This leads to the result that investments committed in these resources are under control and will bring good return on investment when well managed.

In conclusion, the research provides testable propositions of variation of control and commitment in different industries and environments. Moreover, the resource-based view is extended to cover resource bundles and interconnected assets to enhance the level of academic knowledge about complex resources. Finally, this research successfully combines two theoretical frameworks to build a broader perspective for strategic decision-making. In their extensive overview of the past entry strategy research, Canabal and White (2006, 278) support scholars in combining and integrating theories; in this research, the utilization of the resource bundle – strategy fit concept sets the stage for future empirical research.

6.2 Managerial implications

In addition to the global economic growth in specific regions, a macro-economic growth driver of the serviced apartment industry is derived from the growth of the travel industry (the expected number of global tourist arrivals are expected to grow 4 % within the 2014- 2019 period) (Euromonitor 2015). Moreover, the awareness of the serviced apartment industry is growing steadily, which increases the sector demand as many travelers choose a serviced apartment as a natural alternative to a hotel room (Harris et al., 2015/16, 9). These facts combine to provide excellent growth prospects for the companies in the sector. At the same time, the industry is currently facing a turning point as many new companies have entered the business and the old firms have reinvented themselves with new innovative business concepts. Thus, in the near future, within the next 10 years, the sector will face inevitable changes in its competitive environment. New players will either make their way to becoming top companies or they will decline and disappear. At the same time, the existing leading providers may lose their positions if they are not able to tackle the growth and retain a clear competitive edge.

This research purely concerns strategic focus and allocating resources efficiently to achieve competitive advantage. For top managers in the serviced apartment sector this research gives structure and tools to analyze the competitiveness of their own firms and to find areas of improvement. The first task is to identify which strategic position the company currently utilizes based on the analysis of company’s resources and the applied international strategies. The study has given two examples of broad distinctive categories: companies which have the goal to own (or to possess nearly full decision-making power) real estate and companies which have the goal to own clients. Both of the approaches have their specific emphasis on important assets and applied entry strategies.

On one hand, companies striving to own real estate tend to have a clearer asset portfolio than their counterparts, preferring to have a strong brand in each location, excellent customer service and an efficient sales and marketing process to support strong clientele. These companies often follow strategies which emphasize governance of whole properties by ownership, lease agreement, management contracts and also franchising. The strategy is an efficient way to build a company's financial position step-by-step towards a strong balance sheet which includes real estate investments. On the other hand, companies which work hard to own client accounts at the global level operate often on a partner basis (licensing) or follow flexible strategies such as single apartment lease agreements. The strategy aims to grow the company's apartment portfolio to have a global scale offering with low risk. The key resource structure in these companies is not as clear as in the first example. However, these companies also strive to have a strong customer base by relying more on sales and marketing competences than strict processes. In addition, these companies appreciate their partnership network and need to cultivate and grow it constantly. Finally, a company culture which binds together the company's people and ways to do things may be a strong asset in these firms since the practices and procedures are not as strict as in the first example.

A company determining its strategic position may find itself in either of these two examples, or the business concept or the position may be somewhere in between these two types. After the strategic positioning in relation to the most important resources and the applied entry strategies, the three following perspectives are recommended to consider. Firstly, a company has to decide which are the key strategies and resources which will receive constant investments. This decision derives from a company's vision and mission, which should be the starting point of any strategic decision. The next step is to streamline a company's operations by investing in the key resources and by not allocating investments into resources which are not in line with the strategical choices. For instance, if a company has chosen to focus on licensing strategy, it should invest more in partnerships, the brand, marketing and sales competences and processes than in the operative efficiency. The third step is to constantly review and strengthen the key resources and strategies. Both of the elements need to be developed based on market needs. A business model is always time-bound and a company may face a situation where it has to change its direction rapidly. Thus, the presented concept should be always evaluated within the context of time. The key resources should be regularly questioned and new suitable strategies examined. The described decision-making framework is provided in Figure 14 below.

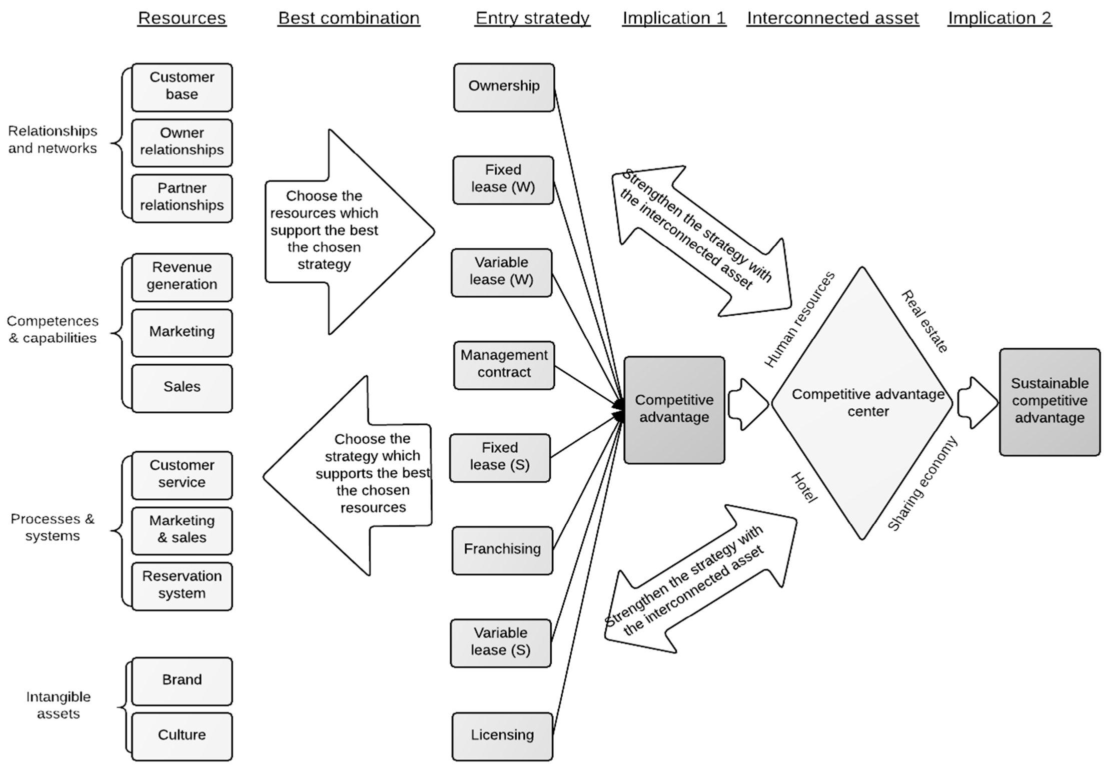


Figure 14 Resource & strategy decision-making framework

In the figure above the first rectangle column from the left depicts the resource categories and the most important resources for the companies in the sector. The arrows between the first and the second rectangle columns describe the decision of a resource or a strategy choice. The figure includes two large arrows to illustrate the dynamic nature of the decision-making. The second rectangle column includes the entry strategies which are most commonly applied in the serviced apartment sector. One, or a combination of these strategies, is chosen which support the most common resources. Alternatively, a company may prefer a certain strategy and begins to emphasize certain resources which fit well with the strategy. In this case, the decision-making starts from the strategy column in the middle. No matter how the process proceeds, the end result of the prioritized resources combined with a streamlined strategy will be a strong company which relies on its strengths and uses these strengths effectively and efficiently. This in turn creates competitive advantage (square in the middle)

The next stage in the strategic decision-making is to start building synergy with related industries (two-way arrows on the right side of the figure) on the right. This process may have taken place long before the company starts to streamline its strategies, or the process may start from the beginning. Thus, the question is to either finding a suitable partner which has the potential for the greatest synergy or which will help realize the existing potential within a company. The latter may be the case for conglomerates which operate in different sectors and would like to deepen the cooperation between the business lines. The related industries which were found in the course of the research are depicted in the diamond on the right side of the figure (real estate, hotel, human resources, sharing economy). Building synergy does not happen overnight; however, the synergy development has to be an intentional decision in order to efficiently utilize this potential. As a result of this development, a company can build sustainable a competitive advantage which is difficult, if not impossible, to imitate by other companies.

It is important to be aware that the resource bundle – entry strategy concept gives only one useful perspective on the strategic decision-making over the strategy – resource theme. For instance, each of the strategies carries features which cannot be covered in this research. Financial potential, company valuation, geographical suitability and a company image are all examples of other perspectives, to name just a few. However, notwithstanding the one-sided perspective, streamlining and constantly updating a company's strategic structure is not only necessary but also supports serviced apartment firms in remaining strong and competitive in this dynamic sector.

REFERENCES

Aaltio, I. – Puusa, A. (2011) Laadullisen tutkimuksen luotettavuus. In: *Menetelmäviidakon raivaajat. Perusteita laadullisen lähestymistavan valintaan.*, eds. Puusa A. – Juuti P., 153–166. Johtamistaidon opisto, Turku.

A Barona Group company, Asuntojen tasoluokitus. <http://www.forenom.fi/fi-FI/kalustetut-asunnot/Asuntojen-tasoluokitus>, retrieved 8.11.2012.

Aparthotels Adagio (2013) PRESS KIT APARTHOTELS ADAGIO® 2013 TRADE PRESS . <http://www.accorhotels-group.com/fileadmin/user_upload/Contenus_Accor/Presse/Dossiers_Presse/EN/2014/aparthotels_adagio_trade_press_kit_2013_eng.pdf>, retrieved 24.2.2016.

Alasuutari, Pertti (1999) *Laadullinen tutkimus.* Vastapaino, Jyväskylä.

Anderson, E. – Gatignon, H. (1986) Modes of Foreign Entry: A Transaction Cost Analysis and Propositions. *Journal of International Business Studies,* Vol. 17 (3), 1–26.

Balekjian, C. – Sarheim, L. (2011) A new dawn in the land of the midnight sun; are the Nordic countries at a crossroads between management agreements and leases? *HVS consulting report*, London.

Bell, C.A. (1993) Agreements with chain-hotel companies. *The Cornell hotel and restaurant administration quarterly,* Vol. 34 (1), 27–33.

Barney, J. (1986) Organizational culture: can it be a source of sustained competitive advantage? *Academy of Management Review*, Vol. 11 (3), 656–665.

Barney, J. (1991) Firm Resources and Sustained Competitive Advantage. *Journal of Management*, Vol 17 (1), 99–120.

Barney, J. – Clark, C. (2007) *Resource-Based Theory: Creating and Sustaining Competitive Advantage.* Oxford University Press, Oxford.

Barney, J. – Ketchen, D. –Wright, M. (2011) The Future of Resource-Based Theory: Revitalization or Decline? *Journal of Management*, Vol. 37 (5), 1299–1315.

Barney, J. – Peteraf, M. (2003) Unraveling The Resource-Based Tangle. *MANAGERIAL AND DECISION ECONOMICS*, Vol. 24, 309–323.

Barney, J. – Wright, M. – Ketchen, D.J. (2001) The resource-based view of the firm: Ten years after 1991. *Journal of Management,* Vol. 27, 625–641.

Beije, P. R. (1996) Transaction Costs and Technological Learning. In: *Transaction Cost Economics and Beyond*, eds. Groenewegen, J., 309–326. Kluwer Academic Publishers, London.

Benito, G. – Petersen, B. – Welch, L. (2011) Mode Combinations and International Operations: Theoretical Issues and an Empirical Investigation. *Management International review*, Vol. 51, 803–820.

Bennett, R. (1995) *International Marketing: Strategy, Planning, Market Entry – Implementation*. Kogan Page Limited, London.

Berbel-Pineda, J. M. – Ramirez-Hurtado, J. M. (2012) Issues about the internationalization strategy of hotel industry by mean of franchising. *International Journal of Business and Social Science*, Vol. 3 (6), 284–290.

Blomström, M. – Kokko, A. – Zejan, M. (2000) *Foreign Direct Investment: Firm and Host Country Strategies.* Macmillan Press Ltd, Houndmills.

Boddewyn, J. J. – Halbrich, M. B. – Perry A. C. (1986) Service Multinationals: Conceptualization, Measurement and Theory. *Journal of International Business Studies*, Vol. 17 (3), 41–57.

Boidin, D. (2012) The new paths towards hotel efficiency and profitability. *Presentation at the Hospitality World Congress,* Barcelona, Spain, 17.10.2012.

BridgeStreet Corporate Housing Worldwide (2003) BridgeStreet Corporate Housing Acquires Circus Apartments in London's Canary Wharf <http://www.bridgestreet.com/press-releases/news_bridgestreet_acquires_circus_apartments>, retrieved 23.2.2016.

Bridgestreet (2000–2013) Residences - serviced apartments - suites. <http://www.bridgestreet.com/>, retrieved 31.12.2013.

Bridgestreet (2015) Bridgestreet Network Members. <http://www.bridgestreet.com/serviced-apartments/bridgestreet-network-members.html>, retrieved 4.10.2015.

Brooke, M. Z., – Remmers, H. L. (1978) *The Strategy of Multinational Enterprise: Organization and Finance.* Publishing New Zealand Ltd, Wellington.

Brown, J. R. – Dev, C. S. (2000) Improving Productivity in a Service Business: Evidence from the Hotel Industry. *Journal of Service Research.* Vol. 2 (4), 339–354.

Brown, J. R. – Dev, C. S. – Lee, D. (2000) Managing Marketing Channel Opportunism: The Efficacy of Alternative Governance Mechanisms. *Journal of Marketing*, Vol. 64, 51–65.

Brown, J., R., Dev, C.S. – Zhou, Z. (2007) Global Brand Expansion: How to Select a Market Entry Strategy. *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 48 (1), 13–27.

Buckley, P. J. – Casson, M. (1976) *The Future of the Multinational Enterprise*. Redwood Burn Limited, London.

Canabal, A. – White III, G. (2006) Entry mode research: Past and future. *International Business Review*, Vol 17, 267–284.

Caves, R. E. (1971) *International Corporations: The Industrial Economics of Foreign Investment.* Blackwell Publishing Limited.

Caves, R. E. (1982) *Multinational enterprise and economic analysis*. Press Syndicate of the University of Cambridge, Cambridge.

Cloninger, P. A. (2004) The effect of service intangibility on revenue from foreign markets. *Journal of International Management,* Vol. 10, 125–146.

Collins, S. – Perret, S. (2015) Decisions, decisions... Which hotel operating model is right for you*? HVS consulting report*, London.

Contractor, F.J. – Kundu, S.K. (1998a) Franchising Versus Company-Run Operations: Modal Choice in the Global Hotel Sector. *Journal of International Marketing,* Vol. 6 (2), 28–53.

Contractor, F.J. – Kundu, S.K. (1998b) Modal Choice in a World of Alliances: Analyzing Organizational Forms in the International Hotel Sector. *Journal of International Business Studies,* Vol. 29 (2), 325–357.

Contractor, F.J. – Kundu, S.K. (2000) Globalization of hotel services: Examination of ownership and alliance patterns in a maturing service sector. In: *Globalization of Services: Some Implications for Theory and Practice*, eds. Aharoni, Y., 297–319. Routledge, London.

Contractor, F., – Kundu, S. K. (2003) A three-stage theory of international expansion: the link between multinationality and performance in the service sector. *Journal o f Internationa Business Studies,* Vol. 34 (1), 5–18.

Corporate Housing Providers Association (2013) *Corporate housing industry report.* CHPA Corporate Housing Providers Association.

Crook, T.R. – Ketchen Jr., D.J., Combs, J.G. – Todd, S.Y. (2008) Strategic resources and performance: a meta-analysis. *Strategic Management Journal,* Vol. 29, (11), 1141–1154.

Davidson, W. H. (1982) *Global Strategic Management*. A Ronald Press Publication, New York.

Detlefsen, H. – Glodz, M. (2013) Historical Trends: Hotel Management Contracts. *HVS consulting report*, HVS Global Hospitality Services, Chicago.

Dierickx, I. – Cool, K. (1989) Asset stock accumulation and sustainability of competitive advantage. *Management Science,* Vol. 35 (12), 1504–1511.

Dunning, J.H. – McQueen, M. (1982) Multinational corporations in the international hotel industry. *Annals of Tourism Research,* Vol. 9 (19), 69–90.

Eisenhardt, K. – Martin, J. (2000) Dynamic capabilities: what are they? *Strategic Management Journal*, Vol. 21, 1105–1121.

Ekholm, Hans, CEO, Kotimaailma. Phone discussion 6.11.2012.

Eriksson, Päivi – Kovalainen, Anne (2008) *Qualitative methods in business research*. SAGE Publications Ltd, London.

Erramilli, M. K. (1991) The experience factor in foreign market entry behavior of service firms. *Journal of International Business Studies*, Vol 22 (3), 479–501.

Erramilli, M. K. – Rao, C. P. (1993) Service firms' international entry-mode choice: A modified transaction-cost analysis approach. *Journal of Marketing*, Vol 57, 19–38.

Eskola, J. – Vastamäki, J. (2001) Teemahaastattelu: opit ja opetukset. In: *Ikkunoita tutkimusmetodeihin*, eds. Juhani Aaltola – Raine Valli, 24–42. PS-kustannus, Jyväskylä.

Euromonitor (2015) Travel Industry and Online Travel Global Overview. <http://www.euromonitor.com/travel-industry-and-online-travel-global-overview/report>, retrieved 24.2.2016.

Eyster, J.J. (1997) Hotel Management Contracts in the U.S.. *Cornell Hotel and Restaurant Administration Quarterly*, Vol 38 (3), 21–33.

Forenom owner services (2016) Occupancy-linked accommodation income service-rental income from a second home. <http://www.forenomownerservices.com/services/occupancy-linked-accommodation-income-service/>, retrieved 24.2.2016.

Foss, N. – Knudsen, T. (2003) The Resource Based Tangle: Towards a Sustainable Explanation of Competitive Advantage. *MANAGERIAL AND DECISION ECONOMICS*, Vol. 24, 291–307.

Frasers Hospitality (2016) About Frasers Centrepoint Limited. <http://www.frasershospitality.com/en/about-us/heritage.html>, retrieved 24.2.2016

Gannon, J. – Roper, A. – Doherty, L. (2010) The impact of hotel management contracting on IHRM practices: Understanding the bricks and brains split. *International Journal of Contemporary Hospitality Management*, Vol. 22, (5), 638–658.

Grönfors, Martti (1982). *Kvalitatiiviset kenttätyömenetelmät.* WSOY:n graafiset laitokset, Juva.

Hallé, B. (2012) How to Grow – Where to Go or Where to Go – How to Grow. *Presentation at the Hospitality World Congress.* Barcelona, Spain, 18.10.2012.

Harris, M. – McCrow, C. – Vos, B. (2015/16) *The Global Serviced Apartments Industry Report*. The Apartment Service, London.

Hart, S.J. (1991) A first-time user's guide to the collection and analysis of interview data from senior managers. In: *The Management Research Handbook*, eds. N.L. Smith – P. Dainty, 190–203, Routledge, London.

Hennart, J. (1988) Transaction costs theory of equity joint ventures. *Strategic Management Journal*, Vol. 9, 361–374.

Hennart, J.-F. – Brouthers, K. D. (2007) Boundaries of the Firm: Insights From International Entry Mode Research. *Journal of Management*, Vol. 33 (3), 395–425.

Hirsjärvi, S. – Remes, P. – Sajavaara, P. (1997) *Tutki ja kirjoita.* Tekijät ja Kirjayhtymä Oy, Tampere.

Hirsjärvi, Sirkka – Hurme, Helena (1988) *Teemahaastattelu.* Yliopistopaino, Helsinki.

Hospitality Business News (2016) Historic Fairmont San Francisco Hotel Is Purchased by Oaktree Capital Management and Woodridge Capital Partners. <http://hospitalitybusinessnews.com/2012057814/historic-fairmont-san-francisco-hotel-purchased-oaktree-capital-management-and-woodrid>, retrieved 24.2.2016.

Insa-Ciriza, R. (2003) Franchising in Spain: The success of being your own boss. *European Regional Review, Vol* 39, 58–61.

Inter Continental Hotels Group (2013) Staybridge Suites to form part of iconic development in Jeddah city centre. <http://www.ihgplc.com/index.asp?PageID=57–NewsID=3093>, retrieved 24.2.2016

Investopedia (2016) Residual income. <http://www.investopedia.com/terms/r/residualincome.asp>, retrieved 24.2.2016.

Investopedia US (2012) Green Field Investment. <http://www.investopedia.com/terms/g/greenfield.asp#axzz2AmqpCSem>, retrieved 6.11.2012.

Kauppalehti (2012) Jälleenvuokraaja Forenom kahmii lisää vuokrakohteita. Kauppalehti 21.2.2012, 8–9.

Kim, W. C. – Hwang P. (1992) Global Strategy and Multinationals' Entry Mode Choice. *Journal of International Business Studies* Vol. 23, 29–53.

Kotimaailma (2012). Hinnat: Kotimaailma. <http://kotimaailma.com/prices.pl>, retrieved 11.9.2012.

Kraaijenbrink, J. – Spender, J. – Groen, A.J. (2010) The Resource-Based View: A Review and Assessment of Its Critiques. *Journal of Management*, Vol. 36 (1), 349–372.

Lasserre, P. (2007) *Global Strategic Management*. Palgrave Macmillan, Basingstoke.

Laufs, K. – Schwens, C. (2014) Foreign market entry mode choice of small and medium-sized enterprises: A systematic review and future research agenda. *International Business Review*, Vol. 23, 1109–1126.

León-Darder, F. – Villar-García, C., – Pla-Barber, J. (2011) Entry mode choice in the internationalisation of the hotel industry: a holistic approach. *The Service Industries Journal*, Vol. 31 (1), 107–122.

Lincoln, Yvonna – Guba, Egon (1985). *Naturalistic Inquiry.* Sage Publications, Beverly Hills, California.

Lloyd-Jones, A., R. – Rushmore, S. (1996) Recent trends in hotel management contracts. *Real Estate Finance Journal*, Vol. 12 (1), 3–9.

Mahoney, J. T. (2001) A resource-based theory of sustainable rents. *Journal of Management*, Vol. 27, (651-660).

Manzoori-Stamford, J. – Thompson, H. (2014) Serviced apartments demand is growing faster than supply. *The Caterer 11*. –17.*2014*, 203.

Martín, C. D. (2012) Expansion. How to grow and where to go?: How to develop growth strategies? *Side session at the Hospitality World Congress*, Barcelona, Spain. 18.10.2012.

McKenney, S. (2014) Emerging accommodation segments 2015, *Global Hospitality Insights: Top thoughts for 2014.*

Metsämuuronen, Jari (2006) *Laadullisen tutkimuksen käsikirja.* Gummerus Kirjapaino Oy, Jyväskylä.

Monasterio, M. S. (2012) Expansion. How to grow and where to go? *Roundtable at the Hospitality World Congress*, Barcelona, Spain, 18.10.2012.

Oakwood Worldwide (2014) Oakwood Worldwide and Mapletree Sign Multi-Billion Dollar Serviced Apartment Deal. <http://www.oakwood.com/cms/press-release-oakwood-worldwide-and-mapletree-sign-multi-billion-dollar-joint-venture.html>, retrieved 22.2.2016

Oehmichen, A. (2015) Serviced apartments in Europe: At the crossroads between niche and mainstream. *HVS consulting report*, London.

Panvisavas, V. – Taylor, S.J. (2008) The use of management contracts by international hotel firms in Thailand. *International Journal of Contemporary Hospitality Management*, Vol. 18 (3), 231–245.

Penrose, E. – Pitelis, C. (1959) *Theory of the Growth of the Firm.* 4th edition, Oxford University Press, Oxford.

Peteraf, M. (1993) The Cornerstones of competitive advantage: a resource-based view. *Strategic Management Journal*, Vol. 14, 179–191.

Priem, R. – Butler, J. (2001) Is the resource-based "view" a useful perspective for strategic management research? *Academy of Management Review,* Vol. 26 (1) 22–40.

PR Newswire (2015) BridgeStreet and Airbnb Develop Global Hospitality Program <http://www.prnewswire.com/news-releases/bridgestreet-and-airbnb-develop-global-hospitality-program-300155758.html>, retrieved 23.10.2016

Puusa, A. (2011b) Haastattelu laadullisen tutkimuksen menetelmänä. In: *Menetelmäviidakon raivaajat; perusteita laadullisen tutkimuksen lähestymistavan valintaan,* eds. A. Puusa – P. Juuti, 73–87. Johtamistaidon opisto, Turku.

Puusa, A. (2011a) Laadullisen aineiston analysointi. In: *Menetelmäviidakon raivaajat*, eds. A. Puusa – P. Juuti, 114–125. Johtamistaidon opisto, Turku.

Quer, D. – Claver, E., – Andreu, R. (2007) Foreign market entry mode in the hotel industry: The impact of country- and firm-specific factors. *International Business Review*, Vol 16, 362–376.

Ray, G. – Barney, J. – Muhanna, W. (2004) Capabilities, business processes, and competitive advantage: choosing the dependent variable in empirical tests of the resource based view. *Strategic Management Journal*, Vol 25, 23–37.

Root, F. R. (1987) *Entry Strategies for International Markets.* D.C. Heath and Company, Massachusetts/Toronto.

Rushmore, S. – Bagley, E. (2014) 2014 United States Hotel Franchise Fee Guide, *HVS consulting report*, Mineola.

SACO (2015) SACO's Serviced Apartment Partner business 2015. <http://www.sacoapartments.com/media/12425/11-saco-partners.pdf>, retrieved 3.8.2015.

Sanchez-Peinado, E. – Pla-Barber, J. (2006) A multidimensional concept of uncertainty and its influence on the entry mode choice: An empirical analysis in the service sector. *International Business Review Vol. 15*, 215–232.

Sanchez-Peinado, E. – Pla-Barber, J., – Hébert, L. (2007) Strategic Variables That Influence Entry Mode Choice in Service Firms. *Journal of International Marketing,* Vol. 15 (1), 67–91.

Sell, G. (2015a) More than 1,000 companies sign up to Airbnb's business travel programme. *Serviced Apartment News 24.8.2015*, <http://www.servicedapartmentnews.com/home/news/2015/8/24/more-than-1,000-companies-sign-up-to-airbnb%E2%80%99s-business-travel-programme/>, retrieved 30.7.2016.

Sell, G. (2015b) Serviced Apartment News launches the Serviced Apartment Digital Benchmark Report with London event. *Serviced Apartment News 8.9.2015*, <http://www.servicedapartmentnews.com/home/news/2015/9/8/serviced-apartment-news-launches-the-serviced-apartment-digital-benchmark-report-with-london-event/>, retrieved 23.10.2016.

Serviced Apartment Summit (2015) If you can't beat them, join them. *Serviced Apartment Summit -panel discussion*, London, United Kingdom, 7.–8.7.2015.

Shostack, G. L. (1977) Breaking free from product marketing. *Journal of Marketing*, April 1977, 73–80.

Silverman, David (2010) *Doing qualitative research.* SAGE Publications Ltd, London.

Smircich, L. (1983) Concepts of culture and organizational analysis. *Administrative Science Quarterly*, Vol. (28), 339–358.

Srivastava, R.K. – Fahey, L. – Christensen, H.K. (2001) The resource-based view and marketing: The role of market-based assets in gaining competitive advantage. *Journal of Management,* Vol. 27, 777–802.

Swoboda, B. – Olejnik E. – Dirk Morschett, D. (2011) Changes in foreign operation modes: Stimuli for increases versus reductions. *International Business Review*, Vol. 20, 578–590.

Thadani, M. – Mobar, J.S. (2014) HVS Hotel management contract survey. *HVS consulting report*, Gurgaon.

The Apartment Service (2014) Add Apartments to Database. <http://www.apartmentservice.com/property_manager?aemode=add>, retrieved 15.8.2015.

Travel Daily Media (2014) New serviced apartment classification in the pipeline. *Travel Daily Media*, <http://www.tourismcambodia.com/news/worldnews/13825/new-serviced-apartment-classification-in-the-pipeline.htm>, retrieved 25.2.2015.

Tuomi, J.– Sarajärvi, A. (2006) *Laadullinen tutkimus ja sisällönanalyysi.* Kustannusosakeyhtiö Tammi, Jyväskylä.

Tynjälä, P. (1991) Kvalitatiivisten tutkimusmenetelmien luotettavuudesta. *Kasvatus,* Vol 22, 387–398.

Vandermerwe, S. – Chadwick, M. (1989) The Internationalisation of Services. *The Service Industries Journal,* Vol 9 (1), 79–93.

Wan, W. – Hoskisson R. – Short, J. – Yiu, D. (2011) Resource-Based Theory and Corporate Diversification: Accomplishments and Opportunities. *Journal of Management*, Vol. 37 (5), 1335–1368.

Welch, L. S. – Benito G. R.G. – Petersen, B. (2007). *Foreign operation methods: theory, analysis, strategy.* MPG Books Ltd, Bodmin, Cornwall.

Wernerfelt, B. (1984) A Resource-based View of the Firm. *Strategic Management Journal*, Vol. 5, 171–180.

Wilkinson, Ian – Young, Louise (2004) Improvisation and adaptation in international business research interviews. In: *Handbook of qualitative research: Methods for international business*, eds. Rebecca Marschan-Piekkari – Catherine Welch, 207–223. Edward Elgar, Cheltenhamn.

Williamson, O. E. (1971) The Vertical Integration of Production: Market Failure. *American Economic Review*, Vol 61 (2), 112–123.

Williamson, O. E., (1979) Transaction Cost Economics: The Governance of Contractual Relations. *Journal of Law and Economics,* XXII (2), 233–261.

Williamson, O. E. – Masten, S. E. (1995) *Introduction. Transaction Cost Economics.* Aldershot: England.

Wright, P.M. – Dunford, B.B. – Snell, S.A. (2001) Human resources and the resource based view of the firm. *Journal of Management,* Vol. 27, 701–721.

Young, S. – Hamill, J. – Wheeler, C. – Davies, J. R. (1989) *International Market Entry and Development*, Prentice Hall, Englewood Cliffs.

APPENDICES

APPENDIX 1 THE INTERVIEW FORM

INTERVIEW QUESTIONS 2015

THE CONNECTION OF INTERNAL ASSETS AND INTERNATIONAL ENTRY MODES IN THE SERVICED APARTMENTS CONTEXT
Research on the serviced apartment business field
Juha Hämäläinen, Turku School of Economics

Please find below the interview questions to facilitate the discussion. All the questions will be covered during the interview. Alternatively, specific focus area(s) will be chosen which will be discussed in detail.

Company details
Company's name:
Interviewee:
Company code in the research:

Theme 1: Key resources

1. **What are the most important resources, assets or capabilities for your company to succeed in the international competition? One definition of a resource is provided below**

Resource = All assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness

2. **How would you describe the value of these resources for your company? One definition of a valuable resource is provided below.**

Valuable resource = Valuable resource enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness.

3. **If you think about other firms in the industry, how general these assets are? Are these resources, assets or capabilities rarely owned by your competitors?**

4. **If you think about your industry as a whole, how easy these resources are to copy? Is it difficult to create a similar resource, asset or capability in a few years?**

5. **If you think about the nature of these resources, how easy it is to find another resource which can provide similar results? Which could be substitutes of these resources, assets or capabilities?**

Theme 2: International entry modes

1. **What are the strategies your company has used to enter a certain market? Please describe. As a frame of reference, one example of entry mode classification is provided in the end of this section.**

2. **How would you classify these entry modes in relation to following four definitions: greenfield, brownfield, whole property and single apartments? To which category each of the entry modes belongs in your business? The definitions of the concepts and the table for classification are provided below.**

Greenfield investment = A wholly owned subsidiary which is established by a parent company from the ground up
Brownfield investment = Purchase or lease of existing facilities to launch new activity
Whole property model = A serviced apartment operator provides its service by owning, renting or managing a whole apartment building in the same location
Individual apartment model = A serviced apartment operator provides its service by owning, renting or managing individual single apartments in different locations

The entry mode classifications:

Entry mode	Whole property model (X)	Individual apartments (X)	Greenfield investment (X)	Brownfield investment (X)
Entry mode (1):				
Entry mode (2):				
Entry mode (3):				
Entry mode (4):				
Entry mode (5):				
Entry mode (6):				
Entry mode (7):				

Entry mode (8):				
Entry mode (9):				
Entry mode (10):				

3. **What functions your company has an ability to control when these entry modes are used? Which resources, assets or capabilities are in your control? One definition of control is provided below.**

Control = Authority over operational and strategic decision making

4. **How much control you believe your company receives as a whole by using this entry mode? Please explain and rate from one to five (the table is provided below the question 6).**

5. **What kind of resources your company is willing or required to allocate when this entry mode is used (e.g. physical -, human and organizational resources)? Please specify. One definition of these resource categories is provided below.**

Physical resources = Physical technology, premises and equipment, geographic location, access to available real estate (for example furnishing is a physical resource)

Human resources = Employees, training, experience, judgment, intelligence, relationships and insights of individual managers and workers in a firm (for example customer relationship is a human resource)

Organizational resources = Formal reporting structure, formal and informal planning, controlling and coordinating systems, informal relations among groups within a firm and between a firm and those in its environment (for example reservation system is an organizational resource),

6. **How much commitment your company needs to allocate as a whole when this entry mode is used? One definition of commitment is provided below. Please explain and rate from one to five (the table is provided in the end of this section).**

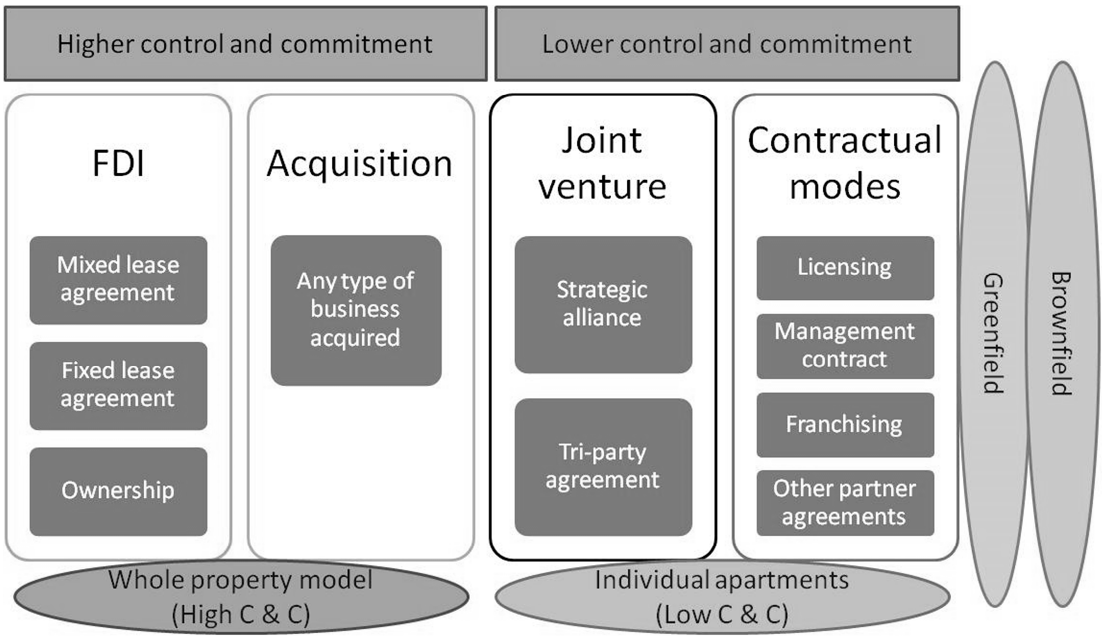
Commitment = Dedicated assets that cannot be redeployed to alternative uses without loss of value

The evaluation of control and commitment (questions 4 and 6)

Use the following rating:
5 = Very high level of control or commitment
4 = High level of control or commitment
3 = Average level of control or commitment
2 = Low level of control or commitment
1 = Very low level of control or commitment

Entry mode	Level of control (1-5)	Level of commitment (1-5)
Entry mode (1):		
Entry mode (2):		
Entry mode (3):		
Entry mode (4):		
Entry mode (5):		
Entry mode (6):		
Entry mode (7):		
Entry mode (8):		
Entry mode (9):		
Entry mode (10):		

Example mix of entry modes:



<u>Theme 3: Synthesis</u>

1. **How do you think these resources have built competitive advantage to your company when opening a new market? Do you think that this competitive advantage will sustain over time? Definitions of competitive advantage and sustainable competitive advantage are provided below.**

Competitive advantage = A firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors.

Sustained competitive advantage = A firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and other firms are unable to duplicate the benefits of this strategy.

2. **Which resources your company would like to acquire to build sustainable competitive advantage when using the chosen entry mode (x, y or z)? Please keep in mind the before discussed ability to control certain functions and the required commitments.**

3. **Which entry modes your company would prefer to use to build sustainable competitive advantage when owning this resource (x, y or z)? Please keep in mind the before discussed ability to control certain functions and the required commitments.**

4. **What could be an optimal resource entry mode bundle for your company to gain sustainable competitive advantage in the international markets?**

Thank you for the interview!

APPENDIX 2 THE ANALYSIS TOOL

Resources, capabilities and assets / *Entry modes*

Resource	Interviewee's priority (1,2 or 3)	Valuable	Rare	Unimitable	Unsubstitutable	Competitive advantage	Lease agreement + franchising: Ability to control (1-3)	Lease agreement + franchising: Commitment to dedicated assets (1-3)	Lease agreement + franchising: Resource exploited (%)	Hotel management agreement (HMA): Ability to control (1-3)	Hotel management agreement (HMA): Commitment to dedicated assets (1-3)	Hotel management agreement (HMA): Resource exploited (%)	Joint venture: Ability to control (1-3)	Joint venture: Commitment to dedicated assets (1-3)	Joint venture: Resource exploited (%)	Full ownership (future): Ability to control (1-3)	Full ownership (future): Commitment to dedicated assets (1-3)	Full ownership (future): Resource exploited (%)
People	1	Yes	Yes*	No	No	Temporary competitive advantage	3	3	100 %	3	3	100 %	3	3	100 %	3	3	100 %
- employees																		
- customers																		
Cycas reputation & company brand		Yes	Yes	Yes***	Probably	(Sustained) competitive advantage	1	2	25 %	1	2	25 %	1	2	25 %	2	1	25 %
Relationships & networks	2	Yes	Yes**	Yes***	Yes****	Sustained competitive advantage	2	2	50 %	2	2	50 %	1	2	25 %	2	1	25 %
- brand relationships																		
- owner relationships																		
- financial relationships																		
Knowledge	2	Yes	Yes**	Yes***	No	Competitive advantage	2	2	50 %	1	2	25 %	2	3	75 %	3	3	100 %
- extended stay experience																		
- real estate financial understanding																		
- strategic differentiating skills																		
Processes		Yes	No	No	No	Competitive parity	2	3	75 %	2	2		3	3	100 %	3	3	100 %
- guest experience excellence																		
- real estate negotiation process																		
-real estate establishment process																		
-operative management practices																		

Research questions

What are the key resources in the serviced apartment industry and how they create competitive advantage to the firms in the business?

Which international entry strategies the companies use in the industry and how these strategie exploit the key assets?

What are the optimal resource - entry mode bundles for a company from the competitive advantage perspective?

1 = Low control/commitment
2 = Medium control/commitment
3 = High control/commitment
ND = not defined

*unique methods & strategies in employing
**at the region level (Europe) the company is unique
*** historically dependent and socially complex asset
**** at the region level (Europe) no strategically equivalent resource