INTERNATIONAL HOTEL GROUPS AND REGIONAL DEVELOPMENT IN CENTRAL AND EASTERN EUROPE

A thesis submitted to the University of Manchester for the degree of
Doctor of Philosophy in the Faculty of Humanities

2011

PIOTR NIEWIADOMSKI

SCHOOL OF ENVIRONMENT AND DEVELOPMENT
Geography

List of contents

WORD COUNT: 88 123

List of figures

List of tables

List of abbreviations

ANT	Actor-network theory
CEE	Central and Eastern Europe
CMEA	Council for Mutual Economic Assistance (Comecon)
CRSs	Computer reservation systems
EBRD	European Bank for Reconstruction and Development
EEC	European Economic Community
EIBTM	*Eng.* The Global Meetings and Incentives Exhibitions
EMEA	Europe, Middle East and Africa
EU	European Union
FDI	Foreign direct investment
GATS	General Agreement on Trade in Services
GCC	Global commodity chains
GDP	Gross domestic product
GDSs	Global distribution systems
GNP	Gross national product
GPN	Global production networks
GVC	Global value chains
IMEX	*Eng.* Worldwide Exhibitions for Incentive Travel, Meetings and Events
IMF	International Monetary Fund
ITB	*Eng.* International Tourism Fair Berlin
JIT	Just-in-time deliveries
M&As	Mergers and acquisitions
MICE	Meetings, incentives, conferencing, exhibitions
NGOs	Non-governmental organisations
OECD	Organisation for Economic Co-operation and Development
PPP	Public-private partnership
R&D	Research and development
REITs	Real estate investment trusts
SPA	State Privatisation Agency (Hungary)
TALC	Tourism area life cycle
TNCs	Transnational corporations
UEFA	Union of European Football Associations
UK	United Kingdom
UN	United Nations

UNCTAD	United Nations Conference in Trade and Development
UNWTO	United Nations World Tourist Organisation
USA	United States of America
VAT	Value added tax
VoC	Varieties of capitalism
WB	World Bank
WDA	Warsaw Destination Alliance
WTM	World Travel Market London

Abstract

The University of Manchester
Author: **Piotr Niewiadomski**
Degree title: **Doctor of Philosophy**
Thesis title: **"INTERNATIONAL HOTEL GROUPS AND REGIONAL DEVELOPMENT IN CENTRAL AND EASTERN EUROPE"**
Date: **August 2011**

While it cannot be questioned that we live in an era of unprecedented, often conflicting and turbulent changes, which, alongside their outcomes, are commonly referred to as "globalisation", some processes of economic globalisation still remain largely under-researched both in sectoral and geographical terms. Conducted from the perspective of economic geography, this thesis addresses two significant research lacunae in economic geography – one sectoral (the hotel industry) and one geographical (Central and Eastern Europe). The paucity of research on services in general and tourism and the hotel sector in particular (the sectoral gap) is especially pronounced with regard to the CEE region (the geographical gap). Meanwhile, the globalisation of the service sector which, further to the collapse of the communist system in 1989, has also embraced CEE is seen to have a growing impact on the (re)integration of the CEE countries into the global economy. Concurrently, the importance of the CEE market in the globalisation of services is also constantly increasing. Thus, as the first systematic study of the international hotel sector in the CEE region, the thesis makes an important contribution to the understanding of the globalisation of the hotel industry (and the globalisation of the service sector) both in theoretical and empirical terms.

The thesis focuses on the spatial expansion of international hotel groups into Central and Eastern Europe (CEE) after 1989 and its main objective is to describe and explain the interactions between different forms of corporate development of international hotel groups and the processes of regional growth in different institutional contexts in CEE. The thesis is mainly qualitative. It is based on two intersecting comparative case studies – one organisational (all hotel groups from the world's Top 50 that are present in CEE, i.e. 23 groups) and one territorial (three CEE countries – Poland, Estonia and Bulgaria). Grounded in the global production networks (GPN) perspective (Henderson et al 2002), the thesis investigates what can be called two "dimensions" of globalisation of the hotel industry (Coe and Ward 2007). Thus, apart from exploring the geographical expansion of international hotel groups into CEE (the horizontal dimension) the thesis also focuses upon the embeddedness of hotel groups in the variety of socio-political and institutional contexts currently emerging in CEE in place of state socialism (the vertical dimension). With regard to the horizontal dimension, the thesis argues that the spatial distribution of international hotels in CEE is shaped by two sets of factors – hotel groups' strategies of expansion and the varying opportunities for the hotel sector development that different markets in CEE can offer. With regard to the vertical dimension, in turn, it is contended that the degree to which each economic, political or social characteristic of a given post-communist context influences the expansion of hotel groups hinges upon the business model preferred by the hotel group. By the same token, the degree to which the group can foster regional growth in a given territory hinges upon the level of embeddedness of the group in that territory which, in turn, is reflective of the business model employed by the hotel group with regard to a given hotel.

Declaration

I declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

Piotr Niewiadomski

Copyright statement

Acknowledgements

I would like to show my deepest gratitude to my PhD supervisors, Dr Martin Hess and Prof. Neil Coe, for their guidance, priceless support and professional advice available to me at all times during the whole process. This thesis would also not have been possible without the support of Dr Sarah Lindley, Geography Post-graduate Coordinator, whose help with formal issues was always of enormous importance. I am also indebted to the administrative staff of the School of Environment and Development and the numerous family members and friends who supported me during the PhD studies in various ways. Finally, I would like to thank all the interviewees who agreed to share their knowledge with me and whose contribution to this thesis has been therefore invaluable.

Chapter 1
Introduction: international hotels and the changing landscape of Central and Eastern Europe

1.1 Filling the gaps: the international hotel sector in Central and Eastern Europe

When one takes a look at the city centre of Warsaw, it is apparent that the current view dominated by modern high-rise buildings is similar to that of every other European city that seeks to be a business centre, be it London, Paris or Frankfurt am Main, to give just a few examples. However, just over 20 years ago the skyline of the Polish capital was entirely different. Suffice to say, only four out of the 22 high-rise buildings in Warsaw (including the infamous Palace of Culture and Science, built by the Soviet authorities in 1955 as a glorious gift to the Polish nation) were developed prior to 1989, i.e. before the fall of the communist system (*www.gazeta.pl*). As all the other towers are relatively new developments, it is easy to infer that the landscape of Warsaw has changed dramatically during the last two decades (Figure 1.1). Similar changes can also be observed in many other cities in Central and Eastern Europe (CEE).

While recognising the difference is one thing, understanding the processes behind the changes is another thing entirely. Given that many of these towers are corporate offices of either various international firms that have recently entered the CEE region or newly-emerged local companies that are gradually gaining more and more prominence in the market, this striking difference between pre- and post-1989 indicates that far-reaching changes are taking place in the region and that globalisation processes have embraced CEE. Five of these buildings are international hotels (Novotel, InterContinental, Hilton Marriott and Westin, with the latter four having been developed after 1989), suggesting that some of the processes that account for economic globalisation in the CEE region are closely associated with the development of the international hotel sector and that the hotel sector plays its own important role in the economic restructuring of CEE. Indeed, the increase in the number of hotels in the region from twelve thousand in 1999 to over nineteen thousand in 2010 (*www.portal.euromonitor.com*), accompanied by the increase in the number of international hotels from just a few in the 1980s to a few hundred in 2010, further confirms that the hotel industry should not be neglected if the changing landscapes of CEE cities are to be effectively interpreted. The scale of the phenomenon is also reflected in the increase in foreign direct investment (FDI) stocks in hotels and restaurants which in the ten CEE states belonging to the EU grew from €1.324 billion in 2000 to €2.441 billion in 2007, and the increase in employment which in wholesale and retail trade, hotels and restaurants and transport rose in the same group of states between 2000 and 2007 by over one million jobs (*http://epp.eurostat.ec.europa.eu*). Meanwhile, although the phenomenon of globalisation has attracted a lot of attention from social scientists deriving from many different fields of study including sociology, business and management studies, political sciences and human geography and general theorisations of globalisation have progressed significantly, the role of services (including the hotel industry) in post-communist transformations in CEE and the role of the CEE market in the globalisation of services is still largely under-researched.

Figure 1.1 Skyscrapers in the city centre of Warsaw

Source: Astrorek (downloaded from *http://warszawa.wikia.com* in May 2011)

This dissertation approaches the hotel sector in CEE from the perspective of economic geography. Simultaneously, it also draws from numerous cognate disciplines, including strategic management, business studies and economic sociology. By means of focusing on the development of the international hotel sector in the CEE region in the context of post-communist transformations, this thesis addresses two significant research lacunae in economic geography – one sectoral (i.e. the hotel industry) and one geographical (i.e. Central and Eastern Europe). The first lacuna can be considered at three levels. First, in contrast to the well-researched manufacturing sector with which economic geographers have been traditionally preoccupied (e.g. the automobile and clothing industries), there is a relative paucity of geographical research on the service sector (Tickell 1999, 2001). Secondly, within the geography of services, there is a shortage of research on consumer services (with the exception of retailing), as opposed to producer services such as, for example, financial services (Coe 2004). Third, given that hotel services are, just like the whole tourism sector, usually classed as consumer services, there is insufficient research on hotel services within the area of consumer services (Ioannides and Debbage 1998a). However, owing to the fact that the diversity of service industries in the global economy is increasing and the distinction between producer and consumer services is gradually blurring (Tickell 2002), this project follows a sectoral approach. It is believed that the hotel sector is a good sectoral case through which the globalisation of services (in this case with regard to CEE) can be comprehensively explored.

The second research gap is geographical in nature. Despite the growing importance of the CEE region for the global economy, the processes of economic globalisation in CEE are still largely unexplored. Most importantly, owing to the fact that under the socialist system the manufacturing sector was assigned a dominant role and thus has received the bulk of scholarly attention since post-communist transformations began, the paucity of research on the service sector in general and the hotel industry in particular is especially pronounced in CEE (see Coe et al 2008b). Meanwhile, the globalisation of services and the influx of foreign corporations into CEE (Bradshaw and Stenning 2004, Pavlinek and Smith 1998) are observed to have an increasing influence upon the (re)integration of the CEE region into the structures of the global economy. As the role of the CEE market in the globalisation of services is also growing, this research project assumes that the CEE region is a good geographical case through which the globalisation of the service sector can be further investigated.

This project focuses on the expansion of international hotel groups into CEE after 1989. The main objective is to analyse and explain the various interactions between expanding hotel firms and the wide variety of institutional contexts currently emerging in the CEE region in place of state socialism. By means of investigating the multiple ways in which the globalisation of the international hotel sector expresses itself in the context of post-communist transformations in CEE, the dissertation pays attention to both the role of the formerly closed CEE market in the globalisation of the hotel sector and the impact of the international hotel industry on post-communist transformations. It is believed that the analysis of the development of the international hotel sector in CEE can enhance the understanding of the globalisation of services in CEE and concurrently contribute to the general understanding of the processes of economic globalisation.

This dissertation aims to explore two dimensions of the globalisation of the hotel sector. Rather than focusing only on the "horizontal dimension" of globalisation, understood as the worldwide development of different industries, the project also pays attention to the "vertical dimension", seen as different hotel corporations' embeddedness in the various economic, institutional and socio-political environments in which they operate (Coe and Ward 2007). Although those two are not real dimensions of globalisation, this analytical distinction is helpful in understanding the phenomenon of globalisation. In addition to exploring the spatial development of international hotel groups in CEE (the horizontal dimension), the thesis also investigates to what extent expanding hotel companies and their production networks are embedded in a number of post-communist institutional, social, economic and political contexts and in what way they stimulate post-communist transformations and act as agents of regional change (the vertical dimension). The next section discusses the theoretical position employed in the thesis (1.2), while Section 1.3 describes the structure of the dissertation and introduces the general argument pursued in the remaining chapters.

1.2 Theoretical position

Elaborated from the perspective of economic geography, the dissertation is grounded in the global production networks (GPN) perspective (Henderson et al 2002), which, as a typically geographical approach, is seen as a highly effective theoretical platform from which both dimensions of the globalisation of the hotel industry can be explored. Due to the fact that the GPN perspective is based upon a relational view of the phenomenon of globalisation (Amin 1997) and is therefore sensitive to the multi-actor, multi-scalar and multi-layered nature of the global economy (Coe and Yeung 2001, Dicken 1998, 2004), the insights provided by the GPN approach are believed to help tackle the investigated phenomenon in a comprehensive way. In the same vein, due to its inherent focus upon regional development (Coe et al 2004, Yeung 2009), the GPN perspective is viewed as a promising avenue for exploring the influence that expanding hotel corporations have on the host economies in the CEE region.

Simultaneously, the thesis also draws from other conceptual approaches which inspired, preceded, and/or contributed to the elaboration of the GPN perspective. These include global commodity/value chains (GCC/GVC) (Gereffi et al 1994, Gereffi 2001, Sturgeon 2001) and other chain and network perspectives, actor-network theory (ANT) (Callon 1987, Law 1986, Latour 1993) and the suite of frameworks often referred to as varieties of capitalism (VoC) (Hall and Soskice 2001, Hollingsworth and Boyer 1997, Whitley 1999). Whereas various chain and network approaches support the GPN perspective in conceptualising the global economy as a complex network of relations and thus allow the dissertation to tackle the changing nature of the global economy in more depth, the VoC suite of approaches serves as a helpful basis through which the project can account for the wide variety of social, political, economic, cultural and institutional contexts in which the different actors are embedded.

Most importantly, as a broadly-based framework for analysing the global economy, the GPN perspective constitutes a solid theoretical foundation through which both research gaps that the thesis aims to tackle can be addressed in more detail. The GPN approach is therefore complemented by two other sets of theories, each of which is related to one of the two foci of the project – Central and Eastern Europe and the hotel industry. Thus, in order to account for the specific context of post-communist transformations in CEE, the thesis looks at the political economy of Central and Eastern Europe from the perspective of the alternative approach to transformations in CEE (Bradshaw and Stenning 2004, Smith 1997, Stark 1992). Based on the institutionalist approach in economic geography (Amin 2001), the alternative approach allows the dissertation to account for the path-dependent and embedded nature of the variety of post-communist capitalisms currently emerging in CEE. Due to the fact that the alternative approach largely overlaps with the VoC framework, it significantly facilitates the applicability of the GPN approach to the context of post-communist transformations in CEE.

Additionally, in order to complement the GPN approach in addressing the international hotel industry, the dissertation draws from various theorisations pertaining to the service sector in general and the hotel industry in particular. Due to the aforementioned paucity of geographical research on services, this set of theories mainly derives from business and management studies perspectives. However, owing to the fact that the management and business studies approaches do not fully account for the vertical dimension of the globalisation of the hotel industry and therefore their applicability to the thesis is rather limited, the project aims to enhance existing theorisations of the hotel industry to more comprehensively account for the globalisation of the hotel industry. Thus, alongside its empirical contributions, the dissertation also aims to contribute to economic geography in theoretical terms. Simultaneously, the project responds to the call for broadening the scope of geographical research on the tourism industry (Ioannides and Debbage 1998a) and strengthening the ties between the geography of tourism and mainstream economic geography (Debbage and Daniels 1998).

Finally, in methodological terms the dissertation is largely qualitative. Based on semi-structured interviews and documentary analysis, it follows a strategy of two intersecting multiple case studies – geographical (selected CEE states) and organisational (selected international hotel groups). While at the general level the dissertation aims to generalise about the whole CEE region and the whole international hotel sector, it focuses on three CEE states (Poland, Estonia and Bulgaria) and all the international hotel groups out of the world's Top 50 that have a presence in the CEE market (24 companies). In order to complement the picture of the hotel sector in CEE, the activities of selected local hotel groups are also briefly investigated.

1.3 The structure of the thesis

Apart from Chapter 1 which is a general introduction and Chapter 9 which summarises research findings and provides conclusions, the dissertation consists of seven chapters – Chapters 2-4 constitute the theoretical part of the thesis, Chapter 5 is the methodological part and Chapters 6-8 relate the empirical findings. Each theoretical chapter discusses a different body of work in which the project is grounded. Thus, Chapter 2 presents the core theoretical foundation of the thesis – the global production networks approach – in the context of broader interdisciplinary debates on the nature of the global economy. In addition, the antecedents of the GPN approach are also reviewed. While Chapter 2 takes a broad approach, the following two chapters refer directly to the two foci of the project – CEE (Chapter 3) and the hotel industry (Chapter 4) – respectively. Thus, in relation to the geographical focus, Chapter 3 discusses different theorisations of post-communist transformations in the CEE region. In opposition to the neoliberal perspective that drove and informed post-communist transformations in CEE in the 1990s, the chapter argues the case for the alternative approach. In turn, Chapter 4 discusses various theorisations of the service sector and the hotel industry. Important gaps in the existing literature are identified and a geographical approach to help tackle these gaps is proposed. It is argued that understanding the nature of the international hotel sector (including the multiplicity of actors involved and the power relations between them, the embeddedness of hotel groups and their global production networks in the host country and the influence of the hotel sector on processes of regional growth), rests on paying close attention to the wide variety of business models of hotel groups. An important theoretical contribution to the understanding of the globalisation of the hotel sector is also made in this respect. All the research questions which the dissertation aims to answer are summarised at the end of Chapter 4.

The methodological part of the dissertation consists of one chapter which discusses the philosophical underpinnings of the thesis, describes the research design and methods of data gathering and outlines the process of analysis of research findings. Issues of power, positionality and ethics are also examined. Finally, Chapters 6-8 constitute the empirical part of the thesis. In order to set the scene for the further analysis, Chapter 6 discusses the horizontal dimension of the hotel industry globalisation and maps the international hotel sector in the CEE region. The chapter outlines the importance of the CEE market for international hotel firms, examines the spatial distribution of international hotels in CEE by countries, cities, brands and market segments and investigates the structure of the business models and modes of entry preferred by international hotel groups in CEE. In addition, the chapter accounts for the growing activity of domestic hotel groups in the region. The chapter argues that the geographical distribution of international hotels in CEE is determined by two sets of factors – firm-specific factors, including hotel groups' different strategies of development, and place-specific factors such as the varying levels of political and economic stability of different national and urban markets across CEE.

The issue of political and economic stability in CEE is further investigated in Chapter 7 which moves the attention from the horizontal dimension onto the vertical dimension of globalisation. The chapter starts by outlining the historical background and discussing the presence of international hotel groups into CEE before 1989. Further to the analysis of the different reasons driving the expansion of hotel groups into CEE after 1989, the chapter focuses on the context of post-communist transformations in CEE which is seen as a set of place-specific social, political, economic and institutional factors which shape the expansion of hotel groups. As post-communist transformations play themselves out in each country in a different way, the factors identified are analysed on the basis of the three focal countries – Poland, Estonia and Bulgaria. The chapter also contends that the level to which these factors influence expansion largely depends on the business models preferred by hotel groups. Following the same pattern, Chapter 8 continues the focus on the vertical dimension and enquires into the forms of influence of the hotel industry on economic development in the CEE region. Five different areas of impact are identified. The chapter contends that the processes of value creation, enhancement and capture are determined by the business models preferred by hotel groups and, depending on various place-specific factors, have a different degree of intensity in different urban and national markets in CEE. The research findings and the theoretical contributions of the thesis are summarised in Chapter 9.

In summary, this thesis is the first systematic study of the international hotel industry in the CEE region. By means of addressing two significant research lacunae in economic geography – Central and Eastern Europe and the international hotel industry – it makes an important contribution to the understanding of the globalisation of the hotel industry in the CEE region in particular and the globalisation of the service sector in general both in theoretical and empirical terms.

Chapter 2
The global economy and the global production networks perspective

2.1 Introduction

This is the first theoretical chapter of this thesis. Its central objective is to describe and critically assess the crucial element of the project's theoretical foundations – the global production networks (GPN) perspective (Henderson et al 2002). However, rather than merely focus on the GPN approach and its claims, the chapter positions the framework in the context of the interdisciplinary debate on economic globalisation and the nature of the contemporary global economy. Offering an overview of the globalisation debate, the chapter discusses different theoretical perspectives on the global economy that have developed over the last few decades in various cognate disciplines and have preceded and contributed to the elaboration of the GPN framework within economic geography. It is illustrated that, as a typically geographical perspective that is based on a relational view of globalisation and that is sensitive to the multi-actor nature of internationally-dispersed economic activities, the various power relations between actors and the wide variety of economic and political contexts in which these actors are embedded, the GPN approach serves as a solid basis on which the understanding of different globalisation processes can be enhanced. Simultaneously, owing to the GPN perspective's inherent focus on regional development, the chapter emphasises the important role of geography in understanding the spatially uneven outcomes of globalisation. It is contended that the insights provided by the GPN approach best allow the thesis to explore the researched phenomenon and explain the interactions between the international hotel sector and the variety of contexts observed in Central and Eastern Europe (CEE).

Concurrently, by means of discussing shortcomings of the GPN perspective and various future challenges to the framework, the chapter identifies the areas in which this project contributes to the development of the GPN framework. Finally, by means of presenting different theoretical bodies upon which the approach builds and which to a varying level are incorporated in the GPN perspective, the chapter also explains the links between the approach and the other two sets of theorisations which inform the thesis and which are subsequently discussed in the following two chapters, namely the 'alternative' approach to post-communist transformations in CEE (Chapter 3) and different theories pertaining to the hotel industry (Chapter 4).

The chapter is structured as follows. In order to set the scene, the following section (2.2) discusses different conceptualisations of globalisation and highlights the contribution of geography to the general debate. In turn, Section 2.3 proceeds with the analysis of three (sets of) theoretical approaches which either aim to analyse the global economy directly (such as chain and network approaches or the varieties of capitalism suite of theories) or can be helpful in enhancing the understanding of economic globalisation (such as actor-network theory) and which inspired, complemented and contributed to the development of the GPN framework. Finally, Section 2.4 turns to the GPN approach and discusses its main conceptual categories and its focus on the processes of regional development.

2.2 The globalisation debate

Whilst it cannot be questioned that we live in an era of unprecedented, often conflicting and turbulent changes which, alongside their outcomes, are commonly referred to as the phenomenon of globalisation, there is little consensus on what the term "globalisation" actually means. Indeed, although globalisation processes have received a lot of attention from scholars of different disciplinary backgrounds, mainly from the social sciences, the concept of globalisation is still highly contested. As Amin (1997: 40) described it, "[t]he more we read about globalization (…), the less clear we seem to be about what it means and what it implies". As Dicken (2004: 5) further added, "globalization has evolved into a catch-all term" and "[s]uch sloppy usage has rendered the term almost meaningless". Therefore, in order to explore globalisation processes such as the worldwide expansion of the international hotel sector on the one hand and post-communist transformations in CEE on the other, it is essential to be as clear as possible about the notion of economic globalisation that this project mobilises.

The traditional globalisation debate is rooted in the disciplines of international political economy, political sciences and sociology and revolves around the conflicting views of hyper-globalists (as Held et al (1999) put it) and globalisation sceptics (see Amin 1997, Dicken 2004). Thus on the one hand there is the orthodox approach which, based on the idea of "increasingly borderless market extension [and] an apparently all-encompassing condition in which market rules (…) predominate" (Tickell and Peck 2003: 163), views economic globalisation as a process of homogenisation that is leading to the same rules of economic activity all over the world. Defended for instance by Ohmae (1990, 1995), this "flat-earth" approach (see Tickell and Peck 2003) understands globalisation as "an inexorable force that will eradicate local differences" (Coe and Yeung 2001: 368) and perceives the nation state as an outmoded institution receding into insignificance (Amin 1997, Tickell and Peck 2003). In the same vein, international firms are said to gradually lose their ties to the country of origin and, by implication, converge towards a universal global organisational form that will outcompete less efficient firms no longer protected by national barriers (Dicken 2003). The opposite view is defended for instance by Hirst and Thompson (1999, see also Hirst et al 2009) who are considered the leaders amongst globalisation sceptics. As these authors argued, what is usually referred to as the global economy is only in fact the international economy that does not necessarily differ from what was observed in the late 19th century. Rejecting the notion of the global economy, they further argued that contemporary economic activities are mainly nationally based, that there is no uniform economic system articulated at the global scale and that trade and all other flows do not embrace the whole world but are rather confined to particular groups of countries (Hirst and Thompson 1997, 1999, see also Amin 1997, Hirst et al 2009). Thus, the global economy is only an ideal model against which present trends in the international economy can be measured. However, despite seeing nation states as the main entities in the world economy, they simultaneously recognised the increasing role of supranational policy responses to the international economy and indicated that these two types are not mutually exclusive as "in certain conditions the globalized economy would encompass and subsume the international economy" (Hirst and Thompson 1999: 38). It has to be recognised, however, that despite Hirst and Thompson's attention to the relations between "the international" and "the global", none of the views in international political economy managed to address the multi-scalar nature of globalisation and fully explain how global processes are entangled with processes operating at different spatial scales (Coe and Yeung 2001). In recognising the different spatial scales and relations between them on the one hand, and the uneven outcomes of globalisation on the other, the contributions of geographers to the globalisation debate have proved to be especially fruitful (Coe and Yeung 2001, Taylor et al 2001).

Owing to the fact that globalisation is "intrinsically, although of course not exclusively, a geographical phenomenon" (Dicken 2004: 17, italics omitted), the increasing interest of geographers in how the global economy is evolving and what spatial outcomes these changes bring is not surprising. Although originally geographers tended to focus more on the global scale with little or no attention to other scales (see for instance Taylor and

Thrift 1982 and Peet 1982), it was mainly through the work of Dicken (1986, see also Dicken 2003 and Yeung and Peck 2003) that the simultaneous attention to other scales started permeating the debate on globalisation. In pointing out that the global economy is shaped both by transnational firms and nation states, not only did Dicken (1986) bring the other spatial scales to the forefront of geographical research on globalisation (see for instance Storper (1997a) for a similar line of argumentation), but he also laid important foundations for the development of theorisations of globalisation that are more sensitive to geographical scales on the one hand and to the uneven manifestation of globalisation processes both in space and time on the other.

It is obvious that in this context both the hyper-globalist and anti-globalist perspectives on globalisation have been almost unanimously refuted by economic geographers. Thus, for instance, with regard to Hirst and Thompson's point of view, both Amin (1997) and Dicken (2004) denied the far-reaching similarities between present trends in the global economy and the internationalisation processes in the 19th century and, contending that Hirst and Thompson's theorisation is based only upon quantitative and aggregative data, they further claimed that their perspective is superficial and refers more to a caricature of the term globalisation. Basing on his distinction between internationalisation (seen as the extension of corporate activities across national borders) and globalisation (defined as the functional integration of cross-border activities) (Dicken 1998), Dicken (2004: 8) argued that the difference is in the nature and the degree of integration and pointed to a shift from shallow to deep integration that is "organized primarily within and between geographically extensive and complex transnational production networks". This point of view is an important prelude to how, based upon constructionist approaches to scale, globalisation can be theorised from the perspective of economic geography.

Thus, as Dicken (2004: 9, emphasis omitted) put it, globalisation can still be defined in territorial terms as being "not (…) about one scale (…) becoming more important than others but about changes in the relationships between geographical scales", or, as Amin (1997: 133) observed, in relational terms as "the interdependence and intermingling of global, distant and local logics, resulting in the greater hybridisation and perforation of social, economic and political life". And although Amin (1997) distanced himself from territorialized views on globalisation, Dicken (2004) argued that these two approaches are not necessarily mutually exclusive. Indeed, as Coe and Yeung (2001) argued, both these approaches are in line with the transformationist perspective (Held et al 1999, see also Held 1995) which perceives globalisation as a set of socially-constructed processes that are leading to qualitative changes in the nature of the global system, which depend upon and contribute to uneven development at different spatial scales and which result in a reworking or revitalising of different scales. In the same vein, Dicken et al (1997, see also Mittelman 2000) argued that, viewed as a syndrome of processes and outcomes, globalisation does not exist as a free-floating structure, unrelated to the context in which it arises but is constituted through the same practices which it subsequently transforms. Therefore, because of its recognition of geographical scales and attention to the spatially uneven outcomes of globalisation processes, the transformationist view on globalisation lies at the heart of this dissertation.

Most importantly, however, acknowledging that, as Tickell and Peck (2003: 164) put it, "[g]lobalization (…) produces its own geography, the resultant unevenness reflecting (…) an array of politically mediated forms of integration into a complex and changing global economic system", the transformationist view on globalisation processes has also stressed the role of geography in how the structure and the changing nature of the global economy is conceptualised and has subsequently revealed the need for a comprehensive geographical framework for analysing the global economy. One of the attempts to fulfil this need has been the global production networks approach. However, before the GPN approach is discussed, the following section provides a brief review of other, sometimes competing, frameworks for analysing the global economy which, deriving mainly from cognate disciplines, preceded and contributed to the emergence of the GPN perspective and are now, to varying degrees, incorporated in the GPN approach.

2.3 Towards a comprehensive framework for analysing the global economy

Although many attempts have been undertaken in the last few decades in various areas, ranging from economic sociology and the political sciences to organisation studies and strategic management, the extent to which different perspectives on globalisation have managed to explore the complex nature of the global economy varies widely. Despite this, a number of notable contributions have indeed been made – either in geographical or sectoral terms. Thus, in order to paint the interdisciplinary picture of how the global economy has been theorised from various intellectual backgrounds, this section focuses on those (groups of) approaches that are of relevance for the development of the GPN framework. The section is divided into three sub-sections, each of which tackles one set of theories in more detail – global commodity/value chains and other chain and network approaches, actor network theory and varieties of capitalism.

2.3.1 Global commodity/value chains (GCC/GVC) and other chain and network approaches

The most important suite of theoretical approaches that inspired the development of the GPN approach and to which GPN also belongs is the broad group of chain and network frameworks. Although the concepts of networks and chains in geographical research on globalisation have come to prominence relatively recently, the tradition of theorising the global economy in the form of chains can be traced back to Porter's (1980, 1985, 1990) concept of the *value chain* developed in the late 1970s from the perspective of strategic management (Dicken et al 2001). Describing a firm's value chain as "an interdependent system or network of activities, connected by linkages [which] occur when the way in which one activity is performed affects the (…) effectiveness of other activities", Porter (1990: 41) focused on how different stages of transformation of initial inputs into final outputs constitute a chain and how each link in the chain can add value to the process (Coe and Yeung 2001). The fact that Porter paid attention to both primary activities in the chain such as production, marketing and delivery, and secondary activities such as human resources (Coe and Yeung 2001), attests to the crucial advantage of his approach in the context of this thesis – "the conceptual inseparability between manufacturing and service activities in constituting economic production" (Hess and Yeung 2006: 1195). Despite that, the value chain approach is largely sector-specific and does not go beyond the level of the firm pursuing competitive advantages and profitability (Coe and Yeung 2001, Gereffi et al 1994). Furthermore, the whole approach also downplays the various power relations embedded in value chains and underestimates potential influences from within and from the outside of particular chains. Therefore, as Coe and Yeung (2001), Dicken et al (2001) and Henderson et al (2002) pointed out, the value chain framework is more prescriptive and static, rather than analytical, and is thus of limited relevance in the study of economic development.

Another framework that has its roots in the late 1970s is based upon the concept of the *filière* understood as "a system of agents producing and distributing goods and services for the satisfaction of final demand" (Henderson et al 2002: 439). Developed by French economists to better understand production and distribution systems, the concept mainly derives from an empirical tradition. Focusing upon hierarchical relationships between agents, the distribution of power and the dynamics of economic (dis)integration within the filière (*Eng.* channel, ladder), the approach unfortunately gives consideration only to firms and state institutions and therefore, similarly to the value chain approach, does not fully account for the complex and multi-actor nature of the global economy (Henderson et al 2002, Lenz 1997, Raikes et al 2000).

Although they do not constitute a distinct framework for analysing the global economy and have not been originally developed in relation to the phenomenon of globalisation, the concepts of *networks* and *embeddedness* which re-emerged in economic sociology, organisation and management studies in the mid-1980s through the work of Granovetter (1985), also deserve some attention here (Hess and Yeung 2006). In stark contrast to the value chain and filière approaches that, with minor exceptions (see Dicken 1986, Raikes et al 2000), have not been widely adopted by geographers, the conception that economic actions are embedded in networks of social relations has not only impacted the research in the fields of economic sociology and management studies (Dacin et al 1999) but has also found its way into economic geography to subsequently contribute to what is called "the relational turn" (Hess and Yeung 2006, see also: Bathelt and Glückler 2003, Yeung 2005). Indeed, as it is discussed in the next section, the concept of embeddedness has also become one of the central categories in the GPN framework.

A high degree of recognition has also been given in economic geography to the *global commodity chains* (GCC) approach and the *global value chains* (GVC) framework as a refined version of the former. As the GCC/GVC approach has been the most important antecedent and the most significant inspiration for the GPN perspective, it is essential to focus upon GCC/GVC more extensively in this section. First elaborated by Gereffi et al (1994), the GCC approach has an intellectual lineage of world systems-theory to which it brought a new focus. Building upon Hopkins and Wallerstein (1977, 1986: 159) who defined a commodity chain as "a network of labor and production processes whose end result is a finished commodity", Gereffi et al (1994: 2) argued that "[a] GCC consists of sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world economy". As these authors also wrote, "[t]hese networks are situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organization". In turn, chains consist of nodes or boxes, which involve acquisition and/or organization of inputs, labor power, transportation, distribution and consumption. According to Gereffi (1994, 1999), each global commodity chain could be described along four dimensions: an input-output structure (a group of products and services linked together in a sequence of value-adding economic activities), a territoriality (spatial dispersion or concentration of production and distribution networks), a structure of governance (power relationships and authority that determine how financial, material, and human resources are allocated and flow within the chain) and an institutional framework. As Dicken et al (2001: 99) put it, a global commodity chain's institutional framework "defines how local, national and international conditions and policies shape the globalization process at each stage in the chain" (see also Smith et al 2002).

What also characterises the GCC framework is its distinct sectoral focus that allows an investigation of cross-national forms of economic organisation. Although Gereffi et al (1994: 2) wrote that the perspective allows researchers "to more adequately forge the macro-micro links between processes that are (…) contained within global, national and local units of analysis", the framework's sectoral focus in conjunction with the stress on the division of the world into the core and the periphery and the division and integration of labour processes (see Hopkins and Wallerstein 1994, Korzeniewicz and Martin 1994) implies an emphasis upon the global scale. As Dicken et al (2001: 99, italics omitted) put it, "the geography of GCCs (what Gereffi calls their 'territoriality') is dealt with at a very high level of spatial aggregation, a clear reflection of the world-system ancestry". Despite that, as Bair (2005) argued, in contrast to world-systems theory which is mainly concerned with the structures of the world-capitalist economy, GCC's sectoral focus has gradually pushed the framework away from the macro-level towards the meso-level of sectors and the micro-level of firms. The other important features of GCC also include its sensitiveness to changes in time (see Hopkins and Wallerstein 1994, Pelizzon 1994 and Özveren 1994) and the possibility of addressing the issue of regional development. Indeed, although still at the core/periphery level, Gereffi et al (1994) and Korzeniewicz and Martin (1994) argued that the investigation of global commodity chains is able to uncover the growing uneven distribution of wealth across the world. Finally, in contrast to many other frameworks, the GCC approach allows for research on services and their role in the global economy. As Rabach and Kim (1994: 123) argued: "service activities not only provide linkages between the segments of production within a GCC and (…) between overlapping GCCs, but they also bind together the spheres of production and circulation". Despite that, apart from a few exceptions such as that of Clancy (1998) and his application of the framework to research on tourism, research on services from the GCC perspective is still relatively scarce.

Although the GCC framework is an ambitious and impressive agenda, it unfortunately has been tackled only partially (Dicken et al 2001). One of the most important criticisms levelled against the GCC approach is its emphasis on the governance dimension and the crude distinction of only two types of chains: producer- and buyer-driven (Dicken et al 2001, Smith et al 2002). As Gereffi (1994) explained, producer-driven chains are those where the production system is controlled by transnational corporations and which are typical for capital- and technology-intensive industries such as automobiles, aircraft and computer, whilst in buyer-driven chains, observed in labour-intensive, consumer-goods industries such as garments, footwear and toys, the control is mainly exercised by large retailers and branded merchandisers. The subsequent analytical and empirical focus on buyer-driven chains (with an example of the apparel sector – see Gereffi 1999, Bair and Gereffi 2003), has become an additional reason for criticisms against the GCC approach (Dicken et al 2001, Henderson et al 2002, Smith et al 2002).

Other shortcomings of the GCC approach are connected to the metaphor of a chain and the productionist orientation of GCC (despite Rabach and Kim's argument). Indeed, the strong impression of "an essentially linear process rather than one in which the flows of materials, semi-finished products, design, production, financial and marketing services, finished products, are organized vertically, horizontally and diagonally in complex and dynamic configurations" (Dicken et al 2001: 99), combined with the neglect of issues of consumption and the dynamic nature of organisational forms of GCCs (Hughes 2000, Leslie and Reimer 1999, Smith et al 2002) are key reasons why the concept of services in the GCC framework has not been sufficiently developed. The sectoral focus, in turn, has also prevented the GCC approach from addressing conceptual levels other than the firm (including supranational organisations, nation states and the household), as well as the mosaic of different institutional contexts from which firms derive, in which they are embedded and which are linked by different commodity chains (Henderson et al 2002, Smith et al 2002). Last but not least, the overlooking of different institutional contexts functioning at different scales is closely connected to the most important criticism from the perspective of geography – the downplaying of scales other than the global. It is also for this reason that despite aiming "to provide the relational construct for investigating the structure of the world economy" (Korzeniewicz and Martin 1994: 68), the authors of the GCC framework have been closer to the pro-convergence, rather than the relational, strand of globalisation literature (Dicken et al 2001).

As a result of the above critiques of the GCC approach and the need to compensate for its shortcomings, the proponents of the approach, alongside other scholars, elaborated in the early 2000s a refined version of GCC (Gereffi 2001, Humphrey and Schmitz 2001, Sturgeon 2001). Building on the GCC perspective on the one hand and the international business literature on the other, the authors proposed the *global value chains* approach, with the term "value" adopted instead of "commodity" to escape from the productionist orientation of GCC (Bair 2005, Gereffi et al 2005). Where the GVC approach has made a significant progress is the area of governance in value chains – the central focus of the approach. Breaking away from the producer-driven/buyer-driven dichotomy, the GVC framework distils five types of governance where in the spectrum ranging from markets to hierarchies three more types are distinguished in-between – modular (where suppliers make products to a customer's specifications), relational (which are based on complex interactions between buyers and sellers and which often create mutual dependence) and captive (where small suppliers depend upon larger buyers) (Gereffi et al 2005, see also Humphrey and Schmitz 2004). Unfortunately, the strong and deliberate emphasis on the domain of governance (just like in GCC) has resulted in the neglect of the other features of GVCs. It is also for this reason that the other points of critique levelled against GCC have not been sufficiently dealt with. For instance, the GVC approach's pre-occupation with the sectoral logics of global industries (Bair 2005) reflects the GCC framework's sectoral focus. In the same vein, as Bair (2005) also argued, GVC failed to recognise the variety of institutional, political and cultural contexts in which global value chains are embedded. Therefore, rather than serving as a framework for analysing the nature of the global economy, the GVC approach is a theory of global value chain governance (Bair 2005). Indeed, although the GVC framework has initiated a good empirical coverage of sectors (see e.g. Sturgeon et al 2008 for the automotive industry and Nadvi 2008 for the sport equipment industry), it is the aspect of governance that is mainly debated (see also Hess 2008).

To conclude the review of various chain and network approaches that preceded the GPN perspective, it is also essential to mention the *global production networks* framework as elaborated by Ernst (2000, 2001, Ernst and Kim 2001). Developed contemporaneously, but independently of the GPN perspective underpinning this project, Ernst's framework describes a GPN as a form of organisational innovation that is even more effective than the transnational corporation (TNC) and that "combine(s) concentrated dispersion of the value chain across firm and national boundaries, with a parallel process of integration of hierarchical layers of network participants" (Ernst and Kim 2001: 1). Even though the approach originates from research on a relatively narrow range of industries, it pays due attention to many aspects overlooked by other frameworks such as non-flagship firms, the role of services within GPNs and R&D activities (Henderson et al 2002). It is for this reason that Ernst's framework is of particular affinity to the adopted GPN approach. Table 2.1 summarises all the chain and network approaches discussed here.

Table 2.1 Chain and network approaches that preceded, inspired and contributed to the development of the GPN perspective

APPROACH	TIME PERIOD	DISCIPLINE	KEY AUTHORS AND REFERENCES
Value chain framework	Since the late 1970s	Strategic management	Porter (1980, 1985, 1990)
Filière	Since the late 1970s	Economics	Lenz (1997) Raikes et al (2000)
Networks and embeddedness perspectives	Since the mid-1980s	Economic sociology Organisation studies Strategic management	Granovetter (1985) Nohria (1992)
Global commodity chains (GCC)	Since the early and mid-1990s	Economic sociology Development studies	Gereffi et al (1994)
Global value chains (GVC)	Since the early 2000s	International business	Gereffi (2001) Sturgeon (2001)
Global production networks	Since the early 2000s	Political economy	Ernst (2000, 2001) Ernst and Kim (2001)

Source: Hess and Yeung (2006: 1194, Table 1, modified) and Henderson et al (2002)

Although chain and network approaches (and GCC/GVC in particular) have contributed significantly to the understanding of how globalisation processes operate across national boundaries (Coe and Yeung 2001), and have therefore been to varying degrees adopted by economic geographers, no theoretical perspective has managed to conceptualise the global economy in a comprehensive way. One of the most significant endeavours to fill the gaps left by the other approaches and to solidify the geographical contribution to the overall debate has been the GPN approach. However, its conceptual contribution would not be possible without the inspirations deriving from additional perspectives. It is to these perspectives that the following two sub-sections now turn.

2.3.2 Actor-network theory (ANT)

Although Gereffi et al (1994: 2) saw global commodity chains as "interorganizational networks clustered around one commodity or product", Dicken et al (2001) argued that the GCC framework does not sufficiently explore the nature and properties of networks and subsequently referred to GCCs as "unfinished networks". However, as these authors suggested, what in terms of the attributes of networks is largely missing in GCC can be balanced by *actor-network theory* (ANT) – another network approach which because of remarkably different theoretical roots and epistemological and ontological assumptions should be discussed separately from the other chain and network theories. In contrast to structuralist-influenced GCC, ANT derives from the post-structuralist tradition (Dicken et al 2001). It should be also acknowledged that, developed within sociological studies of science in the 1980s by Callon (1987), Law (1986, 1994, 1999), Latour (1993, 1997) and others, ANT is not a framework for analysing the global economy in itself. Despite that, as a relational approach which suggests that entities in networks are shaped by, and can only be understood through their relations and connectivity to other entities (Law 1999), ANT delivers some important insights into understanding the global economy as networks (Dicken et al 2001). And although the proponents of ANT contended that its assumptions are useless for the discipline of geography (Latour 1997), Murdoch (1998) argued that ANT in fact redefines geography, allowing it to overthrow the "tyranny of distance", reject Euclideanism and develop in a relational direction. Indeed, ANT has been widely adopted by geographers (Hassard et al 1999, Murdoch 1995, 1997a, 1997b, Thrift 1996) and it has also been successfully applied to research on globalisation (Olds and Yeung 1999, Whatmore and Thorne 1997, Yeung 2000a).

As Whatmore and Thorne (1997) demonstrated, the applicability of ANT to research on globalisation lies in its three, mutually reinforcing qualities of hybridity, collectivity and durability. The most significant quality from the perspective of geography is probably hybridity, i.e. the strong rejection of dualisms of any kind, including human/non-human, nature/society, structure/agency and, importantly for the analysis of the global economy, global/local, macro/micro and core/periphery (with the last dualism being characteristic of GCC). Concentrating on practices, actions and processes, rather than structures, and imagining networks as "always in the making", ANT pays close attention to "the messy heterogeneity of life" (Henderson et al 2002, Whatmore and Thorne 1997). As Latour (1997: 2) indicated, "modern societies cannot be described without recognising them as having fibrous, thread-like, wiry, stringy, ropy, capillary character that is never captured by notions of levels, layers, territories, (…) categories, structures, systems". Referring to the global/local binary, he argued that "the notion of network allows us to think of a global entity – a highly connected one – which remains nevertheless continuously local" (Latour 1997: 2). As he also put it (1993: 122), "the two extremes, local and global, are much less interesting than the intermediary arrangements that we are calling networks".

Importantly, the rejection of the global/local dualism is also connected to the concept of "network lengthening". Defined by Latour (1993: 122) as sustaining (and developing) connections over great distances through actions and performances of multiple actants, (Whatmore and Thorne 1997), it views networks as "neither local nor global, but [only] more or less long and more or less connected". As the process of sustaining networks is performed through a number of mediators, which may be human or non-human (social, cultural, economic, technological, material or political), and which have a social agency (Whatmore and Thorne 1997), the notion of network lengthening links hybridity to the other two important qualities – collectivity and durability. Whereas collectivity revolves around the notion of "hybrid collectivities", which implies that networks are constituted by humans and non-humans (Callon and Law 1995, 1997, Whatmore and Thorne 1997), durability is mainly based upon the concept of "modes of ordering", which suggests that agents in networks work towards strengthening and stabilising networks over time, thus building strong fabrics of social organisation at all points in a given network (Law 1994, Murdoch 1998, Whatmore and Thorne 1997).

To conclude, when applied to the analysis of the global economy, ANT's insights shed important new light on how globalisation can be theorised. Indeed, ANT is of help in understanding the phenomenon of globalisation as uneven, unstable and largely based on contestation and negotiation between agents (Murdoch 1998, Whatmore and Thorne 1997). However, due to the fact that ANT fails to recognise the structural pre-conditions and power relations that shape production networks, it cannot serve as a comprehensive framework for analysing the global economy (Dicken et al 2001, Henderson et al 2002).

2.3.3 Varieties of capitalism (VoC)

In contrast to the chain and network approaches discussed above, which preceded and contributed to the elaboration of the GPN perspective, the need for an incorporation of insights provided by the *varieties of capitalism* (VoC) framework came into view after the GPN framework was initially developed (Coe et al 2008a, Hess and Yeung 2006). The growing recognition of different economic, social and institutional contexts (often characteristic of nation states), which under the banner of VoC appeared in international political economy and other social sciences in the mid- 1990s (in opposition to the pro-convergence approach to globalisation), could not remain unacknowledged by economic geographers. Therefore, in the same way as more attention to the various institutional formations in which global commodity and value chains are embedded was necessary to broaden GCC/GVC (Bair 2005), the role of the varieties of capitalism (VoC) framework in complementing the constantly-evolving GPN perspective deserves attention here.

Although the term "varieties of capitalism" as such was originally coined by Hall and Soskice (2001) with reference to their own approach, it is normally applied (also in this dissertation) to the broader suite of largely overlapping approaches which, developed by different authors and from different perspectives, share the same point of view on some important aspects of the contemporary global economy. Table 2.2 provides a summary of these approaches. For the sake of brevity this section focuses only upon two of them – the *business systems* framework developed by Whitley (1999), and the *social systems of production* approach elaborated by Hollingsworth and Boyer (1997).

One of the reasons why Whitley's approach has been chosen here to exemplify the VoC perspective is his exchange of viewpoints with the proponents of GCC (see e.g. Whitley 1996). Business systems scholars look at the global economy from an entirely different perspective than the GCC/GVC approach. As Whitley (1999) argued, *business systems* is a comparative framework that identifies the central differences between established systems of economic organisation and explains them in terms of specific characteristics of their institutional environments. Thus, assuming that economic activities are socially constituted and vary between societal contexts, Whitley admitted that the VoC approach is consonant with the institutionalist approach (see Amin 2001 and Cumbers et al 2003). Defining business systems as "distinctive patterns of economic organisation that vary in their degree and mode of authoritative coordination of economic activities and in the organisation of (…) owners, managers, experts, and other employees", the perspective aims to analyse to what extent these systems differ, the reasons for these differences and how path-dependent they are (Whitley 1999: 33).

Table 2.2 Various frameworks constituting the varieties of capitalism suite of approaches

APPROACH	DISCIPLINE	KEY AUTHORS AND REFERENCES
Varieties of capitalism	Political sciences	Hall and Soskice (2001)
Models of capitalism	Political sciences	Coates (1999, 2000)
The diversity of capitalism	Political sciences	Amable (2003)
Business systems	Business studies	Whitley (1996, 1999)
Social systems of production	Economic sociology	Hollingsworth and Boyer (1997)
Welfare states	Economic sociology	Esping-Andersen (1996, 1999)
Innovation systems	Business studies	Lundvall (1995)

Source: Own elaboration

Most importantly from the perspective of geography, however, Whitley (1999) argued that distinctive business systems are developed predominantly within the boundaries of nation states. Considering the nation state as "the dominant unit of political mobilization and competition" and pointing out that legal and financial systems are most often state-based, Whitley (1999: 45) viewed the nation state as the locus of analysis and contended that the role of the national scale in the global economy must not be underestimated. At the same time he also downplayed other spatial scales. Due to the fact that almost every economic activity at either regional or international scale depends upon, and is governed by, units at the national level, Whitley (1999) contended that, with the exception of the European Union, it is rarely that all essential institutions can reach the appropriate level of cohesion to constitute a distinctive business system at any other level than national. This strong focus on the nation state and its role is also the most significant difference between VoC and the GCC approach which rather privileges the level of sector. Where these two approaches also differ is with respect to interdependencies between firms and various institutional environments and the ways in which firms differ between business systems. In contrast to the GCC approach, which according to Whitley (1996) assumes a single type of firm, Whitley (1996, 1999) argued that firms' practices always depend on at least one well-established (national) business system and even internationalising firms do not have sufficient power to alter either the home business system from which they come or the host business system into which they expand (see Dicken et al 2001).

In its main assumptions Hollingsworth and Boyer's (1997) framework is very similar to Whitley's. However, instead of talking about business systems they employed the term *social systems of production*. By a "social system of production" they meant "the way that (…) institutions and structures of a country or a region are integrated into a social configuration" (Hollingsworth and Boyer 1997: 2). Despite numerous similarities, some subtle differences between the two frameworks could be distinguished. First, in contrast to Whitley's approach, Hollingsworth and Boyer did not pay a lot of attention to social systems of productions' path-dependency. Secondly, rather than focusing only upon the national scale, they were more open to the multi-scalar nature of the global economy. Indeed, giving examples of Jutland (Denmark) and the European Union, they contended that distinctive social systems of production can also emerge at the regional level with a minor degree of dependence on the nation state, or at the supranational level where the autonomy of the nation state is then undermined. So far, however, as they also pointed out, institutional arrangements at the supranational level are rather weakly developed.

Thus, what all VoC approaches have in common is that they bring the nation state to the fore of the debate on the nature of the global economy. In this respect they are much in line with the anti-convergence stance on globalisation and, in contrast to the GCC/GVC approach which deals with the problem of uneven distribution of wealth at the level of core and periphery, they address uneven regional growth at the national level. However, although the VoC suite of frameworks derives from international political economy and other social sciences and not directly from geography, its main assumptions are in fact typically geographical in nature and therefore had not been entirely alien to (economic) geographers before the authors of GPN paid attention to them. Indeed, as early as in the 1980s and 1990s, Dicken (1986) and Gertler (1997) started defending the prominence of the national scale in the debate on globalisation and the role of nation-based institutional arrangements in how the global economy functions. Therefore, as a continuation of this line of argumentation, the integration of VoC into the geographical approach enhances the opportunity to comprehensively address the geographical differentiation of systems of economic organisation (i.e. something that is either undeveloped or simply missing in the chain and network approaches discussed) and thus account for the multi-layered and multi-scalar character of the global economy more efficiently. And although GCC and VoC are said to be in strong opposition to each other, Dicken et al (2001) indicated that they are in fact reconcilable. It is also this view that GPN, as a geographical framework, builds upon. Finally, another reason why the VoC framework requires closer attention is its growing applicability to the emerging variety of post-communist capitalisms in CEE (Bohle and Greskovits 2007, Lane 2005). Therefore, when incorporated into the broad GPN approach, the VoC framework constitutes an important link between GPN and the group of theories that explain post-communist transformations in CEE (see Chapter 3).

2.4 Global production networks (GPN)

Developed in the early 2000s by the so-called "Manchester School" (as Bathelt 2006 put it), *global production networks* (GPN) is an interpretative framework for analysing the global economy that looks at economic growth and its spatial asymmetries from the perspective of economic geography. Building on the set of frameworks discussed in the previous section (especially different chain and network approaches), not only does the GPN approach reiterate their contributions to how the global economy can be theorised, but it also attempts to overcome their shortcomings and address the criticisms levelled against them. Although some of the frameworks it draws on are said to be in opposition to each other (especially GCC/GVC and VoC), the GPN perspective builds a common ground for their assumptions and therefore fully accounts for the multi-scalar and multi-actor nature of the global economy. As an important geographical contribution to the debate on economic globalisation, the GPN perspective is thus an important step in the process of conceptual evolution delineated in the previous section.

What constitutes the foundation of the GPN perspective is the network methodology as elaborated by Dicken et al (2001). Building upon GCC on the one hand and ANT on the other, Dicken et al (2001: 89) elaborated a methodology that gives consideration to all actors in networks, their relations and the outcomes of these relations and where instead of states, firms or individuals, the foundational unit of analysis is networks. Networks are thus defined as "essentially relational processes, which, when realized empirically within (…) time- and space-specific contexts, produce observable patterns in the global economy" (Dicken et al 2001: 91, italics omitted). Based on the relational perspective on globalisation, the network methodology revolves around three important elements. Firstly, it takes into account power relations among social actors in their actor-networks. However, rather than concentrating on power in a network as a function of positionality within the network, it also focuses upon the qualitative nature of the relations between actors and defines power "as the capacity to exercise that is realized only through the process of exercising" (Dicken et al 2001: 93, italics omitted). Power is thus a practice, not a position. Network relationships are therefore considered as both structural (power relations depend on the composition of networks) and relational (they are constituted by the interactions of various social actors). Secondly, assuming that the global economy implies "intermingling of different geographical scales (…) in network formation and network processes" (Dicken et al 2001: 95, italics omitted) and thus cannot be analysed only at one scale, the network methodology pays attention to various scales at the same time. Finally, it recognises that territorial units (mainly nation states) are not only actors but also regimes of regulation which affect the way these networks function. Therefore, not only are various territories embedded in networks, but also networks are embedded in an array of territories which they connect. Whereas the network methodology is not a conceptual framework for analysing the global economy as such but rather a point from which empirical research can start (Dicken et al 2001), the GPN perspective took these ideas a step further and transformed them into a conceptual framework.

Elaborated by Henderson et al (2002: 445) as an approach that is "capable of grasping the global, regional and local economic and social dimensions of the processes involved in many (…) forms of economic globalisation", the GPN framework defines production networks as "the nexus of interconnected functions and operations through which goods and services are produced, distributed and consumed". As these authors argued, "[s]uch networks not only integrate firms (and parts of firms) into structures that blur traditional organizational boundaries (…) but also integrate national economies (…) in ways which have (…) implications for their well-being" (2002: 445). Global production networks therefore "cut through state boundaries in highly differentiated ways, influenced in part by regulatory and non-regulatory barriers and local socio-cultural conditions, to create structures which are discontinuously territorial" (2002: 446). Concurrently, their nature and articulation largely hinge upon the concrete socio-political contexts in which they are inevitably embedded (Henderson et al 2002).

In order to escape from the fixity of production in time and space connoted by the word "commodity" (as it is the case with GCC) and to focus on the social processes involved in producing goods, the framework employs the term "production". By the same token, the adoption of the term "networks" instead of "chains" aims to escape from the linear character of the metaphor of the chain. As Henderson et al (2002) put it, a discourse of networks is more inclusive, empirically adequate and analytically fertile. And although Sunley (2008: 8) questioned the network ontology underpinning GPN, suggesting that "this view (…) often includes just about everything and lacks analytical boundaries and clarity", the discourse of networks is the framework's critical attribute. Finally, the term "global" instead of "international" or "transnational" distances the GPN approach from state-centric discourses and places the focus upon the dialectics of global-local relations (Henderson et al 2002). All of this clearly implies that rather than privileging a specific spatial scale (such as the global in GCC or the national in VoC) or a particular group of actors (such as nation states in VoC or firms and sectors in GCC), the GPN perspective brings different foci of analysis in an integrated form (see Coe 2011).

As Henderson et al (2002) continued, the architecture of the framework is built around three main conceptual categories: value, power and embeddedness, which 'live' through four conceptual dimensions: firms, sectors, networks and institutions. The first category – value, is perceived both in terms of Marxian surplus value and in terms of economic rent (Kaplinsky 2005). The GPN framework thus considers how value can be created, then enhanced (for instance by means of know-how and technology transfer) and finally captured for the benefit of various locations or actors. The second category – power, can be of three different kinds – corporate (i.e. power to influence resource allocations and decisions possessed by different firms in networks), institutional (i.e. power possessed by institutions at different geographical scales) and collective (i.e. power possessed by collective agents such as trade unions, who may influence firms at particular locations in GPNs). An important contribution to how the category of power can be understood from the perspective of GPN and what it also implies has been recently made by Levy (2008). Referring to the broad literature on institutional entrepreneurship and to neo-Gramscian theory in international political economy, Levy (2008) contended that power relations in GPNs have an important political dimension. GPNs can thus be described by contestation and collaboration among multiple actors and should be considered not only as arenas for market competition but also as complex political economic systems. As Levy (2008: 944) observed "GPNs resemble contested organizational fields in which actors struggle over the construction of economic relationships". The third category – embeddedness, refers, in turn, to the fact that GPNs not only connect firms territorially and functionally but also link aspects of the spatial arrangements in which these firms are embedded. The term "embeddedness" can thus apply to territories or networks.

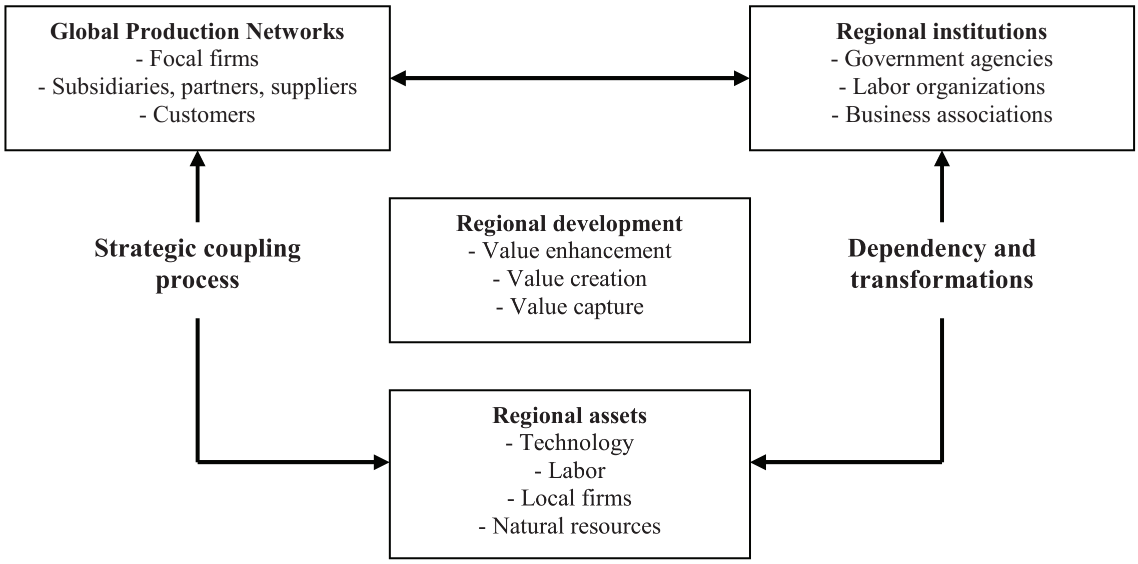
However, it is the concept of embeddedness that amongst all three conceptual categories has been most refined since the original version of the GPN framework was developed. Indeed, breaking away from the "overterritorialised" concept of embeddedness which is characteristic, for instance, of new regionalism, Hess (2004) understood embeddedness in spatial-temporal terms. With reference to the work of Polanyi (1944) and Granovetter (1985) in economics and sociology, he also proposed a societal kind of embeddedness alongside territorial and network forms, which signifies the importance of where actors come from in terms of cultural and political background and how this background can influence these actors' economic actions. Hess (2004) also applied the post-structuralist metaphor of rhizome which, because of its heterogeneous and multidimensional nature, represents how all three kinds of embeddedness are interdependent. Most importantly, however, owing to the fact that the concept of societal embeddedness overlaps with the main assumptions of the VoC approach, this distinction has subsequently revealed the need for more attention to be paid in the GPN approach to the variety of capitalisms and territorial business systems (Coe et al 2008a, Hess and Yeung 2006). And although the usefulness of the concept of embeddedness in geography is sometimes questioned (see Jones (2008) who pointed towards an array of epistemological limitations of the concept and proposed instead a practice-centred approach to research on economic activities), the category of embeddedness remains central to the GPN approach.

What the above discussion implies is that the GPN perspective proposes a far-reaching reconciliation of all the perspectives it builds upon. As Hess and Yeung (2006: 1196, italics omitted) put it, the GPN approach "represents a geographical take that integrates (…) different, and yet disparate, strands of conceptual frameworks to analyze the global space-economy". By the same token, it is also this geographical orientation of GPN that attests to its most important strength (especially when compared to the other approaches discussed) – the distinct focus upon the issue of regional development at various scales. The GPN framework's perspective on regional development as developed by Coe et al (2004) and refined by Yeung (2009) revolves around the concept of "strategic coupling of global production networks and regional assets, an interface mediated by a range of institutional activities across different geographical and organizational scales" (Coe et al 2004: 469). On the one hand, this view draws from new regionalism (Howells 2005, MacLeod 2001, Scott 1998, Scott and Storper 2003, Storper 1997b), according to which regional development is entirely shaped by endogenous/internal forces and which is preoccupied with the capacities of regional institutional formations to 'hold down' global networks. On the other, it builds upon the literature which recognises the role of extra-regional processes and exogenous/external factors in how different regions develop and which pays attention to how they slot into global production networks of various firms. The latter ranges from the pioneer work in this area such as that of Dicken (1976) and Massey (1979, 1984), whose concept of international division of labour drew attention to the impact of FDI on social relations within regions, through the GCC framework, to the recent re-emergence of similar views defended for instance by Harrison (2007), Pike (2007) or, most importantly, by the authors of the GPN approach. By means of finding a common ground for these two strands of literature, the GPN approach's take on regional development gives full consideration to intra-, inter- and extra-regional processes at the same time (Coe et al 2004, Yeung 2009, Pike et al 2006, 2007).

Most importantly, however, apart from focusing on regional assets on the one hand and "rigid configurations of globalization processes" (Coe et al 2004: 469) on the other, the concept of strategic coupling pays attention to the various regional institutional contexts through which the complementarity of regional assets and strategic needs of production networks can be exploited and enhanced. The way the region is articulated into global production networks thus depends on the regional institutional structure's capability of tying global capital and unleashing regional potential. Simultaneously, the concept fully recognises that what is referred to as the regional institutional formation comprises not only regional institutions but also institutions associated with other scales such as supra-national and national institutions (Coe et al 2004, see also Coe and Hess 2010). Figure 2.1 illustrates the concept of strategic coupling in graphical form.

Thus, perceiving regional growth as a set of relational processes (Amin 2002), Coe et al (2004: 469) described it as "a dynamic outcome of the complex interaction between territorialized relational networks and global production networks within the context of changing regional governance structures". As Coe et al (2004) and Yeung (2009) wrote, such a view is entirely relational in nature (Allen et al 1997, Allen and Cochrane 2007) and is therefore in line with the aforementioned relational view on globalisation, or, at a more general level, with the relational turn in economic geography (Amin 1998, 2004, Bathelt and Glückler 2003, Yeung 2005). Moreover, the GPN view on regional growth is a useful platform from which the influence of transnational corporations on regional development can be explored in more detail (Coe and Wrigley 2007, Dicken 2007 and Palpacuer and Parisotto 2003).

Figure 2.1 A framework for analysing regional development and global production networks



Source: Coe (2009: 560, Figure 2)

Given the advantages of the GPN framework discussed above, it is not surprising that, as a broad-based and comprehensive framework for analysing the global economy, the GPN perspective has facilitated multiple geographical studies which have subsequently resulted in an extensive coverage both of different industries and regions. Regarding the former, notable examples include the automobile industry (Coe et al 2004), electronics (Bowen and Leinbach 2006), mobile-telecommunications (Hess and Coe 2006), video games (Johns 2006), the clothing industry (Lane and Probert 2008, 2009), the oil sector (as an example of an extractive industry) (Bridge and Wood 2005, Bridge 2008) and, in contrast to GCC/GVC, also many service industries such as temporary staffing (Coe et al 2008b, Coe et al 2011, Ward 2003, 2004, 2007), legal services (Faulconbridge 2007) and, most notably, the retail sector (Coe 2004, Coe and Hess 2005, Coe and Lee 2006, Coe and Wrigley 2007, Currah and Wrigley 2004, Lowe and Wrigley 2010, Wrigley et al 2005). Regarding different geographies, in turn, the GPN-inspired research (including the examples above) has covered multiple areas ranging from Western Europe and CEE to East Asia and various developing countries. Despite this, some sectoral and territorial gaps (such as the hotel industry and, still to some extent, CEE, respectively) can still be identified and it is here that this project hopes to contribute to the development of GPN.

Notwithstanding the advantages of the GPN approach and the useful empirical research which its development has undoubtedly facilitated, some important shortcomings of the approach have been also identified over time. According to Hess and Yeung (2006), the challenges can be divided into three different groups – methodological, epistemological and ontological. First, the methodological challenges that the GPN approach has to face derive from the fact that GPN "suffers from a relatively underdeveloped methodological foundation" (Hess and Yeung 2006: 1201, italics omitted). Although the preference for qualitative interviews in the GPN-inspired research brought valuable findings, the same authors further contended that an incorporation of quantitative data into the analysis of GPNs could enrich the research findings even more. Moreover, what could deliver even better data is, for instance, more internationally-coordinated multi-site research tracing the same GPN not only in chosen key sites but also in more locations (Coe et al 2008a, Hess and Yeung 2006).

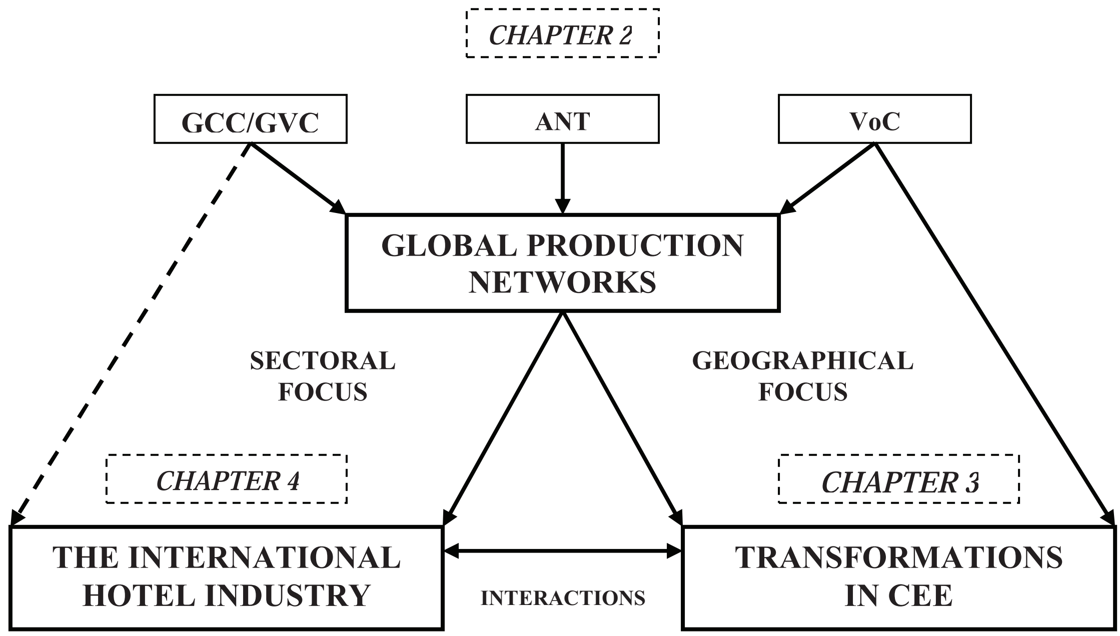
The epistemological challenges, in turn, originate from the fact that, as Hess and Yeung (2006) put it, the GPN framework owes its theoretical ideas to economic sociology and network analysis rather than to other fields such as, for instance, economics. However, despite the fact that the intellectual heritage of the GPN framework initially prevented it from addressing all possible aspects of the global economy to a sufficient extent, it has recently started to change. Indeed, an array of undeveloped areas in the GPN framework has been identified and the need to incorporate them has been recognised. In response to Levy's (2008: 951, see also Bair 2008) critique that despite its "lofty ambitions, most of the studies spawned by the GPN framework to date are, in practice, very similar to those generated using GCC analysis", Coe et al (2008a) identified various areas that should be conceptually developed and empirically explored in order to "realise the potential" of the framework. They can be divided into two interdependent groups – those associated with the core of a GPN and the processes of transforming inputs into outputs and those connected to non-firm actors in GPNs. Whereas the first group comprises processes of circulation, interdependencies between production and the natural environment, as well as processes happening inside the firm, the second group includes actors such as nation states, international institutions and civil society organisations whose role in the global economy is still under-conceptualised within the GPN approach. Despite some recent research on the role of labour in GPNs (see Barrientos 2007, Posthuma and Nathan 2010) this list should also comprise labour. As Cumbers et al (2008: 369) argued, more attention in the GPN research should be paid to labour as an "active constituent of the global economy, rather than the passive victim of restructuring processes". However, apart from looking into "the black box" of the firm (with regard to which the extensive literature is in a position to deliver a lot of ideas convergent with the GPN perspective – see e.g. Dicken and Malmberg 2001, O'Neill 2003, O'Neill and Gibson-Graham 1999, Taylor and Asheim 2001 and Yeung 2000b), the most significant challenge to the GPN approach is the aforementioned need for the incorporation of the varieties of capitalism framework (Coe et al 2008a, Hess and Yeung 2006).

Another significant challenge is ontological in nature. As Hess and Yeung (2006) wrote, in order for the approach to account for the global economy in depth, there is a need to integrate both the material and the socio-cultural dimensions of GPN development and, as Coe et al (2008a) added, to elaborate a theorisation that operates at the interface of structure and agency and culture and economy. As these authors further proposed, the best solution would be to employ the insights originating from Sayer's (2001) cultural political economy – an aggregative approach that combines the ideas from both political and cultural economy. As Sayer (2001) argued, economic organisations like firms exist both in the system and the life-world. Simultaneously, systems "are always culturally embedded in (…) the life-world; hence, the latter is a precondition of systems, not an add-on" (Sayer 2001: 689). The above suggestion has also been confirmed by Hudson (2008) who indicated that the incorporation of cultural political economy into the broad GPN approach is not only possible but could be also productive. While it is not a central objective of this project to address this challenge, owing to the fact that post-communist transformations in CEE are not only political or economic processes but also social and cultural (Stark 1992), the dialogue between the GPN perspective and cultural political economy should be in this context fully recognised.

Finally, in order to conclude the discussion of various challenges to the GPN framework it is necessary to distil the contributions to GPN which this thesis is hoping to make and many of which have been already mentioned above. Thus, in general terms, the project applies the GPN perspective to a formerly unexplored sector – the hotel industry, and a largely under-researched region – CEE. There are three issues which, with reference to these research gaps, are investigated in detail. First, the project focuses upon regional growth – one of the focal theoretical elements of the GPN approach that needs deeper empirical exploration. Secondly, by means of focusing on the divergence of economic regimes in CEE, it aims to contribute to the incorporation of the varieties of capitalism framework into the GPN approach. And thirdly, it takes into account other actors from hotel groups' global production networks than flagship firms, thus aiming to enhance the understanding of the multi-actor nature of GPNs.

The following two chapters review the appropriate bodies of literature that explain post-communist transformations in CEE and the nature of the contemporary hotel industry, respectively, and which, when incorporated into the GPN perspective, significantly help the framework to address the researched phenomenon in more depth. Whereas the set of theories addressing post-communist transformations in CEE is linked to GPN through the VoC approach, the incorporation of the hotel sector-specific concepts can be viewed as a reflection of the sectoral focus inherited by GPN from GCC/GVC. The structure of the dissertation's theoretical underpinnings is illustrated by Figure 2.2.

Figure 2.2 Theoretical underpinnings of the thesis



Source: Own elaboration

2.5 Summary and conclusions

This chapter has described and analysed the global production networks perspective. By means of presenting the broader interdisciplinary debate on economic globalisation and the nature of the global economy the chapter has highlighted the relative advantages of the GPN approach over other approaches. It has been argued that, owing to the fact that

GPN not only combines the strengths of the various approaches it draws upon but also constructively overcomes their shortcomings, it could be considered as the next step in the evolutionary process of theorising the global economy. As a typically geographical approach that is based upon the relational view on globalisation, the GPN approach is believed to be fully capable of enquiring into the multi-actor and multi-scalar nature of the global economy in a more comprehensive way than other approaches. Concurrently, it is an efficient platform from which the spatially uneven outcomes of globalisation can be explored in more depth.

Most importantly, as the chapter has illustrated, the GPN approach is considered as the best perspective from which the topic can be explored. It is assumed that the analytical focus on the categories of value, power and embeddedness, characteristic of GPN, is the most promising avenue for the project to enquire into the nature and the outcomes of the expansion of the international hotel industry into Central and Eastern Europe (CEE). As international hotel groups' production networks comprise a wide variety of actors who are embedded in different institutional, political and social environments, who mobilise different kinds of power and whose economic activities result in the variety of ways in which value can be created, enhanced and captured for the benefit of different locations, the GPN framework is believed to constitute a solid foundation upon which the research objectives can be achieved.

However, given that the GPN perspective is not completely free from shortcomings, or rather, undeveloped areas which should be addressed both empirically and conceptually in order for the framework to account for the global economy in more depth, the chapter has also shown in what way this thesis can contribute to the further development of the GPN approach. By means of filling two empirical gaps – one sectoral (the hotel sector) and one geographical (CEE), the thesis focuses upon three important issues. Alongside addressing the issue of regional growth and the multi-actor nature of different GPNs, it aims to serve as an example of how the GPN approach can efficiently incorporate the insights of the VoC framework and thus pay more attention to the variety of capitalisms in the world (in this case the variety of post-communist capitalisms in the CEE region). The following two chapters turn to the territory-specific (Chapter 3) and sector-specific (Chapter 4) theories that will support the GPN approach in addressing the phenomenon researched.

Chapter 3

Central and Eastern Europe and post-communist transformations

3.1 Introduction

This second theoretical chapter of the thesis moves the discussion from the general level of the global economy to the particular territory under scrutiny, i.e. Central and Eastern Europe (CEE). Reviewing the set of theorisations that aim to explain the nature of post-communist transformations in CEE, the chapter relates to the geographical focus of the thesis. It is contended that an in-depth understanding of post-communist transformations in CEE is crucial to this project for two reasons. First, post-communist transformations constitute a distinct economic and political context in which the phenomenon explored takes place and in which a substantial part of the research was conducted. Second, post-communist transformations in CEE should be understood as a set of political, economic and social processes which impact the interactions between the expanding international hotel industry and the diversity of post-communist capitalisms currently emerging in the region in place of socialism. A comprehensive theoretical analysis of post-communist transformations is therefore a necessary condition for an effective understanding of the role that the post-communist institutional formations play in attracting hotel groups and their production networks, articulating CEE regions into these networks and mediating the interactions between the two. In opposition to the neoliberal orthodoxy that drove post-communist transformations in CEE in the 1990s, the chapter argues the case for the 'alternative' approach. It is contended that the combination of the alternative approach and the global production networks perspective is a promising avenue for understanding how processes of globalisation express themselves in the CEE context.

The chapter is structured as follows. Section 3.2 describes the objectives, dynamics of change and spatially uneven outcomes of post-communist transformations in CEE. In turn, Section 3.3 discusses the alternative approach to post-communist transformations. By means of identifying similarities between the alternative approach and the varieties of capitalisms (VoC) framework, the section also explores how the alternative approach can be integrated in this project with the GPN perspective. A summary and conclusions are provided in Section 3.4.

3.2 Shock therapy and uneven regional development

When in 1989 the socialist system in Central and Eastern Europe (CEE) collapsed, the Berlin Wall fell down, the Iron Curtain faded away and, subsequently, Soviet hegemony in the CEE region came to an end – only two years later the Soviet Union disintegrated into fifteen independent states – the formerly communist countries almost unanimously decided to embark on the path of transition from socialism to capitalism (Amsden et al 1994, Gowan 1995, Kołodko 2000). Looking to be inserted into "at least the margins of the wider global economy" (Hudson 2000: 411) and hoping for a smooth closure of the wealth gap between the East and the West, the states of CEE opted to implement liberal democracy and various forms of market economy (Sokol 2001). As the map of Europe was redrawn, the world witnessed one of the most challenging economic experiments in history – the construction of capitalism from the ruins of state socialism (Smith 1997, see also Grabher and Stark 1998).

What was supposed to pave the way for the integration of the CEE states with the global economy was the involvement of international organisations such as the European Bank for Reconstruction and Development (EBRD), the World Bank (WB), the International Monetary Fund (IMF) and, most notably, the European Economic Community (EEC, as the European Union was then called), who all took on the task of assisting and advising the CEE states during the process of transition (Bradshaw and Stenning 2004, Dunford and Smith 2004, Smith and Pickles 1998). As the integration with Western political and economic structures was one of the most important objectives for the CEE governments to pursue, the interest of the Western multilateral organisations, particularly the EU, was broadly welcomed across the region. The perspective of future admission to the quickly developing "European family" (it was only three years later that the Maastricht Treaty was signed and the European Union as it is now known was established on the basis of EEC) largely contributed to the widespread euphoria throughout CEE. The Copenhagen Criteria for accession of applicant states, established by the EU in 1993 ("the existence of a functioning market economy" and "the capacity to cope with competitive pressure and market force within the Union") (Dunford and Smith 2004: 34) allowed the states of CEE to think that their objectives, although very ambitious, were in fact achievable at some point in the future. As Smith (1996: 6) put it: "At one and the same time, the EU (…) appeared as a model of democratic and economic stability to be pursued by the new or newly democratic countries of Europe, and as a symbol of how far they have to go to reach the promised land". As the end of the ideological war between the East and the West opened up space for the EU to consider expanding into formerly closed territory, the fall of communism became a critical process re-working the political and economic shape of Europe (Hudson 2000).

The mode of transition adopted by the CEE states was that of "shock therapy", so-called because of the high pace of suggested reforms (Bradshaw and Stenning 2004, Smith 1997, Sokol 2001). The therapy was based upon the quick implementation of a stock set of policies appropriate "to discipline the macro-economic situation of CEE economies as the optimum method for providing the condition for capitalist accumulation" (Smith 1997: 331). The understanding of the post-communist transition in the CEE region in terms of the structural adjustments necessary to replace one system with another had its roots in the neoliberal doctrine developed by Milton Friedman and other "neoclassical" ("conservative") economists associated with the "Chicago school of economics" over a decade earlier (Klein 2007). Thus, largely underpinned by the neoliberal approach (what Burawoy (1992) called "transitology"), shock therapy in CEE was supposed to replicate what was referred to as the "Washington Consensus" and which in the 1970s and 1980s argued for a set of policies to be introduced in several Latin American states (e.g. Chile and Bolivia) to guarantee the emergence of a market economy (Bradshaw and Stenning 2004, Klein 2007, Smith 1997). As Chomsky (1994) put it, shock therapy in CEE was a carbon copy of the adjustment programmes imposed earlier on some developing states. The experience of the Western world in establishing capitalism was therefore hoped to prove important in the CEE context (Bradshaw and Stenning 2004). Recommended by all the aforementioned international institutions, who at the same time were not willing to provide any financial aid (Klein 2007), the transition was to be guided by a group of Western advisors to post-socialist governments such as Åslund (1992), Blanchard et al (1992) and, most notably, Sachs (1990), all of which remained under heavy influence of the neoliberal school of thought. For instance, the so-called "Sachs Plan", elaborated for Poland by Sachs and Lipton together with the Polish finance minister Balcerowicz, was one of the most extreme applications of shock therapy (Klein 2007).

This "orthodox approach", as shock therapy was also often referred to, revolved around the golden formula of two transitions – economic and political which were expected to underpin each other at all times and were seen as a pre-condition for reintegration with the West. Whereas the political transition included political liberalisation, free elections and democratisation, the economic transition was to bring marketisation, liberalisation and privatisation (Sokol 2001). In other words, as Bradshaw and Stenning (2004) put it, the road to capitalism was to have four pillars: liberalisation, stabilisation, privatisation and internationalisation, which comprised a number of mechanisms aiming to introduce tight monetary and fiscal policies, liberalise trade and prices, ensure convertibility of currency, promote private enterprises and foster the development of an entrepreneurial class (Bradshaw and Stenning 2004, Pickles 1998, Sokol 2001).

The aim of the proposed reforms was thus to dismantle central planning and put an end to what Gregory and Stuart (1998: 99) called the "administered command economy" (see Ericson 1991 and Lavigne 1999 for further reading on the nature of the communist system). Concomitantly, the former socialist institutional structures were to be replaced with new free market-orientated arrangements whose dominant role was to govern the process of transition and solidify the emergence of capitalism (Bradshaw and Stenning 2004, Smith and Pickles 1998, Sokol 2001). While some advisors argued for a gradual implementation of market mechanisms (Smith 1997), the urgent nature of reforms that characterised the orthodox approach was explained by an important political purpose – preventing opposition from reversing the direction of change (Sokol 2001). Thus, in one form or another, the neoliberal approach was dominant, if not hegemonic, in CEE in the course of 1990s (Sokol 2001).

Meanwhile, as the evidence of the first few years of the transition demonstrated, instead of the economic convergence of the CEE states with those of the West envisaged by the proponents of the neoliberal approach, the transition and integration processes assumed different forms in different countries (Dunford and Smith 2004). The outcomes of shock therapy appeared to be truly shocking (Sokol 2001). Indeed, rather than bringing rapid economic benefits to the transition economies and thus fostering the integration of CEE with the global economy, the neoliberal approach enhanced the emergence of new lines of social, economic and political division across the CEE region (Sokol 2001, Dunford and Smith 2000). The increasingly uneven level of economic development at different spatial scales contrasted starkly with the neoliberal account of smooth convergence and became the critical problem in CEE for many years to come (Bradshaw and Stenning 2004, Dunford and Smith 2004, Sokol 2001).

As Sokol (2001) described it, the failure of the "transition scenario" could be observed on both the political and economic levels. Firstly, in political terms, rather than drawing nearer to liberal democracy, the CEE region experienced political fragmentation, slow development of democratic institutions, the upsurge of extremist movements and threats to minority and human rights (Brown 1994, Sokol 2001), all of which resulted in a high level of political unrest across the region, with the war in former Yugoslavia serving as an extreme example. Secondly, the political problems were closely interconnected with the unexpected massive economic downturn that hit the CEE states in the early 1990s. This transitional recession, as the post-1989 economic decline in CEE is usually called (Bradshaw and Stenning 2004, Sokol 2001), was associated with the disintegration of the structures of the Council for Mutual Economic Assistance (CMEA, "Comecon" – the socialist economic organisation that kept the CEE region in almost entire isolation from the global economy), the collapse of intra-CMEA trade, the withdrawal of the state from the economy and the end of central sponsorship of numerous economic activities. As a big proportion of socialist production had no future under newly-emerging market conditions, the decline led to numerous closures of state-owned enterprises, far-reaching de-industrialisation and a massive plunge in measured output (Bradshaw and Stenning 2004, Dunford and Smith 2004). Indeed, the drop in GDP was so remarkable that it was not until 1998 that some countries (Poland, Slovakia, Slovenia, the Czech Republic and Hungary) managed to exceed or come closer to the GDP levels from 1989 (Bradshaw and Stenning 2004). As Table 3.1 demonstrates, the GDP levels of all the CEE countries in 1996 were lower than the expected GDP levels if the transition had never occurred.

In addition, one of the least desirable outcomes of the transition, a clear reflection of the processes described above, was the harsh decline in employment. According to Dunford and Smith (2004), approximately 19 million jobs were lost in the whole region between 1990 and 1996. Although the neoliberal project assumed a gradual relocation of labour to free market activities, no labour market structural adjustments materialised and huge unemployment hit the region. The most affected groups included not only minorities but also elderly people, young couples and women (Dunford and Smith 2004, Sokol 2001). The economic and political problems, which subsequently resulted in a general decline in the standard of living, gave rise, in turn, to multiple problems of a social nature. Thus Smith (1997) listed collapsing birth rates and growing death rates while Altvater (1998) pointed to an increase in criminality and illegal practices such as corruption.

Table 3.1 GDP and the transition in CEE

COUNTRY	Average annual pre-transition GDP growth	1996 GDP as % of 1988 GDP	1996 GDP as % of 1996 non-transition GDP
Bulgaria	5.7	61	39
Czech Republic	5.2	96	64
Estonia	4.9	63	43
Hungary	2.1	85	72
Latvia	4.0	49	36
Lithuania	13.9	68	24
Poland	1.7	97	85
Romania	2.0	78	67
Slovakia	7.0	83	48

Source: Dunford and Smith (2004: 45, Table 2.2)

The fact that the economic downturn had a different intensity in different states resulted in complex patterns of uneven economic development which could be described at three different levels – international, national and regional (Sokol 2001). Whilst the first level – international – more or less overlapped with the former Iron Curtain and signified the persisting disparity between the West and the former CMEA, the growing differences in economic performance observed between the CEE states constituted the national level. Thus, Sokol (2001) called CEE the Super-Periphery of Europe and divided this territory into Super-Periphery A (the Central European countries, Balkan countries and the Baltic states) and Super-Periphery B (the former Soviet republics apart from the Baltic states). As significant differences within each zone could also be identified, each of them could be further divided into a few sub-zones depicting, for example, the disparities between Poland, Hungary, Slovakia and the Czech Republic on the one hand and the countries of former Yugoslavia (apart from Slovenia) on the other. As Table 3.2 indicates, further to the accession of some CEE states to the EU in 2004 and 2007, the disparities observed between different groups of states increased even further. Indeed, whereas some of the formerly communist countries successfully joined the EU, countries such as Uzbekistan and Tajikistan found themselves subjected to the processes of "Third-Worldisation" and were given the status of "developing countries" by the OECD Development Committee (Bradshaw and Stenning 2004). Finally, the distinctive differences at the national level masked growing inequalities observed between regions within each transition state (see also Dunford and Smith 2000, 2004). As Smith (1997) inferred, uneven regional growth and increasing inequality became distinctive hallmarks of the transition in CEE.

Table 3.2 GDP per capita in CEE in comparison with the "old 15" EU countries (in thousands US Dollars)

COUNTRY	1993	2003	1993-2003 GROWTH	2008	2003-2008 GROWTH
THE "OLD 15" EU COUNTRIES:					
Austria	24.02	30.98	**6.96**	49.60	**18.62**
Belgium	22.12	30.07	**7.94**	47.61	**17.54**
Denmark	27.11	39.47	**12.36**	62.52	**23.05**
Finland	17.26	31.57	**14.31**	51.41	**19.84**
France	21.88	29.07	**7.19**	44.76	**15.70**
Germany	24.78	29.67	**4.89**	44.36	**14.70**
Greece	10.00	17.55	**7.55**	31.95	**14.40**
Ireland	14.30	39.14	**24.85**	61.31	**22.17**
Italy	17.86	26.02	**8.16**	38.64	**12.62**
Luxembourg	39.76	64.33	**24.57**	111.74	**47.41**
Netherlands	21.47	33.30	**11.83**	52.70	**19.40**
Portugal	9.09	15.01	**5.92**	22.81	**7.80**
Spain	13.02	21.10	**8.08**	36.06	**14.96**
Sweden	23.13	34.68	**11.55**	52.03	**17.36**
UK	16.90	31.07	**14.17**	43.38	**12.31**
THE 2004/2007 ACCESSION STATES FROM CEE:					
Bulgaria	1.27	2.55	**1.28**	6.57	**4.02**
Czech Republic	3.60	8.97	**5.37**	21.04	**12.06**
Estonia	2.79	7.26	**4.47**	17.30	**10.04**
Latvia	3.83	8.32	**4.49**	15.45	**7.12**
Lithuania	1.85	4.82	**2.97**	14.96	**10.14**
Hungary	1.82	5.39	**3.57**	14.24	**8.86**
Poland	2.45	5.66	**3.22**	13.85	**8.19**
Romania	1.16	2.72	**1.57**	9.52	**6.79**
Slovenia	2.53	6.18	**3.65**	17.59	**11.40**
Slovakia	6.76	14.57	**7.81**	26.99	**12.42**
OTHER CEE COUNTRIES:					
Albania	0.55	1.85	**1.30**	4.17	**2.33**
Belarus	1.63	1.80	**0.17**	6.23	**4.43**
Bosnia and Herzegovina	0.99	1.88	**0.89**	4.87	**3.00**
Croatia	2.76	7.60	**4.83**	15.68	**8.08**
Macedonia	1.45	2.28	**0.83**	4.41	**2.12**
Moldova	0.57	0.51	**-0.06**	1.66	**1.15**
Russia	3.08	2.98	**-0.09**	11.86	**8.87**
Serbia and Montenegro	1.74	2.29	**0.55**	-	**-**
Ukraine	1.34	1.05	**-0.29**	3.92	**2.87**

Source: Own elaboration on the basis of data retrieved in March 2011 from *http://unctadstat.unctad.org*

However, the analysis of shock therapy and its geographically uneven outcomes would be incomplete – especially in the context of this thesis – without attention to the role of foreign direct investment (FDI). The disintegration of the structures of CMEA and the subsequent internationalisation of the CEE economies, as a key element of a successful transition, was meant to open the region to import competition, foster the development of competitive export industries and allow foreign firms to invest in the formerly closed communist states (Bradshaw and Swain 2004, Dunning 2001). As Dunford and Smith (2004) wrote, integration into this evolving international order implied an opening up of the CEE economies to foreign investment and their integration into a rapidly changing international division of labour. In turn, as a crucial component of internationalisation, privatisation and demonopolisation, FDI was accorded a critical role by the advocates of shock therapy (Hardy 1998, Pavlinek 2004). It was argued that large inflows of foreign capital would generate widespread industrial restructuring (including rapid restructuring of state-owned firms), provide technology and knowledge transfers, implement modern production and management strategies (Pavlinek 2004) and thus bring upgrading both at the national and regional level (Hardy 1998). Unfortunately, as with the other elements of the neoliberal orthodoxy, the reality of FDI in CEE turned out to be very different.

On the one hand, as multiple examples of research conducted in CEE demonstrated (see for instance Pavlinek 2002a, 2002b, 2002c), the positive effects of FDI on the countries of CEE should not be underestimated. Thus, for instance, at the company level Pavlinek (2004) pointed to the expansion of production, access to foreign capital and worldwide sales and distribution networks, increased productivity, increased R&D and transfer of Western know-how, whereas at the level of local/regional economy he paid attention to the creation of jobs, increased wages, increased tax-base and exports and intensive staff training (including the transfer of corporate values associated with a market economy – see Hardy 2002, 2006). On the other hand, as Pavlinek (2004) continued, there are also many negative examples of the impact of FDI on regional growth in CEE, including the shedding of labour, local dependency on foreign capital, suppression and destruction of domestic firms, external control of local economies and regional specialisation in low-skilled production. Thus, instead of being an engine of rapid development (Csaki 1995), FDI quickly appeared to play a two-fold role in the process of transition (Grabher 1992, Hardy 1998, Pavlinek and Smith 1998).

Moreover, due to the fact that the various countries and regions of CEE proved to be of different levels of attractiveness to foreign companies (Bradshaw and Swain 2004), FDI also contributed to the geographically uneven outcomes of the post-communist growth in CEE. Indeed, apart from the typical motives behind specific investment decisions to invest in a particular region and industry such as lower costs of production and labour, access to local markets and to natural resources (see Dunning 2001), foreign investment decisions in CEE also depended upon "the perceived progress that an individual state is making in transition to the market" (Bradshaw and Swain 2004: 63). Therefore, in the majority of cases it was rather high levels of economic development that attracted FDI rather than FDI stimulating regional growth in less developed regions (see for instance Domański 2001, 2003 for the strong correlation between high GDP per capita and the regional distribution of FDI in Poland). As Bradshaw and Swain (2004) and Domański (2001) observed, within individual states FDI tended to concentrate in certain regions, usually the capital cities, metropolitan regions and more advanced industrial regions. By the very same token, Bevan and Estrin (2000) demonstrated that the volume of FDI at the country level in the late 1990s largely depended upon the stage of the EU accession process. Thus, rather than stimulating regional upgrading and bringing convergence at the national and regional level as envisaged by shock therapy, FDI favoured regions at a higher level of growth and instead of minimising the pre-existing spatial inequalities, it frequently contributed to deepening them. Thus, whereas some regions were effectively integrated into the international system of governance of the "New Europe" and could successfully compete in the international arena, others were largely bypassed by flows of international capital (Hudson 2002, 2003, Smith 2004).

The shocking reality of the transition, vastly different from what was anticipated, placed a serious question mark over the appropriateness of the mechanisms implemented in the CEE region (Dunford and Smith 2004) and concurrently led to an interest in the reasons for such a diversity of transitional experiences. As Smith and Pickles (1998: 10) argued, the divergent results of the transition derived from the fact that the neoliberal approach did not "recognise the ever-present diversity of some 27 states and 270 million people". Treating CEE as a whole, i.e. as a region that was entirely uniform under socialism and was ready to follow the neoliberal pattern to the same extent, appeared to be extremely misleading. Indeed, the universal nature of the neoliberal approach, alongside its neglect of particularity and complexity, prevented the proponents of shock therapy and policy-makers from taking into account the economic diversity in CEE that had developed over centuries. Meanwhile, the divergent responses to post-communism depended on various historical experiences, earlier paths of growth, different institutional contexts and local capacities and different modes of insertion into the international economy, all of which constituted the complex mosaic of starting points when the transition began (Smith and Pickles 1998). The same argument was shared by Bradshaw and Stenning (2004) who indicated that broad disparities also existed under the communist system. What is more, due to the fact that the communist system sometimes favoured regions that might have not developed in market conditions, socialism not only failed to eradicate the disparities but rather exaggerated them through a new round of industrialisation. What also proved very important in the early years of transition and is clearly exemplified by Poland and Hungary was the proportion of economic activities that under the socialist system was left outside the planned economy (Bradshaw and Stenning 2004).

To conclude, what was supposed to be a smooth imposition of policies and mechanisms leading to capitalism, proved in reality to be a complex interplay between the universal neoliberal project on the one hand and the variety of socialist and pre-socialist economic experiences and social contexts on the other. The variety of post-communist capitalisms (Swain and Hardy 1998) that resulted from this interplay, combined with the increasing regional disparities observed across the region, unquestionably attested to the failure of shock therapy. As Amin and Tomaney (1995) wrote, it is likely that the forms of uneven regional development currently observed in the world will continue in their intensity or will further deepen if the models of capitalist and geopolitical integration continue to be neoliberal ones. And although the authors of shock therapy tried to argue that the failure of the reforms was due to their incorrect implementation, wrong timing and how long particular states had remained under communism (Sokol 2001), the uneven outcomes of the neoliberal orthodoxy revealed the need for a deeper understanding of the processes taking place in CEE. As shock therapy could not be considered a proper theorisation of transformations in CEE, what was also born out of its failure was the simultaneous need for an in-depth theorisation of post-communist transformations that "would challenge the neoliberal hegemony and account for the variety of strategies, techniques and effects that constitute transition-in-process – actually existing transition" (Smith and Pickles 1998: 5). The following section presents a theorisation that meets these requirements.

3.3 The alternative approach to post-communist transformations

The understanding of post-communist transformations in CEE that emerged within the social sciences in direct response to the fallacies of shock therapy is broadly referred to as the 'alternative' approach (Bradshaw and Stenning 2004, Sokol 2001). Drawing upon the institutionalist perspective, the alternative approach focuses on the element that was neglected by the authors of the neoliberal orthodoxy, namely the legacies of institutional frameworks and social relations derived from communism and their role in determining the pace, depth and direction of the ongoing changes (Smith and Pickles 1998, Sokol 2001). As Sokol (2001) explained, the alternative approach pays attention to both "soft legacies" (understood as social networks) and "hard legacies" (defined more in terms of pre-existing political and economic structures) and considers them as the critical factor shaping the multiple ways in which the transition progressed.

The alternative approach thus rejects the neoliberal account of "an institutional vacuum emanating from the disintegration of central planning" (Swain and Hardy 1998: 587) and implies that "capitalism cannot be constructed in the belief that the collapse of state socialism left a *tabula rasa* in CEE" (Smith 1997: 331, italics in original). It rests upon the critique of shock therapy as "an off the shelf policy prescription, not one tailored to the specific context and needs of the post-socialist states", but simply applied to CEE on the basis of the past experience in Latin America (Bradshaw and Stenning 2004: 12). In stark contrast to the neoliberal approach that tried to implement "capitalism by design", the alternative approach challenges "the idea of capitalism as a single ideal type which can be created overnight on pursuance of a number of policy goals" or "universally and uniformly applied" (Bradshaw and Stenning 2004: 13). Thus, the alternative approach points towards the multiplicity of capitalist systems and their evolutionary nature. At the same time, it pays attention to the complexity of the transformation processes and the political, economic and social nature of the ongoing changes – something that is best captured by the notion of "systemic transformation". As Stark (1992: 301) argued, what was observed in CEE was "a plurality of transitions in a dual sense, (…) a multiplicity of distinctive strategies, (…) not one transition but many occurring in different domains – political, economic and social – and these processes are often asynchronous".

In order to analyse the flagship concepts of the alternative approach in more detail, it is first essential to pay more attention to the institutionalist approach – the theoretical body from which both these concepts derive. As Martin (2003) explained, the institutionalist approach originates from multiple sources such as French regulation theory and various developments in social sciences (including sociology, economics, political sciences and economic geography). In general, as Martin (2003: 77) further wrote, the institutionalist perspective suggests that "the form and evolution of the economic landscape cannot be fully understood without giving due attention to the various social institutions on which economic activity depends and through which it is shaped". Thus, the approach argues that economic processes are also socio-cultural processes and that different institutions are central to the socio-cultural construction of the economic (Martin 2003, Storper and Walker 1989) and implies that economic activities are "enmeshed in wider structures of social, economic, and political rules" (Martin 2003: 79, italics omitted). Therefore, the economic landscape is much more than the market (Martin 2003).

The prominence of the institutionalist perspective in economic geography refers to four themes – the role of institutions in shaping the space economy, the evolutionary nature of the economic landscape (including the path-dependent character of institutions which evolve in a self-reproducing and continuity-preserving way and are important carriers of history at different geographical scales), the cultural foundations of the space economy and the social regulation and governance of local/regional economies through informal and formal structures, conventions and social relationships (Martin 2003). As the above implies, the institutionalist approach in economic geography is based on two important concepts – embeddedness and path-dependency (Cumbers et al 2003). Whilst the first points towards the idea that economic actions are grounded in social relations (including institutional contexts) and has been already discussed in Chapter 2, the second implies that the evolution of firms and territories is determined by paths of development as an outcome of past decisions (Arthur 1994, Cumbers et al 2003).

Where these concepts are especially useful is in understanding the role of institutions in shaping regional development. As Cumbers et al (2003: 325) argued, "[i]nstitutionalist perspectives emphasize the importance of social and cultural conditions within regions in shaping economic development trajectories, and treat localities and regions as active participants in economic development". What is closely associated with this view is the notion of institutional thickness, which is defined by Amin and Thrift (1995) in terms of a strong institutional presence and a high level of interaction amongst these institutions and which in the new regionalism literature is considered as a significant regional asset capable of stimulating endogenous regional development (Amin 2004, Martin 2003).

The concepts of embeddedness and path-dependency are of pivotal importance in the alternative approach to post-communist transformations in the CEE region. Given that the alternative approach pays attention to the spatially differentiated political, economic, institutional and social contexts of CEE, and is therefore (at least partially) geographical in nature, it is barely surprising that the concepts are useful in understanding the variety of post-communist trajectories of growth in CEE. Thus, as Smith (1997) observed with regard to the concept of embeddedness, the alternative approach recognises the diversity of organisational and institutional formations emerging in the region and, by means of emphasising that economic activities are embedded in local contexts, it points towards the institutionalisation of the processes of change in CEE. In the words of Sokol (2001: 649), it focuses on "the salience of evolving institutions in shaping social and economic action and a recognition that new institutions are (…) embedded in the old ones". Thus, the understanding of various paths of economic development in CEE would be largely incomplete without due attention to the constellation of state and non-state institutions which underpins them at all spatial scales (Swain and Hardy 1998).

The idea of path-dependency, in turn, implies that the landscape of capitalist production is constituted out of the past social relations which are not replaced but simply reworked in a very complex way as transformations progress (Smith 1997). In this understanding, the variety of socialisms (which differed, for instance, in terms of the level and scope of state ownership and macroeconomic stability) gave way to the even more differentiated variety of post-communist capitalisms (Swain and Hardy 1998). Therefore, rather than concentrating on the teleological project of *transition* from A to B, we should look for patterns of "*transformation* in which new elements are (…) combinations, adaptations, rearrangements (…) and reconfigurations of existing organizational forms" (Stark 1992: 15, italics in original). Concurrently, it is essential to acknowledge that post-communist transformations are not only path-dependent but also path-shaping processes. Whereas history and legacies constrain the economic actions of the actors involved, they do not foreclose strategic choices and new solutions that are still available to them (Hausner et al 1995, Sokol 2001). The older institutional and organisational forms are therefore not only residues of the past but the genetic material, building blocks and resources for the future (Bradshaw and Stenning 2004, Grabher and Stark 1998). As Sokol (2001) wrote, the concept of path-dependency emphasises that the new system is built not *on* the ruins but *from* the ruins of socialism.

Importantly for this thesis, the alternative approach to post-communist transformations is also very helpful in explaining the two-fold impact of FDI on uneven regional growth in the region. One of the most useful taxonomies of mutual relations between FDI and localities of CEE – and which is based upon the insights of the alternative approach – is Grabher's (1992) distinction of two types of foreign investment strategy – *cathedrals in the desert* and *bridgehead investments*. As Hardy (1998) and Pavlinek and Smith (1998) contended, these two types differ in terms of what use they make of pre-existing social and economic relations (including the selection of local suppliers) in the region in which the investment takes place, and what influence they have on regional upgrading. Whilst cathedrals in the desert can be described as cost-oriented and disembedded enclaves of foreign capital, bridgehead investments are viewed as embedded forms of FDI. Thus, cathedrals in the desert are forms of investment which replace old social and economic relations with new structures that are not integrated to the local economic space, do not use local suppliers and do not transfer R&D or decision making functions to the regions of CEE. As they imply defensive restructuring of the region (see also Lipietz 1992) and thus may lead to new forms of local dependency on foreign capital, the opportunities for regional upgrading are largely limited.

In contrast, bridgehead investments imply a much higher level of integration of inward investment into local economies. Not only do they rely on pre-existing supplier relations but they also look for new local relationships. What is more, by means of transferring decision making functions they contribute to the process of upgrading human capital in the region and thus enhance its competitiveness. Bridgehead investments are therefore a mechanism for offensive restructuring which may lead to progressive upgrading (Hardy 1998, Pavlinek and Smith 1998). As Hardy (1998) and Pavlinek and Smith (1998) also wrote, the choice of investment strategy by a foreign firm and, subsequently, its impact on regional growth, largely depends on the structure of institutional legacies in a given region and their ability to foster endogenous growth – something that Amin and Thrift (1994) referred to as institutional thickness and its ability to 'hold down' the global. The obvious link between the alternative approach's focus on the role of various institutional formations in shaping endogenous regional growth and the new regionalism side of the concept of strategic coupling discussed in Chapter 2 has to therefore be acknowledged.

On a more general level, it is essential to clarify whether, two decades after the collapse of state socialism, the analytical category of "post-socialism" should still be in use and, therefore, whether the alternative approach to post-communist transformations is still of any validity in informing research on the region. A few years ago, in their endeavour to answer a similar question, Stenning and Bradshaw (2004) argued for the continued use of the category of post-socialism. Pointing out that, despite different trajectories of post-communist growth, the states of CEE share a common difference from the West because of their communist experiences and, therefore, as the evidence shows, the socialist past is continuing to shape the region's futures, they (2004: 254) inferred that "only time will tell how long such a category is useful but its time is not yet up". Although further to the expansion of the EU beyond the former Iron Curtain in 2004 and 2007 some states of CEE envisaged the end of post-socialism (Pickles 2010, Stenning and Hörschelmann 2008), Stenning and Bradshaw's (2004) argument has still a high degree of validity. As Smith and Timar (2010: 115) point out, "twenty years after the (…) profound collapse of state socialism, the visible traces of the events of 1989 and the preceding era of state socialist collectivism remain very apparent in the geographies of post-socialism".

Indeed, as research on CEE demonstrates, the influence of the socialist past on the space economy of CEE is still persistent and therefore the analytical focus on the categories of embeddedness and path-dependency remains a crucial key to the general understanding of the processes of change taking place in CEE. While the persisting gap between CEE and the West (Table 3.2) and the vast inequalities at the national and regional level (see Mykhnenko and Swain 2010 for the example of Ukraine) continue to define the reality of the states and regions of CEE, the socialist past simultaneously plays itself out at the level of the individual household and in the social domain of everyday life in the region (Smith and Timar 2010). As poverty rates increase, new forms of social exclusion (e.g. high unemployment) emerge across CEE (Round and Williams 2010, Smith et al 2008, Stenning et al 2010).

Meanwhile, it has to be recognised that post-communist transformations in CEE and the processes of internationalisation (as their integral elements) have brought the West and CEE closer together in many respects. Whereas the formerly closed region opened up to Western firms which, in turn, in some cases started bringing about the expected regional upgrading (see e.g. Domański and Gwosdz 2009, Pavlinek and Ženka 2010, Pavlinek et al 2009 for the analysis of the automotive industry), the West simultaneously opened up to potential influences coming from CEE. The migration of labour from the CEE region to the "old" EU states observed after 2004 can serve as the best example of the impact of post-communist transformations on the rest of the world (Stenning and Dawley 2009, Wills et al 2009). It is for this and other reasons that Pickles (2010) contends that what is now referred to as the common space of Europe is to some degree "a space of post-socialism", and why Stenning (2010) indicates that in some important respect "we are all post-socialist now". What the integration of CEE with the global economy implies is that in exactly the same manner as "the ongoing processes of globalization (…) must be increasingly recognized as the wider context within which post-socialist transformations are taking place", the understanding of globalisation will be clearly incomplete without attention to the changing geographies of CEE (Stenning and Bradshaw 1999: 100). It is in explaining this integration of post-communist transformations and globalisation that a geographical approach such as GPN can prove very fruitful.

It is therefore contended that the alternative approach, as a clearly territory-specific set of theories, is an essential complement to the application of the GPN perspective to the research on CEE. What links and makes these two theoretical bodies fully compatible is the VoC approach discussed in Chapter 2. Indeed, given that both the VoC framework and the alternative approach draw upon the institutionalist perspective in social sciences and thus focus upon territorially distinctive institutional formations and their influence on economic activities, the obvious overlaps between them must be acknowledged. For instance, what the alternative approach refers to as post-socialist institutional formations and socialist legacies fall under the category of Whitley's (1999) business systems and Hollingsworth and Boyer's (1997) social systems of production. Therefore, owing to the fact that further to the failure of shock therapy and the emergence of divergent forms of post-communist capitalisms "the transitology has moved on to comparison" (Bohle and Greskovits 2007: 90), it might be expected that the biggest potential to account for the diversity of capitalisms emerging in the CEE region is possessed by the VoC approach. Meanwhile, as Bohle and Greskovits (2007) and Lane (2005) argued, despite being one of the most influential comparative approaches in international political economy, the applicability of the VoC approach to the research on CEE is rather limited.

Firstly, as Bohle and Greskovits (2007) explained, the VoC approach seems to overlook that, in stark contrast to well-established capitalist regimes found in the West, capitalist institutions in CEE have emerged only recently and their consolidation cannot be taken for granted. As Lane (2005) pointed out, many components of CEE capitalisms are still compromised by non-market economic relationships and therefore the analysis of these systems should grasp not only their types but also the varying extent to which they have been constructed. In this understanding, the VoC approach fails to explore the dynamics of emerging capitalist systems in CEE (Bohle and Greskovits 2007). Secondly, the VoC framework does not account for the fact that the existing institutions in CEE were not in place before the CEE economies were exposed to international influences and thus fails to acknowledge that the CEE capitalisms emerge from the complex interplay of external factors (including world commodity and financial markets, international institutions and foreign direct investment) and different state capacities to implement adequate reforms and not only from national institutional contexts. Simultaneously, it gives little attention to the varied impact of internationalisation throughout the region (Bohle and Greskovits 2007). And finally, as both Bohle and Greskovits (2007) and Lane (2005) argued, due to the fact the VoC approach has been designed to analyse more advanced capitalisms with a long capitalist history, it may be ill-suited to the CEE capitalisms which are still semi-peripheral in nature. By the same token, the VoC approach in general is not fine-grained enough to account for the various post-socialist capitalisms. Not only are the categories too vague but also, many versions of the VoC framework do not even include the post-socialist category (see Coates 1999, Amable 2003, Hall and Soskice 2001).

As this discussion clearly implies, what the VoC framework is not able to conceptualise with regard to CEE is in fact well covered by the alternative approach discussed above. It must be therefore inferred that because of both the differences and overlaps between the VoC perspective and the alternative approach, it is the combination of the two that, if incorporated into the GPN framework, can allow the thesis to account for the complex nature of globalisation processes currently taking place in the CEE region.

3.4 Summary and conclusions

The central objective of this chapter has been to describe and discuss theories referring to the geographical focus of this thesis – that of Central and Eastern Europe (CEE), and analyse how these theorisations integrate with the global production networks approach. By means of analysing the nature of shock therapy, and pointing towards the spatially uneven outcomes of the neoliberal orthodoxy, the chapter has argued in favour of the alternative approach to the processes of change in CEE. Further to the discussion of the alternative approach and its origins in the institutionalist perspective, the chapter has demonstrated the importance of the alternative approach in accounting for the variety of post-communist capitalisms currently emerging in CEE. Given that different economic, institutional and political contexts that are constructed in CEE in place of socialism are important factors influencing the expansion of international hotel groups into CEE, the chapter has emphasised the critical role of the alternative approach in investigating the phenomenon being researched.

By means of identifying the ways in which the alternative approach overlaps with the varieties of capitalism approach, it has been illustrated how the alternative approach can be integrated with the GPN perspective. Simultaneously, the chapter has highlighted the ways in which the alternative approach can compensate for the limited applicability of the VoC approach to the CEE context. The combination of the GPN framework and the alternative approach has thus been presented as a promising theoretical perspective from which the interdependence of globalisation and post-communist transformations in CEE can be explored more deeply. While this chapter has described the theoretical platform from which this thesis aims to address the geographical focus of the project (and thus address the geographical lacuna), the following chapter turns to theorisations pertaining to the sectoral gap identified at the outset – the international hotel industry.

Chapter 4
The globalisation of services and the international hotel industry

4.1 Introduction

Further to the discussion of theories relating to the geographical focus of the project (i.e. Central and Eastern Europe), this chapter moves the attention to the sectoral focus, i.e. the international hotel industry. Referring to the three-level research lacuna identified in Chapter 1, the chapter not only describes these gaps in detail, but it also demonstrates the way in which this dissertation is aiming to address them. Although the chapter fully recognises the important insights into the globalisation/internationalisation of services elaborated from the perspective of management and business studies, it argues that they fall short of exploring the vertical dimension of the globalisation of the hotel industry. Arguing that the under-researched areas can be best investigated from the perspective of economic geography, the chapter proposes the global production networks approach as an efficient theoretical platform from which the understanding of the globalisation of services and the hotel sector can be enhanced. Simultaneously, one of the aims of this chapter is also to critically engage with theoretical debates pertaining to the hotel sector and, potentially, to enhance existing theorisations of the international hotel industry, its nature, development and international expansion.

The chapter is structured as follows. In order to set the scene, the following section (4.2) describes the general context of the globalisation of the service sector. Paying attention to the increasing role of services in the global economy and discussing various attributes of services, the section also reviews different theorisations of the internationalisation of the service sector and identifies the ways in which a geographical perspective can help tackle the existing research gaps. Section 4.3 narrows down the topic to tourism and the hotel industry. Arguing that the phenomenon of tourism is an important context for the analysis of the hotel industry, the section discusses the nature of the contemporary hotel industry. Particular research gaps are identified and a geographical research agenda to address them is proposed. Section 4.4 focuses on business models of international hotel groups and considers them key to understanding the globalisation of the hotel industry. Building on the insights provided by the global production networks perspective (GPN), the section also seeks to develop theorisations of international hotel groups' production networks. The research questions underpinning the thesis are listed in Section 4.5.

4.2 The globalisation of the service sector

As argued in the previous chapters, it should not be questioned that we live in an era of globalisation and that the turbulent changes to the world economy that have been taking place over the few decades have resulted in the world system being more interconnected than at any other time in history (Cuadrado-Roura et al 2002). Whilst the understanding of this set of processes is gradually increasing, more and more attention is being paid to the role played by the service sector. Thus, according to the United Nations (1999), the growth of international markets for services is one of the critical features of the current processes of globalisation. As Cuadrado-Roura et al (2002) argued, globalisation would not have reached its current stage of development without services.

The growing importance of the service sector in the global economy is also emphasised by Aharoni (2000a) who stressed the vast increase in the role of services as a proportion of GNP observed worldwide in the 1990s – even to 70% in some developed countries. Importantly, this tendency has also continued in the 21st century (UNCTAD 2004). As Table 4.1 demonstrates with regard to the EU and the former Soviet bloc, these figures are still rising. While the "old" 15 EU states have a relatively stable share of services of approximately 60-70%, the biggest shift to services has been observed over the last two decades in the former Soviet bloc (especially in the so-called accession countries) where under socialism the primary sector had been accorded the central role. This noteworthy increase in the role of the service sector in the global economy has also been reflected in the changing structure of employment. In some developed countries such as Holland or the UK as much as 80% of the labour force is employed in services (*www.cia.gov*).

Importantly, the changes to the global economy initiated by the globalisation of services are not only quantitative but also qualitative (Cuadrado-Roura et al 2002). And although Cuadrado-Roura et al (2002) adopted a discourse of "interrelationships between services and globalisation" (which implies a misleading dichotomy of globalisation and services) rather than talking about the services which *constitute* globalisation (Coe 2003), they made a few important points on the role of services in the global economy. Referring to services as "direct instruments and agents of globalisation" (Cuadrado-Roura et al 2002: 6, italics omitted), they gave examples of legal services which develop solutions to legal problems in foreign territories into which firms expand, and market research services which provide expanding firms with knowledge of host markets and help them to make informed decisions. Finally, the impact of services on the processes of regional growth also has to be recognised. Despite the fact that some advanced services concentrate in major metropolitan areas and foster the development of already well-developed regions, services generally tend to be less spatially concentrated than manufacturing and can thus reduce regional inequalities (Rubalcaba-Bermejo and Cuadrado-Roura 2002a).

Table 4.1 Services as per cent of GDP in Europe

COUNTRY	1992	2000	2007	GROWTH 1992-2007
THE "OLD" 15 EU COUNTRIES:				
Austria	65.6	67.2	67.7	**2.1**
Belgium	69.5	71.6	75.3	**5.8**
Denmark	71.2	70.6	72.4	**1.2**
Finland	65.5	62.8	64.1	**-1.4**
France	70.4	74.3	77.5	**7.1**
Germany	63.2	68.5	68.7	**5.5**
Greece	66.8	72.5	75.9	**9.1**
Ireland	55.7	55.5	64.8	**9.1**
Italy	66	68.8	70.9	**4.9**
Luxembourg	73.9	81	84	**10.1**
Netherlands	68.1	72.4	73.6	**5.5**
Portugal	66	68.6	73	**7**
Spain	61.9	66.4	67.4	**5.5**
Sweden	68.8	69.4	70.3	**1.5**
United Kingdom	67.4	71.8	76.3	**8.9**
THE 2004/2007 ACCESSION STATES FROM CEE:				
Bulgaria	47.5	56	61.5	**14**
Czech Republic	-	58	58.7	**-**
Estonia	52.3	67.3	66.8	**14.5**
Hungary	59.6	62.4	66.3	**6.7**
Latvia	47.5	71.8	73.2	**25.7**
Lithuania	45	63.9	62.7	**17.7**
Poland	52.2	63.3	63.8	**11.6**
Romania	40.4	51.7	56.5	**16.1**
Slovakia	-	59.3	57.2	**-**
Slovenia	54.3	60.9	63.3	**9**
OTHER CEE COUNTRIES:				
Albania	21.3	58.5	58.5	**37.2**
Belarus	29.8	47.6	49.3	**19.5**
Bosnia and Herzegovina	59.3	62.7	65.2	**5.9**
Croatia	64.9	63.2	65.8	**0.9**
Macedonia	44.5	55.4	57.7	**13.2**
Moldova	27.8	50.6	66	**38.2**
Russia	53.2	55.4	58.4	**5.2**
Serbia and Montenegro	50.6	47.9	62.2	**11.6**
Ukraine	30.9	45.5	57.9	**27**

Source: Own elaboration on the basis of data retrieved in March 2011 from *http://unctadstat.unctad.org*

However, it is necessary to stress that what is referred to in this thesis as "the service sector" or "services" is a very extensive category and it is difficult to generalise across individual service sectors. It is mainly for this reason that the most common taxonomy of services (producer versus consumer) is entirely based on the criterion of the demand which particular sectors target and not on the qualities of these sectors. Whilst consumer services are those that address final demand (i.e. private customers), producer (business) services target intermediate demand (i.e. other businesses) (Marshall et al 1988, see also Debbage and Daniels 1998, Taylor et al 2004). Even though this distinction has been widely adopted in the literature on the service sector, some authors observed that in the current world this dichotomy is inaccurate and artificial and is getting more and more blurred (Allen 1988, Walker 2004). Indeed, these groups are not mutually exclusive as many service industries such as banking, insurance or the hotel industry fall in fact into both categories (Daniels 1993, Debbage and Daniels 1998). Therefore, as Tickell (2002) argued, rather than concentrating on consumer or producer services, scholarly analyses should prefer a narrower sectoral approach. While the producer/consumer dichotomy is a useful framework from which the analysis can start, the major part of the analysis will build upon Tickell's argument.

Although it is difficult to generalise about all types of services, some common attributes of services (particularly those that distinguish services from manufacturing) have to be acknowledged. First, in contrast to manufacturing where value is added sequentially in different locations as products are assembled (Greenwood et al 1999), services follow a different chain of value creation. As Løwendahl (2000) put it with regard to knowledge-based services, instead of creating value by means of transforming tangible inputs into outputs, service firms sell a promise, deliver what has been promised and learn from the whole process to improve their efficiency in the future. Second, services are associated with the transfer of knowledge, workers and technology, rather than with movements of goods as in manufacturing, and are therefore in most cases non-storable and intangible (Aharoni 2000a, Grosse 2000, Rubalcaba-Bermejo and Cuadrado-Roura 2002a). Third, what the intangible nature of services implies is high uncertainty as to the quality of the service supplied (Aharoni 2000b). The importance of reputation and prestige in services is therefore often much higher than in manufacturing (Aharoni 2000b). These, in turn, are normally communicated to the market by means of brands – a pivotal instrument of identification which also instils trust (Rubalcaba-Bermejo and Cuadrado-Roura 2002a).

Finally, the most important difference between services and manufacturing relates to the fact that the majority of services are produced and consumed in the same place and time – usually in a close interaction between the producer and the consumer. Thus, services have a personal character, are highly customised, cannot be easily standardised and, for instance in knowledge-based services, require a high level of discretion (Aharoni 2000a, Løwendahl 2000). Therefore, importantly from the perspective of geography, services are "location-bounded" (Boddewyn et al 1986). As a result, the need for localisation of provision provides opportunities for services to exploit cultural and social diversity such as, for instance, in tourism (Cuadrado-Roura et al 2002).

As Aharoni (2000a) argued, parallel to the growing importance of services in the global economy more attention has been paid to the internationalisation of services – notably what motivates service firms to expand and what modes of internationalisation can be distinguished. Meanwhile, because of the fact that services are not easily divisible and therefore service firms cannot follow the manufacturing-type spatial division of labour, the internationalisation of services reveals different patterns than in the manufacturing sector both in terms of why service firms expand and how (Bryson 2001, Rubalcaba-Bermejo and Cuadrado-Roura 2002a). Indeed, what describes the internationalisation of services is the low level of tradability of services (Cuadrado-Roura et al 2002). While the aforementioned characteristics of services constitute so-called "natural" barriers to trade, various national regulations and protection of national markets from international competition can be perceived as "artificial" barriers (Rubalcaba-Bermejo and Cuadrado-Roura 2002a, Cuadrado-Roura et al 2002). Thus, delivering services abroad can often be achieved only by means of establishing a presence in the market, for instance in the form of FDI (Aharoni 2000a, Bryson 2001, Mallampally and Zimny 2000, O'Farrell and Wood 1994, Taylor et al 2004).

Indeed, the role of services in the global structure of FDI is increasing. As Mallampally and Zimny (2000) observed, the share of services in total FDI stock tripled between the 1970s and the late 1990s. In 2002 services accounted for approximately 65-70% of total FDI flows and over 60% of total FDI stock (UNCTAD 2004). As Table 4.2 illustrates with regard to the EU, FDI stock in services has increased dramatically throughout the last decade. The growing importance of mergers and acquisitions (M&As) as "a speedy and practical mode of entry" (UNCTAD 2004: 111) also should be acknowledged. The proportion of services in total mergers and acquisitions sales grew from 36% in the late 1980s to 63% in the early 2000s (UNCTAD 2004). Moreover, due to the fact that data on FDI do not capture foreign investments undertaken by service firms in non-service sectors or conducted through contractual arrangements, the real participation of services in total FDI is much higher than assumed (Mallampally and Zimny 2000).

Table 4.2 Foreign direct investment stocks in services (in billions of Euro) in the EU

COUNTRY	2001	2008	GROWTH 2001-2008
THE "OLD" 15 EU COUNTRIES:			
Austria	28.7	93.1	**64.4**
Belgium	-	478.1	**-**
Denmark	66.7	86.3	**19.6**
Finland	-	42.1	**-**
France	268.2	576.6	**308.4**
Germany	423.8	572.6	**148.8**
Greece	7	18	**11**
Ireland	-	129	**-**
Italy	92	98.8	**6.8**
Luxembourg	23.4	43.6	**20.2**
Netherlands	201.8	250.1	**48.3**
Portugal	33.2	-	**-**
Spain	-	236.7	**-**
Sweden	21.9	83.5	**61.6**
United Kingdom	328.3	-	**-**
THE 2004/2007 ACCESSION STATES FROM CEE:			
Bulgaria	1.5	22.1	**20.6**
Czech Republic	17.4	43.8	**26.4**
Estonia	2.6	8.7	**6.1**
Hungary	-	39.9	**-**
Latvia	1.9	6	**4.1**
Lithuania	-	5.9	**-**
Poland	27.7	70.7	**43**
Romania	-	26.3	**-**
Slovakia	4.2	17.5	**13.3**
Slovenia	-	7.7	**-**

Source: Own elaboration on the basis of data retrieved in March 2011 from *http://epp.eurostat.ec.europa.eu*

The same could be said about trade in services. Owing to the fact that some services are delivered through communication channels that are not monitored for trade (such as fax or telephone) (O'Farrell and Wood 1994) and that official statistics do not account for intra-firm trade (Rubalcaba-Bermejo and Cuadrado-Roura 2002a), international trade in services can be expected to be of much larger volume than reported. Meanwhile, as the statistics illustrate, services represent only 25% of international trade. Although recent technological advances in computer technologies facilitate service trade (Mallampally and Zimny 2000, Vandermerwe and Chadwick 1989) (see Table 4.3 for the example of the EU and the former Soviet bloc), trade in services is still at a lower level than in the manufacturing sector and is still not as important in services as FDI.

Table 4.3 Trade in services as per cent of total trade

COUNTRY	1996	2008	GROWTH 1996-2008
THE "OLD" 15 EU COUNTRIES:			
Austria	36.9	25.6	**-11.3**
Belgium	13.9	15.7	**1.8**
Denmark	24.3	38.4	**14.1**
Finland	14.8	24.9	**10.1**
France	21.5	21.9	**0.4**
Germany	13.8	15.4	**1.6**
Greece	44.4	66.4	**22**
Ireland	20.7	18.2	**-2.5**
Italy	10.6	44.8	**34.2**
Luxembourg	62.3	73.9	**11.6**
Netherlands	18.5	14.2	**-4.3**
Portugal	24.4	32.1	**7.7**
Spain	29.3	33.9	**4.6**
Sweden	16.6	28.4	**11.8**
United Kingdom	26	38.7	**12.7**
THE 2004/2007 ACCESSION STATES FROM CEE:			
Bulgaria	17.1	26.4	**9.3**
Czech Republic	27.2	13	**-14.2**
Estonia	34.8	29.4	**-5.4**
Hungary	27.3	15.8	**-11.5**
Latvia	43.8	31	**-12.8**
Lithuania	19.2	17	**-2.2**
Poland	28.5	17.3	**-11.2**
Romania	16.2	20.7	**4.5**
Slovakia	19	10.7	**-8.3**
Slovenia	20.4	17.9	**-2.5**
OTHER CEE COUNTRIES:			
Albania	37.9	64.7	**26.8**
Belarus	13.8	11.3	**-2.5**
Bosnia and Herzegovina	-	24.8	**-**
Croatia	41.5	51.8	**10.3**
Macedonia	11.9	20.5	**8.6**
Moldova	11.4	34.4	**23**
Russia	12.8	9.8	**-3**
Serbia and Montenegro	27.2	-	**-**
Ukraine	25	21.1	**-3.9**

Source: Own elaboration on the basis of data retrieved in March 2011 from *http://unctadstat.unctad.org*

Modes of internationalisation in services can be categorised in many different ways. For instance, GATS (General Agreement on Trade in Services that came to force in 1995) distinguished four modes: *cross-border supply* (export of services) when a geographical separation between the provider and the client is maintained; *consumption supply* when the customer moves to the provider as in tourism services; *commercial presence* either in a form of greenfield or brownfield FDI; and *presence of persons* when the expansion abroad requires domestic personnel to move to the client's country (Rubalcaba-Bermejo and Cuadrado-Roura 2002a, 2002b, Schulz 2005). Whereas the first two modes account for what is usually referred to as trade, the third mode comprises different forms of FDI. Unfortunately, this taxonomy does not give enough consideration to various contractual arrangements such as management contracts or franchising, all of which are viewed as non-equity forms of FDI and not as a separate mode of internationalisation.

Meanwhile, the increasing popularity of various contractual arrangements in the service sector should not remain unacknowledged (Bryson 2001, Mallampally and Zimny 2000, UNCTAD 2004). The dominant role of non-equity forms of international development in the hotel sector (Mallampally and Zimny 2000, UNCTAD 2004), discussed in detail in the following two sections, further supports this argument. Therefore, the most useful taxonomy for the purpose of this dissertation is the one provided by Vandermerwe and Chadwick (1989) who described three main modes: trade, FDI and various contractual arrangements. Moreover, as they continued, the choice of mode depends on the relative involvement of goods on the one hand and the degree of consumer/producer interaction on the other. Thus, services embodied in goods (such as music on CDs) where the level of consumer/producer interaction is very low usually internationalise by means of trade, while services that require a high level of interaction and cannot be easily embodied in goods have a strong preference for FDI. Between these are services that are associated with some goods or are delivered through goods, whose level of interaction is either low or high and which usually internationalise through third parties (as in the hotel industry) (Vandermerwe and Chadwick 1989). It should also be recognised that companies in fact tend to change modes of internationalisation and operate in more than one mode at the same time (Bryson 2001, Vandermerwe and Chadwick 1989).

Further to the discussion of different modes of internationalisation of service firms, it is also essential to pay attention to the reasons why service firms internationalise. Factors driving the international expansion of the service sector are usually divided into pull and push factors. Thus, with regard to the example of the retail industry, among many push factors Wrigley and Lowe (2002, see also Dawson 1994) listed competitive pressures in local markets and the spreading of risk, while the most important pull factors included following existing customers, the existence of unexploited market segments and access to new resources such as new management (see also Schulz (2005) for the example of environmental producer services). In the same vein but with regard to business services, Roberts (1999) divided factors influencing the internationalisation of the service sector into supply and demand driven forces. Whilst the increasing pressure on service TNCs to follow their customers abroad is the best example of a demand-driven force, looking for economies of scale and scope is the obvious supply-driven force (Roberts 1999). In addition, Wrigley and Lowe (2002) also distinguished a few facilitating factors such as the aforementioned development of information and telecommunication technologies or the removal of artificial barriers to entry (Roberts 1999, Taylor et al 2004). Even though service firms may be either market- or resource-seekers, searching for resources such as cheap labour is in services very limited (Grosse 2000, Mallampally and Zimny 2000).

As service companies are mainly market-seekers, it is also necessary to discuss what the selection of foreign markets depends on. According to O'Farrell and Wood (1994), the influences upon choice of foreign markets are: the size of a given market (the bigger the better) and the intensity of competition in that market; country risk (both economic and political); size of the firm; the market's similarity to the firm's home market; and social, cultural and linguistic similarities or differences. Whilst cultural and language barriers may be overcome by adapting the product to social and cultural conditions in the market (Rubalcaba-Bermejo and Cuadrado-Roura 2002a) or undergoing organisational changes (Venard 2001), they may appear to be very serious obstacles hampering the process of internationalisation (Schulz 2005).

As O'Farrell and Wood (1994: 243) argued, because of the attributes of services "the conceptual frameworks developed to understand internationalisation by manufacturers require modification when applied to the service sector". Meanwhile, notwithstanding some notable contributions such as those of Roberts (1999) and Dunning and Norman (1983, 1987), theories explaining the internationalisation of the service sector are still in their infancy. Probably the most helpful theory is Dunning and Norman's (1983, 1987) eclectic paradigm (see Dunning 1993). Drawing upon the transaction cost approach, the theory suggests that firms decide to internationalise if they have competitive advantages over host firms. There are three different kinds of advantages – ownership, location and internalisation. Whilst ownership (firm-specific) advantages relate to the firm's unique assets such as the labour force or possessed know-how, location advantages relate to the firm's access to various resources in the host market. Internalisation advantages, in turn, comprise the firm's ability to select the most appropriate mode of expansion in order to protect the firm's knowledge and the advantages mentioned above (Faulconbridge et al 2008, O'Farrell et al 1998, UNCTAD 2004).

An entirely different view is provided by Roberts' (1999) stages approach. According to Roberts (1999), service firms who go global often start with export which enables them to establish a presence in the host market by means of FDI or a contractual arrangement. When the presence is established, the ability to serve the market independently of the parent firm is gradually developed. On the other hand, rather than starting with export and then switching to FDI, some companies prefer to start with FDI which then acts as a delivery system facilitating trade (Roberts 1999). As Roberts (1999) argued, firms may be at a different stage of development in different markets which, in turn, explains the variety of types of international activity currently observed in the world. What is more, the expansion of various firms may also vary in terms of pace (Roberts 1999). Roberts' (1999) approach, however, is not the only stages approach to the internationalisation of services – see also Edvardsson et al (1993) and O'Farrell et al (1998).

What all these theorisations have in common is that they tackle the internationalisation of services mainly from the perspective of management and business studies. Moreover, all of them are largely pre-occupied with various reasons why firms internationalise and their modes of entry, thus neglecting the post-entry sustenance of these investments and their further behaviour (O'Farrell et al 1998, see also Coe (2004) for the same argument with regard to retailing). For instance, as Faulconbridge et al (2008) argued with respect to the eclectic paradigm, strategies of internationalisation in services are more messy than the approach suggests. Therefore it is necessary to couple analyses of the rationale for internationalisation with those of expansion strategies and to concurrently pay more attention to how these strategies interact with various features of foreign markets and to what level service companies are embedded in these markets. Meanwhile, the neglect of geographically-defined political, economic and cultural contexts in which service firms are embedded is in research on the service sector still very distinct.

A geographical perspective could potentially transcend the limitations of the approaches deriving from business and management studies and tackle the unexplored attributes of services and their international development. As Tickell (2002) argued, there is a clear need to link research on services with wider theoretical debates in social sciences. The same argument is also shared by Coe (2004) who indicated (with regard to the example of the retail industry) that the understanding of services and their global growth could benefit from geographical research. Indeed, as Coe (2004) further wrote, a geographical perspective such as that of global production networks (GPN) is in a very good position to address the aspects largely neglected by non-geographical approaches. They include, for instance, the multi-actor nature of networks of service firms, the multiple ways these networks are structured organisationally and spatially at different scales, the ways they interact with the different economic and political arrangements into which they expand, the distribution of power amongst different actors belonging to these networks and who captures the most benefit from being a part of such networks (Coe 2004).

Meanwhile, despite the fact that since the 1980s the service sector has been embraced by geographers more seriously (Tickell 1999, 2001, 2002), such a geographical research agenda is in the case of many service sectors still largely undeveloped. Indeed, although the service sector is increasingly recognised as an important component of national and regional economies, its developmental impact is broadly acknowledged and work on the geography of services continues to develop in numerous novel directions (Tickell 1999, 2001, 2002), a variety of gaps in geographical research on the service sector can still be identified both in spatial and sectoral terms. One of the most distinct sectoral lacunae in economic geography is the neglect of sectors broadly referred to as consumer services (Bryson 2001, Tickell 2002). Thus, while there is an abundance of research on financial services (Jones 2002, 2003, 2005), legal services (Beaverstock 2004, Beaverstock et al 2000), management consulting (Aharoni 1997, Bryson 2002, Glückler 2006), temporary staffing (Coe et al 2008b, Ward 2007) and computer services (Coe 1997, 1999, Coviello and Munro 1997), many consumer service sectors (with the exception of retailing – see Coe 2004, Coe and Hess 2005, Wrigley et al 2005) are still not sufficiently tackled by geographical research. One such gap is the hotel sector – the sectoral focus of this thesis to which the following section will now turn.

4.3 Tourism and the hotel industry: towards a geographical research agenda

This section narrows down the topic of analysis to tourism and the hotel industry – the sectoral focus of this dissertation. While the first sub-section discusses the nature of the tourism sector and pays attention to the shortage of geographical research on tourism in general, the following three sub-sections focus directly on the hotel industry. Thus, the section describes the nature of the international hotel industry, delineates the history of international hotel groups and discusses various theories of the globalisation of the hotel sector. The section also highlights several important gaps in research on the hotel sector and concludes by proposing a geographical approach to address these gaps.

4.3.1 The tourism industry – a broader context for analysing the hotel sector

Although the study of tourism was for a long time dismissed in numerous disciplines as frivolous and not as important as academic research on, for instance, manufacturing, the situation has recently started to change and more and more social scientists, including geographers, have started to jump on the bandwagon of tourism research (Ioannides and Debbage 1998a). Indeed, as Hall and Page (2009) argue, research on tourism is growing in multiple geographical sub-disciplines, thus making the contribution of geographers to the study of tourism increasingly significant. Starting with Butler's (1980) concept of tourism area life cycle (known as TALC), through theories of mobility developed from the perspective of time-geography (see Bell and Ward 2000, Burns and Novelli 2008) to contributions made within the area of economic geography (Agarwal et al 2000, Hughes and Reimer 2004), cultural geography (Aitchison 2001, 2005, Jackson 1999), political geography (Timothy 2001, 2004) and, finally, urban geography (Berke 2002), Hall and Page (2009) discuss an array of ways in which geographical studies have contributed to the enhanced understanding of the spatialities of tourism and the developmental impact of the tourism industry on the places which it connects (see also Gibson 2008). Despite important theoretical contributions, however, most geographical studies of tourism are rather descriptive in nature and rest upon undeveloped theoretical bases (Ioannides and Debbage 1998a). As Page (1995) argued, the low level of theoretical cohesiveness that haunts geographical research on tourism derives from it being a sub-discipline of many various disciplines rather than a uniform field of study. It is also for this reason that Hall and Page (2009: 5) infer that, rather than talking about the geography of tourism, we should be talking about a "range of tourism geographies marked by differences not only in subject but also in philosophy, method [and] scale".

One such "tourism geography" that still remains weakly developed is the one practised by economic geographers. A few valid reasons for this can be distinguished. Firstly, the low level of interest in tourism in the discipline of economic geography is a reflection of the perception of consumer services as peripheral actors whose importance in creating wealth is far less significant than that of manufacturing and producer services (Debbage and Daniels 1998, Ioannides and Debbage 1998a). As Ioannides and Debbage (1998a, see also Ioannides 1995) further explained, different attributes of the tourism industry – such as the low level of productivity, the limited use of technology and the high level of dependence on unskilled, highly feminised and seasonal labour – have earned the sector the status of "Cinderella" or the "poor cousin" of services (see also Krippendorf 1987).

Secondly, the neglect of tourism in economic geography also derives from its "invisible condition" (Ioannides and Debbage 1998a). As Ashworth (1992) explained, the tourism sector does not exist in the same institutional sense as do other sectors. Indeed, rather than being a single product, tourism comprises the aggregate of goods and services that are produced by different economic actors such as lodging, transportation and recreation facilities (Debbage and Daniels 1998, Ioannides and Debbage 1998a). Tourism is thus a dynamic spatial network of production and consumption (Debbage and Daniels 1998). Moreover, because of the fact that a part of what is consumed is the place in which the product is produced, it can be also described by what Urry (1990) called "spatial fixity". This complex nature of tourism is the most important reason why it is often questioned whether tourism can be considered a separate "industry". Thus, according to Tucker and Sundberg (1988: 145), "tourism is not an industry in the conventional sense as there is no single production process [and] no homogenous product". Much in line is Leiper's (1990) observation that tourism is only partially industrialised as many firms that cater to visitors also cater to local people and therefore could exist without tourism. Despite that, Smith (1998) indicated that although tourism does not consist of firms offering the same type of product and using the same technology, there is an important functional linkage between all its sub-sectors which gives rise to the belief in the tourism industry. However, the fact that it is more a matrix, composite or synthetic industry, and not a conventional industry, has to be also acknowledged. Thirdly, what is closely associated with the composite nature of the industry, the neglect of tourism in economic geography derives also from methodological obstacles such as the inconsistency in definitions and units of measurement and the low credibility of tourism statistics (Smith 1998).

Meanwhile, the role of the tourism sector in the global economy has reached a level of magnitude whereby it should no longer be neglected by economic geographers. Indeed, the travel and tourism production system has evolved into a complex ensemble of firms, industries, markets and state agencies (Britton 1991) which according to some authors (see e.g. Lundberg et al 1995) is now the world's largest industrial complex. According to UNWTO (2010), inbound tourism has become one of the major trade categories. As the report reveals, tourism employs 6% of the global workforce, its contribution to the world GDP is on average 5%, while tourism exports account for 6% of the total exports of goods and services. It is for these reasons that "the conceptual and methodological complications associated with tourism can no longer be legitimate reasons for avoiding the study of this sector [in] economic geography" (Ioannides and Debbage 1998a: 8). As Hall and Page (2009) argue and the research on commodity chains in tourism show (e.g. Clancy 1998, Mosedale 2006, 2008), the huge potential of economic geography to expand tourism research on transnational corporations and their international operations and thus unravel the complexities of the international tourism production system should not be underestimated. Moreover, due to the fact that the tourism literature has largely downplayed the role of tourism in fostering regional growth, economic geographers are well placed to fill this gap (Hall and Page 2009, see also Williams 1996a, 1996b, 1997).

4.3.2 The nature and key features of the international hotel industry

Because it caters to the accommodation needs of the away from home market, the hotel sector is of central importance to the travel and tourism industry (Go and Pine 1995). In comparison with other sub-sectors of tourism it is also considered to be the most visible and the most global one (Whitla et al 2006). Important qualities of the hotel sector such as the existence of multiple mature brands and a greater global coverage than in the case of other sectors in terms of the number of national markets covered by each company (Contractor and Kundu 2000) fully support this statement. Moreover, in the light of the discussion that tourism firms cater not only to tourists but also to local communities, the hotel sector is also the most "tourist" sub-sector of travel and tourism. As Smith (1998) demonstrated with regard to the Canadian hotel industry, the hotel sector has the highest "tourism ratio". Defined as the percentage of receipts in an industry that is attributed to tourism, the tourism ratio for the hotel industry in Canada in the 1990s was as high as 93.8% whilst for transportation it was 42.4% and for food and beverage only 25.6%.

Given its global extent, it is not surprising that the hotel industry is also of significance for the global economy. Combined with wholesale, retail trade and restaurants, the hotel sector accounts for 14% of the global GDP (*http://unctadstat.unctad.org*). In qualitative terms, in turn, it is "an integral component of the transnational infrastructure" (Go and Pine 1995: 367) which, just like the whole tourism industry, facilitates the movement of people, ideas and capital (Reiser 2003). In return, globalisation processes such as the development of communication technologies and advanced transportation, the political openness and the economic liberalisation of formerly closed markets (such as e.g. CEE), all of which contribute to the constant increase in tourist trips (from 25 million in 1950 to 880 million in 2009 and an estimated number of 1.6 billion in 2020 – see UNWTO 2010), offer the hotel sector new opportunities for expansion and foster the globalisation of the hotel industry (Go and Pine 1995). Although the globalisation of the hotel sector can be perceived as a part of the globalisation of tourism (Hjalager 2007, Reiser 2003, Williams and Shaw 2011) the hotel sector and its globalisation require focused attention in their own right.

However, before this section turns to the issues of internationalisation and globalisation of the hotel sector, it is first necessary to describe six key features of the contemporary hotel industry. Firstly, the hotel sector is very labour-intensive and, just like other sub-sectors of tourism, largely depends on unskilled and seasonal labour (Go and Pine 1995, Ioannides and Debbage 1998a). With the exception of managers, professional skills and knowledge are normally desired only at the pre-opening stage (UNCTAD 2004). The hotel industry is also characterised by a strong focus on personal service, which, in turn, requires the staff to be properly trained (Go and Pine 1995). Although hotel firms are market-seekers, it is due to this labour-intensity that the access to cheap labour is often a critical factor influencing the expansion of hotel groups (Mallampally and Zimny 2000).

Secondly, as Go and Pine (1995) also observed, the hotel industry is extremely sensitive to fluctuations in demand and vulnerable to the various political and economic external forces which can affect travel and which cannot be controlled by managers. Indeed, the Gulf War in the early 1990s, the events of 11th September 2001, the terrorist attacks on Bali in 2002, the outbreaks of SARS, avian flu and swine flu in the 2000s, as well as the financial crisis of 2008/2009 were all observed to have a devastating influence on hotel performance globally (Go and Pine 1995, Kowalczyk 2003, Mather and Todd 2002).

Thirdly, the hotel sector's extensive global coverage in terms of the number of markets covered by each international hotel group can be explained by a relatively long history of international development that in its current shape could be traced back to the end of the 19th century (Contractor and Kundu 2000). Due to this long history of international expansion, the contemporary hotel industry is dominated by multinational corporations normally referred to as international hotel groups. Although the hotel sector is a highly fragmented sector – it comprises a large number of locally operated small and medium-sized hotels (85% of all outlets) and a small number of international hotel groups (15% of all outlets) – hotel groups account for as much as 52% of global sales (Athiyaman and Go 2003, Euromonitor 2010) and are therefore the most significant element of the whole hotel industry. A hotel group can be defined as a group of hotel chains which are controlled by a central management, function according to the same strategy and have an integrated marketing and economic policy (Włodarczyk 2003). A hotel chain, in turn, is a group of hotels which usually operate under the same brand, maintain (more or less) the same service standards and have a uniform marketing policy (Włodarczyk 2003, see also Littlejohn 2003). A hotel chain can be therefore a separate company (e.g. a single-branded hotel group such as Scandic) or can be a part of a larger group encompassing several chains (e.g. a multi-branded hotel group such as Starwood which consists of a number of chains, including Sheraton and Le Méridien). A hotel brand is normally an attribute of a chain, although in terms of branding some chains are internally diversified. A form of chain affiliation (and thus a hotel brand) distinguishes branded hotels from independent ones.

Fourthly, due to the fact that international hotel groups account for what is referred to as the branded part of the industry, the existence of well-recognised brands and trademarks whose role is to capture firm-specific advantages and inform about the level of services offered (Mallampally and Zimny 2000) also has to be recognised as a specific attribute. As Connell (1992: 26) described it, brands in the hotel industry reduce "consumer risks associated with the purchase of intangible hotel services". Indeed, given that hotels have always been recognised by name, they have always held one of the qualities commonly ascribed to branded products (Buttle 1986).

The fifth characteristic of the hotel industry is of critical importance to this dissertation. As a highly capital-intensive sector characterised by high fixed costs of investment and high investment risk, the hotel sector is largely dependent on the availability of capital which nowadays is more and more often sought outside the hotel industry (Contractor and Kundu 2000, Go and Pine 1995, Kowalczyk 2003, Littlejohn 2003). This increasing dependence on external sources of funding has given rise, in turn, to the enormous shift during the last 30 years from equity to non-equity forms of expansion such as franchise contracts, the increasing separation of ownership and control and the high incidence of international alliances (Contractor and Kundu 2000, Littlejohn 2003).

Last but not least, a characteristic of the hotel industry that also requires attention is the hybrid nature of hotel services in terms of the producer/consumer dichotomy. Although UNCTAD (2004) classified hotels as a consumer service just like other tourism services (thus reflecting the view of many authors – see Mallampally and Zimny 2000), Daniels (1993) and Ioannides and Debbage (1998) argued that some tourism sub-sectors such as hotels and catering establishments fall into both categories. Indeed, since hotels supply government institutions and other companies with conference and convention facilities and provide accommodation to the growing number of business travellers, they not only meet consumer-based demand but they also target intermediate demand (Ioannides and Debbage 1998). As Dicken (1986: 88) described it, the "expansion of international trade and manufacturing around the world implies an increase in corporate travel, which in turn requires a growing market for hotel accommodation to facilitate business travel". Thus, the rapidly growing business travel industry is "the most obvious manifestation of producer service demand for hotel and catering facilities" (Bull and Church 1994: 21). The emergence over the last few decades of business hotels – which comprise meeting rooms, business centres, are often located in city centres (in the direct vicinity of central business districts) and are destined mainly for corporate customers (Kowalczyk 2001) – further attests to the fact that hotel services are not purely consumer-orientated. Finally, what makes the hybrid character of hotel services even more complicated is the fact that hotel groups not only offer services to private customers and other businesses but also, depending on the business model, they also offer management/franchising services (i.e. producer services) to the hotel owners who employ them.

4.3.3 The history and development of international hotel groups

What is also required to enhance the understanding of the international hotel industry is an analysis of the history of international hotel groups. The first hotel chains emerged at the end of the 19th century. Comprising only a few hotels, often located in the same city, they were usually owned by individual hoteliers such as Ellsworth Statler in the USA or Cesar Ritz in Europe (Kowalczyk 2001). Despite the growing popularity of tourism, the growth of hotel chains at the beginning of the 20th century was initially relatively slow. It was only in the 1930s, i.e. after the Great Depression, when a few new chains such as Steigenberger in Germany or Sheraton in the USA were established (Kowalczyk 2001, 2003, Lafferty and van Fossen 2001). The development of hotel groups accelerated after World War II when hotel groups appeared to be the most efficient framework through which a suddenly increasing mass tourism demand could be fulfilled (Kowalczyk 2001, 2003). The majority of hotel groups that emerged after the war were of American origin, notable examples including Best Western, InterContinental, Hyatt, Marriott and Holiday Inn. Although in the beginning they operated only in the American market, in the 1950s and 1960s they started expanding into the Caribbean and Latin America and then also to Asia and Western Europe (Kowalczyk 2001, Nickson 1998). Thus, in stark contrast to the pre-war period when the growth of hotel groups was mainly confined to the regional or national level, the post-war period also brought international expansion. The growing concentration of individual hotels within hotel groups (i.e. horizontal integration of the hotel sector) was simultaneously accompanied by the development of groups associated with airlines (i.e. vertical integration of the tourism sector). As Lafferty and van Fossen (2001) and Littlejohn (2003) indicated, both types of integration were supposed to bring economies of scale and increase profits and efficiency. While the main aim of horizontal integration was to reduce costs and risk, vertical integration was supposed to provide a competitive advantage through controlling more stages in the supply chain. Gradually, vertical integration also embraced the gambling industry, restaurants and tour-operators (Lafferty and van Fossen 2001, Włodarczyk 2003). As Ioannides and Debbage (1998b) argued, the tendencies in the hotel industry after World War II could be described as a partial shift from a pre-Fordist to a Fordist system of production.

Meanwhile in Europe, where hotels had their roots in small local communities and thus traditionally played a "cohesive part in the affairs of local towns and cities" (Mather and Todd 2002: 13), the processes of concentration were much slower. Even though a few important hotel groups also emerged – e.g. Forte in the UK and Club Méditerranée and Accor in France (Littlejohn and Beattie 1992) – it was still too little to oppose American hegemony in the international hotel sector (Nickson 1998). Moreover, the concentration in Europe was largely limited to looser affiliations, including initial forms of franchise firms and hotel consortia (Kowalczyk 2001, 2002, Mitka-Karandziej 1993). An entirely different category of hotel groups also emerged in CEE where hotel groups were fully owned and operated by the state (Kowalczyk 2001, 2002).

The Fordist tendencies in the international hotel industry continued in more or less the same manner until the 1980s (Kowalczyk 2002) when various processes of globalisation such as the fragmentation of consumer demand and economic and political integration (as in CEE) redefined the shape of the global hotel industry once again. As Athiyaman and Go (2003: 144, emphasis in original) described it, "international hospitality firms that established their *modus operandi* mainly in the 1960s and 1970s were forced in the 1980s and 1990s to adapt to global realities and new challenges". Indeed, in contrast to the 1960s and 1970s when the focus was upon standardisation and mass marketing, the global market was perceived as homogeneous and the fundamental social and cultural differences between countries were largely neglected, the 1990s brought diversification of brands and products, non-traditional marketing, an increasing sensitivity to cultural differences (Crawford-Welch 1992, Nickson 1998), the growing role of outsourcing and the emergence of various strategic alliances (Ioannides and Debbage 1998b, see also Go and Moutinho 2000). The recognition of different market segments resulted in brand "super-segmentation" and the growth of sophisticated hotel concepts such as life-style and boutique hotels (Sangster et al 2001, see also Myśkiewicz 2006). In the same vein, multiple international hotel groups also started expanding into other areas of hospitality such as sea cruises, time-share and retirement homes (Sangster et al 2001).

Simultaneously, while the number of foreign markets covered by each hotel group was gradually increasing, in order to manage their global operations effectively, hotel groups had to adapt their strategies to meet particular social, cultural and economic needs at the local level (Go and Pine 1995). As Olsen and Merna (1993: 102) put it, "the hospitality industry is unique in the fact that it does business on a very local level even though it may claim to be multinational" (see Stacey 1993, Burgess et al 1995). In the same vein, Littlejohn (2003: 10) observed that "while similar factors across the world may mould the nature of the hotel sector (…), it is important to recognize that the way these express themselves in any particular area or location will often be particular, as a reflection of local socio-demographic factors (…) and specific tourism/hospitality resources".

In turn, in economic terms, the changes in the international hotel industry in the 1990s can be easily described as a shift from a Fordist to a post-Fordist system of production (Lafferty and van Fossen 2001). However, as Ioannides and Debbage (1998b) observed, despite the post-Fordist tendencies, the contemporary hotel sector has still maintained a vast number of typically pre-Fordist (the very high level of fragmentation) and Fordist (the general consolidation of the sector by means of numerous mergers and acquisitions – see Ioannides and Debbage 1998b, Lafferty and van Fossen 2001) features. Therefore, the tourism sector (and thus also the contemporary hotel industry) is rather neo-Fordist in nature and not Fordist or post-Fordist (Ioannides and Debbage 1998b).

4.3.4 The internationalisation/globalisation of the hotel industry and the main research gaps

Further to the analysis of the history of international hotel groups, it is also necessary to discuss the internationalisation of the hotel industry. As Vandermerwe and Chadwick (1989) argued, there are three modes of internationalisation – trade, FDI and contractual arrangements. Given that tourism exports account for 6% of the world's export of goods and services and 30% of the world's export of commercial services (UNWTO 2010), it could be easily concluded that the role of trade as a mode of internationalisation of hotel services is most important. However, owing to the fact that the export of tourism (and hotel) services does not imply shipping products across national borders to consumers in another nation, but rather these commodities being purchased by foreign visitors in the exporting nation (Smith 1998), it is of little importance for the worldwide expansion of international hotel groups – the focus of this dissertation.

Because both FDI and different non-equity contractual arrangements assume a form of physical presence in the host market, their importance in the internationalisation of hotel groups is much higher than that of trade. Despite that, the increasing role of contractual arrangements at the expense of FDI by hotel groups has to be acknowledged. Although it might be expected that the role of FDI in the very capital-intensive hotel sector should be important, the percentage share of FDI stock in hotels and restaurants is as low as 2% (Endo 2006, UNCTAD 2004). According to Endo (2006) there are several reasons why the picture of FDI in tourism is unclear and the increased role of different contractual arrangements which do not count as FDI is undoubtedly one of them. Indeed, carrying an international brand name in a host country does not necessarily mean that the hotel is both owned and operated by a given hotel TNC (Endo 2006). The invested capital may originate either from local sources (which obviously are not FDI) or from other foreign companies who invest in the hotel sector and hold equity in hotels but are not classified as tourism/hotel TNCs. This especially applies to various REITs (real estate investment trusts) which entered the hotel market in the late 1990s (Kowalczyk 2003) and are now the most important investors/equity holders in the international hotel sector.

However, while the role of FDI at the property level is relatively limited, it is of higher importance at the corporate level where mergers and acquisitions (M&As) are frequent. Indeed, M&As in the hotel industry accounted for as much as 34% of all transactions that took place in the tourism industry between 1987 and 2002 (Endo 2006, UNCTAD 2004). Moreover, as the fastest possible route of development for hotel groups (Sangster et al 2001), M&As concurrently contribute to the process of consolidation of the hotel sector (Kowalczyk 2003) thus leading to a "shaking out of marginal brands" (Dela Cruz 1999: 60). As Go and Pine (1995: 9) argued, "mergers and acquisitions have increased in frequency and magnitude to the point where they are perhaps the most crucial trends with the largest impact on the structure of the (…) hotel industry". As the most common mode of international expansion, contractual arrangements are discussed in more detail in the next section.

As with other industries, many different attempts have been undertaken to conceptualise the internationalisation of the hotel sector. Unsurprisingly, the most commonly adopted perspective has been Dunning and Norman's (1983) eclectic paradigm (Littlejohn et al 2007). Thus, according to Go and Pine (1995), ownership-specific advantages of hotel groups encompass hotel brands, intangible assets such as know-how and organisational expertise and the access to global distribution systems (GDSs) and computer reservation systems (CRSs). Location-specific advantages, in turn, include the growth of demand in a given location, the stability of the country, the attitude of the host government and, in the case of resorts, also the climate and scenery. Finally, internalisation advantages refer to the selection of an appropriate mode of entry (Go and Pine 1995). While the eclectic paradigm is helpful in explaining the growth, distribution and forms of involvement of international companies in the hotel sector (Burgess et al 1995), critiques of the theory include the static nature of the model and the neglect of the strategic intent of the firms involved (Johnson and Vanetti 2005). A broad review of various theoretical approaches dealing with the internationalisation of the hotel industry has been provided by Johnson and Vanetti (2005). One of the theories that deserves more attention is *network theory*, which implies that firms engaged in production and distribution build complex systems of relationships developed amongst competitors, suppliers, governments and customers (Coviello and McAuley 1999, Johansson and Mattsson 1993). Moreover, networks may take various forms, including strategic alliances, contractual agreements, joint ventures and outsourcing (Ireland et al 2001). Distinct overlaps between network theory and the global production networks (GPN) perspective should clearly be acknowledged.

Although research on the internationalisation of the hotel sector has largely proliferated throughout the last two decades (see Slattery et al (2008) for a comprehensive review), there are at least three important interconnected aspects of the globalisation of the hotel sector which remain undeveloped in the business studies/management literature. Firstly, it is essential to pay attention to the various characteristics of the places into which hotel groups expand (i.e. business systems) and with which they inevitably interact. While the economic, political and social diversity in the world has long been recognised as a very important factor determining hotel groups' strategies of expansion (Go and Pine 1995, Littlejohn 2003, Olsen and Merna 1993), the issues of embeddedness of hotel groups in the host environment (i.e. territorial embeddedness) are still under-researched. Only the cultural background of hotel groups (i.e. societal embeddedness) has been addressed to some level by the management literature (see Roper et al 1997). Therefore, drawing on Wrigley et al (2005) who investigated various types of embeddedness of retail TNCs, it is essential to examine the ways in which hotel groups are "placed" within different host environments at different spatial scales (Dicken 2003) and pay attention to the ways in which different places are inserted into hotel groups' global production networks.

Secondly, more attention should be paid to the different types of actors involved in the hotel sector. While the aforementioned increase in the number of strategic alliances and the increasing separation of ownership and operations imply an involvement of multiple types of actors (often from outside the hotel sector such as REITs), the business studies and management literature remains predominantly firm-centric and addresses the role of other actors only partially. Some noteworthy exceptions include tourist boards and local governments (Moutinho et al 1995) and different "background" actors such as education establishments or media (Coathup 1999). It has been only recently that access to capital

(Altinay and Altinay 2003) and the availability of reliable partners (Brown et al 2003, Dev et al 2007) have been recognised as important factors determining the worldwide growth of hotel groups. In contrast, the role of hotel sector consultants is still one of the most appealing gaps. It should be therefore recognised that international hotel groups do not function in a vacuum and that their global production networks are complex, multi-actor and multi-layered systems of relationships and power relations in which they are inevitably embedded (i.e. network embeddedness).

Thirdly, one of the biggest research lacunae is the impact which expanding hotel groups may have upon the host economy. Thus for instance Go and Pine (1995) and Milne and Pohlmann (1998) pointed towards the role of the hotel sector in generating employment (both direct and indirect jobs, e.g. in support industries), enhancing the competitiveness of urban tourism products (e.g. through developing social amenities and convention and conference facilities) and regenerating urban cores and recreating heritage sites (see also Britton 1991, Chang et al 1996, Watson 1991). Despite that, perhaps with the exception of know-how and technology transfer (see for instance Pine 1992), particular categories of impact have neither been investigated in detail, nor have they been integrated into the studies on various modes of entry and strategies of expansion. Meanwhile, it is essential to examine which actors within hotel groups' global production networks generate and enhance the value and for the benefit of whom this value is captured.

Due to the fact that the identified gaps are geographical in nature, it is believed that the shortcomings of the management and business studies literature can be overcome by a geographical perspective. Thus, drawing upon Coe (2004) who proposed an economic-geographical research agenda to address similar research gaps in the studies on the retail sector, this chapter argues the case for the global production networks approach (GPN) as an efficient theoretical platform from which the identified lacunae can be tackled and understandings of the globalisation of the hotel industry can be thereby enhanced. It is argued that the similarities between the retail and hotel sectors in terms of international expansion (Alexander and Lockwood 1996) justify the adoption of Coe's (2004) point of view to the case of the hotel sector. Thus, it is argued that a geographical perspective can serve as a holistic approach that looks at all aspects of the internationalisation of the hotel sector in an integrated way. As it can also enquire into the various functional links between different actors, it is in a position to explore the globalisation, and not only the internationalisation, of the hotel sector. Secondly, as a spatially and temporally dynamic approach, the GPN perspective goes beyond modes of entry and explores the post-entry sustenance of expanding hotel groups' operations. Third, a geographical perspective can reveal different mutual interrelationships between hotel groups and the territories into which they expand. In other words, it can enquire into the ways in which the production networks of hotel groups are shaped by, and embedded in, the business systems which they interconnect. By the same token, a geographical approach can also account for the impact that international hotel groups and their global production networks may have on regional development in host economies (Coe 2004).

Given that nowhere is the shortage of geographical research on services (and especially on the hotel sector) more visible than with regard to CEE, it is also the territorial gap in research on services that this thesis is aiming to address. Although research on services in CEE has recently proliferated (see e.g. Stare 2002), geographical perspectives have not been adopted frequently. Notable exceptions include the retail sector (Coe and Hess 2005) and temporary staffing (Coe et al 2008b). The same applies to the tourism sector in CEE. The research by Hall (1998, 2004) and also by Williams and Balaž (2000) who analysed the development of the tourism sector in the CEE region in the context of post-communist transformations (see also Williams and Balaž 2002) are the most noteworthy examples. Geographical research on the hotel sector in the CEE region are also almost non-existent. Since the early 1990s when the newly-opened CEE market drew a lot of attention of researchers originating from many different disciplines, studies of the hotel industry in CEE have been either largely descriptive (see e.g. Bell 1992, Johnson 1997, Johnson and Iunius 1999, Lockwood 1993) or, if theoretically-based, conducted mainly from the perspective of management/business studies (e.g. Go and Pine 1995, Johnson and Vanetti 2004, 2005). Although they have contributed to the general understanding of the hotel sector in CEE, the aforementioned lacunae are still very distinct. To set the scene for the empirical analysis, the following section will discuss the different business models employed by hotel groups.

4.4 International hotel groups – business models and global production networks

As discussed above, in contrast to the 1960s and 1970s when international hotel groups most often owned the hotels which they operated, the picture in the contemporary hotel sector is more blurred and its structure more complex (Go and Pine 1995). The growing separation of control and ownership, combined with the involvement of firms deriving from outside the industry, has resulted in the proliferation of different types of business models, most of which can be classified as non-equity contractual arrangements. Whilst the selection of an appropriate business model (defined as a mode of entry into a foreign market that simultaneously reflects the hotel group's level of financial commitment) has long been recognised as a crucial aspect of the internationalisation of the hotel industry, the post-entry implications of this selection are still unexplored. Meanwhile, the level of commitment moulds the architecture of the hotel group's production network, defines power relations within the network and determines the group's level of embeddedness in the host environment. Thus, a full analysis of different modes of operations is critical to understanding the globalisation of the hotel industry. Five business models (owning, managing, leasing, franchising and consortium) are distinguished and described in this section. Table 4.5 provides a summary of their main characteristics.

Owning

Given that hotel groups have mostly become management and franchise firms who offer their services to asset holders, owning is of decreasing popularity as a business format. As an increasingly separate function from managing and franchising, hotel ownership is usually down to real estate firms who specialise in developing and enhancing the assets, or independent developers who lack expert knowledge in managing hotels and employ a third party firm to manage the business on their behalf (Go and Pine 1995, Littlejohn 2003). Despite that, some hotel groups still own some hotel equity (see Table 4.4). Due to the fact that owning entails direct investment of capital (León-Darder et al 2011), it is a high-commitment business format and, from the perspective of hotel groups, it is also a slow mode of international development. As León-Darder et al (2011) point out, the investment may be either greenfield (newly built hotels) or brownfield (acquisitions of existing outlets). The group's ownership can be either full or partial (i.e. most often in a form of joint venture with a hotel developer) (Leon-Darder et al 2011). In each case the hotel group is an operator who retains control over daily operations and codified assets such as the brand (León-Darder et al 2011). It is only in the USA where some operating companies such as Interstate Hotels & Resorts do not give their hotels a brand but prefer instead to employ a franchisor (Sangster et al 2001). As Endo (2006) observed, owning is the only mode of expansion that can be classed as hotel industry FDI.

Table 4.4 Selected international hotel groups' preferred business models (% of portfolio)

HOTEL GROUP	BUSINESS MODELS			
	Owning	Leasing	Management	Franchising
Starwood[1]	6	0	49	45
Accor[2]	17	37	22	24
InterContinental[3]	1	0	14	85
Rezidor[4]	0	26	53	21

Source: Own elaboration on the basis of:
[1] *www.starwoodhotels.com*
[2] Accor (2011)
[3] *www.ihgplc.com*
[4] *www.rezidor.com*

Managing

Alongside franchising (see below), managing is the most popular business format in the international hotel sector. A management contract is a legal agreement where the asset holder employs an operating company to assume full responsibility for the professional management of the hotel (Athiyaman and Go 2003). While the hotel owner retains full control over the physical assets, the control over daily operations is passed to the hotel operator (León-Darder et al 2011). As León-Darder et al (2011) observe, the operator implements systems, standards and procedures, employs staff and usually also provides a brand. The operator is remunerated in the form of fee calculated as a percentage of revenue (Go and Pine 1995, Littlejohn 2003) and is expected to take full responsibility for the hotel's performance. Therefore, management contracts are medium-commitment modes of entry. It is also for this reason that hotel owners choose an operator in a very selective manner (many hotel groups may bid to operate a hotel) (Go and Pine 1995), which sheds light on the business of international hotel groups as a highly opportunistic industry. Despite that, due to the high level of control involved, the majority of famous hotel groups prefer management contracts. Management contracts are usually long and range from 20 to as long as 40-50 years (Go and Pine 1995).

Leasing

Perhaps because of the far-reaching similarity between lease contracts and management agreements in terms of the hotel group's operating responsibilities, leasing as a business model in the hotel sector has received very little attention so far in the literature. Indeed, the literature on the international hotel sector either does not recognise leasing at all (see Go and Pine 2005, Littlejohn 2003) or considers it to be the same category as managing (see Chen and Dimou 2005, León-Darder et al 2011, Quer et al 2007 and Rodriguez

2002). Some notable exceptions that deal with leasing include Koh and Jang (2009) and Whittaker (2008). Meanwhile, leasing and managing differ in terms of the commitment and risk involved. As Table 4.4 illustrates, for some hotel groups leasing is an important model. Under a lease agreement the hotel operator (the lessee) leases the hotel from the hotel owner (the lessor) and is entitled to the benefits of, and carries the risks associated with, operating the property (*www.rezidor.com*). In contrast to management agreements when the revenue goes to the owner and the hotel operator is paid a fee from revenue, in lease agreements the revenue goes to the operator who pays a rent to the asset holder (*www.rezidor.com*). Thus, in comparison with managing, the supplier-consumer service relation between the hotel operator and the asset owner is reversed. Due to the fact that lessees have to commit financially (rents go on their balance sheet) (Whittaker 2008), leasing, unlike managing, is a high-commitment business model that entails high risk. It is for this reason that many hotel groups who have the power to negotiate management agreements, avoid leases (Elgonemy et al 2002, Whittaker 2008). Lease agreements are also long-term – they usually last 20 years or more (*www.rezidor.com*).

Franchising

Arguably, franchising is currently one of the most common forms of expansion for hotel groups (Athiyaman and Go 2003). According to Felstead (1993: 58), franchising can be described as "a business relationship whereby a franchisor permits a franchisee to use their brand name, product, or system of business in a specified and ongoing manner in return for a fee" (see also Pizam 2005). In a franchise agreement the hotel owner (the franchisee) 'buys in' a specific style of operation from the hotel group (the franchisor) who does not get involved in operating the hotel directly (Littlejohn 2003). The parent company provides the hotel owner with their brand and service concept and also offers a range of support activities such as marketing, staff training and technical assistance (Go and Pine 1995, Littlejohn 2003). While the business operator controls daily operations and the physical assets, the franchisor retains full control over the codified assets (León-Darder et al 2011). Franchising is thus a low-commitment business format that entails low risk and is a relatively easy way of broadening the network (Abell 1990, Connell 1997, Eroglu 1992, León-Darder et al 2011). In terms of duration, franchise agreements are shorter than management or lease contracts (*www.rezidor.com*). Whilst management contracts are preferred with regard to upscale brands, franchising is much more popular in mid-market and budget market segments (Sansgter et al 2001). From the perspective of hotel groups, franchising largely reduces the capital-intensive nature of the industry (Sansgter et al 2001). Finally, franchising can take the form of a licence provided to an individual hotel or a master franchise agreement which gives another company (the sub-franchisor) a right to the franchisor's format in a given territory (Littlejohn 2003).

Hotel consortia

A hotel consortium is a separate type of hotel company that does not own, franchise or manage hotels but is an alliance of a number of independently-owned outlets who seek affiliation in a centralised organisation in order to take advantage of economies of scale and scope without giving up full control over their operations (Byrne 1993, Go and Pine 1995). In other words, a hotel consortium is a group of hotels who cooperate in order to share corporate costs, increase revenue, conduct joint sales and marketing activities and thus gain greater visibility in the market (Go and Pine 1995, Housden 1984, Littlejohn 2003, Pizam 2005, Roper 1995). Services offered by hotel consortia include marketing and sales, conducting promotional campaigns, managing distribution channels and, to a minor level, staff training (Byrne 1993). However, the range of services offered by each consortium may differ. For instance, apart from marketing, some consortia such as Best Western give their hotels a brand and therefore function in a similar manner to franchise companies (Kowalczyk 2003). Normally, however, the activities of consortia are limited to sales and marketing conducted in the background. TOP International Hotels can serve here as a good example. Finally, some hotel consortia – such as Utell – function only as global reservation systems (Byrne 1993, Slattery et al 1985). Apart from the first type, hotel consortia can also comprise hotels that are managed or franchised by other groups (Littlejohn 2003). Due to the fact that hotel consortia do not have a corporate identity in the usual sense (Roper 1995), they are normally not included in world rankings of hotel groups and are treated as a separate phenomenon in the industry (see *Hotels 325*, 2009).

What also needs further clarification is criteria whereby hotels groups (excluding hotel consortia) select a business model with regard to a given hotel. Valuable findings in this matter have been provided by Chen and Dimou (2005), León-Darder et al (2011), Quer et al (2007) and Rodriguez (2002). The factors that determine the choice of entry mode can be divided into two groups – location-specific and firm-specific factors. Given that control can best be retained in the case of high-commitment models, the choice of entry mode derives in each case from an interplay between the degree of control the group is looking to retain and the (financial) commitment it is ready to undertake. With regard to the first group, the most important factor is country risk (economic and political). Thus, the higher the risk, the lower the commitment the group wants to undertake. However, as Chen and Dimou (2005) observed, the same does not pertain to legal risk – the higher the legal risk, the more control groups prefer to retain. Given that the country's level of economic development and existing FDI reflects its (economic) stability, the higher the level of growth and FDI, the more likely it is that a high-commitment model is selected.

Table 4.5 Business models according to the services offered, financial commitment and the level of embeddedness in the host economy

ACTIVITIES & SERVICES	BUSINESS MODELS				
	Owning	Leasing	Managing	Franchising	Consortium
Owning the real estate	+	-	-	-	-
Operating the business	+	+	+	-	-
Training staff	+	+	+	(+)	(+)
Providing a brand	+	+	+	+	(+)
Sales and marketing	+	+	+	+	+

High commitment — Medium commitment — Low commitment

Embeddedness in the host market

Source: Own elaboration on the basis of León-Darder et al (2011: 109, Table 1)

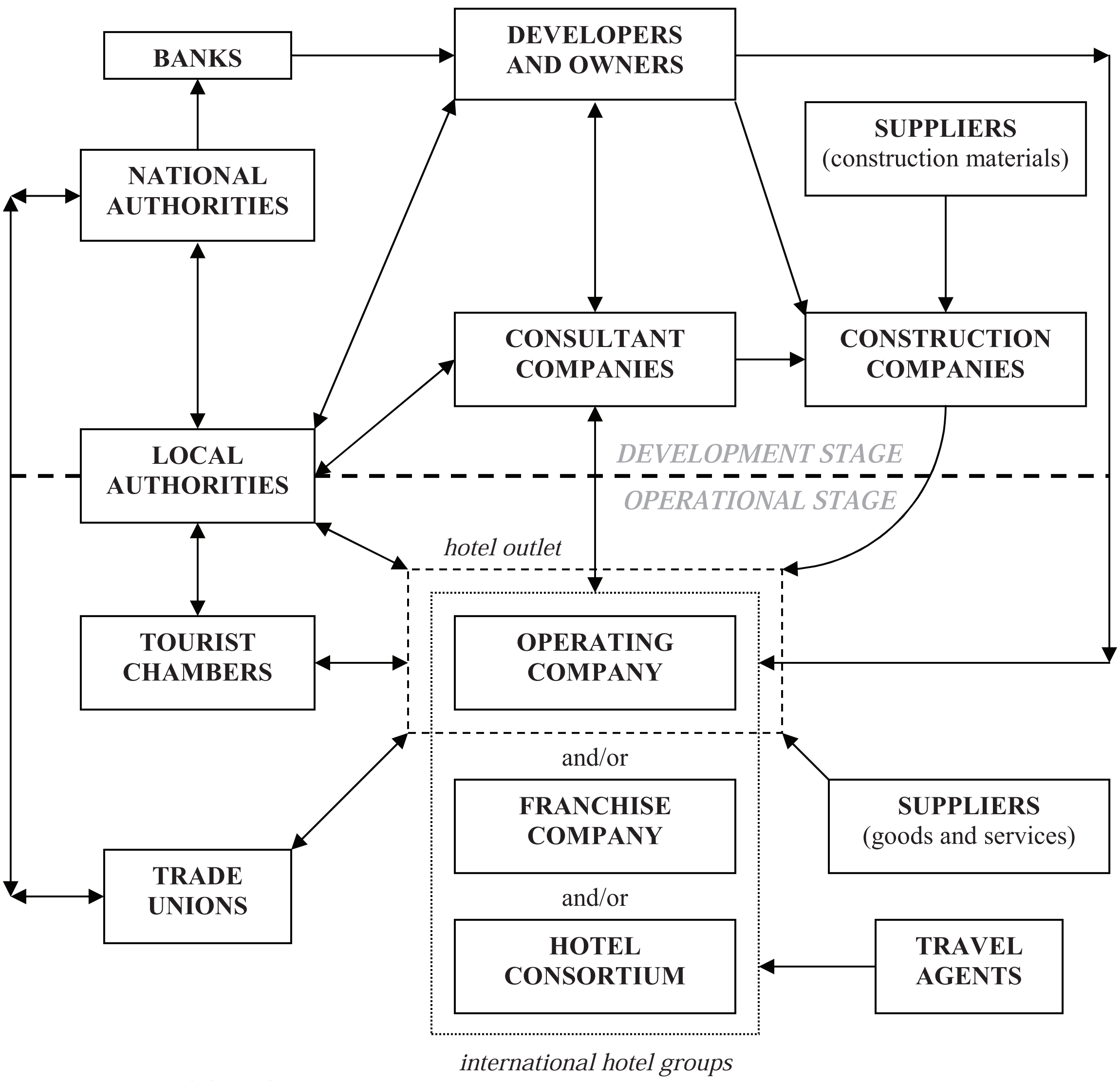
With regard to firm-specific factors, in turn, the propensity to select a high-commitment business format grows together with the range of services provided and the intangibility of the assets required for operations. Due to the fact that more services are offered and more intangible assets are required at upscale hotels, the higher the market segment, the more likely it is that a high-commitment model is selected. Hence, as discussed above, franchising is preferred with regard to budget and mid-scale market segments, whereas managing is preferred with regard to higher market segments. In contrast, because of the ability to better control their operations, hotel groups with a high level of international experience are more likely to select low-control modes of entry. Given that hotel groups seldom decide to invest directly themselves, the choice between high-commitment and low-commitment modes refers mainly to the choice between managing and franchising.

Although the research conducted by Chen and Dimou (2005), León-Darder et al (2011), Quer et al (2007) and Rodriguez (2002) delivered valuable findings, their analyses have two significant limitations. Firstly, as mentioned before, they do not account for leasing. Due to the fact that leasing is less risky for hotel owners than managing and therefore hotel owners have a preference for lease agreements, the factors discussed in the above analyses may have a remarkable influence on whether the group wants to expand on the basis of leasing or not. Second, the analyses do not account for the opportunistic nature of the hotel industry and the fact that, unless the hotel group invests capital directly, the choice of entry mode is normally down to the asset owner or a consultant company who plays an advisory role and mediates the nature of the agreement between the owner and the operator, and not necessarily to the expanding hotel group.

To conclude, it should be emphasised that an understanding of the globalisation of the hotel sector cannot be complete without attention to various business models employed by hotel groups. Indeed, rather than taking a firm-centric approach and focusing only on hotel groups, it is essential to account for the multi-actor nature of the hotel industry and pay attention to the power relations between different actors within hotel group's global production networks that mould the multi-layered and multi-scalar architecture of these networks. Given that the choice of entry mode results from negotiations between hotel owners and operators which, in turn, are normally mediated by consultant firms, the role of equity holders and consultants cannot be neglected. The same pertains to actors who constitute the political, economic and social context into which hotel groups expand and who inevitably determine the interactions between the two sides (e.g. national and local governments, tourist chambers, trade unions) and actors who facilitate daily operations (e.g. travel agents and suppliers). Most importantly, the understanding of the multi-actor nature of the hotel industry can be, in turn, an efficient platform upon which the other research gaps can be addressed – namely the economic, political, institutional and social features of the host market and the mutual interactions between the two sides, including the potential impact of hotel groups on regional development.

The example of a stylised global production network in the hotel sector shown in Figure 4.1 can be a useful framework from which the analysis can start. As the figure implies, actors within hotel groups' global production networks can be divided into two groups – those that play a role at the development stage and those that influence daily operations of a given hotel, the only exception being local authorities whose impact is important at both stages. Arrows in the figure represent different flows (such as those of goods and services between suppliers and the hotel outlet), different kinds of cooperation (such as that between the hotel and local authorities) and different kinds of impact such as that of the national authorities on banks or that of banks on the asset holder. Some arrows may represent more than one kind of relationship at the same time.

Figure 4.1 A stylised example of an international hotel group's global production network



Source: Own elaboration

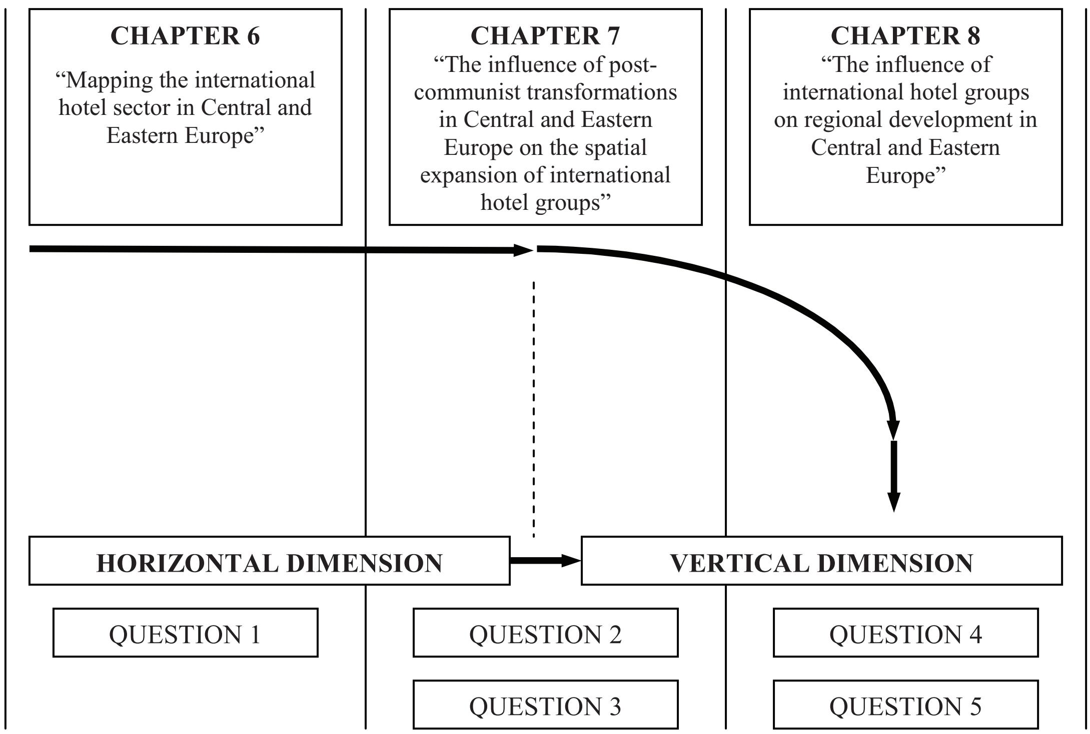
4.5 Research questions

To conclude the detailed theoretical discussion on the two research lacunae which this thesis is aiming to address, it is essential to specify particular research questions which the project aims to answer. Given that each of the two gaps can be further broken down into a number of particular gaps, as discussed in detail in Chapters 2-4, this thesis seeks to answer the following five research questions:

1. What are the different patterns of expansion of international hotel groups into CEE in terms of modes of entry, geographical distribution of hotels and competition with other hotel groups?
2. What have been the reasons for, and obstacles to, the expansion of international hotel groups into CEE after 1989?
3. In what ways do the various institutional formations at different geographical scales in selected CEE countries affect the expansion of international hotel groups into CEE?
4. What role do international hotel companies play in the processes of post-communist economic and political transformations in the CEE region?
5. What impact do international hotel groups and their global production networks have on the processes of economic development at different spatial scales across CEE?

With regard to the distinction of the horizontal and vertical dimensions of globalisation, the manner in which the empirical part of this dissertation is going to address the above research questions is presented in Figure 4.2.

Figure 4.2 Empirical chapters versus specific research questions



Source: Own elaboration

4.6 Summary and conclusions

The main objective of this chapter has been to discuss the set of theories referring to the sectoral focus of this research project – the international hotel industry. Arguing that the phenomenon of globalisation cannot be fully accounted for without due attention to the service sector, the chapter discussed multiple gaps in the research on services that need addressing if understandings of globalisation are to be enhanced. Thus, in quantitative terms, as described in Chapter 1, there is a shortage of research on services in general as opposed to manufacturing, a shortage of research on consumer services within the area of services in contrast to well-researched producer services, and a paucity of research on tourism and the hotel industry in particular. In qualitative terms, in turn, the research on services suffers from an insufficient attention to how service activities are functionally integrated across various scales and different economic and political environments, the developmental impact that the globalisation of services has and the multi-actor nature of service firms' production networks. It has been contended that an efficient approach to explore the identified gaps could be offered by a geographical perspective.

This argument has also been applied to the specific case of the international hotel sector. Thus, by means of highlighting the features of the hotel sector which still remain under-researched (such as the multi-actor nature of hotel groups' global production networks, the high level of territorial embeddedness of hotel groups and hotel groups' influence on regional development), the chapter identified the limitations of theorisations developed from the perspective of management/business studies. Due to the fact that the identified gaps are predominantly geographical in nature, the global production networks (GPN) framework has been proposed to address these gaps. It has been argued that because of its emphasis on the conceptual categories of power, value and embeddedness, the GPN perspective can serve as a theoretical platform from which the neglected aspects of the international hotel industry and its globalisation can be explored. Moreover, the chapter has also attempted to enhance existing theorisations of the contemporary hotel sector. In order to account for the multiplicity of actors involved in the international hotel sector, a stylised example of a hotel group's global production network has been proposed as a starting point for further analysis. The following chapter discusses the research strategy that has been employed to generate sufficient research findings in order to address the research questions posed.

Chapter 5

Researching the international hotel industry in Central and Eastern Europe in the context of post-communist transformations

5.1 Introduction

Following the theoretical discussion, this chapter will now focus on the methodology of the project. Linking back to the theoretical framework that informs the thesis the chapter describes the research strategy adopted in order to achieve the research objectives and explains all accompanying methodological issues. Paying due attention to the context of post-communist transformations in which the research took place, the chapter highlights the challenges that were faced during the research process and that originated from the nature of the topic and from the specific context of the CEE region. The chapter shows that in order to account for the spatial expansion of international hotel groups into the CEE region as fully as possible and to sufficiently explore the interrelations between the international hotel sector and the diversity of post-communist capitalisms in CEE, the research design had to give thought to numerous aspects of the researched phenomenon. They ranged from the complex structure of the hotel sector (including the multi-layered and multi-actor architectures of international hotel groups' global production networks) to the variety of post-communist transformations and hotel markets in CEE. The chapter thus describes the multi-actor and multi-country nature of the strategy adopted.

The chapter starts with a discussion of the epistemological foundations that underpin the theoretical framework and determined all the methodological decisions made during the research process (5.2). The chapter proceeds with a description of the general research strategy (5.3) and an overview of methods of data collection used during the two main stages of the research (5.4). In turn, Section 5.5 outlines the process of data analysis, while the penultimate section (5.6) tackles the issues of power, positionality and ethics, thus pointing towards the circumstances in which the presented knowledge was actually produced. A summary of the chapter is provided in Section 5.7.

5.2 Grounding the research

As the conceptual framework discussed in the previous chapters suggests, this research project draws on various philosophical stances in order to capitalise on their advantages. The main ones are structuration theory as developed by Anthony Giddens (1979, 1984) and the closely associated realist perspective as elaborated by Roy Bhaskar (1975) and Andrew Sayer (1984). The main assumption of the project originates from structuration theory which was "founded on a critique of the *structural* and *interpretative sociologies* that were connected to, but not synonymous with, the Marxist and humanist traditions that surfaced in human geography of the early 1970s" (Cloke et al 1991: 93, emphasis in original). Breaking away from the structure/agency dichotomy, structuration theory develops a common ground between them. In contrast to structuralist Marxism on the one hand wherein structures constrain human agency and to the voluntarist nature of the majority of humanistic perspectives on the other wherein social agency always prevails over structures, structuration theory assumes a constant interplay between structures and agents. It contends that although structures constrain the actions of agents, they provide them at the same time with capacities and can therefore be divided into constraints and resources. Concurrently, structures may be created, defined, interpreted and transformed by human actions that develop in a continuous and reflexive process. The conditions of actions, however, may not be easily acknowledged whereas their consequences may be entirely unintended. Structures thus exist independently of human consciousness but not independently of human practice. In consequence, apart from recognising the duality of agency and structure, structuration theory also pre-supposes the duality of structure, i.e. the fact that structures enable behaviour and that behaviour can impact and reconstitute structures (Cloke et al 1991, Dyck and Kearns 2006, Holt-Jensen 1999, Johnston 1997).

However, serving as an "ontology of human society" (Holt-Jensen 1999: 164, see also Giddens 1984), structuration theory offers little useful guidance on how to proceed with empirical research. The links between structuration theory and empirical investigations in epistemological terms are provided by the realist perspective. The realist approach stands in-between idealism, which argues that the world is a construction of a human mind, and naïve realism (connected to positivism), which contends that the real world exists independently of human perception and cognition of it. It argues that "yes, there is a real world" but some of its elements are not easily observable (Cloke et al 1991, Holt-Jensen 1999, Sayer 2006). Thus, according to Bhaskar (1975), reality consists of three main domains: the real (unobservable mechanisms), the actual (observable events) and the empirical (experiences of these events). On the basis of this distinction, Sayer (1984) proposed a practical implementation of the realist perspective and recognised abstract research through which structures (mechanisms) can be studied (and events are treated as possible outcomes), and concrete research which focuses upon events. As the same structures can result in different outcomes and similar outcomes can derive from different structures, the two kinds of research should be combined in order to account for structures and mechanisms by means of researching observable relations and on-the-ground processes (Holt-Jensen 1999, Cloke et al 1991). Simultaneously, Sayer (1984) recognised a distinction between extensive research, which aims to study a number of individuals but restricts the number of properties used to define them (and which results in generalisations) and intensive research, which studies a large number of properties of a small number of individuals (as in case studies) (Cloke et al 1991, Holt-Jensen 1999). Thus according to Sayer (2006: 101), in contrast to positivist research where regularities are sought, realist research "focuses on the qualitative differences between various kinds of interaction, their purposes and effects". Hence, one of the central concepts in realist philosophy is "causal power", i.e. an ability to cause a change (Sayer 1984, 2006, Cloke et al 1991). Given that humans are deemed to possess causal powers, the link between the realist approach and structuration theory is clear.

In addition to the realist/structurationist perspective the dissertation also draws from the Marxist approach and post-structuralism. Given that the dissertation touches upon issues such as processes of production, divisions of labour and the role of different institutions in dealing with these issues at various scales, it is influenced by the Marxist perspective which allows an emphasis on how different on-the-ground processes are shaped by the inherent features of the capitalist space-economy. Simultaneously, the research aims to prove helpful for policy-makers in addressing the problem of uneven regional growth in CEE and to potentially change (and not only to reflect) the situation, as Horkheimer (in: Crotty 1998: 130) described it. Although the realist perspective was partly developed in opposition to Marxist philosophy, both perspectives assume the existence of different structures (e.g. capitalist structures) and therefore combining them together – especially in the context of this thesis – is entirely possible. A broader discussion on compatibility of these two approaches is provided by Johnston (1997).

Given that the theoretical framework described in the previous three chapters also draws from actor-network theory, a post-structuralist element in this research project has to be recognised. Despite the fact that the post-structuralist and realist perspectives are often considered incompatible, the network methodology described in Chapter 2 (Dicken et al

2001) offers an interesting reconciliation of these two stances. Considering networks as the foundational unit of analysis (as opposed to e.g. firms or nation states), the network methodology invokes at the same time the post-structuralist-inspired network ontology. Breaking away with the relationality/territoriality and network/structure dichotomies, it enhances the understanding of networks as relational and heterogeneous processes that depend upon different configurations of power relations, and are therefore permanently contested and negotiated between all agents (Dicken et al 2001). Arguing that networks have structural outcomes, the network methodology simultaneously assumes a common ground for structure and agency, thus making the post-structuralist inspirations of the theoretical framework compatible with the realist/structurationist perspective described above. Such a combined epistemological stance, alongside with the network ontology invoked by the theoretical framework, clearly implies that the methodology adopted in order to answer the research questions should be mainly qualitative (Yeung 1995). The research strategy of the project is described in more detail in the following section.

5.3 Case study strategy

The general research strategy employed in this project was the case study. In contrast to the few authors who see the case study as a single (qualitative) method of data gathering (see for instance Theodorson and Theodorson 1969 and Crotty 1998), the case study is understood in this project as a general research strategy, a methodological approach or simply as a "main method" wherein particular methods of data gathering are to be used. Thus, for example, Robson (1993: 52) defined the case study method as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context, using multiple sources of evidence". Four main attributes of case studies were provided by Punch (1998): a defined unit of analysis (i.e. a case); boundaries of that unit; a holistic focus seeking to preserve the wholeness of the case; and a use of multiplicity of techniques of data collection. However, it is only the last two that in the methodological literature are commonly agreed characteristics of the case study method. Indeed, the most important objective of the case study approach is to "develop as full an understanding of the case as possible" (Punch 1998: 150), and thus to "comprehend social phenomena in their complexity and their natural context" (Miller and Brewer 2003: 22). As Berg (2004) argued, it is for this reason that the information assembled during the case study should be rich, detailed and more in-depth than in other methods. As this can only be achieved through a multiplicity of data collection methods, it links to the other non-contested feature of the approach – the case study being a multi-method approach where various methods of data gathering are used simultaneously and different kinds of evidence are abstracted and collated in order to answer the research questions (Gillham 2000). Meanwhile, the first two characteristics of the case study are significant bones of contention in the literature. Firstly, there is little consensus about what constitutes a case. It suffices to compare Babbie (2004), Bell (2005), Berg (2004), Punch (1998) and Stake (1995, 2005) who variously included or excluded people and groups of people (such as communities), objects, events, social settings, organisations (institutions, firms), periods of time or processes. Cases can therefore have a simple or a complex nature. Secondly, as Yin (1994) argued, cases such as processes do not have an easily defined beginning or an end point and therefore it is not always easy to determine their boundaries and thus clearly delineate the unit of analysis. Although the case should always be a "bounded system" (Stake 2005), Robson (1993) and Yin (1984) argued that boundaries between the case and the context are also not always clear and evident.

As the research questions imply, this research project focused on two different types of cases – organisational (international hotel groups and their production networks active in the Central and Eastern European (CEE) region) and geographical (selected countries from CEE). Each of these types reflects one of the two foci of this research project – the sectoral focus (the international hotel industry) and the territorial focus (CEE). In both types of cases the unit of analysis is relatively easy to define. However, in contrast to international hotel groups whose boundaries are very difficult to define, in the case of CEE countries the unit boundaries (in this case national borders) are easier to delineate. Providing that the production networks of international hotel groups cross geographical borders of CEE states, which are cases themselves, but which are also integral elements of these networks and constitute contexts for their functioning, it is impossible to draw a border between the units of analysis and their contexts. Thus, in order to bring the two foci together and to better understand the interactions between the two groups of cases, this thesis follows Gillham (2000: 1) who understood a case as "a unit of human activity embedded in the real world, which can only be studied or understood in context, which exists in the here and now, that merges in with its context so that precise boundaries are difficult to draw".

Apart from discussing different features of the case study approach the methodological literature is also abundant in different typologies of case studies elaborated according to various criteria. Thus, for instance, Stake (1995, 2005) distinguished three main types of case studies according to the objective of research – intrinsic (where the objective is to learn about a particular case), instrumental (where a particular case is researched not as a whole but to give an insight into a single issue) and collective (where the instrumental case study is extended to a few cases in order to better understand the wider population or a given phenomenon). As Punch (1998) wrote, the focus within the first two types is within the case, whereas the focus in the third type is both within and across the cases and hence the collective case study can also be called the multiple or comparative case study. In turn, Berg (2004) and Yin (1994) distinguished three designs for case studies – exploratory (conducted as a prelude or pilot studies to a more detailed investigation), explanatory (conducted as causal studies in order to investigate a plurality of influences such as in organisational case studies) and descriptive (where the aim is to characterise the case). Finally, case studies can also be categorised according to their relations to the conceptual framework. Thus, for instance, Babbie (2004) discussed two kinds of case studies – those that aim to verify, modify and refine existing theories and those that aim to develop new concepts. In contrast to theory-verifying case studies, whose objective is to discover flaws in existing theorisations, which rather aim to enhance an idiographic understanding of the particular case and which are conducted on the basis of pre-defined concepts and research questions, theory-building case studies constitute the basis for the development of more general nomothetic theories and are seldom based on pre-defined theorisations and pre-established research questions (see Babbie 2004, Burawoy 1991, Gillham 2000, Stake 1995, 2005). As Babbie (2004) and Gillham (2000) observed, the latter category overlaps with the grounded theory strategy – "an approach to research whereby a theory is grounded in actual data rather than imposed *a priori*" and the aim of analysis is to find patterns that can generate theories and hypotheses (McQueen and Knussen 2002: 200, emphasis in original).

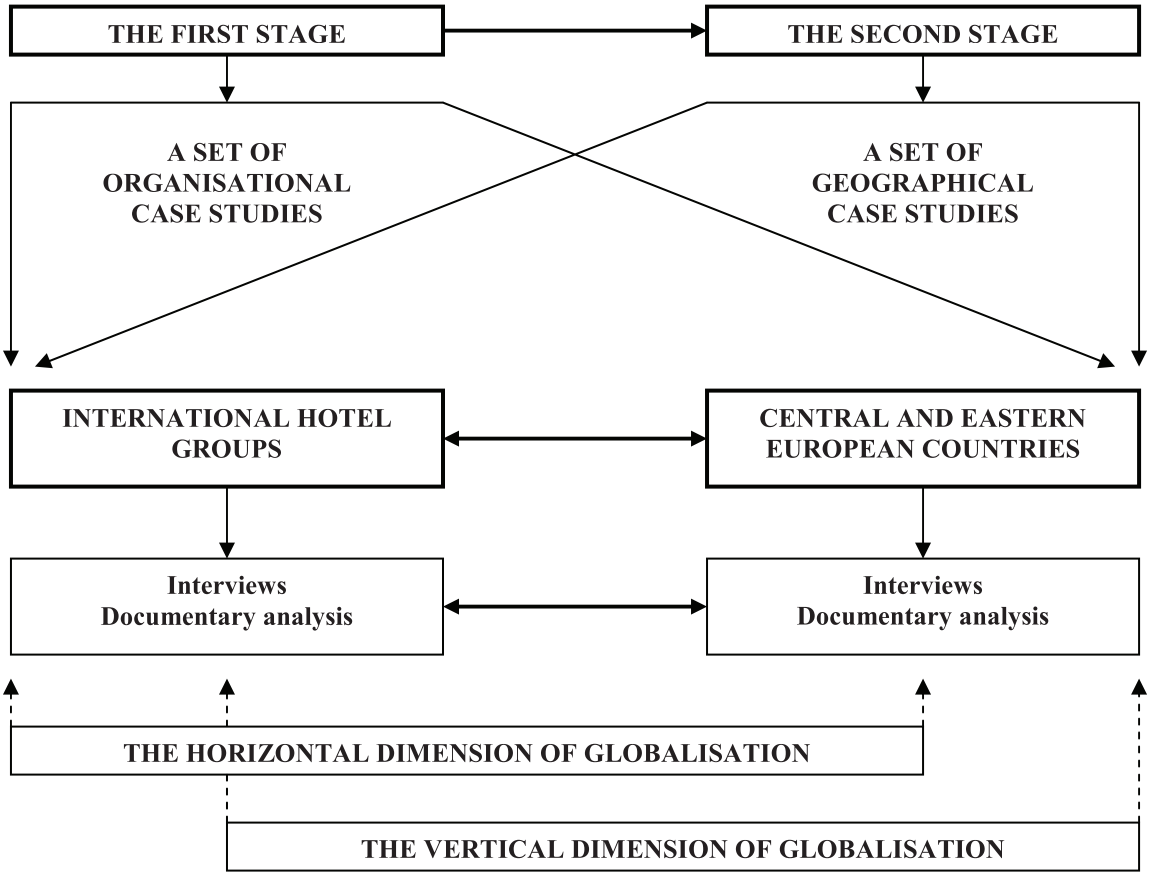
The distinction between theory-verifying and theory-building case studies is inevitably associated with the issue of generalisability from single case studies. Although the case study method has multiple advantages such as the aforementioned objective to preserve the integrity of the case or a non-interventive and emphatic nature where the ordinary activity of the case remains undisturbed (Stake 1995), the case study approach has also several disadvantages and a poor basis for generalisations is one of the most important criticisms. Indeed, the interest in a single case, rather than the whole population, as well as the focus on uniqueness, implies that the business of case study is particularisation and not generalisation (Bell 2005, Berg 2004, Miller and Brewer 2003, Punch 1998, Stake 2005). Despite that, Punch (1998) contended that properly conducted case studies can also generate generalisations, either in the form of abstract theorisations (such as in the grounded theory approach and thus in theory-building case studies) or in the form of propositions that can be applicable and transferable to other cases. Miller and Brewer (2003) called it analytical generalisation, as opposed to the statistical generalisation that is typical for quantitative research. Also, because one of the powerful epistemological strategies in case studies is comparison (Stake 2005), generalisations are relatively easy to draw from comparative (multiple) case studies. The other criticisms against the case study method overlap with those generally raised against any qualitative research and include problems with objectivity and the relatively low level of methodological rigour (Berg 2004, Miller and Brewer 2003). All of them, however, can be overcome by what is called "the process of triangulation" (Stake 2005) (see Section 5.4).

Focusing on international hotel groups on the one hand (organisational case studies) and selected CEE countries on the other (geographical case studies) this project employed a strategy of two intersecting collective (comparative) case studies conducted more or less simultaneously in order to investigate interactions between the two groups of cases. The main objective, however, was not to describe and explain each case but, typically for complex cases, "to confine the attention to those aspects that are relevant to the research problem" (Stake 1988: 258), i.e. the process of expansion into the CEE region in the case of hotel groups and the variety of economic and political conditions in which these groups come to operate in the case of CEE countries. The main purpose of employing the collective case study strategy and selecting more than one case from each category was to elaborate a foundation for generalisations to be made at the general level of the international hotel industry on the one hand and the CEE region on the other. Aiming to preserve the uniqueness of each case (i.e. to acknowledge the varieties of capitalisms in CEE and the various development strategies preferred by hotel groups) the objective of the project was to develop propositions explaining mutual interactions and influences between the two categories of cases and thus to enhance (and develop) theorisations on the international hotel industry in CEE. Despite that, the dissertation has a more theory-verifying than a theory-building nature. Having been conducted on the basis of the pre-defined theoretical framework with clearly established research questions and objectives the dissertation aims to test the applicability of the global production networks (GPN) approach to the development of the international hotel sector in CEE and thus to refine the theory (if necessary and if possible), rather than to generate entirely new concepts as it would have been the case with the grounded theory approach. Finally, with regard to Yin's (1994) distinction, the case studies conducted had a mainly explanatory character.

The actual research process consisted of two stages. Although both multiple case studies had to be conducted simultaneously, the first stage focused predominantly on the set of organisational case studies, whereas the set of geographical case studies dominated the second stage. Focusing on international hotel groups, their strategies of expansion, their perception of the CEE market and the distribution of their hotels according to countries, cities and market segments, the first stage was concerned with the horizontal dimension of globalisation. In contrast, paying attention to various contexts in the CEE market and their influence on international hotel groups' post-entry behaviour, the second stage of research focused more on the vertical dimension of globalisation. Both collective case studies were based on two techniques of data collection – interviews and documentary analysis (see Section 5.4). Figure 5.1 presents the research design in graphical form.

Typically for collective case studies, where according to many authors "nothing is more important than making a representative selection of cases" (Stake 2005: 450), the most important task in developing the research strategy was the selection of cases in both sets of case studies. Indeed, due to the large number of international hotel groups present in the CEE market on the one hand, and the large number of CEE countries on the other, it would have been practically impossible to enquire into the activities of all international hotel groups present in CEE and the features of all CEE countries within the timeframe of one research project. Thus, in order to create a credible foundation for generalisations the selection process was conducted according to the rules of "purposive sampling" (i.e. choosing those cases which best illustrate the processes that the research is looking to address) and "theoretical sampling" (i.e. purposive sampling where the purpose behind sampling is theoretically defined) (Silverman 2005: 129-130). The sampling process was thus based on all parameters of both populations which, with a direct reference to the research questions, were considered of importance for the research project.

Figure 5.1 The overall research design



Source: Own elaboration

In order to account for the biggest possible proportion of the worldwide hotel sector the selection of hotel groups was mainly conducted according to the criterion of size. The sampling process was based on the newest world ranking (Gale 2008) (published in July 2008 as per December 2007) that was available in September 2008 when the research process started. The first set of case studies embraced all international hotel groups from the world's Top 50 (measured in the number of rooms) which in December 2007 had a presence in the CEE region. As many as 23 hotel groups were found to be active in at least one CEE state. Importantly, as the official ranking (*Hotels' 325*, 2009) (published in July 2009 as per December 2008) showed, neither the number nor the selection of groups in CEE (from the Top 50) changed until the research process came to an end in October 2009. Table 5.1 presents the world ranking of international hotel groups and the selection of 23 hotel groups included in the analysis.

Table 5.1 The 50 biggest international hotel groups in the world in December 2007 by the number of rooms

NO.	HOTEL GROUP	HEADQUARTERS	HOTELS	ROOMS
1.	**InterContinental Hotels Group**	**Windsor, UK**	**3949**	**585 094**
2.	**Wyndham Hotel Group**	**Parsippany, New Jersey, USA**	**6544**	**550 576**
3.	**Marriott International**	**Washington D.C., USA**	**2999**	**537 249**
4.	**Hilton Hotels Corporation**	**Beverly Hills, California, USA**	**3000**	**502 116**
5.	**Accor**	**Paris, France**	**3871**	**461 698**
6.	**Choice Hotels International**	**Silver Springs, Maryland, USA**	**5570**	**452 027**
7.	**Best Western International**	**Phoenix, Arizona, USA**	**4035**	**308 636**
8.	**Starwood Hotels & Resorts Worldwide**	**White Plains, New York, USA**	**897**	**274 535**
9.	**Carlson Hotels Worldwide**	**Minneapolis, Minnesota, USA**	**969**	**146 600**
10.	**Global Hyatt Corporation**	**Chicago, Illinois, USA**	**721**	**135 001**
11.	Westmont Hospitality Group	Houston, Texas, USA	703	108 503
12.	**Golden Tulip Hospitality Group**	**Lausanne, Switzerland / Amersfoort, The Netherlands**	**944**	**86 585**
13.	**TUI AG/TUI Hotels & Resorts**	**Hannover, Germany**	**288**	**83 192**
14.	Extended Stay Hotels	Spartanburg, South Carolina, USA	686	76 384
15.	**Sol Meliá SA**	**Palma de Mallorca, Spain**	**301**	**75 022**
16.	LQ Management LLC	Irving, Texas, USA	633	69 089
17.	Jin Jiang International Hotels	Shanghai, China	380	68 797
18.	**The Rezidor Hotel Group**	**Brussels, Belgium**	**329**	**67 000**
19.	**Groupe du Louvre**	**Torcy, France**	**848**	**60 807**
20.	Vantage Hospitality Group	Westlake Village, California, USA	798	55 167
21.	**NH Hoteles SA**	**Madrid, Spain**	**341**	**49 677**
22.	MGM Mirage	Las Vegas, Nevada, USA	17	42 802
23.	**Interstate Hotels & Resorts**	**Arlington, Virginia, USA**	**191**	**42 620**
24.	**Barceló Hotels & Resorts**	**Palma de Mallorca, Spain**	**162**	**42 173**
25.	Harrah's Entertainment	Las Vegas, Nevada, USA	34	38 130
26.	Red Roof Inns	Columbus, Ohio, USA	345	37 068
27.	**Riu Hotels & Resorts**	**Playa de Palma, Mallorca, Spain**	**102**	**36 512**
28.	Premier Inn	Leagrave, Bedfordshire, UK	530	36 000
29.	Walt Disney World Company	Burbank, California, USA	38	34 000
30.	**Fairmont Raffles Hotels International**	**Toronto, Ontario, Canada**	**85**	**33 017**
31.	**Iberostar Hotels & Resorts**	**Palma de Mallorca, Spain**	**97**	**31 000**
32.	Millenium & Copthorne Hotels Plc	London, UK	111	29 987
33.	Tharaldson Lodging Cos.	Fargo, North Dakota, USA	372	28 878
34.	Club Méditerranée	Paris, France	80	28 000
35.	Shangri-La Hotels & Resorts	Hong Kong, China	55	26 434
36.	Columbia Sussex Corporation	Fort Mitchell, Kentucky, USA	71	24 809
37.	**Scandic**	**Stockholm, Sweden**	**133**	**24 005**
38.	Prince Hotels	Tokyo, Japan,	60	22 416
39.	Omni Hotels	Irving, Texas, USA	37	20 748
40.	JAL Hotels Co. Ltd.	Tokyo, Japan	64	20 715
41.	Ocean Hospitalities	Portsmouth, New Hampshire, USA	133	19 637
42.	Grupo Posadas	Mexico City, Mexico	101	18 100
43.	**Four Seasons Hotels and Resorts**	**Toronto, Ontario, Canada**	**74**	**17 741**
44.	John Q Hammons Hotels & Resorts	Springfield, Missouri, USA	73	17 689
45.	White Lodging Services	Merrillville, Indiana, USA	122	16 692
46.	Drury Inns Inc.	St. Louis, Missouri, USA	113	15 589
47.	The Procaccianti Group	Cranston, Rhode Island, USA	59	15 426
48.	Jinling Hotels & Resorts Corp.	Nanjing, China	64	14 897
49.	Hospitality International Inc.	Tucker, Georgia, USA	302	14 482
50.	Guangdong International Hotel Management Holdings Ltd.	Hong Kong, China	51	14 342

Source: Gale (2008)
Notes: Marked in bold – groups present in CEE

In addition, the selection of 23 hotel groups gave good coverage across other important dimensions such as the level of activity in the CEE region (measured in the number of hotels and the number of states covered rather than the number of hotel rooms), market segments targeted (to cover different market segments), business models (to address all possible modes of operations) and the country of origin (to cover groups from as many various states as possible and to circumvent the dominance of American hotel groups in the Top 50). Initial reading (Johnson and Iunius 1999, Kowalczyk 2002, 2003, Mather and Todd 2002, Sangster et al 2001), the author's past research (Niewiadomski 2006) and pilot studies of the 50 biggest hotel groups' websites confirmed that the selection of 23 hotel groups was entirely able (with minor exceptions) to meet the other four criteria. The notable exceptions included hotel groups which, despite being very strong players in CEE, were too small to be included in the world's Top 50, as well as international hotel consortia which due to the specific business model were, by definition, not present in the official ranking. It is for these reasons that the set of organisational case studies was in fact also open to other examples and that the following analysis also comprises hotel firms from beyond the selection of 23 groups.

It should be explained that what is referred to in this project as "Central and Eastern Europe" is a group of 20 post-communist countries which either directly or as a part of a larger state constituted until 1989 the so-called communist bloc and were members (or associates) of the Council for Mutual Economic Assistance ("Comecon"). For practical reasons, the targeted group excluded the Caucasian Republics (Azerbaijan, Armenia and Georgia), the area of the former Eastern Germany, and Kosovo whose political status in the international arena was still unclear and largely contested when the research process started. It was also these 20 states which delineated the boundaries of CEE during the aforementioned evaluation of international hotel groups' presence in the CEE region.

In turn, in order to enquire into different kinds of interactions between expanding hotel groups and as wide a variety of economic and political contexts as possible the selection of CEE states was based upon two criteria – the stage of post-communist transformation on the one hand and the level of development of the international hotel industry in each country on the other. The first criterion, which allowed the division of CEE states into those that had experienced a high degree of transformation and those who had not, was assessed on the basis of the "transition score" – an aggregation of a group of different economic factors calculated by EBRD and presented by Bradshaw and Stenning (2004: 22). Meanwhile, the second criterion, measured by the number of international hotels in each country and established during the pilot studies of the international hotel groups' official websites, allowed the division of CEE states into those where the international hotel sector was relatively well-developed and those where there was a rather low level of development. Assessing each country against both criteria produced a matrix of four possible combinations (i.e. four groups of states) presented in Table 5.2. Although in general terms the research process tackled the whole CEE, only one state from each cell was chosen for more detailed analysis. However, assuming that interactions between expanding hotel firms and post-communist institutional contexts are either non-existent or untraceable in countries where the international hotel industry is less developed and where due to the relatively early stage of transformation the institutional arrangements might be difficult to identify, no country from the bottom-right cell was selected. The research process thus focused on Poland, Bulgaria and Estonia as representatives of the remaining three groups of countries.

Table 5.2 CEE countries according to the stage of transformation and the hotel sector's level of development

THE INTERNATIONAL HOTEL SECTOR'S LEVEL OF DEVELOPMENT	THE STAGE OF TRANSFORMATION	
	More advanced	**Less advanced**
Relatively high	Hungary, **Poland,** Czech Republic	**Bulgaria,** Croatia, Romania, Russia
Relatively low	**Estonia,** Lithuania, Latvia, Slovakia, Slovenia	Albania, Belarus, Bosnia & Herzegovina, Macedonia, Moldova, Montenegro, Serbia, Ukraine

Source: Own elaboration on the basis of Bradshaw and Stenning (2004: 22)
Notes: Marked in bold – countries selected for the more detailed analysis

The selection of Poland from the top-left cell was justified mainly by practical reasons. The author's origin from Poland, fluency in the Polish language, good knowledge of the local context and socio-political conditions, knowledge of existing publications, initial contacts with representatives of the Polish hotel industry and the academic environment, as well as the author's previous research on the hotel industry in Poland (Niewiadomski 2006) were all convincing premises determining the focus on Poland. Poland's status as one of the most developed countries (markets) in CEE (also in terms of the hotel sector, as confirmed by initial research), as well as the country's size (the variety of markets in Poland), as opposed to the Czech Republic or Hungary, were also important arguments justifying this choice. In turn, the choice of Bulgaria from the top-right cell was justified with Bulgaria being one of the most important summer destinations in the former Soviet bloc and the high level of development of the leisure hotel industry in the country. Even though the same could be said about Croatia, Bulgaria's business hotel industry is more developed in terms of numbers and it was possible to address both these sub-sectors at the same time. Also, because of its membership of the European Union, institutional formations were expected to be more developed and the impact of the European Union on the hotel sector could also be investigated. Due to the fact that all countries from the bottom-left cell are relatively well developed in economic terms and all of them are EU members, the selection of Estonia from this group of countries was most difficult. The argument that prevailed was the multiplicity of local hotel operators in Estonia and the possibility of enquiring into the issues of competition between local hotel operators and international operators. The existence of a well-developed leisure hotel industry in a few summer resorts in Estonia was a secondary argument justifying this selection. Although Slovakia and Slovenia are also abundant in resort destinations, they are in fact mountain winter resorts which are typically of lower interest to international hotel operators. The choice of both Bulgaria and Estonia was based upon pilot studies of the chosen groups' websites. Finally, although the set of geographical case studies largely concentrated on Poland, Bulgaria and Estonia, as with the set of organisational case studies, it remained open to other examples (where possible and where applicable).

However, with the exception of Estonia where internationally-branded hotels were only found in two destinations, due to the geographical size and the multiplicity of markets it appeared to be practically impossible to address all destinations with international hotels in Poland and Bulgaria. Therefore, the selection of particular destinations to be targeted in these two countries also had to be conducted. The selection was based upon the initial reading and the pilot studies of the international hotel groups' official websites and was made according to the following four criteria:

1. To address destinations with the most internationally-branded hotels;
2. To tackle as many various markets as possible according to their relative importance (primary, secondary and tertiary), including capital cities and destinations of a high tourist attractiveness;

3. To cover as many different markets as possible according to their targeted clientele (business and leisure markets);
4. To tackle those destinations where the access to interviewees (and thus to data) was found to be the easiest.

Basing upon those four criteria, the research process concentrated on ten destinations in the three countries of focus. The targeted destinations are presented in Table 5.3.

Table 5.3 Targeted destinations in the three countries of focus

	POLAND	ESTONIA	BULGARIA
Primary destinations	**Warsaw (23)** Krakow (16)	**Tallinn (4)**	**Sofia (7)**
Secondary destinations	Wroclaw (11) Lodz (2)	*Pärnu (1)*	Varna (3) *Sunny Beach/Nessebar (8)*
Tertiary destinations	Częstochowa (3)	-	-

Source: Own elaboration
Notes: Marked in bold – capital cities, marked in italics – leisure destinations, marked in brackets – number of hotels possessed by the 23 selected hotel groups

Although it is often a typical feature of the case study method to constantly change and modify the research strategy (including the research questions and objectives) if it is not working well during the research process (see Stake (1995) for the discussion on what he refers to as "the progressive focusing"), the strategy described above did not require major changes and appeared to work effectively during the research. The same applied to data collection methods which remained the same as according to the pre-established strategy. The only changes required as the research process was progressing were rather cosmetic in nature and included re-drawing some interview questions, focusing on some aspects of the research problem more (or less) than initially planned, changing meeting arrangements and selecting interviewees.

5.4 Methods of data collection

Typically for the case study strategy, which serves as a way of organising techniques of data collection rather than as a single method, this research project employed more than one method of data gathering. Although the case study is entirely capable of embracing both quantitative and qualitative techniques, according to many authors it is qualitative methods that are predominantly used (Punch 1998, see also Gillham 2000, Yeung 1995, Yin 1984). Hence, in order to capitalise on the strengths of the case study approach, this research project relied on two qualitative techniques of data collection – interviews and documentary analysis. As Bell (2005) and Berg (2004) contended, the interview is one of the most frequently used methods in the case study approach. As Berg (2004) further pointed out, the same is also true for documentary analysis. Not only, however, did the adoption of two methods aim to secure the qualitative nature of the approach, but also, in order to enhance the possibility of drawing generalisations, it enabled the process of triangulation. As Stake (2005: 454) wrote, triangulation is "a process of using multiple perceptions to clarify meaning [thus] verifying the repeatability of an observation". Its major objective is therefore to "identify different ways the case is being seen" and learn about "the multiple realities within which people live" (Stake 2005: 454). Providing that the documentary analysis focused on various types of sources and that the interviewees represented different groups of interest, triangulation was also secured by each method separately. Both methods are described in more detail in the following sub-sections.

5.4.1 Interviews

The main method of data collection used during both stages of research was interviews. Their major role was to access "people's perceptions, meanings, definitions of situations and constructions of reality" (Punch 1998: 174), to understand a vast diversity of local contexts and to access contextual knowledge that existed in the relationship between the interviewed people and their environments. As Schoenberger (1991) and Yeung (1995) observed, qualitative interviews in economic geography (and especially in international business research) have many advantages. For instance, in contrast to the standardised survey approach, they are more sensitive to the institutional and historical complexity of firms, can better explore a complex network of internal and external interrelationships in which firms are embedded and can more deeply explain potential factors that underlie the process of decision-making, thus offering access to various kinds of knowledge that are not always available through other research methods (Schoenberger 1991, see also Oinas 1999). In addition, owing to the fact that qualitative corporate interviews are in a position to explore deep structures by means of researching observable processes, they are also compatible with the realist approach in social sciences (McDowell 1992).

The interviewing process was organised according to Kvale's (1996) concept of seven stages of an interview investigation – thematising, designing, interviewing, transcribing, analysing, verifying, and reporting (see also Kvale and Brinkmann 2009). While the last four stages, which are connected to the process of data analysis, are discussed in Section 5.5, this sub-section focuses on the first three stages when all necessary methodological choices and decisions were made and the actual process of interviewing was conducted.

Indeed, the stage of thematising, the objective of which was to clarify the purpose of the research and determine the theme of the research, started long before the actual research design was elaborated. Its main role was to gain pre-knowledge of the subject matter to be investigated, to develop a theoretical understanding of the theme of the study in order to establish the foundation to which new knowledge was to be added and integrated, to formulate the research questions and finally to decide what aspects of the subject matter to focus on during the research process (Kvale 1996, Kvale and Brinkmann 2009). This stage was conducted in the form of the literature review (described in detail in Chapters 2-4) and the pilot studies of the international hotel groups' websites, and resulted in the elaboration of the conceptual framework, the research questions and the foundations of the research strategy (including the selection of interviews as the main technique of data collection). The documentary analysis of the selected hotel groups' websites, conducted during the first stage of the research process (see the following sub-section), was also an important part of the thematising stage.

In turn, the designing stage entailed elaborating procedures and techniques appropriate to gain the intended knowledge and thus achieve the research objectives and answer the research questions. It involved choosing an interview type, gaining essential knowledge on the craft of interviewing, deciding on a sample of interviewees, formulating detailed interview questions, evaluating the time and other resources available and planning the process of interviewing in terms of time and place (Kvale 1996, Kvale and Brinkmann 2009). This stage resulted in the completion of the detailed research design.

With regard to Fontana and Frey's (1994) typology wherein three different categories of interviews are distinguished according to the degree of structure involved (unstructured, semi-structured and structured), this research project was predominantly based upon the semi-structured type. Rather than relying on structured interviews, where questions are pre-planned and standardised and include pre-established categories for responding, or unstructured interviews, which are open-ended and may take many directions (Fontana and Frey 1994, Minichiello et al 1990, Punch 1998), all the interviews revolved around pre-established questions, but did not include pre-defined categories for responses. The selection of this type aimed to secure the possibility of building upon answers obtained and, depending on particular contexts, modifying the interviews in terms of the choice and order of questions and the way the questions were formulated (Robson 1993).

The pivotal point of the designing stage was the selection of interviewees (McQueen and Knussen 2002) during both stages. The group of interviewees targeted by the series of corporate interviews was relatively uniform and encompassed representatives of the selected hotel groups responsible for the spatial expansion of their companies into CEE. In contrast, in order to reflect the complexity of the investigated phenomenon and the multiplicity of groups of interest involved in the whole process at the local level, the second stage targeted various groups of interviewees. Basing on the architecture of hotel groups' production networks described in Chapter 4, six groups of interviewees were identified to be targeted in each of the three focus countries:

1. Representatives of international hotel groups and internationally-branded hotels at the local level (as opposed to the corporate level targeted during the first stage);
2. Representatives of local authorities and other institutions governing tourism and the hotel industry;
3. Representatives of local hotel groups and local independent hotels;
4. Independent hotel industry experts and consultants;
5. Hotel real estate owners, developers and investors cooperating with hotel groups;
6. Trade union representatives (if applicable).

Following Kvale (1996) and Kvale and Brinkmann (2009) who recommend a sample of 15 +/– 10 interviews from every group of interviewees, the initial strategy anticipated a minimum of 20 corporate interviews and around 10-15 interviews in each focus country (i.e. at least 60 interviews in total). The important objective during the second stage was also to address each of the six groups of interviewees (with a primary focus on groups 1 and 2). Depending on which aspects it was most appropriate to focus on, a separate set of questions was prepared for each of the seven groups. Apart from a very small portion of closed questions, the aims of which were to clarify factual information (if necessary), the questions asked were mostly open in nature. Appendix 1 presents all seven series of questions. Although face-to-face interviews were preferred in order to capitalise on the information obtained and to give consideration to body language (Bryman 2004, Kvale and Brinkmann 2009, Punch 1998), face-to-face interviews were scheduled only in the second stage. Owing to the fact that headquarters (and corporate offices) of international hotel groups are scattered all over the world, because of time constraints and significant costs associated with travelling the first stage had to utilise telephone interviews.

The first stage of the interviewing process started in November 2008 and finished in the beginning of April 2009. In order to gain access to the targeted interviewees, perceived as elite groups the access to which requires prior arrangements (Berg 2004), the process began with a series of telephone enquiries to the selected hotel groups' headquarters and regional corporate offices, through which the appropriate high-level executives could be located and their e-mail addresses collected. Although in the majority of cases the initial reception was positive, in some cases the whole process appeared to be time-consuming (even up to four months) and required a high number of additional enquiries to different departments of the selected groups. Once the contact details were eventually obtained, an enquiry letter was sent by e-mail, the objective of which was to request an interview, explain the purpose of the study and clarify the way the obtained information would be used. In order to highlight details of the research project, a short abstract was attached. Telephone interviews were proposed at the author's cost and at the time that was most appropriate for the targeted interviewees. In some cases a list of questions was requested prior to the consent for an interview.

Although it appeared to be difficult to access the targeted interviewees and establish the appropriate time for an interview (which was the main reason why the first stage lasted five months), the stage resulted in 24 corporate interviews with representatives of 21 out of the 23 targeted hotel groups. In the case of three groups two representatives from the company were interviewed. Hence, in terms of the number of hotel groups targeted, the response rate was 91%. Depending on who it was possible to approach and who agreed to an interview (or who was delegated to do that inside the hotel group), the executives interviewed ranged from business development vice-presidents and regional directors to development analysts. In three cases the interviews were with officials responsible for other domains than development, including operations, sales and marketing and brand quality – in each case with a direct reference to CEE. 22 out of the 24 interviews were made over the phone. In the other two cases the interviewees agreed only for an internet interview. All 22 interviews were recorded on a digital recorder. Each of them was conducted with only one person at a time and lasted 38 minutes on average.

The second stage commenced in May 2009 and finished in October 2009. It was based on four research trips (two to Poland and one to Estonia and Bulgaria each) where each of the six groups of respondents identified at the local level was approached. The access to these groups (all of which were also perceived as elite groups) was arranged in two ways. In the case of local-level representatives of international hotel groups (Group 1), as well as hotel developers and investors cooperating with international hotel operators (Group 5) access was predominantly sought through the respondents from the first stage of research who were mostly able to either provide a list of valuable contacts or help to establish the initial contact themselves. By contrast, access to the other four groups in each country was arranged directly, i.e. in the same way as in the first stage of research. Importantly, according to what could be called “the snowball effect”, many respondents accessed during the second stage of research were also able to facilitate further contacts, thus helping to increase the number of interviewees from each of the targeted groups. Similarly to the first stage of research, in order to explain the details of the project, an official letter of enquiry was sent to each potential interviewee (if required). Given that a physical presence in each focus country was pre-arranged, a face-to-face interview at the time and place most appropriate for the interviewees (but within the timeframe of a given trip) was requested in each case. However, when owing to time constraints face-to-face interviews were not possible (or had to be re-arranged because of unexpected circumstances), telephone interviews in-between fieldwork trips were suggested instead.

Both research trips to Poland took five weeks altogether and produced 30 interviews (24 face to face and six over the telephone), which covered all six groups of interviewees. The interviews lasted 48 minutes on average and all of them were recorded on a digital recorder. In turn, the trip to Estonia took two weeks and resulted in thirteen face-to-face interviews, twelve of which were recorded on a digital recorder. The interviews lasted 52 minutes on average. The two-week trip to Bulgaria resulted in thirteen interviews, including three over the telephone. Only twelve of them were recorded. The interviews lasted 44 minutes on average. The majority of interviews were made with one person. However, in a few cases (four in Poland, one in Estonia, one in Bulgaria) two or three people turned up as a result of internal initiatives. Despite that, neither in Estonia nor in Bulgaria was it possible to address all six groups of respondents identified. Due to the fact that there are no hotel sector trade unions in these countries on the one hand, and that no hotel sector consultant firm is present in either Estonia or Bulgaria on the other, no representatives from Groups 4 and 6 could be approached. Moreover, all attempts to access a hotel developer/real estate owner in Estonia were unsuccessful. Even though all the fieldwork trips brought expected results in terms of the number of interviews, the response rate varied between countries and, with regard to all the six groups altogether, ranged from 65% in Bulgaria (seven refusals) and 72% in Estonia (five refusals) to 79% in Poland (eight refusals). The response rate largely varied between different groups of interviewees, with hotel developers in Bulgaria and Estonia, hotel managers in Bulgaria and Poland (mainly in Warsaw) and representatives of local governments in Bulgaria being the most difficult groups to access.

Importantly, in addition to the 56 interviews conducted in the three focus countries, ten interviews were also conducted with different representatives of the hotel industry from selected other countries. Owing to the fact that many international consultant firms that serve the CEE market are based outside the CEE region (or in other CEE countries), this group mostly comprised hotel sector consultants. The access was gained in a direct way, i.e. through telephone enquiries or by e-mail. The other interviewees included different managers from international hotels based in other countries of CEE and representatives of international real estate companies who own hotels in CEE but are not based in CEE. All these contacts were suggested and established by other interviewees from either the first or the second stage of research. The countries where the interviewees were actually based included Romania, Russia, the Czech Republic and Latvia from CEE and Austria, the United Kingdom and Norway from outside CEE. All the interviews were conducted over the telephone with one person each, either in-between fieldwork trips or after the fieldwork trips were concluded. They lasted 38 minutes on average. Table 5.4 presents a summary of all the interviews made during the second stage according to the country of focus and the targeted group of interviewees, whereas Table 5.5 provides a summary of all the interviews according to the type.

In order to set the scene for the whole interview, to gain trust and build rapport with the interviewee, each interview started with a brief introduction to explain the objective of the research project and the way the information gained would be used, to re-confirm the interviewee's consent to the interview and verify the use of a digital recorder. Each interviewee was offered the possibility of asking additional questions about the project (Kvale 1996). Although every interview was based on the pre-established questions, the direction which the interviews followed varied significantly. Depending on the answers obtained and in which areas the interviewee felt most adept, different research problems were discussed to a different extent (Kvale and Brinkmann 2009, Punch 1998).

Apart from the 24 interviews conducted with Polish nationals in the Polish language, all the interviews were conducted in English. However, in three cases (one in Estonia, two in Bulgaria) the interviewee was accompanied by an English translator who declared in each case that they would restrain from making personal contributions to the interview. In order to build the rapport and ensure a high quality of an interview, every effort was put into using appropriate hotel-sector-specific language and vocabulary that could best fit the professional background of the interviewees. The vocabulary was acquired by the author during the thematising stage (Kvale 1996, Kvale and Brinkmann 2009). The next sub-section turns to documentary analysis – the other method of data collection adopted during the research process.

Table 5.4 The number of interviews conducted during the second stage of research according to the targeted group of interviewees

	GROUPS OF INTERVIEWEES	POLAND	ESTONIA	BULGARIA	OTHER	TOTAL
1.	**- International hotel groups regional directors - Hotel general managers - Other hotel managers**	13	4	9	2	**28**
2.	**- Representatives of local authorities responsible for regional development or tourist promotion - Representatives of other institutions governing the hotel industry**	9	3	2	n/a	**14**
3.	**- Directors or hotel managers from local hotel groups - Owners or managers from independent local hotels**	3	6	1	n/a	**10**
4.	**- Hotel industry consultants from market research and consultant companies serving the CEE market**	2	n/a	n/a	6	**8**
5.	**- Developers, investors or hotel real estate owners cooperating with international or local hotel operators**	1	0	1	2	**4**
6.	**- Representatives of trade unions functioning in the hotel industry**	2	n/a	n/a	n/a	**2**
	TOTAL:	**30**	**13**	**13**	**10**	**66**

Source: Own elaboration

Table 5.5 Types of interviews conducted during the research process

INTERVIEW TYPE	CORPORATE	POLAND	ESTONIA	BULGARIA	OTHER COUNTRIES	TOTAL
Telephone	22	6	0	3	10	**41**
Face to face	0	24	13	10	0	**47**
Internet	2	0	0	0	0	**2**
TOTAL:	**24**	**30**	**13**	**13**	**10**	**90**

Source: Own elaboration

5.4.2 Documentary analysis

Even though the research project was mainly interview-based, the interview was not the only method of data collection used. Data were also collected by means of documentary (and secondary data) analysis. Following Kvale and Brinkmann (2009), who argued that in any mixed-method approach the interview can be efficiently used in conjunction with any other method, and Berg (2004) who pointed out that interviews and documentary analysis are one of the most commonly used pairs of methods in the case study strategy, the role of documentary analysis was to complement and verify the data obtained during the interviews. Indeed, its main objective at the methodological level was to compensate for different disadvantages of the interviewing method (including the lack of objectivity during the interview and the analysis, the risk of bias and the low level of reliability and validity of the data obtained deriving from the technique being too person-dependent – see Kvale and Brinkmann 2009) and thus to ensure the validity of findings within both series of case studies through the process of triangulation (Punch 1998). However, apart from the thematising stage of the process of interviewing where various written sources (notably academic publications and hotel groups' websites) were referenced to elaborate the conceptual framework, initially explore the research problem and better understand the overall context of the research, its particular role was in fact different during the two stages of the actual research process.

During the first stage of research documentary analysis played an exploratory role. Its objective was to establish the necessary foundations before proceeding with corporate interviews (i.e. to clarify the issues to be discussed during the interviews and to specify the directions to be followed in order to answer the research questions) and therefore it focused on what could be called 'the corporate data'. Importantly, it also delivered a fair amount of data required to answer the first research question. The documentary analysis during the first stage embraced:

1. Initial studies of the official websites of the 50 biggest hotel companies in the world in order to conclude the thematising stage of the interviewing process and establish which groups are present in CEE (July 2008, updated in July 2009),
2. Comprehensive analysis of the official websites of the selected 23 hotel companies, including all additional sources available on these websites (hotel catalogues, annual reports and promotional brochures) in order to obtain basic knowledge on the hotel groups researched in terms of their development strategies, geographical distribution of hotels, preferred business formats, organisational structures, brand portfolios and market segments targeted (September 2008-April 2009);

In order to provide as up-to-date numerical data as possible, the data obtained during the documentary analysis of the selected international hotel groups were updated in January 2010 during the stage of final analysis. When necessary, some of the websites were also referenced directly during the reporting stage.

By contrast, the role of documentary analysis in the second stage was largely auxiliary. Its main purpose was to complement and verify the data collected during the interviews. For this reason the second stage concentrated mostly on different institutional sources. Despite that, with regard to hotel companies from beyond the Top 50 who were found during the second stage of research to be important players in the CEE region, as well as to local hotel groups in CEE, it also embraced some corporate data. The second-stage documentary analysis (mainly conducted between May and October 2009 but updated many times also during the stages of analysis and reporting), included:

1. Various institutional documents (such as regional development strategies, reports on tourism and the hotel industry in particular areas and various promotional materials (e.g. brochures) on different countries, regions and municipalities in order to learn about the role of the hotel sector in the development of the targeted municipalities;
2. The official websites of the researched municipalities and other institutions in order to identify and examine the institutional formations associated with tourism and the hotel industry in these areas;
3. The official websites of international hotel groups from beyond the world's Top 50 (including hotel consortia) who were found to be strong players in the CEE market;

4. The official websites (including other materials available from these websites) of all local hotel groups in CEE encountered during the second stage of research in order to learn about the competition between local and international hotel operators;
5. Various statistical sources and databases pertaining to tourism and the hotel industry in general and in the three focus countries, including hotel-industry magazines.

In order to ensure the validity of research findings each of the documents analysed was carefully assessed against four main criteria: authenticity (if it was genuine); credibility (if it was accurate); representativeness (if it was representative of that particular class of sources); and its meaning (what it intended to say) (Punch 1998, Bryman 2004). Whilst all four criteria were expected to be met in the case of academic publications referenced during the thematising stage, careful selection was required in the case of both corporate and institutional data. As O'Neill (2003) argued, because of the tendency to present the company in the best possible light, corporate data is often biased, thus making some of its sources not entirely credible. Given that for political reasons the same could apply to institutional documents, in order to avoid biases the purpose for which every document was produced was carefully considered (Robson 1993). Although documentary analysis is an indirect technique of data collection and therefore has some disadvantages (such as e.g. the time-consuming character – see Punch 1998 and Robson 1993), it has multiple advantages which this project aimed to capitalise on. The most important ones included the possibility of re-analysis deriving from the permanent nature of written sources and the relatively low cost of the data collection process (Robson 1993).

5.5 Analysis of the research findings

Further to the completion of the actual research process by the end of October 2009 the project moved on to the stage of final analysis. The stage of analysis lasted four months and was brought to a conclusion in February 2010. Although the analysis of the research findings intensified after the second stage of research finished, it in fact started at the beginning of the empirical stage. In order to be able to verify and build on propositions formulated at the early stage, the initial analysis was conducted simultaneously with the process of data collection. The analysis of interviews comprised transcribing, analysing and verifying – the following three stages of the interviewing process as distinguished by Kvale (1996) and Kvale and Brinkmann (2009).

The first set of data subjected to the analysis was the data obtained during the first stage of research from the selected hotel groups' official websites. The analysis resulted in 23 working summaries illustrating each of the investigated hotel groups according to their internal organisational structures, preferred modes of operations, development strategies and geographical distribution of hotels according to countries, cities, brands and market segments, importance of the CEE market and future openings in the region. The purpose of this analysis was to develop initial propositions with reference to the first research question and to provide a context for the corporate interviews. A similar, although less detailed, analysis was conducted with regard to the other hotel groups examined during the first stage and all the local hotel groups encountered during both stages of research. The analysis of written sources during the second stage, however, had only a supportive role to the second-stage interviews. The analysis of all the other documents proceeded according to the same framework as the analysis of interviews described below.

The analysis of interviews, as the main source of data, was conducted according to what is known as the Miles and Huberman framework for qualitative data analysis and whose objective is to trace out "lawful and stable relationships among social phenomena, based on regularities and sequences that link these phenomena" (Miles and Huberman 1994: 4). The framework is based upon the rule of analytic induction wherein "concepts are developed inductively from the data, raised to a higher level of abstraction, and their interrelationships are then traced out" and which refers to "the systematic examination of similarities between cases to develop concepts" (Punch 1998: 201-202). Importantly, in the analytic induction "data-driven inductive hypothesis generation is followed by deductive hypothesis examination, for the purpose of verification" (Punch 1998: 201). Thus, according to Kvale and Brinkmann's (2009) classification the analysis focused on meaning, rather than on language.

The final analysis of the interviews started from transcribing the interviews from an oral conversation to a written text. Even though the transcribing started shortly after the first interviews were made and steadily continued throughout both stages of research, it was after the research finished when, due to time constraints at the earlier stages, the major part of transcribing was done. In order to produce transcriptions of the highest possible level of validity and reliability (Kvale and Brinkmann 2009) the transcribing was done verbatim, word-by-word and directly by the author who had been personally present in each interview situation. All the interviews were originally transcribed in the language of the conversation, i.e. English or Polish. In each case when the interviewee wished to see the transcription before its final use, a copy of the transcription was provided by e-mail with a request for a full authorisation. Although some interviewees were sceptical towards the transcriptions (which mostly originated from the transcriptions having been made verbatim and the language looking incoherent and confused), all the interviewees eventually agreed for the interviews to be used in the project. In the most of these cases, however, corrections, amendments, additional comments and different restrictions were introduced to the original transcripts. The final analysis focused only on the authorised versions of transcriptions (McQueen and Knussen 2002).

According to the framework adopted, the actual analysis encompassed three concurrent activities: data reduction (i.e. editing, segmenting and summarising the data without any loss of information, followed by the process of coding and memoing and by developing abstract concepts), data display (i.e. organising and compressing the data) and drawing conclusions (i.e. developing various concepts and ideas). The central role in this process was ascribed to the activities of coding (i.e. putting tags and labels against pieces of the data in order to attach meaning to them, identify patterns in the data and index the data) and memoing (i.e. recording theoretical, methodological, substantive and personal ideas connected to the data obtained). Whereas coding was a more systematic and disciplined activity, memoing had a creative-speculative character and therefore required additional verification. The main objective of both activities was to identify regularities in the data (Miles and Huberman 1994, Punch 1998, Frankfort-Nachmias and Nachmias 1996).

Although the majority of codes were pre-established on the basis of research questions, some of them were developed as the research and the analysis were progressing. Each pair of questions and answers in every interview was indexed with one or more codes and was ascribed to an appropriate research question, chapter and section. The analysed data were displayed in the form of tables (one for each set of interviews, i.e. corporate, Poland, Estonia, Bulgaria and other countries) where the frequency of each code in each interview was indicated. Appendix 2 illustrates the example data display table for the series of corporate interviews. The set of codes used with reference to the first research question logically overlapped with the set of criteria against which the selected hotel groups' websites were analysed in the first stage of research. Although the author was aware of the existence of specific software to analyse qualitative data (especially in the domain of coding), such as NUDIST, no computer programme was used to complete the analysis. In order to summarise Sections 5.3-5.5, Figure 5.2 provides the timeline of the research process.

Figure 5.2 Timeline of the research process

SEPTEMBER 2006

THE STAGE OF PREPARATION

- Review of the three bodies of theoretical literature
- Review of the methodological literature
- Elaboration of the research strategy and formulation of the research questions and objectives
- Pilot studies of the selected hotel groups' official websites

SEPTEMBER 2008

THE 1ST STAGE OF RESEARCH

- Detailed documentary analysis of the selected hotel groups' official websites, annual reports, hotel catalogues and brochures as a means of gathering data and preparing for corporate interviews
- Corporate interviews with representatives of the selected hotel groups responsible for corporate development in CEE and/or operations in CEE

APRIL 2009

THE 2ND STAGE OF RESEARCH

- General fieldwork preparations
- Fieldwork in Poland (1st part) – 2 weeks (May/June)
- Fieldwork in Estonia – 2 weeks (June)
- Fieldwork in Poland (2nd part) – 3 weeks (August)
- Fieldwork in Bulgaria – 2 weeks (September)
- Telephone interviews with interviewees from the countries of focus (if face-to-face interviews were not possible) and from other countries conducted in-between fieldwork trips
- Interview transcribing and the initial analysis of research findings

OCTOBER 2009

THE ANALYSIS

- Interview transcribing
- Analysis of interviews and other sources of information gathered during the research process

FEBRUARY 2010

THE STAGE OF WRITING-UP

- Final literature review
- Writing-up of the dissertation
- Dissemination of the research findings

AUGUST 2011

Source: Own elaboration

5.6 Power, positionality and ethics

Apart from different obstacles that can be encountered during the interviewing process and the analysis of research findings and that were discussed in Sections 5.3-5.5, it is also necessary to give consideration to the locus of control and power and the position of the researcher during the interviews. As Schoenberger (1991) pointed out, in contrast to fields such as, for instance, anthropology where the interviewer can exert control over the respondent, in corporate interviews there is a higher risk of losing control. Indeed, owing to the fact that business managers and executives are "accustomed to being in control and exerting authority over others", the corporate interview carries a risk that the respondent will impose their own agendas, set the direction of the conversation and thus undermine its flexibility – one of the critical advantages of the method (Schoenberger 1991: 182). As McDowell (1992: 213) added, it is often that in corporate interviews the interviewer is only "a supplicant requesting time and expertise from the powerful, with little to offer in return". Owing to the fact that "there is (…) a negotiation or struggle about power and control in every interview" (Schoenberger 1992: 217), Schoenberger (1991) proposed a number of strategies for the interviewer to shorten the distance to the respondent and sustain as much control as possible. They include being well-informed about the issues discussed and familiar with the professional vocabulary. As McDowell (1992) also added, due to the fact that knowledge obtained during interviews is highly contextual and interpersonal, struggling about power in the interview situation may also largely depend on gender relations. By the very same token, Schoenberger (1992) also drew attention to class, race and nationality relations, or to put it in more general terms, to the problem of identity.

Given that business executives are perceived as "elite groups" (Berg 2004, Oinas 1999), the problem of power and control was a very important issue in this project and it had to be given consideration on numerous occasions during the whole research process. Apart from the problem with access discussed in Section 5.4.1, the problem mostly concerned the flow of conversations, their direction and in a few cases also the agenda. Indeed, due to the fact that the respondents were usually very busy and it was relatively difficult for them to find enough time to focus on the interview, many interviews (particularly those made over the telephone) were either interrupted (e.g. by more important phone calls) or simply had to be terminated before the end because of the shortage of time. Fortunately, if not entirely rescheduled, all of them could be eventually completed. Although it was not a major problem, in a few cases the interviewees preferred to focus on some issues at the expense of other, more important issues. Despite the fact that it was not always easy to bring the conversation back on the right track, it was only in one case when the range of topics being discussed could be hardly controlled by the interviewer.

However, in accordance with Schoenberger's (1992) reflection that no significant gap in terms of class can normally be identified between academic researchers and corporate executives, potential differences between the interviewer's and the respondents' social backgrounds were not observed to have any impact on the content of the conversations and the depth of the information revealed. Although the scope of the information gained largely varied between interviews, it apparently depended more upon the interviewees' personalities and attitudes, i.e. their willingness to help and contribute to the project and how friendly they were. The fact that the project was perceived by many respondents as "beneficial for the industry" (Correspondence with a *Development Executive 14* from an international hotel group present in CEE) not only helped to gain access more easily but was also important in maintaining control over what issues were discussed. The author's understanding of the topic, alongside with his use of professional language, was also an important factor facilitating the flow of interviews in each interview situation.

Although full consideration was given to race, nationality and gender relations between the author and the respondents, just as with the case of class relations, no impact of race, nationality and gender relations on the flow or the scope of any of the conversations was observed. Despite the fact that the interviewees represented over 20 different countries, 95 out of 97 respondents were white Europeans or North Americans and were therefore of similar background as the author who is white and Polish. Even though the other two interviewees were Asian (Japanese and Indian), their European professional background and experience were important factors why race and nationality relations did not appear to be an obstacle. Moreover, the author's Eastern European origin was also a facilitating factor in the second stage of research, notably in Poland. Coming from the researched environment and being familiar with the cultural context of the investigated country, the author could more easily gain access to interviewees and control the conversations. The expected risk originating from the potential lack of trust towards "a Polish researcher conducting an investigation in his home country but representing a 'foreign' institution" did not materialise. By the very same token, no impact of gender relations was observed during the research process. While 30 out of 97 interviewees (31%) were women, it was the interviewees' personalities on the one hand and the perception of the author in terms of his knowledge on the other that were the most important factors impacting the flow and the content of the interviews.

Finally, the process was conducted with full observance of ethical norms and rules. The special attention paid to all possible ethical issues was largely dictated by the research strategy adopted. As Stake (2005: 459) put it, "case studies often deal with matters that are of public interest but for which there is neither public nor scholarly right to know" (emphasis omitted). Thus, with regard to the analysis of different written sources, all the documents were quoted accordingly and every attempt was made not to misinterpret any piece of data. As no confidential documents were accessed, no special permissions were required. Similarly, ethical norms were also considered during the interviewing process. No interview was made and recorded without prior consent of the interviewee. All the interviewees were informed about the objective and details of the project and about the way the obtained data would be used. The transcribing process was conducted as loyally as possible. By the same token, all efforts were put in ensuring that the analysis would avoid any misinterpretations. Every interviewee who wanted to authorise the interview before its use was provided with the transcription by e-mail. The ethical responsibility of the author was also explained in each case if necessary. Crucially, the ethical rules of reporting were also met. Each interviewee was guaranteed confidentiality, the findings were communicated in a form that was ethically sound and all potential consequences of the research for all the subjects involved were also considered (Kvale 1996, Kvale and Brinkmann 2009, McQueen and Knussen 2002).

5.7 Summary and conclusions

This chapter has demonstrated the overall research strategy employed in order to answer the research questions. Further to the discussion of the philosophical foundations of the project the chapter described the research design adopted and discussed the methods of data collection used during the research process. It has been demonstrated that despite minor difficulties encountered during the research process and different methodological obstacles deriving from the shortcomings of the data collection techniques, the research strategy was entirely appropriate to generate sufficient research findings (both in terms of volume and depth of the content) and achieve the research objectives. The adoption of two intersecting (comparative) case studies allowed the simultaneous focus on both international hotel groups (and their networks) and CEE countries, thus fully addressing the multi-actor and multi-country nature of the project. In addition, by means of paying attention to various aspects of the topic, the approach allowed far-reaching comparisons both between international hotel groups and their strategies in CEE and between various forms of post-communist capitalism in the CEE region. Most importantly, the adopted research strategy appeared to be a good avenue to understanding the interdependencies between all the processes examined. As it has been presented, the two methods of data gathering created a broad variety of materials which allowed the project to rely on a vast array of opinions and points of view. With very few exceptions the quality of materials accessed and collected was very high. The research findings are presented in detail by the following three chapters.

Chapter 6
Mapping the international hotel sector in Central and Eastern Europe

6.1 Introduction

This is the first empirical chapter of this dissertation. In order to provide a basis for the analysis of international hotel groups' interactions with an array of social, political and economic contexts in CEE (Chapters 7 and 8), the chapter focuses upon the horizontal dimension of globalisation, i.e. the spatial distribution of internationally-branded hotels in the CEE market and the general structure of the hotel industry in CEE. The chapter comprises nine sections. Section 6.2 offers a general overview of the international hotel groups whose expansion strategies in the CEE region were analysed in detail during the research process. Section 6.3 discusses the general importance of the CEE market for international hotel groups. The following two sections analyse the spatial distribution of international hotels in CEE by countries and cities (Section 6.4) and brands and market segments (6.5). In Section 6.6 the chapter identifies the different patterns of expansion and business formats preferred by international hotel groups in CEE. The role of local hotel groups and their growth in response to the international expansion are examined in Section 6.7. The penultimate section (6.8) focuses upon the three territorial case studies, wherein characteristics of the hotel market in Poland, Estonia and Bulgaria are analysed in more detail. The last section offers a summary of the chapter's findings (6.9).

The chapter contends that the spatial distribution of internationally-branded hotels in the CEE market is determined by two sets of factors – international hotel groups' strategies of expansion and the various opportunities that different national and urban markets can produce in order to attract international hotel groups. Given that these opportunities are a reflection of the host country's economic and political stability and the market's basic geographical characteristics, the CEE region is in fact a mosaic of different markets and, therefore, despite the communist past shared by CEE countries, it cannot be treated as a uniform market. The chapter also shows that in such an opportunistic industry, it is not geographical preferences for various parts of the world that matter most in hotel groups' strategies of expansion. Instead, owing to the fact that not every market may be equally appropriate for a given product and a preferred business format, what has the biggest influence on the spatial distribution of hotels is the market segments the group targets and the business models it prefers. In addition, the chapter points to local hotel groups whose role in the growth of the CEE hotel industry is getting more and more important. Due to the fact that domestic hotel groups increasingly compete with their international counterparts and often also evolve to become international hotel firms themselves, their activity is an important factor that impacts the distribution of international portfolios.

6.2 Overview of the analysed hotel groups

As discussed in Chapter 5, the analysis focused upon all international hotel groups from the world's Top 50 that are present in CEE. However, despite being the biggest groups in the world in terms of size (Table 5.1), the set of 23 analysed groups is in fact highly diversified according to multiple different criteria. Thus, for example, in terms of origin, the analysed set comprises groups deriving from North America (e.g. Hilton, Marriott, Starwood) and from Europe (e.g. Accor, Scandic, Groupe du Louvre). Importantly, the latter group also includes a vast number of Spanish companies (e.g. Barceló, Sol Meliá, Iberostar). In contrast, no Asian hotel group is included in the analysed set. Moreover, the analysed groups also differ in terms of their organisational status. While some hotel groups such as Starwood, Hyatt and InterContinental are stand-alone companies, groups such as Carlson, Wyndham and TUI are hotel divisions of larger corporations.

However, the most important criteria according to which the analysed groups differ are: geographical strategies of expansion, targeted market segments and preferred business models. Thus, with regard to the spatial distribution of hotels, the analysed set includes both groups that are the most global companies by the number of markets covered (e.g. Accor, InterContinental, Hilton, Marriott, Best Western) and groups such as Groupe du Louvre and Scandic that are only active in a limited number of countries. Meanwhile, Spanish groups, who mainly specialise in resorts, target mostly those countries that are popular holiday destinations. Secondly, all these groups vary widely in terms of targeted market segments. On the one hand, there are groups who focus upon particular market segments such as Four Seasons, who entirely concentrates on luxury hotels, Choice and Best Western, who mainly address the mid-scale segment, and Groupe du Louvre who largely focuses on budget hotels. On the other, there are groups who cover wide ranges of market segments, with Accor, Marriott and InterContinental being notable examples. Most importantly, however, the set of 23 analysed hotel companies is highly diversified in terms of preferred modes of operations. Some hotel groups such as Marriott, Hilton, Starwood and Rezidor opt for a balanced mixture of franchising and managing (and to some degree also leasing). Meanwhile, InterContinental, Wyndham and Choice have a strong preference for franchising. In contrast, groups such as Scandic, NH and Hyatt do not get involved in franchise contracts at all. Whilst the majority of analysed groups do not invest in real estate directly, it is only Groupe du Louvre who strategically prefers to hold equity in some of their hotels. In turn, Best Western and Interstate are completely separate categories. While Best Western considers itself a hotel consortium that, in fact, functions in a similar way to franchising companies, Interstate is the only management company in this set of hotel groups that does not provide a hotel brand to its outlets but only operates hotels franchised by other companies.

For the sake of clarity, additional explanations are necessary with regard to some of the groups embraced by the analysis. First, it should be recognised that all Carlson hotels in the EMEA (Europe, Middle East and Africa) region (and thus in CEE) are not operated directly by Carlson, but through subsidiaries and partner groups who act upon the basis of master franchise contracts. That includes Park Plaza Hotels Europe for the Park Plaza brand and The Rezidor Hotel Group for all the other brands. Owing to the fact that both these companies are in fact separate hotel groups, Carlson's portfolio in CEE is referred to in this thesis through Rezidor and Park Plaza and not directly as Carlson. A similar relationship can be observed between TUI, which works as a management umbrella for an array of autonomous hotel chains, and Riu – one of the chains belonging to TUI that appears in the world ranking as a separate group. Due to the fact that, apart from Gran Resort Hotels with only one hotel in CEE, Riu is the only chain within the structures of TUI with hotels in CEE, the TUI portfolio in this project is addressed through Riu and not directly as TUI. Finally, Golden Tulip Hospitality Group – a strategic alliance of a few hotel companies, including Golden Tulip, TOP International Hotels and its partners and Stella Hospitality Group – is the only group out of the whole set that ceased to exist during the research process. As a result of Golden Tulip's bankruptcy, the whole group disintegrated into three separate entities. While Golden Tulip was acquired by Starwood Capital Group – an owner of Groupe du Louvre (Eisen 2009, *Starwood Capital and Golden Tulip…* 2009), the other two parts remained independent. Notwithstanding that, Golden Tulip and Groupe du Louvre are addressed in this thesis separately. Moreover, the analysis addresses all segments of the former Golden Tulip Hospitality Group that are present in CEE, i.e. Golden Tulip and TOP International Hotels (with its partners). Therefore, the number of analysed groups is in fact 24 and not 23 as initially indicated.

Although as many as 27 hotel groups out of the world's Top 50 do not have a presence in CEE, it could be concluded that the biggest and most famous international players are already active in the CEE region. Those who are not are mostly groups from the USA or Asia who earned their high positions due to huge portfolios developed mainly in their national markets. The CEE region can be therefore deemed to be beyond their area of interest. The only exceptions might be Shangri-La, who is planning a few new openings in major European destinations, and Club Méditerranée (Club Med), who had one hotel in CEE (in Croatia) in the past.

The fact that the following analysis mainly revolves around the 50 biggest hotel groups in the world does not mean to imply that those who have hotels in CEE can account for a full picture of the branded hotel industry in the CEE region. Quite the opposite: CEE is also an important arena for smaller hotel groups who are not included in the Top 50 but are often much stronger in CEE than many of the groups included in the analysis. This also pertains to international hotel consortia who, owing to their specific business model, are normally not included in the world ranking of hotel groups. In order to fully map the branded hotel industry in CEE, Tables 6.1 and 6.2 present international hotel groups and consortia from beyond the Top 50 that are also important players in CEE.

Table 6.1 Example hotel groups from beyond the Top 50 that are also present in CEE

HOTEL GROUP	HQ	HOTELS (TOTAL)	RANKING POSITION
Kempinski Hotels	Geneva, Switzerland	66	56
Mandarin Oriental	Hong Kong, China	41	132
Sokotel	Helsinki, Finland	46	158
Domina Hotel Group	Milan, Italy	20	213
Vienna International Hotels & Resorts	Vienna, Austria	*39*	*not included*

Source: Own elaboration on the basis of *Hotels' 325…* (2009), the hotel groups' official websites and hotel directories available on these websites in March 2010

Table 6.2 Example hotel consortia that are also present in CEE

HOTEL CONSORTIUM	HQ	HOTELS (TOTAL)	RANKING POSITION
Small Luxury Hotels of the World	Leatherhead, Surrey, UK	~500	*not included*
Design Hotels	Berlin, Germany	176	*not included*
Preferred Hotel Group	Chicago, Illinois, USA	~700	*not included*
The Leading Hotels of the World, Ltd.	New York, New Jersey, USA	~450	*not included*

Source: Own elaboration on the basis of the hotel consortia's official websites and hotel directories available on these websites in March 2010

6.3 Overall importance of the CEE market for international hotel groups

Since different international hotel groups have various strategies of spatial development, focus on different market segments and prefer different modes of entry, it should not be surprising that their overall perception of the CEE market also varies and depends upon what opportunities for development this newly-emergent market can offer. What makes it even more complicated is the fact that what is referred to as the CEE market is in truth a vast collection of different countries which vary in terms of their geographical features and the level of economic and political stability. It must be therefore acknowledged that despite the communist system experienced by all these countries, the CEE market is far from uniform. Instead, it is a complex mosaic of different markets which, depending on their characteristics and the stage of transformation, produce different opportunities in different segments. In return, hotel groups perceive these opportunities in a varying way and take advantage of them at a varying pace and with varying degrees of success.

Despite the fact that for all these reasons any generalisations on how important the CEE market is for international hotel companies carry a risk of oversimplification, hard data implies that CEE in general should not be considered a priority market for international hotel groups. While chain penetration of the global hotel sector (a proportion of branded hotels) in 2009 was estimated at the level of 15%, with the highest proportion observed in North America and East Asia, in CEE it was as little as 2%. Moreover, in contrast to the whole world where chained hotels accounted in 2009 for 52% of sales, it was also CEE where sales generated by the branded hotel industry were the lowest (Euromonitor 2010). The CEE portfolio of the 24 hotel groups examined in CEE is equally small and further supports this argument (see Table 6.3). Despite the fact that the number of hotels possessed in CEE by these groups ranges from two to 105, their CEE portfolios rarely make up more than 5% of their total portfolios. Even for Accor and Best Western, who are currently the strongest players in CEE by the number of outlets, the CEE market in general seems to have a marginal importance with 2.6% and 1.8% of portfolio located in CEE, respectively. With the exception of Carlson, this tendency can be clearly observed in the case of American groups, whose presence in CEE is rather negligible and ranges from 0.3% of portfolio in the case of Wyndham to 2% in the case of Starwood. Exactly the same conclusion can be drawn with regard to the 24 groups' presence in CEE by the number of countries. None of them is present in all 20 countries covered by the analysis, with only five of them being active in ten countries or more.

Table 6.3 CEE presence of the 24 analysed hotel groups in January 2010 by the number of hotels in CEE (including all announced openings and additions)

NO	HOTEL GROUP	HOTELS IN CEE	HOTELS (TOTAL)	CEE AS % OF TOTAL	CEE STATES
1.	**Accor Hotels**	**105**	4031	2.6	8
2.	**Best Western International**	**72**	3979	1.8	14
3.	**Carlson Hotels Worldwide**	**62**	1194	5.2	14
4.	**The Rezidor Hotel Group**	**62**	367	16.9	14
5.	**InterContinental Hotels Group**	**35**	4276	0.8	13
6.	**Starwood Hotels & Resorts Worldwide**	**24**	1187	2.0	10
7.	**Sol Meliá Hotels & Resorts**	**24**	293	8.2	2
8.	**Wyndham Hotel Group**	**21**	7120	0.3	6
9.	**Marriott International Inc.**	**21**	3259	0.6	5
10.	**Hilton Worldwide**	**14**	3293	0.4	8
11.	**Groupe du Louvre**	**12**	845	1.4	2
12.	**Choice Hotels International**	**11**	6069	0.2	3
13.	**TOP International Hotels (and partners)**	**11**	226	4.9	5
14.	**Golden Tulip Hospitality Group**	**10**	212	4.7	4
15.	**Global Hyatt Corporation**	**7**	426	1.6	4
16.	**Iberostar Hotels & Resorts**	**7**	97	7.2	3
17.	**TUI Hotels & Resorts**	**6**	308	1.9	2
18.	**Interstate Hotels & Resorts**	**6**	224	2.7	1
19.	**Riu Hotels & Resorts**	**5**	101	5.0	2
20.	**Scandic**	**5**	147	3.4	3
21.	**NH Hoteles**	**4**	398	1.0	3
22.	**Fairmont Raffles Hotels International**	**4**	128	3.1	3
23.	**Barceló Hotels & Resorts**	**3**	130	2.3	2
24.	**Four Seasons Hotels and Resorts**	**2**	85	2.4	2

Source: Elaborated on the basis of the hotel groups' official websites and hotel directories available on these websites in January 2010

However, despite the fact that CEE as a whole is not considered an important direction of expansion, some particular national markets and famous destinations across the CEE region are often high on the list of international hotel groups' targeted markets. Firstly, this applies to all major capital cities such as Prague, Budapest, Moscow, Bucharest and Warsaw that are growing business hubs in their countries and are therefore considered as lucrative markets for upscale hotel brands designed for high-end corporate travellers. Not all the CEE capital cities, however, have yet reached that status and only a few non-capital cities in CEE such as Krakow, Saint Petersburg and Dubrovnik can be included in that category. A few capital cities, such as Prague and Moscow, are even considered developed enough in economic terms to support luxury brands.

What is more, instead of targeting the whole CEE region, many hotel groups selectively concentrate their efforts on particular states where, as a result of many different factors, some group-specific opportunities can be identified. Thus, Hungary and Poland are very important markets for Accor who, because of its takeover of the formerly state-owned groups Pannonia and Orbis, has earned a dominant position in these states both by the number of hotels, and in the case of Poland, in terms of geographical distribution. Other important factors include availability of local partners (such as Trend Hospitality for Wyndham, due to which Wyndham has grown strong in Romania), traditional economic ties between regions (as in the case of the Baltic States who are naturally of interest for Scandinavian groups) or geographical proximity of some countries to different groups' strategic markets (such as Poland and the Czech Republic who benefit a lot from their closeness to Germany – the key market for numerous hotel groups). What matters most, however, is the size and demographics of particular markets both of which translate into the number of potential destinations and the higher demand for accommodation services in absolute terms. Thus Poland, Romania and Russia have an important advantage over, for instance, Slovenia, Slovakia and Latvia.

> "Well, the simple answer to [which countries are most important for us] is which country has the most appealing demographics and growth potential. The same work is required for a 150-room [4-star hotel] as a 1000-room [luxury hotel]. So if you have to get to know the legal obstacles to develop and operate in a given country, it makes sense to put your time into a country where at least you can do multiple hotels. If we can only do three or four hotels in one country and 50 or 100 hotels in another country, then clearly it makes sense to devote our time and resources to the latter. For this reason, it makes more sense for us to put time into Russia than the Baltic States."
>
> *(Development Executive 6, an international hotel group active in CEE, January 2009)*

By the same token, Croatia, Bulgaria, and recently also Montenegro, can be considered relatively attractive markets for groups targeting summer resorts. However, because of the short season in these countries (only 5-6 months, in contrast to other Mediterranean or Caribbean destinations where the season lasts 8-12 months), none of these countries is a core market for such groups. Naturally, owing to the climate, none of the other CEE countries can be a potential market for them, unless they also specialise in city/business hotels as in the case of Sol Meliá. All the other kinds of groups show a limited interest in the CEE market, as a result of which their expansion in geographical terms is largely opportunistic. That especially pertains to franchise companies who usually remain open to whatever opportunities arise.

While for the majority of analysed groups the CEE market is of secondary importance, it is not necessarily the case with some groups from beyond the Top 50. Indeed, groups such as Vienna International Hotels & Resorts and Domina Hotel Group are noteworthy examples. The CEE presence of example hotel groups and consortia not included in the Top 50 is presented in Tables 6.4 and 6.5.

Table 6.4 CEE presence of example hotel groups from beyond the Top 50 in March 2010 by the number of hotels in CEE (including all announced openings and additions)

NO	HOTEL GROUP	HOTELS IN CEE	HOTELS (TOTAL)	CEE AS % OF TOTAL	CEE STATES
1.	**Kempinski Hotels**	**10**	66	15.2	7
2.	**Mandarin Oriental**	**2**	41	4.9	2
3.	**Sokotel**	**4**	46	8.7	2
4.	**Domina Hotel Group**	**9**	20	45.0	3
5.	**Vienna International Hotels & Resorts**	**25**	39	64.0	6

Source: Elaborated on the basis of the hotel groups' official websites and hotel directories available on these websites in March 2010

Table 6.5 CEE presence of example hotel consortia in March 2010 by the number of hotels in CEE

NO	HOTEL CONSORTIUM	HOTELS IN CEE	HOTELS (TOTAL)	CEE AS % OF TOTAL	CEE STATES
1.	**Small Luxury Hotels of the World**	**22**	~500	~4.4	10
2.	**Design Hotels**	**3**	176	1.7	3
3.	**Preferred Hotel Group**	**12**	~700	~1.7	5
4.	**The Leading Hotels of the World, Ltd.**	**21**	~450	~4.7	9

Source: Elaborated on the basis of the hotel consortia's official websites and hotel directories available on these websites in March 2010

However, international hotel groups' strategies of growth, combined with the elements discussed above, are not the only factors influencing the expansion into CEE. What has a decisive importance is the level of political and economic stability in the region which accounts for the risk element that both hotel investors and operators/franchisors need to give consideration to (Chen and Dimou 2005, León-Darder et al 2011, Quer et al 2007). Meanwhile, in both political and economic terms, the region still lags behind Western Europe. One of the factors that accounts for economic stability and that requires special attention is demand for quality accommodation services. As Table 6.6 shows, demand for hotel services in the CEE region is still lower than in the main markets of Western Europe. Not only are the majority of CEE states not able to attract international demand comparable to stable markets of the West, but also the proportion of domestic travels in

CEE is, in absolute terms, much lower than that in Western Europe. The low mobility of CEE inhabitants that partially derives from the low purchasing power of CEE societies, implies that international hotel groups have to rely mainly upon international demand. However, the size and demographics of many CEE states, as well as their lower level of economic development, both of which result in a relatively lower number of firms based in these countries, do not attract sufficient international business demand to render CEE an important market for international hotel groups. The fact that CEE is not abundant in famous leisure destinations, as is the case in Spain or France, also does not help and is probably the main factor explaining why the relative proportion of business trips to CEE countries is comparable to that to Western Europe (although it is significantly lower in absolute terms).

Table 6.6 International arrivals and domestic trips in CEE in comparison with major markets of Western Europe

COUNTRY	POPULATION[1]	INTERNATIONAL ARRIVALS[2]		DOMESTIC TRIPS[2]	
		Total	Business trips as % of total	Total	Business trips as % of total
CENTRAL AND EASTERN EUROPE:					
Albania	3 659 616	-	-	-	-
Belarus	9 612 632	3 874 200	16.7	25 165 700	24.0
Bosnia & Herzegovina	4 621 598	249 800	54.5	267 100	43.4
Bulgaria	7 148 785	5 348 100	7.7	12 908 300	13.0
Croatia	4 486 881	8 863 900	5.5	1 642 700	13.5
Czech Republic	10 201 707	6 168 500	19.6	22 475 100	10.5
Estonia*	1 291 170	1 947 500	21.9	947 100	12.3
Hungary	9 880 059	8 058 900	14.4	25 579 300	7.6
Latvia	2 217 969	1 461 400	11.8	4 358 500	10.5
Lithuania	3 545 319	1 590 000	23.3	2 932 800	13.8
Macedonia*	2 072 086	254 600	39.0	315 400	20.1
Moldova	4 317 483	-	-	-	-
Montenegro*	666 730	1 063 800	36.8	157 000	18.6
Poland	38 463 689	11 609 100	26.8	35 913 400	9.5
Romania	22 181 287	8 123 900	36.0	4 881 900	17.2
Russia	139 390 205	21 447 800	18.9	92 365 500	14.3
Serbia*	7 344 847	610 000	37.4	1 481 100	20.0
Slovakia	5 470 306	1 287 500	35.3	2 255 600	17.3
Slovenia	2 003 136	1 630 900	23.3	2 240 700	14.0
Ukraine*	45 415 596	22 986 600	6.1	40 518 300	29.7
MAJOR MARKETS OF WESTERN EUROPE:					
France	62 814 233	74 150 000	16.7	217 000 200	4.4
Germany	82 282 988	23 404 900	29.9	176 870 700	20.0
Italy	58 090 681	37 541 300	24.8	91 463 400	37.4
Spain	40 548 753	51 707 800	9.1	156 632 500	16.5
United Kingdom	61 284 806	30 627 600	24.9	126 203 400	14.7

Source: Own elaboration on the basis of data retrieved in May 2010 from:
[1] *www.cia.gov* (data for 2010)
[2] *www.portal.euromonitor.com* (data for 2009, except * – 2008)

What also determines the attractiveness of CEE and thus has a significant impact on the visitation to the region is political stability. Although, with the exception of Belarus, the region has been politically open for 20 years and some CEE countries are now members of the EU, the CEE region as a whole is still not considered by many hotel groups to be as politically stable as Western Europe. Apart from the persisting overall perception of the region as a post-communist area, events such as the war in Yugoslavia in the 1990s, the recent political unrest in Ukraine and a number of minor political incidences in other countries are sources of concern when it comes to investing in and visiting CEE.

> "I think there are varying degrees of [political] stability. The issue of stability is less the actuality of it and more the perception in investors' minds (…), and also to some extent, the guests' perception of stability. Because if you get an incidence in Belgrade, and you're dealing with especially a North American guest, they find it very difficult to distinguish between Belgrade and other CEE destinations. So a fallout in Georgia might equate to less people travelling to Prague (…). But I do honestly believe that there is a fair stability in a number of countries politically in CEE that wasn't there even 10 years ago."
> *(Hotel Industry Consultant 9, an international consultant company, October 2009)*

However, it should be acknowledged that, unless there is a war or any kind of political turmoil that carries a physical risk to hotel guests and staff, a lower level of political stability is not necessarily always a constraint.

> "[The political stability] is probably less of an issue than the [economic factors]. We may or may not agree with the politics of a given government in power in a given country at a given time. However, as long as the country is perceived to be a relatively stable economic (…) environment and we think the market opportunity is sufficient to support a hotel (…), there's no reason why we wouldn't consider a project in a given country. Georgia is an example in which we've had a hotel for [some time]. You could say that government was not very stable economically or politically during much of [that time], but we made the decision to proceed with that investor and have been pleased with the results. In contrast, we're still not in Belarus. If the right investor came along, we might consider Belarus today."
> *(Development Executive 6, an international hotel group active in CEE, January 2009)*

Although CEE cannot be considered a priority market for international hotel operators, there are reasons to expect that in the longer term this will change. Due to the increasing political and economic stability in CEE, the ongoing economic development of multiple

CEE states and the constantly growing demand for accommodation services, the region is becoming more and more interesting both for business and leisure travellers. From the perspective of hotel groups this implies not only a growth in tourist arrivals but also an increased availability of hotel investors. It can be therefore expected that the growing demand will gradually expose the low level of saturation of CEE with hotels in general, and the low level of chain penetration of the CEE region in particular (see Table 6.7 for a comparison of CEE and Western Europe). It is for these reasons that the development potential for hotel operators in CEE in the longer term is bigger than in Western Europe and that the hotel development in the next few years in CEE is expected to be one of the highest in the world (Euromonitor 2010).

Table 6.7 Brand penetration in CEE in comparison with major markets of Western Europe

COUNTRY	HOTELS[1]	BRANDED HOTELS[1]		BRANDED HOTELS FROM THE TOP 50[2]	
	Total	Quantity	% of total	Quantity	% of total
CENTRAL AND EASTERN EUROPE:					
Albania	-	-	-	**1**	**-**
Belarus	314	-	-	**2**	**0.6**
Bosnia & Herzegovina	155	-	-	**1**	**0.6**
Bulgaria	1566	27	1.7	**28**	**1.8**
Croatia	594	84	14.1	**34**	**5.7**
Czech Republic	1710	230	13.5	**59**	**3.5**
Estonia*	399	-	-	**5**	**1.3**
Hungary	856	110	12.9	**47**	**5.5**
Latvia	230	-	-	**4**	**1.7**
Lithuania	269	-	-	**10**	**3.7**
Macedonia*	147	-	-	**4**	**2.7**
Moldova	-	-	-	**0**	**-**
Montenegro*	203	-	-	**2**	**1.0**
Poland	1746	230	13.2	**111**	**6.4**
Romania	1090	65	6.0	**44**	**4.0**
Russia	3231	73	2.3	**76**	**2.4**
Serbia*	181	-	-	**5**	**2.8**
Slovakia	592	57	9.6	**15**	**2.5**
Slovenia	188	13	6.9	**2**	**1.1**
Ukraine*	955	-	-	**9**	**0.9**
MAJOR MARKETS OF WESTERN EUROPE:					
France	19 859	3483	17.5	**-**	**-**
Germany	21 874	1 520	6.9	**-**	**-**
Italy	36 180	2367	6.5	**-**	**-**
Spain	16 706	2983	17.9	**-**	**-**
United Kingdom	9 250	2700	29.2	**-**	**-**

Source: Own elaboration on the basis of:
[1] data retrieved in May 2010 from *www.portal.euromonitor.com* (data for 2009, except * – 2008)
[2] the 24 analysed hotel groups' official websites and hotel directories available on these websites in January 2010

6.4 Distribution of internationally-branded hotels in CEE by countries and cities

The varying importance of the CEE market for different hotel companies, as well as the varying attractiveness of different national (and urban) markets in CEE, logically results in an uneven distribution of internationally-branded hotels in the region. Whereas some markets are already saturated, or even overcrowded, other ones still remain blank areas on the map of the branded hotel industry. This section discusses the spatial distribution of internationally-branded hotels in CEE according to five groups of states distinguished for analytical purposes. Figure 6.1 illustrates the distribution of hotels belonging to the 24 analysed hotel groups according to countries, while Figure 6.2 demonstrates the most important destinations with international hotels in the region. The CEE presence of the 24 analysed hotel groups is also summarised in Appendix 3.

Central Europe (Czech Republic, Hungary, Poland, Slovakia)

As the most economically developed part of CEE, Poland, the Czech Republic, Slovakia and Hungary constitute the most important group of markets for hotel operators in CEE, alongside Russia. Around half of all properties possessed in CEE by the 24 hotel groups examined are located in these four countries, with Poland (111 hotels) being the biggest market in CEE by the number of international hotels. However, 62 out of 111 hotels in Poland are in fact comprised by Accor who built its dominance in the Polish market by means of taking over the formerly state-owned Polish chain Orbis. The same pattern can be observed in Hungary where as a result of Accor's acquisition of Pannonia, 19 out of 47 internationally-branded hotels in Hungary now belong to Accor. The most extensive organic growth therefore took place in the Czech Republic (59 hotels). Both in terms of the number of properties (15) and the number of active groups, Slovakia lags behind its three neighbours.

With the exception of Spanish groups, for whom, due to the climate, Central Europe is not a strategic market, most of the 24 hotel groups are present in these four states. That is especially the case with American groups who are active in primary destinations with their upscale brands and, according to the hub-and-spoke strategy (Sangster et al 2001), have also started to expand into secondary cities, mostly with their mid-scale brands. So far it is only Best Western (apart from Accor in Poland) who has entered a few tertiary destinations – mostly in the Czech Republic and Slovakia.

Figure 6.1 Distribution of hotels belonging to the 24 analysed hotel groups by countries

Source: Own elaboration

Key:

Countries with more than 50 international hotels
Countries with 26-50 international hotels
Countries with 6-25 international hotels
Countries with 5 international hotels and less
Scale: 1:25 000 000

Figure 6.2 The most important destinations with internationally-branded hotels in CEE (on the basis of the 24 analysed hotel groups)

Source: Own elaboration

Key:

- Destinations with more than 10 international hotels
- Destinations with 4-10 international hotels

Scale: 1:25 000 000

The most important markets within these countries are undoubtedly their capital cities, which, alongside Moscow, Bucharest and Saint Petersburg, are also the most important business destinations in the region (Table 6.8). Thus, because of the relatively small size of the Czech Republic and Hungary, the dominance of Prague and Budapest within their respective national markets is overwhelming (75% and 77% of internationally-branded hotels, respectively). In contrast, in the much larger Poland where, apart from Warsaw, there are also other important business destinations such as Krakow, Wroclaw, Poznan and Gdansk, the concentration of branded hotels in the capital city is much lower. What is more, while in Hungary, Slovakia and the Czech Republic no other urban market is considered by hotel operators as an important destination, great hopes are also pinned to other Polish cities such as Katowice, Lodz, Lublin and Szczecin.

Table 6.8 The most important destinations in CEE by the number of internationally-branded hotels in January 2010 (on the basis of the 24 analysed hotel groups)

NO	DESTINATION	COUNTRY	NUMBER OF HOTELS	NUMBER OF GROUPS
1.	**Prague**	Czech Republic	44	15
2.	**Budapest**	Hungary	36	12
3.	**Moscow**	Russia	32	10
4.	**Warsaw**	Poland	23	9
5.	**Umag**	Croatia	19	1
6.	**Bucharest**	Romania	19	10
7.	**Krakow**	Poland	16	9
8.	**Saint Petersburg**	Russia	13	8
9.	**Wroclaw**	Poland	11	7
10.	**Poznan**	Poland	9	7

Source: Own elaboration on the basis of the 24 analysed hotel groups' official websites and hotel directories available on these websites in January 2010

Although the sub-region of Central Europe has a few important business destinations, it is not an attractive market for groups specialising in resorts. The branded penetration of famous tourist areas such as the Lake Balaton region in Hungary or mountain regions in Slovakia and the Czech Republic is negligible. Only in Poland can the first symptoms of international expansion into resort destinations such as Sopot, Mikolajki and Zakopane be currently observed. However, due to the shortage of high-end travellers and the low attractiveness of the Polish seaside, the Mazury Lake District or the Tatra Mountains in comparison with the world-famous regions such as the Mediterranean and the Alps, it is rather unlikely that the expansion will continue to a large extent (Interview with a *Hotel Industry Consultant 2* from an international consultant company present in Poland, June 2009).

The Baltic States (Estonia, Latvia, Lithuania)

In contrast to Central Europe, none of the Baltic States can be perceived as an attractive market for international hotel groups. Due to the small size, their overall attractiveness is limited only to capital cities which, despite tourist potential, serve as business centres for regions too small to be inundated by upscale hotel brands as in the cases of Prague, Warsaw and Budapest. Although further to the EU accession in 2004 all these markets were booming, the crisis of 2008-2009 and the subsequent economic instability fostered international hotel operators' reluctance towards the Baltic States. As a result, Estonia, Latvia and Lithuania are often skipped by hotel operators in their expansion eastwards from Central Europe. Indeed, the number of international hotel operators in this region ranges from five in Estonia and Latvia to eight in Lithuania. All of them comprise only 19 hotels in total, which accounts for mere 4.1% of portfolio possessed in CEE by the 24 hotel groups analysed. Fifteen properties are located in the capital cities, with Pärnu (Estonia) and Druskininkai, Klaipeda and Kaunas (Lithuania) being the only non-capital markets with international brands. Omitted by Spanish groups for the same reasons as Central Europe, the Baltic States are only targeted by business brands. Even though they are abundant in resorts, because of the short season (only two months) they do not offer any opportunities for international hotel operators, with the Scandic hotel in Pärnu being an exception.

Bulgaria and Romania

What distinguishes Romania and Bulgaria from the other Balkan countries (apart from Slovenia) is EU membership and a relatively higher level of economic growth. Despite that, both these countries are still perceived by hotel groups as economically unsafe and relatively unstable. With thirteen groups present in Bulgaria (including five hotel groups specialising in resorts) and ten in Romania, Bulgaria and Romania comprise together 72 international hotels (15.7% of portfolio possessed by the 24 groups analysed), which, in turn, renders them relatively important markets in CEE.

However, it should be recognised that Romania and Bulgaria are not a uniform market. Apart from Bucharest (19 out of 44 hotels in Romania) which is an important business hub both for Romania and the Balkans, Romania also has a few secondary destinations such as Sibiu, Timisoara, Cluj and Constanta, the expansion into which is steadily under way, and tertiary destinations, so far represented predominantly by Best Western hotels.

In contrast, apart from the capital Sofia with seven international hotels and a few resorts on the Black Sea coast, international brands in Bulgaria are scarcely represented. With the exception of Varna (three properties), many other cities in the country have either no international hotels (such as Bourgas) or have only one or two outlets, usually branded by Best Western (such as Plovdiv). However, despite the low inflow of business tourism to Bulgaria, a number of Bulgarian resorts such as Sunny Beach, Golden Sands, Obzor and Nessebar are famous leisure destinations and attractive markets for Spanish groups.

The Balkans (Albania, Bosnia & Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovenia)

Although in terms of market attributes the group of Balkan states is largely diversified, all these countries (with the notable exception of Croatia) constitute the least important market in CEE. The seven states comprise only 49 hotels (10.7% of portfolio belonging to the 24 researched groups), 34 of which are located in Croatia. Apart from Croatia, the number of internationally-branded hotels in the Balkans ranges from one in Albania and Bosnia & Herzegovina and two in Montenegro and Slovenia to four in Macedonia and five in Serbia. Whilst the low level of chain penetration in Albania, Macedonia, Bosnia and Herzegovina, Serbia and Montenegro can be explained by the persisting political instability in the region and the relatively low level of economic development, the low number of international hotels in Slovenia (already an EU member) is rather surprising. Except Bled (Slovenia) and Nis (Serbia), no other non-capital destination in this group of states is represented by an international brand. In contrast, the importance of Croatia should not be underestimated. Not only is Zagreb an important business destination, but also the array of resorts on the Dalmatian coast (notably Dubrovnik as the only luxury resort in CEE) are an interesting market for hotel groups. Because, in stark contrast to Bulgaria, Croatia focuses upon quality tourism, it has significant potential not only to outcompete Bulgaria but also to compete with other destinations in the Mediterranean region. As a few interviewees indicated, some resort developments are expected in the near future to take place also in Albania and Montenegro.

The Commonwealth of Independent States (Russia, Belarus, Ukraine, Moldova)

Similarly to the Balkans, this group is also diversified in terms of market attributes. On the one hand there is Moldova – the only state in the region with no international hotels, and on the other there is Russia – one of the most important markets in CEE. The region also comprises Belarus – a politically closed country with only two international outlets in the capital city Minsk, and Ukraine, which is only represented by nine hotels (five in Kiev, one in Dnepropetrovsk and the other three in resorts in Crimea – Alushta, Yalta and Sevastopol). Thus, the only country from this group that is abundant in secondary destinations is Russia. Apart from Moscow and Saint Petersburg, there are already 18 other cities with international hotel brands, with Ekaterinburg, Kazan and Sochi being the most important examples. Currently this group of countries encompasses 87 outlets, which accounts for 19.0% of portfolio comprised by the 24 analysed groups in CEE. 76 of them are located in Russia, with 45 in Moscow and Saint Petersburg. All these states, however, are still perceived as a challenging and difficult environment.

6.5 Distribution of internationally-branded hotels in CEE by brands and market segments

The analysis of the geographical distribution of international hotels in CEE provided in the previous section gives a general idea on how attractive for international hotel groups different national and urban markets across CEE are. However, this analysis is far from complete without exploring what kind of opportunities these markets offer and what is the distribution of international hotels in CEE according to market segments. Given that what are referred to as hotel brands is a very extensive category that ranges from luxury brands such as Four Seasons to economy brands such as Etap, the remaining part of this section examines the branded portfolio in CEE according to brands. Whereas Table 6.9 provides a general summary of market segments in the region, Appendix 4 demonstrates the distribution of international hotels in CEE according to brands in more detail.

Table 6.9 Market segments and the most developed brands in CEE in January 2010

MARKET SEGMENT	NUMBER OF HOTELS	NUMBER OF BRANDS	MOST DEVELOPED BRANDS IN CEE
Luxury	**13**	**9**	Four Seasons, Concorde, Regent, The Luxury Collection (2 each);
Upscale	**117**	**20**	Radisson Blu (38), Sheraton (13), Hilton (11), InterContinental and Marriott (6 each), Le Méridien (5);
Mid-scale	**279**	**28**	Best Western (62), Novotel (25), Sol (23), Park Inn and Holiday Inn (22 each), Mercure (19), Ramada (17);
Budget	**39**	**3**	Ibis (30), Campanile (8);
Economy	**9**	**2**	Etap (9);
Other	**2**	**1**	Marriott Executive Apartments (2);

Source: Own elaboration on the basis of the 24 analysed hotel groups' official websites and hotel directories available on these websites in January 2010

Luxury brands

Owing to the fact that luxury brands require solid high-end demand that only developed markets can yield, it should not be surprising that 20 years after communism collapsed CEE is not abundant in markets that can support luxury hotels. Only thirteen out of 459 properties (2.8%) possessed in CEE by the 24 groups analysed can be classed as luxury. Even though as many as nine luxury brands from seven different groups are represented in the CEE region, none of them is represented by more than two hotels. The only well-established destinations for luxury hotels in CEE are Moscow and Prague, with four and three hotels, respectively. The other destinations with luxury hotels are: Budapest, Kiev, Zagreb, Sofia, Saint Petersburg and Dubrovnik, with one hotel each. Surprisingly, cities such as Warsaw and Krakow are yet to be entered by luxury brands. Thus, the potential for luxury brands in CEE is very low. The shortage of high-end clientele in the region, combined with the low level of room rates that can be achieved in the current economic situation, do not encourage luxury groups to expand any further. It is for these reasons that the Baltic States, the Balkan States and Slovakia are not even on the radar of groups addressing this market segment. Figure 6.3 illustrates the distribution of selected luxury brands in CEE. As a *Development Executive 22* from an international hotel group active in CEE also explained:

> "I would be more selective there. You need to be very careful on what customer base is and whether the market can sustain that type of product. If you go to a city like Bucharest, I think Bucharest would be a great base for a good [upscale hotel] because those hotels can be conference hotels, they can be destination hotels, they can be spa, they can be many many things – they can be classic upscale hotels. If you look at [luxury brands], they are more specific. They are not conference-style hotels. Therefore, they're not necessarily the thing that is probably most required in the market. (…) The opportunities depend on the market but some markets are not ready for those brands yet."
> *(January 2009)*

Figure 6.3 Distribution of luxury hotels in CEE on the basis of selected brands

Source: Own elaboration

Key:

- The Ritz Carlton (Marriott International Inc.)
- The Luxury Collection (Starwood Hotels & Resorts Worldwide)
- W Hotels (Starwood Hotels & Resorts Worldwide)
- Fairmont Hotels & Resorts (Fairmont Raffles Hotels International)
- Four Seasons Hotels and Resorts
- Regent Hotels & Resorts (Carlson Hotels Worldwide/The Rezidor Hotel Group)

Scale: 1:25 000 000

Upscale brands

International hotel operators' scepticism towards CEE is much less when it comes to upscale brands. Given that brands such as Hilton, Marriott or Sheraton, who operate at a slightly lower level than, for instance, Fairmont or Four Seasons, traditionally focus on corporate travellers who travel to business national and regional hubs, it is logical that while the whole region is economically growing and the economic integration with the Western world is progressing, more and more markets for upscale brands are emerging across CEE. Notwithstanding that, rarely do these brands expand beyond capital cities which, with the exception of a few cities in Poland and a number of secondary cities in Russia, are often the only business destinations in many CEE countries. Moreover, due to the fact that some states such as Macedonia, Slovenia, Montenegro and Moldova are too small to have separate business markets, not even all the capital cities in the region are appropriate markets for upscale hotels. Countries with the most upscale hotels are therefore Russia (32 outlets), Poland (20), the Czech Republic (14) and Hungary (10). As many as 20 upscale brands, comprising altogether 117 properties (25.5% of portfolio possessed by the 24 groups analysed), are present in the CEE region. Amongst them the most developed one is Radisson Blu (38 properties). The other important brands include Sheraton, Marriott, InterContinental and Hilton. Given that upscale brands are normally flagship brands for their respective hotel groups and are also the most recognised brands in the industry, it is they who, in order to build brand recognition, international groups usually start their hub-and-spoke expansion with. Although upscale brands concentrate in business destinations, some of them such as Sheraton in Mikolajki (Poland) and Le Méridien in Split (Croatia) have already entered resort destinations too. The distribution of selected upscale brands in CEE is presented in Figure 6.4.

Although many capital cities in CEE are growing business destinations, they are still not sufficiently interesting for what is called MICE (i.e. meetings, incentives, conferencing, exhibitions) and constitutes an important part of the business demand for upscale hotel services. Apart from Russia – one of the most important MICE destinations in the world – not many CEE states can efficiently compete with other famous MICE destinations in Europe (Table 6.10). Thus, Polish cities are far less attractive than Berlin, Prague and Budapest are outcompeted by Vienna, whilst the Balkan capitals lose out to Athens and Istanbul. At the European level all of them are also outperformed by London, Brussels, Barcelona, Paris, Munich, Geneva, Zurich and Milan, to give a few examples.

Figure 6.4 Distribution of upscale hotels in CEE on the basis of selected brands

Source: Own elaboration

Key:

- InterContinental Hotels & Resorts (Intercontinental Hotel Group)
- Hilton Hotels & Resorts (Hilton Worldwide)
- Marriott Hotels & Resorts/JW Marriott Hotels & Resorts (Marriott International Inc.)
- Sheraton Hotels & Resorts (Starwood Hotels & Resorts Worldwide)

Scale: 1:25 000 000

Table 6.10 MICE penetration in selected countries of CEE in comparison with major markets of Western Europe in 2008

COUNTRY	MICE ARRIVALS	MICE AS % OF TOTAL INTERNATIONAL ARRIVALS	MICE AS % OF INTERNATIONAL BUSINESS ARRIVALS
SELECTED MARKETS IN CENTRAL AND EASTERN EUROPE:			
Bulgaria	98 900	1.71	23.64
Croatia	59 800	0.66	12.20
Czech Republic	611 600	9.05	47.00
Hungary	166 700	1.89	11.81
Poland	667 500	5.19	18.72
Romania	31 200	0.36	0.99
Russia	1 661 200	7.12	35.04
Slovakia	227 400	10.38	29.97
Slovenia	74 900	4.21	17.88
MAJOR MARKETS OF WESTERN EUROPE:			
France	4 400 400	5.55	33.49
Germany	2 814 600	11.31	36.20
Italy	2 877 100	6.74	25.88
Spain	3 190 000	5.57	58.11
United Kingdom	1 447 200	4.83	19.82

Source: Own elaboration on the basis of data retrieved in May 2011 from *www.portal.euromonitor.com*

Mid-scale brands

Comprising brands that range from 3-star (such as Kyriad) to 4-star (such as Four Points by Sheraton, Crowne Plaza and Courtyard by Marriott), the category of mid-scale hotel brands is very extensive and diversified. For that reason mid-scale hotels constitute the main part of the international portfolio in the region. The 28 mid-scale brands present in CEE comprise 279 outlets (60.8%). 62 of them are branded by Best Western for whom mid-scale hotels are the strategic market. The other developed brands include Novotel (25) and Mercure (19), which reflects Accor's strong position in CEE, Holiday Inn (22), Park Inn (22) and Ramada (17). In contrast to upscale hotels, which focus upon primary destinations, mid-scale hotels can find sufficient markets both in primary and secondary cities in CEE. It is also for this reason that they are normally developed in the second stage of a hub-and-spoke expansion, unless they are the only hotel brands possessed by a given group. This, in turn, explains why the number of mid-scale hotel brands in CEE is higher than in the case of upscale brands and why the biggest states with the highest number of secondary cities such as Russia, Poland and Romania are their main markets. Due to the fact that most of the resort brands such as Riu, Sol, Iberostar and Barceló are also classed as mid-scale rather than upscale, this group of countries should also include Bulgaria and Croatia.

Budget and economy brands

Whereas the mid-scale and upscale segments are gradually increasing across the region, the budget and economy segments are still in their infancy. As this kind of hotels relies predominantly on local demand, economy and budget brands can be introduced only in those countries where the purchasing power of the local society is sufficient. Moreover, in order to sustain the product, it often makes more sense to develop larger networks of hotels in a shorter period of time, rather than to focus on a gradual organic growth (Go and Pine 1995). Thus, because of the low level of economic development and the small size of many CEE states, not many countries in the region can be perceived as lucrative markets for groups operating budget and economy hotels. Indeed, the low number of 48 budget and economy hotels (10.5%) which represent only five brands from three groups (Accor, Louvre, InterContinental), clearly attests to the fact that the CEE region is still a huge gap on the map of the budget/economy hotel sector. Moreover, these brands are concentrated in only six states – Poland (28 outlets), Hungary (6), the Czech Republic (5), Russia and Romania (4 each) and Slovakia (1).

The negligible development of the luxury segment, combined with the focus on upscale brands in major destinations, the steady development of mid-scale brands in secondary cities and the low level of development of budget brands (all of which clearly reflect the geographical distribution of international hotels described in the previous section), attest to the fact that the expansion of international hotel operators into CEE is still at an early stage. The lack of sophisticated products such as long-stay apartments (with the notable exception of Marriott Executive Apartments in Prague and Budapest which account for 0.4% of the international portfolio in CEE) and life-style and boutique hotels, which are represented in the CEE region only by one W Hotel in Saint Petersburg, further support this argument. However, as in the case of spatial distribution, the development potential identified in CEE is vast and the current situation is very likely to change in the future.

6.6 Modes of entry, business models and patterns of expansion into CEE

Further to the analysis of the geographical distribution of internationally-branded hotels in CEE it is also necessary to analyse the CEE market according to the business models preferred by international hotel groups. Given that hotel groups are forced to adjust their strategies of growth to market conditions, it is not surprising that the entry mode choice is largely influenced by the low level of economic and political stability on the one hand

and the social and legal factors (discussed more in Chapter 7) on the other. Although the palette of modes of entry observed in CEE is not any narrower than in Western Europe, strong preferences can be clearly identified. What the preferred business models have in common is an element of cautiousness, which is an indispensable pre-condition in such an unexplored and unknown environment.

Although the strong preference for non-commitment business models such as managing and franchising, as opposed to owning and leasing, is currently a common phenomenon in the global hotel industry, in the CEE market this tendency is even stronger. Because investing capital requires extensive market knowledge that international hotel groups in CEE often lack, and, owing to the low level of economic stability, also implies a higher level of risk (Chen and Dimou 2005, León-Darder et al 2011, Quer et al 2007), rarely do international hotel groups commit to owning physical assets in CEE. With the exception of Groupe du Louvre, who traditionally prefers to own the real estate of its hotels, and Accor, who obtained multiple assets in Hungary and Poland through acquiring Pannonia and Orbis, very few internationally-branded hotels in CEE are owned by their operators. Instead, hotel groups prefer long-term cooperation with well-established asset owners whose expertise in holding assets and knowledge on the market allow operators to focus solely on managing and franchising. That includes both local entrepreneurs, who more and more often emerge in the CEE region, and famous international developers, whose expansion into CEE is also steadily under way. Thus for instance, the Irish-based Quinn Group owns a few hotels managed by various groups, including Sheraton Krakow and Hilton Sofia, whilst the Austrian-based company Warimpex is one of the strongest hotel equity holders in Poland and the Czech Republic. Moreover, even those groups who still own some assets have recently abandoned this format with their new developments in CEE and are currently in the process of re-orientation to non-commitment formats. The best example is Louvre Hotels (a budget division of Groupe du Louvre) and its recent joint-venture with Warimpex, by means of which the group is to operate budget hotels newly-developed by the Austrian company in four CEE countries – Poland, the Czech Republic, Slovakia and Hungary.

Thus, depending on their strategic preferences, the majority of hotel groups who expand into the CEE market focus on management and franchise agreements. This particularly applies to American groups and luxury operators, whose competitiveness gives them an advantage in searching for reliable developers, and also Spanish groups, who often own assets outside CEE but due to the seasonality and the necessity to close hotels for five to six months, are not interested in owning real estate in CEE at all. Because international hotel groups who expand into a country for the first time traditionally start with upscale brands which, as mentioned above, are usually introduced on the basis of a management agreement, it is often managing that is perceived as a better way to establish a presence in the market and build foundations for further development. The further development, in turn, is, according to the hub-and-spoke strategy, normally based on a combination of franchising and managing (the more secondary destinations and the more lower brands, the more franchise contracts in a given market). Therefore, in this respect, the hub-and-spoke strategy largely reflects the stages approach to the internationalisation of services (Roberts 1999). Because many hotel groups in CEE are currently in the second stage of expansion, the proportion of franchise agreements in the region is gradually increasing.

Despite that, franchising is still difficult to implement in CEE. Because of the low level of understanding of how franchising works, it is often quite challenging for international hotel groups to ensure the quality of services in franchised hotels in CEE. What is more, due to the fact that local hoteliers normally expect a sudden rise in revenue in the short term, it is difficult to convince them of the long-term nature of benefits originating from franchise agreements. In response, owing to the fact that single hotels in CEE are rarely high on the list of hotel groups' priorities, local hoteliers in the region often complain of a lack of support from their franchisors and are unwilling to pay fees for something they have doubts about. Thus the relation between international franchisors and local owners in CEE is often characterised by a high degree of mutual reluctance. For instance, as a *Senior Official* from Bulgarian Tourist Chamber (September 2009) related, franchising does not have a good name in Bulgaria and a couple of contracts recently terminated in the country serve as the best evidence of this situation.

However, regardless of the strong preference for non-commitment business formats in CEE, there are many lease contracts signed in the region. Although several groups stress that they are not interested in lease agreements in such an unstable environment, leasing often appears to be the only possible mode of expansion. Given that, in stark contrast to management agreements, lease agreements guarantee hotel owners fixed revenue every month, the high proportion of leases in CEE derives from the pressure imposed on hotel owners by banks, for whom rental contracts are some kind of guarantee that in markets of a low level of stability the loan can be paid back on time. Thus, leasing is a relatively easy way of expanding and therefore, despite the higher risk, many groups even prefer this mode of entry. This, in turn, indicates that the entry mode choice is a compromise between the group's strategy of expansion and market conditions in a given country. As a *Development Executive 23* from an international hotel group active in CEE explained:

> "Well, it's a matter of risk and a matter of the amount of capital needed to grow there. So it's not just management. The contracts that we have signed over the past years in CEE, I would say, are a 50/50 mix between management contracts and lease contracts. And, you know, in a lease contract we definitely do commit. These are long-term leases, and we do commit our benefits. So it's not that we are not willing to take any risk but the risk profile for a number of countries and for a number of cities in CEE is quite different than the risk profile in some cities here in the West. And that's one of the big issues that we have seen. Of course there are a lot of expectations about the number of markets in CEE but it's far from true that all those cities are actually developing the way we hope they are."
> *(April 2009)*

However, most of the dilemmas described above do not apply to hotel consortia whose expansion is much more opportunistic and hinges upon which hotels in the market seek additional sales and marketing assistance. Although market knowledge is still required, the expansion of consortia is less dependent on demand and market conditions. Indeed, it is very often hotels in a difficult economic condition who seek consortia's expertise in order to enhance their competitiveness in the market. Because establishing a presence in a market by means of signing the first member can serve as point of contact for potential future members, the development of hotel consortia can also be described according to a hub-and-spoke strategy and the stages approach. However, due to the fact that consortia usually fill gaps left by international groups in unattractive markets, geography in this case matters less. The spatial distribution of Best Western hotels in CEE can serve here as a good example. Whilst the group is absent in many major markets across CEE, it has a strong representation in a vast array of secondary and tertiary destinations. However, the problem that consortia often face in CEE is the poor condition of unbranded hotels, which well-established international companies, such as for instance Best Western, are often unwilling to flag and promote with their name.

This, in turn, leads to the analysis of modes of entry according to the type of investment, which may be greenfield (newly built hotels) or brownfield (conversions) (Chapter 4). While the potential for the former depends on a number of investments and availability of developers and equity holders, which derives from market conditions and the level of economic development, the potential for the latter, due to the average poor condition of the existing portfolios, is very limited. Because most of the old hotels are Soviet-style developments which do not meet standards required by international operators in terms of general outlook and accompanying infrastructure, the cost of modernisation is often higher than the cost of developing a completely new building. This especially applies to economy, budget and mid-scale hotels where standard specifications are much stricter. It is also for this reason that some Orbis hotels taken over by Accor in Poland have been recently disposed of, rather than re-branded into Accor brands (Orbis 2010).

> "The majority of branded hotels in CEE are new hotels. To do a conversion is sometimes more costly (…). They don't have necessary standards, so it's easier to go for new-builts. That's one of the main issues that we have in Eastern Europe. (…) There's a significant investment that the owners need to do in order to get a brand. Conversion is used mainly in mature markets (…) where you can basically convince owners to take a brand. But in CEE (…) it's more new-builts because the existing portfolio of hotels is difficult, sometimes impossible, to brand, mainly for fire and safety reasons."
> *(Development Executive 9, an international hotel group active in CEE, February 2009)*

Hence, international hotel groups have a strong preference for newly developed hotels, wherein, before the hotel is built, they can secure a sufficient degree of control over the quality and condition of the infrastructure. The exceptions include historic buildings and relatively new hotels looking for re-branding. While historic buildings such as mansions and palaces which many CEE countries are abundant in can be attractive opportunities (especially for luxury hotel groups), newly-built hotels available for re-branding in the second circuit are, due to the immaturity of the market, a rarity. The exceptions include three Sol hotels in Bulgaria, formerly operated by IFA Hotels, and two Scandic hotels in Poland, formerly branded by Holiday Inn.

Finally, in terms of pace, two models of expansion can be distinguished: organic growth and collective expansion. Whereas organic growth is a gradual one-by-one development (Go and Pine 1995), often conducted according to the hub-and-spoke pattern, collective expansion is based upon mergers and acquisitions of existing chains or master franchise contracts with smaller hotel groups. Further to the collapse of communism and the onset of privatisation in CEE in the 1990s, huge potential for acquisitions emerged (Johnson and Iunius 1999, Lockwood 1993, Niewiadomski 2006). However, as will be discussed in Chapter 7, not many transactions were finalised and apart from Accor's acquisition of Pannonia and Orbis no other state-owned hotel chain became a part of an international group. As the scope for this model of expansion was limited in the 1990s by the number of formerly state-owned groups, the collective pattern of expansion nowadays can only be based on existing local groups. However, as a result of the separation of owning and operating assets in the global hotel industry, this pattern tends to take the form of master franchise (and management) agreements with local groups who want to ally with larger corporations in order to enhance their international recognition. The notable example in the region includes Polish-based System Hotels whose properties are now franchised by Choice Hotels (*Hotel System…* 2010). Because collective expansion is a relatively easy way to get hold of extensive portfolios and cover vast geographical markets in one turn, numerous international hotel groups deliberately search for such opportunities. So far, however, very few spectacular examples of collective expansion can be distinguished.

Although the structure of modes of entry observed in CEE corresponds with the spatial distribution of international hotels (both by countries and cities and brands), the analysis of various business models and patterns of expansion into CEE makes the picture of the branded hotel sector in CEE even more complicated. However, despite vast differences between countries in CEE, the analysis of business models further attests to the fact that the CEE market is still rather immature and the low level of economic stability has to be accounted for by expanding hotel groups.

6.7 Local hotel groups in CEE

While the previous four sections provided a picture of the international hotel industry in CEE and described the geographical distribution of internationally-branded hotels in the market, the understanding of this distribution cannot be completed without attention to local hotel groups who are increasingly important competitors for international groups and who constitute an integral element of the environment into which international hotel groups expand. Indeed, although CEE is a developing market, the role of local groups has grown to the level that their activities cannot be overlooked in a study of the hotel sector in CEE. However, depending on the country's level of economic growth, general market conditions, the market's geographical attributes and the activity of international hotel groups, the level of local activity varies widely between the CEE countries. Thus, for instance, in Poland there are plenty of small domestic groups who aim to fill existing gaps in the market, in Estonia the local market is dominated by local groups, in Bulgaria the major part of the industry remains independent, whilst in Hungary hotels belonging to local groups largely outnumber their international counterparts. Table 6.11 provides a summary of local groups encountered during the research process.

Table 6.11 Selected local hotel groups in CEE in June 2010

HOTEL GROUP	HQ	HOTELS	RANKING POSITION
Danubius Hotels	Budapest, Hungary	55	103
Hunguest Hotels	Budapest, Hungary	21	216
Orea Hotels	Prague, Czech Republic	20	265
Reval Hotels	Tallinn, Estonia	11	277
Azimut Hotels	Moscow, Russia	33	*not included*
Gromada Hotels	Warsaw, Poland	22	*not included*
Qubus Hotels	Wroclaw, Poland	13	*not included*
Hotele Diament	Zabrze, Poland	7	*not included*
Hotel System	Krakow, Poland	6	*not included*
Likus Hotels & Restaurants	Krakow, Poland	5	*not included*
Tallink Hotels	Tallinn, Estonia	5	*not included*
Hotel 500	Ząbki/Warsaw, Poland	4	*not included*
Meriton Hotels	Tallinn, Estonia	4	*not included*
Focus Hotels	Bydgoszcz, Poland	3	*not included*
Barons Hotels Group	Tallinn, Estonia	2	*not included*
Grifid Hotels	Golden Sands, Bulgaria	2	*not included*
Nordic Hotels	Tallinn, Estonia	2	*not included*

Source: Own elaboration on the basis of *Hotels' 325…* (2009), the hotel groups' official websites and hotel directories available on these websites in June 2010

The CEE country where the local activity is probably the highest in terms of the number of local hotel groups is Poland – one of the largest markets by size, the most developed and differentiated market in CEE and one of the most stable CEE countries. It is also for all these reasons that Polish hotel groups largely differ in terms of the market segments addressed and spatial distribution of properties. Indeed, at one end of the spectrum there is Gromada – a formerly state-controlled co-operative with a nation-wide portfolio that still remains an image of the past, and at the other end there are Qubus and Likus – two newly-established hotel groups whose increasing popularity international groups cannot afford to underestimate. Moreover, somewhere in-between are a number of small local hotel groups such as Diament, Focus and System who tackle the gap at the budget level, as well as a number of geographical gaps.

The situation is different in Hungary where regardless of the international penetration, the market is dominated by two Hungarian groups – Danubius and Hunguest both with an international presence. While Hunguest was established after the communist system collapsed, Danubius is a notable example of a formerly state-owned group who not only kept its unity but also grew internationally and is now also active in the Czech Republic, Slovakia, Romania and the UK. What is more, apart from city hotels, some of which are franchised by international groups, they also encompass many spa hotels – a traditional market segment in Hungary which has been so far neglected by international operators.

A very high level of local groups' development can also be observed in Estonia, where in the capital city there are five domestic groups (Tallink, Barons, Meriton, Nordic and Reval). Although they are relatively small by the number of hotels, they cover together most market segments and are well-recognised competitors for the scarcely represented international operators. Moreover, some of them such as Reval, Tallink and Nordic have also developed a presence in other Baltic States, or in the case of Reval, also in Russia. None of them, however, has any hotels in other Estonian markets such as the traditional resorts of Pärnu and Narva-Jõesuu which are still entirely dominated by independently-run hotels. Whether the multiplicity of local hotel groups has been a response to the low representation of international brands in Estonia, or rather it is international groups who have not been much interested in Estonia due to the high level of development of local hotel groups, is a chicken and egg question which cannot be answered in a simple way.

The other examples of strong local groups include Czech-based Orea Hotels, with hotels in the Czech Republic only, and Russian-based Azimut Hotels, who, apart from Russia (including the Asian part of the country), has also gained a presence in other European markets such as for instance Germany. Meanwhile in other countries, there are either no local groups or those that exist are not a competition for their international counterparts. Surprisingly, one such country is Bulgaria where despite the massive hotel development in Bulgarian resorts of Sunny Beach and Golden Sands, only one domestic chain (Grifid Hotels with two hotels only) has been encountered during the research process.

Despite the fact that CEE is abundant in domestic hotel groups, some of which are even dominant in some geographical markets or market segments, it should be acknowledged that in the majority of cases they are not as competitive as international hotel operators. Although they have full understanding of political and economic environments in which they exist, they still lack the ability to outcompete well-established international players. The qualities they miss include structures of organisational support, modern know-how and well-recognised brands. The relative weakness of local brands can be observed, for instance, in Bulgarian seaside resorts where, with a few exceptions, international hotels usually compete only with each other, while local hotels lag behind them in all respects, including the level of economic performance, service and reputation. Finally, due to the fact that local groups are often based on the former communist infrastructure that is not always refurbished, the condition of assets is one of the areas where they remain in the shadow of international groups. However, despite all these disadvantages, it is essential to acknowledge that local hotel groups are still in the early stages of growth. Because many of them have already realised their weaknesses and started to seek expertise from internationally experienced executives or consultant companies, the situation is likely to change in the future.

> "International operators have years of experience behind them and a huge team behind them, whereas local operators are generally new and much smaller in size. But what the local operators now have (…), they generally have key expats from the international background in the management portfolio. And that helps them. (…) We think they're really successful brands – Danubius in Hungary (…) or Azimut in Russia. (…) I mean, although I wouldn't compare them to e.g. Marriott (…), I think they've done a commendable job."
> *(Hotel Industry Consultant 6, an international consultant company, October 2009)*

Finally, the analysis of the local competition should also account for independent hotels that are an integral element of every local market in CEE. Although independently-run hotels also lack many attributes of international hotels, it is through personalised service and a distinctive atmosphere that they try to derive their competitive advantage. What is more, in contrast to standardised international hotels which are often disembedded from specific atmospheres of historic old towns and market squares, independent properties often aim to reflect local flavours (e.g. in the form of design or cuisine). For this reason, many individually-run hotels in famous tourist destinations across CEE such as Tallinn, Krakow and Prague deliberately choose to remain independent in order to maintain their unique character and better reflect the atmosphere of a given city. The same also applies to business hotels such as Grand Hotel or Arena Di Serdica in Sofia who are important competitors for international hotel groups active in the Bulgarian capital city, and resort hotels such as a number of spa-orientated properties in Pärnu in Estonia.

However, due to the aforementioned lack of various qualities, many independent hotels in the CEE region often find it too challenging to adequately position themselves in the competition with internationally-branded hotels. As a result, they often seek marketing and sales assistance from international consortia for whom famous independent hotels offer the most attractive potential for development. Thus, for instance, in Tallinn world-famous luxury hotels in the historic Old Town such as The Three Sisters, Schlössle and Telegraaf are already members of international consortia – Design Hotels, The Leading Hotels of the World and Small Luxury Hotels of the World, respectively. Exactly the same pattern can be observed in the majority of main cities in the region.

6.8 Overview of the hotel market in the three countries of focus

As the chapter has demonstrated, it is difficult to generalise about the CEE market as a whole. Thus, in order to stress a vast number of differences between different national markets, it is worth looking more closely at the international hotel industry in the three focus countries – Poland, Estonia and Bulgaria. Table 6.12 provides a general summary of the main attributes of the hotel markets in each of these countries. First of all, the countries differ in terms of the geographical features. While Poland is in the central part of Europe, relatively close to major sources of business in Western Europe, both Estonia and Bulgaria are located in relatively peripheral parts of Europe. Apart from that, they also have different areas and populations, both of which translate into the lower number of potential destinations, lower magnitude of local demand and lower number of other businesses. Hence, with the largest area and population and a vast number of secondary cities, Poland should be considered more attractive than Estonia which is almost entirely limited to the single market of Tallinn. Bulgaria, in turn, is somewhere in between, both in terms of the number of destinations and local demand. Most importantly, unlike other CEE countries, it also has many resort destinations. Unfortunately, because of the high seasonality, they are not as competitive as resorts in Spain, Greece or Italy.

Despite that, the geographical characteristics are not the only factors that determine why the distribution of internationally-branded hotels in these countries is so different. What matters more is the overall economic and political stability and the level of economic development. Thus in Poland, international brands expand into primary destinations and also roll out to secondary destinations, whereas in Bulgaria, apart from Sofia, Varna and Plovdiv, no other town or city has an internationally-branded business hotel other than a

Best Western. However, it could be anticipated that as a result of the economic growth expected in Bulgaria in the near future, international hotel operators will start to expand also into other destinations such as Rousse or Sliven. Unfortunately, the same cannot be said about Estonia where despite the relatively high level of economic development, no potential for international groups outside Tallinn can be identified.

Table 6.12 Summary of the international hotel industry in the three countries of focus in 2010 on the basis of the 24 analysed hotel groups

CATEGORY	POLAND	ESTONIA	BULGARIA
Population*	38 463 689	1 291 170	7 148 785
Area (sq km)*	312 685	45 228	110 879
International hotels	111	5	28
International groups present	14	5	13
Strongest international hotel groups	Accor (62), Groupe du Louvre (10), Starwood (7), Best Western (7);	Scandic (2)	Best Western (8), TUI (5) Sol Meliá (5);
International brands	29	4	13
Luxury brands/hotels	0 / 0	0 / 0	1 / 1
Upscale brands/hotels	10 / 20	2 / 2	4 / 4
Mid-scale brands/hotels	14 / 63	2 / 3	8 / 23
Budget and economy brands/hotels	5 / 28	0 / 0	0 / 0
Most developed brands	Mercure (13), Novotel (12), Ibis (10), Etap (8), Campanile (8), Best Western (6), Quality (5), Radisson Blu (5), Sheraton (5);	Scandic (2)	Best Western (8), Sol (4), Riu (4), Iberostar (3);
Destinations with international hotels	34	2	11
Most important destinations	Warsaw (23), Krakow (16), Wroclaw (11), Poznan (9), Gdansk (6), Szczecin (6), Katowice (5);	Tallinn (4), Pärnu (1);	Sofia (7), Sunny Beach (5), Varna (3), Nessebar (3), Golden Sands (2), Obzor (2), Plovdiv (2);
Important cities without international hotels	Bydgoszcz, Rzeszów, Koszalin;	Tartu, Narva, Narva-Jõesuu, Kuressaare;	Bourgas, Sliven, Stara Zagora, Pleven;
Hotels in resort destinations (% of total)	10 (9.0%)	1 (20.0%)	14 (50.0%)
Local hotel groups encountered	7	5	1
Hotels branded by local hotel groups	60	24	2

Source: Own elaboration on the basis of the 24 hotel groups' official websites and hotel directories available on these websites between January and June 2010 apart from * – on the basis of data retrieved in June 2010 from *www.cia.gov*

> "Partly, I believe that the region is too small. That's one reason. The other is that American giants are not strong in the Nordic countries. The local business travelling is low and we don't have these executive tops that live in 5-stars. 5-stars don't really work in Scandinavia. And I think that's one of the reasons why there aren't Marriotts, Hiltons or Sheratons in Scandinavia. If there were, they would also be in Estonia. (…) If they have to come, then in a logical way, they will start with Denmark, Sweden, Norway, Finland. And then they will also come and take the Baltics."
> *(Development Executive, an Estonian hotel group, June 2009)*

Although some markets across the three countries such as Sofia, Warsaw, Krakow and Tallinn are said to be saturated, or, like Sunny Beach, even over-crowded, it should be acknowledged that for international hotel operators it is still an early stage of expansion and, further to the increasing level of economic stability, the potential across the region is also growing. Assuming that the increasing level of economic development will result in a higher corporate demand, it may be expected that more international hotel brands will appear in secondary destinations in Poland and Bulgaria.

> "Every new hotel coming to a city should have a clear idea how to attract completely new guests. This means that a slice of the existing cake that it wants to have for themselves should be relatively small. They shouldn't count on a big slice when they arrive for the first time. Quite the opposite: they should know how to make this cake bigger. Unfortunately, in Warsaw and Krakow the existing cake is constantly being cut into smaller pieces. There is no way of attracting more guests in a short period of time over there. Meanwhile, in cities such as Gdansk, Wroclaw and Poznan, which are quickly developing, there are still huge opportunities for the cake to keep growing and for more new customers to be attracted."
> *(General Manager, an internationally-branded hotel in Wroclaw, August 2009)*

Thus it cannot be surprising that for all the reasons mentioned above, it is Poland where, by a big margin, international hotel groups are most developed. As Table 6.12 shows, as many as 111 outlets are comprised by international groups in Poland. In contrast, there are only 28 international properties in Bulgaria, fourteen of which are resorts, and only five international hotels in Estonia. Whereas there are fourteen groups present in Poland and thirteen in Bulgaria, only five groups are active in Estonia, with many of the biggest ones such as Hilton, Starwood or Marriott simply missing. Meanwhile in Poland, apart from Accor whose dominant position in the market cannot be questioned, many groups have developed remarkable portfolios, with Goupe du Louvre in the economy segment and Starwood and Rezidor in the upscale segment being notable examples. However, although numerous hotel groups are active in Bulgaria, only Best Western and Spanish groups have more than one hotel in the country. In geographical terms, as many as 34 primary, secondary and tertiary destinations in Poland have an international hotel brand. Although some secondary cities such as Rzeszów or Bydgoszcz are yet to be entered by an international brand, these are minor gaps. By contrast, in Bulgaria 21 international hotels out of 28 are located either in Sofia or in resort destinations, whereas in Estonia, apart from one odd hotel in Pärnu, all international hotels are located in Tallinn. Thus, Bulgaria and Estonia still remain at the hub stage of the hub-and-spoke strategy, while Poland has already progressed to the spoke stage. Despite that, it can be concluded that the international branded penetration of the three markets is still relatively low. As the analysis shows, depending on the level of economic growth and geographical features, Poland, Estonia and Bulgaria follow different paths of the hotel industry development. All the major features of these markets are summarised in Table 6.13. Figures 6.5-6.7 illustrate the spatial distribution of international hotels in Estonia, Bulgaria and Poland, respectively.

Table 6.13 Main characteristics of the hotel market in the three countries of focus

COUNTRY	ADVANTAGES	DISADVANTAGES
POLAND	- Central location and proximity to other important European markets - Many primary and secondary destinations - Many tourist attractions in major destinations - High level of economic development and economic and political stability - Growing domestic business demand - Lack of strong local competition	- Low international business demand, including MICE - Low attractiveness of many tourist areas and seasonality
ESTONIA	- High level of economic development and political and economic stability - Attractiveness of Tallinn as a business hub and a tourist destination - Close economic ties to Scandinavia	- Small market by size and population - Low international business demand including MICE - No demand in secondary destinations - Low attractiveness of resorts and seasonality - Strongly-developed local competition
BULGARIA	- Size of the country and the number of secondary destinations - High level of attractiveness of Bulgarian resorts - Lack of quality local competition	- Relatively low level of economic and political stability and economic development - Low international business demand in most destinations - Lack of domestic demand - Seasonality and bad reputation of resort destinations

Source: Own elaboration

Figure 6.5 Distribution of hotels belonging to the 24 analysed hotel groups in Estonia

Source: Own elaboration

Figure 6.6 Distribution of hotels belonging to the 24 analysed hotel groups in Bulgaria

Source: Own elaboration

Key to Figures 6.5-6.7:

- Destinations with international hotels
- Important destinations without international hotels

Scale: 1:6 500 000 (Estonia), 1:7 000 000 (Bulgaria) and 1:9 500 000 (Poland)

Figure 6.7 Distribution of hotels belonging to the 24 analysed hotel groups in Poland

Source: Own elaboration

6.9 Conclusions

The leading objective of this chapter has been to map the international hotel industry in CEE. The chapter has demonstrated that the spatial distribution of international hotels in CEE is shaped by two sets of factors – international hotel groups' varying strategies of expansion and the varying opportunities for the hotel sector development that different national and urban markets across the CEE region can offer. The attractiveness of these markets, in turn, is determined by the level of economic and political stability, the level of economic growth and basic geographical features such as the number of destinations. Although the majority of the biggest hotel groups in the world are already present in the region, CEE cannot be considered a primary market for international hotel groups. The relatively limited involvement of international hotel groups in the market in terms of the number and spatial distribution of hotels, combined with the high level of cautiousness in selecting a business format, further supports this argument. Despite that, however, the level and kind of involvement of various hotel groups varies widely. By the same token, vast discrepancies between different countries can also be identified.

Thus, the group of countries with the most favourable combination of high political and economic stability and appropriate geographical features includes Poland, Hungary, the Czech Republic and Russia. In stark contrast, Moldova, Albania, Macedonia, Bosnia & Herzegovina and Belarus are still largely omitted by international hotel operators. Other countries, in turn, are either too small such as Latvia and Slovenia, or not developed and stable enough such as Ukraine and Serbia. The same applies to the distribution of hotels by cities. Whereas major business hubs such as Prague, Budapest, Warsaw and Moscow attract multiple international brands, it is only the largest and most developed countries of the region where international hotel groups also expand into secondary destinations. Therefore, remaining at the hub stage of the hub-and-spoke expansion, the development of international hotel operators in the region is still at a relatively early stage. Moreover, the infancy of the CEE market can also be clearly identified in terms of the distribution of hotels by market segments. It is upscale and mid-scale brands, developed mainly in major business destinations, that international hotel groups in CEE rely on. The existing gaps, in turn, are increasingly addressed by the growing number of local hotel groups. Finally, what complements the picture of the international hotel industry in the region is international hotel groups' strong preference for low-and medium-commitment entry modes such as management and franchising, as opposed to leasing and owning assets.

To conclude, it must be recognised that since the collapse of the communist system each single hotel market in CEE has been following a different trajectory of development and therefore, despite the communist past, the CEE market is far from uniform. As the level of development of each market in CEE more or less reflects the stage of transformation, the context of the post-communist restructuring in the region requires specific attention. Therefore, the following chapter will break down the broad category of "economic and political stability" into a number of CEE-specific factors and explore the way in which these factors impact the expansion of international hotel groups into CEE in detail.

Chapter 7
The influence of post-communist transformations in Central and Eastern Europe on the spatial expansion of international hotel groups

7.1 Introduction

Further to the analysis of the spatial distribution of internationally-branded hotels in the CEE region presented in Chapter 6, this chapter moves the emphasis from the horizontal dimension of globalisation to the vertical dimension. Defining the vertical dimension of globalisation as firms' embeddedness in their networks and the various political, social, and institutional contexts in which they function, the chapter turns to post-communist transformations that commenced in CEE in 1989 and have since resulted in a variety of economic and political environments in the region. As in every country post-communist transformations have shaped the attractiveness of different national and urban markets to a varying degree, the chapter perceives post-communist transformations in CEE as the most important set of factors determining the depth and scope of international hotel groups' expansion into CEE.

The chapter is structured as follows. In order to set the scene for the further discussion, Section 7.2 provides a historical overview of the expansion of international hotel groups into CEE before 1989. In turn, Section 7.3 examines the reasons and changing motives for the expansion after 1989, i.e. when post-communist transformations commenced and the political and economic environment in CEE dramatically changed. The penultimate section (7.4) pays attention to different factors that shape the unevenness of the spatial expansion of hotel groups into the region and which derive from the nature of political and economic restructuring in CEE. The section consists of five sub-sections each of which presents a different category of factors. The last section summarises the chapter's findings (7.5).

The chapter argues that despite the fact that the expansion of international hotel groups into CEE started long before the onset of post-communist restructuring, it is the various processes of transformation that have had a decisive influence on the spatial distribution of internationally-branded hotels in the region. This impact, however, has been twofold. While at the general level the restructuring implied openness to Western companies and was therefore an important stimulus for their expansion into CEE, in practice it exposed a wide variety of legal, social, economic and political problems that initially hampered the expansion and largely determined its pace and depth. Because this influence has also had far-reaching national (and regional) variations, dissimilarities between countries in each category of factors are exemplified by the three case studies – Poland, Estonia and Bulgaria. Most importantly, due to the fact that the level of hotel groups' embeddedness in the local economy is reflective of the business model preferred, the chapter contends that the degree to which each category of factors influences the expansion hinges upon the business models selected. Attention to different business models is therefore key to understanding the impact of post-communist transformations on the nature of expansion of hotel groups into CEE.

7.2 Expansion of international hotel groups into CEE before 1989

As illustrated in the previous chapter, the geographical expansion of international hotel companies into CEE is still at an early stage and the CEE hotel market is far from being internationalised to a degree comparable with Western Europe. However, it would be misleading to infer that because the expansion is still not at an advanced stage in terms of the number of hotels and coverage of different areas and different market segments, it must have begun only recently. In fact, the current distribution of international hotels in CEE started taking shape long before the economic and political transformations in the CEE region commenced. Although this initial expansion only took the form of gradual penetration, it appears to have had a substantial impact on the contemporary presence of international hotel groups in CEE.

As a result of World War II, a major part of the hotel infrastructure in CEE was ruined. This was especially the case in Poland where, because of the intensive warfare, only 587 hotel establishments were open in 1948 (Błądek and Tulibacki 2003). Whereas the post-war reconstruction in Western Europe progressed according to the same economic rules as before the war, due to the political and economic re-orientation of many CEE states the hotel sector in CEE found itself operating in an entirely different environment. The nationalisation of formerly private firms under the newly-imposed socialist regime not only prevented private owners from rebuilding their establishments but also resulted in the transfer of existing hotels to the control and ownership of state-run travel agencies, usually created to administer the whole tourism sector in a given country, or to various institutions related to central administration such as local governments, trade unions or different co-operatives (Błądek and Tulibacki 2003, Johnson 1997, Johnson and Vanetti 2004, Milewska and Włodarczyk 2005, Vospitannik et al 1997, Witkowski 2003). Thus, in Czechoslovakia and Poland the best hotels were handed over, respectively, to Čedok and Orbis – countrywide travel agencies established long before the war as private firms and nationalised after 1945 to become state-owned tourist organisations. In Bulgaria, an appropriate travel agency to manage tourism and the hotel sector – Balkantourist – was established after 1945, whereas in the Soviet Union, where socialism had been already in place since 1917, most hotels were consistently owned by Intourist (Jaakson 1996). A noteworthy exception was Hungary where the National Hotel and Catering Company (transformed later into Hungar Hotels) worked completely independently from the state travel agency Ibusz (Johnson 1997, Ratz 1995).

Although the appropriate institutional infrastructure to coordinate the growth of tourism and the hotel industry was gradually developed in CEE in the 1950s and 1960s (Błądek and Tulibacki 2003, Johnson 1997, Turkowski 1993), a lack of funding which derived from the need to invest in sectors such as housing and from the communist countries' ideological preoccupation with the development of heavy industries made it impossible for the hotel infrastructure to be developed at a similar pace as, for instance, in Western Europe (Mitka-Karandziej 1993). As Johnson and Vanetti (2004) pointed out, because services were considered in the Marxist philosophy as "non-productive", tourism was of low significance amongst the priorities of communist governments (see also Hall 1992, Scott and Renaghan 1991, Williams and Balaž 2002). Indeed, while in 1971 Austria had 63.31 beds per 1000 inhabitants, Czechoslovakia had only 7.32, Romania 5.90, Hungary 2.41 and Poland 1.24 (Witkowski 2003, Table 20). An exception was Bulgaria – already a well-established tourist destination in the whole CEE region (Bachvarov 1997, Carter 1991, Harrison 1993) – where the number of beds per 1000 people was as high as 17.56 (Witkowski 2003, Table 20).

Moreover, cut off from Western sources of funding (including the Marshall Plan) due to the far-reaching political divide between CEE and the West, the CEE states were also isolated from the international mass tourism flows and the innovations that these flows may have brought. As Witkowski (2003) argued, 25 years after the war the Polish hotel sector was lagging far behind its Western counterpart in terms of the number of hotels, the condition of establishments and the range of accompanying facilities. Given that the system of education in hospitality was still in its infancy, the list of discrepancies should also include the low level of skills and knowledge of international standards possessed by hotel employees (Błądek and Tulibacki 2003). The situation was not much different in the Soviet Union (Shcherbakova 2002) and the other countries of CEE.

What also hampered the development of hotel infrastructure was the peculiar model of tourism that dominated in the socialist system. As according to the primary ideology the main role of tourism was in rejuvenating and reproducing the workforce, tourism mostly took the form of collective holidays organised by trade unions, industrial enterprises and other state institutions who sent their workers and members at a reduced cost or for free to their own accommodation establishments such as dormitory hotels, camping sites and other para-hotel establishments (Baum 1995, Boniface and Cooper 1987, Jaakson 1996, Johnson and Vanetti 2004, Mitka-Karandziej 1993). As the focus was on quantity, not only were these properties of a low quality but also the level of service they offered was relatively low. Owing to the fact that the majority of the accommodation portfolio was concentrated in a few resorts such as the resorts on Lake Balaton in Hungary (Johnson 1997), the resorts of Pärnu and Narva-Jõesuu in Estonia (then within the Soviet Union) (Unwin 1996, Worthington 2003) or seaside resorts in Poland (Błądek and Tulibacki 2003), the distribution of the accommodation stock was also far from even. Finally, as a result of restrictions imposed on international demand in terms of numbers and forms of organisation (Buckley and Witt 1990, Johnson and Vanetti 2004), the existing portfolio had to rely almost exclusively on local tourist demand. By the same token, owing to the borders being closed for Western businesses, international hotel groups were cordoned off from the possibilities of expansion behind the Iron Curtain.

The situation began to change at the end of the 1960s and in the early 1970s. As a result of the increasing political openness of some CEE countries and a subsequent increase in tourist arrivals, the tourism administrations in the CEE region realised that the existing hotel portfolios were not able to fulfil international demand either in terms of quantity or quality. Concurrently, as a hard currency earner, tourism started to be considered as a means of helping CEE economies. Thus, far-reaching improvements became a necessity and foreign assistance started to be sought. It was also believed that employing foreign expertise would bring much desired hotel sector upgrading (Błądek and Tulibacki 2003, Jaakson 1996, Johnson 1997, Medlik 1990, Witkowski 2003). All this, in turn, created an opportunity for international hotel groups to gain a presence in the formerly closed CEE market. The increasing popularity of business models which did not require direct investing, such as franchising, was to prove helpful in the process of expansion into a region where foreign ownership was hardly possible.

Although the first country to employ foreign capital was Poland, it was Yugoslavia and Hungary – the two most economically liberal countries from the Soviet bloc – who first attracted international hotel brands. Further to the opening of the InterContinental hotel in Zagreb in 1964 on the basis of a franchise agreement (Go and Pine 1995), the pattern was followed by Hungary. As a result of the division of Hungar Hotels into three groups (Hungar, Danubius and Pannonia) in order to govern the Hungarian hotel industry more efficiently, each of these groups started to look for franchise opportunities for their new hotels. The first internationally-branded hotel in Hungary – the Duna InterContinental – was opened in Budapest in 1969 and was followed by the Hilton Budapest in 1973, both financed from the appropriate Hungarian groups' own resources. In contrast, the further three developments completed in the early 1980s (the Forum, Atrium Hyatt and Novotel Centrum), as well as many renovations of existing properties, were funded from foreign (mostly Austrian) loans made available through a special investment scheme introduced by the Hungarian government in the early 1980s (Johnson 1997, Medlik 1990) in a very similar way to a decade earlier in Poland.

Indeed, in the 1970s the Polish hotel sector faced even more serious changes. A special investment scheme initiated under the strict control of Orbis provided foreign funds to develop 17 new hotels in just a few years – all built according to the newest standards. For ten of them, franchise contracts with three different international hotel chains were signed (S.I.E.H. Novotel – six, InterContinental – three and Holiday Inn – one) in order to incorporate the best parts of the Polish portfolio into the structures of the global hotel industry. In stark contrast to Hungary, where all international hotels were located solely in the capital city Budapest, the new hotels in Poland were also developed in secondary destinations such as Krakow, Wroclaw, Poznan and Sosnowiec (Błądek and Tulibacki 2003, Witkowski 2003). The changes that Poland's hotel sector underwent in the 1970s were revolutionary. Not only did they bring Western know-how but they also yielded, through incorporation of the franchised properties into worldwide reservations systems, international recognition for the Polish hotel industry. This, in turn, resulted in a further increase in tourist arrivals and served as an important stimulus for more growth (Błądek and Tulibacki 2003, Witkowski 2003). In return, international hotel corporations got an opportunity to start building their brand recognition in the formerly closed CEE market – something that, especially in the case of S.I.E.H. Novotel, was to prove exceptionally fruitful after 1989. While the whole process may have had a symbolic, or even political, meaning for Polish society, for expanding hotel groups it was pure business.

> "I think the main reason for the expansion pre-1989 would have been that we followed the demand and the investors. Our strategy was fairly general back in those days and a lot would have just been where the demand arose. And the demand arose where you had some bright spark investors who had seen the success of Western brands, had a good idea, spotted an opportunity and took advantage of it. (…) Somebody would have come to us with a presented opportunity for a franchise licence, we would have examined that and given it a go-ahead."
> *(Development Executive 3, an international hotel group active in Poland in the 1970s, December 2008)*

Meanwhile, some noteworthy hotel developments, although not necessarily with foreign participation, were also taking place in the other countries in the region, including the Soviet Union. For example in Estonia, a famous destination in Soviet tourism, Intourist conducted a few serious investments, including the Hotel Tallinn in 1963 and the Viru Hotel (built by Finnish contractors) in 1972, both destined for Finnish and other foreign tourists, and the Olümpia Hotel in 1980, destined to serve the sailing competition held in Tallinn in relation to the Moscow Olympic Games in 1980 (Jaakson 1996). None of these hotels, however, were franchised by international hotel groups whose presence in the CEE region, apart from Hungary and Poland, was still very limited. The noteworthy exceptions were Czechoslovakia, where the InterContinental Hotel opened in Prague in 1974 (Johnson and Iunius 1999) and Bulgaria, where two Novotel properties in Plovdiv and Sofia opened in the 1970s as franchisees of Novotel (Interview with a *Development Executive 11* from an international hotel group present in CEE before 1989, February 2009). In stark contrast, East Germany remained almost entirely closed to any franchise opportunities coming from the West (Scott and Renaghan 1991).

Just as in Hungary, the tendency to employ foreign capital to develop the hotel portfolio in the region continued to escalate in the 1980s. This second stage of international hotel groups' expansion into CEE can be characterised by both hotel developments conducted independently from state-owned groups and the increasing popularity of joint-ventures with foreign hotel investors (already legalised in Hungary and Poland in the 1970s and implemented gradually in the other CEE countries too). Whilst foreign participation in joint-ventures was strictly limited to 49% and in the majority of cases local management was enforced instead of foreign, this new phenomenon in the CEE hotel sector allowed the first direct foreign investments as opposed to developments completed from foreign loans, but with full equity still held by state-owned groups. Indeed, many famous hotels such as the Grand Hotel in East Berlin and the Marriott Hotel in Warsaw were funded in the 1980s through joint-ventures (Buckley and Witt 1990, Franck 1990, Johnson 1997, Witkowski 2003). Most importantly, all the know-how, management strategies and staff training that joint-venture packages were able to bring largely exceeded those imported earlier by means of franchising. Unfortunately, the degree to which all of these could be applied was still lower than with management contracts – a higher level of international hotel groups' involvement that the CEE hotel market was still lacking, but which was to arrive in CEE in just a few years (Buckley and Witt 1990, Franck 1990).

Although the first management contract in the CEE region was signed in Bulgaria when the Sheraton Hotel Balkan opened in Sofia in 1986 (Interview with a *General Manager 3* from an internationally-branded hotel in Sofia, September 2009), it was the Marriott Hotel in Warsaw whose opening in 1989 on a management agreement basis became the most remarkable milestone in the process of expansion of international hotel groups into the CEE region. Since it converged with the onset of post-communist transformations in CEE, the property became a symbol of ongoing changes and a promise of what it was hoped would follow.

7.3 Reasons for the expansion of international hotel groups into CEE after 1989

Quite unexpectedly, in 1989 the majority of CEE states defied communism and decided to embark on the ambitious endeavour of economic and political transition to capitalism and liberal democracy. This task, if achievable at all in the time-frame assumed, quickly appeared to surpass the abilities of governments in charge and the resources possessed by the administrations of CEE. As Franck (1990: 335) described it, it was "beyond the capabilities of CEE simultaneously to implement far-reaching economic reforms and to finance the necessary investment to produce stability". As a result, the need for foreign capital to improve the neglected infrastructure and obsolete technology and to stimulate growth of the private sector determined the set of mechanisms implemented in the early 1990s by newly-elected democratic authorities in CEE (Healey 1994, Franck 1990). As the world banking system, fresh from very bad experiences of assisting the economic reforms in Latin America and the Third World, was not willing to finance another risky transition to the free market to a similar level, great expectations were pinned instead on foreign direct investment (FDI) from the West (Franck 1990, Healey 1994, Johnson and Vanetti 2004, Lockwood 1993).

Notably, one of the important consequences of the re-orientation to capitalism was the re-evaluation of tourism in the economies of CEE as a valuable source of hard currency and technological innovations (Franck 1990, Johnson and Vanetti 2004). Since it led to the improvement of the political environment, which, in turn, resulted in an increase in tourist and business arrivals (Buckley and Witt 1990, Lockwood 1993), unprecedented growth opportunities also emerged for international hotel groups. As their penetration of the region to date seemed almost insignificant in comparison with the vast possibilities that suddenly appeared, massive excitement took hold in the industry. Indeed, alongside "push factors" originating from hotel groups' strategies of expansion and understood in terms of pursuing economies of scale and looking for new markets, the CEE region was also abundant in "pull factors" defined as stimuli for expansion generated by the region (Go and Pine 1995, Lafferty and van Fossen 2001, Littlejohn 2003, Wrigley and Lowe 2002). Among many others, the latter group included the prospects of strong economic development, an increasing degree of macroeconomic stability and openness to foreign trade, ambitious investment policies to attract foreign investors, a comparably cheap and well-educated labour force, competitive advantages over local competition and cultural affinity (Johnson and Iunius 1999, Healey 1994). In line with those were many drivers stimulating the tourism flows such as a multiplicity of natural and historical attractions, the availability of vast areas of unspoiled countryside, geographical proximity, curiosity about the formerly closed region and low prices (Johnson and Iunius 1999, Lockwood 1993, Medlik 1990).

Furthermore, the attractiveness of the CEE market was two-fold. Not only was organic growth understood as gradual one-by-one development (Go and Pine 1995) an option in CEE, but international hotel companies also had the possibility of entering the region by means of taking over state-managed hotel chains. As privatisation – one of the pillars of the economic transformation (Bradshaw and Stenning 2004, Smith 1997, Sokol 2001) – embraced the hotel industry, it seemed to be a great opportunity for expanding groups to tap whole new countries and market segments in a more or less clear-cut way (Johnson and Iunius 1999) and thus to access the local knowledge possessed by CEE chains.

Unfortunately, the privatisation processes appeared to be unexpectedly difficult and the reality proved to be different than predicted. Although initially, in order to preserve the unity of existing hotel chains as well as to gain large amounts of capital in one turn, the CEE administrations preferred selling each chain as a whole rather than each property individually, in the majority of cases such plans had to be abandoned due to surprisingly low levels of interest (Bell 1992, Johnson 1997, Johnson and Iunius 1999, Scott and Renaghan 1991). For instance in East Germany, where the Treuhandanstalt agency was set up to restructure and privatise state-owned enterprises, privatisation of the Interhotel chain as a whole proved impossible. Further to the very low interest from West German groups as well as Treuhandanstalt's alleged desire not to sell Interhotel to West German partners, some hotels were purchased by Hilton and some by a Berlin-based real estate company which subsequently leased or sold them to third party hotel groups (Bell 1992, Lockwood 1993, Scott and Renaghan 1991). Meanwhile, in the former Czechoslovakia and Bulgaria, all hotels owned by Čedok and Balkantourist were disposed of separately, as a result of which both groups transformed into travel agencies (Bachvarov 1997, Bell 1992). The same happened to most hotels of the Soviet hotel group Intourist which after the disintegration of the Soviet Union found themselves outside Russian territory, i.e. in newly-independent former Soviet republics (Interview with a *Development Executive* from an Estonian hotel chain, June 2009).

More successful, although not exactly straightforward, was the privatisation of state-run hotel enterprises in Poland and Hungary. Thus in Poland, following the transformation of Orbis into a public company, the group was taken over by Accor (formerly S.I.E.H. Novotel – already a long-established franchisor for multiple Orbis hotels) who gradually accumulated over 50% of Orbis' shares (Błądek and Tulibacki 2003, Witkowski 2003, *www.orbis.pl*). In Hungary, in turn, the privatisation of the three state-run hotel chains was coordinated by the State Privatisation Agency (SPA) – a Hungarian counterpart of the East German Treuhandanstalt. Whereas the floatations of Danubius (taken over by a group of American investors) and Pannonia (acquired by Accor – again, an established partner of the group) proved entirely unproblematic, the privatisation of Hungar Hotels was dogged by many controversies. After a few bids placed by different Western firms were invalidated by the Hungarian Supreme Court either due to a low price or the lack of transparency in the process of sale, most of the Hungar hotels were sold individually, including Marriott's takeover of the Duna InterContinental. The rest were surprisingly acquired by the other Hungarian group – Danubius, who thus developed to become the biggest Hungarian chain (Bell 1992, Johnson 1997, Kovac 1997, 1999, Ratz 1995). As the above implies, not many formerly state-owned enterprises were sold as a whole and even fewer of them were acquired by international hotel companies as opposed to real-estate investors. A noteworthy exception was Accor whose acquisitions of Pannonia and Orbis determined the group's dominance in CEE for many years to come. Whilst this tendency could be partly explained by international hotel groups' shifting to non-equity forms of involvement (especially in risky environments such as CEE), the low interest in this mode of entry originated also from threats of corruption and from state-owned hotels being in a neglected condition (Johnson and Vanetti 2004).

Much in line with the collective pattern of expansion described above, so-called organic growth was also constrained by a number of impediments. The problems that prevented foreign entrepreneurs from investing ranged from economic and political to social. The long list of development constraints and threats to investors included the persisting low degree of political stability (including the war in the former Yugoslavia and the risk of political collapse and re-nationalisation of assets in some countries of CEE), economic uncertainty (unstable exchange rates, high unemployment, high inflation), bureaucracy and the high level of corruption, fiscal disorder, confusion over property rights, the poor condition of infrastructure, insufficient supplies of construction materials, undeveloped institutional infrastructure and huge labour skill shortages (Błądek and Tulibacki 2003, Healey 1994, Lockwood 1993, Scott and Renaghan 1991). Moreover, the fear of being sold out and exploited which permeated the societies of CEE and resulted in widespread suspicion and hostilities towards foreign investors (often cultivated by extreme political parties) hampered the growth even more (Franck 1990, Healey 1994). In turn, the lack of local capital and a business culture of risk-taking and wealth-ownership (Healy 1994, Lockwood 1993) constrained any local initiatives which may have been very important pull-factors for international hotel groups who by that time had largely abandoned direct investing to become much more dependent on external sources of funding. As Czinkota and Ronkainen (1994) and Paliwoda (1997) observed, the appropriate laws that permit the development of the private sector do not automatically create entrepreneurs. Finally, the low purchasing power of the CEE nations, resulting in the low level of local demand (Lockwood 1993, Smeral 1993), constituted an additional obstacle to international hotel groups who could not afford to rely on a still too small supply of foreign visitors.

Thus, instead of attracting more and more investors, the initial instability brought by post-communist transformations made them rather cautious and sceptical (Rotter 2002, Johnson and Iunius 1999). Indeed, the number of new international hotel developments in the CEE region in the early 1990s was even lower than in the 1980s. For instance in Poland, between 1989 and 1998 only six new international hotels were opened (five in Warsaw) whilst two existing hotels (Novotel in Sosnowiec and Holiday Inn in Krakow) even lost their franchise agreements due to not maintaining sufficient standards (Rotter 2002). With Prague being a newly re-discovered world-famous tourist destination, not much was taking place outside the "golden triangle" of Prague, Budapest and Warsaw (Bergsman 1995, Johnson and Iunius 1999, Lane 1996, Soltis 1994). By the mid-1990s the euphoria had long disappeared and it had become clear that if development were to materialise, it would happen over a longer time-frame than initially expected (Johnson and Vanetti 2004).

> "Initially there was a high level of excitement about Eastern and Central Europe following the change in 1989 and the 1990s. And then suddenly the realisation came that institutions are not there and property rights are not properly established and sources of financing are not there. In the early or mid-1990s you had to go to EBRD. Nobody else would do it."
> *(Development Executive 1, an international hotel group active in CEE, November 2008)*

Indeed, the need for the development of the hotel infrastructure in the CEE region was entirely acknowledged by the European Bank for Reconstruction and Development who expressed the serious concern that "the lack of modern hotels and commercial facilities is constraining the development of the private sector" (EBRD 1994: 27) in CEE. Owing to the fact that because of all the aforementioned constraints international hotel groups were not willing to expand, and that other firms who may have generated the necessary demand could not develop because of the shortage of hotels and other infrastructure, the situation in the mid-1990s could have reached a stalemate. Fortunately, it was also the time when the transition policies stimulating the growth eventually started to produce results and create international demand. Thus, at the end of the 1990s the CEE market started re-establishing itself as an area of opportunity for international hotel companies (Mather and Todd 2002, De La Cruz 1999). Starting with the Sheraton hotel in Warsaw in 1996, another Hilton in Budapest in 1997 and the Kempinski hotel in Prague in 1999, hotel development accelerated in the CEE region. As a *Development Executive 22* from an international hotel group that entered the CEE market in the late 1990s confirmed:

> "We're a global company, we want to be located in all major countries and all major destinations. We have global customers and our customer-base expects us to be in those locations. And we have our global promises to be in locations around the world. (…) These are markets that were under-serviced. They did not have a lot of quality products. We had customers which we knew wanted to go there and would have expected to find products such as ours."
> *(April 2009)*

The changes that soon followed were not limited solely to the increase in international arrivals. The gradual emergence of local entrepreneurs equipped with capital available for investment, numerous regional initiatives in CEE (such as special economic zones or tax holidays for investors) as well as the systematic elaboration and implementation of comprehensive tourism development plans and strategies at regional and national levels (Johnson and Iunius 1999, Johnson and Vanetti 2004) constituted at the turn of the 20th century further stimuli for the hotel sector development. Although it is difficult to infer that the onset of post-communist transformations was the reason for international hotel groups' expansion into the CEE region (especially given that the expansion had already started a few decades before transformations began), it undoubtedly helped to establish the framework in which relevant mechanisms could emerge to ensure the development observed in the contemporary period. The question thus remains whether the expansion of international hotel groups into CEE would have ever reached the current level had the re-orientation of the former Soviet bloc not occurred. The answer must be clearly no. Whereas it would have most probably continued, it would have been much more limited in its pace and scope.

> "I think it's fair to say that if the political transformation had not taken place you would still have had potential in the capital cities, then not even all capital cities, but you would

never have had potential in the cities outside the capital cities. But in so far the market has grown tremendously and I think Poland is a good example. We always wanted to have a hotel in Warsaw. Under the old system that probably would have been enough. Now we're looking at destinations with [a 5-star hotel] potential – we're looking at Krakow, we're looking at Wroclaw, we're looking at Gdansk and Lodz. Zakopane has a potential for [a 5-star resort] as well. Fair to say, there's probably another ten, eleven, twelve cities in Poland that have [a 4-star hotel] potential. It's Szczecin, it's Poznan, it's Katowice, it's Lublin. (…) Those cities would never ever have been considered under the old system."
(Development Executive 8, an international hotel group active in CEE, February 2009)

Apart from the transformation-related constraints derived from the inside, since the late 1990s the development of the hotel industry in CEE has been increasingly influenced by various outside factors that had an impact on the global hotel industry and the global economy. For instance, this included the terrorist attacks of 11th September 2001 which resulted in much smaller travel volumes being observed worldwide in subsequent years. The growing dependence on external factors was in fact a kind of reaffirmation of the increasing integration of CEE with the global economy – the integration which in May 2004 culminated in the accession of eight CEE states to the European Union (EU). The incorporation of some previously socialist countries into the European-wide economic organisation was not only a powerful stimulus for the further development of the hotel sector but was also a clear indicator of the transitions made by the accession states. As a *General Manager 5* from an international hotel in Tallinn commented on Estonia:

"If you are asking for a membership into a club, there are guidelines, there are rules that you have to meet. And therefore, if you want to join that group, you need to act and be closer to the values and priorities and the ways of doing things that this club has. So, clearly I think that Estonia has adapted their way of functioning in the judicial, governmental and private sector more in line with the EU. Personally, from a bureaucratic perspective, I don't find it much more frustrating than it is in France or in Canada."
(June 2009)

However, just like mechanisms permitting entrepreneurship do not automatically create entrepreneurs, the accession to the EU could not immediately erase the gap between the two formerly different regions. As a *Development Executive 10* from an international hotel group active in CEE observed:

"We cannot see the difference now only because a lot of these countries became a part of the European Community but I'm sure in 5 years we're going to see that difference. (…). There are still a lot of gaps, legal gaps, and legal instruments that are not in place properly." *(February 2009)*

Indeed, although a lot of work has been done, it is still too early to anticipate the end of post-communist transformations and that especially applies to those states that are still beyond the EU. The old problems still persist and it may take years, if not generations, until the heritage of communism becomes insignificant. The factors that relate back to communism and that impact on the development of international hotel groups in CEE 20 years after the end of the communist regime lie at the heart of the following section. Table 7.1 summarises the stages of the expansion of hotel groups into CEE.

Table 7.1 Stages of expansion of international hotel groups into CEE

YEARS	STAGE	MAIN CHARACTERISTICS	COUNTRIES/CITIES WITH NEW HOTELS
1960s – 1970s	**Initial penetration**	- Franchising only (InterContinental, Hilton, Holiday Inn, SIEH Novotel) - Some hotels built from foreign funds but no direct investments by hotel groups	Capitals and main cities in Yugoslavia, Hungary, Poland, Czechoslovakia and Bulgaria
1980s – 1989	**First signs of relaxation**	- Increased role of foreign capital - First hotels built beyond the control of state-owned enterprises - First joint-ventures and management agreements	Capitals and main cities mostly in Hungary and Poland, but also in Bulgaria
1989 – 1996/97	**Initial slowdown**	- Temporary decreased activity of foreign investors and operators - First direct investments by hotel groups - Privatisation of state-owned hotel chains	Mostly Prague, Warsaw and Budapest, acquisitions of Pannonia in Hungary and Orbis in Poland by Accor
1996/97 – 2004	**Gradual free-market development**	- Popularisation of management and franchise agreements across CEE - Increased direct investment from the West and the steady growth of local entrepreneurship - Increased number of international companies and brands	Mainly capital cities in most countries of CEE apart from Belarus, Moldova, Ukraine and some Balkan countries
2004 – 2008	**Development boom after the EU enlargement**	- Largely increased activity of foreign and local investors and numerous hotel operators and franchisors - Multitude of new hotel groups in CEE	Mostly capital cities but also secondary destinations across the whole region – mainly in the accession states
2008 – 2010	**Global stagnation**	- Global credit crunch resulting in numerous hotel projects being cancelled or put on hold due to the lack of funds and decreased tourist arrivals in CEE	Main cities and destinations where hotel projects started before the crisis
2010 - ?	**Gradual recovery (?)**	- Expected recovery of the hotel industry and reinstating many former projects	The whole region but mainly the biggest states in CEE

Source: Own elaboration on the basis of own research and Witkowski (2003)

7.4 Post-communist transformations and factors shaping the uneven expansion of international hotel groups

When in 1989 communism collapsed, most of the CEE countries faced the challenges of transition to capitalism. However, depending upon their varying cultural backgrounds as well as various contemporary influences and ideas, each country dealt with this task in a different way and followed a different path of development which, in turn, resulted in a heterogeneity of post-communist capitalisms (Swain and Hardy 1998). Simultaneously, post-communist transformations can be also understood as a diversity of factors which, depending on the social, economic and political context, have taken a different form in each country and have influenced the spatial expansion of international hotel groups in a different way and to a different degree.

> "A lot of these countries are very young democracies and it's not only the bad economic system but also the political system that is in transformation. (…) And not all of these countries are successful. (…) And there are issues of corruption and there are a lot of sorts of problems that are probably logical or at least sort of natural for countries that are transforming. And that makes it more difficult to do business there. (…) And when I speak about CEE countries as a market we must remember it's not a market, it's a lot of different markets with all their different particularities and different legislations."
> *(Development Executive 23, an international hotel group active in CEE, April 2009)*

The factors which shape the expansion of international hotel groups into the CEE region and which have been identified during the research process range from social, political and cultural to legal and economic. However, rather than analysing them according to their nature, it is more useful for analytical purposes to group them into five categories pertaining to different areas of hotel development – legal factors, interactions with local governments, availability of funding and local partners, availability of hotel employees and availability of suppliers. All of these categories are further discussed in detail in the following five sub-sections. Before the chapter turns to conclusions, a brief summary of this discussion is also presented at the end of this section.

7.4.1 Legal factors

It appeared in the 1990s that the implementation of appropriate mechanisms that were to underpin the political and economic transition to a form of capitalism was not enough to automatically introduce all the essential changes to formerly socialist legal systems and put all necessary procedures in place. Transforming the laws inherited from the socialist era and passing all pivotal legislations in order to create a sufficient legal environment for local and foreign entrepreneurs proved to be a process that even now, two decades later, has still not come to a conclusion. Therefore, legal problems have come to be the most important group of factors that hotel firms point to when talking about expansion into CEE. Although, due to the communist past, some generalisations about the whole region can be made, it must be also acknowledged that the development of the essential legal framework in each CEE country has been both path-dependent and path-shaping (Bradshaw and Stenning 2004, Hausner et al 1995, Smith 1997). Therefore, depending on the economic and political context, it has progressed in each state at a different pace and in a different direction and resulted in the current variety of legal systems in CEE being highly diversified both in terms of their nature and the level of development.

The broad spectrum of legal factors starts at the most general level. While in Estonia the national constitution and all main reforms were passed in 1992 (i.e. shortly after Estonia regained independence in 1991) to give a solid foundation for further development, in Poland the constitution and major post-communist reforms had to wait until the end of the 1990s. In turn, although Bulgaria was the first formerly communist country to pass a non-communist constitution, according to many observers it was predominantly based on former communist laws (Interview with a *General Manager 7* from an international hotel in Sofia, September 2009) and because it has since remained unchanged, multiple laws in Bulgaria are now old and inadequate.

The biggest source of legal obstacles for investors and expanding hotel groups who seek interesting plots for new hotels, however, has been the issue of re-privatisation and land ownership. Whereas in the former Czechoslovakia the restitution process was conducted relatively painlessly, in other countries no efficient re-privatisation ever took place and everything since has been assessed on a case-by-case basis. In contrast to Estonia who solved this problem through a quick re-privatisation reform passed in the early 1990s, a re-privatisation reform as such has never been passed in Poland and each individual has had to claim their rights in a lawsuit. As a result, it is still sometimes a challenge to get a clear title on land in Poland and the same applies to some Balkan countries. As a *Senior Executive* from a privatised formerly state-owned hotel company in Poland (May 2009) confirmed, there are still a few trials going on in court with regard to the land where the group possesses hotels. In contrast, although an appropriate re-privatisation reform was passed in Bulgaria in the 1990s, the restitution process did not escape from numerous cases of corruption and was full of semi-legal transactions. What makes getting a clear title in some countries even more complicated is the institution of "public ground lease" (i.e. perpetual usufruct). Hard to understand for foreign investors, this obsolete way of administering the land is still frequently used by municipalities in Poland, Ukraine and Russia instead of passing full ownership to investors.

The unregulated land ownership in some states makes it more difficult for authorities to elaborate detailed development plans – a necessary pre-condition for a building permit. This is particularly the case in Poland where such plans are still often in the making and investors have to wait until particular plots are covered. For instance in Częstochowa, as little as 10% of the city is covered by appropriate plans (Interview with a *Senior Official* from the Regional Development Department, Municipality of Częstochowa, May 2009). Furthermore, the situation in Poland is even more complicated because of the regional variations whose origin could be traced back to as long ago as the 19th century when the country was divided into three territories – Russian, Prussian and Austrian. Due to the fact that each of the occupants conducted a different land policy, when Poland re-gained independence in 1918 it found itself comprising three entirely different land structures. As the 20-year period until the World War II proved to be too short to eradicate all the discrepancies, which, in turn, were frozen under the communist system as a result of the state's confiscation of land, the problem re-emerged again after communism fell and the restitution process re-started. Thus, as Grabher and Stark (1998) pointed out, historical legacies are an important factor shaping the economic restructuring of CEE. Meanwhile in Bulgaria, owing to the persisting paucity of precise regulations, modern development plans hardly exist, which often results in a chaotic development. This especially pertains to hotels built close to the sea. As a *Senior Official* from the Bulgarian Tourist Chamber (September 2009) said, because of the violation of environmental regulations some of these hotels may even have to be demolished in the future. Finally, regarding the whole CEE, it is often the case that when such plans are eventually completed, they are seldom elaborated in accordance with standards that foreign investors might expect and that would deem different cities attractive potential markets.

Another legal aspect connected to land ownership that impacts hotel development is the varying attitude of the CEE countries to foreign ownership of land. Whereas due to the country's very liberal approach it is not a problem for foreign investors to purchase land in Estonia, in Poland it has always been a thorny issue and it is only because of the EU regulations that all limitations will be soon removed (Wójcikowski 2001, Wójcik 2002). Meanwhile, no foreign firm can own land in Bulgaria unless it is a joint venture with a local firm or has its headquarters in Bulgaria (*Bułgaria: niektórzy...*2009). As a *Senior Official* from the Development Department, Municipality of Varna, explained:

> "It's a political question, because it's a very critical and also very dangerous step to be done by the Bulgarian government. Throughout 1300 years of existence Bulgaria was not always Bulgaria. For more than 500 years it was a Turkish land and these aspirations by the Turkish government have not disappeared. It's just like Poland which for a long period was half Russian and half German. And I suppose, Poland would fight these aspirations away too. That's why it's a complicated issue."
> *(September 2009)*

A different set of legal factors that shape the expansion of hotel groups originates from the division of responsibilities between different levels of administration which in many states across CEE is still not clear and transparent. It is also this area where paramount differences between the three countries of focus can be clearly observed. For instance in Poland, where the local administration encompasses three layers (regions, districts and municipalities), hotel investors seek building permits at the level of districts. In contrast, in Estonia and Bulgaria only two layers are distinguished (regions and municipalities). Despite that, in Estonia where much more power is delegated to municipalities, building permits are given by municipalities, whereas in Bulgaria where the system is far more centralised, building permits need to be sought at the regional level.

The problems with getting a clear title on land, the lack of comprehensive and modern city development plans and lengthy and complicated administrative procedures deriving from the unclear division of responsibilities between different levels of administrations result in building permit applications in the CEE countries being much longer than hotel investors might expect. It is therefore not surprising that what is considered as the most typical heritage of the communist past and, concomitantly, is indicated as the biggest problem hampering hotel investments in CEE is simply bureaucracy. Although it mostly derives from the national legislation that in an unreformed shape has been imposed on local authorities without consultation, the inefficiency of administrative capacities does not originate only from complicated and unclear laws. As a *Hotel Industry Consultant 1* from an international consultant company active in Poland pointed out, bureaucracy is also characterised as a "mentality issue" and a "lack of will power to make these things actually happen". As the interviewee continued:

> "There's certain reasons why this is very difficult to break. We need to remember that an administrator sitting behind the desk and making 1500 PLN [app. £300] a month has absolutely no incentive, especially if you cannot corrupt him. Because in the old days it moved faster because you could put envelopes under the table and now I would say that's 98% gone. So there are absolutely no incentives for them to do anything rapidly, to make any decisions or sign anything that they could be fired for. So they sit at these desks unless somebody presses them and says: 'Hey, Mr Kowalski, where is this whatever file that has been with us for three years?'. Otherwise it's just hung."
> *(June 2009)*

Indeed, depending on the state, to get a building permit takes up to two years in Poland and Bulgaria and even up to four years in Russia. However, it must be acknowledged that despite bureaucracy being a very discouraging factor, hotel development projects are seldom deemed to fail solely because of bureaucratic hurdles as opposed to typical financial and economic factors. Moreover, as indicated in the quote above, corruption is also less and less of an issue in many CEE countries. As a *Senior Official* from the Economic Development Department, Municipality of Wroclaw, explained:

> "I don't think that this problem exists any more. Awareness, reliability and work ethics are already well developed. Today corruption is just a stereotype. I think that the sense of duty and respect for the place of work are now so highly developed that this kind of danger is already long gone."
> *(July 2009)*

It should be emphasised, however, that the legal factors described above mostly impact the development stage of hotel groups' expansion and not the stage of operations when the hotel is opened. Owing to the fact that international hotel groups very rarely invest themselves and prefer to operate or franchise existing hotels, it is other actors from their global production networks – notably hotel investors and consultant companies – whose shoulders these problems usually rest upon. It therefore clearly implies that although the level to which all the legal factors impact hotel development is massive, in what way they affect the expansion of hotel groups into CEE depends on the business format that a given hotel group prefers. Whereas groups who invest in real estate themselves need to overcome these obstacles in the same way as hotel investors do, hotel operators and franchisors who manage or franchise properties owned by other parties are involved in these processes only indirectly. Although due to their experience they can support hotel investors during the process of development with useful advice, in practice, when their role as an operator starts, the problems of a legal nature are usually already solved.

However, by no means does it imply that the operational stage is not affected by factors of a legal nature. Probably the most serious legal factor that influences the expansion of international hotel operators and franchisors into CEE is often a lack of appropriate laws that anticipate the existence of cross-border management and franchise agreements and which, alongside the fluctuating currency exchange rates, frequently result in problems with repatriation of fees. The list of legal factors affecting the operations of groups who manage hotels (but not necessarily franchisors who by nature of franchise contracts are rather distant from local issues) can also include a set of current local issues. Amongst them are conflicts over VAT from hotel services such as recently in the Baltic States, reciprocal relations with trade unions as in the case of the Polish Orbis, rules according to which visas are granted to visitors from outside the EU (especially from Russia – an important feeder market for multiple CEE states, including Estonia) and different safety issues, including problems with local mafias and cheating taxi drivers in some resort destinations (e.g. Sunny Beach in Bulgaria). Factors of this sort, however, are temporary in nature and therefore, rather than characterising the whole legal system of the country, they attest to the fact that the legal frameworks in CEE are still 'in the making'.

As a means of conclusion to the analysis of legal factors shaping the expansion of hotel groups into CEE, it should be stressed that although each country has been dealing with the communist legacies in a different way and at a different pace, the overall direction of change is very promising.

> "The general truth is that all the world economies have probably been through the same at some early stages of capitalism and our challenge here is that about 50 years we didn't have

real capitalism and we have to go through this again. And the fact that we were a socialist country is making it just more difficult. We are just some 50 years behind the West."

(General Manager, an internationally-branded hotel in Varna, September 2009)

Whereas EU regulations will eventually result in a higher degree of homogenisation and legal discrepancies between many CEE countries will diminish, it may be expected that the gaps between members and non-members of the EU will increase. However, even though the EU contributes to the transformation of CEE states in legal terms, different ways of doing business that both derive from the national legal systems and reflect local cultures shaped for hundreds of years and exposed to different influences before, during and after the communist system, are less likely to disappear. It would be naïve to expect similar business practices in three such different states as Estonia, Poland and Bulgaria. In stark contrast to Poland – a relatively big country who had always looked towards the West before communism came and continues to follow this orientation also after 1989, Estonia – a much smaller country and a former Soviet republic – had always been under a Scandinavian influence before communism and since the communist system collapsed has again become a Scandinavian playground dominated by Scandinavian corporations and banks. Meanwhile, Bulgaria can be characterised as a typical Balkan country full of cultural vestiges originating from the long period of Turkish dominance. Furthermore, different business practices in these countries also derive from market characteristics. Whereas Poland and Bulgaria are bigger countries and a higher degree of independence can be observed in any business sector, in Estonia the situation is different. As a *Senior Executive* from an Estonian local hotel group explained:

"This community is so small that everybody knows everybody in here. And if you're doing something you always have to take care of other people's interests as well. So I don't think that we have too much corruption that you have to pay for something to someone. Those days are over now. But you still have to always look around and you have to try not to insult other people. (…) You just have to talk to everybody and keep everybody happy. I mean it's like a small world, we all know each other."

(June 2009)

7.4.2 Interactions with local authorities

Interactions with local authorities are a factor that impacts upon the expansion of hotel groups into CEE in a slightly different way to legal factors. Whilst legal factors derive from existing regulations, relations with local authorities can be described as a human factor. On the one hand, they are reflective of the national and local legal framework in which the local authorities operate and which provide them with different mechanisms but also impose different constraints and therefore may be related to legal factors of a different kind. On the other hand, they also depend on local decision-makers' personal (political and cultural) attitudes, initiatives and motivations and on how progressive and liberal these administrations are. It is also for this reason that interactions between the two sides are in fact place-specific and although some generalisations at the CEE and the country level can be made, it is rather at the municipality level where case studies should be sought. Finally, similarly to legal factors, interactions between hotel groups and local authorities can also be divided into those that affect the development stage and those that influence the stage of operations.

In contrast to the 1990s when local authorities were sometimes in a position to commit their funds to hotel development (as it was the case with, for instance, the Hilton hotel in Sofia), the persisting lack of public funds across CEE nowadays makes it impossible for local governments to become hotel investors themselves. Therefore, at the heart of mutual interactions between international hotel groups and local administrations lies the creation of appropriate investment conditions for foreign businesses. These, in turn, can be understood in physical terms as the existence of public infrastructure such as airports and motorways that account for the city's accessibility, as well as in legal, institutional and economic terms as the local government's attitude towards foreign investments and various fiscal and economic stimuli created locally to encourage foreign firms to invest. The comparison of the modernised Tallinn with Narva – one of the biggest cities in Estonia where in terms of outlook and public infrastructure time seems to have stopped in the Soviet era, further supports the argument that the level of physical development of the city are important factors attracting hotel groups. Despite that, it is governments' activities that matter more for hotel groups and which are therefore discussed in more detail in this sub-section.

Although municipalities have to obey national legislation, by no means does it suggest that, depending on how much power is given to them, they have no legal instruments to help foreign investors. A notable example of such an instrument is the right to introduce various tax incentives. Whereas in Poland special economic zones are established (such as in Lodz) and different corporate tax holidays are granted in order to attract FDI, such a practice does not exist in Estonia where all investors are offered the same investment conditions regardless of their origin. However, in order to ensure more investments, it is re-invested profits that since the early 1990s are consistently free of tax for everyone in Estonia. In contrast in Bulgaria, where municipalities have far less power, tax incentives (except from the tourist tax), if any, are granted by the central administration. Moreover, the other two areas where local authorities can be of help to investors are the elaboration of investor-friendly city development strategies and the exchange of information about the market. While the former allows the investor to identify an interesting plot, which (especially with regard to the plethora of new business parks currently mushrooming in fast developing cities in CEE) is of major importance in anticipating where the potential demand might be in the near future, the latter allows them to build a hotel that fits both the market and the needs of the local community. As a *Development Executive 8* from an international hotel group active in CEE confirmed:

> "It's most certainly necessary [to speak to CEE local authorities] because a hotel is not like a normal residential house in a city. A hotel is an important part of the soul of the city, it plays an important role in the city, it changes the image and the view of the city (…). You cannot just build a hotel of whatever size, wherever you want in whatever style. It has to fit into the city, plans of the city and for that you need a support of the political lobby. (…) So yes, it's eminently important, it is something that we seek. We want to talk to these people because it's absolutely necessary. There's no way round it and there shouldn't be."
> *(February 2009)*

Most importantly, however, because of far-reaching language barriers between foreign investors and local authorities, as well as numerous laws that frequently remain unclear to foreign entrepreneurs, it is now common for local authorities in the region to provide organised help to foreign investors. Such assistance normally takes the form of special departments established at municipalities to offer foreign firms thorough administrative support and guide them through the bureaucracy.

> "There is a special team in our department who guide investors through all the procedures almost by the hand. This means that when they come to us for the first time and say what they want to do, we suggest a location and advise on everything else. When the investment is going on we also represent them in all the other departments and also explain what is expected of them at different stages. If there are any bureaucratic delays or if the investor is

short of time, we organise meetings with heads of other departments involved and agree the line of action or we just give them a ring and say 'Look, this is quite important for the city, could you deal with it in a couple of days rather than a few weeks?'."
(Senior Official, Regional Development Department, Municipality of Częstochowa, May 2010)

However, what is also typical for local authorities in CEE – excluding rare cases where foreign companies are not necessarily welcome – is frequently a lack of knowledge on hotel development and discrepancies between what local governments expect and what hotel groups can offer. As a *Hotel Industry Consultant* from an international consultant company in Bulgaria (October 2009) observed, the governments are often not educated enough to help the industry because they lack a vision and do not see the necessity of cooperation. Moreover, the intentions of hotel investors and international operators do not always overlap with what is anticipated in city development strategies if such things exist. Whereas it is obvious that in order to enhance the city's prestige, ambitious local governments have a strong preference for luxury hotels (ideally with big conference and spa facilities and under the most famous brands), apart from a few capital cities in the region (see Chapter 6) it seldom makes economic sense for hotel investors to invest in such facilities in CEE in the current economic situation. Finally, although the need for foreign participation has been broadly recognised across the region, the general attitudes of local authorities are still often considered by the hotel sector representatives as being far from appropriate. That, in turn, relates to the "mentality issue" mentioned above. As a *Hotel Industry Consultant 1* from a consultant firm in Poland critically commented:

"When you come to a window with a set of files and you're filing for a building permit which is going to engage a company that has Polish labourers, that has Polish constructors, you're going to pay taxes, you're going to be selling something to pay taxes again, you're going probably to employ other people, they just don't feel this through. You come to the window, they grab this thing, they won't even say 'thank you'. And they should be saying 'Thank you for coming today and giving me something to work on because I know that's a progress for our country, it's jobs, it's all of that. And by the way, you're making me proud of the fact that you're developing our country and that I have a mission like this'. You don't have that. They just get it, file it, see you later. (…) What the politicians should do is actually grease that wheel, put more oil so it spins easier. Over here no, they actually throw little rocks so it grinds."
(June 2009)

The cooperation between the two sides is also essential at the operational stage, once the hotel is opened. Given that hotels play an important role in the city's social life (Mather and Todd 2002), the interest of the city in accessibility, tourism traffic and a multiplicity of local business, cultural and political events is entirely convergent with the interests of hotels. Meanwhile, the lack of mutual understanding, not to say a kind of distrust, often has an impact on this relationship. As a *Senior Manager* from an international hotel in a tourist city in Poland observed:

> "The whole tourism sector in the city hopes for the local authorities' increased involvement in promoting our city. We expect more undertakings and more enhanced efforts. We want the promotion to be more diversified and targeted to wider audiences. We want [the city] to be promoted also on its own, not only through nation-wide campaigns. We do not want to lose cultural events to other Polish cities any more. We do not expect any economic stimuli, but simply enhanced activities in the area of marketing and promotion."
> *(June 2009)*

In response, a *Senior Official* from the City Promotion Department at that municipality commented:

> "Maybe they want us to pay them…? We are responsible for the tourist promotion in general, not the promotion of one group of entrepreneurs. We have public funds and these must be distributed in a wise way. It's not only hoteliers who live from tourism."
> *(June 2009)*

These divergent views on city promotion are fortunately not ever-present in the whole region. Although much still needs to be done on this matter, some more advanced forms of cooperation, including joint problem-solving, promotion in the form of seminars, TV advertisements and familiarisation trips and joint promotion at various tourism fairs are more frequent in CEE. A good example can be Tallinn where, as a result of a decreasing number of flights to Tallinn Airport which recently had a profound influence upon hotel occupancies across the city, a special meeting was called and attended by hoteliers, the airport management, representatives of the local government and other people involved in the hotel and tourism industry. As similar practices are also observed in other cities in CEE, it clearly demonstrates that cooperation between the two sides is gradually being taken to a higher level and foreign hotel groups' expertise is more and more appreciated in elaborating tourism regulations in CEE.

As in the case of legal factors, the degree to which interactions with local governments influence the expansion of hotel groups depends on the business format selected and the stage at which the group enters the project. Whilst problems typical for the operational stage are faced almost entirely by hotel operators or, in the case of sales and marketing, also partly by franchisors and hotel consortia, obstacles at the development stage have to be overcome by hotel investors, developers and owners (including those hotel groups that invest themselves). Indeed, relations between hotel operators and local authorities are traditionally mediated at the development stage either by investors or by consultant companies who on behalf of investors not only look for an operator or a franchisor but also conduct due diligence and feasibility studies which touch upon legal, political and social conditions for investing on the one hand, and local governments' attitude towards foreign firms on the other. Despite that, some hotel groups who usually act as operators or franchisors often prefer to build their relationships with local governments directly. This is especially the case in CEE where local government's knowledge of international business practices is still relatively undeveloped and building an appropriate relation often requires an extra effort.

7.4.3 Sources of funding and availability of local partners

Given that international hotel groups act predominantly as hotel operators or franchisors and seldom own hotel real estate directly, their corporate growth largely depends upon availability of other actors such as investors and consultant companies. Simultaneously, due to the fact that hotels do not function in a vacuum but are hugely dependent on their cooperation not only with local authorities, as described above, but also with different institutions governing the tourism sector, their success at the operational stage can also depend on what partners they have in a given country or region. This, in turn, logically implies that the level to which the availability of local partners affects the expansion of hotel groups hinges mainly on the business model preferred, i.e. how many stages of the development process hotel groups cover themselves (groups who invest directly versus hotel operators) and what level of involvement in the hotel's operations they prefer once the hotel is opened (hotel operators versus franchisors and consortia).

Starting with the pivotal aspect of funding, it is not surprising that due to the economic situation in CEE over the last 20 years, further exacerbated by external factors such as the financial crisis of 2009, sources of funding for hotel projects in CEE have always been difficult to find. In stark contrast to the 1990s, when alongside Austrian banks the main institutions funding hotel developments were the EBRD and the World Bank (Bell 1992), since the late 1990s funding has been solely dependent on commercial lenders. Initially, however, local banks were not developed enough and Western banks were not willing to invest in markets of low stability and lend to local investors whose reliability could not be verified. For the same reasons, foreign developers were either cautious or not interested in CEE due to the lack of local knowledge of the market. Therefore it was not until the early 2000s (especially until some of the CEE countries joined the EU) that the availability of funding started improving. Still, however, it is foreign banks that are prevalent in the region, with Poland, Bulgaria, and especially Estonia where the market is almost entirely dominated by Scandinavian banks, being very good examples.

The availability of lenders, in turn, is closely connected to the availability of investors. While at first sight it might look more logical for international hotel groups to partner up with Western investors with whom they might have already worked and who may be considered more credible to foreign banks, it is local developers whose local knowledge proves to be the key. As local developers can be characterised by a very high degree of territorial (and societal) embeddedness (Henderson et al 2002, Hess 2004), i.e. they are familiar with local laws and ways of doing business, have all necessary connections and can therefore lead the way through the bureaucracy, their availability is a critical factor for hotel groups expanding into CEE, even if building mutual trust appears to be a time-consuming process. That local knowledge is a decisive factor is shown by those foreign developers who have been successful in CEE only because they have been active in the region for years. Indeed, through a gradual penetration of CEE since before 1989 and involvement in privatisation processes in the 1990s, some foreign firms have managed to gain extensive knowledge of the CEE market and thus embed themselves in the local context. This relatively short list includes the Austrian company Warimpex – one of the strongest developers in Hungary, the Czech Republic, Slovakia and Poland, and two Norwegian developers – Caiano and Linstow, who have successfully partnered up with local operators – Qubus in Poland and Reval in the Baltic States, respectively.

However, although the market is now abundant in local developers, for further reasons it is still not easy to find a reliable partner locally and to build successful collaboration. First of all, not all real estate developers decide to enter the hotel market. Given that, in contrast to hotels where no pre-sale is possible, it is easier to get financing for office or residential developments which can generate revenue before they are finished, the hotel industry is considered more risky and many developers prefer to focus on other kinds of activities. Secondly, the potential contribution of hotel franchisors and operators to the success of the hotel is still widely unrecognised by CEE developers who frequently treat foreign operators with a degree of reluctance, not to say suspicion. Poland offers a good example:

> "The truth is that for a Polish hotel owner it is very difficult to accept terms and conditions of a standard management agreement. (…) In our mentality the level of risk is still too high. Operators expect that the hotel is built according to their standards and then passed entirely under their management. Thus, the owner's influence on how the property is operated and maintained is almost non-existent, whereas all kind of risk, including that connected to employing staff, is usually transferred onto the owner."
> *(Senior Executive, a Polish hotel development company, June 2009)*

Despite this, the overall situation in Poland steadily improves. The economic growth of CEE results in the development of entrepreneurship and a better understanding of how the modern international hotel industry works. As a *Development Executive 3* from an international hotel group active in Poland observed:

> "In the past 6-7 years, the economic development of some of these emergent markets, in particular Poland, has been very exciting. (…) [It's due to this] fantastic entrepreneurial spirit existing in Poland, which, I guess, is a lot coming from this Diaspora and of course their pouring back to Poland as we speak, and bringing with them new ideas, in particular things like they're open to discussions on franchising. And they're a lot more aligned to Western brands. They've seen the success of them and a lot of this is being now imported back into Poland today."
> *(December 2008)*

A similar problem as in Poland, but to a higher level, can be also observed in Bulgaria. As a *Hotel Industry Consultant 6* from an international consultant firm also explained:

> "I mean the people [in Bulgaria] are yet to feel European. (…) In business terms things are done the local way mainly. We are yet to see full integration – mental and business integration. The previous generation that is pretty much dominating the business arena, has seen the other side, what was done before and how it was done before and they control the

situation and they control the business. Developers have been there for ages so they're not just going to change overnight. That requires a few years to go by until the new generation has different perspectives and ideas on how business is done. Obviously, the fact that international businesses are moving in helps the country progress in that sense."
(October 2009)

In contrast, the situation in Estonia is two-fold. On the one hand, due to the impressive level of entrepreneurship developed in the country the availability of local developers in terms of numbers is not a problem. On the other, however, owing to the market situation local hotel developers are not sufficiently trusted by banks, who in order to secure fixed instalments on their loans tend to require hotel owners to sign rental agreements and not the management agreements that are preferred by international operators. Because hotel groups are usually not willing to commit in the unstable environment of the CEE region, this, in turn, further discourages them from entering the country.

Given that local developers in CEE often overestimate their professional knowledge and still often do not see the necessity of adopting an international brand, it is not surprising that the region is relatively weakly covered by consultant companies. As hotel industry experts, normally employed by developers to do market research and feasibility studies, advise on hotel projects and find operators or franchisors for new properties, consultant companies are automatically important strategic partners for international hotel groups. Meanwhile, apart from a few representatives in Moscow, most of them, including HVS, Jones Lang Lasalle and PKF, serve the CEE region from their European offices based in London or Vienna. The noteworthy exception is Horwath who possesses a network of six offices across CEE. Although other consultant firms such as Cushman & Wakefield, Colliers and NAI Global are largely active in the CEE region, only a proportion of their offices in CEE (but no single office in Estonia and Bulgaria) offer consulting services in the area of hotel development, the rest focusing mainly on retail, office and residential developments. Thus only Colliers, Cushman & Wakefield and Horwath representatives in Poland (out of the three focus countries) specialise in the hotel industry. Meanwhile, the hotel sector in Estonia and Bulgaria is served either directly from central offices or, as in the case of NAI Global who serves Estonia through its office in Riga (NAI Baltics) or Horwath who covers Bulgaria from its branch in Zagreb, from other regional offices. Because of the fact that consultant companies constitute important avenues of entry for international hotel groups whose expansion largely hinges upon which hotel projects are recommended to them by consultants, the low demand for consulting services amongst local hotel owners in CEE is an important factor constraining the expansion of hotel operators and franchisors into CEE.

Finally, an important group of partners that international hotel groups look to cooperate with at the operational stage are tourist chambers and other NGOs (non-governmental organisations) connected to tourism and the hotel industry such as convention bureaux. As such institutions' responsibilities revolve around promotion and marketing activities, elaborating educational programmes in the area of tourism, providing information for expanding companies, analysing the market and proposing new legislation, their role is complementary to that of local governments with which they constitute the institutional context for hotel groups and account for the pivotal element of the local business system (Whitley 1999). This kind of infrastructure in CEE is still often in its infancy. Although there are examples of successful institutions who play a leading role in developing and promoting different regions or states such as the Convention Bureau Wroclaw in Poland or the nation-wide Enterprise Estonia, in many countries and cities such institutions are either not established or are not developed and experienced enough to provide necessary help to international companies.

For instance, significant differences can be observed between the three focus countries. In Poland tourism and the hotel industry are consistently marketed by the Polish Tourist Organisation who has a number of regional and local branches. Through its subsidiary, the Convention Bureau of Poland whose central role is to oversee all local convention bureaux, the institution focuses upon promoting business tourism to Poland. However, because different convention bureaux have different statuses (some function as NGOs such as the one in Wroclaw and some as departments of local administrations such as the one in Warsaw), their responsibilities and sources of funding vary, which makes it difficult to coordinate their activities. The tourism institutional framework in Estonia is much better organised. Tourism is marketed by the Estonian Tourism Board which is a subsidiary of Enterprise Estonia – the national organisation that promotes business and regional development in the country and collaborates with various NGOs, including the Estonian Hotel and Restaurant Association. In Bulgaria, the industry is overseen by the Bulgarian Tourist Board who cooperates with the Bulgarian Tourist Chamber and a vast number of other institutions such as the Bulgarian Hotel and Restaurant Association, without as clear a structure as in the case of Poland and Estonia. Despite the fact that Bulgaria has a long tradition of tourism which dates back to the 1950s, especially in Black Sea resorts, the country does not have a national marketing strategy in tourism, it does not possess a tourism master plan and no destination management structure has so far been developed (Interview with a *Hotel Industry Consultant 10* from an international consultant company present in Bulgaria, October 2009). This, in turn, links back to the inadequate legal framework. As a *Senior Official* from the Bulgarian Tourist Chamber (September 2009) indicated, the tourism law has not been changed in Bulgaria since the early 1990s.

Although the existence of such institutions is not a factor that may influence the process of expansion as such, it definitely has an impact on the operations of international hotel groups in a given country and their involvement in local issues after entry. Therefore, in places where such institutions are poorly developed, different initiatives, designed to imitate the missing infrastructure are organised directly by international hotel groups themselves. The most noteworthy example is the Warsaw Destination Alliance (WDA) established by representatives of a few upscale, mostly internationally-branded, hotels in Warsaw in order to promote the Polish capital as a business and tourist destination.

> "[We] founded the Warsaw Destination Alliance because we saw that there was a distinct lack of care for the image and the promotion of the city. There was none. Seven years ago we were the first ones who sold the destination in CNN and BBC worldwide. In fact everybody was absolutely astonished that we took a city that everybody considered grey, ugly, (…) with everybody upset in the streets, and we showed it to the world and we actually financed ourselves (…). But the point is that we started that and now everybody imitates us which is quite nice and that's exactly what we want. It was founded in February 2003. [I]n 2003 we had fifteen years after the [communist] system. [T]hese people didn't know what to do."
> *(Senior Official, WDA, June 2009)*

Although at first sight WDA and the City Promotion Department at the Municipality of Warsaw (including the Warsaw Convention Bureau) seem as if they are competitors, it should be acknowledged that their objectives are convergent and therefore they tend to closely cooperate with each other (Interview with a *Senior Official* from the Warsaw Convention Bureau, July 2009).

7.4.4 Availability and skills of employees

Availability of qualified, committed and skilful hotel employees is a common factor that shapes the development of hotel groups not only in CEE but all over the world. In CEE, however, this factor has a few peculiar dimensions. Although it is mainly an operational problem that rests on the shoulders of hotel operators rather than investors, hotel owners or franchisors who normally do not get involved in operational issues, it does not mean that it only applies to the operational stage and that other actors from international hotel groups' production networks are not affected if any problems arise.

Indeed, owing to the shortage of local experts with sufficient professional knowledge of the hotel development process, the availability of staff may have an influence also at the development stage. Despite the fact that the level of entrepreneurship in the CEE region is improving and the experience of local people is increasing, there is still a shortage of experts who can help expanding hotel groups to oversee new developments. In order to ensure the high quality of the hotel and to finish the development process on time to start generating revenue as soon as possible (which is crucial not only for operators but also for investors) such help is absolutely necessary. It is therefore consultant firms who currently fill this gap until the overall situation improves.

> "A lot of general managers that we've seen, have been GM's [general managers] for 4-5 years in Poland. They need another 4-5 years maybe, and then they can come out of the operational aspect of the business and come to work for us or other ones and have a chance of success absolutely. One of the reasons why we do what we do and how we do it and why banks trust what we do is because we've been combined 75-80 years in this business and we know the business from the operating point of view and from the development point of view."
>
> *(Hotel Industry Consultant 1, an international consultant firm active in Poland, June 2009)*

The availability of skilful staff may surface as an obstacle as early as the recruitment and pre-opening stage and, going from the top to the bottom of the ladder, it starts from general managers. Despite the fact that relying upon expatriates is a costly solution, the small amount of experience found in CEE often prevents expanding hotel groups from building a sufficient level of trust to delegate the responsibilities of running their hotels to local managers right from the beginning. Exactly the same applies to other managers, especially those responsible for marketing and sales – one of the most pivotal areas of operations. However, as the market is developing, more and more local people are now taking over managerial positions in international hotels. As a *Development Executive 14* from an international hotel group active in CEE explained:

> "When you start a new hotel [in CEE], you need to bring a certain contingent of expatriates to start the business because there is a lack of hotel schools or qualified hotel schools and a lack of knowledge of very high skill services. So you bring trainers over there and the trainers stay six months. You bring expatriates in key positions in order to exchange them to locals within a year. So that's really the strategy we do."
> *(March 2009)*

Thus, for instance, in one of the internationally-branded hotels in Moscow there were 48 expatriates when the hotel opened, whereas now there are only three (Interview with a *Development Executive 11* from an international hotel group present in CEE, February 2009). It should be acknowledged, however, that the practice of bringing expatriates to General Manager positions at newly-opened hotels is not typical only for CEE. In the international hotel sector (and especially in the upscale and luxury segment) it is in fact a common practice whose aim is to ensure an exchange of experiences and an access to a variety of local knowledges that might prove helpful in further openings elsewhere. Due to the lack of experienced managers in the CEE region, however, such a policy in the contemporary context in CEE is often a must.

Whilst the shortage of development experts and general managers can be overcome by employing consultant firms and designating expatriates, the paucity of non-management staff, both in terms of numbers and skills, is frequently a much more serious obstacle. In contrast to the 1990s when to work for an international hotel in CEE was accompanied by social prestige (such as in the cases of the Victoria InterContinental and the Marriott Hotel in Warsaw), the current perception of the hotel industry as a career path is very different. As apart from managerial positions the hotel industry usually offers low paid jobs that do not require higher education or advanced skills that could not be acquired at the hotel, working in the hotel industry in CEE is increasingly seen more as a temporary means (for instance for students or seasonal workers) and very rarely as an end in itself. The hotel staff's post-communist burden, combined with what is referred to by industry experts as the "mentality issue" is also a serious problem. Indeed, in the socialist system no attention was paid to the service sector and there was no service culture and typical customer service relations (Johnson and Vanetti 2004, see also Anastassova and Purcell 1995 and Lucas et al 2009 for the example of the Bulgarian hotel sector). Even though the older generation is now steadily leaving the scene, all these issues still surface from time to time in the attitude of young staff. Problems with maintaining eye contact with clients, smiling, being polite, not to mention a positive attitude, sound trivial, but it is these elements that determine the amount of organic work required from hotel groups to be put into day-to-day training.

> "I don't think the customer service is their natural trait as it may be in some other places. It's probably more unnatural and that would be because of the communist environment. But it just requires training. The staff here is in 97% Czech and we've no issues with service. We find the staff extremely receptive of training – they're picking up very quickly. So it's just a matter of training. Most businesses are making it more of a focus and you see it changing. 20 years, compared to other cities that have a high concentration of hospitality type businesses, is not a long time. (…) But you can definitely see it's somewhat of an evolution because these entrepreneurs or these businesses within the city know that in order to be successful they have to make sure that their employees are trained to be successful in services."
> *(General Manager, a luxury internationally-branded hotel in Prague, July 2009)*

The fact that, in contrast to the Far East, CEE is not considered as particularly strong in hospitality is further strengthened by the lack of professional, high-quality schools such as École Hôtelière de Lausanne in Switzerland. As those schools that exist are not able to produce graduates of standards required by the international hotel sector, it is another gap that has to be filled by expanding hotel groups. The overall high level of education in CEE is not in a position to compensate for the lack of vocational training which in the contemporary hotel industry is deemed more important than theoretical knowledge.

While the availability of hotel development experts and experienced general managers depends more on the level of development of different markets (and therefore it is less of an issue in more developed countries such as the accession countries but constitutes a serious impediment in less developed states), the availability of ground floor employees and how skilful they are is more reflective of different social and cultural backgrounds and contemporary economic circumstances and has therefore wide national and regional variations. For instance, due to the huge unemployment, and despite the massive exodus of Polish workers to Western Europe observed after the EU enlargement, availability of staff in terms of numbers has never been a major problem in Poland. Meanwhile, further to its accession to the EU in 2004 and the subsequent development of the hotel industry, the shortage of hotel staff was a serious problem in Estonia. The level it reached was so high that the opening of one of the internationally-branded hotels in Tallinn in 2007 had to be delayed a couple of months because of a lack of people to work there. The same problem can be currently observed in the Bulgarian resorts of Sunny Beach and Golden Sands. In stark contrast to Sofia, where due to the rising unemployment the situation is different, it is getting now more difficult to find enough staff on the Bulgarian coast.

Most importantly, however, far-reaching differences can be observed in terms of level of service. Thus, for example, in Poland and Estonia, where hotel staff are considered as very ambitious and more and more free market orientated, the post-communist burden is gradually disappearing. It is especially the case in Estonia which despite being a Soviet republic until 1991 has always been under a Scandinavian (and predominantly Finnish) influence. Meanwhile in Bulgaria, the majority of problems described above still largely apply and affect the overall perception of the country, with the seaside resort of Sunny Beach being a notable example.

It must be acknowledged, however, that although some gaps between different countries still persist, the overall situation in terms of availability of skilled employees is steadily improving in the region. The growing political and economic integration with the world has recently brought possibilities for young people from CEE to travel, work and study abroad and has inevitably had a positive influence on the experience they gain, the work ethics they adopt and the standards they import back to their countries. Multiple training programmes, normally organised by tourist chambers and funded by the EU, are also a remarkable contribution to the development of young hotel cadres in CEE.

7.4.5 Availability of suppliers, products and services

It is not surprising that, further to the incorporation of CEE into the global economy, the availability of trustworthy suppliers and high-quality products and services in the region is less and less of an issue and is the least important factor determining the expansion of international hotel groups into the region. Even though it mainly affects the operational stage when products and services to run the hotel have to be obtained on a daily basis, shortages of construction materials, furniture or different pieces of equipment can also affect the development stage. Therefore, the level to which the availability of suppliers, products and services impacts the expansion again depends on the business model i.e. to what extent hotel groups are involved in the development stage and whether they build and own hotels themselves. As cooperation with suppliers once the hotel is opened is a typical operational issue, similarly to the factors discussed above, it does not concern franchisors and hotel consortia at all.

With regard to what products are available in CEE to hotel groups, it entirely depends on the market. Generally, international hotel groups' policy towards suppliers of various products revolves around the same rule as in the case of employees, i.e. "everything that cannot be purchased locally needs to be brought from abroad", and that applies both to what is available and at what price. Because local products in CEE (especially food and beverage items that naturally prevail at the operational stage) are usually cheaper, easier to get and are also essential for hotel groups to reflect local flavours of a given country, international hotel groups strongly prefer to purchase locally everything that is possible. Due to the fact that, just like retail TNCs, hotel groups are "intimately intertwined with the local supply base and the necessary logistics infrastructure (…) to access suppliers" (Wrigley et al 2005: 441), international hotel groups (especially hotel operators), can be described as having a necessarily very high level of territorial embeddedness.

However, enormous gaps in terms of availability of different products can be observed between the countries that are members of the EU on the one hand, and less developed markets such as Belarus, Moldova, Ukraine or some distant parts of Russia on the other. Whereas, with the exception of a very few items such as sophisticated interior elements, different kinds of sea food or precious brands of spirits that are not commonly available, almost everything in the EU part of CEE can be obtained locally, numerous products in different less developed markets need to be imported from elsewhere. Therefore, it must be recognised that apart from single products in some single markets, the availability of suppliers and the quality of products and services in most of CEE are not an obstacle for expanding hotel operators – even though their requirements, particularly in the upscale market, are usually very high. Given that it has not always been the case after 1989, the huge progress made in the last two decades also needs to be acknowledged.

> "I still remember when in the early 1990s I worked in [an internationally-branded hotel] in Szczecin, many different products were imported to Poland in big containers. Then when

> the hotel was opened, during the operational stage of the business we had to bring many items from Berlin. Fortunately, there was a motorway we could use and it was only a 1.5-hour drive across the border so it wasn't too difficult. You won't believe but it happened very often that our chef had to drive his own car to Berlin to get something from a vegetable or meat market and bring it to Poland in a cab. Now we don't have to do that. Everything is available here and now. Everything is of high quality and some Polish products are even better than those imported from abroad."
> *(General Manager 25, an internationally-branded hotel in Wroclaw, August 2009)*

Thus, as a result of the ongoing economic development, competition in the market has increased and the choice of suppliers has significantly widened. Not only has it helped to eliminate unreliable firms that mushroomed in the early 1990s to take advantage of the unstable situation, but it has also pressured suppliers to extend the range of services. Many smaller suppliers have also been absorbed by larger, often international firms, through which they have employed modern ways of doing things such as just-in-time deliveries (JIT) or different methods of payment. None of these are now a problem in a major part of CEE. Also, it should not be underestimated that the biggest stimuli to the market development in some CEE countries have been provided by the EU. Apart from opening borders and removing custom barriers through which the accession to the EU increased availability of various products, fostered free-market competition and secured the exchange of experiences, the EU has also imposed strict specifications, thus further ensuring the high quality of available products.

There is, however, a noteworthy exception to the rule of high territorial embeddedness of hotel operators. With regard to the price at which products are available, whenever it is possible and makes economic sense, hotel groups quit local deliveries and search for economies of scale at the supranational level. As most international hotel operators have an extensive portfolio of hotels across the world, in order to provide the same standards in each hotel they tend to centralise deliveries and search for better deals through chain contracts and procurement programmes, signed predominantly with suppliers of world famous branded products such as Danone, Coca-Cola and Nescafe. Still, however, it is their local representatives, if there are any, who supply these products to hotels. A very similar, highly centralised pattern can also be observed in the case of items with a hotel logo such as towels, notepads, pens, bathrobes and everything else that is traditionally standardised in branded hotels. In order to maintain uniformity, each hotel in a region is supplied from the same factory with which the hotel group has an agreement. Thus, it is network embeddedness of hotel groups that often takes hold at the expense of territorial embeddedness (Henderson et al 2002, Hess 2004, Wrigley et al 2005). The availability and price of various goods in the local market is therefore only a minor factor that may have an impact on the expansion of international hotel groups into CEE.

The same cannot be said about the availability of service suppliers which, in contrast to goods and services, is much narrower in the region. The problems start as early as at the development stage when a scarcity of construction companies with sufficient experience in building highly standardised hotels is sometimes a hindrance, even in some accession countries, and continues through to the operational stage when outsourcing of different services such as housekeeping, security and laundry is often not possible. Whilst in the Western hotel industry all services of this kind are usually outsourced, such practice is still far from common in CEE and many hotels either have to or simply prefer to rely on services produced internally. Just like in the case of suppliers of goods, the further to the East, the lower the availability and quality of suppliers of services is.

Apart from the aforementioned gap between members of the EU and the other states of CEE, few discrepancies in terms of availability of products and services can be found in CEE between countries and regions and the examples of Poland, Estonia and Bulgaria further attest to this statement. Only in a few cases such as beef in Bulgaria or Polish fish does the quality of local products not match the standards required by international hotel operators. Minor problems with JIT are also encountered in Bulgaria. Therefore, rather than from the availability itself, problems can derive more from market features. For example in bigger countries such as Poland and Romania it is more difficult to find nation-wide suppliers who are able to supply the same products to all hotels of a given group across the country. In contrast, in smaller markets such as Estonia it is impossible to negotiate better prices and seek economies of scale at the national level.

7.4.6 Synthesis

In order to conclude the analysis of factors that influence the expansion of international hotel groups into the CEE region and that have been examined in sections 7.4.1-7.4.5, it is necessary to recognise that, although they can be grouped into more or less separate categories, they are inevitably interlinked and hugely interdependent. Thus, for instance, the level of bureaucratic complications may depend on the attitude of local governments and the kind of interactions that hotel groups can develop with them. By the same token, how smoothly the development process can go in bureaucratic terms hinges upon skills, knowledge and connections of hotel groups' local partners. In each case, however, the degree to which each combination of factors affects the expansion clearly depends upon the business model selected by a given group. Whereas groups who invest in real estate need to overcome the whole range of problems themselves, the spectrum of factors that influence the activities of hotel operators, franchisors and consortia is much narrower. Although the same problems exist, it is other actors from within their global production networks that normally face them. Table 7.2 summarises all factors that, according to business models, affect the development of the international hotel industry in CEE.

Most importantly, as the examples of Poland, Estonia and Bulgaria have illustrated, in different countries different factors impact the expansion of hotel groups in a different way and to a varying degree. Although some generalisations about the whole region can be easily made, the complicated mosaic of different post-communist capitalisms (Swain and Hardy 1998) observed in CEE has to be acknowledged and various trajectories of post-communist transformations need to be recognised (Hausner et al 1995, Smith 1997, Sokol 2001). However, as the discussion has also shown, different types of communist heritage and the various ways of dealing with it have not been the only factors shaping this economic, political, cultural and institutional diversity across CEE. Given that post-communist transformations are path-dependent processes (Hausner et al 1995, Smith 1997), it has to be acknowledged that the CEE region was not a blank page before the communist system came and vestiges of the pre-communist era, as well as various fears and concerns that derive from them, still inform current directions of growth. Therefore, in order to fully understand the way in which the emerging diversity of post-communist business systems (Whitley 1999) influences the expansion of international hotel groups into CEE, one has to reach beyond the communist legacies and look at post-communist transformations as a set of processes that are dependent on local societies' place-specific imaginations and historical experiences (Bradshaw and Stenning 2004 and Grabher and Stark 1998). Table 7.3 provides a summary of factors shaping the expansion with regard to the three countries of focus.

Table 7.2 Factors shaping the expansion of international hotel groups into CEE according to business models

CATEGORIES OF FACTORS	BUSINESS MODELS		
	Hotel developers and owners	**Hotel operators**	**Franchisors and hotel consortia**
Legal factors (Section 7.4.1)	- Inadequate law - Re-privatisation and obtaining a clear title on land - Shortage of city development plans - Different competences of various levels of administration - Bureaucracy - Corruption	- Bureaucracy - Corruption - Repatriation of fees - Conflicts over VAT - Relations with trade unions - Visa regulations for visitors from outside the EU - Local mafias and general safety	- Repatriation of fees - Visa regulations for visitors from outside the EU
Interactions with local authorities (Section 7.4.2)	- Under-invested local infrastructure and poor city accessibility - Shortage of help and incentives for foreign companies - Shortage of knowledge, qualifications and positive attitudes possessed by local authorities	- Under-invested local infrastructure and poor city accessibility - Shortage of knowledge, qualifications and positive attitudes possessed by local authorities - Shortage of city tourist and business promotion	- Under-invested local infrastructure and poor city accessibility - Shortage of city tourist and business promotion
Sources of funding and availability of local partners (Section 7.4.3)	- Availability of investors - Availability of consultant companies	- Availability of investors - Availability of reliable developers - Local hotel owners' attitudes towards foreign operators - Availability of consultant companies - Availability of tourism institutions and NGOs	- Availability of investors - Local hotel owners' attitudes towards foreign franchisors - Availability of consultant companies - Availability of tourism institutions and NGOs
Availability and skills of employees (Section 7.4.4)	- Availability of local hotel development experts	- Availability of local hotel development experts - Availability of experienced hotel managers - Availability of skilful, knowledgeable and experienced hotel staff - Shortage of professional hotel schools	- Availability of local hotel development experts - Availability of skilful, knowledgeable and experienced hotel staff
Availability of suppliers, products and services (Section 7.4.5)	- Availability of different products and services at the development stage - Availability of reliable suppliers at the development stage	- Availability of different products and services at the operational stage - Availability of reliable suppliers at the operational stage	n/a

Source: Own elaboration

Table 7.3 Factors shaping the expansion of international hotel groups into the three countries of focus

FACTORS	WEIGHT OF THE FACTOR		
	POLAND	ESTONIA	BULGARIA
Legal factors (Section 7.4.1)			
Old and inadequate legislation	Moderate	Minor	Serious
Re-privatisation and obtaining a clear title on land	Serious	Non-existent	Minor
Shortage of city development plans	Serious	Moderate	Very serious
Different competences of various levels of administration	Moderate	Minor	Serious
Bureaucracy	Serious	Minor	Serious
Corruption	Minor / Moderate	Minor / Moderate	Serious
Repatriation of fees	Non-existent	Non-existent	Minor
Conflicts over VAT	Non-existent	Minor	Non-existent
Relations with trade unions	Minor / Moderate	Non-existent	Non-existent
Visa regulations for visitors from outside the EU	Non-existent / Minor	Moderate / Serious	Moderate
Local mafias and general safety	Minor	Non-existent	Moderate / Serious
Interactions with local authorities (Section 7.4.2)			
Under-invested local infrastructure and poor city accessibility	Moderate	Moderate	Serious / Very serious
Shortage of help and incentives for foreign companies	Minor	Minor	Moderate
Shortage of knowledge, qualifications and positive attitudes possessed by local authorities	Moderate	Non-existent / Minor	Serious
Shortage of city tourist and business promotion	From Non-existent to Very serious	Minor	Serious / Very serious
Sources of funding and availability of local partners (Section 7.4.3)			
Availability of investors	Moderate	Moderate	Serious
Availability of reliable developers	Minor / Moderate	Minor / Moderate	Moderate
Local hotel owners' attitudes towards foreign operators / franchisors	Minor / Moderate	Minor	From Moderate to Very serious
Availability of consultant companies	Minor	Serious	Serious
Availability of tourism institutions and NGOs	Minor	Non-existent / Minor	Serious
Availability and skills of employees (Section 7.4.4)			
Availability of local hotel development experts	Serious	Serious	Serious
Availability of experienced hotel managers	Minor	Minor	Moderate
Availability of skilful, knowledgeable and experienced hotel staff	Minor	Moderate / Serious	From Moderate to Very serious
Hotel employees' attitudes to work	Moderate	Minor	Serious
Shortage of professional hotel schools	Serious	Very serious	Very serious
Availability of suppliers, products and services (Section 7.4.5)			
Availability of different products	Minor	Minor	Moderate
Availability of different services	Moderate	Moderate	Serious
Availability of reliable suppliers	Minor / Moderate	Minor / Moderate	From Minor to Serious

Source: Own elaboration
Notes: Scale applied: non-existent, minor, moderate, serious, very serious

However, in contrast to the very high level of dependence of expanding hotel operators on the host country, the level to which hotel groups are "placed" in their home country environments (Dicken 2003) has not been observed to have any major influence on how international hotel groups interact with the variety of post-communist contexts in CEE and how successful they are in the CEE market. Apart from a vague correlation between the country of origin and the readiness to invest in CEE (i.e. European groups are more prone to hold equity in CEE whilst American groups focus strictly on management and franchise agreements), where hotel groups originate from does not determine how they behave in CEE. Although it does not mean to suggest that international hotel groups are converging towards a universal and placeless form of corporation (Dicken 2003), it has to be recognised that the nature of the modern hotel sector has forced hotel groups to "embrace globalisation, yet treat it with a localized focus" (Athiyaman and Go 2003: 147, Go et al 1996) and thus to develop a capability of conforming their behaviour to local conditions at the expense of practices adopted in their home country (Go and Pine 1995, Littlejohn 2003). The increasing dissociation of ownership and operations in the contemporary hotel sector has further solidified this tendency. While hotel operators and franchisors concentrate on the much more neutral domains of operations and franchising where dependence on home country routines, if any, often does not surface at all, it is hotel owners who take all responsibilities connected to investing and developing hotels, who have to deal with various particularities of host legal systems and who therefore risk clashes between their own ways of doing business and those encountered in CEE.

7.5 Conclusions

This chapter has shown that post-communist transformations in the CEE region are the most important group of factors determining the expansion of international hotel groups into CEE after 1989. The multiplicity of ways in which expanding hotel groups develop in newly-opened markets of the CEE region is determined by the wide variety of legal, political, economic and social factors associated with the post-communist heritage and originating from the communist past. However, it must be acknowledged that although the CEE market was almost entirely closed for foreign firms before 1989, the expansion into CEE in fact started before the communist system collapsed. Despite the communist regime, the CEE market was far from uniform and, depending upon the level of political and economic openness, some countries started attracting foreign hotel brands as early as in the 1970s. As the wide variety of communist systems before 1989 gave way to the variety of path-dependent and path-shaping post-communist capitalisms after 1989, the differences between countries before 1989 also proved meaningful during the post-1989 expansion. The current spatial distribution of international hotels in CEE is therefore reflective not only of different processes of post-communist transformations but also of the institutional, economic, political and social diversity in CEE before and during the communist system. The comparison of the three countries of focus further supports this argument.

Five categories of factors influencing the expansion and pertaining to different areas of hotel development have been distinguished – legal factors, interactions with authorities, availability of sources of funding and local partners, availability of staff and availability of suppliers. In addition, each category of factors can be divided into those experienced at the development stage and those that affect the stage of operations. Therefore, despite the generally high level of territorial embeddedness of international hotel groups (at the expense of societal embeddedness), the chapter has contended that the degree to which various factors influence the development of the international hotel industry in the CEE region depends on the business model adopted by a given group and the architecture of its production network. Thus, the problems associated with the stage of development are usually faced by those parties who invest directly. While the role of operators increases after entry, it is still not the case with franchisors and consortia whose involvement in local issues is minor. The next chapter turns to the influence of expanding hotel groups on the processes of regional development in the CEE region.

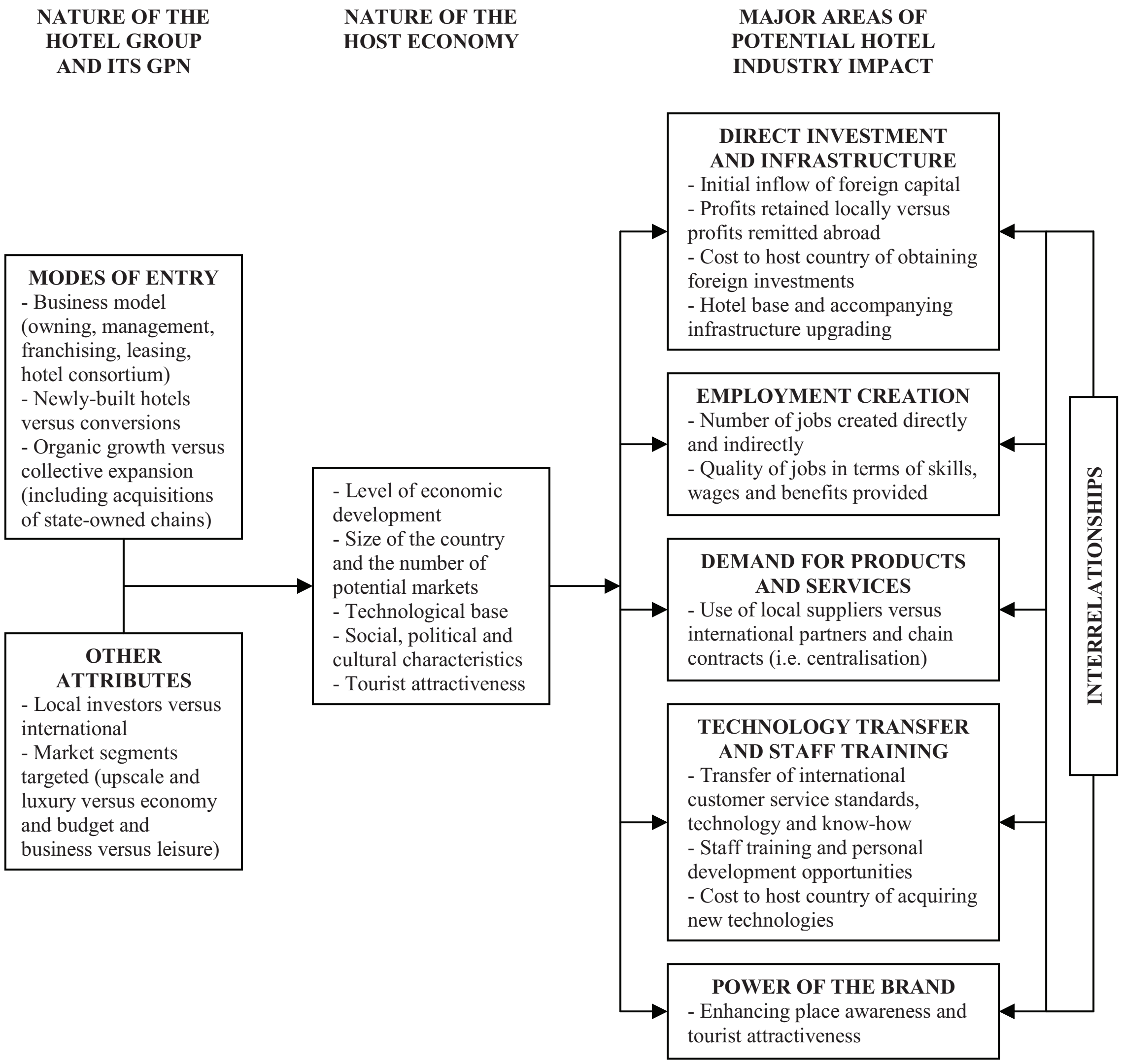
Chapter 8
The influence of international hotel groups on regional development in Central and Eastern Europe

8.1 Introduction

This chapter continues the emphasis upon the vertical dimension of globalisation in the hotel industry. However, further to the examination of the influence of post-communist transformations on the expansion of international hotel groups discussed in Chapter 7, this chapter moves the attention onto the impact of hotel groups on the economies of the region. Recognising the potential that the hotel sector in general and international hotel groups in particular have in fostering regional growth, the chapter investigates to what extent this potential has been realised across different national and regional economic and political contexts in CEE. Given that regional growth based on capitalist principles has been one of the main objectives of post-communist transformations, the chapter also pays attention to the variety of ways in which the impact of the international hotel sector on regional development in CEE is integral to post-communist transformations on the one hand and the globalisation of services in CEE on the other.

The chapter argues that although the role of the hotel industry in fostering processes of regional development in CEE is largely interdependent with that of many other sectors, its influence is very specific and therefore should not be underestimated by developing regions in the countries of CEE. Based upon the framework presented by Figure 8.1, the chapter discusses five major categories of the international hotel industry's influence on regional growth in the CEE region and argues that the ways in which international hotel groups influence the regional economies of CEE hinge on the business model preferred by a given group and the place of that group within its wider global production network. The chapter also illustrates that the role of hotel groups themselves is not always central and it is often other actors from their global production networks (e.g. hotel developers) that should be credited for fostering regional growth. The varying architectures of hotel groups' production networks also determine who creates the value in each of the five categories of influence distinguished, by whom this value is enhanced and which actors benefit most from capturing this value. Also, referring to the competition between the international and the domestic hotel industry, the chapter also compares the influence of international hotel groups on regional development in CEE to that of local hotel groups. The categories of impact are discussed on the basis of multiple examples mainly drawn from the three countries of focus – Poland, Estonia and Bulgaria.

Figure 8.1 Major dimensions of potential hotel TNC impact on host economies



Source: Own elaboration on the basis of Dicken (2007: 461, Figure 16.4)

Further to the introduction (8.1) the chapter analyses the five distinguished categories of international hotel groups' influence on regional growth in CEE. Section 8.2 examines the way in which the international hotel industry injects capital into the region and thus fosters the process of infrastructure upgrading. In turn, Section 8.3 explores the process of employment creation while Section 8.4 discusses the ways in which the expansion of international hotel groups into the region fosters demand for products and services. The category of technology and know-how transfer, including staff training and possibilities of personal development, is analysed in Section 8.5. Finally, Section 8.6 pays attention to the role of international hotel brands in enhancing place awareness of CEE cities and regions. The main research findings are briefly summarised in Section 8.7.

8.2 Direct investment and infrastructure upgrading

Owing to the fact that since the beginning of post-communist transformations foreign direct investment (FDI) has been accorded a critical role in the economic restructuring of the CEE region (Hardy 1998, Pavlinek 2004, see also Helinska-Hughes and Hughes 2003, Hunya 2002, Lane and Milesi-Ferretti 2007), one of the most basic roles that the hotel sector plays in fostering regional development in CEE relates to direct investment (Brown 1998, Franck 1990, Go and Pine 1995). Indeed, hotel projects (both newly-built hotels and conversions) are associated with large injections of capital in real estate of high quality – something that, owing to the shortage of local funds, the region still often lacks. However, given the specific relation between hotel groups who most often do not own the assets, and hotel owners on behalf of whom hotel groups operate or franchise hotels, it should be recognised that whether the international hotel sector is a source of external capital to the CEE region depends on where investors come from (i.e. whether they are local or foreign firms and what capital they employ). Thus, even if hotels are operated/franchised by international groups and are therefore a part of what is referred to as the international hotel industry, the invested capital may be local and therefore the influence of the international hotel industry on regional development in these terms may be limited.

Still, however, due to the relatively low level of economic growth and the low level of entrepreneurship in the CEE region, foreign hotel investors are said to outnumber their domestic counterparts and the volume of available foreign capital is higher than that of domestic capital. Indeed, as Table 8.1 illustrates with regard to the example of ten CEE countries that belong to the EU, hotel and restaurant foreign direct investment levels in most of these countries are gradually increasing in absolute terms. Although the share of hotel and restaurant FDI in total FDI levels is rather decreasing (which is due to FDI in other sectors growing more quickly than in hotels and restaurants), the overall positive impact of the international hotel industry on the development of the hotel infrastructure in CEE should not be questioned. Despite that, two negative aspects of this impact must be also recognised. First, the cost associated with obtaining foreign investments is often higher to host countries (e.g. as a result of tax holidays offered to foreign investors) than in the case of local investments. Second, a high proportion of foreign investments in the hotel sector may contribute to the host country's dependency on foreign capital, which, in turn, can affect the country's autonomy in implementing particular economic policies (Dicken 2007).

Table 8.1 Hotel and restaurant (H&R) FDI stocks in 2000-2007 in ten CEE countries belonging to the EU (in millions of Euro)

	2001 (*2003)	2007	GROWTH 2001 (*2003) – 2007
BULGARIA:			
FDI Total	3144	26 846	23 702
FDI H&R	**66**	**424**	**358**
H&R as % of Total	2.1	1.6	-0.5
CZECH REPUBLIC:			
FDI Total	32 760	76 315	43 555
FDI H&R	**234**	**450**	**216**
H&R as % of Total	0.7	0.6	-0.1
ESTONIA:			
FDI Total	3573	11 433	7 860
FDI H&R	**62**	**25**	**-37**
H&R as % of Total	1.7	0.2	-1.5
HUNGARY*:			
FDI Total	33 205	67 695	34 490
FDI H&R	**268**	**387**	**119**
H&R as % of Total	0.8	0.6	-0.2
LATVIA:			
FDI Total	2669	7534	4 865
FDI H&R	**40**	**72**	**32**
H&R as % of Total	1.5	1.0	-0.5
LITHUANIA:			
FDI Total	2974	10 283	7 309
FDI H&R	**63**	**76**	**13**
H&R as % of Total	2.1	0.7	-1.4
POLAND:			
FDI Total	46 802	120 726	73 924
FDI H&R	**255**	**653**	**398**
H&R as % of Total	0.5	0.5	0.0
ROMANIA*:			
FDI Total	9662	42 799	33 137
FDI H&R	**109**	**270**	**161**
H&R as % of Total	1.1	0.6	-0.5
SLOVAKIA:			
FDI Total	6507	2075	-4 432
FDI H&R	**37**	**60**	**23**
H&R as % of Total	0.6	0.2	-0.4
SLOVENIA*:			
FDI Total	4985	9765	4 780
FDI H&R	**15**	**24**	**9**
H&R as % of Total	0.3	0.2	-0.1

Source: Own elaboration on the basis of data retrieved in December 2010 from *http://epp.eurostat.ec.europa.eu*

However, in terms of the repatriation of profits generated by hotels the situation is very different. Given that according to a standard management or franchise agreement hotel groups only get a management or a franchise fee (which is a portion of the total revenue and which, in all cases, by definition, is repatriated to international hotel groups) and the whole revenue (less the cost of operations) goes to hotel investors, in the case of foreign hotel owners profits are remitted abroad whereas in the case of local real estate owners all profits automatically stay in the country. A bit more beneficial (or at least less risky) for local developers (and thus for host economies) are therefore lease agreements where foreign operators pay hotel investors a usually fixed rent whereas the rest of revenue is remitted to hotel operators. As the outflow of profits generated by the hotel may in time outweigh the amount of capital initially invested in the host economy, the international hotel sector based on foreign investors and real estate developers may in fact constitute a financial leakage (Brown 1998, Dicken 2007). Therefore, the net financial gain to the host economy may not always be positive. Despite that, there is always a large portion of value that the host country inevitably captures and that derives from the development of the hotel infrastructure. Not only does the hotel infrastructure have a semi-permanent nature and therefore serves the host country, but also, according to every management agreement, a fixed part of the total revenue is always supposed to be re-invested locally, mainly in maintaining (refurbishing) the hotel. Even though the main objective of such agreements is to maintain appropriate standards (and in different forms may also exist in franchise contracts) it is the host country who benefits from this. As a *General Manager 7* from an internationally-branded hotel in Sofia observed:

> "For the city it's a long-term investment. And of course this means that there is a huge amount of money invested locally in the country. And it is not something with which you can do whatever you want. If for any reason you have cheaper labour next door you move the factory. (…) But the hotel won't move because our business is local. We invest in the beginning, then we maintain it, develop it, which means we carry on with a certain plan to invest. And the jobs we create are staying here. We are here almost forever, we can't move. We might build another hotel somewhere else, that's true, but this one will stay and people will stay. They will keep their jobs and they will keep developing."
> *(September 2009)*

Indeed, although the expansion of international hotel groups may be based on local and not on much needed foreign capital, and the generated profits may be remitted abroad, the role of the international hotel industry in stimulating regional development in CEE by means of upgrading infrastructure and thus improving the city's offering for tourists, business travellers and own inhabitants should not be questioned. However, depending on the city's nature and the chosen direction of development, the role of the hotel sector in general may differ. Apart from typical leisure destinations such as Pärnu in Estonia or a number of Bulgarian resorts where tourism is one of the main sources of income for the local population and therefore the hotel infrastructure (in this case leisure hotels) is a necessary element, the importance of the hotel base can also be observed in cities where leisure tourism is not necessarily a primary sector. This especially pertains to important national and supra-national business hubs such as Prague, Warsaw and Moscow and to the majority of CEE capital cities as seats of national authorities. Although many CEE capitals are also well-established tourist destinations (e.g. Prague), it is business hotels that they mainly need in relation to the dominant non-leisure demand.

Importantly, apart from the contribution to the development of the hotel infrastructure in terms of numbers (measured in the quantity of new hotels and hotel rooms, as discussed in Chapter 6), the change that the international hotel sector brings to the region has also an important qualitative dimension. Because the international hotel sector (especially in the luxury and upscale segment) is very often credited for setting modern standards and implementing the newest technological innovations in various areas (Mitka-Karandziej 1993), newly-built international hotels usually belong to the most modern developments in CEE (which links to the technology and know-how transfer discussed in Section 8.5). In addition, by the very nature of the hospitality industry, international hotels also offer plenty of accompanying facilities such as high-quality restaurants, spa and leisure clubs and conference rooms, which the local hotel infrastructure in CEE usually lacks and the paucity of which (especially in the case of conference facilities) is often characteristic of developing cities in the region. A notable example is Warsaw where, due to the shortage of convention centres, the biggest and best-equipped conference facilities are currently offered by the Hilton Warsaw Hotel and Convention Centre. Moreover, the value that the international hotel industry brings to the region also has a reflection in the landscape of cities and towns. In contrast to the obsolete, neglected, post-communist hotel base, as well as to some new hotels developed by local companies whose knowledge still cannot compare to that of foreign developers, internationally-branded properties often stand out in the landscape and become hallmarks of whole districts. The relatively new business districts in Warsaw and Tallinn that have developed since the 1990s in the vicinity of historical old towns can serve here as good examples (Figures 8.2-8.3). Figures 8.4-8.7 present selected international hotels from the three countries of focus.

Figure 8.2 InterContinental Hotel Warsaw amongst other skyscrapers in the Warsaw city centre (Poland)

Source: Piotr Niewiadomski (May 2009)

Figure 8.3 Radisson Blu Hotel Tallinn and Swissôtel Tallinn (in the background) in the Tallinn city centre (Estonia)

Source: Piotr Niewiadomski (June 2009)

Figure 8.4 Barceló Royal Beach Hotel in the resort of Sunny Beach (Bulgaria)

Source: Piotr Niewiadomski (September 2009)

Figure 8.5 The Westin Warsaw in the Warsaw city centre (Poland)

Source: Piotr Niewiadomski (May 2009)

Figure 8.6 Sokos Hotel Viru in the Tallinn city centre (Estonia)

Source: Piotr Niewiadomski (June 2009)

Figure 8.7 Hilton Hotel Sofia in the vicinity of the Sofia city centre (Bulgaria)

Source: Piotr Niewiadomski (September 2009)

For all the reasons mentioned above it is also in various revitalisation projects where the (international) hotel sector's contribution to the urban development of CEE cities can be observed. Indeed, the role of the hotel sector in regenerating urban cores has long been recognised in the area of urban geography (see Britton 1991, Chang et al 1996, Harvey

1989, Watson 1991). Following the economic transformations in CEE which resulted in a closure of multiple inefficient state-owned plants and the subsequent abandonment of whole industrial areas (often located directly in city centres), many CEE cities faced the need to revitalise multiple neglected districts. Thus, since the 1990s and especially after the EU enlargement in 2004 when more funds became available to the accession states, various revitalisation projects started, in most of which a place for modern hotels was also anticipated. One example is the ongoing project "Nowe Miasto" in Krakow, whose main objective is to re-build the surroundings of the Central Railway Station and which apart from a shopping centre and a few office buildings developed by the main investor ECE comprises also the Andel's hotel built by Warimpex. Probably the most impressive project completed so far in CEE is "Manufaktura" in Lodz where the industrial district dating back to the 19th century has been converted into one of the biggest shopping and entertainment centres in the region. The most famous historical textile factory has been transformed by Warimpex into another Andel's hotel – one of the most architecturally impressive internationally-branded hotels in Poland (Figure 8.8). Despite that, an even more spectacular undertaking is currently planned in the other neglected area of Lodz, right in the city centre. Under the name "Operation on the Open City" or "EC1 Lodz – The City of Culture" the whole post-industrial district, including the Fabryczna Railway Station and its neglected surroundings, is to be transformed into a complex of museums, convention facilities, shopping centres and office buildings. A place for a hotel, possibly an international one, is also anticipated in the project. Similar projects, although not as large-scale as the ones in Lodz, are also planned in other cities in Poland and the CEE region. That includes, for instance, Częstochowa where the former steelworks area is to be converted into a recreation park (Interview with a *Senior Official* from the Regional Development Department, Municipality of Częstochowa, May 2009) and Pärnu where, further to the withdrawal of the Soviet army in the 1990s, the abandoned military area on the outskirts is to be converted into a business park (Interview with a *Senior Official* from the Department of Development, Municipality of Pärnu, June 2009). In both cases it is expected that hotel developers and operators may be interested in participating in these projects.

It has to be acknowledged, however, that the development of the hotel infrastructure can bring expected results only if it is synchronised in time and space with the development of other kinds of infrastructure with which the hotel sector is inevitably interdependent.

First of all, that includes any infrastructure that determines the city's accessibility, such as roads, motorways, railways or, crucially, airports (as in the case of Tallinn discussed in Chapter 7). Secondly, it applies to the business infrastructure such as conference and convention centres, and to the entertainment infrastructure such as stadiums and concert venues, all of which generate a large portion of the demand for hotel services. However, neither the accessibility, nor the other infrastructure is yet developed to a sufficient level in the CEE region. While on the one hand the shortage of various kinds of infrastructure may seriously impede the development of the hotel sector, on the other the development of the hotel industry may stimulate the evolution of the other parts of infrastructure, thus simultaneously multiplying the value that can be captured by cities and regions.

Figure 8.8 Andel's Hotel located in the old textile factory in the Manufaktura centre in Lodz (Poland)

Source: Piotr Niewiadomski (May 2009)

Because the potential that the hotel sector has in upgrading the city infrastructure can be massive, it is not surprising that local governments in the region increasingly recognise its role in fostering regional development and look for new sources of foreign capital to try to foster growth as much as possible. However, due to the fact that the hotel sector is a private sector and, depending upon the level of liberalisation in a given country, local authority involvement in its development is often limited, the development of the hotel infrastructure is rarely included in city development strategies as a strategic objective on its own. Instead, it is seen as a pre-condition for achieving other objectives such as, for example, "to develop metropolitan functions and strengthen Warsaw's position on the regional, national and European level" in the case of Warsaw (Municipality of Warsaw 2005). Hence, rather than offering any financial help, which in many cases is illegal, or implementing sector-specific development plans, the role of local authorities focuses on creating attractive possibilities for development (e.g. quick administrative procedures or economic zones). As the examples of Poland, Estonia and Bulgaria show, depending on how much power local administrations have and what the legislation allows, the chosen ways of stimulating the development of the hotel industry may differ significantly.

For instance in Estonia, where local authorities claim to have a liberal approach and try not to control or get too involved in the growth of any industry (Interview with a *Senior Official 2* from the City Enterprise Department, Municipality of Tallinn, June 2009), the responsibilities of local authorities are usually limited to elaborating development plans, investing in public infrastructure such as entertainment centres, recreational parks, lights and roads, and conducting marketing to enhance the attractiveness of cities. The same could be said about Bulgaria where municipalities have less power than in Estonia. In contrast, Polish municipalities often go a step further and foster the development of the hotel industry more pro-actively. Not only do they determine what kind of investments they expect on various available plots (such as in different revitalisation projects), but they also prepare plots for hotel developments, elaborate investment offers for potential hotel investors, look for investors themselves and even cooperate with consultant firms who sometimes on behalf of local governments are employed to do market research and look for investors or hotel operators.

Moreover, the chances for the enhanced development of the hotel industry in some CEE countries have also been recently associated with the idea of public-private partnerships (PPP). For instance, in return for investing in public infrastructure (such as recreational facilities, shopping and entertainment centres or different mixed-use projects) real estate investors are offered opportunities to develop hotels on preferential terms. Although not many hotels have been yet built in Poland on this basis, great hopes are pinned on this solution in many Polish cities. Concurrently, intensive work on PPP legislation in terms of development of the hotel infrastructure is also being conducted in Bulgaria (Interview with a *Senior Official* from the Bulgarian Tourist Chamber, September 2009). Despite that, high scepticism towards PPP can be observed in business environments in CEE:

> "No one who thinks realistically knows that there are any chances for this whatsoever (…). There would always be suspicions towards [local officials]. (…) Private money is not to invest in public infrastructure (…). If a local government decides to cooperate with a

private entrepreneur and gives them something to convert into a business, (…) it will always cause problems for both sides. And before they finish the task, the official will be accused of corruption, imprisoned, taken to court or dismissed from their position. It's obvious that in order to get it done they will have to do things that serve the private business (…). And if they do it they will very quickly get accused of corruption. There's no other way. By definition it's not possible in the Polish reality."

(General Manager, an internationally branded hotel in Częstochowa, May 2009)

Most importantly, as an elementary component of the city infrastructure, the hotel base (and particularly its internationally-branded segment) also fosters regional development through enhancing the attractiveness of cities, thus playing a key role in positioning the city. This, in turn, may result in both an increased number of foreign investments on the one hand and a higher number of cultural, sport, political and other events on the other. Although the hotel industry is generally considered to be a reactive sector, i.e. one that follows demand, the existence of a sufficient hotel base, alongside with other kinds of infrastructure, is concurrently a crucial pre-condition for potential investors considering a given city. As a *Development Executive 1* from an international hotel group active in CEE explained:

"I think it goes both ways. The influence is a two-way traffic. In the early 1990s (…) internationally-branded hotels were considered to be necessary business infrastructure. And I think that was why EBRD was funding hotel projects along with office buildings. Because having modern offices and having modern hotels was necessary for Western companies to come in and do business easily. (…) So once you have these modern offices and modern hotels, then obviously it helps the growth of international business in the destination. And then, in turn, it stimulates economic development. And when the economy develops, it may create hotel development opportunities. So it goes both ways."

(November 2008)

Therefore, the potential that hotels have in attracting even more investment to a given destination must also be acknowledged. Not only do they initiate development of other businesses such as shops and restaurants in their direct neighbourhood, but also, through attracting business tourism and improving the city's general offering, they contribute to the number of investments coming to the city both from services and manufacturing. It is for this reason that convention bureaux are currently mushrooming in CEE cities with the main objective of promoting business tourism in cooperation with existing hotels and their operators. This, in turn, is linked to the power of the brand that internationally-branded hotels often have and which is frequently used to position the host city as an attractive environment to invest (see Section 8.6). As a *General Manager 26* from an international hotel in Wroclaw explained:

> "Yes, that is my strong belief [that this hotel has an influence on the economic upgrading of this place]. I think if you have investors coming here and having a look at the city, it is very important that they feel home and that they feel welcome. And I think it makes a big difference for them if they come to a new city, they stay in a hotel in the heart of the city and they see how beautiful the city is, experience what the service level is, how friendly people are, how good food products are and how good the hotel product is. So their first impression is 'Hey, that is like in any other town in Western Europe'. So I think that gives a very motivational feeling to potential investors in that region. Of course then they need to look at it economic-wise, logically, if it's good to invest or not. But if that first impression doesn't fit, most probably they will not come here to invest."
> *(August 2009)*

Similarly, how important good hotel infrastructure is for various large-scale events can be currently observed in Poland. In respect of the European Championship 2012 (Euro 2012) organised by Poland and Ukraine, a strong emphasis on the hotel base in order to meet strict UEFA requirements is clearly visible in all the host cities in Poland. What is more, the development of the hotel infrastructure in Warsaw is also expected to serve as a strong element in the city's future bid to host the Olympic Games in 2020 or 2024. By the same token, the lack of modern hotels was the most important reason why Lodz – a city with a long football tradition – did not even bid to host Euro 2012. However, what may be partially impeding the development of the hotel infrastructure is the fact that no hotel is developed only for the purpose of serving a particular event. Instead, in order to attract hotel investors the city has to have a strategic plan as to how to generate demand for hotel services after the event. For the reasons discussed in Chapters 6 and 7, in some CEE countries and cities this is still not an easy task to complete.

Overall, the positive impact that international hotel groups can have on regional growth in CEE is more connected to upgrading the city infrastructure and positioning the city, rather than to injections of capital and direct investments which are the domain of hotel investors. It should be also recognised that, apart from management and franchise fees that in the case of the local hotel sector are not remitted abroad, the role of the domestic hotel sector in upgrading the hotel base is less significant than that of the international hotel industry. Indeed, what gives the international hotel industry an advantage over its local counterpart is the role of operators and franchisors. Not only do they provide the city with international visibility (see Section 8.6) but they also require hotel investors to meet strict construction standards and implement the newest technological solutions – something that local developers are still often not familiar with. The value captured by the city in the form of a high-quality hotel base is therefore mainly qualitative in nature – it positions the city and helps the city to attract more investments and more tourists, thus multiplying all forms of value that are coming to the city.

8.3 Employment creation

As it is frequently contended in the literature, one of the crucial categories of influence that expanding foreign firms may have on the host economy is associated with creating employment (Dicken 2007, Dunning 1993). Its critical importance has been particularly recognised in CEE where with regard to the massive unemployment experienced by the CEE countries as a result of the transition to capitalism (Dunford and Smith 2004) great hopes have been pinned on foreign multinationals (Akbar and Mcbride 2004, Pavlinek 2004). Due to the fact that tourism and the hotel sector is by no means an exception and its role in creating new jobs (especially with regard to the least developed countries) has also been broadly recognised (Brown 1998, Cukier 2002, Fortanier and van Wijk 2010, Görg 2000, Liu and Wall 2006, Sinclair 1998), the influence of the (international) hotel sector on employment levels in the CEE region requires particular attention. As Brown (1998) argued, because tourism is a labour-intensive industry, employment generated by tourism often exceeds that created by more automated capital-intensive industries. It is also for this reason that this category of influence usually receives most attention from local governments and populations of CEE and is often considered as the most desired benefit of the international hotel sector's expansion into CEE. Indeed, in the majority of cases (though to a varying level) its impact is positive and cannot be disputed. However, as the analysis below shows, the general picture is not always optimistic and favourable. Referring to Figure 8.1, the potential impact of hotel TNCs on the employment creation in CEE can be analysed according to two main dimensions – the volume of employment and the quality of employment in terms of skills, wages and labour relations (including stability of jobs). Thus, with regard to the volume of jobs generated by the international hotel sector, the basic mechanism seems simple – whenever a new hotel is developed, a number of jobs are created right from the outset. However, whether it is a net gain of jobs for the local community depends on potential adverse effects of the hotel sector's expansion.

The volume of jobs created by the expanding international hotel industry includes both jobs that are generated in direct relation to the construction process, and jobs at the hotel itself once the hotel has opened its doors. Whereas jobs created at the construction stage have a temporary nature and should be considered more in terms of demand for services offered by construction firms (also discussed in Section 8.4) rather than permanent jobs as such, jobs at the operational stage of the business have a more permanent nature and are therefore one of the most important contributions that the hotel sector brings to local economies. The number of jobs generated at each hotel naturally differs and depends on the size and the class of the hotel. Generally, the bigger the hotel is (i.e. the more rooms it has) and the more extra facilities (such as restaurants, conference rooms, bars, spa and leisure clubs and shops) it comprises, the more people are employed. Apart from luxury hotels where in order to sustain a high level of service the ratio of employees per room is naturally higher and often exceeds 1.0, the standard ratio in Western Europe oscillates in the range 0.3-0.5 (Interviews with representatives of international hotel groups active in CEE, November 2008-April 2009). Meanwhile, owing to the low cost of labour and the higher proportion of services that are produced internally rather than outsourced, the ratio in internationally-branded hotels in CEE ranges from 0.5 to 1.0 or more. However, in comparison to numerous local independent hotels which, as a result of the communist past, are still sometimes largely over-staffed, these ratios are in fact much lower.

Although from the employment perspective the higher ratio in CEE can be considered a good thing, it unfortunately attests to the fact that the operating standards to be achieved in CEE are still somewhat behind those maintained in, for example, Western Europe. Thus in Estonia, the ratio is comparably low and oscillates around 0.5-0.6, whereas in Poland in upscale hotels and in Bulgaria in city hotels it sometimes reaches 0.8. In turn, in Bulgarian resorts the employment ratio ranges from 0.6 in bigger hotels to over 1.0 in smaller outlets (Interviews with general managers of selected hotels in the three focus countries, May-September 2009). However, as a result of the recent financial crisis and the subsequent need to seek far-reaching savings (usually by means of cutting jobs), the current employment ratios in the CEE region are already lower than a few years ago.

Furthermore, as representatives of international hotel groups active in CEE also pointed out, it can be expected that if the economic development in CEE progresses, the labour cost will increase and, in order to remain competitive, the employment ratios in the CEE region will have to be reduced. Despite that, as Table 8.2 illustrates with regard to the CEE states that belong to the EU, the employment in the broad segment of the economy that comprises the hotel sector is growing. That the hotel sector plays an important part in this process is shown by Table 8.3 with regard to the three countries of focus.

Table 8.2 Employment in wholesale and retail trade, hotels and restaurants and transport (W&RT, H&R and T) in 2000-2007 in ten CEE states belonging to the EU (in thousands)

	2000	2007	GROWTH 2000-2007
BULGARIA:			
Total employment	2794.7	3252.6	457.9
W&RT, H&R and T	**760.1**	**902.2**	**142.1**
W&RT, H&R and T as % of Total	27.2	27.7	0.5
CZECH REP.:			
Total employment	4681.3	4922.0	240.7
W&RT, H&R and T	**1142.0**	**1158.3**	**16.3**
W&RT, H&R and T as % of Total	24.4	23.5	-0.9
ESTONIA:			
Total employment	572.5	655.3	82.8
W&RT, H&R and T	**156.1**	**169.3**	**13.2**
W&RT, H&R and T as % of Total	27.3	25.8	-1.5
HUNGARY:			
Total employment	3829.1	3926.2	97.1
W&RT, H&R and T	**999.9**	**1054.9**	**55.0**
W&RT, H&R and T as % of Total	26.1	26.9	0.8
LATVIA:			
Total employment	941.6	1118	176.4
W&RT, H&R and T	**243.1**	**317.6**	**74.5**
W&RT, H&R and T as % of Total	25.8	28.4	2.6
LITHUANIA:			
Total employment	1419.4	1534.2	114.8
W&RT, H&R and T	**320.6**	**407.3**	**86.7**
W&RT, H&R and T as % of Total	22.6	26.5	3.9
POLAND:			
Total employment	14525.7	15240.5	714.8
W&RT, H&R and T	**3177.5**	**3528.3**	**350.8**
W&RT, H&R and T as % of Total	21.9	23.2	1.3
ROMANIA:			
Total employment	10652.8	9353.3	-1299.5
W&RT, H&R and T	**1562.5**	**1776.7**	**214.2**
W&RT, H&R and T as % of Total	14.7	19	4.3
SLOVAKIA:			
Total employment	2101.6	2357.7	256.1
W&RT, H&R and T	**492.0**	**567.3**	**75.3**
W&RT, H&R and T as % of Total	23.4	24.1	0.7
SLOVENIA:			
Total employment	900.7	985.2	84.5
W&RT, H&R and T	**205.2**	**217.3**	**12.1**
W&RT, H&R and T as % of Total	22.8	22.1	-0.7

Source: Own elaboration on the basis of data retrieved in December 2010 from *http://epp.eurostat.ec.europa.eu*

Table 8.3 Employment in the hotel sector in Poland, Estonia and Bulgaria in 2004-2008

	2004	2005	2006	2007	2008
POLAND[1]:					
Hotels and restaurants	90 100	91 700	96 100	114 300	123 800
ESTONIA[2]:					
Hotels and similar accommodation	-	4824	5220	5870	6414
BULGARIA[3]:					
Hotels and restaurants	105 865	110 716	114 842	121 869	-

Source: Own elaboration on the basis of data retrieved in December 2010 from:
[1] *www.stat.gov.pl*
[2] w*ww.stat.ee*
[3] *www.nsi.bg*

Also, apart from permanent jobs generated at newly-developed hotels, the international hotel sector and especially upscale hotels that organise different functions also employ a number of casual and temporary staff. As this is always an additional option for local populations (for instance for students), the value captured by the location is not strictly limited to the number of full-time positions. Finally, if a hotel group has more than one hotel in the market, a corporate office to sustain the network (e.g. at the country level) is also established and a few executive and administrative jobs are created.

Importantly, in addition to the jobs created directly at new hotels, the international hotel sector also initiates jobs indirectly, for instance through generating demand for products and services offered by local firms (Brown 1998, Fortanier and van Wijk 2010). Indeed, apart from the aforementioned construction firms, it mainly applies to suppliers of food products, providers of services which hotels normally try to outsource such as cleaning, laundry and security, as well as firms conducting renovations, taxi companies and other service-providers with which close cooperation is necessary on a daily basis. Therefore, as Dicken (2007) observed, the volume of jobs created indirectly hinges upon the extent of local linkages forged by a given company – in this case jointly by a developer and an operator. Moreover, as the same author also argued, the number of indirect jobs depends upon the proportion of income retained in the host economy and spent locally beyond a given production network, thus simultaneously increasing employment elsewhere in the economy. This, in turn, pertains both to local developers' profits that are re-invested in the local economy, and to salaries of local staff that are spent locally on living expenses. Despite that, in comparison with sectors which set up production facilities and generate a higher demand for products and services than hotels, the influence of the international hotel sector on the employment situation in CEE may not always be significant:

> "Yes, of course we are securing many jobs here in this hotel and we also buy a lot of products compared to other industries and other businesses. That might not have a really very big impact on the economy because we are not a company that employs 5000 people or 20 000 (…), but yes, there are a lot of small businesses, they also come here to work, even if it is people who paint conference rooms. And where we buy local food products, vegetables or whatever, we buy here locally. And also of course the people we employ. It's cleaning for guests, a lot of small things that at the end of the day add up to quite some money. But again, compared to other big industries it's not that much."
> *(General Manager 26, an internationally-branded hotel in Wroclaw, August 2009)*

However, in stark contrast to the expansion conducted by means of building new hotels, the expansion of international hotel groups through acquiring existing chains or signing management (or franchise) agreements with local hotels in order to do a conversion (i.e. to re-brand the hotel and implement new operating standards) does not necessarily have a positive impact on employment levels. Because new arrangements are usually sought when the business is not financially sustainable in its current shape, new hotel operators are expected to achieve cost-efficiency and reducing jobs is inevitably one of the ways in which it can be pursued. As in the communist system many enterprises were hugely over-staffed and, as a result, many hotels in CEE still have too many employees on their payroll, cutting employment is inescapably one of the most frequent solutions. Although representatives of international groups claim that every effort is put into retaining every staff member and using their potential, in order to achieve adequate employment ratios, reducing jobs in the post-communist context of CEE is often an economically-justified necessity. As a *Development Executive 1* from an international hotel company active in CEE confirmed:

> "If the parties, meaning the owner and the operator, are not looking at achieving efficiency (…) what would be the point for those parties in doing new arrangements? (…) Cutting jobs or changing suppliers and things like that are not a goal in itself, but I would consider that those things would inevitably happen when [it is necessary]. Obviously, we don't want to terminate people's employment. But if a particular hotel has far more people on its payroll than it's necessary and then some people may be friends and relatives, whoever, then what would you do? What would any rational business do?"
> *(November 2008)*

However, owing to the mainly poor standard of the post-communist hotel infrastructure, conversions in the CEE region do not take place very often and therefore the negative influence that international hotel groups may have on the employment situation in these terms is rather minor. It could be expected, however, that as the economic development in CEE progresses and the local hotel industry grows in the newly-developing capitalist environment, in order to achieve efficiency over-staffed hotels will be forced by market conditions to eventually reduce employment anyway, with or without international hotel operators. Moreover, because conversions are usually done when hotels are in financial trouble, it should be acknowledged that in some situations they in fact save businesses from bankruptcy and although some jobs have to be lost, all the other are actually saved. Therefore, depending on circumstances, this influence is not always negative. The same, however, cannot be said about acquisitions of formerly state-owned hotel chains where far-reaching organisational restructuring was usually necessary. This distinctive kind of conversion is exemplified later in this section by Accor's acquisition of Orbis.

Apart from conversions that often result in a reduction of employment, the expansion of the international hotel sector into CEE can also have some indirect negative effects. As Dicken (2007) observed, the expansion of TNCs (and especially large TNCs) into a host economy and the increase in the level of "firm concentration" which it brings, may lead to a squeezing out of local firms and an inevitable loss of jobs elsewhere in the sector. Furthermore, not only does it result in a number of jobs being displaced, but it also may suppress new domestic companies and thus limit the employment that would be created by these firms otherwise. The net gain of jobs that the international hotel sector creates in the host country is therefore often reduced by jobs that, as a result of the competition with local hotels, are displaced. This, especially in saturated markets, may also logically apply to other TNCs and not only to local hotels. However, although international hotel groups are usually large TNCs that operate relatively large hotels, or a number of hotels in a given location or a given country, and are therefore likely to significantly contribute to the firm concentration, they very rarely enter markets that are saturated and where the chances for a higher demand are scarce. As mentioned in Chapter 6, new developments take place only when it is possible for the new hotel to attract new demand rather than hoping for a "slice of the existing cake", i.e. relying on the existing demand. Despite this, potential negative outcomes should always be given consideration when assessing the value that in the form of new jobs may be captured by the host economy.

Whereas the overall impact of the international hotel sector on employment creation in CEE is usually positive in quantitative terms, the same cannot be always said about the quality of jobs that it generates. With the exception of managerial positions, jobs offered by the hotel sector are normally low-paid, labour-intensive, menial and servile in nature (Baum 1993, Fortanier and van Wijk 2010). Moreover, due to the rather bad perception of the hotel sector as a career path, they are seldom perceived as a tempting opportunity for young people. Even if international hotels offer higher wages than local competitors (which is not always the case), they are still too low to markedly improve local people's well-being. Finally, given that high-order decision-making functions are concentrated in hotel groups' headquarters outside the country or even outside CEE, the development of the international hotel industry contributes to what Dicken (2007: 469) referred to as "a geographical bias in the pattern of types of employment at the global scale". The fact that the majority of managerial positions are often (at least at the initial stage) filled by expatriates, which reproduces rather than changes existing power relations (Mowforth and Munt 2003), further supports this argument. However, hotel employees in CEE are rarely forced by foreign operators to work without contracts, work extra hours for free or accept wages that are lower than the minimum wage, and therefore, despite their low-paid nature, jobs offered by the international hotel sector in CEE do not have traits of exploitation (compare Datta et al 2007a, 2007b). Thus, it might be inferred that from the perspective of the CEE region that suffers from huge unemployment, the contribution of the hotel industry to the employment creation in quantitative terms rather outweighs the relatively low quality of generated jobs.

Moreover, despite the higher work discipline required at internationally-branded hotels, the jobs generated by the international hotel industry are in numerous ways much more attractive to local communities than those offered by local hotels. Apart from the know-how and technology transfer and training of different kinds which are discussed in detail in Section 8.5, international hotel groups offer a number of additional benefits, with the possibility of transfers to sister hotels abroad being the most important one. While from the perspective of individual employees such internal mobility programmes are a good opportunity to gain international experience and pursue a hotel career worldwide, for the hotel group it implies benefits deriving from promoting ambitious employees within the firm. For instance, as a *Senior Manager* from an international hotel in Sunny Beach described:

> “Well, we have international transfers – mainly in food and beverage and kitchen which is the most needed area in the hotel business around the world. And we are supporting our staff. We sent already a few cooks to Spain, some people from the front office as well, so it’s always an example for the rest of the staff and it is a great motivation for the rest of the staff. They are asking for transfers all the time. Unfortunately, it’s not always possible because we know there is a crisis now and it’s not always easy, but yes, there is a possibility. Beside this it is benefits for the company as well since these people are talking about the hotel and this helps to make the brand more appreciated and known around the resort and around the country.”
> *(September 2009)*

Moreover, in order to develop a feeling of belonging and thus build a good relationship between the company and its associates, some hotel groups also offer other benefits. On top of those required by law such as social and medical insurance, some hotel operators also provide pension schemes, upgraded medical coverage or social funds. To help staff to identify themselves with the company they also organise social events at the property level such as Christmas parties or family picnics. Traditionally in the international hotel sector, all associates are also guaranteed discounted room rates (or sometimes a number of complimentary nights per year after a number of years of service) at all hotels within a given group. All such benefits usually outweigh those offered by local hotels.

In addition, the quality of jobs created in CEE by the international hotel sector can also be analysed in terms of labour relations. In contrast to multiple other countries (see e.g. Wills 2002, 2005) and with the notable exception of Poland where the position of trade unions derives from their role as one of the major points of opposition to the communist regime, labour in the hotel industry in CEE is generally weakly organised. This, in turn, results in less stable employment and stricter internal requirements towards employees (mainly at international hotels), thus making hotel jobs even less attractive. Despite that, international hotel groups are deemed to employ illegal practices more rarely than local hotels. In contrast to local hotels, who, at least in some destinations, sometimes employ staff illegally and avoid paying taxes and insurance, internationally-branded hotels more often operate according to transparent rules. Offering legal contracts, paying salaries on time, deducting taxes and insurance and paying more attention to health and safety than many local hotels, they automatically guarantee their employees a higher level of social security (including unemployment benefits) which, for instance, in the case of Bulgarian resorts is of enormous importance. However, any generalisations in respect of potential illegal practices, either in the case of the international or the local hotel sector, should be professed carefully.

Finally, the fact that jobs generated by the international hotel industry are frequently of a higher quality than those offered by the local hotel sector may paradoxically have an indirect negative effect on the host country. As Dicken (2007) argued, foreign firms that offer better wages (or other benefits) than their local competitors often contribute to the process of "creaming off" good and experienced workers from domestic hotels and thus threaten their survival in the market. Although it does not necessarily affect the number of jobs available in the market, it leads to the concentration of good workers in foreign hotels at the expense of local ones.

The fact that some generalisations about the whole CEE market can be offered does not mean to suggest that they have exactly the same shape in every national market of the region. Quite the opposite, as the case studies below demonstrate, national and regional variations can also be identified. In contrast to Estonia where due to the low number of international hotels no major or specific influence on the employment situation has been observed, in Bulgaria and Poland this impact has a number of specific dimensions. Thus in Poland, apart from the positive role that the plethora of newly-built internationally-branded hotels have played in creating jobs since the 1990s (and which due to the high unemployment in Poland has always been much appreciated by local administrations), a negative impact could also be observed, with Accor's acquisition of Orbis serving as a good example. Indeed, as a formerly state-owned chain, Orbis was largely over-staffed and further to its privatisation, a reduction in staff was one of the critical changes to be made. Because the chain consisted of more than 60 hotels, the scale of this undertaking was expected to be massive. However, owing to the Polish law that in the context of the economic transformation forbade collective lay-offs, and to the role of trade unions that existed at Orbis and defended the interests of staff, this process had to be extended in time and conducted in a more gradual way than planned (ideally through retirement). As a *Development Executive 11* from an international hotel group present in CEE (February 2009) argued, acquiring a state-owned firm cannot be based upon economic principles. Instead, it has to rely on additional agreements between all the parties involved. Thus, the agreement between Accor and the trade unions at Orbis embraced:

- No lay-offs for the first four years;
- Social help to employees guaranteed by the new executive board;
- Special attention to older employees for whom finding a new job might appear especially difficult;
- Psychological support and professional advice for those eventually laid off.

(Interviews with trade union *Senior Officials 1 & 2*, September & October 2009)

Moreover, a different kind of negative influence can also be observed from 2008 when Accor eventually became a major shareholder in Orbis and a far-reaching centralisation started being introduced into the whole network of Orbis hotels. Because domains such as accounts, human resource management and supplies were taken over by the corporate head office in Warsaw, individual hotels automatically lost appropriate departments and employment had to be cut down again. Thus, in ten years the total number of jobs was reduced from circa 5000 to just over 2000. It should be recognised, however, that just as in the case of single conversions, such a negative influence does not derive from the new operator being an international company, rather than domestic, or from Accor's bad intentions, but rather from the necessity of seeking efficiencies in the post-communist economic environment. Therefore it could be inferred that in order for Orbis to survive, similar changes would have had to be made even if Orbis had remained a local company and no acquisition by Accor or a different hotel group had ever taken place.

Meanwhile in Bulgaria, due to the high seasonality, the impact of the international hotel industry on job creation in seaside resorts is very specific. In contrast to business hotels in Sofia which are open the whole year and offer permanent jobs, leisure hotels on the coast are only open in the summer (from April to September/October). Therefore, apart from general managers, heads of departments and security and maintenance staff, all the jobs they offer are in fact seasonal. The number of permanent jobs is hardly ever higher than 50 per hotel, which, depending on the size of the property, constitutes no more than 10-25% of the whole staff. The other staff are simply made redundant when the season is over and either register as unemployed or find temporary jobs in winter resorts in the mountains (Pamporovo or Bansko) where they work from (approximately) November to March. Although jobs in summer resorts may be very attractive for students who can go back to school when the season ends, it is not an appealing offer for local communities for whom the lack of permanent work opportunities is a serious economic problem that hinders their development. Despite that, and due to the shortage of alternatives, even up to 90% of seasonal staff are deemed to return to work for internationally-branded hotels every summer. Hence, because of the seasonality, the actual role of international hotels in employment creation on the Bulgarian coast is rather limited.

To conclude, it should be recognised that the influence that the international hotel sector has on the employment creation in CEE is not down solely to international hotel groups. Quite the opposite, given that international hotel groups are most often only operators or franchisors, and not investors/developers, it is other actors from within their production networks, notably real estate owners, who should be credited for creating jobs. Indeed, despite the fact that hotel operators have a “right to hire and fire” on behalf of owners, it is hotel owners whose entrepreneurship creates new jobs and who appear as the official employers on workers’ employment contracts. Even general managers, who are usually designated by operators, are formally employed by hotel owners. In contrast, the role of international hotel groups in generating indirect jobs is significant. Given that the scope of local linkages forged by a given hotel and the position of the hotel in a given market in relation to the competition depend upon the decisions of hotel operators, the impact of operators on the number of jobs created or displaced elsewhere in the local economy has to be acknowledged. The same pertains to the quality of jobs which, for instance in terms of training, wages, labour relations and various extra benefits, is almost entirely at the hotel operator’s, and not the hotel owner’s, discretion. However, the impact of both franchisors and hotel consortia, who are traditionally not involved in daily operations at all, is almost non-existent.

8.4 Demand for products and services

Generating demand for products and services through creating local linkages is another important way in which the international hotel industry can contribute to the economic development of the states and regions of CEE (Hardy 1998, Pavlinek 2004). As Dicken (2007) argued, this kind of influence depends on two groups of factors – the strategy of the firm (and the nature of its business) and the features of the host economy. Regarding the first group of factors, the influence may be two-fold. On the one hand, as an industry which aims to reflect local traditions of the city, region and country, international hotels have to rely to a significant level on linkages with local companies and supplies of local goods, thus seeking a high level of embeddedness in the host economy, as in the case of *bridgehead investments*. On the other hand, however, the high level of standardisation, typical for the branded hotel industry, and the need to maintain consistency in all hotels of a given brand, forces international hotels to rely on standardised products distributed internationally through procurement programmes and thus to seek economies of scale at the supranational level, in a similar manner to *cathedrals-in-the-desert* (Grabher 1992, Hardy 1998, Pavlinek and Smith 1998). In turn, the pivotal role in the second group of factors is ascribed to the level of the host country's development. Thus, accordingly, the influence of the international hotel sector is to a significant degree a function of what is available in the market, at what price and how long it takes for local suppliers to achieve the level where they can meet the usually stringent requirements of international hotels. As analysed in Section 7.4.5, in the post-communist reality of CEE this particular group of factors is of paramount importance.

The influence starts at the stage of development when construction materials, equipment and various interior elements have to be purchased in order to do the construction. Apart from sophisticated items that, due to their luxury nature (such as e.g. Italian marble), are not commonly available and have to be imported from abroad, all the products required are, both because of the lower price and the lower cost of deliveries, usually purchased locally in CEE (i.e. most often in a given national market). The same ordinarily applies to construction firms whose services are required by hotel investors and developers, and which, if available in the market, are also often (though not always) businesses from the host economy. In contrast to the demand generated at the stage of construction, which is entirely down to the developer, whatever is purchased to conduct day-to-day operations and run the business once the hotel is open hinges upon arrangements made by the hotel operator. The major part of what has to be sourced at the operational stage is constituted by food and beverage products. Owing to the fact that they have to be fresh (especially meat, diary, fruits and vegetables) and, if purchased locally, they are also often cheaper, easier to buy and more environmentally-friendly, products like this tend to be obtained in the same city. However, if the group has a chain of hotels in a given country and the nature of the product allows, economies of scale are sought and nation-wide suppliers, if available, are then used instead. Only if the quality or the obtainable quantity of what is available in the host country is not sufficient are food and beverage items sourced from abroad and that includes different unique products such as for instance luxury brands of spirits. The strong tendency to focus on local products also originates from the necessity of reflecting local traditions (such as cuisine) and providing local specialities, which the international clientele often expects. Finally, as representatives of international hotels in CEE often stress, the high level of reliance upon local products is an important form of supporting local communities and preserving their customs – something that according to some hotel groups' corporate missions (see *www.rezidor.com* for the example of The Rezidor Hotel Group) is also an objective in itself. Thus, apart from generating physical demand for local products, the international hotel industry also helps to promote local traditions, and, most importantly for the local economy, also various local brands.

Importantly, the influence of the international hotel industry on regional development in CEE is not confined only to linkages with local supplier firms and spending money on their products and services within the host economy. As important corporate clients who have the power to influence the quality of what is available in the market, international hotels are also instigators of qualitative changes. This mainly pertains to upscale/luxury hotels whose requirements are normally stringent. Indeed, their existence in the market motivates suppliers to extend the range of services (for instance, to include just-in-time deliveries, so important in the hotel sector) and to ensure that what they offer is of high quality, thus stimulating competition and fostering the emergence of local suppliers. As a result, what the market can guarantee becomes also a function of what hotels want to buy. Therefore, not only does the hotel sector generate the value that is captured by the host economy, but it also largely contributes to the process of value enhancement.

Not everything, however, tends to be obtained locally and therefore international hotels do not always influence host economies in the ways described hitherto. As discussed in Chapter 7, in order to negotiate lower prices deriving from the bigger volumes required, international hotel groups tend to seek economies of scale at the supranational level and instead of creating local linkages they often prefer to rely on chain agreements covering the whole chain. This mainly applies to products such as stationery and cosmetics which in order to maintain a high level of consistency throughout the chain are usually highly standardised and therefore have to be supplied from the same factory as the other hotels of the chain elsewhere in Europe. Because the CEE market is relatively young and still not sufficiently developed for hotel operators to look for chain agreements with supplier firms from CEE, internationally-branded hotels in CEE are therefore often supplied by companies from other countries. Although it is still local companies who are involved in distributing products imported from abroad, it logically shortens the list of products that international hotel operators purchase locally. As a *Development Executive 23* from an international hotel group active in CEE described:

> "We only manage [a few hundred] hotels so we try to centralise as much as we can. That's an economies of scale issue. (…) But there are some exceptions. The distance from some plants is a very important factor at some stage. Probably it doesn't make much sense to include one single hotel that is 600 kilometres away from the next one. At the same time there's a lot of things that we simply cannot do centrally, especially fresh products, everything that is related to food, drinks. We always source that locally because that's the only way to do it. (…) Then there's something like paperwork and stationery, that's all the things we try to centralise (…), because we need to keep up certain standards and it's very complicated to have somebody, let's say, in Romania, to produce paperwork to the standards that we want in the rest of the company."
> *(April 2009)*

In contrast to physical goods, chain agreements cannot be used with regard to services and therefore the demand for services that international hotels can generate in the local market may be even more important than that for products. What is more, it applies both to outsourced services such as laundry, security or cleaning, and those provided by taxi companies or firms conducting renovations. Concurrently, such demand also generates a number of jobs at service companies. Furthermore, just like in the case of products, in order to ensure that a sufficient level of service is offered to hotel guests, international hotel operators force service providers to implement appropriate standards, thus further influencing competition and the growth in CEE.

Although purchasing products and services is usually down to hotel operators, it is often the only domain of operations where to some extent franchisors and hotel consortia can also be involved. Given that franchisors and consortia have all the necessary knowledge (mostly because at the same time hotel franchisors often act as operators with regard to other hotels elsewhere), they also have procurement schemes which their franchisees or members are free to take advantage of if they wish. Although in the case of franchisors and consortia it is not essential, the only exception may be stationery and other products from guest rooms that may be required by franchisors to secure consistency in the chain. Thus, due to the low level of centralisation, the demand for local products generated by franchised hotels is often much higher than that generated by internationally-operated hotels. By the same token, it should be acknowledged that the demand generated by the international hotel industry may be often of lower volume than that generated by local hotels who, logically, do not participate in international procurement programmes.

Finally, looking at national or regional variations in how big the role of the international hotel industry in generating demand for products and services in CEE is, it is difficult to find any other discrepancies than those deriving from what is available in the market (as discussed in Section 7.4.5). Thus, the biggest differences could be observed between the EU countries where networks of local suppliers are relatively well developed and local linkages may be forged to a larger extent and non-EU countries where the availability of suppliers is still sometimes low. On the other hand, however, due to the lack of customs barriers in the EU international suppliers can operate to the level that the dependence on local products is often lower than in less developed states. Less influence can be also observed in bigger countries such as Romania and Poland where hotel groups have wide networks of hotels and their involvement in chain agreements at the supranational level is more economically justified.

8.5 Technology transfer and staff training

Modern technology and know-how transfer has long been recognised as one of the most important categories of long-term impact that expanding foreign firms may have on the host country (Darr et al 1995, Dicken 2007, Galbraith 1990, Glass and Saggi 2002). The same has also been broadly acknowledged with regard to the international hotel industry (Baum and Ingram 1998, Jacob and Groizard 2007, Orfila et al 2005, Pine 1992). Partly because it is closely intertwined with the other categories of impact and partly because it derives from the problems that international hotel groups experience in CEE (and that have been discussed in Section 7.4), the transfer of know-how and technology is one of the critical areas of impact that international hotel groups have on regional development in CEE. In practice, the technology and know-how transfer revolves around what can be called "the confrontation element" – whenever international hotel groups come to a new market, their operating standards (including technological requirements) are confronted with what the local reality can provide. All potential gaps are identified either by means of market research often conducted prior to the development or at the pre-opening stage (with the crucial role of consultant firms), or directly by the hotel management when the actual operations start. As a result, in order to maintain appropriate standards of service international hotel groups must face the challenge of filling these gaps. Even though in some cases such gaps may be very broad and may discourage international hotel groups from expanding, in the majority of cases it is a part of the deal which hotel operators anticipate and which sooner or later pays off and is therefore worth the extra effort. As a *Hotel Industry Consultant 10* from an international consultant company confirmed:

> "Hotel groups may be very sceptical when it comes to entering a new market in CEE because they know that the workload will be massive and that the expectations will be extremely high. It's not just about opening a new hotel, but compared to if they were to open their 10th or 20th or 30th hotel in Paris, London, Berlin or wherever, it means building up not only the first hotel belonging to their own family of brands, but it might mean opening up the first ever hotel of an international brand in the location. So yes, this means know-how transfer, this means building up structures. This is pioneer work and pioneer work means much more effort."
> *(October 2009)*

Given that in order to be competitive international hotel groups (especially those in the luxury and upscale market segments) are said to lead the way in implementing technical innovations and thus improving their level of service (Mitka-Karandziej 1993), they are inevitably important carriers of new technologies which are in turn imported to markets which they expand into. Indeed, even stylish hotels located in old historic buildings are often a symbol of modernity in terms of what they can guarantee inside. As discussed in Section 8.2, this process can be observed as early as the development stage when on the basis of massive experience international hotel groups force investors and developers to maintain appropriate construction standards and advise on what facilities to include and in what way they should be organised to develop a good sustainable product. As a *Hotel Industry Consultant* from an international consultant firm present in Bulgaria (October 2009) pointed out, a hotel group's input about a future project starts at the very moment when it joins forces with the investor. The technology transfer is therefore inextricably linked to hotel groups' influence on infrastructure upgrading. Whilst a few decades ago it would probably mean air-conditioning in public areas, nowadays it applies to modern and well-equipped conference rooms, sophisticated spa facilities and different kinds of facilities offered in guest rooms (e.g. wireless internet, play stations, pay TV and many other facilities which are not necessarily found in private households). Most importantly for the hotel itself, it also includes participation in worldwide reservation systems such as GDS (global distribution systems) and different computer systems used either at the property level or by the whole chain or group where hotels of the same brand can easily communicate and store and exchange operating knowledge.

Whereas the modern technology can be often acquired independently of management or franchise packages and, as long as local hotels can afford it (which is still rarely the case in CEE), it is likely to result in a similar kind of development without international hotel groups' participation, the transfer of know-how – something that has to be learnt on the spot, that has a partly tacit character and is not easy to articulate – is far more difficult to acquire without adequate guidance. Firstly, hotel groups' know-how comprises different management and sales and marketing techniques which, having developed over years, have been verified many times in different parts of the world and are therefore likely to be much more efficient than those developed locally in CEE. Secondly, it includes rules underlying the organisation of work which aim to increase employees' efficiency and to create an optimal work environment (for example in terms of fire regulations and health and safety). Finally, it pertains to customer service standards which have long traditions in the West and which are still said to be one of the serious downsides of the local hotel industry in CEE (see for instance Karhunen (2008) who described various categories of know-how transfer in the context of post-communist transformations on the basis of the St. Petersburg hotel sector). It is therefore this know-how that is for local hotel owners the most desired asset in developing a competitive advantage in the market.

> "If you have a hotel that was established in the communist regime and the management and structure and staff haven't changed significantly since then, then people will not be used to providing a service in a way that makes that hotel competitive against its piers, whereas as soon as you get an international operator they are more attuned to that. That's the way they're thinking. They want to be better than the hotel down the road. So it is a cultural change and it will happen."
> *(Hotel Industry Consultant 9, an international consultant company, October 2009)*

Moreover, the transfer of knowledge is not confined solely to the hotel and its staff or to other actors from within the international hotel group's production network. Apart from investors and developers, as discussed previously, and supplier firms who are constantly forced to improve the quality of their products and services to the level expected by the hotel, know-how also spills out beyond the production network. For instance, expatriate general managers are sometimes asked by local administrations to serve as international tourism and hotel industry experts whose knowledge and experience may be useful in elaborating tourism strategies and city promotion and destination management activities (Palpacuer and Parisotto 2003). Given that hotel groups tend to lobby local and national governments, for instance in the domain of VAT and labour law, their expertise may be helpful in establishing new legislation. Finally, international customer service standards and corporate culture are also acquired directly by hotel employees (Hardy 2002, 2006) and indirectly by their families and friends, all of which transfer them to other sectors of the host economy (Fosfuri et al 2001).

> "The advantage of international hotel groups is that they systematise work and implement good habits. Therefore, all people who have ever worked for international brands can transfer these habits to other, non-branded, hotels. If one takes a look at local hotels, they very often do not have appropriate procedures or standards elaborated and set up. They only constantly create them as they go along. (…) But when they employ someone who previously worked for an international hotel, they can be sure that these employees will draw examples from well-verified systems they are familiar with and will look to introduce similar solutions to those local hotels."
>
> *(General Manager 27, an internationally-branded hotel in Lodz, August 2009)*

What is closely associated with the above and is also an important part of the know-how and technology transfer is the professional training offered directly to local management and ground floor staff. Given that the CEE region is deemed to suffer from a shortage of skilled employees, this kind of impact is of significant importance for the CEE region.

> "Well, if a local person works for an international company they have the opportunity to liase with the organisation and transfer globally which gives them a very powerful incentive. [An international hotel group] is a machine. We have [a few thousand] hotels around the world so we have certain standard operating procedures and ways of doing things and when you are trained and taught in those procedures and those ways you become a better business person and do things the way they're done by an international company. Those are then transferable to whatever you may do in your life, whether you stay with the hotel business or you do something else on your own. You're learning proven ways of doing things. (…) And also you're being incentivised to look for better ways of doing things or to improve things."
>
> *(Development Executive 6, an international hotel group active in CEE, January 2009)*

The skills and knowledge that are required by hotel groups to make the hotel successful may be of two different kinds. Whereas the first kind encompasses brand standards and procedures which differ between hotel groups and which are always taught regardless of where the group expands into, the second kind comprises general hotel knowledge (such as basic customer service rules), which is still often missing in less developed countries where international standards are not yet popularised. As the border between both kinds is blurred, both categories are very closely intertwined. With regard to the first category, each group, or each brand within bigger groups, has a separate training system wherein the company philosophy and operating standards are taught. Although this category also covers areas of the general hotel knowledge, the skills and knowledge from the second category are also enhanced by additional programmes which include different forms of cross-training (when workers from one hotel department are trained in responsibilities of employees from other departments), as well as management, sales and marketing and foreign language courses.

> "Wherever you go, even in the most developed country, you will have to provide training. Sometimes more, sometimes less. (…) It depends very much also on the situation, it depends when you open the hotel and where you open the hotel. But you will always have to explain to the staff your standards, your rules and regulations and that obviously includes training."
> *(Development Executive 16, an international hotel group active in CEE, March 2009)*

The professional training provided by hotel operators may have many different forms – from theoretical classes, through handbooks and manuals distributed amongst the staff, to practical on-the-job training. In order to secure a high level of consistency in terms of standards, every member of staff (regardless of the position) is offered the same level of exposure to professional training and is thus equipped with a number of tools and skills that allow them to grow in a given group in particular and the international hotel sector in general. Combined with the fact that professional training is relatively costly and, for instance, local governments and tourist chambers in CEE are rarely able to organise (or subsidise) them in order to foster development of hotel staff in the location, this kind of input into the development of the CEE region is undoubtedly very valuable.

Finally, many international hotel groups also have special departments that are referred to as "universities" or "academies" and whose objective is to provide high-level courses for its employees. Thus, for instance, Accor has the world-famous Accor Academie, the Scandic Business School belongs to Scandic, Golden Tulip comprises the Golden Tulip Academy and the Ramada University (for the Ramada brand only) is an integral part of Wyndham Hotel Group. Although access to these "universities" is in theory guaranteed to all workers who wish to develop within a group, they are in fact designed for talented employees whose personal development is expected to be beneficial for the company in the future. Indeed, just as in many other industries, most hotel groups prefer to look for future managers and promote their workers internally, rather than to recruit newcomers from the outside. Therefore, owing to the lack of professional schools in the region, the professional training provided by hotel groups is a precious opportunity for local people in CEE that would not be possible without international hotel groups.

It is also for this reason that the international hotel industry is said to have an important advantage over its local counterpart. Indeed, in contrast to international hotel companies who have the support of the whole network, it is often too costly for local hotel groups to organise professional training to the same extent (for instance through hiring external training firms or employing individual managers with international experience). Despite that, some representatives of local hotel groups and independent hotels in CEE indicated that in some respects the transfer of Western know-how is not always a positive impact and it is therefore local hotels who have an advantage over international hotel groups in these terms. Providing that international hotel groups often rely upon strictly predefined procedures, there is a risk that local customer service habits and ways of doing business are not always accounted for by international hotel groups in the region. Assuming that even the best standards cannot be applied to the same degree all over the world, local hoteliers claim that too high a level of standardisation imposed by international groups tends to restrict individual initiatives and hampers independent thinking.

This problem can be observed, for instance, in Estonia, where standardisation is deemed to clash with the local culture and the mentality of Estonian employees (Interview with a *Senior Official 2* from the City Enterprise Department, Municipality of Tallinn, June 2009). By contrast, in Poland and Bulgaria the impact of the technology and know-how transfer is positive. As the examples of the first internationally-branded hotels in Poland opened after 1989 illustrate, the contribution of hotel groups to the popularisation of the international hotel industry standards in the Polish hotel sector is said to be massive.

> "We must have somewhere to draw good examples from and fortunately there are already a few of those [in the market]. It's just like the Marriott in Warsaw that opened in 1989. All the people who worked there and were trained there are now scattered across the country and work now as general managers at other hotels in Warsaw and elsewhere. It's because they got this know-how from an international operator."
> *(Hotel Industry Consultant 2, an international consultant firm active in Poland, May 2009)*

A similar contribution to the development of the Polish hotel sector was made by Accor. Indeed, further to its acquisition of Orbis, Accor started to organise professional training for Orbis staff either in France or conducted in Poland by French trainers. Thus, relying on Accor's operating standards, Orbis developed from an obsolete formerly state-owned enterprise to a modern hotel company. Not only did it result in a higher level of service being provided by Orbis hotels but also, importantly, it helped the group to improve the overall perception of the company and to partially get rid of its reputation as a formerly communist firm – something that for the last two decades was the group's disadvantage (Interview with a *Senior Executive* from an international hotel group active in Poland, May 2009).

The influence of international hotel groups on the level of skills possessed by local staff can also be observed with regard to the example of international hotels in Sunny Beach in Bulgaria. The massive advantage that they are said to have over local hotels in terms of customer service standards derives mostly from the amount of training guaranteed to employees. Apart from the on-the-job training organised on a daily basis, the major part of the professional training takes place during winter breaks. In order to efficiently use the time when hotels have to be closed, local managers are either sent to their groups' offices in Spain or have to attend training organised by Spanish trainers in Bulgaria. The gap between international and local hotels can also be observed in terms of know-how. Not only can internationally-branded hotels offer higher service standards to guests but also, as it was clearly the case during the recent financial crisis when their management skills helped them to keep higher occupancy rates and eventually survive the crisis, they can also achieve a higher level of economic performance. Meanwhile, due to the crisis, many local hotels went bankrupt and had to close down.

To conclude, international hotel groups' contribution to regional growth in CEE through the know-how and technology transfer needs to be acknowledged. Due to the nature of the hotel industry, the benefits of change that it initiates are more easily diffused in the host economy than in the case of firms which establish production facilities and guard their technological achievements for their own purposes. As neither the technology nor the know-how that international hotel companies import to the CEE region can be easily (or cheaply) obtained without the international hotel sector's involvement, or produced locally with the same level of success, the value that host economies of the region can capture and the way in which hotel groups can foster its enhancement is in the context of post-communist transformations a very important engine of economic development. However, in contrast to infrastructure upgrading, job creation and forging local linkages that are direct kinds of influence, the influence that the technology transfer has is more indirect in nature. Moreover, rather than depending on hotel developers, as is mainly the case with the previous three categories described, technology transfer is predominantly down to hotel operators and franchisors. Not only do they bring innovative knowledge and various technological solutions themselves, but they are also stimulating forces for other actors from their production networks and other firms around them. Although the impact is the highest in the case of hotel operators, the contribution of franchisors and consortia in how to promote, sell and market the hotel to wider customer bases around the world also should be recognised. In order to ensure that their stringent requirements towards the level of customer service are met, their influence in the domain of training can also be significant. The "I Care" training system offered by Best Western to all its member hotels in CEE can serve as a good example.

8.6 Power of the brand

The international hotel industry can contribute to the economic development of the CEE region not only through upgrading existing infrastructure, creating jobs or transferring know-how, but also through the so-called power of the brand – an important extra value that is intertwined with all the other categories of influence. Although enhancing place awareness and tourist attractiveness by simply being in a given market is impossible to measure, according to representatives of the hotel industry, it is often a very important input into the host economy. Given that the influence of the local hotel industry in terms of generating jobs, buying local products and upgrading infrastructure may be similar, it is brand power that provides the international hotel sector with a competitive advantage over the local one and that enhances the international visibility of the market.

As a *Hotel Industry Consultant 1* from an international consultant firm in Poland (June 2009) put it, the influence of international hotel groups on the place recognition can be described as “the halo factor”. Although it is normally not an element of hotel groups’ corporate mission, hotel brands inevitably contribute to the overall image of the market and help to position the market both in tourist and economic terms. Because hotels are marketed globally, they automatically help the market to increase its global awareness and encourage an interest in the city (and the country). Indeed, from the perspective of potential investors, famous hotel brands are not only a part of the local hotel base but they also have a symbolic meaning, i.e. they reflect the size and the strength of the local economy. Providing that no major foreign investor wants to be the first one to explore the market and that a standard part of any market research is to check who is present in the market (i.e. manufacturers, airlines, insurance companies, hotels, etc.), hotel brands play a very important role in developing the market’s prestige (Interview with a *Senior Manager* from an international hotel in Sofia, September 2009). Through establishing a presence in the market they send out a message that safe investments in the country are possible. As a *General Manager 7* from an international hotel in Sofia confirmed:

> “We have plenty of official events when the country is inviting investors. [They bring them here] because they want to treat them and they want to pamper them. And for them it’s like an assessment when they see the service and the quality of the investment. They see ‘If [an international hotel group] is able to do it I might be also able to do my business here in the same way’.”
> *(September 2009)*

Because famous brands have a power to attract even more famous brands (which in turn may mean more foreign direct investment and more jobs) the impression of confidence that famous hotel brands contribute to is more likely to result in “the multiplier effect” (Dicken 2007) or “the snowball effect” than just the fact that they are an integral part of the local infrastructure. Even though the same kind of impact can also be observed with other industries (from well-known manufacturers to more specialised service firms, for instance in the banking sector) it must be recognised that, arguably, famous hotel brands such as Hilton, Marriott and Sheraton are often more easily recognised and more visible in the market than brands from other service sectors and therefore their impact may be more significant. However, the bigger the destination is and the more famous brands it possesses, the lower this influence will be. Therefore, the impact of hotel brands on the development of already well-established cities in the region such as Prague, Moscow or Warsaw will be now rather minor (although it was undoubtedly massive in the 1990s) whereas less known destinations where there are no more than a few foreign companies (if any) can benefit from famous and well-established hotel brands much more.

> "In the same way that being a member of the EU or an international organisation gives a boost to the country, having an internationally-branded hotel in a city gives a boost to that city because it makes it an easier place for an international traveller to consider staying. It's the power of the brand. If you know you're going to stay in a Hilton despite the fact that you're going to stay in a city that you're not too sure about, you start to feel safe. If you go and stay in the 'Grand Hotel Whatever' (…), then it doesn't convey the same level of comfort to you (…). So yes, I do think that the existence of these hotels has a positive impact on regional development. Are they key? I'm not too convinced with them necessarily being the main driver behind regional development but I do think they assist it and they're a symptom of a growing economy and a growing market."
> *(Hotel Industry Consultant 9, an international consultant company, October 2009)*

Although hotels themselves are seldom the only reason for tourists to visit a given city but are rather an additional factor that keeps tourists in the location, in exactly the same way as with potential investors, famous hotel brands have the power to foster growth of the tourism sector. As an important part of the tourist infrastructure they give the city a platform from which to attract more travellers and thus stimulate development of other firms within the tourism sector. Because they improve the overall perception of the city they are an indicator of high quality services. As a *Hotel Industry Consultant 7* from an international consultant company described:

> "For destinations with tourist attractiveness it's also very important to have an international hotel brand in the city because this is a quality promise. And maybe there are travellers who say 'OK, the city might be interesting, it looks fine in a travel guide and where will I stay there?'. Then they see 'OK, there are no international brands in the market…' and that might make the destination not so attractive any longer. But if there is a hotel brand such as Hilton or Marriott then maybe it's a certain quality promise and they will be ready to travel there. Also in terms of business foreign investment, also in terms of further development, I think, the presence of international hotel groups is a very important factor for this development and we've seen that in many regions and destinations all over the world."
> *(October 2009)*

Whereas even the most famous hotel brands are rather unlikely to make the city a tourist destination, the situation is very different in resorts. In contrast to big cities where other tourist attractions and additional facilities are necessary to attract tourists, as long as a full service resort of a famous brand is developed in a leisure destination, the destination has a chance to become known to the world regardless of its previous status. Just like in the case of Cancun (Mexico) or a number of resorts on Bali (Indonesia) which were all "created" by international hotel groups and tour operators who marketed and sold them (Kowalczyk 2001), a vast number of summer resorts are also currently emerging on the coasts of Croatia, Montenegro and Bulgaria and, providing that adequate improvements to the local infrastructure take place, the same can be expected in the future in Albania. Thus, a hotel of a famous brand that opens in an unknown destination and offers a safe base for tourists to explore (as in the case of resorts on exotic islands) can be a sufficient stimulus for a given resort to develop (Interview with a *Development Executive 6* from an international hotel group present in CEE, January 2009, and a *General Manager 5* from an internationally-branded hotel in Tallinn, June 2009).

It should be acknowledged, however, that neither in the case of resorts nor in the case of business hotels is brand power a sufficient factor to influence regional development in CEE on its own. As a *Development Executive 1* from an international hotel group active in the CEE region (November 2008) observed, hotels have no power to do anything on their own but if a city has a potential that is "locked" they can contribute to the process of "unlocking". Thus, it is a two-way street and just like the city needs famous hotels, hotels need the city to be active. As they cannot function in a vacuum, what they need to have a positive impact on the city's image is a context of mutual cooperation with local authorities. As a *General Manager 10* from an internationally-branded hotel in Tallinn (June 2009) indicated, famous hotel brands can help a city to grow only if the city has a plan which hotels fit with and if it has a clear and well-established purpose which hotels may help the city to achieve. Indeed, in order to promote itself successfully each hotel has to start from why it is worth visiting the country and why it is worth coming to the city where the hotel is located. It is for this reason that apart from advertising hotels on their official websites international hotel groups often provide additional information on different tourist attractions to be found in a given region (see *www.bestwestern.com* and *www.accor.com* for the examples of Best Western and Accor). By the same token, hotel brands shed light on the city as a safe and trustworthy environment in which to invest.

“When we go to fairs, we of course sell our hotel but we also sell what is around the hotel. (…) When we’re going out and meeting our clients, we say ‘Yes, come to Krakow, to this wonderful city. You can do A, B and C and of course you can stay with us because we have A, B and C’. (…) And when the city is going out to promote themselves they’re also telling them where they can stay and what hotels they have.”
(General Manager 19, an internationally-branded hotel in Krakow, June 2009)

Where the joint promotion can be observed most frequently and where hotel brands tend to be used by cities and countries to attract even more tourists and/or investors is usually at different international fairs. These include typical tourist fairs such as ITB in Berlin and WTM in London, specialised business tourism fairs, including EIBTM in Barcelona and IMEX in Frankfurt, which are rather a domain of convention bureaux than local authorities as such, or other fairs pertaining to economic promotion of regions and cities such as Real Vienna – The Real Estate and Investment Fair which particularly focuses on CEE. In addition, hotel brands are also often used in various promotional catalogues. Figure 8.9 provides a slide from the presentation given by the Municipality of Lodz at Real Vienna in May 2009 and Figure 8.10 presents a page from the catalogue published by the Warsaw Convention Bureaux to promote business tourism to Warsaw. The fact that such catalogues are published at no cost to the hotels concerned further supports the argument that famous hotel brands are believed to help city promotion (Interview with a *Senior Official* from the Warsaw Convention Bureau, July 2009).

Figure 8.9 Slide no. 17 from the promotional presentation given by the Municipality of Lodz at the Real Vienna fair in May 2009

Source: Municipality of Lodz (2009, slide 17)

Figure 8.10 Page no. 55 from the promotional guide published by the Warsaw Convention Bureau


Sheraton Warsaw Hotel

ul. B. Prusa 2, 00-493 Warsaw, Poland
tel. (+48 22) 450 69 13
fax (+48 22) 450 69 01
e-mail: izabela.sikora@starwoodhotels.com
www.sheraton.pl

Sale Konferencyjne Conference Halls

Organizacja konferencji Conference organization

Warunki zakwaterowania Accomodation

Rekreacja Recreation Facilities

55

Source: Warsaw Convention Bureau (2010: 55)

In contrast to the other categories of influence that international hotel groups may have on regional development in CEE and which depend upon the business model preferred, the role that hotel brands play in enhancing place awareness of the regions which they expand into is more or less the same for all business formats and depends more on how famous the brand is. Although it may be argued that due to the necessity of cooperation with local authorities the brand given by operators may be used more efficiently, it is in fact the power of the brand that is the major reason why local hotel owners look to sign franchise contracts with international hotel groups. Indeed, in order to promote the hotel itself the work required from an operator is at least similar to that required from a hotel consortium or a franchisor. Thus, providing that hotel promotion has to revolve around the overall promotion of the location anyway (as discussed above), the location always benefits from the presence of international brands, regardless of the mode of operations. The fact that an investor doing feasibility studies on the location or a tourist planning a leisure trip is usually not aware or simply not interested whether the hotel is operated or franchised as long as they know the brand can further support this argument.

The CEE region is abundant in examples where an internationally-branded hotel is said to have improved the perception of the city and thus foster its development. It especially applies to those hotels who played the role of pioneers in the CEE region (such as the aforementioned Marriott Hotel in Warsaw) and whose influence was also remarkable in the other areas of development. As a *Hotel Industry Consultant 1* from an international consultant firm in Poland confirmed with regard to the Radisson Hotel in Szczecin:

> "Basically, especially in the hotel sector, well-established quality brands around the world have a tendency to better economic disposition of a city, town or region by opening their operations there. (…) It perhaps might be hidden and you cannot quantify that the next day after the opening, but there are things there and the Radisson hotel in Szczecin is a perfect example. In 1991 when they opened, for five years they had a huge impact on the Pomerania region and on the FDI that came in. People absolutely loved the fact that there was a 4-star beautiful property with great service."
> *(June 2009)*

As the example of Bulgarian seaside resorts clearly demonstrates, famous international hotel brands have also had an impact on the development of resort destinations in CEE. Although resorts such as Sunny Beach, Golden Sands and Nessebar were already well-established summer destinations in the communist bloc prior to 1989, it proved difficult for them to sustain a similar status in the post-communist reality and stay in competition with other summer destinations in Southern Europe, such as those in Spain and Greece. Owing to the fact that international tour operators were looking forward to adding these locations to their catalogues, it was in fact they who provided necessary stimuli to foster their growth, including the development of high-quality hotel base. In return for a fixed number of rooms allocated to them for a number of years, and on the condition that the hotels would be operated by international groups whose brands are well-recognised by their clienteles, international tour operators partly funded a number of new notable hotel developments which in turn induced the market, gave it an international image and thus re-established these destinations anew (Interview with a *General Manager 1* from an internationally-branded hotel in Sunny Beach, September 2009, and a *Hotel Industry Consultant* from a consultant company active in the Balkans, October 2009). Table 8.4 summarises all categories of the international hotel sector's impact on regional growth in CEE discussed in sections 8.2-8.6 according to business models.

Table 8.4 Main areas of international hotel groups' influence on regional development in CEE according to business models

CATEGORIES OF IMPACT	BUSINESS MODELS Hotel developers and groups who own hotels	 Hotel operators (management/leasing)	 Franchisors and hotel consortia
Direct investment and infrastructure upgrading (Section 8.2)	- Injecting foreign capital - Repatriating profits (if foreign investors) - Enhancing dependency on foreign capital - Developing hotel base and additional facilities - Positioning the city for investors and tourists - Stimulating growth of other infrastructure	- Enforcing high quality standards in new hotel developments - Repatriating management fees	- Enforcing high-quality standards in new hotel developments (to a lesser degree) - Repatriating franchise and consortia fees
Employment creation (Section 8.3)	- Generating new jobs at the hotel - Contributing to the displacement effect in the local hotel sector - Generating new jobs in supplier firms	- Securing or reducing jobs depending on the mode of entry - Contributing to the displacement effect in the local hotel sector - Generating new jobs in supplier firms - Offering extra benefits to local employees such as internal mobility schemes	- Offering extra benefits to local employees such as internal mobility schemes (to a lesser degree)
Demand for products and services (Section 8.4)	- Generating demand for building materials and services of construction firms - Generating demand for products and services to run the business	- Generating demand for products and services to run the business - Enforcing a high quality of products and services and stimulating competition in the market - Relying on procurement schemes at the expense of local purchases	- Enforcing a high quality of products and services and stimulating competition in the market (to a lesser degree) - Relying on procurement schemes at the expense of local purchases (to a lesser degree)
Technology transfer and staff training (Section 8.5)	- Bringing modern technological solutions at the development stage	- Enforcing modern technological solutions - Implementing global distribution systems - Implementing modern sales and marketing techniques - Advising and lobbying local authorities - Providing general training e.g. in customer service standards	- Enforcing modern technological solutions - Implementing global distribution systems - Implementing modern sales and marketing techniques - Advising and lobbying local authorities - Providing general training e.g. in customer service standards
Power of the brand (Section 8.6)	n/a	- Enhancing place awareness - Positioning the city for investors and tourists - Having the power to create resort destinations	- Enhancing place awareness - Positioning the city for investors and tourists - Having the power to create resort destinations

Source: Own elaboration

8.7 Conclusions

Recognising the role that the international hotel sector in general and international hotel groups in particular play in fostering regional growth in CEE, the chapter has described five main areas of impact. It has been argued that the influence of hotel groups depends upon their business models and is thus a reflection of how the hotel group's production network is structured and what other actors it encompasses. Therefore, owing to the fact that hotel groups are mainly operators and franchisors that rarely own assets directly, in order to analyse the influence of the international hotel sector on regional development in CEE it is necessary to distinguish between hotel groups and other actors from within their production networks. Whilst the most obvious categories of economic impact such as making actual investments, creating new employment and forging local linkages are mainly down to hotel developers and owners, the role of operators, franchisors and hotel consortia is no less important. Indeed, by means of transferring modern know-how and technology, training staff and enhancing visibility of the host market, international hotel groups support the economic development of the CEE region in an indirect way. Thus, apart from creating the value that is made available to be captured by host economies of CEE, the international hotel sector also contributes to the process of value enhancement. Given that the influence of the local hotel industry in terms of generating jobs, injecting capital and forging local linkages has the potential to be of similar magnitude to that of its international counterpart, it is this additional element that – despite some important instances of negative impact – makes the influence of the international hotel sector more significant than that of the local one.

Due to the fact that business models largely correlate with market segments and various features of hotel outlets (for instance, luxury and upscale hotels are more often bigger in size, have more additional facilities, require more advanced know-how and are therefore more often operated than franchised), which, in turn, have a clear spatial manifestation (as described in Chapter 6), it is easy to infer that the geographical pattern of the impact upon regional growth in CEE largely reflects the spatial distribution of internationally-branded hotels in the CEE region. Thus, with the exception of brand power whose role is much more important for secondary destinations and resorts rather than for primary cities, the biggest impact in absolute terms can be observed in markets that can support big, upscale hotels with many additional facilities – i.e. the developed markets of capital cities and main business hubs. Meanwhile, the influence of hotel groups on less known destinations which rather attract smaller hotels with less facilities and less employees is far less significant. Thus, although the influence of the international hotel industry upon regional growth in CEE is generally positive, it often contributes to the spatial economic unevenness both at the national and regional level.

Finally, given that the extra value brought by international hotel groups to CEE is in the context of post-communist transformations the most desired resource in the CEE region, the role of the international hotel sector in fostering the processes of transition also has to be recognised. Indeed, due to the fact that representatives of the international hotel industry help their local partners to adopt international standards, share their knowledge with local authorities, train their local employees and equip them with skills that are still not easily obtainable in CEE, the international hotel industry helps the communities of CEE to more efficiently tackle issues that are associated with the communist heritage. Concurrently, by means of cooperating with local partners, including NGOs, authorities, suppliers and hotel developers, international hotel groups connect the communities and economies of CEE to the wider networks of the global economy. Thus, not only do they foster the processes of post-communist transformations, but they also help the region to be fully embraced by the globalisation of services.

Chapter 9

Summary and conclusions

9.1 Introduction

The main objectives of this chapter are to summarise the findings of the thesis, discuss its theoretical and methodological contributions and propose a further research agenda. Rather than summarising the contents of the thesis chapter by chapter, each of the three sections of this chapter addresses one of the objectives separately. Thus, with reference to the specific research questions, Section 9.2 distils the main arguments and discusses the empirical findings of the thesis. In turn, Section 9.3 summarises the theoretical (and methodological) contributions of the project with regard to the hotel sector (the sectoral gap), transition economies (the geographical gap) and the global production networks (GPN) framework as the main theoretical perspective employed in the thesis. In order to conclude the project, Section 9.4 discusses the limitations of the thesis and suggests a further research agenda.

9.2 Empirical findings

The empirical contributions of the thesis can be considered at two levels – general and specific. Regarding the general level, the thesis has contributed to the understanding of the globalisation of services by means of addressing two important lacunae in research on economic globalisation – one sectoral (the hotel industry) and one geographical (the CEE region). In this respect, the thesis has paid attention to the globalisation of the hotel industry and the numerous ways in which it expresses itself in the complex context of post-communist transformations in CEE. Regarding the specific level, in turn, the thesis has contributed to the area of economic geography through addressing the five research questions described in Chapter 4. The findings are related in detail in Chapters 6-8 and are also summarised below.

1. What are the different patterns of expansion of international hotel groups into CEE in terms of modes of entry, geographical distribution of hotels and competition with other hotel groups?

With regard to the horizontal dimension of globalisation of the hotel industry, the thesis has showed that despite the communist past shared by CEE countries, the CEE region cannot be considered a uniform market. It has been demonstrated that the geographical distribution of internationally-branded hotels in CEE is shaped by two groups of factors – hotel groups' varying strategies of expansion and the varying opportunities for hotel development that different markets in the region can offer. The attractiveness of these markets, in turn, is reflective of the level of economic and political stability, the stage of post-communist transformations and basic market characteristics such as the number of primary and secondary destinations (including resorts) and the size of the market. It has been argued that the CEE market is still not as stable as, for instance, Western Europe and therefore cannot be considered an important market for international hotel groups. The relatively limited involvement of hotel TNCs in the market, combined with the high level of cautiousness in choosing a business model, further supports this argument.

It has been shown that international hotel groups expand into CEE according to the so-called hub-and-spoke pattern (Sangster et al 2001) – they start with the biggest and most stable markets (e.g. capital cities such as Prague, Moscow, Warsaw and Budapest) and then, if possible, also expand into secondary destinations. Concurrently, they prefer the biggest and economically most stable national markets and therefore countries such as Hungary, the Czech Republic, Poland, Romania and Russia are more attractive markets to them than, for example, Slovenia, Albania and Moldova. The exceptions are Bulgaria and Croatia which are the only summer destinations in CEE and are therefore relatively important markets for groups specialising in resorts. The most targeted market segments by international hotel groups are the upscale level (mainly in important business hubs) and the mid-scale level (in primary and some secondary destinations). Meanwhile, the luxury and economy/budget markets are still not sufficiently developed in CEE. In turn, the geographical and sectoral gaps left by international groups are increasingly filled by domestic hotel groups who gradually become more and more important competitors for international operators. In terms of modes of entry, international groups mostly expand through organic growth. The exception is Accor who has built its strong position in the region by means of acquiring the formerly state-owned groups – Orbis in Poland and Pannonia in Hungary. As the scope for conversions in CEE is limited, the international hotel sector in CEE is dominated by newly-built hotels. At the same time, international hotel groups prefer low- or medium-commitment modes of entry such as franchising or management. With a few exceptions, owning and leasing are very unpopular in CEE.

2. What have been the reasons for, and obstacles to, the expansion of international hotel groups into CEE after 1989?
3. In what ways do the various institutional formations at different geographical scales in selected CEE countries affect the expansion of international hotel groups into CEE?

In order to answer the research questions 2 and 3 and thus move the attention from the horizontal dimension to the vertical dimension of globalisation, the thesis focused upon the context of post-communist transformations in CEE. It has been argued that although the expansion of hotel groups into CEE started long before the collapse of communism, it would have never reached the current level if post-communist transformations had not occurred. However, the influence of post-communist transformations on the expansion of international hotel groups has been two-fold. While the post-communist restructuring brought openness to foreign firms, and was thus a decisive stimulus for their enhanced expansion into CEE, it simultaneously exposed a wide variety of legal, social, economic and political problems that initially hampered the expansion and largely determined its pace, scope and depth. The variety of ongoing post-communist transformations has to be therefore considered as the most important group of factors shaping the expansion of international hotel groups into CEE.

The thesis has distinguished five different groups of factors – legal factors, interactions with local authorities, availability of funding and local partners, availability of staff and availability of suppliers. In turn, the degree to which each factor impacts the expansion depends on the level of territorial embeddedness of a given hotel group which is entirely reflective of the selected business format. Thus, groups who own assets themselves and have therefore a high level of territorial embeddedness in the host economy, inevitably face a wider range of problems than groups who do not own assets directly. The factors that shape their expansion range from those experienced at the stage of development (i.e. different legal problems such as getting a clear title on land and long administrative procedures) to those faced at the operational stage and associated with the availability of skilful hotel staff, reliable suppliers and cooperating with local governments and NGOs. In contrast, the expansion of groups who operate hotels is shaped only by those factors that pertain to the operational stage, whereas franchisors and hotel consortia, who do not own assets, do not get involved in operating issues and have therefore the lowest level of territorial embeddedness, normally face the narrowest spectrum of problems. In the case of hotel operators and franchisors, problems associated with the development stage usually rest on shoulders of hotel developers. In this respect, the expansion of operators and franchisors depends on the availability of hotel developers and other local partners (e.g. consultant firms) and – in contrast to groups who invest in real estate directly – is therefore largely opportunistic. Simultaneously, as the examples of Poland, Estonia and Bulgaria have demonstrated, each factor expresses itself in each economic, political and institutional context in a different way and is reflective of the post-communist trajectory of development followed by a given country or region.

4. What role do international hotel companies play in the processes of post-communist economic and political transformations in the CEE region?
5. What impact do international hotel groups and their global production networks have on the processes of economic development at different spatial scales across CEE?

Continuing the focus on the vertical dimension of the globalisation of the hotel industry, the thesis has also explored the ways in which the expansion of hotel groups stimulates post-communist transformations through fostering regional development in the region. Following Dicken (2007), five different areas of impact have been distinguished – direct investment and infrastructure upgrading, employment creation, forging local linkages, technology transfer (including staff training) and enhancing place awareness and market visibility. It has been argued that the ways in which the value is created, enhanced and captured for the benefit of CEE regions depends upon the business model preferred by a given TNC, thus reflecting its level of embeddedness in the host country and its position in the wider global production network.

It has been demonstrated that the most obvious areas of influence such as making actual investments, creating employment and forging local linkages are mainly down to hotel developers and, therefore, the most significant impact on regional development in CEE is made by those hotel groups who invest in real estate directly. Despite that, the impact of operators and franchisors is no less important. Indeed, by means of bringing modern know-how, training staff and enhancing place awareness of the host market, franchisors and operators stimulate regional development in CEE in an indirect way, thus enhancing the value that is made available by hotel developers to be captured by host economies of CEE. It is this additional value that makes the influence of the international hotel sector more significant than that of the local one. Finally, at a more general level, by means of cooperating with local partners (e.g. developers, authorities, NGOs) international hotel groups connect the CEE countries to the wider networks of the global economy. Thus, not only does the international hotel industry stimulate the processes of post-communist transformations in CEE but it also fosters strategic coupling between the CEE regions and service GPNs.

However, despite the fact that the overall influence of the international hotel industry on regional development in CEE is rather positive, some instances of negative impact also have to be recognised. Repatriating profits/fees, contributing to the local dependency on foreign capital, fostering the displacement effect in the local economy, "creaming off" the best workers and relying on central procurement programmes at the expense of local linkages are the most notable examples. Moreover, due to the fact that the biggest hotels that are in a position to have the most significant impact on regional upgrading tend to concentrate in the most developed urban markets, the international hotel industry often contributes to the spatial economic unevenness both at the national and regional level.

9.3 Theoretical contributions of the thesis

Apart from the empirical findings, the research on the globalisation of the hotel sector in CEE has had important theoretical implications. Although the theoretical contributions of the project are largely interdependent and overlapping, they can be grouped into three categories – contributions to researching the international hotel sector, contributions to researching transition economies in the CEE region and, at the general level, theoretical and methodological contributions to the GPN approach.

Owing to the fact that the international hotel sector is largely under-researched from the perspective of geography, probably the most important set of contributions made by the thesis are those made to researching the hotel sector. Apart from the fact that the project has addressed the shortage of research on services in general and the hotel industry in particular in quantitative terms, it has helped tackle the three qualitative gaps in research on the hotel industry identified in Chapter 4. First, the thesis has broken away from the firm-centric approach that prevails in research on tourism and the hotel industry and has paid attention to the multi-actor nature of the hotel sector and international hotel groups' production networks. Indeed, rather than focusing solely on international hotel groups, the project has also accounted for the role played by other kinds of actors who constitute the international hotel industry and enquired into the various power relations between different groups of actors that shape the architecture of the contemporary hotel industry. Most importantly, these include hotel developers/investors and real estate owners on the one hand and consultant firms on the other. The thesis has demonstrated that the mutual interdependencies between the international hotel industry, consulting services and the real estate industry are an important factor shaping international hotel development and have to be accounted for if the globalisation of the hotel sector is to be comprehensively understood. In addition, the thesis has also paid attention to actors such as suppliers and, most importantly, the various actors that constitute the economic, institutional, political and social environments of host economies and which account for the overall economic and political stability of a given national, regional or urban market. These include local governments, different NGOs such as convention bureaux and tourist chambers and, to a lesser extent, also trade unions.

The attention to the latter group of actors is closely interconnected with the second gap which the thesis has aimed to address – namely the wide variety of systems of economic organisation into which hotel TNCs expand and in which they are inevitably embedded. The thesis has demonstrated that the expansion of hotel groups is largely determined by the variety of political, economic, cultural and institutional contexts observed across the world, each of which yields a different degree of attractiveness to expanding groups and contributes to the uneven geographical distribution of internationally-branded hotels in a different way. What is more, this wide economic and institutional variety results in the various forms of territorial embeddedness of hotel groups in the host economy which, in turn, determine the multiple ways in which different hotel groups are placed in the host economy and the varying levels to which different countries/regions slot into these hotel groups' production networks. It has been contended that accounting for this variety is an essential pre-condition for understanding the varied implications that different forms of territorial embeddedness of hotel groups can have on host economies.

Undoubtedly, one category of such implications is the influence of expanding groups on regional development in host countries – the third qualitative gap which the project has aimed to address. Indeed, the attention to territorial embeddedness on the one hand and the multi-actor nature of the hotel industry on the other has allowed the thesis to identify and explore the different areas of impact that hotel groups and other actors from within their production networks have on regional upgrading of host markets and thus enquire more deeply into the processes of value creation, enhancement and capture which hotel firms and other actors foster for the benefit of host economies. Concurrently, the thesis has gone beyond the entry mode selection that dominated research on the hotel industry to date and explored potential post-entry implications of this selection – one of the most under-researched areas both in research on the hotel industry and, generally, in research on the whole service sector.

Apart from making important theoretical contributions to researching the hotel industry, the project has also contributed to the general understanding of transition economies in the CEE region – the second research lacuna which the project has addressed and which remains under-researched in the discipline of economic geography. First, the thesis has illustrated that the CEE market plays an increasingly important role in the globalisation of the service sector and that the globalisation of services cannot be fully accounted for without due attention to CEE. Secondly, it has been shown that the impact of the hotel sector (and, by default, also other service industries) on post-communist transformations in the region cannot remain unacknowledged if the processes of transformation are to be comprehensively understood. Indeed, owing to the fact that the bulk of research on CEE has hitherto concentrated on manufacturing – the dominant part of every CEE economy under state socialism – the project has made an important contribution to understanding the growing role of services in the processes of integration of CEE countries with wider networks of the global economy. Another critical contribution has also been the analysis of different areas of impact that hotel firms have on regional upgrading in CEE.

Most importantly, the thesis has supported the argument that despite the communist past shared by CEE countries, the region is far from uniform in economic, political, cultural and institutional terms and each state is following a different path-dependent and path-shaping trajectory of post-communist development (Grabher and Stark 1998, Swain and Hardy 1998). By means of exploring the various institutional contexts that are emerging in the CEE region in place of state socialism, the thesis has contributed to the general understanding of the multiple ways in which the variety of post-communist capitalisms shapes and, to some degree, is influenced by the development of the international hotel sector. The enhanced understanding of the variety of post-communist capitalisms has, in turn, confirmed the argument of Bohle and Greskovits (2007) and Lane (2005) that the

VoC approach falls short of explaining the variety of capitalisms in the CEE region. The project has therefore argued that in order to account for the economic and institutional diversity in CEE, the VoC approach has to be combined with the alternative approach to post-communist transformations, which, because of its focus upon the concepts of path-dependency and embeddedness, is perfectly placed to complement the VoC approach in researching transition economies.

Finally, the contributions made to researching the hotel sector and transition economies overlap with those made to the GPN approach – the theoretical perspective employed in the project. At the general level, the most important contribution of the project has been to apply the GPN approach to a “new” sector (the hotel industry) and a “new” territory (CEE), both of which have been largely under-researched not only from the perspective of GPN but also in economic geography in general. The specific contributions made by the thesis, in turn, correspond with those made to researching the hotel industry. First, in response to Levy’s (2009) critique that GPN-informed research does not normally differ from those conducted from the GCC/GVC perspective, the thesis has escaped from the firm-centric approach and, focusing upon the multi-actor and multi-scalar nature of the hotel industry, it has also tackled the various power relations within hotel groups’ global production networks. Secondly, following Coe et al’s (2008a, see also Hess and Yeung 2006) call for a more enhanced incorporation of the varieties of capitalism framework into the broader GPN perspective, the thesis has accounted for the variety of economic, political and institutional contexts in CEE, their impact on the expansion of hotel groups and the multiple ways in which the institutional formations in the region are shaped by expanding firms and are connected to their production networks. By the same token, the project has also demonstrated how, in order to account for the specific context of post-communist transformations in CEE, the GPN perspective can effectively incorporate the alternative approach to post-communist transformations in the CEE region. Thirdly, the thesis has successfully operationalised the GPN approach’s analytical focus on regional development. By means of exploring the processes of value creation, enhancement and capture that are initiated by expanding hotel firms and their production networks for the benefit of various regions, the thesis has focused on regional development empirically – something that is very rarely looked at on the ground. Most importantly, the thesis has broadly re-emphasised the applicability of the GPN approach to researching the service sector.

In addition, the thesis has also made methodological contributions to the GPN approach. Although the research strategy has been based on a combination of a network approach and a territorial approach, it is the former where the thesis has made important progress. Indeed, rather than targeting only key actors from hotel groups' GPNs and researching them only in key sites within these GPNs, the research process tackled many different groups of actors and chased them not only in major markets but also in some secondary and tertiary destinations in CEE, and – when necessary – also in some distant locations. International consultant firms and foreign hotel developers who are often based outside the CEE region but are important players in the hotel industry in CEE can serve here as good examples. Moreover, not only has the project paid attention to the different actors and the roles played by them in various GPNs but also, in order to better understand the mechanisms and processes within these GPNs, it has investigated the various relations between these actors and their implications. In this respect, the project has served as an example of a truly GPN-informed multi-actor research. Meanwhile, although the project has sufficiently managed to account for the variety of territorially-defined institutional, social, political and economic contexts in which various GPNs are embedded and which they interconnect, making a significant contribution to the territorial approach appeared to be much more challenging. The following section turns to various limitations of the thesis and a future research agenda that derives from these limitations.

9.4 Limitations and further research agenda

Although the thesis has been the first systematic study of the international hotel industry in CEE and has therefore made a number of important theoretical contributions to the topic, some limitations of the research project also have to be recognised. These can be divided into theoretical and methodological ones. Theoretical limitations derived from the aforementioned shortage of research on services and the CEE region and have been described in more detail in Chapters 2-4. In particular, the theoretical foundations of the thesis suffered from the paucity of theorisations pertaining to non-flagship actors from hotel groups' global production networks, mainly consultant firms and hotel developers and owners. Meanwhile, as the thesis has demonstrated, the interdependencies between these three sectors lie at the heart of the globalisation of the hotel industry and cannot be therefore unacknowledged. Although the project has tried to overcome these limitations and develop theorisations pertaining to the multi-actor nature of the international hotel industry, still more work at the conceptual level is needed in this important respect.

Methodological limitations, in turn, revolved around the scope and depth of the research and predominantly originated from time and financial constraints. Given that the project has aimed to generalise about the whole international hotel sector in CEE and the whole CEE region, the most important limitations pertained to the number of cases selected for a more detailed analysis. While the set of organisational case studies managed to cover the majority of international hotel groups present in the CEE region, the set of territorial case studies embraced only three out of 20 CEE states. Unfortunately, it was practically impossible to conduct research on more countries within the timeframe of this project. Meanwhile, it might be expected that an analysis of more countries (for instance, two countries from each of the four groups of states distinguished in Chapter 5, rather than one) could not only generate findings of higher credibility and higher transferability to other cases (Berg 2004, Punch 1998) but could also explore the phenomenon researched in more depth and permit comparisons not only between the groups of countries but also within them. The same can be said about the choice of particular destinations within the addressed countries. Apart from Estonia where all destinations with international hotels were addressed, owing to the financial and time constraints this was possible neither in Poland nor in Bulgaria. Moreover, the relatively low number of destinations selected for the detailed analysis was also an important factor why, in analytical terms, the national scale prevailed in the research process and why comparisons between regions could not be made to the same degree as comparisons between different countries. Although every effort was put in tracing different hotel groups' global production networks at multiple sites, Hess and Yeung's (2006) call for more multi-site international research could be addressed only partially.

The same arguments could be put forward with regard to the selection of interviewees. Although it could be contended that the first stage of research could benefit more from face-to-face interviews rather than those made by telephone the corporate interviews managed to generate enough credible findings to generalise about the perspective of the international hotel industry on the CEE market. Meanwhile, the groups of interviewees targeted during the second stage of research (fieldwork interviews) could not be covered to the same level. While representatives of international hotel groups, local authorities, consultant firms and local hotel groups in CEE were addressed sufficiently, difficulties of access made it impossible to address the group of hotel developers and owners to the anticipated degree. In addition, despite the fact that the role of construction companies, suppliers and travel agents was not as important to the thesis as the role of, for instance, hotel developers and local governments, the research could undoubtedly be much more comprehensive if time and finances allowed the project to address these actors and their activities. In addition, limited access to corporate documents pertaining to future plans of corporate growth and limited possibilities of analysing various problems which hotel groups encountered in the CEE region but could not be discussed (for example, various instances of corruption) also have to be listed as important methodological limitations to the project.

Finally, one of the most important methodological challenges faced during the research process was associated with the problems of measuring regional development impacts of hotel companies. Although it was relatively easy to identify different categories of impact, it was often very challenging to assess its scale. While every effort was made to support the arguments of the thesis with numerical data, with regard to some categories such as know-how transfer and power of the brand the analysis had to rely only upon qualitative data. Given that the data gathered during the research process reflected the various groups of interviewees' own perspectives it was also difficult in some instances to assess whether the impact of international hotel groups on the host country should be considered positive or negative.

As the above discussion has illustrated, despite the success of the research strategy and the numerous empirical and theoretical contributions made by the project, the expansion of international hotel groups into CEE could not be investigated as comprehensively as desired. Thus, in order to capitalise on the analysis provided in this thesis and enhance the understanding of the hotel sector and its globalisation (especially with regard to the CEE region), an array of topics for further research can be proposed. The future agenda includes:

- Research on the hotel sector in more CEE countries and more CEE destinations and enhanced comparisons between the countries of CEE and different developed states, for instance in Western Europe;
- More in-depth research on each kind of impact that the constantly emerging systems of economic organisation in the CEE region have on the expansion of international hotel groups and other companies from the tourism sector – particularly the issues of interactions between expanding hotel firms and local institutional formations;

- More detailed research on every area of impact that expanding hotel companies may have on regional growth in CEE at different geographical scales, with a particular focus upon know-how and technology transfer and the issue of competition between foreign and local hotel groups;
- More in-depth research on the societal embeddedness of expanding hotel groups and its impact on the forms of expansion observed in the CEE region.

Although the thesis has been an in-depth study of the international hotel sector in CEE, not every aspect of the topic could be researched comprehensively. As some aspects of the researched phenomenon are yet to be explored, it is hoped that this project has laid solid foundations for further geographical research on both the hotel sector and the CEE region and will serve as an encouragement to such studies in the future.

Literature

Abell, M. (1990) *The International Franchise Option*, London: BFA Waterflow

Accor (2011) *Accor in Brief – the Group Presentation*, Accor, retrieved from *www.accor.com* on 24.04.2011

Agarwal, S., Ball, R., Shaw, G., Williams, A. (2000) The geography of tourism production: uneven disciplinary development?, *Tourism Geographies*, 2, pp. 241–263

Aharoni, Y. (1997) Management consulting, in: Aharoni, Y. (eds.) *Changing Roles of State Intervention in Services in an Era of Open International Markets*, Albany: State University of New York Press

Aharoni, Y. (2000a) Introduction: setting the scene, in: Aharoni, Y., Nachum, L. (eds.) *Globalization of Services*, London: Routledge

Aharoni, Y. (2000b) The role of reputation in global professional business services, in: Aharoni, Y., Nachum, L. (eds.) *Globalization of Services*, London: Routledge

Aitchison, C. (2001). Theorizing other discourses of tourism, gender and culture: can the subaltern speak (in tourism)?, *Tourist Studies*, 1, pp. 133–147

Aitchison, C. (2005) Feminist and gender research in sport and leisure management: understanding the social–cultural nexus of gender-power relations, *Leisure Studies*, 19, pp. 422–441

Akbar, Y., McBride, J. (2004) Multinational enterprise strategy, foreign direct investment and economic development: the case of the Hungarian banking industry, *Journal of World Business*, 39, pp. 89-105

Alexander, N., Lockwood, A. (1996) Internationalisation: a comparison of the hotel and retail sectors, *The Service Industries Journal*, 16, pp. 458-473

Allen, J. (1988) Service industries: uneven development and uneven knowledge, *Area*, 20, pp. 15-22

Allen, J., Cochrane, A. (2007) Beyond the territorial fix: regional assemblages, politics and power, *Regional Studies*, 41, pp. 1165-1175

Allen, J., Massey, D., Cochrane, A. (1997) *Re-thinking the Region: Spaces of Neo-Liberalism*, London: Routledge

Altinay, L., Altinay, M. (2003) How will growth be financed by international hotel companies? *International Journal of Contemporary Hospitality Management*, 15, pp. 274-282

Altvater, E. (1998) Theoretical deliberations on time and space in post-socialist transformation, *Regional Studies*, 32, pp. 591-605

Amable, B. (2003) *The Diversity of Capitalism*, Oxford: Oxford University Press

Amin, A. (1997) Placing globalization, *Theory, Culture and Society*, 14, pp. 123-137

Amin, A. (1998) Globalisation and regional development: a relational perspective, *Competition & Change*, 3, pp. 145-165

Amin, A. (2001) Moving on: institutionalism in economic geography, *Environment and Planning A*, 33, pp. 1237-1241

Amin, A. (2002) Spatialities of globalisation, *Environment and Planning A*, 34, pp. 385-399

Amin, A. (2004) An insitutionalist perspective on regional economic development, in: Barnes, J., Peck, J., Sheppard, E., Tickell, A. (2004) *Reading Economic Geography*, Oxford: Blackwell Publishing

Amin, A., Thrift, N. (1994) Living in the global, in: Amin, A., Thrift, N. (eds.) *Globalisation, Institutions and Regional Development in Europe*, Oxford: Oxford University Press

Amin, A., Thrift, N. (1995) Globalization, institutional "thickness" and the local economy, in: Healey, P., Cameron, S., Davoudi, S. Graham, S., Madinpour, A. (eds.) *Managing Cities: The New Urban Context*, Chichester: Wiley

Amin, A., Tomaney, J. (1995) *Behind the Myth of European Union*, London: Routledge

Amsden, A., Kochanowicz, J,. Taylor, L. (1994) *The Market Meets Its Match: Restructuring the Economics of Eastern Europe*, Cambridge, MA: Harvard University Press

Anastassova, L., Purcell, K. (1995) Human resource management in the Bulgarian hotel industry: from command to empowerment?, *International Journal of Hospitality Management*, 14, pp. 171-185

Arthur, W. (1994) *Increasing Returns and Path Dependence in the Economy*, Michigan: Michigan University Press

Ashworth, G. (1992) Is there an urban tourism?, *Tourism Recreation Research*, 17, pp. 3-8

Åslund, A. (1992) *Post-Communist Economic Revolutions: How Big a Bang?*, Washington: CSIS

Athiyaman, A., Go, F. (1993) Strategic choices in the international hospitality industry, in: Brotherton, B. (eds.) *The International Hospitality Industry: Structure Characteristics and Issues*, Oxford: Butterworth-Heinemann

Babbie, E. (2004) *The Practice of Social Research*, Belmont, CA: Thomson & Wadsworth

Bachvarov, M. (1997) End of the model? Tourism in post-communist Bulgaria, *Tourism Management*, 18, pp. 43-50

Bair, J. (2005) Global capitalism and commodity chains: looking back, going forward, *Competition & Change*, 9, pp. 153-180

Bair, J. (2008) Analysing economic organization: embedded networks and global chains compared, *Economy and Society*, 37, pp. 339-364

Bair, J., Gereffi, G. (2003) Upgrading, uneven development and jobs in the North American apparel industry, *Global Networks*, 3, pp. 143-169

Barrientos, S. (2007) Global production systems and decent work, *Working Paper no. 77*, Policy Integration Department, International Labour Office, Geneva

Bathelt, H. (2006) Geographies of production: growth regimes in spatial perspectives 3 – towards a relational view of economic action and policy, *Progress in Human Geography*, 30, pp. 223-236

Bathelt, H., Glückler, J. (2003) Towards a relational economic geography, *Journal of Economic Geography*, 3, pp. 117-144

Baum, T. (1993) Human resource issues in tourism: an introduction, in: Baum, T. (eds.) *Human Resource Issues in International Tourism*, Oxford: Butterworth-Heinemann

Baum, T. (1995) *Managing Human Resources in the European Tourism and Hospitality Industry*, London: Chapman and Hall

Baum, J., Ingram, P. (1998) Survival-enhancing learning in the Manhattan hotel industry 1898–1980, *Management Science*, 44, pp. 996–1016

Beaverstock, J. (2004) 'Managing across borders': knowledge management and expatriation in professional service legal firms, *Journal of Economic Geography*, 4, pp. 157-180

Beaverstock, J., Smith, R., Taylor, P. (2000) Geographies of globalization: United States law firms in world cities, *Urban Geography* 21, pp. 95-120.

Bell, C. (1992) Opening up Eastern Europe: new opportunities and new challenges, *The Cornell Hotel and Restaurant Administration Quarterly*, 33, pp. 53-63

Bell, J. (2005) *Doing Your Research Project: A Guide for First-time Researchers in Education, Health and Social Science*, 4th edition, Maidenhead: Open University Press

Bell, M., Ward, G. (2000) Comparing temporary mobility with permanent migration, *Tourism Geographies*, 2, pp. 87–107

Berg, B. (2004) *Qualitative Research Methods for the Social Sciences*, Boston: Pearson

Bergsman, S. (1995) Poland's hotel growth put on hold, *Hotel & Motel Management*, 210, pp. 4

Berke, P. (2002) Does sustainable development offer a new direction for planning? Challenges for the 21st century, *Journal of Planning Literature*, 17, pp. 21–36

Bevan, A., Estrin S. (2000) The determinants of foreign direct investment in transition economies, Centre for New and Emerging Markets, Discussion Paper Series No. 9, London Business School, London

Bhaskar, R. (1975) *A Realist Theory of Science*, Leeds: Leeds Books

Blanchard, O., Dornbusch, R., Krugman, P., Layard, P., Summers, L. (1992) *Reform in Eastern Europe*, London: MIT Press

Błądek, Z., Tulibacki, T. (2003) *Dzieje Krajowego Hotelarstwa – od Zajazdu do Współczesności: Fakty, Obiekty, Ludzie*, Poznań: Palladium Architekci – Błądek, Mańkowski

Boddewyn, J., Baldwin-Halbrich, M., Perry, A. (1986) Service multinationals: conceptualization, measurement and theory, *Journal of International Business Studies*, 17, pp. 41-57

Bohle, D., Greskovits, B. (2007) The state, internationalization, and capitalist diversity in Eastern Europe, *Competition & Change*, 11, pp. 89-115

Boniface, B., Cooper, G. (1987) *Geography of Travel and Tourism*, London: Heinemann

Bowen, J., Leinbach, T. (2006) Competitive advantage in global production networks: air freight services and the electronics industry in Southeast Asia, *Economic Geography*, 82, pp. 147–166

Bradshaw, M., Stenning, A. (2004) Introduction: transformation and development, in: Bradshaw, M., Stenning, A. (eds.) *East Central Europe and the Former Soviet Union*, Harlow: Pearson

Bradshaw, M., Swain, A. (2004) Foreign investment and regional development, in: Bradshaw, M., Stenning, A. (eds.) *East Central Europe and the Former Soviet Union*, Harlow: Pearson

Bridge, G. (2008) Global production networks and the extractive sector: governing resource-based development, *Journal of Economic Geography*, 8, pp. 389-419

Bridge, G., Wood, A. (2005) Geographies of knowledge, practices of globalization: learning from the oil exploration and production industry, *Area*, 37, pp. 199-208

Britton, S. (1991) Tourism, capital and place: towards a critical geography of tourism, *Environment and Planning D: Society and Space*, 9, pp. 451-478

Brown, F. (1998) *Tourism Reassessed: Blight or Blessing*?, Oxford: Butterworth-Heinemann

Brown, J. (1994) *Hopes and Shadows: Eastern Europe after Communism*, Harlow: Duke University Press/Longman

Brown, J., Dev, C., Zhou, Z. (2003) Broadening the foreign market entry mode decision: separating ownership and control, *Journal of International Business Studies*, 34, pp. 473-488

Bryman, A. (2004) *Social Research Methods*, 2nd edition, Oxford: Oxford University Press

Bryson, J. (2001) Services and internationalisation: annual report on the progress of research into service activities in Europe in 1998, *The Service Industries Journal*, 21, pp. 227-240

Bryson, J. (2002) 'Trading' business knowledge between countries: consultants and the diffusion of management knowledge, in Cuadrado-Roura, J., Rubalcaba-Bermejo, L., Bryson, J. (eds.) *Trading Services in the Global Economy*, Cheltenham: Edward Elgar

Buckley, P., Witt, S. (1990) Tourism in the centrally-planned economies of Europe, *Annals of Tourism Research*, 17, pp. 7-18

Bull, P., Church, A. (1994) The geography of employment change in the hotel and catering industry of Great Britain in the 1980s: a subregional perspective, *Regional Studies*, 28, pp. 13-25

Bułgaria: niektórzy cudzoziemcy będą mogli kupować ziemię, *Gazeta*, 30 Sept 2009, retrieved from *www.gazeta.pl* on 29.04.2010

Burawoy, M. (1991) The extended case method, in: Burawoy, M. et al (eds.) *Ethnography Unbound: Power and Resistance in the Modern Metropolis*, Berkeley: University of California Press

Burawoy, M. (1992) The end of Sovietology and the renaissance of modernization theory, *Contemporary Sociology*, 21, pp. 774-785

Burgess, C., Hampton, A., Price, L., Roper, A. (1995) International hotel groups: what makes them successful?, *International Journal of Contemporary Hospitality Management*, 7, pp. 74-80

Burns, P., Novelli, M. (eds.) (2008) *Tourism and Mobilities*, Wallingford: CABI

Butler, R. (1980) The concept of the tourist area life-cycle of evolution: implications for management of resources, *The Canadian Geographer*, 24, pp. 5–12

Buttle, F. (1986) *Hotel and Food Service Marketing*, London: Cassell

Byrne, A. (1993) International hotel consortia, in: Jones, P., Pizam, A. (eds.) *The International Hospitality Industry: Organizational and Operational Issues*, New York: Pitman Publishing/John Wiley & Sons, Inc.

Callon, M. (1987) Society in the making, in: Bijker, W., Hughes, T., Pinch, T. (eds.) *The Social Construction of Technological Systems*, MA: MIT Press, Cambridge

Callon, M., Law, J. (1995) Agency and the hybrid collectif, *South Atlantic Quarterly*, 94, pp. 481-507

Callon, M., Law, J. (1997) After the individual and society: lessons in collectivity from science, technology, and society, *Canadian Journal of Sociology*, 222, pp. 165-182

Carter, F. (1991) Bulgaria, in: Hall, D. (eds.) *Tourism and Economic Development in Eastern Europe and Soviet Union*, London: Belhaven

Chang, T., Milne, S., Fallon, D., Pohlmann, C. (1996) Urban heritage tourism: the global-local nexus, *Annals of Tourism Research*, 23, pp. 284-305

Chen, J., Dimou, I. (2005) Expansion strategy of international hotel firms, *Journal of Business Research*, 58, pp. 1730-1740

Chomsky, N. (1994) *World Orders, Old and New*, London: Pluto Press

Clancy, M. (1998) Commodity chains, services and development: theory and preliminary evidence from the tourism industry, *Review of International Political Economy*, 5, pp. 122-148

Cloke, P., Philo, C., Sadler, D. (1991) *Approaching Human Geography: An Introduction to Contemporary Theoretical Debates*, London: Paul Chapman Publishing

Coates, D. (1999) Models of capitalism in the new world order: the UK case, *Political Studies*, 47, pp. 643-660

Coates, D. (2000) *Models of Capitalism*, Cambridge: Polity Press

Coathup, D. (1999) Dominant actors in international tourism, *International Journal of Contemporary Hospitality Management*, 11, pp. 69-72

Coe, N. (1997) Internationalisation, diversification and spatial restructuring in transnational computer service firms: case studies from the UK market, *Geoforum* 28, pp. 253-270

Coe, N (1999) Emulating the Celtic Tiger? A comparison of the software industries of Singapore and Ireland, *Singapore Journal of Tropical Geography* 20, pp. 36-55

Coe, N. (2003) Review essay: servicing the global economy?, *The Service Industries Journal*, 23, pp. 150-157

Coe, N. (2004) The internationalisation/globalisation of retailing: towards an economic-geographical research agenda?, *Environment and Planning A*, 36, pp. 1571-1594

Coe, N. (2009) Global production networks, in: Kitchin, R., Thrift, N. (eds.) *The International Encyclopedia of Human Geography*, Oxford: Elsevier

Coe, N. (2011) Geographies of production II: a global production network A-Z, *Progress in Human Geography*, published online before print April 2011, retrieved from *http://phg.sagepub.com* in June 2011

Coe, N., Dicken, P., Hess, M. (2008a) Global production networks: realizing the potential, *Journal of Economic Geography*, 8, pp. 271-295

Coe, N., Hess, M. (2005) The internationalization of retailing: implications for supply network restructuring in East Asia and Eastern Europe, *Journal of Economic Geography*, 5, pp. 449-473

Coe, N., Hess, M. (2010) Local and regional development: a global production networks approach, in: Pike, A., Rodriguez, -Pose, A., Tomaney, J. (eds.) *The Handbook of Local and Regional Development*, London: Routledge

Coe, N., Hess, M., Yeung, H., Dicken, P., Henderson, J. (2004) 'Globalizing' regional development: a global production networks perspective, *Transactions of the Institute of British Geographers*, New Series, 29, pp. 468-484

Coe, N., Johns, J., Ward, K. (2008b) Flexibility in action: the temporary staffing industry in the Czech Republic and Poland, *Environment and Planning A*, 40, pp. 1391-1415

Coe, N., Johns, J., Ward, K. (2011) Variegated global expansion: internationalization strategies in the temporary staffing industry, *Geoforum*, 42, pp. 61-70

Coe, N., Lee, Y. (2006) The strategic localization of transnational retailers: the case of Samsung-Tesco in South Korea, *Economic Geography*, 82, pp. 66-88

Coe, N., Ward, K. (2007) *The Globalization of the Temporary Staffing Industry*, ESRC End of Award Report Form, ESRC Ref. No. RES-000-23-616

Coe, N., Wrigley, M. (2007) Host economy impacts of transnational retail: the research agenda, *Journal of Economic Geography*, 7, pp. 341-371

Coe, N., Yeung, H. (2001) Geographical perspectives on mapping globalisation, *Journal of Economic Geography*, 1, pp. 367-380

Connell, J. (1992) Branding hotel portfolios, *International Journal of Contemporary Hospitality Management*, 4, pp. 26-32

Connell, J. (1997) International hotel franchise relationships – UK franchisee perspective, *International Journal of Contemporary Hospitality Management*, 9, pp. 215

Contractor, F., Kundu, S. (2000) Globalization of hotel services: an examination of ownership and alliance patterns in a maturing service sector, in: Aharoni, Y., Nachum, L. (eds.) *Globalization of Services*, London: Routledge

Coviello, N., McAuley, A. (1999) Internationalization and the smaller firm: review of contemporary empirical research, *Management International Review*, 39, pp. 205-223

Coviello, N., Munro, H. (1997) Network relationships and the internationalisation process of small software firms, *International Business Review*, 6, pp. 361-386

Crawford-Welch, S. (1992) Competitive marketing strategies in the international hospitality industry, in: Teare, R., Olsen, M. (eds.) *International Hospitality Management: Corporate Strategy in Practice*, London: John Wiley & Sons

Crotty, M. (1998) *The Foundations of Social Research: Meaning and Perspective in the Research Process*, London: Sage

Csaki, G. (1995) Foreign direct investment in Hungary, in: Zloch-Christy, I. (eds.) *Privatization and Foreign Investment in Eastern Europe*, Westport and London: Praeger

Cuadrado-Roura, J., Rubalcaba-Bermejo, L., Bryson, J. (2002) The relationship between services and globalisation, in: Cuadrado-Roura, J., Rubalcaba-Bermejo, L., Bryson, J. (eds.) *Trading Services in the Global Economy*, Cheltenham: Edward Elgar

Cukier, J. (2002) Tourism employment issues in developing countries: examples from Indonesia, in: Sharpley, R., Telfer, D. (eds.) *Tourism and Development: Concepts and Issues*, Clevedon: Channel View Publications

Cumbers, A., MacKinnon, D., McMaster, R. (2003) Institutions, power and space: assessing the limits to institutionalism in economic geography, *European Urban and Regional Studies*, 10, pp. 325-342

Cumbers, A., Nativel, C., Routledge, P. (2008) Labour agency and union positionalities in global production networks, *Journal of Economic Geography*, 8, pp. 369-387

Currah, A., Wrigley, N. (2004) Networks of organizational learning and adaptation in retail TNCs, *Global Networks*, 4, pp. 1-23

Czinkota, M., Ronkainen, I. (1994) (eds.) *International Marketing Strategy: Environmental Assessment and Entry Strategies*, London: The Dryden Press

Dacin, M., Ventresca, M., Beal, B. (1999) The embeddedness of organizations: dialogue and directions, *Journal of Management*, 25, pp. 317-356

Daniels, P. (1993) Service *Industries in the World Economy*, Oxford: Blackwell

Darr, E., Argote, L., Epple, D. (1995) The acquisition, transfer and depreciation of knowledge in service organizations: productivity in franchises, *Management Science*, 41, pp. 1750–1762.

Datta, K., McIlwaine, C., Evans, Y., Herbert, J., May, J., Wills, J. (2007a) From coping strategies to tactics: London's low-pay economy and migrant labour, *British Journal of Industrial Relations*, 454, pp. 404-432

Datta, K., McIlwaine, Wills, J., C., Evans, Y., Herbert, J., May, J., (2007b) The new development finance or exploiting migrant labour? Remittance sending among low-paid migrant workers in London, *International Development Planning Review*, 29, pp. 43-67

Dawson, J. (1994) Internationalisation of retailing operations, *Journal of Marketing Management*, 10, pp. 267-282

Debbage, K., Daniels, P. (1998) The tourist industry and economic geography: missed opportunities, in: Ioannides, D., Debbage, K. (eds.) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge

Dela Cruz, T. (1999) Land of opportunity, *Hotels*, 5, pp. 46-60

Dev, C., Brown, J., Zhou, Z. (2007) Global brand expansion: how to select a market entry strategy, *Cornell Hotel and Restaurant Administration Quarterly*, 48, pp. 13-27

Dicken, P. (1976) The multiplant business enterprise and geographical space: some issues in the study of external control and regional development, *Regional Studies*, 10, pp. 410-412

Dicken, P. (1986) *Global Shift: Industrial Change in a Turbulent World*, London: Paul Chapman

Dicken, P. (1998) *Global Shift: Transforming the World Economy*, 3rd edition, London: Paul Chapman

Dicken, P. (2003) 'Placing' firms: grounding the debate on the 'global' corporation, in: Peck, J., Yeung, H. (eds.) *Remaking the Global Economy*, London: Sage

Dicken, P. (2004) Geographers and 'globalization': (yet) another missed boat?, *Transactions of the Institute of British Geographers*, 29, pp. 5-26

Dicken, P. (2007) *Global Shift: Mapping the Changing Contours of the World Economy*, 5th edition, London: Sage

Dicken, P., Kelly, P., Olds, K, Yeung, H. (2001) Chains and networks, territories and scales: towards a relational framework for analysing the global economy, *Global Networks*, 1, pp. 89-112

Dicken, P., Malmberg, A. (2001) Firms and territories: a relational perspective, *Economic Geography*, 77, pp. 345-363

Dicken, P., Peck, J., Tickell, A. (1997) Unpacking the global, in: Lee, R., Willis, J. (eds.) *Geographies of Economies*, London: Arnold

Domański, B. (2001) *Kapitał Zagraniczny w Przemyśle Polski*, Kraków: Instytut Geografii i Gospodarki Przestrzennej Uniwersytetu Jagiellońskiego

Domański, B. (2003) Industrial change and foreign direct investment in the post-socialist economy: the case of Poland, *European Urban and Regional Studies*, 10, pp. 99-118

Domański, B., Gwosdz, K. (2009) Towards a more embedded production system? Automotive supply networks and localized capabilities in Poland, *Growth and Change*, 40, pp. 452–482

Dunford, M., Smith, A. (2000) Catching up or falling behind? Economic performance and regional trajectories in the new Europe, *Economic Geography*, 76, pp. 169-195

Dunford, M., Smith, A. (2004) Economic restructuring and employment change, in: Bradshaw, M., Stenning, A. (eds.) *East Central Europe and the Former Soviet Union*, Harlow: Pearson

Dunning, J. (1993) *Multinational Enterprises and the Global Economy*, Reading: Addison-Wesley

Dunning, J. (2001) Assessing the costs and benefits of foreign direct investment: some theoretical considerations, in: Artisien-Maksimienko, P., Rojec, M. (eds.) *Foreign Investment and Privatization in Eastern Europe*, Basingstoke: Palgrave

Dunning, J., Norman, G. (1983) The theory of the multinational enterprise: an application of an international office location, *Environment and Planning A*, 15, pp. 675-692

Dunning, J., Norman, G. (1987) The location choice of offices of international companies, *Environment and Planning A*, 19, pp. 613-631

Dyck, I., Kearns, R. (2006) Structuration theory: agency, structure and everyday life, in: Aitken, S., Valentine, G. (eds.) *Approaches to Human Geography*, London: Sage

EBRD (1994) *Annual Report 1994*, European Bank for Reconstruction and Development

Edvardsson, B., Edvinsson, L., Nyström, H. (1993) Internationalisation in service companies, *The Service Industries Journal*, 13, pp. 80-97

Eisen, D. (2009) Golden Tulip moves towards bankruptcy, *Travel Agent Central*, 8 Apr 2009, retrieved from *www.travelagentcentral.com* on 24.02.2010

Elgonemy, A., Craig, T., Gibson, D. (2002) Hotel sale-leaseback transactions, Jones Lang Lasalle, Hotel Topics, 11

Endo, K. (2006) Foreign direct investment in tourism – flows and volumes, *Tourism Management*, 27, pp. 600-614

Ericson, R. (1991) The classical Soviet-type economy: nature of the system and implications for reform, *Journal of Economic Perspectives*, 5, pp. 11-27

Ernst, D. (2000) Global production networks and the changing geography of innovation systems: implications for developing countries, *Economics Study Area Working Papers 09*, East-West Center, Economics Study Area

Ernst, D. (2001) Global production networks and industrial upgrading – a knowledge-centered approach, *Economics Study Area Working Papers 25*, East-West Center, Economics Study Area

Ernst, D., Kim, L. (2001) Global production networks, knowledge diffusion, and local capability formation: a conceptual framework, *Economics Study Area Working Papers 19*, East-West Center, Economics Study Area

Eroglu, S. (1992) The internationalisation process of franchise systems: a conceptual model, *International Marketing Review*, 9, pp. 19-30

Esping-Andersen, G. (1996) *Welfare States in Transition: National Adaptations in Global Economies*, London: Sage in association with the United Nations Research Institute for Social Development

Esping-Andersen, G. (1999) *Social Foundations of Postindustrial Economies*, New York: Oxford University Press

Euromonitor (2010) *State of the Global Hotel Industry – Global Report*, Euromonitor International, retrieved from *www.portal.euromonitor.com* on 31.05.2010

Faulconbridge, J. (2007) Relational networks of knowledge production in transnational law firms, *Geoforum*, 38, pp. 925-940

Faulconbridge, J., Hall, S., Beaverstock, J. (2008) New insights into the internationalization of producer services: organizational strategies and spatial economies for global headhunting firms, *Environment and Planning A*, 40, pp. 210-234

Felstead, A. (1993) *The Corporate Paradox: Power and Control in the Business Franchise*, London: Routledge

Fontana, A., Frey, J. (1994) Interviewing: the art of science, in: Denzin, N., Lincoln, Y. (eds.) *Handbook of Qualitative Research*, Thousand Oaks: Sage

Fortanier, F., van Wijk, J. (2010) Sustainable tourism industry development in sub-Saharan Africa: consequences of foreign hotels for local employment, *International Business Review* 19, pp. 191-205

Fosfuri, A., Motta, M., Ronde, T. (2001) Foreign direct investment and spillovers through workers' mobility, *Journal of International Economics*, 53, pp. 205–222

Franck, C. (1990) Tourism investment in Central and Eastern Europe, *Tourism Management*, 11, pp. 333-338

Frankfort-Nachmias, F., Nachmias, D. (1996) *Research Methods in the Social Sciences*, 5th edition, London: St. Martin's Press

Galbraith, C. (1990) Transferring core manufacturing technologies in high technology firms, *California Management Review*, 32, pp. 56-70

Gale, D. (2008) Hotels' 325, *Hotels*, 7, pp. 38-52

Gereffi, G. (1994) The organization of buyer-driven global commodity chains: how U.S. retailers shape overseas production networks, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Gereffi, G. (1999) International trade and industrial upgrading in the apparel commodity chain, *Journal of International Economics*, 48, pp. 37-70

Gereffi, G., (2001) Beyond the producer-driven/buyer-driven dichotomy: the evolution of global value chains in the internet era, *IDS Bulletin*, 32, pp. 30-40

Gereffi, G., Humphrey, J., Sturgeon, T. (2005) The governance of global value chains, *Review of International Political Economy*, 12, pp. 78-104

Gereffi, G., Korzeniewicz, M., Korzeniewicz, R. (1994) Introduction: global commodity chains, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Gertler, M. (1997) Between the global and the local: the spatial limits to productive capital, in: Cox, K. (eds.) *Spaces of Globalization: Reasserting the Power of the Local*, New York/London: The Guildford Press

Gibson, C. (2008) Locating geographies of tourism, *Progress in Human Geography*, 32, pp. 407–422

Giddens, A. (1979) *Central Problems in Social Theory: Action, Structure and Contradiction in Social Analysis*, London: Macmillan

Giddens, A. (1984) *The Constitution of Society: Outline of the Theory of Structuration*, Cambridge: Polity Press

Gillham, B. (2000) *Case Study Research Methods*, London: Continuum

Glass, A., Saggi, K. (2002) Multinational firms and technology transfer, *Scandinavian Journal of Economics*, 104, pp. 495-513

Glückler, J. (2006) A relational assessment of international market entry in management consulting, *Journal of Economic Geography*, 6, pp.369-393

Go, F., Choi, T., Chan, C. (1996) Four Seasons-Regent: building a global presence in the luxury market, *Cornell Hotel and Restaurant Administration Quarterly*, 37, pp. 58-65

Go, F., Moutinho, L. (2000) International tourism management, in: Moutinho, L. (eds.) *Strategic Management in Tourism*, Oxford: CABI

Go, F., Pine, R. (1995) *Globalization Strategy in the Hotel Industry*, New York/London: Routledge

Görg, H. (2000) Multinational companies and indirect employment: measurement and evidence, *Applied Economics*, 32, pp. 1809-1818

Gowan, P. (1995) Neo-liberal theory and practice for Eastern Europe, *New Left Review*, 213, pp. 3-60

Grabher, G. (1992) Eastern conquista, in: Ernste, H., Meier, V. (eds.) *Regional Development and Contemporary Industrial Restructuring*, London: Belhaven Press

Grabher, G., Stark, D. (1998) Organising diversity: evolutionary theory, network analysis and post-socialism, in: Pickles, J., Smith, A. (eds.) *Theorising Transition: The Political Economy of Post-Communist Transformation*, London: Routledge

Granovetter, M. (1985) Economic action and social structure: the problem of embeddedness, *American Journal of Sociology*, 91, pp. 481-510

Greenwood, R., Rose, T., Brown, J., Cooer, D., Higgins, B. (1999) The global management of professional services: the example of accounting, in: Clegg, S., Ibarra-Colado, E., Bueno-Rodriquez, L. (eds.) *Global Management: Universal Theories and Local Realities*, London: Sage

Gregory, P., Stuart, R. (1994) *Soviet and Post-Soviet Economic Structure and Performance*, 5th edition, New York: Harper Collins

Grosse, R. (2000) Knowledge creation and transfer in global service firms, in: Aharoni, Y., Nachum, L. (eds.) *Globalization of Services*, London: Routledge

Hall, C., Page S. (2009) Progress in Tourism Management: from the geography of tourism to geographies of tourism – a review, *Tourism Management*, 30, pp. 3-16

Hall, D. (1992) The challenges of international tourism in Eastern Europe, *Tourism Management*, 13, pp. 41-44

Hall, D. (1998) Tourism development and sustainability issues in Central and South-eastern Europe, *Tourism Management*, 19, pp. 423-431

Hall, D. (2004) Key themes and frameworks, in: Hall, D. (eds.) *Tourism and Transition: Governance, Transformation and Development*, Wallingford: CABI Publishing

Hall, P., Soskice, D. (eds.) (2001) *Varieties of Capitalisms: The Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press

Hardy, J. (1998) Cathedrals in the desert? Transnationals, corporate strategy and locality in Wrocław, *Regional Studies*, 32, pp. 639-652

Hardy, J. (2002) Cultural embeddedness, corporate strategy and foreign investment in Poland: a tale of two firms, in: Hayter, R., Le Heron, R. (eds.) *Knowledge, Industry and Environment: Institutions and Innovation in Territorial Perspective*, Aldershot: Ashgate

Hardy, J. (2006) Bending workplace institutions in transforming economies: foreign investment in Poland, *Review of International Political Economy*, 13, pp. 129-151

Harrison, D. (1993) Bulgarian tourism: a state of uncertainty, *Annals of Tourism Research*, 20, pp. 519-534

Harrison, J. (2007) From competitive regions to competitive city-regions: a new orthodoxy, but some old mistakes, *Journal of Economic Geography*, 7, pp. 311-332

Harvey, D. (1989) *The Condition of Post-Modernity*, Oxford: Basil Blackwell

Hassard, J., Law, J., Lee, N. (1999) Special themed section on actor-network theory and managerialism, *Organisation*, 6, pp. 387-497

Hausner, J., Jessop, B., Neilsen, K. (eds.) (1995) *Strategic Choice and Path-dependency in Post-socialism*, Aldershot: Edward Elgar

Healey, N. (1994) The transition economies of Central and Eastern Europe: a political, economic, social and technological analysis, *The Columbia Journal of World Business*, 29, pp. 61-70

Held, D. (1995) *Democracy and the Global Order*, Cambridge: Polity Press

Held, D., McGrew, A., Goldblatt, D., Perraton, J. (1999) *Global Transformations: Politics, Economics and Culture*, Cambridge: Polity Press

Helinska-Hughes, E., Hughes, M. (2003) Joining the competition: Central and Eastern European challenge to established FDI destinations?, in: Phelps, N., Raines, P. (eds.) *The New Competition for Inward Investment: Companies, Institutions and Territorial Development*, Cheltenham: Edward Elgar

Henderson, J., Dicken, P., Hess, M., Coe, N., Yeung, H. (2002) Global production networks and the analysis of economic development, *Review of International Political Economy*, 9, pp. 436-464

Hess, M. (2004) 'Spatial' relationships? Towards a reconceptualization of embeddedness, *Progress in Human Geography*, 28, pp. 163-186

Hess, M. (2008) Governance, value chains and networks: an afterword, *Economy and Society*, 37, pp. 452-459

Hess, M., Coe, N. (2006) Making connections: global production networks, standards and embeddedness in the mobile-telecommunications industry, *Environment and Planning A*, 38, pp. 1205-1228

Hess, M., Yeung, H. (2006) Guest editorial, *Environment and Planning A*, 38, pp. 1193-1204

Hirst, P., Thompson G. (1997) Globalization in question: international economic relations and forms of public governance, in: Hollingsworth, J., Boyer, R. (eds.) *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge: Cambridge University Press

Hirst, P., Thompson, G. (1999) Globalization – a necessary myth?, in: Bryson, J., Henry, N., Keeble, D., Martin, R. (eds.) *The Economic Geography Reader*, Chichester: John Wiley & Sons, Ltd.

Hirst, P., Thompson, G., Bromley, S. (2009) *Globalization in Question*, 3rd edition, Cambridge: Polity Press

Hjalager, A. (2007) Stages in the economic globalization of tourism, *Annals of Tourism Research*, 34, pp. 437-457

Hollingsworth, J., Boyer, R. (1997) Coordination of economic actors and social systems of production, in: Hollingsworth, J., Boyer, R. (eds.) *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge: Cambridge University Press

Holt-Jensen, A. (1999) *Geography: History & Concepts – A Students' Guide*, 3rd edition, London: Sage Publications

Hopkins, T., Wallerstein, I. (1977) Patterns of development of the modern world-system, *Review*, 1, pp. 11-145

Hopkins, T., Wallerstein, I. (1986) Commodity chains in the world economy prior to 1800, *Review*, 10, pp. 157-170

Hopkins, T., Wallerstein, I. (1994) Commodity chains: construct and research, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Hotel System – umowa z Choice Hotels International, *Hotelarz*, 3 Feb 2010, retrieved from *www.e-hotelarz.pl* on 08.06.2010

Hotels' 325 (2009) *Hotels*, 7, pp. 28-33

Housden, J. (1984) *Franchising and Other Business Relationships in Hotel and Catering Services*, London: Heinemann

Howells, J. (2005) Innovation and regional economic development: a matter of perspective?, *Research Policy*, 34, pp. 1220-1234

Hudson, R. (2000) One Europe or many? Reflections on becoming European, *Transactions of the Institute of British Geographers*, 25, pp. 409-426

Hudson, R. (2002), Changing industrial production systems and regional development in the New Europe, *Transactions of the Institute of British Geographers*, 27, pp. 262-281

Hudson, R. (2003) European integration and new forms of uneven development (but not the end of territorially distinctive capitalisms in Europe), *European Urban and Regional Studies*, 10, pp. 49-67

Hudson, R. (2008) Cultural political economy meets global production networks: a productive meeting?, *Journal of Economic Geography*, 8, pp. 421-440

Hughes, A. (2000) Retailers, knowledges and changing commodity networks: the case of the cut flower trade, *Geoforum*, 31, pp. 175-190

Hughes, A., Reimer, S. (2004) *Geographies of Commodity Chains*, London: Routledge

Humphrey, J., Schmitz, H. (2001) Governance in global value chains, *IDS Bulletin*, 32, pp. 19-29

Humphrey, J., Schmitz, H. (2004) Governance in global value chains, in: Schmitz, H. (eds.) *Local Enterprises in the Global Economy*, Cheltenham/Northampton, MA: Edward Elgar Publishing Limited

Hunya, G. (2009) Restructuring through FDI in Romanian manufacturing, *Economic Systems*, 26, pp. 387-394

Ioannides, D. (1995) Strengthening the ties between tourism and economic geography: a theoretical agenda, *Professional Geographer*, 47, pp. 49-60

Ioannides, D., Debbage, K. (1998a) Introduction: exploring the economic geography and tourism nexus, in: Ioannides, D., Debbage, K. (eds.) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge

Ioannides, D., Debbage, K. (1998b) Neo-Fordism and flexible specialization in the travel industry: dissecting the polyglot, in: Ioannides, D., Debbage, K. (eds.) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge

Ireland, R., Hitt, M., Camp, M., Sexton, D. (2001) Integrating entrepreneurship and strategic management actions to create firm wealth, *The Academy of Management Executive*, 15, pp. 49-63

Jaakson, R. (1996) Tourism in transition in post-Soviet Estonia, *Annals of Tourism Research*, 23, pp. 617-634

Jackson, P. (1999) Commodity cultures: the traffic in things, *Transactions of the Institute of British Geographers*, 24, pp. 95–108

Jacob, M., Groizard, J. (2007) Technology transfer and multinationals: the case of Balearic hotel chains' investments in two developing economies, *Tourism Management*, 28, pp. 976-992

Johansson, J., Mattsson, L. (1993) Internationalization in industrial systems – a network approach, in: Buckley, P., Ghauri, P. (eds.) *The Internationalization of the Firm*, London; Academic Press

Johns, J. (2006) Video games production networks: value capture, power relations and embeddedness, *Journal of Economic Geography*, 6, pp. 151-180

Johnson, C., Iunius, R. (1999) Competing in Central Eastern Europe: perspectives and developments, *International Journal of Hospitality Management*, 18, pp. 245-260

Johnson, C., Vanetti, M. (2004) Market developments in the hotel sector in Eastern Central Europe, *Advances in Hospitality and Leisure*, 1, pp. 153-175

Johnson, C., Vanetti, M. (2005) Locational strategies of international hotel chains, *Annals of Tourism Research*, 32, pp. 1077-1099

Johnson, M. (1997) Hungary's hotel industry in transition 1960-1996, *Tourism Management*, 18, pp. 441-452

Johnston, R. (1997) *Geography and Geographers: Anglo-American Human Geography since 1945*, London: Arnold

Jones, A. (2002) The 'global city' misconceived: the myth of 'global management' in transnational service firms, *Geoforum* 33, pp. 335-350

Jones, A (2003) *Management Consultancy and Banking in an Era of Globalization*, Basingstoke: Palgrave

Jones, A. (2005) Truly global corporations? Theorising 'organizational' globalization in advanced business services, *Journal of Economic Geography*, 5, pp. 177-200

Jones, A. (2008) Beyond embeddedness: economic practices and the invisible dimensions of transnational business activity, *Progress in Human Geography*, 32, pp. 71-88

Kaplinsky, R. (2005) Getting it right: generating and appropriating rents, in: Kaplinsky, R. (eds.) *Globalization, Poverty and Inequality. Between a Rock and a Hard Place*, Cambridge: Polity Press

Karhunen, P. (2008) Managing international business operations in a changing institutional context: the case of the St. Petersburg hotel industry, *Journal of International Management*, 14, pp. 28-45

Klein, N. (2007) *The Shock Doctrine: The Rise of Disaster Capitalism*, New York: Picador

Koh, J., Jang, S. (2009) Determinants of using operating lease in the hotel industry, *International Journal of Hospitality Management*, 28, pp. 638-640

Kołodko, G. (2000) *From Shock to Therapy: The Political Economy of Post-socialist Transformation*, Oxford: Oxford University Press

Korzeniewicz, R., Martin, W. (1994) The global distribution of commodity chains, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Kovac, C. (1997) Hungarian spa chain grows with system, *Hotel & Motel Management*, 212, pp. 8-9

Kovac, C. (1999) The Pannonian empire, *Hotels*, 7, p. 28

Kowalczyk, A. (2001) *Geografia Hotelarstwa*, Łódź: Wydawnictwo Uniwersytetu Łódzkiego

Kowalczyk, A. (2002) Współczesne tendencje na rynku największych systemów hotelowych na świecie, *Turystyka i Hotelarstwo*, 2, pp. 9-32

Kowalczyk, A. (2003) Zmiany w największych systemach hotelowych świata na przełomie XX i XXI w., *Turystyka i Hotelarstwo*, 3, pp. 79-88

Krippendorf, J. (1987) *The Holiday Makers: Understanding the Impact of Leisure and Travel*, Oxford: Butterworth and Hinemann

Kvale, S. (1996) *InterViews: An Introduction to Qualitative Research Interviewing*, London: Sage

Kvale, S., Brinkmann, S. (2009) *Interviews: Learning the Craft of Qualitative Research Interviewing*, Thousand Oaks: Sage

Lafferty, G., van Fossen, A. (2001) Integrating the tourism industry: problems and strategies, *Tourism Management*, 22, pp. 11-19

Lane, C., Probert, J. (2008) National capitalisms and global production networks: an analysis of their interaction in two global industries, *Socio-Economic Review*, 6, pp. 227-260

Lane, C., Probert, J. (2009) *National Capitalisms, Global Production Networks: Finishing the Value Chain in the UK, USA and Germany*, Oxford: Oxford University Press

Lane, D. (2005) Emerging varieties of capitalism in former state socialist societies, *Competition & Change*, 9, pp. 227-247

Lane, L. (1996) Poland's hotel industry faces transition, *Hotel & Motel Management*, 211, 6, pp. 6

Lane, P., Milesi-Ferretti, G. (2007) Capital flows to Central and Eastern Europe, *Emerging Markets Review*, 8, pp. 106-123

Latour, B. (1993) *We Have Never Been Modern*, Harvester Wheatsheaf, Hemel Hempstead

Latour, B. (1997) On actor-network theory: a few clarifications, CSTT Home Page, Centre for Social Theory and Technology, University of Keele, retrieved from *www.keele.ac.uk/depts/stt/staff/jl/pubs-JL2.htm*

Lavigne, M. (1999) *The Economics of Transition: From Socialist Economy to Market Economy*, 2nd edition, Basingstoke: Macmillan Press

Law, J. (1986) On the methods of long-distance control: vessels, navigation and the Portuguese route to India, in: Law, J. (eds.) *Power, Action and Belief: A New Sociology of Knowledge?*, London: Routledge and Kegan Paul

Law, J. (1994) *Organising Modernity*, Oxford: Blackwell

Law, J. (1999) After ANT: complexity, naming and typology, in: Law, J. and Hassard (eds.) *Actor-Network Theory and After*, Oxford: Blackwell

Leiper, N. (1990) Partial industrialization of tourism systems, *Annals of Tourism Research*, 17, pp. 600-605

Lenz, B. (1997) Das Filière-Konzept als Analyseinstrument der organisatorischen und räumlichen Anordnung von Produktions- und Distributionprozessen, *Geographische Zeitschrift*, 85, pp. 869-884

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

Leslie, D., Reimer, S. (1999) Spatializing commodity chains, *Progress in Human Geography*, 23, pp. 410-420

Levy, D. (2008) Political contestation in global production networks, *Academy of Management Review*, 33, pp. 943-963

Lipietz, A. (1992) The regulation approach and capitalist crisis: an alternative compromise for the 1990s, in: Dunford, M., Kafkalas, G. (eds.) *Cities and Regions in the New Europe*, London: Belhaven

Littlejohn, D. (2003) Hotels, in: Brotherton, B. (eds.) *The International Hospitality Industry: Structure Characteristics and Issues*, Oxford: Butterworth-Heinemann

Littlejohn, D., Beattie, R. (1992) The European hotel industry – corporate structures and expansion strategies, *Tourism Management*, 13, pp. 27-33

Littlejohn, D., Roper, A., Altinay, L. (2007) Territories still to find – the business of hotel internationalization, *International Journal of Service Industry Management*, 18, pp. 167-183

Liu, A., Wall, G. (2006) Planning tourism employment: a developing country perspective, *Tourism Management*, 27, pp. 159-170

Lockwood, A. (1993) Eastern Europe and the former Soviet States, in: Jones, P., Pizam, A. (eds.) *The International Hospitality Industry: Organizational and Operational Issues*, New York: Pitman Publishing/John Wiley & Sons, Inc.

Lowe, M., Wrigley, N. (2010) The 'continuously morphing' retail TNC during market entry: interpreting Tesco's expansion into the United states, *Economic Geography*, 86, pp. 381-408

Løwendahl, B. (2000) The globalization of business service firms: fad or genuine source of competitive advantage?, in: Aharoni, Y., Nachum, L. (eds.) *Globalization of Services*, London: Routledge

Lucas, R., Marinova, M., Vodenska, M. (2009) From public to private: has employment practice changed in Bulgarian hotels?, *International Journal of Hospitality Management*, 28, pp. 310-318

Lundberg, D., Krishnamoorthy, M., Starvey, M. (1995) *Tourism Economics*, New York: John Wiley & Sons

Lundvall, B. (1995) *National Systems of Innovation: Towards a Theory of Innovation and Interactive Learning*, London: Pinter

MacLeod, G. (2001) New regionalism considered: globalization and the remaking of political economic space, *International Journal of Urban and Regional Research*, 25, pp. 804-829

Mallampally, P., Zimny, Z. (2000) Foreign direct investment in services, in: Aharoni, Y., Nachum, L. (eds.) *Globalization of Services*, London: Routledge

Marshall, J., Wood, P., Daniels, P., McKinnon, A., Bachtler, J., Damesick, P., Thrift, N., Gillespie, A., Green A., Leyshon, A. (1988) *Services and Uneven Development*, Oxford: Oxford University Press

Martin, R. (2003) Institutional approaches in economic geography, in: Barnes, T., Sheppard, E. (eds.) *A Companion to Economic Geography*, Oxford: Blackwell

Massey, D. (1979) In what sense a regional problem?, *Regional Studies*, 13, pp. 233-243

Massey, D. (1984) *Spatial Divisions of Labour: Social Structures and the Geography of Production*, London: Macmillan

Mather, S., Todd, G. (2002) *The European Hotel Industry: An In-depth Analysis of Europe's Leading Global, National and Regional Companies*, Beaconsfield: Travel Research International Ltd.

McDowell, L. (1992) Valid games? A response to Erica Schoenberger, *Professional Geographer*, 44, pp. 212-215

McQueen, R., Knussen, C. (2002) *Research Methods for Social Science: A Practical Introduction*, Harlow: Prentice Hall/Pearson Education

Medlik, S. (1990) Focus on Eastern Europe, *Tourism Management*, 11, pp. 95-98

Miles, M., Huberman, A. (1994) *Qualitative Data Analysis*, 2nd edition, Thousand Oaks: Sage

Milewska, M., Włodarczyk, B. (2005) *Hotelarstwo cz. I*, Łódź: WSTiH w Łodzi

Miller, R., Brewer, D. (eds.) (2003) *The A-Z of Social Research: A Dictionary of Key Social Science Research Concepts*, London: Sage

Milne, S., Pohlmann, C. (1998) Continuity and change in the hotel sector: some evidence from Montreal, in: Ioannides, D., Debbage, K. (eds.) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge

Minichiello, V., Aroni, R., Timewell, E., Alexander, L. (1990) *In-Depth Interviewing: Researching People*, Melbourne: Longman Cheshire

Mitka-Karandziej, U. (1993) Hotelarstwo, Zespół Prywatnych Szkół Zawodowych nr 1, Warszawa, *Working Paper*

Mittelman, J. (2000) *The Globalization Syndrome: Transformation and Resistance*, Princeton, NJ: Princeton University Press

Mosedale, J. (2006) Tourism commodity chains: market entry and its effects on St. Lucia, *Current Issues in Tourism*, 9, pp. 436–458

Mosedale, J. (2008) The internationalisation of tourism commodity chains, in: Coles, T., Hall, C. (eds.) *International Business and Tourism: Global Issues, Contemporary Interactions*, London: Routledge

Moutinho, L., McDonagh, P., Peris, S., Bigné, E. (1995) The future development of the hotel sector: an international comparison, *International Journal of Contemporary Hospitality Management*, 7, pp. 10-15

Mowforth, M., Munt, I. (2003) *Tourism and Sustainability. Development and New Tourism in the Third World*, 2nd edition, London/New York: Routledge

Municipality of Lodz (2009) *Łódź – Economic Presentation*, Municipality of Lodz, Power Point presentation obtained from the Municipality of Łódź

Municipality of Warsaw (2005) *Development Strategy for the City of Warsaw until 2020*, Development Strategy and European Integration Department, Municipality of Warsaw

Murdoch, J. (1995) Actor-networks and the evolution of economic forms: combining description and explanation in theories of regulation, flexible specialisation and networks, *Environment and Planning A*, 27, pp. 731-757

Murdoch, J. (1997a) Towards a geography of heterogeneous associations, *Progress in Human Geography*, 25, pp. 321-337

Murdoch, J. (1997b) Inhuman/non-human/human: actor-network theory and the potential for a non-dualistic and symmetrical perspective on nature and society, *Environment and Planning D: Society and Space*, 15, pp. 731-756

Murdoch, J. (1998) The spaces of actor-network theory, *Geoforum*, 29, pp. 357-374

Mykhnenko, V., Swain, A. (2008) Ukraine's diverging space-economy: The Orange Revolution, post-soviet development models and regional trajectories, *European Urban and Regional Studies*, 17, pp. 141-165

Myśkiewicz, C. (2006) Zjawisko hoteli butikowych na rynku hotelarskim, *Turystyka i Hotelarstwo*, 7, pp. 81-102

Nadvi, K. (2008) Global standards, global governance and the organisation of global value chains, *Journal of Economic Geography*, 8, pp. 323-343

Nickson, D. (1998) A review of hotel internationalisation with a particular focus on the key role played by American organisations, *Progress in Tourism and Hospitality Research*, 4, pp. 53-66

Niewiadomski, P. (2006) Ekspansja międzynarodowych systemów i łańcuchów hotelowych do Europy Środkowej i Wschodniej po 1989 r., *Turystyka i Hotelarstwo*, 9, pp. 161-209

Nohria, N. (1992) Is a network perspective a useful way of studying organizations?, in: Nohria, N., Eccles, R. (eds.) *Networks and Organizations: Structure, Form and Action*, Boston: Harvard Business School Press

O'Farrell, P., Wood, P. (1994) International market selection by business service firms: key conceptual and methodological issues, *International Business Review*, 3, pp. 243-261

O'Farrell, P., Wood, P., Zheng, J. (1998) Regional influences on foreign market development by business service companies: elements of a strategic context explanation, *Regional Studies*, 32, pp. 31-48

Ohmae, K. (1990) *The Borderless World*, New York/London: Collins

Ohmae, K. (1995) *The End of the Nation-State: The Rise of Regional Economies*, The Free Press: New York

Oinas, P. (1999) Voices and silences: the problem of access to embeddedness, *Geoforum*, 30, pp. 351-361

Olds, K, Yeung, H. (1999) Reshaping "Chinese" business networks in a globalizing era, *Environment and Planning D: Society and Space*, 17, pp. 535-555

Olsen, M., Merna, K. (1993) The changing character of the multinational hospitality firm, in: Jones, P., Pizam, A. (eds.) *The International Hospitality Industry: Organizational and Operational Issues*, New York: Pitman Publishing/John Wiley & Sons, Inc.

O'Neill, P. (2003) Where is the corporation in the geographical world?, *Progress in Human Geography*, 27, pp. 677-680

O'Neill, P., Gibson-Graham, J.K. (1999) Enterprise discourse and executive talk: stories that destabilize the company, *Transactions of the Institute of British Geographers*, 24, pp. 11-22

Orbis (2010) *Grupa Orbis 2010*, Orbis SA, PowerPoint presentation retrieved from *www.orbis.pl* on 08.06.2010

Orfila, F., Crespi, R., Martinez, E. (2005) Innovation activity in the hotel industry: evidence from Balearic islands, *Tourism Management*, 26, pp. 851–865

Özveren, E. (1994) The shipbuilding commodity chain, 1590-1790, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Page, S. (1995) *Urban Tourism*, London: Routledge

Paliwoda, S. (1997) *Investing in Eastern Europe: Capitalizing on Emerging Markets*, Wokingham: Addison Wesley

Palpacuer, F., Parisotto, A. (2003) Global production and local jobs: can global enterprise networks be used as levers for local development?, *Global Networks*, 3, pp. 97-120

Pavlinek, P. (2002a) The role of foreign direct investment in the privatization and restructuring of the Czech motor industry, *Post-Communist Economies*, 14, pp. 360-379

Pavlinek, P. (2002b) Restructuring the Central and Eastern European automobile industry: legacies, trends and effects of foreign direct investment, *Post-Soviet Geography and Economies*, 43, pp. 41-77

Pavlinek, P. (2002c) Transformation of Central and Eastern European passenger car industry: selective peripheral integration through foreign direct investment, *Environment and Planning A*, 34, pp. 1685-1709

Pavlinek, P. (2004) Regional development implications of foreign direct investment in Central Europe, *European Urban and Regional Studies*, 11, pp. 47-70

Pavlinek, P., Domański, B., Guzik, R. (2009) Industrial upgrading through foreign direct investment in Central European automotive manufacturing, *European Urban and Regional Studies*, 16, pp. 43–63

Pavlinek, P., Smith, A. (1998) Internationalization and embeddedness in East-Central European transition: the contrasting geographies of inward investment in the Czech and Slovak Republics, *Regional Studies*, 32, pp. 619-638

Pavlinek, P., Ženka, J. (2010) Upgrading in the automotive industry: firm-level evidence from Central Europe, *Journal of Economic Geography (Advance access)*, June 2010, pp. 1-28

Peet, J. (1982) International capital, international culture, in: Taylor, M., Thrift, N. (eds.) *The Geography of Multinationals: Studies in the Spatial Development and Economic Consequences of Multinational Corporations*, London & Canberra: Croom Helm

Pelizzon, S. (1994) The grain flour commodity chain, 1590-1790, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Pickles, J. (1998) Restructuring state enterprises: industrial geography and Eastern European transitions, in: Pickles, J., Smith, A. (eds.) *Theorising Transition: The Political Economy of Post-communist Transformations*, London & New York: Routledge

Pickles, J. (2010) The spirit of post-socialism: common spaces and the production of diversity, *European Urban and Regional Studies*, 17, pp. 127-140

Pike, A. (2007) Whither Regional Studies?, *Regional Studies*, 41, pp. 1143-1270

Pike, A., Rodriguez-Pose, A., Tomaney, J. (2006) *Local and Regional Development*, London: Routledge

Pike, A., Rodriguez-Pose, A., Tomaney, J. (2007) What kind of local and regional development and for whom?, *Regional Studies*, 41, pp. 1253-1269

Pine, R. (1992) Technology transfer in the hotel industry, *International Journal of Hospitality Management*, 11, pp. 3-22

Pizam, A. (2005) (eds.) *International Encyclopedia of Hospitality Management*, Burlington: Elsevier

Polanyi, K. (1944) *The Great Transformation: The Political and Economic Origins of Our Time*, Boston: Beacon Press

Porter, M. (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press

Porter, M. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance*, New York: The Free Press

Porter, M. (1990) *The Competitive Advantage of Nations*, New York: The Free Press

Posthuma, A., Nathan, D. (2010) (eds.) *Labour in Global Production Networks in India*, Delhi: Oxford University Press

Punch, K. (1998) *Introduction to Social Research*, London: Sage

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*, 16, pp. 362-376

Rabach, E., Kim, E., (1994) Where is the chain in commodity chains? The service sector nexus, in: Gereffi, G., Korzeniewicz, M. (eds.) *Commodity Chains and Global Capitalism*, Westport: Praeger

Raikes, P., Jensen, M., Ponte, S. (2000) Global commodity chain analysis and the French filière approach: comparison and critique, *Economy and Society*, 29, pp. 390-417

Ratz, T. (1995) Privatisation in the Hungarian Tourist Industry, paper presented at the Present Economic and Legal-Management Problems of the Tourist Industry in Europe International Conference, Jelenia Góra, Poland, October 1995

Reiser, D. (2003) Globalisation: an old phenomenon that needs to be rediscovered for tourism?, *Tourism and Hospitality Research*, 4, pp. 306-320

Roberts, J. (1999) The internationalisation of business service firms: a stages approach, *The Service Industries Journal*, 19, pp. 68-88

Robson, C. (1993) *Real World Research: A Resource for Social Scientists and Practitioner-Researchers*, Oxford, UK/Cambridge, USA: Blackwell

Rodriguez, A. (2002) Determining factors in entry choice for international expansion: the case of the Spanish hotel industry, *Tourism Management*, 23, pp. 597-607

Roper, A. (1995) The emergence of hotel consortia as transorganizational forms, *International Journal of Contemporary Hospitality Management*, 7, pp. 4-9

Roper, A., Brookes, M., Hampton, A. (1997) The multi-cultural management of international hotel groups, *International Journal of Hospitality Management*, 16, pp. 147-159

Rotter, K. (2002) Łańcuchy i systemy hotelowe w Polsce, *Turystyka i Hotelarstwo*, 2, pp. 9-22

Round, J., Williams, C. (2010) Coping with the social costs of 'transition': everyday life in post-Soviet Russia and Ukraine, *European Urban and Regional Studies*, 17, pp. 183-196

Rubalcaba-Bermejo, L., Cuadrado-Roura, J. (2002a) Services in the age of globalisation: explanatory interrelations and dimensions, in: Cuadrado-Roura, J., Rubalcaba-Bermejo, L., Bryson, J. (eds.) *Trading Services in the Global Economy*, Cheltenham: Edward Elgar

Rubalcaba-Bermejo, L., Cuadrado-Roura, J. (2002b) A comparative approach to the internationalisation of service industries, in: Cuadrado-Roura, J., Rubalcaba-Bermejo, L., Bryson, J. (eds.) *Trading Services in the Global Economy*, Cheltenham: Edward Elgar

Sachs, J. (1990) What is to be done?, *The Economist*, 13 January, pp. 19-24

Sangster, A., Wolton, J., McKenney, S. (2001) *The International Hotel Industry: Corporate Strategies and Global Opportunities*, 3rd edition, TTI research report, London: Travel and Tourism Intelligence

Sayer, A. (1984) *Method in Social Science: A Realist Approach*, London: Hutchinson

Sayer, A. (2001) For a critical cultural political economy, *Antipode*, 33, pp. 687-708

Sayer, A. (2006) Realism as a basis for knowing the world, in: Aitken, S., Valentine, G. (eds.) *Approaches to Human Geography*, London: Sage

Schoenberger, E. (1991) The corporate interview as a research method in economic geography, *Professional Geographer*, 43, pp. 180-189

Schoenberger, E. (1992) Self-criticism and self-awareness in research: a reply to Linda McDowell, *Professional Geographer*, 44, pp. 215-218

Schulz, C. (2005) Foreign environments: the internationalisation of environmental producer services, *The Services Industries Journal*, 25, pp. 337-354

Scott, A. (1998) *New Industrial Spaces*, London: Pion

Scott, A., Storper, M. (2003) Regions, globalization, development, *Regional Studies*, 37, pp. 579-593

Scott, J., Renaghan, L. (1991) Hotel development in Eastern Germany: opportunities and obstacles, *The Cornell Hotel and Restaurant Administration Quarterly*, 32, pp. 44-51

Shcherbakova, S. (2002) Stan współczesny i kierunki rozwoju przemysłu hotelarskiego Rosji, *Turystyka i Hotelarstwo*, 2, pp. 133-137

Silverman, D. (2005) *Doing Qualitative Research: A Practical Handbook*, London: Sage Publications

Sinclair, M. (1998) Tourism and economic development: a survey, *The Journal of Development Studies*, 34, pp. 1-51

Slattery, P., Gamse, I., Roper, A. (2008) The development of international hotel chains in Europe, in: Olsen, M., Zhao, J., Pizam, A. (eds.) *Handbook of Hospitality Strategic Management*, Oxford: Butterworth-Heinemann

Slattery, P., Roper, A., Boer, A. (1985) Hotel consortia: their activities, structure and growth, *Service Industries Journal*, 5, pp. 192-199

Smeral, E. (1993) Emerging Eastern European markets, *Tourism Management*, 14, pp. 411-418

Smith, A. (1996) The European Union and a changing Europe: establishing the boundaries of order, *Journal of Common Market Studies*, 34, pp. 5-28

Smith, A. (1997) Breaking the old and constructing the new? Geographies of uneven development in Central and Eastern Europe, in: Lee, R., Wills, J. (eds.) *Geographies of Economies*, London: Edward Arnold

Smith, A. (2004) Regions, spaces of economic practice and diverse economies in the 'New Europe', *European Urban and Regional Studies*, 11, pp. 9-25

Smith, A., Pickles, J. (1998) Theorising transition and the political economy of transformation, in: Pickles, J., Smith, A. (eds.) *Theorising Transition: The Political Economy of Post-communist Transformations*, London & New York: Routledge

Smith, A., Pickles, J., Bucek, M., Begg, B, Roukova, P. (2008) Reconfiguring post-socialist regions: trans-border networks and regional competition in the Slovak and Ukrainian clothing industry, *Global Networks*, 8, pp. 281-307

Smith, A., Rainnie, A., Dunford, M., Hardy, J., Hudson, R., Sadler, D. (2002) Networks of value, commodities and regions: reworking divisions of labour in macro-regional economies, *Progress in Human Geography*, 26, pp. 41-63

Smith, A., Timar, J. (2010) Uneven transformations: space, economy and society 20 years after the collapse of state socialism, *European Urban and Regional Studies*, 17, pp. 115-125

Smith, S. (1998) Tourism as an industry: debates and concepts, in: Ioannides, D., Debbage, K. (eds.) *The Economic Geography of the Tourist Industry: A Supply-side Analysis*, London & New York: Routledge

Sokol, M. (2001) Central and Eastern Europe a decade after the fall of state-socialism: regional dimensions of transition processes, *Regional Studies*, 35, pp. 645-655

Soltis, M. (1994) New hotels crowd Warsaw, *Hotels*, 28, pp. 20

Stacey, R. (1993) *Strategic Management and Organisational Dynamics*, Pitman Publishing, London

Stake, R. (1995) *The Art of Case Study Research*, Thousand Oaks, CA: Sage Publications

Stake, R. (2005) Case studies, in: Denzin, N., Lincoln, Y. (eds.) *Strategies of Qualitative Inquiry*, 2nd edition, Thousand Oaks: Sage

Stare, M. (2002) The pattern of internationalization of services in Central European countries, *The Service Industries Journal*, 22, pp. 77-91

Stark, D. (1992) The great transformation? Social change in Eastern Europe, *Contemporary Sociology*, 21, pp. 299-304

Starwood Capital and Golden Tulip Hospitality sign a binding agreement, *Hospitality Net*, 3 Jul 2009, retrieved from *www.hospitalitynet.com* on 24.02.2010

Stenning, A. (2010) The UK economy and the transformation of East Central Europe, in: Coe, N., Jones, A. (eds.) *The Economic Geography of the UK*, London: Sage

Stenning, A., Bradshaw, M. (1999) Globalization and transformation: the changing geography of the post-socialist world, in: Bryson, J., Henry, N., Keeble, D., Martin, R. (eds.) *The Economic Geography Reader*, Chichester: John Wiley & Sons, Ltd.

Stenning, A., Bradshaw, M. (2004) Conclusions: facing the future?, in: Bradshaw, M., Stenning, A. (eds.) *East Central Europe and the Former Soviet Union*, Harlow: Pearson

Stenning, A., Dawley, S. (2009) Poles to Newcastle: grounding new migrant flows in peripheral regions, *European Urban and Regional Studies*, 16, pp. 273-297

Stenning, A. Hörschelmann, K. (2008) History, geography and difference in the post-socialist world: or, do we still need post-socialism?, *Antipode*, 40, pp. 312-335

Stenning, A., Smith, A., Rochovska, A., Świątek, D. (2010) *Domesticating Neo-liberalism: Spaces of Economic Practice and Social Reproduction in Post-socialist Cities*, Oxford: Wiley-Blackwell

Storper, M. (1997a) Territories, flows and hierarchies in the global economy, in: Cox, K. (eds.) *Spaces of Globalisation: Reasserting the Power of the Local*, New York/London: The Guildford Press

Storper, M. (1997b) *The Regional World: Territorial Development in a Global Economy*, New York: Guildford

Storper, M., Walker, R. (1989) *The Capitalist Imperative: Territory, Technology and Industrial Growth*, Oxford: Blackwell

Sturgeon, T. (2001) How do we define value chains and production networks?, *IDS Bulletin*, 32, pp. 9-18

Sturgeon, T., van Biesebroeck, J., Gereffi, G. (2008) Value chains, networks and clusters: reframing the global automotive industry, *Journal of Economic Geography*, 8, pp. 297-321

Sunley, P. (2008) Relational economic geography: a partial understanding or a new paradigm?, *Economic Geography*, 84, pp. 1–26

Swain, A., Hardy, J. (1998) Globalization, institutions, foreign investment and the reintegration of East and Central Europe and the former Soviet Union with the world economy, *Regional Studies*, 32, pp. 587-590

Taylor, M., Asheim, B. (2001) The concept of the firm in economic geography, *Economic Geography*, 77, pp. 315-328

Taylor, M., Thrift, N. (1982) Models of corporate development and the multinational corporation, in: Taylor, M., Thrift, N. (eds.) *The Geography of Multinationals: Studies in the Spatial Development and Economic Consequences of Multinational Corporations*, London & Canberra: Croom Helm

Taylor, P., Catalana, G., Walker, D. (2004) Multiple globalisations: regional, hierarchical and sectoral articulations of global business services through world cities, *Service Industries Journal*, 24, pp. 63-81

Taylor, P., Watt, M., Johnston, R. (2001) Geography/globalisation, *GaWC Research Bulletin*, no. 42, Department of Geography, Loughborough University

Theodorson, G., Theodorson, A. (1969) *A Modern Dictionary of Sociology*, New York: Thomas Y. Crowell

Thrift, N. (1996) *Spatial Formations*, London: Sage

Tickell, A. (1999) The geographies of services: new wine in old bottles, *Progress in Human Geography*, 23, pp. 633-639

Tickell, A. (2001) Progress in the geography of services II: services, the state and the rearticulation of capitalism, *Progress in Human Geography*, 25, pp. 283-292

Tickell, A. (2002) Geography of services: progress in the geography of services III – time to move on?, *Progress in Human Geography*, 26, pp. 633-639

Tickell, A., Peck, J. (2003) Making global rules: globalization or neoliberalization?, in: Peck, J., Yeung, H. (eds.) *Remaking the Global Economy*, London: Sage

Timothy, D. (2001) *Tourism and Political Boundaries*, London: Routledge

Timothy, D. (2004) Political boundaries and regional cooperation in tourism, in: Lew, A., Hall, C., Williams, A.(eds.) *Companion to Tourism*, Oxford: Blackwell

Tucker, K., Sundberg, M. (1988) *International Trade in Services*, London: Routledge

Turkowski, M. (1993) *Hotelarstwo – Elementy Marketingu*, Warszawa: Państwowe Wydawnictwo Ekonomiczne

United Nations (1999) *Human Development Report*, United Nations

UNCTAD (2004) *World Investment Report 2004: The Shift Towards Services*, UNCTAD, United Nations, New York and Geneva

Unwin, T. (1996) Tourist development in Estonia: images, sustainability and integrated rural development, *Tourism Management*, 17, pp. 265-276

UNWTO (2010) *Tourism Highlights 2010*, United Nations World Tourist Organisation, retrieved from *www.unwto.org* on 08.04.2011

Urry, J. (1990) *The Tourist Gaze: Leisure and Travel in Contemporary Societies*, London: Sage

Vadermerwe, S., Chadwick, M. (1989) The internationalisation of services, *The Services Industries Journal*, 9, pp. 79-93

Venard, B. (2002) Organisational change in service multinationals: from radical change to destabilization, *The Service Industries Journal*, 22, pp. 57-76

Vospitannik, N., Littlejohn, D., Arnod, R. (1997) Environments, tourism and tour operators 1985-1995 in Central and Eastern Europe, *International Journal of Contemporary Hospitality Management*, 9, pp. 209

Walker, R. (2004) Is there a service economy? The changing capitalist division of labor, in: Barnes, J., Peck, J., Sheppard, E., Tickell, A. (eds.) *Reading Economic Geography*, Oxford: Blackwell Publishing

Ward, K. (2003) UK temporary staffing: industry structure and evolutionary dynamics, *Environment and Planning A*, 35, pp. 889-907

Ward, K. (2004) Going global? Internationalization and diversification in the temporary staffing industry, *Journal of Economic Geography*, 4, pp. 251-273

Ward, K. (2007) Temporary staffing, 'geographies of circulation' and the business of delivering neo-liberalization, in: England, K., Ward, K. (eds.) *Noliberalization: Peoples, Networks, States*, Oxford: Blackwell

Warsaw Convention Bureau (2010) *Warsaw Conference and Gala Dinner Venues*, Warsaw Convention Bureau, retrieved from *www.warsawconvention.pl* on 10.12.2010

Watson, S. (1991) Gilding the smokestacks: the new symbolic representations of deindustrialized regions, *Environment and Planning D: Society and Space*, 9, pp. 59-70

Whatmore, S., Thorne, L. (1997) Nourishing networks: alternative geographies of food, in: Goodman, D., Watts, M. (eds.) *Globalizing Food: Agrarian Questions and Global Restructuring*, London: Routledge

Whitla, P., Walters, P., Davies, H. (2007) Global strategies in the international hotel industry, *Hospitality Management*, 26, pp. 777-792

Whitley, R. (1996) Business systems and global commodity chains: competing or complementary forms of economic organization, *Competition & Change*, 1, pp. 411-425

Whitley, R. (1999) *Divergent Capitalisms: The Social Structuring and Change of Business Systems*, Oxford: Oxford University Press

Whittaker, C. (2008) Hotel operator motives in UK sale and leaseback/management-back transactions, *International Journal of Hospitality Management*, 27, pp. 641-648

Williams, A., Balaž, V. (2000) *Tourism in Transition: Economic Change in Central Europe*, London: I.B.Tauris

Williams, A., Balaž, V. (2002) The Czech and Slovak Republics: conceptual issues in the economic analysis of tourism in transition, *Tourism Management*, 23, pp. 37-45

Williams, A., Shaw, G. (2011) Internationalization and innovation in tourism, *Annals of Tourism Research*, 38, pp. 27-51

Williams, C. (1996a) Understanding the role of consumer services in local economic development, *Environment and Planning A*, 28, pp. 555-571

Williams, C. (1996b) Informal sector responses to unemployment: an evaluation of the potential of local exchange and trading systems, *Work, Employment and Society*, 10, pp. 341-359

Williams, C. (1997) *Consumer Services and Economic Development*, London: Routledge

Wills, J. (2002) Bargaining for the space to organize in the global economy: a review of the Accor-IUF trade union rights agreement, *Review of International Political Economy*, 9, pp. 675-700

Wills, J. (2005) The geography of union organising in low-paid service industries in the UK: lessons from the T&G's campaign to unionise the Dorchester Hotel, London, *Antipode*, 37, pp. 139-159

Wills, J., May, J., Datta, K., Evans, Y., Herbert, J., McIlwaine, C. (2009) London's migrant division of labour, *European Urban and Regional Studies*, 16, pp. 257-271

Witkowski, C. (2003) *Hotelarstwo – cz. II: Międzynarodowe Systemy Hotelowe w Polsce*, Warszawa: Wyższa Szkoła Ekonomiczna w Warszawie

Włodarczyk, B. (2003) Systemy, łańcuchy hotelowe oraz inne struktury funkcjonalno-organizacyjne w hotelarstwie – próba definicji, *Turystyka i Hotelarstwo*, 3, pp. 57-78

Worthington, B. (2003) Change in an Estonian resort: contrasting development contexts, *Annals of Tourism Research*, 30, pp. 369-385

Wójcik, M. (2002) Rząd zliberalizował stanowisko dotyczące sprzedaży polskiej ziemi, *Nasz Dziennik*, 02 Mar 2002, retrieved from *www.naszdziennik.pl* on 29.04.2010

Wójcikowski, R. (2001) Inwestowanie w ziemię w kontekście przystąpienia Polski do UE, *Money.pl*, 26 Oct 2001, retrieved from *www.money.pl* on 29.04.2010

Wrigley, N., Coe, N., Currah, A. (2005) Globalizing retail: conceptualizing the distribution-based transnational corporation (TNC), *Progress in Human Geography*, 29, pp. 437-457

Wrigley, N., Lowe, M. (2002) *Reading Retail: A Geographical Perspective on Retailing and Consumption Spaces*, London: Arnold

Yeung, H. (1995) Qualitative personal interviews in international business research: some lessons from a study of Hong Kong transnational corporations, *International Business Review*, 3, pp. 313-339

Yeung, H. (2000a) The dynamics of Asian business systems in a globalising era, *Review of International Political Economy*, 7, pp. 399-432

Yeung, H. (2000b) Organizing 'the firm' in industrial geography I: networks, institutions and regional development, *Progress in Human Geography*, 24, pp. 301-315

Yeung, H. (2005) Rethinking relational economic geography, *Transactions of the Institute of British Geographers*, New Series, 30, pp. 37-51

Yeung, H., (2009) Regional development and the competitive dynamics of global production networks: an East Asian perspective, *Regional Studies*, 43, pp. 325–351

Yeung, H., Peck, J. (2003) Making global connections: a geographer's perspective, in: Peck, J., Yeung, H. (eds.) *Remaking the Global Economy*, London: Sage

Yin, R. (1984) *Case Study Research: Design and Methods*, Newbury Park, CA, Sage

Yin, R. (1994) *Case Study Research: Design and Methods*, 2nd edition, Beverly Hills, CA: Sage Publishing

Websites:

Chapter 1:

www.gazeta.pl – Gazeta PL, accessed in May 2011

www.portal.euromonitor.com – Euromonitor International, accessed in May 2011

http://epp.eurostat.ec.europa.eu – Eurostat, accessed in December 2010

http://warszawa.wikia.com – Wikia Polska, accessed in May 2011

Chapter 3:

http://unctadstat.unctad.org – UNCTAD, accessed in March 2011

Chapter 4:

www.cia.gov – CIA World Factbook, accessed in March 2011

http://unctadstat.unctad.org – UNCTAD, accessed in March 2011

http://epp.eurostat.ec.europa.eu – Eurostat, accessed in March 2011

www.rezidor.com – The Rezidor Hotel Group, accessed in April 2011

www.starwoodhotels.com – Starwood Hotels & Resorts Worldwide, accessed in April 2011

www.ihgplc.com – InterContinental Hotel Group, accessed in April 2011

Chapter 6:

www.cia.gov – CIA World Factbook, accessed in May and June 2010

www.portal.euromonitor.com – Euromonitor International, accessed in May 2010 and May 2011

Chapter 7:

www.orbis.pl – Orbis SA, accessed in March and April 2010

Chapter 8:

http://epp.eurostat.ec.europa.eu – Eurostat, accessed in December 2010

www.stat.gov.pl – Central Statistics Office of Poland, accessed in December 2010

www.stat.ee – Statistics Estonia, accessed in December 2010

www.nsi.bg – National Statistical Institute (Bulgaria), accessed in December 2010

www.rezidor.com – The Rezidor Hotel Group, accessed in December 2010

www.bestwestern.com – Best Western International, accessed in December 2010

www.accor.com – Accor Hospitality, accessed in December 2010

Appendices

Appendix 1: Interview questions asked during the research process

The first stage of research:

Representatives of international hotel groups active in CEE at the corporate level:

1. What is the place of Central and Eastern Europe in the group's general spatial strategy of development?
2. When did the expansion begin and what were the reasons for the group's expansion into CEE?
3. Has the expansion gone so far exactly as initially planned?
4. If no, what factors influenced (fostered/hampered) the mode/speed/direction of expansion?
5. How did the economic transformation in CEE influence the expansion?
6. How do you assess the expansion conducted so far?
7. Which countries/regions of CEE are most important for the company and why?
8. What market segments in CEE are most important for the company and why?
9. What modes of entry does the company prefer in general and with regard to CEE and why?
10. What mechanisms/modes of expansion after entry does the company focus on and why?
11. What is the preferred pattern of geographical distribution of hotels belonging to the group and why?
12. Can you give details of how the group deals with competition with other international hotel groups and/or domestic groups in CEE?
13. Can you provide examples of social/political/economic factors that foster or hamper the operations of the company in CEE?
14. Does the company cooperate with local/regional institutions governing the tourism and the hotel industry? If yes, with what institutions, in what way and to what extent?
15. Do local/regional authorities have any influence on the company's operations at the local/regional level? If yes, what influence?
16. Does the company generate new jobs in CEE and create career opportunities for CEE employees or rather seek efficiency through cutting jobs?
17. Does the company rely on CEE experts' experience and local knowledge in order to understand CEE markets comprehensively or rather send their own experts to CEE? How does the company value the knowledge and experience possessed by CEE workers and managers? Is it of use in the process of expansion into CEE and expansion after entry?
18. What benefits does the company bring to local workers? Does it provide training and skills enhancement opportunities? Does it provide any other possibilities of personal development?
19. Does the company purchase all necessary goods and professional services for its hotels from local suppliers or does it ship them from abroad from already existing business partners? Are local/regional economies able to guarantee all necessary goods and professional services on time and of sufficient quality? Can cooperation with local firms and suppliers be beneficial for the company? If yes, in what way?
20. Can you give any other examples of the company's influence on local and regional economies?

The second stage of research:

Representatives of international hotel groups at the local level (Group 1) / Representatives of local hotel groups in CEE (Group 3) (if applicable):

1. Could you clarify what business model is the group applying to this hotel/these hotels? Is it franchising, managing or other? Why is it this particular model?
2. Could you say something about the ownership structure? Who owns the hotel(s)? What kind of contract binds the hotel group and the owners? Who developed the hotel(s) and when? Did the hotel(s) have different owners before? Was/were the hotels newly-built or acquired by the group?
3. When did the group decide to get involved in this project i.e. this hotel/these hotels? What factors influenced this decision?
4. Why did the group decide to have a hotel/hotels in this location?
5. Why did the group decide to give this property/these properties this/these particular brand(s)?
6. How important is this hotel/are these hotels for the group in terms of its presence in the CEE market? Is it a flagship property/are these flagship properties or is it/are these rather of secondary importance in terms of the group's overall development strategy and recognition in CEE?
7. How do you assess the overall stability of the CEE market and the condition of the hotel sector in CEE?
8. What do you think are the characteristics of this particular local/regional/national market? Do you think CEE in general and this local/regional/national market in particular is an appropriate market for hotels of this particular brand and standard? In what way does this market differ from other countries of CEE?
9. How do you assess this hotel's operations in this country/region so far? Could you give any examples of economic, social or political factors that hamper these operations?
10. In what way do the characteristics of this market challenge the group's/the hotel's operations? Are far-reaching adjustments necessary to adapt the group's/the hotel's operations to local social and economic conditions? How do these operations differ from those in mature markets of e.g. Western Europe or the United States?
11. Has the hotel ever had to struggle with different problems of formal nature (e.g. bureaucracy, corruption, long permission procedures) or any other problems of this sort that may still resemble the communist system?
12. How would you compare efficiency of this hotel's operations to other hotels of same or similar brands or other hotels from the same group in other cities and towns of the same country or generally in other markets of CEE? What does the company do with profits generated in the CEE market? Are they reinvested in the region and further development of the group or are they rather repatriated?
13. Could you say something about the competition in this particular location/region/country? Do local hotel groups or local independent hotels play any role in the market?
14. Does the hotel/do the hotels purchase all necessary goods from abroad from existing business partners or prefer to buy them from local suppliers? Do you think the local economy is able to guarantee all necessary goods and services on time and of sufficient quality? Could you give examples of any problems you encountered?

15. How does the company value knowledge and skills of local workers and managers? Are their skills sufficient or do they require extensive training?
16. Does the company provide any skill enhancement opportunities or other possibilities of personal development to your employees?
17. Could you say something about the group's/the hotel's cooperation with local and regional governments? Do they have any influence on the hotel's operations? If yes, what kind of influence is it?
18. Does the hotel/do the hotels cooperate with any other governmental or non-governmental institutions e.g. chambers of tourism? If yes, could you say something more about this cooperation?
19. Do you cooperate in any way with other hotel groups/hotels e.g. in order to better promote the location? If yes, what kind of cooperation is this? Do you think that due to being a part of necessary infrastructure as well as because of its internationally recognised brand the hotel plays any role in promoting this location and attracting tourists and visitors?
20. Can you think of any other way in which the group/the hotel has an impact on regional development?

Representatives of local administrations, NGO's and other institutions governing tourism and the hotel industry (Group 2):

1. How important is the hotel industry for the economic development of the city/area/region?
2. Is there any specific department or a coordinator that is responsible for the hotel development in the area? What activities do you undertake to attract hotel investors? Do you have any special schemes/programmes in place? Is the hotel industry's development included in the regional strategy of development? If yes, how successful have your efforts been so far?
3. What benefits, do you think, can the hotel development bring to the area (e.g. in terms of jobs, creating additional demand for goods and services, complementing existing infrastructure, attracting tourists and visitors and enhancing the location's recognition)?
4. How would you assess the overall attractiveness of the area for hotel investors in terms of economic, social, political and other conditions? How would you compare this area to other regions/countries in terms of attractiveness for foreign investors?
5.What problems do you think may hotel investors encounter when considering this particular location for their investments and starting their investments? Do you think that problems of a formal nature (i.e. bureaucracy, corruption, lengthy permission procedures, unregulated land ownership issues) may constitute obstacles to foreign investors, subsequently discouraging them from investing in this area?
6. Do you think that problems of this kind are a heritage of the communist system, elements of which still persist, or are these problems a more current issue? Do you think it is going to change and problems of this kind will entirely or at least partially disappear?
7. Do you undertake any actions to remove procedural barriers, to help potential investors to overcome the above obstacles and thus to facilitate foreign investments?
8. How would you assess the education in the area of tourism and the hotel industry in the city/region? Is there any programme or scheme the aim of which is to enhance the education in the area of tourism and the hotel industry in order to generate highly-skilled and qualified workers that are up to date with current international standards? Do you think international hotel groups may play a part in this process?

9. Do you cooperate with existing internationally-branded hotels in any way, e.g. in promoting the area as a tourist destination?
10. Do you measure the impact that foreign companies in general and hotel groups in particular have on the regional economy? In what way do you measure it? What are the results? Do you compare these results with other regions and countries? How do you assess these results?

Representatives of international consultant companies serving the hotel industry in the CEE market (Group 4):
1. What services do you offer to hotel developers and hotel groups? Could you describe the nature of your cooperation with hotel developers and international hotel groups? In what stage of a hotel development process do you get involved and to what extent?
2. What kind of research do you undertake and where do you get your knowledge and expertise from?
3. How important do you think it is to grasp as much local knowledge as possible and to get to know local economic, social, cultural and political conditions? Could you give any examples of how much it matters? What role does the knowledge possessed by local experts play in this process? Do you aim to cooperate with and rely on local experts in order to gain this knowledge?
4. How do you assess the CEE market in terms of its economic, social and political conditions and how do you assess the overall condition of the hotel sector in CEE? What differences can you observe within the CEE market, both between countries and regions and cities within particular countries?
5. Could you say something more about the development of the CEE market since the economic and political transformation began in 1989? Do you think that elements that may resemble the communist system still persist and have an influence on the region's development and hotel and real estate investment processes? What elements are they?
6. Do you think that bureaucracy, corruption, unregulated land ownership issues, unclear legal and fiscal systems are still serious obstacles for foreign companies to safely invest in the CEE market? Could you give any examples? What other problems could you mention? Are there any problems of social nature such as a lack of necessary knowledge in the area of international hotel standards or insufficient skills?
7. How do you assess local governments' involvement in resolving these problems? Can we be talking of any significant progress or do local authorities rather hamper the development from time to time?
8. Do you think that CEE is an appropriate market for hotel investments of all kinds, from budget hotels to luxury high-end brands, residences and boutique hotels? What brands do you think can be most successful in the CEE market, in what locations and why?
9. What groups would you say have been most successful so far in the CEE market and why? What modes of entry and expansion patterns after entry are recommendable in the CEE market and why? In what direction would you say the hotel sector in CEE will be developing in the (near) future? What markets within CEE have the biggest potential for the hotel development?
10. What impact do hotel investments have on regional economies? Do you think they are in a position to foster regional development or do they rather target already well-developed locations? What role can they play in job creation, skill-enhancement programmes, technology transfers etc.? How do you assess the availability of reliable local partners for expanding hotel groups in the CEE market?

Representatives of hotel developers and investors (Group 5):

1. Could you explain what is the relation between the company and the hotel group with regard to the hotel/group of hotels?

2. How do you assess this cooperation? Did you work with this or any other hotel company in the past? Would you like to continue the cooperation with this or any other hotel group in the future? On the basis of your recent experiences would you consider more extensive involvement in the hotel sector? Do you think this kind of cooperation can be beneficial for the local/regional economy? What are the differences between investing in hotels and e.g. apartments or office buildings?

3. Could you describe briefly a hotel development process? What parties have to be involved in it and at what stage? What factors do different parties have to pay attention to? What important decisions have to be made and who these decisions depend on? What problems may be encountered by different parties and at what stage? Could you give any examples of problems like these?

4. Could you assess the economic, political and social conditions in the city/region/country? Do you think the environment like this rather fosters or hampers real estate investments and hotel development? Could you give any examples of fostering and hampering factors?

5. Have you ever had to struggle with issues such as bureaucracy, corruption, lengthy application and permission procedures, unclear land ownership issues, unclear fiscal or legal systems? Could you give any examples? Is it easy to overcome problems like this? Do you think problems of that sort are a heritage of the communist system or rather more current issues?

6. Do you think the economic environment has been improving for the last decade or two and the elements that resemble the old system are soon to disappear? Do you think there has been a significant improvement since the country joined the European Community?

7. Do you cooperate with local governments and local/regional/national authorities? Are local governments in a position to help and foster investments or do they rather cause problems and hamper the development in the area?

8. Are local and regional economies able to provide you with all necessary goods and services? Are these goods and services delivered always on time and are they of sufficient quality? Do you sometimes have to look for suppliers abroad? Do you think that your investments foster and/or attract other investments or depend on them?

Representatives of trade unions in the hotel industry (Group 6):

1. Could you describe what is the role of the trade union in this company? What issues do the trade union deal with and focus on? What is the relation between the trade union and the employer? Is the activity of the trade union restricted by the employer in any way? Do you think the trade union has a significant influence on the relation between the trade union members and other employees and the employer? Does the employer give consideration to the trade union's point of view?

2. To what level does the trade union have to be involved in issues like security of employment, level of wages, hours of work, holiday entitlement and other social issues? Could you give examples of any problems that the trade union had to solve in order to defend employees' interests? Do problems of that

sort originate from the employer's inappropriate attitude or rather from the imperfectness of the local/national law that allows employers for this?

3. How do you assess the employer in terms of its respect for the law, conforming to local/regional/national rules, understanding the local/regional/national conditions and benefits offered to the locality in general and its employees in particular? Can you give any examples?

4. What benefits does the employer offer to its employees (e.g. jobs, wages, training opportunities, social activities, pension schemes)?

5. How did the working conditions change when the hotel was acquired by the current operator? *(If the hotel was acquired by the current operator at some point in the past rather than operated from the beginning)*

6. Do you cooperate with other trade unions? Do you learn from other trade unions' experiences – either local trade unions or trade unions from abroad?

Appendix 2: Example data display table pertaining to the 24 interviews conducted during the first stage of research

SECTIONS	CODES / KEY WORDS	INTERVIEWS																							
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**
6.2	General features of hotel groups	0	0	0	2	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	1	1	0	0
6.3 / 6.8	Importance of the CEE market	1	1	2	1	1	1	2	1	1	1	1	1	1	1	1	1	1	2	1	2	1	1	1	1
6.3 / 6.8	Overall stability in CEE	0	1	2	1	2	2	2	1	2	4	2	2	1	2	3	2	2	1	1	1	3	2	2	2
6.3 / 6.8	International competition	1	2	1	1	1	0	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1
6.4 / 6.8	Distribution by countries/cities	3	3	1	1	3	1	5	2	1	1	1	2	2	2	3	0	1	3	1	3	2	3	2	2
6.5 / 6.8	Distribution by brands/market segments	1	1	1	2	1	1	2	2	2	1	1	1	0	1	2	0	1	1	2	1	1	1	0	1
6.3-6.5	Future plans and new openings	1	1	2	1	0	1	1	1	1	0	0	0	1	1	1	2	0	2	1	0	0	1	0	0
6.6	Modes of entry and business models	1	1	1	2	1	1	1	1	2	2	1	1	1	2	3	3	1	1	2	1	1	2	1	0
6.7	Local hotel groups	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
7.2 / 7.3	History of expansion	1	2	2	2	2	1	0	1	1	1	1	1	0	1	1	1	1	0	1	2	1	1	0	2
7.4.1	Legal factors	1	2	1	0	1	1	0	1	1	1	1	0	0	2	0	1	0	1	1	1	0	1	1	0
7.4.2	Interactions with local authorities	1	2	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0
7.4.3	Sources of funding and availability of local partners	0	1	1	1	0	0	0	1	1	1	0	0	1	0	1	1	2	1	2	1	3	1	1	0
7.4.4	Availability and skills of employees	1	1	2	2	1	1	0	1	1	1	1	1	0	1	2	1	1	1	2	1	2	1	1	0
7.4.5	Availability of suppliers, products and services	1	1	1	1	1	1	1	1	1	1	1	1	0	1	0	1	1	0	1	1	0	1	1	1
8.2	Direct investment and infrastructure upgrading	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3	Employment creation	1	1	1	2	1	1	1	1	1	2	1	1	1	1	1	0	1	0	1	1	0	1	1	1
8.4	Demand for products and services	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	0	1	1	1
8.5	Technology transfer	0	0	0	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
8.5	Staff training	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	1	0	1	0	1
8.6	Power of the brand	1	1	1	0	0	1	1	1	1	1	1	0	1	1	1	0	1	1	0	1	1	1	1	0

Source: Own elaboration

Appendix 3: Geographical distribution of international hotels in CEE in January 2010 (including all announced openings and additions)

COUNTRY / DESTINATION	InterContinental[1]	Wyndham	Marriott	Hilton	Accor[2]	Choice	Best Western	Starwood	Carlson[3]	Hyatt	Golden Tulip	TOP	TUI[4]	Sol Meliá	Rezidor[5]	Louvre	NH	Interstate[6]	Barceló	Riu[7]	Fairmont	Iberostar	Scandic	Four Seasons	TOTAL
ALBANIA	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Tirana	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
BELARUS	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**
Minsk	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
BOSNIA & HERZEG.	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Sarajevo	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
BULGARIA	**1**	**0**	**0**	**1**	**1**	**0**	**8**	**1**	**1**	**0**	**1**	**0**	**5**	**5**	**1**	**0**	**0**	**0**	**1**	**4**	**0**	**3**	**0**	**0**	**28**
Sofia	1	0	0	1	0	0	3	1	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	7
Varna	0	0	0	0	0	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Plovdiv	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Sunny Beach	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	1	2	0	2	0	0	5
Nessebar (Ravda)	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	3
Golden Sands	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	2
Rousse	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Veliko Tarnovo	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Obzor	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	1	0	0	0	0	2
Pravets	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1
Sinemoretz	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1
CROATIA	**0**	**0**	**0**	**1**	**0**	**0**	**2**	**4**	**4**	**0**	**0**	**0**	**1**	**19**	**4**	**0**	**0**	**0**	**0**	**1**	**0**	**3**	**0**	**0**	**34**
Zagreb	0	0	0	0	0	0	1	3	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	5
Split / Podstrana	0	0	0	0	0	0	0	1	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
Dubrovnik	0	0	0	1	0	0	0	0	2	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	3
Rijeka	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Malinska	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1
Umag	0	0	0	0	0	0	0	0	0	0	0	0	0	19	0	0	0	0	0	0	0	0	0	0	19
Cavtat	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	3

Appendix 3: Geographical distribution of international hotels in CEE in January 2010 (including all announced openings and additions) ***(continued)***

COUNTRY / DESTINATION	InterContinental[1]	Wyndham	Marriott	Hilton	Accor[2]	Choice	Best Western	Starwood	Carlson[3]	Hyatt	Golden Tulip	TOP	TUI[4]	Sol Meliá	Rezidor[5]	Louvre	NH	Interstate[6]	Barceló	Riu[7]	Fairmont	Iberostar	Scandic	Four Seasons	TOTAL
CZECH REPUBLIC	**6**	**3**	**5**	**2**	**7**	**4**	**15**	**1**	**4**	**0**	**1**	**6**	**0**	**0**	**4**	**2**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**1**	**59**
Prague	5	3	4	2	6	2	9	1	2	0	1	4	0	0	2	2	0	0	2	0	0	0	0	1	44
Brno	1	0	0	0	0	0	2	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	4
Pilsen	0	0	1	0	1	0	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	4
Liberec	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Ostrava	0	0	0	0	0	1	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
Beroun	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Uherske Hradiste	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Usti nad Labem	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Marienbad	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
ESTONIA	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**2**	**0**	**5**
Tallinn	0	0	0	0	0	1	0	0	1	0	0	0	0	0	1	0	0	0	0	0	1	0	1	0	4
Parnu	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
HUNGARY	**2**	**5**	**3**	**2**	**19**	**0**	**8**	**1**	**3**	**0**	**1**	**1**	**0**	**0**	**3**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**47**
Budapest	2	4	3	2	16	0	4	1	1	0	1	0	0	0	1	0	1	0	0	0	0	0	0	1	36
Balatonalmadi	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Gyor	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Szeged	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Szekesfehervar	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Cegled	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Debreen	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Siofok	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Sopron	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Bukfurdo	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Sarvar	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Alsopahok	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1

Appendix 3: Geographical distribution of international hotels in CEE in January 2010 (including all announced openings and additions) ***(continued)***

COUNTRY / DESTINATION	InterContinental[1]	Wyndham	Marriott	Hilton	Accor[2]	Choice	Best Western	Starwood	Carlson[3]	Hyatt	Golden Tulip	TOP	TUI[4]	Sol Meliá	Rezidor[5]	Louvre	NH	Interstate[6]	Barceló	Riu[7]	Fairmont	Iberostar	Scandic	Four Seasons	TOTAL
LATVIA	**0**	**1**	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**
Riga	0	1	0	0	0	0	1	1	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	4
LITHUANIA	**1**	**1**	**0**	**0**	**1**	**0**	**3**	**1**	**2**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**10**
Vilnius	1	1	0	0	1	0	1	1	1	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	7
Kaunas	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Druskininkai	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Klaipeda	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
MACEDONIA	**1**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**
Skopje	1	0	0	0	0	0	2	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	4
MOLDOVA	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Chisiniau	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MONTENEGRO	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**2**
Podgorica	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Budva	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1
POLAND	**5**	**0**	**2**	**2**	**62**	**6**	**7**	**7**	**6**	**1**	**0**	**1**	**0**	**0**	**6**	**10**	**1**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**111**
Warsaw	3	0	2	1	10	0	0	3	1	1	0	0	0	0	1	3	0	0	0	0	0	0	0	0	23
Krakow	2	0	0	1	6	2	1	1	2	0	0	0	0	0	2	1	0	0	0	0	0	0	0	0	16
Wroclaw	0	0	0	0	6	1	1	0	1	0	0	0	0	0	1	1	0	0	0	0	0	0	1	0	11
Poznan	0	0	0	0	5	1	0	1	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	9
Gdansk	0	0	0	0	4	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	6
Lodz	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2
Katowice	0	0	0	0	2	1	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	5
Szczecin	0	0	0	0	4	0	0	0	1	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	6
Lublin	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2
Olsztyn	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Sopot	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Opole	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Appendix 3: Geographical distribution of international hotels in CEE in January 2010 (including all announced openings and additions) ***(continued)***

COUNTRY / DESTINATION	InterContinental[1]	Wyndham	Marriott	Hilton	Accor[2]	Choice	Best Western	Starwood	Carlson[3]	Hyatt	Golden Tulip	TOP	TUI[4]	Sol Meliá	Rezidor[5]	Louvre	NH	Interstate[6]	Barceló	Riu[7]	Fairmont	Iberostar	Scandic	Four Seasons	TOTAL
Torun	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Czestochowa	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Jelenia Gora	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Kielce	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Bialystok	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Zabrze	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Ozarow Mazowiecki	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Bialowieza	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Karpacz	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Mragowo	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Mikolajki	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Zakopane	0	0	0	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Dzwirzyno	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Bielsko-Biala	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Cieszyn	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Gdynia	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Kalisz	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Kolobrzeg	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Sosnowiec	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Zielona Gora	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Zamosc	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Grodziszcze	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
ROMANIA	**2**	**9**	**1**	**2**	**6**	**0**	**13**	**0**	**2**	**0**	**7**	**0**	**0**	**0**	**2**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**44**
Bucharest	2	5	1	1	4	0	1	0	1	0	3	0	0	0	1	0	1	0	0	0	0	0	0	0	19
Sibiu	0	1	0	1	1	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	5
Brasov	0	1	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
Iasi	0	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2

Appendix 3: Geographical distribution of international hotels in CEE in January 2010 (including all announced openings and additions) ***(continued)***

COUNTRY / DESTINATION	InterContinental[1]	Wyndham	Marriott	Hilton	Accor[2]	Choice	Best Western	Starwood	Carlson[3]	Hyatt	Golden Tulip	TOP	TUI[4]	Sol Meliá	Rezidor[5]	Louvre	NH	Interstate[6]	Barceló	Riu[7]	Fairmont	Iberostar	Scandic	Four Seasons	TOTAL
Oradea	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Constanta	0	0	0	0	1	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Arad	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Baia Mare	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Botosani	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Cluj-Napoca	0	0	0	0	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Gura Humorului	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Hunedoara	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Resita	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Timisoara	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2
Zalau	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
RUSSIA	**10**	**2**	**10**	**3**	**8**	**0**	**0**	**6**	**29**	**4**	**0**	**2**	**0**	**0**	**29**	**0**	**0**	**6**	**0**	**0**	**2**	**0**	**0**	**0**	**76**
Moscow	7	0	7	1	3	0	0	3	6	3	0	0	0	0	6	0	0	6	0	0	2	0	0	0	32
Saint Petersburg	1	1	2	0	2	0	0	1	4	0	0	2	0	0	4	0	0	0	0	0	0	0	0	0	13
Samara	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Chelyabinsk	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
Ekaterinburg	0	1	0	0	1	0	0	0	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	4
Novosibirsk	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Perm	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Kazan	0	0	0	0	1	0	0	0	2	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	3
Omsk	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
Rostov-on-Don	0	0	0	0	0	0	0	1	2	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	3
Sochi	0	0	0	0	0	0	0	1	2	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	3
Astrakhan	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Irkutsk	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Izhevsk	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Kaliningrad	0	0	0	0	0	0	0	0	2	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	2

Appendix 3: Geographical distribution of international hotels in CEE in January 2010 (including all announced openings and additions) ***(continued)***

COUNTRY / DESTINATION	InterContinental[1]	Wyndham	Marriott	Hilton	Accor[2]	Choice	Best Western	Starwood	Carlson[3]	Hyatt	Golden Tulip	TOP	TUI[4]	Sol Meliá	Rezidor[5]	Louvre	NH	Interstate[6]	Barceló	Riu[7]	Fairmont	Iberostar	Scandic	Four Seasons	TOTAL
Murmansk	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Ryazan	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Tula	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Tuymen	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Volgograd	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
SERBIA	**1**	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**
Belgrade	1	0	0	0	0	0	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
Nis	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
SLOVAKIA	**3**	**0**	**0**	**1**	**1**	**0**	**6**	**1**	**2**	**0**	**0**	**1**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**15**
Bratislava	2	0	0	0	1	0	1	1	2	0	0	1	0	0	2	0	0	0	0	0	0	0	0	0	8
Zilina	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Kosice	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Humenne	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Vysoke Tatry	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Lucenec	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
SLOVENIA	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**
Ljubljana	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Bled	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
UKRAINE	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**5**	**1**	**0**	**0**	**0**	**0**	**5**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**9**
Kiev	1	0	0	0	0	0	0	0	2	1	0	0	0	0	2	0	0	0	0	0	1	0	0	0	5
Sevastopol	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Alushta	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Dnepropetrovsk	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Yalta	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
TOTAL:	**35**	**21**	**21**	**14**	**105**	**11**	**72**	**24**	**62**	**7**	**10**	**11**	**6**	**24**	**62**	**12**	**4**	**6**	**3**	**5**	**4**	**7**	**5**	**2**	**459**

Source: Elaborated on the basis of the hotel groups' official websites and hotel directories available on these websites in January 2010

Notes to Appendices 3 and 4:

[1] – Includes the Holiday Inn Warsaw Hotel that officially belongs to Accor but is franchised by InterContinental Hotels Group and is therefore included in both portfolios.

[2] – Includes a group of Orbis-branded hotels in Poland that still have not been converted into any of the Accor brands and are awaiting conversion or are going to be sold. Also includes the Holiday Inn Warsaw hotel mentioned in Point 1.

[3] – Because the portfolio of Carlson Hotels Worldwide in CEE entirely overlaps with the portfolio of The Rezidor Hotel Group, the total number of hotels accounts for these properties only once.

[4] – Because the portfolio of Riu Hotels & Resorts in CEE is also included in the portfolio of TUI Hotels & Resorts, the total number of hotels accounts for these properties only once.

[5] – See Point 3.

[6] – Because the portfolio of Interstate Hotels & Resorts in CEE is constituted by hotels franchised by Marriott, InterContinental and Hilton which are also included in their portfolios, the total number of hotels accounts for these properties only once.

[7] – See Point 4.

Appendix 4: CEE presence of the researched hotel groups in January 2010 (including all announced openings and additions)

ranking position	HOTEL GROUP / BRAND	ALBANIA	BELARUS	BOSNIA & HERZEGOVINA	BULGARIA	CROATIA	CZECH REPUBLIC	ESTONIA	HUNGARY	LATVIA	LITHUANIA	MACEDONIA	MOLDOVA	MONTENEGRO	POLAND	ROMANIA	RUSSIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	CEE in total
01.	**InterContinental Hotels Group**	**0**	**1**	**1**	**1**	**0**	**6**	**0**	**2**	**0**	**1**	**1**	**0**	**0**	**5**	**2**	**10**	**1**	**3**	**0**	**1**	**35**
	InterContinental Hotels & Resorts	0	0	0	0	0	1	0	1	0	0	0	0	0	1	1	1	0	0	0	1	6
	Crowne Plaza Hotels & Resorts	0	1	0	0	0	2	0	0	0	0	0	0	0	0	1	1	0	1	0	0	6
	Holiday Inn Hotels & Resorts[1]	0	0	1	1	0	3	0	1	0	1	1	0	0	3	0	8	1	2	0	0	22
	Express by Holiday Inn	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
02.	**Wyndham Hotel Group**	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**5**	**1**	**1**	**0**	**0**	**0**	**0**	**9**	**2**	**0**	**0**	**0**	**0**	**21**
	Wyndham Hotels & Resorts	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	1	0	0	0	0	3
	Ramada Worldwide	0	0	0	0	0	2	0	4	1	1	0	0	0	0	8	1	0	0	0	0	17
	Howard Johnson	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1
03.	**Marriott International Inc.**	**0**	**0**	**0**	**0**	**0**	**5**	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**2**	**1**	**10**	**0**	**0**	**0**	**0**	**21**
	The Ritz-Carlton	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
	JW Marriott Hotels & Resorts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1
	Marriott Hotels & Resorts	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0	3	0	0	0	0	6
	Renaissance Hotels & Resorts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	4
	Courtyard by Marriott	0	0	0	0	0	3	0	1	0	0	0	0	0	1	0	2	0	0	0	0	7
	Marriott Executive Apartments	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2
04.	**Hilton Worldwide**	**0**	**0**	**0**	**1**	**1**	**2**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**2**	**2**	**3**	**0**	**0**	**1**	**0**	**14**
	Hilton Hotels	0	0	0	1	1	2	0	2	0	0	0	0	0	1	2	1	0	0	0	0	10
	Doubletree	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	2
	Hilton Garden Inn	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	2
05.	**Accor Hotels**	**0**	**0**	**0**	**1**	**0**	**7**	**0**	**19**	**0**	**1**	**0**	**0**	**0**	**62**	**6**	**8**	**0**	**1**	**0**	**0**	**105**
	Sofitel Luxury Hotels	0	0	0	0	0	0	0	1	0	0	0	0	0	3	0	0	0	0	0	0	4
	Pullman Hotels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1
	M Gallery	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2
	Novotel Hotels	0	0	0	1	0	1	0	5	0	1	0	0	0	12	1	4	0	0	0	0	25
	Mercure	0	0	0	0	0	0	0	6	0	0	0	0	0	13	0	0	0	0	0	0	19
	Ibis Hotel	0	0	0	0	0	5	0	6	0	0	0	0	0	10	4	4	0	1	0	0	30

Appendix 4: CEE presence of the researched hotel groups in January 2010 (including all announced openings and additions) ***(continued)***

ranking position	HOTEL GROUP / BRAND	ALBANIA	BELARUS	BOSNIA & HERZEGOVINA	BULGARIA	CROATIA	CZECH REPUBLIC	ESTONIA	HUNGARY	LATVIA	LITHUANIA	MACEDONIA	MOLDOVA	MONTENEGRO	POLAND	ROMANIA	RUSSIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	CEE in total
	Etap Hotel	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	8
	unbranded hotels and other brands[2]	0	0	0	0	0	0	0	0	0	0	0	0	0	16	0	0	0	0	0	0	16
06.	**Choice Hotels International**	**0**	**0**	**0**	**0**	**0**	**4**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**6**	**0**	**0**	**0**	**0**	**0**	**0**	**11**
	Clarion	0	0	0	0	0	4	1	0	0	0	0	0	0	1	0	0	0	0	0	0	6
	Quality	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	5
07.	**Best Western International**	**0**	**0**	**0**	**8**	**2**	**15**	**0**	**8**	**1**	**3**	**2**	**0**	**1**	**7**	**13**	**0**	**3**	**6**	**2**	**1**	**72**
	Best Western Premier	0	0	0	0	1	4	0	1	0	0	0	0	1	1	0	0	0	0	2	0	10
	Best Western	0	0	0	8	1	11	0	7	1	3	2	0	0	6	13	0	3	6	0	1	62
08.	**Starwood Hotels & Resorts Worldwide**	**1**	**0**	**0**	**1**	**4**	**1**	**0**	**1**	**1**	**1**	**0**	**0**	**0**	**7**	**0**	**6**	**0**	**1**	**0**	**0**	**24**
	The Luxury Collection	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2
	W Hotels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
	Le Meridien	0	0	0	0	1	0	0	1	0	1	0	0	0	1	0	1	0	0	0	0	5
	Sheraton Hotels & Resorts	1	0	0	0	1	1	0	0	1	0	0	0	0	5	0	3	0	1	0	0	13
	Westin Hotels & Resorts	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	2
	Four Points by Sheraton	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
09.	**Carlson Hotels Worldwide[3]**	**0**	**1**	**0**	**1**	**4**	**4**	**1**	**3**	**1**	**2**	**1**	**0**	**0**	**6**	**2**	**29**	**0**	**2**	**0**	**5**	**62**
	Regent Hotel & Resorts	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
	Radisson Hotels & Resorts	0	1	0	1	2	2	1	2	1	2	1	0	0	5	2	13	0	1	0	4	38
	Park Inn	0	0	0	0	0	2	0	1	0	0	0	0	0	1	0	16	0	1	0	1	22
10.	**Global Hyatt Corporation**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**4**	**1**	**0**	**0**	**1**	**7**
	Park Hyatt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
	Grand Hyatt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	2
	Hyatt Regency	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	0	1	4
12.	**Golden Tulip Hospitality Group**	**0**	**0**	**0**	**1**	**0**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**7**	**0**	**0**	**0**	**0**	**0**	**10**
	Golden Tulip	0	0	0	1	0	1	0	0	0	0	0	0	0	0	5	0	0	0	0	0	7
	Tulip Inn	0	0	0	0	0	0	0	1	0	0	0	0	0	0	2	0	0	0	0	0	3

Appendix 4: CEE presence of the researched hotel groups in January 2010 (including all announced openings and additions) ***(continued)***

ranking position	HOTEL GROUP / BRAND	ALBANIA	BELARUS	BOSNIA & HERZEGOVINA	BULGARIA	CROATIA	CZECH REPUBLIC	ESTONIA	HUNGARY	LATVIA	LITHUANIA	MACEDONIA	MOLDOVA	MONTENEGRO	POLAND	ROMANIA	RUSSIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	CEE in total
--	**TOP International Hotels** (and partners)	**0**	**0**	**0**	**0**	**0**	**6**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**2**	**0**	**1**	**0**	**0**	**11**
	TOP International Hotels	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	2	0	1	0	0	8
	TOP City&Country Line	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
	Familotel	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
	VCH Hotels by TOP	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
13.	**TUI Hotels & Resorts / TUI AG**	**0**	**0**	**0**	**5**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6**
	Riu Hotels & Resorts[4]	0	0	0	4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
	Gran Resort Hotels	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
15.	**Sol Meliá Hotels & Resorts**	**0**	**0**	**0**	**5**	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**24**
	Meliá Hotels & Resorts	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
	Sol Hotels	0	0	0	4	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23
18.	**The Rezidor Hotel Group[5]**	**0**	**1**	**0**	**1**	**4**	**4**	**1**	**3**	**1**	**2**	**1**	**0**	**0**	**6**	**2**	**29**	**0**	**2**	**0**	**5**	**62**
	Regent Hotels & Resorts	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
	Radisson Blu Hotels & Resorts	0	1	0	1	2	2	1	2	1	2	1	0	0	5	2	13	0	1	0	4	38
	Park Inn	0	0	0	0	0	2	0	1	0	0	0	0	0	1	0	16	0	1	0	1	22
19.	**Groupe du Louvre / Société du Louvre**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**12**
	Concorde Hotels & Resorts	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
	Kyriad Prestige	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
	Campanile Hotel & Restaurant	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	8
	Premiere Classe	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
21.	**NH Hoteles**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**2**	**0**	**0**	**0**	**0**	**0**	**4**
	NH Hotels	0	0	0	0	0	0	0	1	0	0	0	0	0	1	2	0	0	0	0	0	4
23.	**Interstate Hotels & Resorts[6]**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6**	**0**	**0**	**0**	**0**	**6**
	Interstate Hotels & Resorts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0	0	6
24.	**Barceló Hotels & Resorts**	**0**	**0**	**0**	**1**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3**
	Barceló Premium	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
	Barceló	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Appendix 4: CEE presence of the researched hotel groups in January 2010 (including all announced openings and additions) ***(continued)***

ranking position	HOTEL GROUP / BRAND	ALBANIA	BELARUS	BOSNIA & HERZEGOVINA	BULGARIA	CROATIA	CZECH REPUBLIC	ESTONIA	HUNGARY	LATVIA	LITHUANIA	MACEDONIA	MOLDOVA	MONTENEGRO	POLAND	ROMANIA	RUSSIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	CEE in total
27.	**Riu Hotels & Resorts**[7]	**0**	**0**	**0**	**4**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**
	Riu Hotels & Resorts	0	0	0	4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
30.	**Fairmont Raffles Hotels International**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**1**	**4**
	Fairmont Hotels & Resorts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
	Raffles Hotels & Resorts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
	Swissôtel Hotels & Resorts	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	2
31.	**Iberostar Hotels & Resorts**	**0**	**0**	**0**	**3**	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**7**
	Iberostar Hotels & Resorts	0	0	0	3	3	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	7
37.	**Scandic**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**1**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**5**
	Scandic	0	0	0	0	0	0	2	0	0	1	0	0	0	2	0	0	0	0	0	0	5
43.	**Four Seasons Hotels & Resorts**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**
	Four Seasons Hotels & Resorts	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2
	TOTAL:	**1**	**2**	**1**	**28**	**34**	**59**	**5**	**47**	**4**	**10**	**4**	**0**	**2**	**111**	**44**	**76**	**5**	**14**	**3**	**9**	**459**

Source: Elaborated on the basis of the hotel groups' and chains' official websites and hotel directories available on these websites in January 2010

Notes:
See Appendix 3