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International Hotel Firms and their advantages to the Host Countries: A Case Study of Libya

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Abstract:

International hotel firms have an important role in the travel and tourism industry development. In recent years, the involvement of these firms in the hotel sector has increased rapidly in the world. Enormous number of studies confirmed that the number of hotels that operating by international hotel firms in some countries is more than others that operating by local firms in some countries. However, the number of these firms in Libya is two only which are Radisson Blue and Corinthian.

In order to demonstrate the importance of these firms to countries' economy, this paper concentrated on illustrating the main advantages to host countries generally and to Libya in particular of international hotel firms. To achieve the paper's aim, semi-structured interviews method has been used to collect data. The results obtained show that there are many advantages that the host countries may obtain when they succeed in attracting international hotel firms to their land such as enhancing the economic life of the country, promoting the country as international tourist destination, training local people outside the country and bringing them back to work in local hotels, presenting the highest standards of quality and services...etc.

• Keywords:

International hotel companies, Tourism industry, Investment incentives, Host countries, Government policies.

Introduction

In General, Johnson and Turner, 2003 have defined international firms as a firm that invests in value-adding activities in two or more countries outside its domestic market or start to exercise control over such activities outside its domestic market. According to the above mentioned definition, international hotel firms are not exempt from that kind of firms. Kusluvan and karamustafa (2001) stated that international hotel company is an enterprise that owns or controls value-adding activities in the accommodation sector in two or more countries. This involvement in at least two countries can take the form of equity involvement or contractual agreement such as such as management contracts, franchising, leasing and marketing agreements'. Medlik and Ingram (2000) have distinguished between two types of international firms which are involved in international hotel operations in terms of where they are established, and their headquarters. The first type is the group which represented by local company with a head office in a particular country and engages in hotel operations in that country and other countries. The other type is established by airlines and other interests, which operate hotels in various countries, and where the basing of the location of the head office in a particular country is not particularly important. In this study, both types have relevance.

The hotel industry is a part of a large business activity known as the travel and tourism industry. The travel and tourism industry is a huge group of businesses with one aim in common: providing essential or preferred products or services to travellers. It is one of the largest industries in the

world (Kasavana and Brooks, 1991). International hotel firms have played an important role in the development and continuity of the travel and tourism industry in the world. In some countries they represent more than 70% of the number of the country's hotels (Calveras, 2003). With the growth of international travel and of the hotel industry in developing countries of the world, there has been a significant growth in international hotel operations (Medlik and Ingram, 2000).

Libya has about 300 hotels or other forms of tourist accommodation. 80% of them are located in the urban areas of Tripoli, Benghazi, Sabha and Misurata, offering nearly 12,704 rooms but just 1,200 of these rooms attain acceptable international standards. In order to develop other rooms, it will cost the Libyan government about 187 million American dollars. Despite the significant role which international hotel firms plays in the development of the tourism industry in developing countries, the involvement of international hotel firms in Libya represents less than 1% out of the total number of Libyan hotel companies. There are two international firms only that have base in Libya which are Corinthia and Radisson Blue firms.

According to the Libyan Tourism Master Plan (2006-2010), Libya expects that the number of people, who have visited the country between 2006 and 2011, will be 4,523,112. This number has been translated into room requirements as showed in table 1.

Table 1: Projected room requirements

<i>Year</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
<i>Number of tourists</i>	<i>142,097</i>	<i>193,576</i>	<i>444,676</i>	<i>961,919</i>	<i>1,344,136</i>	<i>1,436,703</i>
<i>Number of rooms</i>	<i>1,603</i>	<i>6,291</i>	<i>10,753</i>	<i>15,704</i>	<i>17,204</i>	<i>18,704</i>

The Libyan government has concentrated their effort on encouraging local and foreign investors to invest in this sector. International hotel firms are one category of foreign investors that the Libyan authority seeks to encourage them to invest in Libya, in order to cope with the lack of hotel rooms for current and future tourist arrivals.

Kusluvan et al (2001) have stated seven benefits that a developing country may obtain from the presence of international hotel companies in their land: 1) capital provision; 2) transfer of technical and managerial know-how; 3) provision of Market ties; 4) increased efficiency; 5) a high degree of security and quality of service; 6) high competition among companies and elimination of monopolies; and 7) demonstration effect for local investors. To confirm these advantages practically, the semi-structured interviews were conducted with seven experts in the field of hotel industry (see data collection section).

The paper is organized as follows: section 2 introduces the research outline; section 3 explains the research methodology; section 4 offers an overview of the data collection; section 5 provides a detailed explanation of the data analysis; section 6 contains results, conclusions and further work are in section 7.

Research outline

The paper aims to determine the key advantages that the host countries generally and Libya in particular may obtain from the investment of international hotel companies in their lands. In a nutshell, the paper pursues to answer the following question:

Why do the host countries need international hotel firms?

Research methodology

There are two main research paradigms or philosophies. The two paradigms can be considered positivist and phenomenological (Hussey and Hussey, 1997). Logical positivism uses quantitative and experimental methods to test hypothetical-deductive generalisations. In contrast, phenomenological inquiry uses qualitative and naturalistic approaches to inductively, holistically understand human experience in a context-specific setting (Amaratunga et al., 2002). The research questions and objectives are the main factors that determine an appropriate research methodology and method (Hussey and Hussey, 1997).

The phenomenological approach is chosen as the main philosophy to conduct the empirical investigation (Saunders et al, 2000). This choice is interpreted by the fact that this study will aim to exploring and understanding the key advantages that the host countries generally and Libya in particular may benefit from the investment of international hotel companies in their lands.

A qualitative method was adapted to obtain the needed data to achieve the paper's aim. The main research methods that were used were an extensive review of the pertinent academic literature and semi-structured interviews. The literature review provides the necessary background to understand the related issues involved in the research topic.

The semi-structured interviews provide the necessary information about the key advantages that the host countries generally and Libya in particular may obtain from the investment of international hotel companies in their lands.

Data Collection

To achieve the aim of this paper, a semi-structured interviews method has been used to collect data. The researcher conducted semi-structured face-to-face interviews with seven hotel managers (respondents) from top seven international hotel firms in the world. These are Hilton Hotels Corporation, Inter Continental Hotels Group, Golden Tulip Hospitality Group, Accor, Marriott International, Hyatt International Corporation and Four Seasons Hotels and Resorts. These respondents occupy executive and managerial positions and provided more reliable information. These interviewees are key decision makers in their various hotel companies and do participate in the management of hotel businesses in the Middle East and some North Africa countries. The interviews were conducted in four countries namely, UK, Netherlands, France and Switzerland. The interviewees chose the place and time of their interviews.

The average time of the interviews was two and half hours. All interviews were recorded and the researcher obtained the permission of the respondents for recording and using collected information in his dissertation and publication in different academic forms.

Data analysis

There is no standardised approach to the analysis of qualitative data (Saunders et al 2003), and many strategies exist in this respect, although an analytical strategy is commonly used (Collis and Hussey, 2003; Saunders et al, 2003). Taylor and Bogdan (1984) stated that all researchers develop their own ways of analysing qualitative data, and Yin (2003) noted that analysis consists of examining, categorising, and tabulating data. In this paper, the researcher began the analysis after conducting the fieldwork, using the following process:

- The first step was converting all the interviews into text, thus the transcripts of the interviews were made ready for analysis. A transcript is the mere text which is used to identify data consisting of words which become recorded without the intervention of the researcher through an interview.
- The second step involved reading through all interviewing transcripts, notes, documents and other data, to become familiar with and gain understanding of the data as recommended by Huberman and Miles (2002), who stated that prior to sifting and sorting data, the researcher must familiarise himself with its diversity and gain an overview about the gathered material.
- The third step was categorising the collected data and classifying it into meaningful categories (Saunders et al, 2003). This process reveals nine main categories. The first main category is the

companies' profiles, which briefly introduces the background of the case organisations. The second presents the factors that have impact on the firms' investment in a new country; the factors that determine the investment decisions are classified as international expansion factors. The third category is the scanning of the business environment, which highlights the parameters, tools and techniques used by those firms in scanning a new business environment. The fourth examines findings on the influence of government policies and regulations on the investment decisions of international hotel firms in general and specifically in Libya. The fifth examines the presences of international hotel firms in the North African region and the main reasons that prevent them from investing in Libya. The sixth presents the main findings on the influence of the religion and cultural impact on the investment decisions of international hotel firms in Islamic countries in general and Libya in particular. The seventh is market entry mode which examines the modes that firms will use when deciding to invest in Libya; as well as discussing the main reasons behind selecting that mode. The eighth states the findings on the main advantages that Libya may obtain from the firms' investments in its land. The final category is additional requirements.

- The fourth step in the analytical analysis of the data was the unitising of the data, which, according to Saunders et al (2003), means attaching relevant bits or chunks of data that are referred to as units of data, to the appropriate category. A unit of data could be a number of words, a sentence, a paragraph or sometimes a complete answer for a particular question asked in the interviews that fit the category. This was done by reading through the transcripts and extracting the most relevant data for all of the questions listed in the interview guidelines, and any additional questions that were raised during the interview. During this stage of the analytical process, the researcher began to disaggregate (reduce and re-arrange) the data into a manageable and comprehensive form (Easterby-Smith et al, 1991; Saunders et al, 2003). Based on Saunders et al (2003), who stated that the computer could be used for unitising the data. The researcher used the computer "cut and paste" function to put the

relevant data in the corresponding cell in the right category. In this process each category consisted of seven cells. The number of cells represented the number of respondents.

- The fifth step in the analysis process was the data display. This was done by producing a data matrix. A data matrix is produced by tabulating the interview data; the company's names were listed as rows and the factors as columns. A data matrix created contained 7 cells horizontally and 10 cells vertically. The matrix format was an ideal way of putting together the data from the previous section. It provided an 'at a glance' way of noting the responses and making comparisons' (Hall and Hall, 1996).
- In the sixth step, after unitising the data, all the cells were printed out, cut and pasted manually on a number of attached A1 charts, thus generating a big matrix. After finalising that matrix, the researcher copied it to secure the data, since the effort and time spent in preparation and reaching this stage had been substantial. Saunders et al (2000) supported this process, stating that when the researcher has designed a suitable matrix and placed the data within each cell, she/he is engaged in the process of analysing the qualitative data.

After finishing the above steps, the researcher continued to explore key themes and patterns or relationships among the data units. In addition to the matrices, which constitute the main data, the researcher continually consulted other sources of data collected during the fieldwork, such as firms' annual reports and information available from the firms' Web sites.

This paper focuses on the category number eight that clarifying the key advantages to the host countries generally and Libya in particular of international hotel firms.

The findings: potential advantages for the host countries of the investment of international hotel firms

This section presents the findings obtained about the main advantages that Libya may obtain from the firms' investments in its land. To facilitate the understanding of the results, a more graphical representation is particularly beneficial. To achieve this, the summary points have being encapsulated into tables (see table 2), where each table corresponds to one of the main categories identified during the data analyses. Each main category has several subcategories (see table 2). A subcategory captures relevant information mentioned by the interviewees. The tables will be used to produce graphs that visualise the outcomes of the paper.

Table 2 shows the list of advantages that were highlighted by the interviewees against the international hotel firms. The 'y' symbol appears in the respective cell when international hotel firm explicitly mentioned one of the advantages listed, while 'n' means that the advantage was not mentioned by the firm. The correspondence between the acronyms H1 to H7 and the name of the international hotel firms illustrates in table 3.

Table 2: Potential advantages

<i>Investment Advantages</i>	<i>H1</i>	<i>H2</i>	<i>H3</i>	<i>H4</i>	<i>H5</i>	<i>H6</i>	<i>H7</i>
<i>Technology transfer</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>N</i>	<i>Y</i>
<i>Promoting Libya as international tourist destination</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>
<i>Job creation</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>	<i>Y</i>

<i>Managerial expertise</i>	Y	Y	Y	Y	Y	Y	Y
<i>Enhancing the country's economy and its development</i>	Y	Y	Y	Y	Y	Y	Y
<i>Training</i>	Y	Y	Y	Y	Y	Y	Y
<i>Improving the local hotels design</i>	N	N	N	N	N	Y	N
<i>Provision of the highest recognition brand name in the world</i>	N	N	Y	Y	Y	Y	Y
<i>Presenting the highest standards of quality and service</i>	Y	Y	Y	Y	Y	Y	Y
<i>Establishing international hotels with local flavor</i>	N	N	Y	N	N	N	N
<i>Contribution to increasing demand</i>	Y	Y	Y	Y	Y	Y	Y
<i>Bringing the credibility to a project and a destination</i>	Y	Y	Y	Y	Y	Y	Y
<i>Creating competition in the market</i>	Y	Y	N	Y	N	Y	Y

Table 3: Correspondence between international hotel company's names and acronyms used

<i>Acronym</i>	<i>H1</i>	<i>H2</i>	<i>H3</i>	<i>H4</i>	<i>H5</i>	<i>H6</i>	<i>H7</i>
<i>Company</i>	<i>Hilton</i>	<i>Intercontinental</i>	<i>Golden Tulip</i>	<i>Marriott</i>	<i>Four Seasons</i>	<i>Accor</i>	<i>Hyatt</i>

Some of the advantages found are significant to the host countries in a general context, while others are more relevant to the hotel industry in particular. These include: Enhancing the economic life of the country,

promoting the country as international tourist destination, training local people outside the country and bringing them back to work in hotels, presenting the highest standards of quality and services, provision of the strongest recognition brand name in the world, and as reported by one of the respondents, improving the targeted country hotel design.

The majority of interviewees reported the presence of international hotel firms in Libya or any other country means that new hotels will be constructed and designed according to international standards and then the management will be undertaken according to international standards. This also entails that the staff is to benefit from international professional management and hence the provision of quality of services and good design. Moreover, those companies will bring business into the country, both from the currency and the business traveller point of view. In this context, the Marriot Vice-president said:

“When Libya has international brands and hotels in the country operating under those brands, it says something to the consumer. It says something to the broader world. Generally speaking that means the economy of Libya has evolved up to the point that those hotels travellers are visiting and have the facilities up to standard, because the brand is not only a sign but what it carries”.

This opinion was confirmed by the Accor Vice-president who believed that the involvement of international hotel companies in Libya means that the hotels of those firms will be marketed on international distribution channels.

For example, Accor has a big network via the internet, via an international reservation system and the presence of a group like Accor means that the hotel will be marketed worldwide. It is also means that this will attract a lot of international tourists to the host countries.

It is worth to mention that all the interviewees stated that the presence of international hotel firms plays a significant role in the host countries human resources in general and the Libyan hotel sector in particular. Moreover, all of them have reported that the hotel firms will create more jobs for local people. For example, Golden Tulip has created 608 jobs in Ghana, just with the presence of one hotel in the capital city Accra. This is an indication of the importance of expanding the Libyan hotel industry from a domestic point of view. Furthermore, the main advantage that Libya may obtain from the investment of these firms an increase in the number of quality hotels, thus contributing positively to the Libyan hotel sector in general.

Conclusions and further work

The international tourism market is expected to grow to 20 percent of the world population by 2020 (World Tourism Organization, 2011). The growth in the international tourism marketplace presents many countries with great opportunities to capitalize on their natural competitive advantages. Libya is no exception to this general rule, and it is expected to attract three million tourists per annum (World Tourism Organization, 2000). Although the Libyan government has set up the development master plan for the Libyan

tourism industry, this sector is still suffering from many problems like, an acute shortage of hotels.

The paper presented here is expected on the one hand, to provide important information about the advantages of international hotel firms to host countries generally and Libya in particular. These advantages will encourage the Libyan government to improve its business environment in order to attract these firms to invest in Libya, and on the other hand, to make a contribution to the international hotel industry literature regarding the Libya's hotel sector.

The results obtained show that there are many advantages that Libya may gain by attracting international hotel firms when they invest in Libya. The current undergoing economical reforms in Libya after February revaluation seem to welcome new policies that will help the development of the country generally and the tourism industry in particular, and therefore, new policies that take into account the international hotel firms wants and needs will accelerate the establishment of these firms in Libya.

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