Sub-sectoral Differences in Factors Influencing Internationalization of Service firms

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Prof. (FH) Dipl.Ing., MBA Wilfried Manhart

Handed in by
Domtila Wäger

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Dedication

This paper is dedicated to my beloved daughter and caring husband. Thanks for your endless patience and encouraging words.

Abstract

Sub-sectoral Differences in Factors Influencing Internationalization of Service firms

The fact that services have emerged a driving force and the fastest growing sector in international trade attracts researchers to follow the changes taking place in the service industry. This study extends the scientific discussion on internationalization of service firms. Unlike previous research that examined factors that influence a single firm's decision to internationalize, I acknowledge the heterogeneity of services, and based on the results obtained from secondary analysis of primary qualitative data sets, answer the main research question how internationalization motives differ between people-processing services, possession-processing services, and information-based services. This research goes beyond identification of variation in internationalization motives and analyses the service characteristics that might be responsible for the differences. In addition, I assess the key trends in the service sector and predict the possible future internationalization motives that are likely to emerge from the current trends.

Findings of this study reveal two major issues. First, it is evident that reasons for internationalization differ among hotel, retail firms and Higher education institutions representing people-processing services, possession-processing services, and information-based services respectively. Second, a few motives are common across sub-sectors, however the significance of the motives vary from sub-sector to sub-sector. I conclude that the differences in underlying structures of the respective service sub-sectors is the fundamental cause for the variation in internationalization motives among service sub-sectors. Other factors such as distinctive characteristics of service, firm's competitive strategies, income elasticity of demand, and life-cycle stage of the service sub-sector also contribute to the differences in internationalization motives.

This paper also presents three different factors, which are likely to emerge as significant factors that influence service firm internationalization decision in future. (1) Company's urge to be socially responsible and the need to contribute towards the environmental well-being (2) The need to sell regional products and services to neighbouring nations and respond to consumers' demand for sustainable consumerism (3) Decision to penetrate foreign markets facilitated by the low risks and low cost of internationalization.

Kurzreferat

Subsektorale Unterschiede in Faktoren, die die Internationalisierung von Dienstleistungsunternehmen beeinflussen

Die Tatsache, dass sich Dienstleistungen als treibend Kraft und den am schnellsten wachsenden Sektor im internationalen Handel etabliert haben, reizt Forscher die Veränderungen im Dienstleistungssektor zu verfolgen. Diese Studie erweitert die wissenschaftliche Diskussion über die Internationalisierung von Dienstleistungsunternehmen. Im Gegensatz zu früheren Studien, die Faktoren untersuchten, die die Entscheidung eines einzelnen Unternehmens zur Internationalisierung beeinflussen, erkennt diese Studie die Heterogenität von Dienstleistungen an. Auf Grundlage der Ergebnisse einer sekundären Analyse von primärqualitativen Datensätze beantworte ich die Hauptforschungsfrage, wie sich die Internationalisierungsmotive zwischen Personenverarbeitungsdiensten, Besitzverarbeitungsdiensten und informationsbasierten Dienstleistungen unterscheiden. Diese Studie geht über die Identifizierung von Unterschieden in Internationalisierungsmotiven hinaus und analysiert die Servicemerkmale, die für die Unterschiede verantwortlich sein könnten. Darüber hinaus bewerte ich die wichtigsten Trends im Dienstleistungssektor und prognostiziere mögliche zukünftige Internationalisierungsmotive, die sich aus den aktuellen Trends voraussichtlich ergeben werden.

Die Ergebnisse dieser Studie zeigen zwei wichtige Aspekte auf. Erstens ist es offensichtlich, dass die Gründe für die Internationalisierung zwischen Hotel, Einzelhandelsunternehmen und Hochschuleinrichtungen, die jeweils Dienstleistungen zur Personenverarbeitung, Besitzverarbeitungsdienstleistungen bzw. informationsbasierte Dienstleistungen vertreten, unterschiedlich sind. Zweitens sind einige Motive in den einzelnen Sektoren weit verbreitet, die Bedeutung der Motive variiert jedoch von Teilsektor zu Teilsektor. Ich komme zu dem Schluss, dass die Hauptursache für subsektorale Unterschiede in den Internationalisierungsmotiven auf die unterschiedlichen Strukturen der jeweiligen Dienstleistungs-Teilsektoren zurückzuführen ist. Andere Faktoren wie die Art der erbrachten Dienstleistungen, die Wettbewerbsstrategie des Unternehmens, die Elastizität der Nachfrage und die Lebenszyklusphase des Dienstleistungs-Teilsektors tragen ebenfalls zu den Unterschieden in den Internationalisierungsmotiven bei.

Diese wissenschaftliche Arbeit stellt auch drei verschiedene Faktoren vor, die voraussichtlich die Internationalisierungsentscheidung von Dienstleistungsunternehmen in der Zukunft beeinflussen werden. (1) Die Notwendigkeit des Unternehmens, sozial verantwortlich zu sein und zum Ökologischen Wohlergehen beizutragen (2) Die Notwendigkeit, den Nachbarländern regionale Produkte zur Verfügung zu stellen und der Nachfrage der Verbraucher nach nachhaltigem Konsum zu entsprechen (3) Entscheidung, in ausländische Märkte einzudringen, die durch die geringen Risiken und niedrigen Kosten der Internationalisierung erleichtert werden.

Preface/Acknowledgement

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List of Abbreviations

AR   Augmented Reality

AVs   Autonomous Vehicles

HEIs   Higher Education Institutions

IoT   Internet of Things

MOOCs   Massive Open Online Course

SCA   Sustainable Competitive Advantage

VR   Virtual Reality

1. Introduction

"There is a common perception that globalization is slowing down. But if the growing wave of services trade is factored in – and not just the modest increases in merchandise trade – then globalization may be poised to speed up again."[1]

1.1   Background and Problem Statement

The term "slowbalisation" was invented by Adjiedj Bakas, a Dutch trend-watcher in 2015 to describe the slowing growth in global trade.[2] This term has since gained prominence in expressing how growth in international trade has moved from a light speed growth to its current state of sluggish snail's pace. One of the key indicators of "slowbalisation" is the decrease in share of international trade as part of world GDP.[3] Indeed, UNCTAD statistics show that, international trade declined substantially in 2015 and 2016, but recovered in 2017. Owing to trade tension between United States of America (USA) and China, uncertainty resulting from Brexit, COVID-19 pandemic, as well as the overall negative global output. International trade declined again in the second half of 2018 further to 2019.[4]

Has international trade reached a maturity stage? Since international trade involves trade in both goods and commercial services, it is essential to analyse the development in both sectors to establish whether "slowbalisation" is replacing globalisation. Interestingly, reports on international trade reveal that, trade in services expanded faster than trade in goods between 2005 and 2017 (at 5.4% per year on average). In 2019 trade in goods showed largest drops whereas trade in commercial services increased, however at a slower pace. In the same year, the services value-added accounted for about 50% of global trade in goods and services.[5] Currently, services account for about 75% of GDP in developed economies, up from 40% in 1950, and developing economies are also becoming service based. Also, it is predicted that, international trade in services will grow and account for 33% of world trade by 2040.[6] In general a conclusion can be made that, whereas the modest growth in global trade in goods might signify maturity of international trade and justify the rise of "slowbalisation", however, the continuous growth in trade in services will rejuvenate and enhance the growth in international trade.

Figure 1 illustrates how trade in services has been more resilient to crises compared to trade in goods.

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[1] 'World Trade Report 2019: The future of services trade' n. y., p. 14.
[2] 'Was hyperglobalisation an anomaly? | Financial Times' 2020.
[3] Business Standard 2019.
[4] 'UNCTAD Report: Key Statistics and Trends in International Trade' 2020, p. 1–4.
[5] 'UNCTAD Report: Key Statistics and Trends in International Trade' 2020.
[6] 'World Trade Report 2019: The future of services trade' 2019, p. 23.
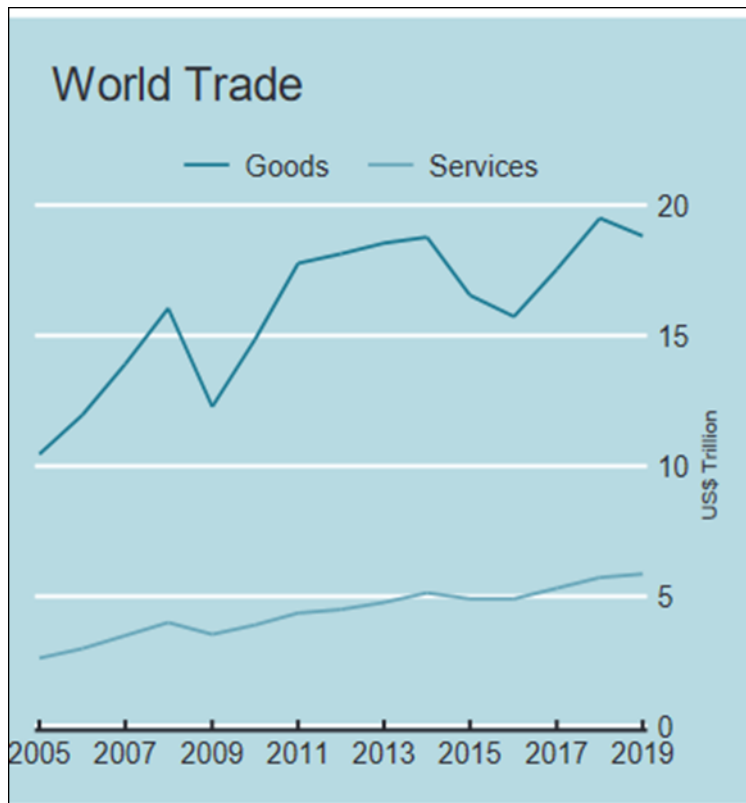
Figure 1: Values and growth rates of world trade in goods and services

Source: UNCTAD report, 2020, p. 5

Trade in services has become the backbone of international trade, and the importance of services to global trade has made internationalization of services an important research topic, and numerous studies have been conducted, to understand service internationalization. To begin with, research has been done to determine the extent to which traditional internationalization theories (originally developed to understand internationalization process of manufacturing companies) are relevant in analysing internationalization of service firms,[7][8] besides, numerous studies have examined service firms' market selection strategy and market entry modes,[9][10] furthermore, impact of technological change on service firm internationalization process have also been investigated.[11] Lastly, some researchers have analysed factors that drive service firms to operate in foreign markets.[12][13][14][15][16][17]

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[7] Rajshekhar G Javalgi; David A Griffith; White 2003.
[8] Lennon 2009.
[9] Ikechi Ekeledo; Sivakumar 1998.
[10] Castellacci 2010.
[11] Miozzo; Soete 2001.
[12] Seeber et al. 2016.
[13] Moreira et al. 2013.
[14] Rodtook; Altinay 2013.
[15] Belniak 2015.
[16] Evans et al. 2008.
[17] Altbach; Knight 2007.

Some scholars however argue that too much attention have been paid on analysing the differences between manufacturing and service sector and suggest a redirection of research efforts towards the investigation of sub-sectoral differences within the service sector.[18] Besides, in their study on developing global strategies for service business, Lovelock and Yip concluded that there are significant differences in the way various service firms internationalize. Subsequently, they emphasized that, "service companies can develop effective global strategies by systematically analysing the specific globalization drivers affecting their industries and the distinctive characteristics of their service businesses".[19] Further, in their analysis on foreign expansion in service industries, Bouquet et al. concluded that due to the heterogeneity of service sector, significant differences in the internationalization process of different service firms exists and recommended that research on the internationalisation of services to be more sector specific.[20] Finally, Carneiro et al. remark that, "… differences across service industries may be subtle, so that more fine-grained dimensions and categorization guidelines are in fact necessary to explain variation in the internationalization processes followed by service firms."[21]

Sub-sectoral analysis is indeed crucial owing to the diversity within the service sector. For instance, the framework of General Agreement on Trade in Services (GATS) classifies services in 11 broad sectors, these sectors are further divided into 160 sub-sectors.[22] The extreme diversity in the service sector makes analysis of factors at an aggregate level less accurate, as there is a tendency to obscure important sub-sectoral differences. Findings of the few studies that have been undertaken at sub-sectoral level confirm that there are sub-sectoral differences in internationalization process of service firms. For example, while analysing the difference in choice of market entry mode between soft services (production and consumption of services occur simultaneously e.g. hairdressing services) and hard services (where separability of production and consumption is possible e.g. software services), Erramilli concluded that while the choice of entry mode dramatically differ between soft and hard service, there is similarity in choice of market entry mode between hard services and manufacturing companies.[23] In addition, Eriksson et al., investigated the differences in cost of internationalization process between soft and hard services and concluded that, internationalization cost differs between the two sub-sectors.[24]

Surprisingly, despite researchers' calls for sub-sectoral analysis of factors of internationalization within the service sector, my extensive search for previous studies on sub-sectoral differences in factors influencing internationalization of service firm was futile. Until now, past studies to reveal internationalization motives adopted micro approaches, whereby research relied on case studies within a single service sector e.g. tourism, retail, banking etc.[25] This master thesis therefore aims at filling this gap. Furthermore, in their study on internationalization motives, Narula et al. argue that "motives, like the rings in

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[18] I. Ekeledo; Sivakumar 1998, p. 288.
[19] Lovelock; Yip 1996b, p. 84.
[20] Bouquet; Hebert 2004, p. 45.
[21] Carneiro; Rocha; Ferreira da Silva 2008, p. 89.
[22] Ayoki 2016, p. 6.
[23] Majkgdrd; Sharma 1999, p. 1.
[24] Majkgdrd; Sharma 1999, p. 1.
[25] Glückler; Hammer 2011, p. 2.

Tolkien's world, can be changed, in some cases, cast away and, occasionally, even destroyed in the fires of Mount Doom if needed".[26] Thus I deem it necessary to additionally identify current trends in the service sector and analyse how internationalization motives might change in the future due to the identified trends.

1.2 Research Objective and Question

This research therefore questions the generalizability of motives of internationalization within the service sector and aims at exploring the sub-sectoral differences in internationalization motives within the service sector. The study goes beyond identification of differences in internationalization motives and analyses the service characteristics that might be responsible for the differences. Second, I assess the key trends in the service sector and anticipate the possible future internationalization motives based on the identified trends.

To identify the sub-sectoral differences, this study adopts the three-category classification scheme developed by Lovelock and Yip. The services are grouped based on the nature of the process (is the process tangible or intangible?), and whether physical presence of customers is needed during service production.[27] The three categories of services are:-

1. People-processing services: Services with tangible actions towards the customers in person (e.g. hotels and restaurants, health care services, fitness centres).
2. Possession-processing services: Services with tangible actions towards customer's physical objects. The object to be processed must be present, but not the customer (e.g. retailing, car repair, laundry).
3. Information–based services: Intangible actions are directed towards the customer or customer's assets. It entails data collection, interpretation, and transmission to create value to the customer (e.g. education, banking, and legal services). The figure below summarizes the three sub-groups. Service taxonomy is discussed in detail in chapter two of this study.

		Degree of involvement of the client	
		Low (physically absent)	High (physically present)
Process nature	Tangible	Possession-processing services	People-processing services
	Intangible	Information-based services	

Figure 2: Lovelock and Yip's service typology

Source: Own illustration based on Lovelock; Yip 1996a, p. 66–71.

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[26] Narula 2015, p. 4.
[27] Lovelock; Yip 1996a, p. 66–71.

Based on the above discussion, this master thesis therefore aims at answering the following research question:

Q1: How do internationalization motives differ between people-processing services, possession-processing services, and information-based services? And, which service characteristic contributes towards the differences?

The following sub-question will also be addressed:

Q2: What are the key trends in service sector and how are they likely to affect services firms' internationalization decision in the future?

1.3   Delimitations

In the literature, different terms are used to refer to firms' reason to internationalize. For example, "drivers", "motives", "determinants", "stimuli" and "facilitating factors". In this paper, I assume similarity of these terms and use them interchangeably.

Internationalization process progressively answers five basic questions: Why? What? When? Where? And How?[28] The purpose of this study is to identify why internationalization drivers differ within the service sectors, consequently, this paper majorly discusses the *why* aspect of the internationalization process, and other aspects will not be discussed in detail. Besides, it is not possible to analyse all the firms in each sub-sector, hence the study analyses and compares the internationalization motives of hotels (to represent tourism sector), retail (store based) and higher education institutions (HEIs), which represents people, possession and information processing services respectively. I chose hotel, retail and HEI because I consider these sub-sectors to play crucial role in stimulating global economic growth.

Finally, as mentioned earlier, this study categorizes service firms based on the Lovelock and Yip's taxonomy but does not differentiate the firms based on other factors such as size, ownership type, age, and speed of internationalization.

1.4   Overview of Research Methodology

This study exclusively uses secondary sources as the primary source of data and is inductive in nature. Based on literature review on internationalization theories, I develop a conceptual framework that aids in data analysis process. Secondary data collection is done in two phases. First phase entails researching for internationalization motives within the service sector. Here, I analyse previous findings from three datasets (hotel, retail and HEIs) and perform a cross analysis of findings to examine whether there are differences in factors influencing these firms' decision to internationalize. The objective of the second phase is to detect the current trends in service sector. To fulfil this goal, I review scientific and peer reviewed scholarly articles published in recent journals and are available in various

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[28] Scherer et al. 2018, p. 39.

databases. Thereafter, I evaluate how they are likely to influence service firms' internationalization motives in future. In general, this study is exploratory in nature and aims at establishing why internationalization motives differ across service sub-sectors. Below is an overview on how I intend to use the secondary sources in this study. Chapter three provides a deeper insight of methodology used.
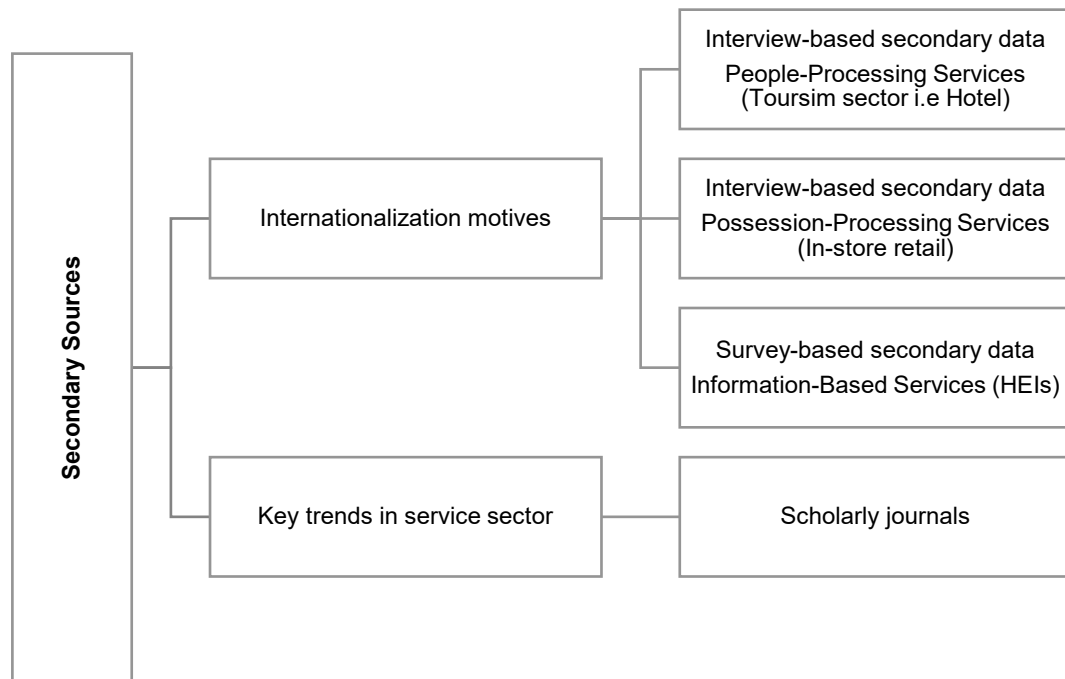
Figure 3: Overview on secondary data sources

Source: Own diagram

1.5   Research Structure

The paper is organized as follows: Following this section of introduction and objectives, section (2) presents a review of the literature. To be specific, the chapter discusses the distinctive characteristics of services, and service taxonomies. Section (3) entails further extensive review of literature on internationalization process of services firms, and theories of service internationalization. Furthermore, the section highlights on internationalization strategy of the three sub-sectors. At the end of the section, a conceptual framework is presented. In section (4), research methodology including the choice of research design, selection criteria of past studies and data analysis strategy is explained and justified. Section (5) presents internationalization motives of hotels, retail and HEIs sectors based on findings of previous research studies. In section (6), using the developed framework, I undertake a cross analysis of findings and examine whether internationalization drivers differ across the selected sub-sectors (Hotel, retail and HEIs). Additionally, I make an analysis on possible service characteristics that might be causing the differences in internationalization motives within the service sector. This chapter ends by answering the

main research question of this study. Section (7) analyses three key trends in the service sector and discusses how the identified trends are likely to impact internationalization motives in future. The chapter concludes by answering the sub-question of this master thesis. Lastly, Section (8) offers the conclusion including outlook, limitations of the research and recommendation for future research. An overview of reflection marks the end of this study.

Figure 4 illustrates presents the summary of research structure
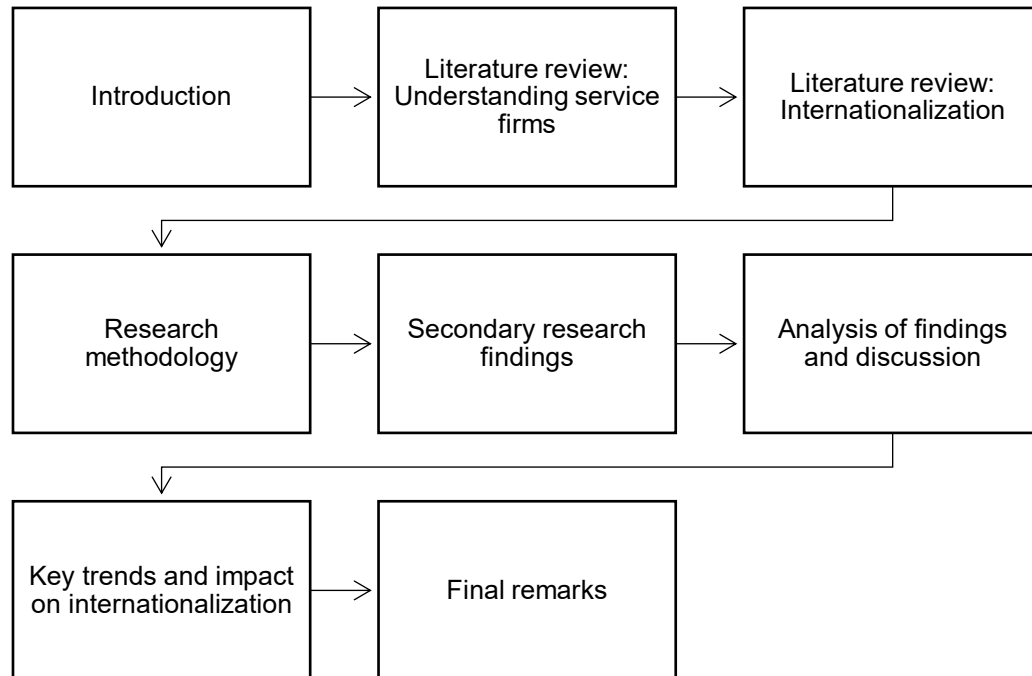
Figure 4: Summary of research structure

Source: Own diagram

2. Understanding Service Firms

This chapter discusses service definition, service characteristics and their impact on firm's internationalization process, as well as service taxonomies.

2.1   Introduction

According to Kotler "a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It may or may not be tied to a physical product".[29]

Grönroos identified the major aspects of service as follows: first, service entails the usage of knowledge and skills on the customer or customers' resources with the aim of creating value to the customer as well as capturing value from them. Second, service is a process, in which resources of service provider (i.e. physical resources, service activities, information etc.), and the customer interact.[30] In 2006, Rowley included the aspect of internet to service definition and referred to services as "deeds, efforts or performances whose delivery is mediated by information technology".[31] Examples of e-services include, e-tailing, e-banking, e-learning etc.

Consistent with the work of Lovelock et al., services are defined in this paper as "an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production."[32] The authors further elaborate that services are "economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in – or on behalf of – the recipient of the service".[33]

2.2   Service Characteristics and Internationalization

To what extent do services differ from manufacturing? The fierce competition in manufacturing sector, along with the increasing homogeneity in product offering, has seen manufacturing firms integrate services with goods to differentiate their offerings. Similarly, many services have tangible parts, because they are accompanied by, or embedded in, physical goods (e.g. Software programmes saved on flash disks).[34] Generally, few pure goods or services exist, and the distinction between goods and services has become blurred.[35] Nonetheless, scholars agree that four distinctive characteristics of services distinguishes services from goods namely; intangibility, inseparability, variability, and perishability.[36] These characteristics makes marketing of services differ or even be more

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[29] Kotler; Keller 2016, p. 194.
[30] Grönroos 2015, p. 2–3.
[31] Salegna; Fazel 2013a, p. 1.
[32] Lovelock et al. 2016, p. 24.
[33] Lovelock et al. 2016, p. 24.
[34] Barber; Ghauri 2012, p. 1007.
[35] Cloninger 2004, p. 128.
[36] Buckley 1991, p. 39–41.

challenging than marketing of goods, more so in foreign markets.[37] Majkgdrd et al., claims that, "it is because services are performed, rather than produced, that they have several distinguishable characteristics which present the service firm with many problems."[38]

Goods have physical attributes that allow customers to see, touch, smell and even taste them; on the contrary services are "experiences" which cannot be evaluated before consumption.[39] This therefore implies that, tangibility of manufactured goods makes transfer and sale of manufactured goods across national borders easier.[40] Besides, the assumption is that, the sale of manufactured goods require less communication with the customer, compared to 'sale' of services, and therefore, international marketers of manufactured products face less language barrier and challenges related to cultural differences.[41] The conclusion is that, the higher the degree of service intangibility, the greater the difference between a service and a manufactured good, and the more it requires different internationalization effort and process.[42]

Service inseparability implies that, for purchase to take place, physical proximity between the service provider and the customer is required, this is because, unlike goods that are produced, sold and then consumed, the production and consumption of services occur simultaneously.[43] Consequently, the proximity burden (transaction costs incurred in movement of service provider to the customer or vice versa), hinders most service firms from operating beyond national borders.[44] Further, some researchers argue that, for services where production and consumption cannot be separated, it is essential for service providers to establish physical facilities in foreign market at the initial stage of internationalization, hence it is not possible to "test" the market for example via export.[45]

Third characteristics refers to service perishability. Contrary to manufactured goods, most services are delivered in real time and cannot be stored for future consumption. As we know, demand and supply differ from market to market, and at the initial stages of internationalization process, marketers are likely to lack the knowledge on competitive dynamics, cultural norms etc.[46] Therefore, managing the variation of supply and demand abroad is a great challenge to service firms that offer perishable services e.g. airlines.

Last, variability implies that various factors such as the qualification of the service provider, location or time of service delivery might influence the perceived quality of service output.[47] Hence the importance of ensuring consistency in service quality. However, due to cultural, social, or environmental differences, maintaining constituency of service output in foreign market, more so in labour intensive services or sub-sectors that require significant customer contact is difficult.[48]

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[37] Javalgi; Martin 2007, p. 392.
[38] Majkgdrd; Sharma 1999, p. 4.
[39] Buckley 1991, p. 40.
[40] Cloninger 2004, p. 129.
[41] Buckley 1991, p. 40.
[42] Majkgdrd; Sharma 1999, p. 3.
[43] Buckley 1991, p. 40.
[44] Francois; Hoekman 2010, p. 5.
[45] Majkgdrd; Sharma 1999, p. 3.
[46] Javalgi; Martin 2007, p. 392.
[47] Buckley 1991, p. 39–41.
[48] Javalgi; Martin 2007, p. 392.

The diagram below summarizes the four service characteristics that influences service firm internationalization strategy.
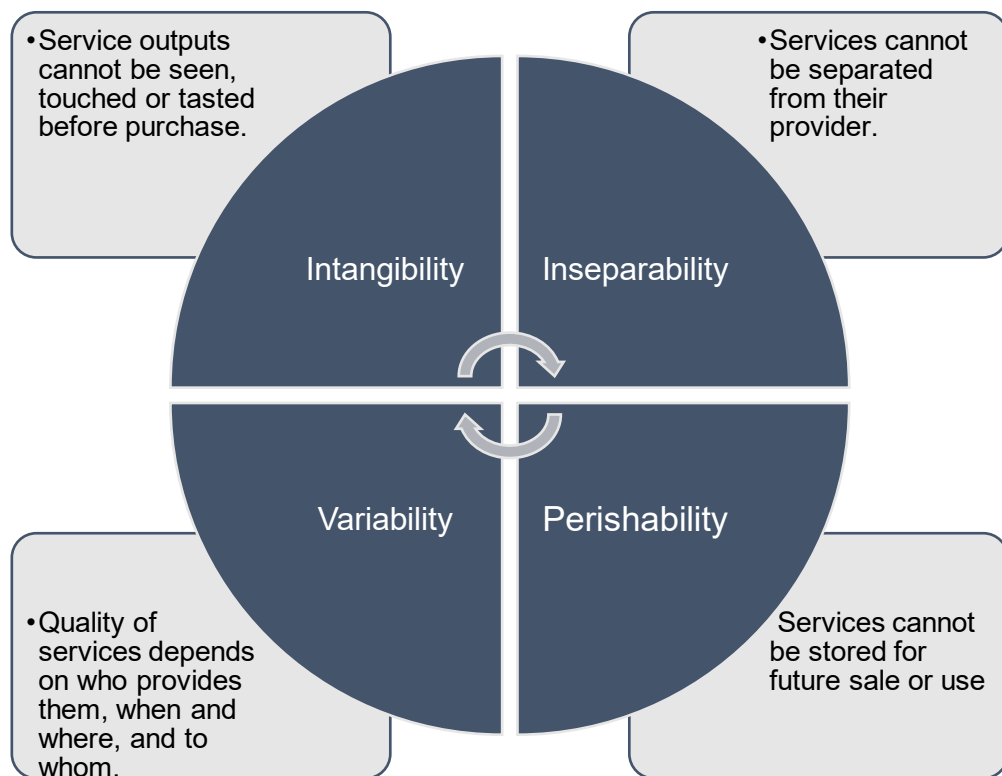
Figure 5: Distinctive characteristics of services

Source: Own illustration based on Kotler, Keller, p.194

As specified by Buckley, only a few services have all the above-named features however most services exhibit more than one of the attributes.[49] Due to the heterogeneity of services, various service typologies have been developed to classify firms operating in the service sector and this allows for better understanding of differences across service sub-sectors based on service characteristics. The next sub-chapter describes some of the service typologies relevant for internationalization.

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[49] Buckley 1991, p. 40.

2.3   Service Typologies

The heterogeneity in service sector implies that service firm's activities such as, productivity gains, growth rates as well as internationalization strategies vary across sub-sectors including.[50] Becker et al., notes that, a total of 81 services classification systems were developed between 1923 and 2011.[51] However, a group of scholars claim that, only a few of these classification schemes are appropriate in the analysis of internationalization process of services.[52] It is therefore important to choose an appropriate classification scheme that allows for identification of sub-sectoral differences in internationalization motives within the service sector.

The next paragraph highlights the four service typologies that I consider suitable to discuss internationalization process of service firms: Soft and Hard services (Erramilli, 1990); the approach of Patterson and Cicic (1995); Clark; Rajaratnam and Smith (1996) approach along with Lovelock and Yip (1996) taxonomy.

Erramilli (1990) Taxonomy

In his research on market entry strategy of service firms, Erramilli (1990) classified internationally traded services as either "hard services" or "soft services".[53] Hard services refer to services that permits for separation of service production from consumption, as noted previously, only a few services are pure services, similarly most hard services consist of a mixture of manufactured good component and a service component, therefore it is possible to de-couple the services such that, the good component is used as a storage medium or transmission vehicle. Examples include storage of soft-ware solution in a CD. Further examples of hard services include computer software and insurance firms.[54] Soft-services on the other hand are characterized as location-bound since service production and consumption occur simultaneously, they are experience-based and to a larger extend require service providers to have a personal interaction with the customers. Another feature of soft services is that they are mostly customized to meet consumer's needs. Example includes legal and consulting services.[55]

Patterson and Cicic (1995) Taxonomy

Patterson and Cicic (1995), proposed a typology based on two dimensions; the level of service tangibility and degree of face-to-face interaction required between the service provider and the customer during service delivery. Based on this, four dimensions were developed. Location-free professional services; location-bound customized projects, standardised service packages, and value-added customised projects.[56]

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50 Glückler; Hammer 2011, p. 2.
51 Salegna; Fazel 2013b, p. 1.
52 I. Ekeledo; Sivakumar 1998, p. 278.
53 I. Ekeledo; Sivakumar 1998, p. 278.
54 Freund; Weinhold 2002, p. 278.
55 Grönroos 1999, p. 292.
56 Cicic; Patterson; Shoham 1999, p. 380–382.

Location-free professional services: Requires the service provider to move to customer's country to identify need, sign contracts and render the services, after which they return home. Establishing a physical facility in the foreign market is not mandatory. Besides, there is low degree of interaction between the service provider and client and this makes standardization of services possible. Example includes IT and architectural projects.

Location-bound customized projects: Services in this category need high customisation and involves an intense and lengthy personal interaction between the service provider and the customer making a permanent presence in the customer's country preferable. Example includes technical consulting companies and legal firms.

Standardised service packages: Include services that are embedded in tangible items e.g. software on CD-ROM, in this case there is a relatively low degree of face-to-face contact between the service provider and the client required, and the service/product can easily be exported. The characteristic of this service group is comparable to Erramilli's hard services.

Value-added customised services: Entails adding values to the basic offer. Hence, high interaction between the parties is required and presence in customer's country is not necessary but preferred. Example is on-site technical training.[57]

Clark, Rajaratnam and Smith (1996) Taxonomy

This typology categorizes services depending on *who* or *what* crosses the boarder. Identified groups include: Contact-based services; Vehicle-based services; Asset-based services; and Object-based services. The first group is the contact-based services, whereby the movement of the service provider to customer's country (or vice versa) is essential. Example is a tourist visiting a foreign country. Second, vehicle-based services refer to the use of 'vehicles' such as cables, satellites, or antennas to transport and deliver services across the national borders. Third group comprises of asset-based services, which require the service firm to establish facilities in the foreign country. Examples include hospital and traditional retail chains etc. Lastly, Object-based services whereby, services are embedded into objects and delivered across the border, such as DVDs with movies, and software recorded in electronic media.[58]

In general, there are similarities in how services are categorized in these three service typologies. This is because the typologies were developed to analyse the choice of market entry modes within the service sector. The typologies categorize services based on two main dimensions namely, intangibility and inseparability. Critique on focusing on a few dimension is that, "service" offering is viewed as less important compared to the goods component in the service delivery process.[59] Thus, these typologies fail to consider services like retail stores that involve both tangible products and intangible services. In addition, the typologies fail to consider the role of the customer in the service delivery /consumption process.

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[57] Cicic; Patterson; Shoham 1999, p. 380–382.
[58] Carneiro; Rocha; Ferreira da Silva 2008, p. 91.
[59] Salegna; Fazel 2013a, p. 1.

I consider the three-category classification scheme developed by Lovelock and Yip the most appropriate to discuss the topic of drivers of service internationalization because, unlike the above discussed typologies, the framework differentiates the core services from one another based on the nature of the process and the extent to which customer contact is required in the service delivery process. In addition the framework addresses the role of supplementary services that surround the core products (e.g. order taking, safekeeping, billing etc.) and concludes that although core services might differ across sub-groups, most supplementary services however keep recurring.[60] Appendix 1 illustrates the globalization framework for service businesses as suggested by Lovelock and Yip (1996). As critique on Lovelock and Yip's framework, Leyer et al. claims that, "information, possessions and people are included in almost every service delivery".[61] Still, the focus of differentiation is on object on which the service is performed and the nature of service (tangible or intangible), which makes Lovelock and Yip's framework to be simple to apply and easier to understand.

2.4 Lovelock and Yip Service Taxonomy

The framework categorizes services based on whether the process is tangible or intangible, and the extent to which face to face interaction between the service provider and customers is required during service production. The three categories of services are people-processing services (requires tangible actions to customers in person), possession-processing services (tangible actions to customer's physical objects, with an aim of value creation to customers), and information-based services (involves data collection, interpretation, and transmission).[62]

2.4.1 People-processing services

This implies offering tangible actions to customers and physical proximity between the parties is required. Customers are involved in the production process, which hinders the separability of production and consumption. For example, in passenger transportation, medical centres, restaurants and hotels, the customer must move to the service provider's facilities to consume the services. Alternatively, the service provider can go to the customer. I chose tourism industry to discuss people-processing services, and hotel is used to represent the sub-sector. To illustrate, for transaction to occur, a client must visit the hotel, and consume the services (i.e. get served with food and drinks). This means that tangible actions (the act of being served food) are directed to the client in person but not to customer's property. In simple terms, the customer consumes the food in hotel room.

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[60] Lovelock; Yip 1996b.
[61] Leyer; Moormann 2010, p. 5.
[62] Lovelock; Yip 1996a, p. 66–69.

2.4.2 Possession-processing services

This service category represents services with tangible actions towards customer's physical object, with an aim of value creation to customers. (E.g. retailing, car repair, laundry, freight transport, warehousing). Production process require the object to be physical present but not necessarily the customer, this is because consumption of the output tends to follow production. I use retail sector specifically store based retail to represent possession-processing services. To illustrate, store-based retailers offer tangible actions (e.g. bulk breaking, packaging, product assembly) and add value to goods stored in their premises.

2.4.3 Information-based services

This service category involves intangible actions directed towards the customer or customer's property. It entails collecting and interpreting data, as well as information transmission. It includes professional services offered by banks, training institutions, and marketing research companies. Through internet and other telecommunication channels, it is possible to deliver information-based services to any part of the world without physically moving to host markets. I will use Higher education institutions (HEIs) to represent services firms in this group.

The table below summarizes Lovelock and Yip's taxonomy

	Possession-processing	People-processing	Information-processing
Description	Tangible actions to physical objects and transport of objects (e.g. car repairs)	Tangible actions to people and transport of people (e.g. haircuts, flights)	Collection, production and transfer of information (e.g. granting of a loan)
Local geographic dependency on physical objects	Yes	Yes	No
Local geographic dependency on customers	Low	High	Low to medium
Degree of customer integration	Medium	High	Low to medium

Figure 6: Lovelock and Yip service taxonomy

Source: Leyer; Moormann 2010, p. 5.

3. Internationalization

In the previous chapter, I discussed the key characteristic that distinguishes services from goods. To analyse the sub-sectoral differences in internationalization motives within the service sector, this section examines the internationalization process of service firms. Then, five theories of internationalization that I consider most relevant to analyse internationalization motives of service firms are reviewed. Lastly, a conceptual framework is developed and discussed.

3.1   Introduction

One of the popular definitions of internationalization is from Welch and Luostarinen, whereby internationalization is referred to as a "gradual and sequential process, through which firms become increasingly committed to, and involved in, international markets".[63] Hollensen claims that, "internationalization occurs when the firm expands its R&D, production, selling and other business activities into international markets."[64] This paper adopts the definition of Hanf and Pall which integrates Welch and Luostarinen definition with the assumptions of resource based view theory, and summarizes internationalization to be "a process of increasing involvement in cross national operations, which requires the commitment of resources and the adaptation to international markets, changing the attitude of the firm and influencing the decisions on further internationalization."[65] Depending on the direction of the process, internationalization can be categorized as outward internationalization i.e. direct export, licencing, foreign production and franchise. Inward internationalization involving import of management ideas and foreign sourcing.[66] This paper does not differentiate between the two types of internationalization.

Unlike goods, services are seen as a flow and not a stock, whose exchange often requires proximity and interaction between the consumer and supplier.[67] This implies that, for consumption to occur, either the service supplier or the consumer must move to the location of supplier/consumer. For this reason, internationalization was traditionally associated with trade in manufactured goods, and services were regarded as non-tradable since the need for proximity led to high transaction costs.[68][69] Due to the proximity burden, majority of service providers refrained from operating abroad, and those who expanded operation into foreign markets were presumed to have followed their customer moves (customer following motive).[70] However, in the modern business environment, technological developments e.g. internet and low-cost telecommunications, has led to weakening of the proximity burden and services that traditionally required face-to-face delivery at a fixed location can now be delivered remotely over long distances. For example, medical procedures including, diagnosis can easily be done online, and educational services is cheaply exported to remote

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[63] Korsakienė; Tvaronavičienė 2012, p. 295.
[64] Hollensen 2012, p. 41.
[65] Hanf; Pall 2009, p. 3.
[66] Hanf; Pall 2009, p. 3.
[67] Francois; Hoekman 2010, p. 5.
[68] Ariu 2016, p. 20.
[69] Lennon 2009, p. 4.
[70] Grönroos 1999, p. 291.

location via e-learning platforms such as Moodle (Massive Open Online Courses). Therefore, digitalization enables service firms just like manufacturing companies to adapt specialization and benefit from scope and scale economies.[71] This to a larger extent has resulted to a significant decrease in transaction cost within the service sector.

The low rate of service internationalization explains why until 1995, trade in services was excluded from the scope of the multilateral trade rules. However, this changed after the implementation of General Agreement on Trade in Services (GATS) 1995.[72]

GATs list four ways in which service can be traded in foreign markets.[73][74] The modes of supply include:

Cross-border trade in services (Mode1): It applies when service providers who resides in a different country (country A) renders services to a customer located in another country (country B), without either supplier or consumer moving to the physical location of the other. Under mode 1, physical movement of both supplier and the consumer is not required. In general, service is delivered abroad via E-mail, phone calls, postal infrastructure etc. Such services include e-learning, tele-medical advice, and online consultancy.

Consumption abroad (Mode 2): Entails movement of the customer to the country of the service provider to obtain a service. Example includes students or tourists moving abroad to consume respective services.

Commercial presence (Mode 3): This service category requires the service supplier to establish a facility in the host market. The facility can either be in form of subsidiary, locally established affiliate etc. Examples of services that require commercial presence in host market include hotel chains, a construction company, university campus etc.

Presence of natural persons (Mode 4): Example is a citizen of country A, temporarily moving to country B to render a service. For example, teachers, engineers, doctors etc.[75]

In summary, the nature of services has a great impact on entry mode choice. The figure below summarizes the GATs modes of supply.

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[71] 'World Trade Report 2019: The future of services trade' 2019, p. 15.
[72] Smith; Woods 2005, p. 466–468.
[73] Knight 2006, p. 30.
[74] International Monetary Fund n. y., p. 11.
[75] International Monetary Fund n. y., p. 11.
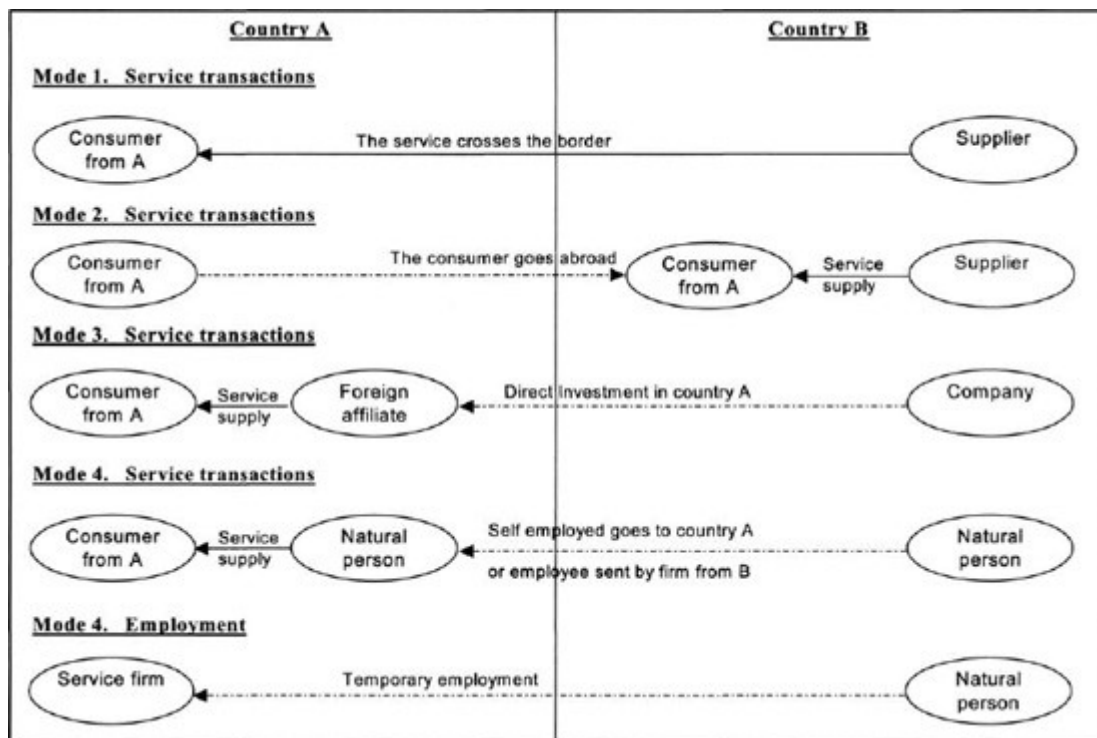
Figure 7: An overview of GATs modes of supply

Source: IMF 2003 report, p. 23

3.2 Internationalization Process of Service Firms

According to Hollensen, firms' internationalization process addresses three major question: Why? Where? And How?[76] As illustrated in the figure below.
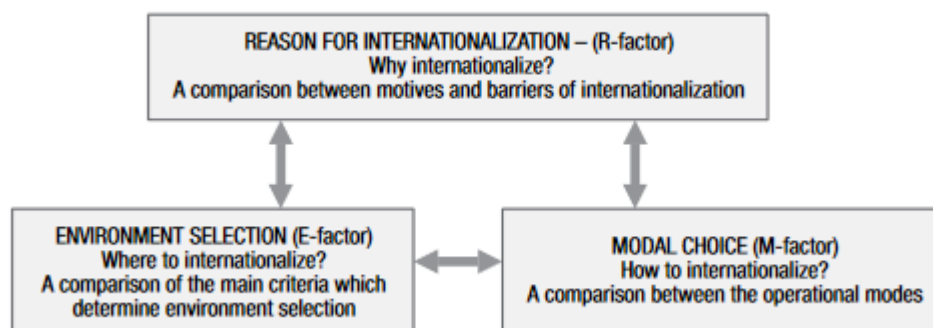
Figure 8: Internationalization process of firms

Source: Korsakienė; Tvaronavičienė 2012, p. 299

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[76] Hollensen 2014.

As noted earlier, the goal of this study is to determine the sub-sectoral differences in internationalization motives within the service sector. Therefore, the discussion on internationalization process will focus on answering the *"why"* aspect of the process. In the next paragraphs, I discuss service firms' reasons for operating abroad as stated in the literature and analyse the relevant theories of internationalization that addresses the issue of factors that drive service firms to operate beyond national borders.

To begin, the special features of services discussed in chapter two of this paper, makes international trade in services a challenging activity compared to trade in goods, hence some researchers question whether, it is correct to analyse internationalization strategy of service firms using the traditional theories, initially developed to examine the internationalization process of manufacturing firms. On the other hand, a different group of authors argue that, internationalization of service companies and manufacturing industries go through a similar process, and therefore developing new theories or adjusting the existing models is unnecessary.[77] The last group of authors acknowledge the heterogeneity of services and recommend that, study on service internationalization be done at sub-sectoral level within the service sector."[78]

Javalgi and Martin are some of the few researchers that have in the past analysed the internationalization process of service firms. According to these authors, two main groups of theories can be applied to examine the internationalization process of service firms: economic approach (Transaction cost theory and Eclectic Paradigm), and behavioural approaches (Uppsala School, Network Approach, Business Strategy Model and Resource-Based View).[79][80] Consequently, I will discuss and analyse the above named theories and try to identify the internationalization determinants within the service sector, as claimed by the models.

3.3   Theories of Service Internationalization

Various theories explain different aspects of internationalization, for example, theories can address the internationalization drivers, the process of internationalization, or explain the choice of location. Teece argues that, there are two major rationales to internationalization. First are transaction costs issues that are avoided by internalization. Second rationale is resource transfer cost savings and learning issues, facilitated when technology transfers occur within the firm.[81] Based on Teece's argument, I examine the rationale for internationalization within the service sector centred on assumptions of Transaction cost theory (TCT), Eclectic Paradigm, Uppsala model, Networks approach, and Resource-Based View (RBV).

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[77] Carneiro; Rocha; Ferreira da Silva 2008, p. 89.
[78] Moreira et al. 2013, p. 248.
[79] Moreira et al. 2013, p. 248.
[80] Javalgi; Martin 2007, p. 392.
[81] Teece 2021, p. 10.

3.3.1 Economic Approach

Fundamental assumption of economic approach is that, a firm's main goal is to achieve efficiency, reduce operation costs and increase profitability.[82] Therefore, regarding internationalization motives, the economic approach assumes that firms expand to foreign markets, to minimize operating costs and increase profitability. The main limitation of economic approach is that, it assumes bounded rationality in firm's decision-making process as well as assumes availability of perfect information on market conditions.[83]

Transaction Cost Theory

Transaction Cost Theory (TCT) is one of the commonly used approaches to explain firms' internationalization decision under economic approach. The theory holds that for firm's operation to be profitable, it is crucial to understand and economize transaction costs.[84] Since TCT focuses on efficiency it assumes that, firms are most likely to expand if operations costs in foreign markets are lower than in home market.[85] Transaction costs include bargaining costs, search and information costs, monitoring costs etc. TCT has been criticized for assuming that firms have similar resources and ignores differential in firm capabilities.[86] In addition the model often ignores the critical role of managers.[87] This theory relates to Hollensen's market opportunity motive. Market opportunities refers to foreign markets having favourable market conditions, that are missing in home market, and firms are therefore attracted to extend operation into these markets. The attractive market conditions could be favourable taxation systems, low wages etc.[88]

Dunning's Eclectic Paradigm

According to Dunning, three variables can be used to explain factors that drive firms to expand operations beyond national borders: ownership advantages (O), location advantages (L) and internalising advantages (I). Unlike many theories that assume firms' internationalization is impacted by a single factor, this approach argues that, different factors influence a firm's decision to engage in international business. Recent study on internationalization motives consider ownership advantages as the most influential determinant, as patents, brand names, commercial monopoly, unique technology, economies of large-scale production are strategic resources that are unique to a firm and cannot be imitated easily.[89]

Location advantage refers to value chain benefits a firm attains by operating in a foreign market.[90] For example, firms are likely to internationalize if the host market offers country specific advantage that outperforms the liability of foreignness. Some of location advantages include availability of strategic resources, high quality infrastructure, low taxes, as well as favourable regulatory framework. Similarity exists between TCT, Hollensen's

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[82] Hermannsdottir 2008, p. 4–5.
[83] Hermannsdottir 2008, p. 4–5.
[84] Williamson 2004, p. 548.
[85] Moreira et al. 2013, p. 249.
[86] Klein; Sykuta 2010, p. 2–4.
[87] Teece 2021, p. 29.
[88] Hollensen 2012, p. 42.
[89] Hollenstein 2005a, p. 438.
[90] Hollenstein 2005b, p. 8.

market opportunity motive and Dunning's location advantage, in which it is assumed that the need to minimize operational costs stimulates firms' internationalization decision. Finally, the internalising advantages helps a firm decide whether to perform value chain activity within the firm, or if outsourcing an activity will help firm minimize operations costs or contribute towards the improvement of service quality.[91]

Overall, the OLI framework assumes that ownership and location advantages are main drivers of internationalization, and that main reasons for firms to expand operations to foreign markets is to, earn competitive advantage by exploiting firm's strategic resources and core competences, respond to favourable policies in host market, and to increase efficiency. However, Dunning emphasizes that, neither location nor ownership advantages can fully explain firm's reasons for internationalization. Rather, it's a combination of both ownership and location advantages that influence firm's internationalization decision.[92]

Rugman criticizes Dunning framework for using very broad explanatory variable to describe both Ownership and Location advantages.[93] Moreover, the theory is criticized for being production oriented, however Buckley et al, applied the eclectic paradigm in the service industry and concluded that the approach is useful in examining and understanding the international behaviour of service firms.[94]

3.3.2 Behavioural Approach

Uppsala Model

Some of the major challenges faced by firms that operate in foreign market are lack of knowledge on market uncertainty. Uppsala model emphasizes that expansion into foreign markets be done on step-by-step basis, such that firms can have time to gather knowledge and learn about the foreign markets.[95] The assumption of U-model is that psychic closeness of target market to the home country or having sufficient knowledge about the foreign market is likely to influence firm's decision to penetrate the market.[96] This claim is supported by the findings of various researchers for example, Eriksson et al., and Goerzen et al., who remarked that, the decision to internationalize is initially stimulated by psychic closeness of the target market (i.e. similar language, regulatory systems etc.). Later, firms use the gathered knowledge to undertake rapid investments to other markets they consider to also have low psychic distance.[97] Again, Uppsala model is comparable with Hollensen's proactive motive of market information. Hollensen's market information motives is based on the assumption that, firms that have knowledge about intensity of competition in foreign market, the culture and buying behaviours of customers in the foreign market, government policies etc. are likely to invest in foreign markets as compared to those firms who lack this information.[98]

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[91] Hollenstein 2005b, p. 8.
[92] Dunning n. y., p. 12.
[93] Rugman 2010, p. 2.
[94] Hanf; Pall 2009, p. 4.
[95] Moreira et al. 2013, p. 249.
[96] Carneiro; Rocha; Ferreira da Silva 2008, p. 87.
[97] Lommelen; Matthyssens 2004, p. 6.
[98] Hollensen 2012, p. 42.

Network Approach

Networking refers to the interaction between various stakeholders both within and outside the networks. The relationship among networks members can be informal (e.g., business partners, friends) or formal (e.g., the government, banks, alliances).[99] The network approach maintains that cooperation, as well as international dependence between firms is more beneficial to firms than competition, since it allows for resource mobilization among foreign business partners.[100][101] Networks and alliances allow members to share strategic resources and enhance synergy realization,[102] and it is also claimed that, through business networks, firms are capable to create dynamic process that facilitate effectiveness and efficiencies in operation. Furthermore, network facilitates the transfer of knowledge and information.[103] Johanson and Mattson argue that, firms that operate in a strong network are most likely to internationalize, since via networks, liabilities of foreignness is minimized, as firms can access accurate and timely information about the target market from other network members.[104] In my opinion, network approach matches Dunning's customer following motive and competitor following motives, whereby both customers and competitors are stakeholders within a firm's network.[105] Hollensen highlights that a firm's relationship with other stakeholders can be a source of market information and this argument also supports the assumption of network approach.[106]

Resource Based View

Resource based view refers to internationalization as "the transfer of a firm's physical and organizational technologies from one country to another".[107] Resource-based theory (RBV) argues that, factors internal to the firm, (i.e. company's resources and capabilities) determine its profitability.[108] As noted by Barney, firm resources include "all assets capabilities, organization processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness".[109] The assumption of RBV is that, for a firm to be competitive it has to own valuable, rare, inimitable and non-substitutable resources also known as VRIN characteristics. Besides, the organization must be well managed such that it is able to exploit these resources.

Resources are regarded as valuable resources if they enhance efficiency in operation and lower operating costs resulting in increase in a firm's net revenue. Rare resource refers to those resources that are unique to a firm and their utilization earns a firm competitive advantage. A resource is imperfectly imitable if competitors must incur high costs to copy and develop a similar capability. On the other hand, non-substitutable resources are those resources, that cannot be replaced by firms' other valuable resources to implement the same strategy. Lastly, organization means the exploitation of these resources requires a

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[99] Vissak 2004, p. 4.
[100] Johanson; Mattsson 2012, p. 296.
[101] Holmlund; Kock; Vanyushyn 2007, p. 460.
[102] Lavie 2021, p. 642.
[103] Tajeddini; Martin; Ali 2020, p. 3.
[104] Johanson; Mattsson 2012, p. 287.
[105] Engelbertink 2010, p. 16.
[106] Hollensen 2012, p. 42.
[107] Hanf; Pall 2009, p. 3.
[108] Kozlenkova; Palmatier; Samaha 2014, p. 3.
[109] Barney 1991, p. 101.

firm to be well organized and managed.[110] The assumption is that, poorly managed companies are likely to fail regardless of owning valuable, unique, inimitable, and non-substitutable resources. Furthermore, sustainable competitive advantage is only earned if resources are simultaneously valuable, rare, imperfectly imitable, and organization.[111] In general, RBV assumes that a firm decision to internationalize is stimulated by ownership of valuable, unique, non-substitutable and inimitable resources.

To summarize, both economic and behavioural approaches argue that factors influencing firms' internationalization decision can be external or internal to the firm. For instance, under economic approach, external variables are identified to be location advantages, e.g. favourable policies, availability of strategic resources and high-quality infrastructure. In comparison, external factors under behavioural theories include psychic distance and networks. On the other hand, internal variables under economic approach include ownership advantages together with firms' unique products. Lastly, Behavioural approach views the search for knowledge to be one of the internal factors influencing firms' internalisation decision.

As noted in the first chapter of this paper, this study compares internationalization motives among hotel, retail and HEIs sub-sectors, and the next section of this chapter discusses the internationalization strategy of the three service sub-sectors that were briefly mentioned in chapter one of this paper.

3.4 Internationalization in Tourism Sector

Tourism industry is a complex and an extremely diversified sector,[112] and this hinders the analysis of internationalization motives at macro level, instead I analyse the internationalization motives of hotels. Within the tourism sector, hotel industry is one of the most internationalized sub-sector and the core of travel and tourism sector.[113] Hotel can be categorized by size, function, service, and cost.[114] This study examines internationalization motives of Thai chain hotels.

International hotel industry is characterized by fierce competition with domestic companies competing against international hotel chains, it is capital intensive, and the sector is highly sensitive to fluctuations in demand. Brand name and reputation are the strategic assets in the sector and firm's source of sustainable competitive advantage.[115]

With respect to rationale for internationalization, in 2006, Whitla et al. conducted a qualitative, multi case study whose population comprised of hotel firms with significant engagement in the international marketplace and the sample constituted of five British-owned multinational operators (Inter-continental, Holiday inn, Millennium & Copthorne, Hilton and Le Meriden). The research evaluated the forces driving hotels to operate abroad and concluded that the decision to internationalize is mostly influenced by market factors i.e. hotel guests expect similar range of services in different countries. The study also

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[110] Barney 1991, p. 105–108.
[111] Kozlenkova; Palmatier; Samaha 2014, p. 3.
[112] Theobald 2005, p. 7.
[113] Assaf; Josiassen; Oh 2016, p. 572.
[114] cycles; Text n. y.
[115] Pla-Barber; León-Darder; Villar 2011, p. 143.

concluded that, other factors such as cost, regulatory policies and competitive drivers have limited influence.[116]

3.5 Internationalization in Retail Sector

Kotler and Armstrong define retailing as all the activities for selling goods or services directly to ultimate buyers for both personal and non-business use.[117] In other words, retailers operate as customers' agents and ensure that they receive the right product, in the right quality, at the right place and right time. They also act as sales agents of the suppliers. Since retailers gather their services in a sales outlet, an outlet is perceived to be retailer's product.[118] Retail internationalization occurs in two different ways: internationalization of supply chain activities (e.g. procurement and logistics) and, internationalization of stores with the aims of pursuing sales overseas.[119] This study analyses the second option.

Review of various literatures on retail internationalization shows that, in comparison to most service sectors, internationalization within retail sector has been relative slow,[120] presumably due to differences in culture and consumer buying behaviour in different countries. For example, the failure of Walmart in Germany was majorly associated with Walmart's failure to understand the German culture.[121] Additionally, in mature retail markets, the potential for organic growth in home market is very limited, thus internationalization has become an important growth strategy within the retail sector.[122]

Traditionally, motives of internalization of retail firms was categorizes as either market seeking or efficiency seeking. Market seeking motives refer to firms expanding operation into foreign markets to offer services to customers in foreign markets. Contrarily, efficiency seeking motive implies that firms operate abroad to minimise operation costs.[123] Other researchers categorize retail internationalization motives as push/reactive and pull/proactive drivers. Push/reactive refer to negative factors in the domestic markets that force firms to expand operation abroad. Pull/proactive drivers relates to attractive and conducive foreign market conditions that encourage firms to export or serve customers in foreign markets. Overall, traditional factors that drive retail internationalization decisions include; resource seeking stimuli, managerial urge and expertise, firm size and culture, need to exploit firm's core competences and capabilities, saturated domestic market, following competitors moves as well as economic, social, cultural and political conditions both in home and foreign markets.[124] However, findings of recent studies (year 2000) shows that, although some of traditional drivers are still valid, a number of new factors (both internal and external) have in recent years driven retail firms internationalization decision, e.g. the trend of large-volume retailing and the homogeneous customer needs in global markets.[125]

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[116] Whitla; Walters; Davies 2006, p. 788–789.
[117] Kotler; Armstrong 2010, p. 396–341.
[118] Hanf; Pall 2009, p. 7.
[119] Smigielska; Oczkowska 2017, p. 185.
[120] Clark 2006.
[121] Clark 2006.
[122] Vida; Reardon; Fairhurst 2000, p. 37.
[123] Vida; Reardon; Fairhurst 2000, p. 41.
[124] Evans et al. 2008, p. 4.
[125] Vida; Reardon; Fairhurst 2000, p. 37.
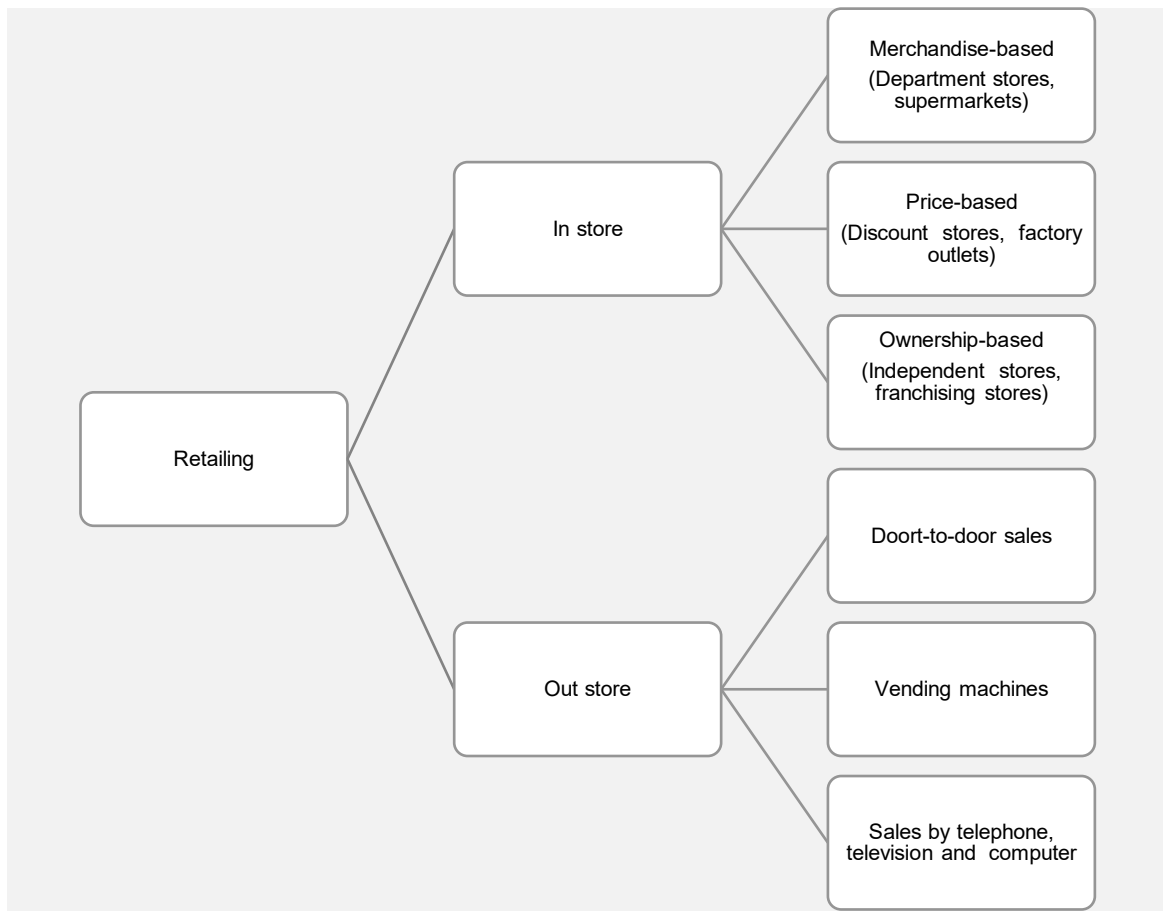
Figure 9: Types of retail stores

Source: Own illustration based on Hameli 2018, p. 6–9.

As illustrated in figure 9, retail sector is very broad and comprises of different sub-categorizes. To determine the internationalization motives in retailing, this thesis differentiates between in store and out store retailing. The focus is then on in-store retailing, whereby customers are required to visit the store to make a purchase.

3.6   Internationalization of Higher Education Institutions

De Wit defines HEIs internationalization as "the intentional process of integrating an international, intercultural or global dimension into the purpose, functions and delivery of post-secondary education, in order to enhance the quality of education and research for all students and staff and to make a meaningful contribution to society".[126] HEIs internationalization can follow an inward or outward approach. Outward mobility refers to students moving from home country to study in a foreign country. On the contrary, inward mobility refers to international students visiting home market for studies purposes.[127]

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[126] de Wit 2020, p. 3.
[127] 'Mobility and Internationalisation | Eurydice' 2019.

Between 2010 and 2020 the number of international students doubled to 5 million, majorly due to introduction of exchange programs, establishment of branch campuses, and online delivery of higher education.[128] De Wit, categorizes the rationale for internationalization within HEIs sectors into two major categories: economic and political rationale; cultural and educational motives. In general, the reasons for HEIs internationalization are considered to be, increase diversity in labour market, knowledge gathering (on technology), improving foreign relationships, promoting cultural exchange, improve quality of education, financial incentives, including international dimensions in teaching and research, achieving institutional growth, and resource sharing through network.[129]

According to De Wit, technological developments have made the concept of HEIs internationalization to become globalized, and the rationale of HEI internationalization have consequently changed, such that, while mobility remains the most import stimuli of HEI internationalization, however, new motives are emerging e.g. economic motives and the need to enhance institution profile and score highly in international ranking. De Wit thus concludes that "traditional values that have driven international activities in higher education in the past, such as exchange and cooperation, peace and mutual understanding, human capital development, and solidarity, although still present in the vocabulary of international education, have moved to the side-line in a push for competition, revenue, and reputation/branding".[130]

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[128] de Wit 2020, p. 2.
[129] De Wit 1995, p. 11–15.
[130] De Wit 2020, p. 3.

3.7   Conceptual Framework

Why do firms operate beyond their national borders? Beside benefits such as offering growth opportunities, access to strategic resources and chance to diversify risks, operating abroad also exposes firms to liabilities of foreignness.[131] Thus as suggested by Korsakiene and Tvaronaviciene, understanding the drivers of internationalization is very important, and a detailed description of motives enables managers to prepare for the internationalization process.[132][133] According to Johanson and Wiedersheim-Paul, firm's internationalization decision results from a number of incremental decisions,[134] and this argument is supported by Hollensen who claims that, even though the key reason for expanding operation to foreign market is to make money, however, as in most business activities, profit seeking alone does not explain a firm's motive to internationalize.[135] Finally, in his research on the drivers of internationalization, Narula concluded that a firm's decision to internationalize is influenced by mixed motives.[136]

Several frameworks have been developed to explain internationalization determinants, and Dunning (1993) model of internationalization motives is one of the most known frameworks. It identifies three categories of motives namely, market-seeking (import substituting); resource-seeking (supply oriented); and efficiency-seeking (rationalized investment).[137] However, some scholars question the applicability of these motives in analysing internationalization and claim that Dunning's framework specifically aimed at addressing the question: "what are firms' motives to undertake fully internal production in a foreign location?" [138] In other words, according to the opponents of Dunning's model, the framework exclusively examines company's reasons for undertaking foreign direct investment (FDI) as opposed to other market entry strategies.

Fletcher claims that factors influencing companies' internationalization decision can be categorised based on "whether they are management characteristics, organisation characteristics, external impediments or external incentives to engage in business overseas."[139] Management characteristics include demographic (age and education) along with manager's degree of international exposure (number of countries visited, time spent abroad, number of foreign languages spoken etc.). Secondly, organisational characteristics refer to a firm's willingness to develop products for overseas markets (willingness to fund international activities and readiness to serve international customers). Third motive is the external impediments this include marketing activities of competitors abroad, exchange-rate fluctuations, and issues related to agents and control. Finally, external variables include incentives from home or foreign government, decline in domestic demand or excess production.[140]

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131 Korsakienė; Tvaronavičienė 2012, p. 298.
132 Korsakienė; Tvaronavičienė 2012, p. 298.
133 Kubíčková; Votoupalová; Toulová 2014, p. 321–322.
134 Johanson; Wiedersheim-Paul 1975, p. 306.
135 Hollensen 2012, p. 42–48.
136 Narula 2015, p. 8.
137 Cuervo-Cazurra; Narula 2015, p. 5–6.
138 Narula 2015, p. 4.
139 Fletcher 2001, p. 26.
140 Fletcher 2001, p. 26.

In Hollensen's view, internationalization motives can be either proactive or reactive. Proactive motives represent incentive to change firm's strategy to acquire unique competencies such as a particular technological information or knowledge. On the other hand, he defines reactive motives as a decision to change activities of the firm and protect the firm from various threats and pressures in the international or the domestic markets.[141] Proactive factors just like previously mentioned internal factors, indicate that the decision to internationalize originated within the firm e.g. managers desire to expand operations internationally, interest to exploit a firm's core competences etc.[142] In other words; proactive firms expand to international markets because they want to, while reactive ones internationalize because they have to.[143] Besides, some authors distinguish between internal and external motives: In which internal motives are viewed to include all factors originating within the company, while external factors are those coming from the company's external environment.[144] Categorizing internationalization motives in two major groups, simplifies the tasks, however I criticize the classification schemes for being too broad such that it is difficult and confusing to allocate some determinants to the appropriate group. For example, profit and growth goal can be both a reactive and proactive motive.

In 2009, OECD in conjunction with APEC, conducted a global survey to establish the drivers of firms' decision to internationalize. The conclusion was that internationalization motives can be categorized in four main groups: growth motives; motives related to the firm's knowledge; motives reflecting social ties, networks and supply chain relations; and motives connected with the domestic or the foreign market.[145] Another example of a framework developed to study internationalization motives is Patterson's framework. The framework consists of five categories of attributes that are considered significant in explaining firm's internationalization decision. These dimensions are domestic market competition, firm capabilities, and perceived barriers to exporting, perceptions of benefits and risks as well as managerial characteristics.[146] The strengths of OECD and Patterson's frameworks is that, they integrate various factors addressed by different theories, hence categorization of motives is clearer compared to the other frameworks.

In their research on external and internal factors that influence service firm's decision to operate across borders, Moreira et al., adopted Patterson's framework, which integrates Resource-Based View, the Business Strategy, and the Uppsala Model.[147] Similarly, I consider Patterson's framework the most appropriate model to examine how internationalization motives differ within the service sector. The figure below illustrates Patterson's framework as adopted by Moreira et al.[148]

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[141] Hollensen 2012, p. 42–48.
[142] Korsakienė; Baranauskienė 2011a, p. 55.
[143] Korsakienė; Baranauskienė 2011b, p. 55.
[144] Lea Kubíčková et al. / Procedia Economics and Finance 12 (2014) 319 – 328
[145] Wach 2014, p. 18.
[146] Patterson 2004, p. 21–22.
[147] Moreira et al. 2013, p. 250.
[148] Moreira et al. 2013, p. 250.
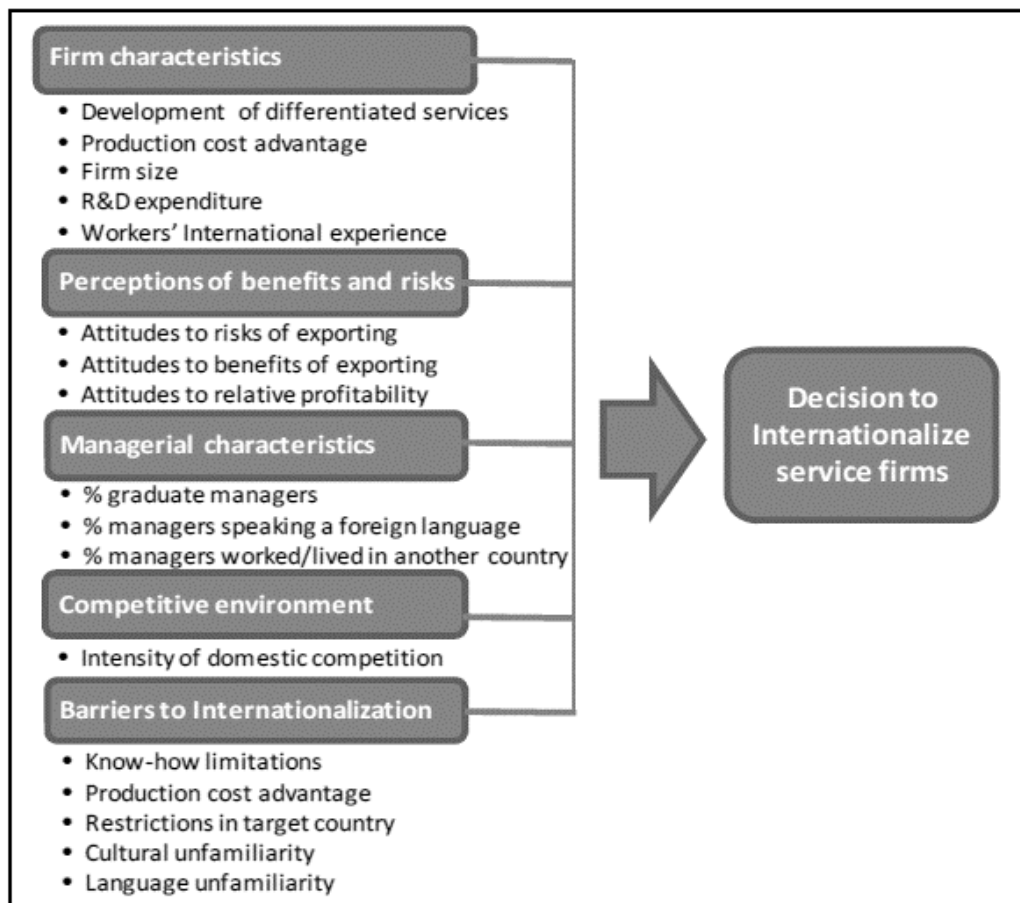
Figure 10: Internationalization determinants within the service sector

Source: Moreira et al. 2013, p. 250.

It is important to specify that, Patterson's framework was used to determine firms' motives and perception towards internationalization, while this master thesis aims at identifying how and why internationalization differ across service sub-sectors. Therefore there is a need to modify Peterson's framework to befit the objective of this paper as follows: first, I perceive the group 'barriers to exporting' to be irrelevant for this paper and exclude it from the group of determinants. Second, since dynamics is extremely important in international business, and factors such as, exchange rate fluctuations and shift in market conditions require firms operating in international markets to develop dynamic capabilities and earn competitive advantage in foreign market,[149] I substitute the variable 'firm characteristic' used by Moreira et el., with 'dynamic capabilities'. Last, I include the network aspect and the revised framework incorporates; RBV (Dynamic capabilities); Transaction Cost Theory (Perceptions of benefits of internationalization, domestic market environment) and Network approach (Managerial characteristics)

In summary, comparison of internationalization motives of the selected sub-sectors (people-processing, possession-processing and information-based services) is conducted based on

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[149] Buckley; Ghauri 2015, p. 5.

the following dimension: (1) Dynamic capabilities; (2) Perceptions of benefits of internationalization (3) Managerial characteristics; and (4) Domestic market environment. The revised groups and determinants are summarized in a conceptual framework presented in figure 11. While the revised framework can be criticized for incorporating just a few determinants in each group, I still consider it an inclusive approach to analyse internationalization motives of service firms.

Dynamic capabilities
- Development of differentiated services

Perception of benefits of internationalization
- Profit and growth goals
- Scale and scope efficiencies
- Risk divesification
- Enhance service qualitty

Managerial characteristics
- Managerial vision
- To utilize and benefit from network
- Prestige

Domestic market environment
- Intensity of competition in home market

Decision to internationalize

Figure 11: Conceptual framework of service firm's internationalization motives

Source: Own illustration based on Patterson Framework

Dynamic capabilities

Teece et al, defines dynamic capabilities as "firms ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments."[150] Considering the dynamic nature of the modern international business environment, I concur with Teece's argument that it is firm's dynamic capabilities, but not ordinary capabilities that earn a company competitive advantage and consequent to superior performance. This is because, whereas ordinary capabilities implies doing things right, dynamic capabilities concerns using unique process, organization culture and technological opportunities to do the right things, at the right time.[151] Likewise, in the revised framework, this group (dynamic capabilities) is operationalized using 'development of differentiated services'. I analyse whether among the chosen firm, the decision to internationalize was influenced by unsolicited foreign orders, in which customers in foreign countries ordered for firm's services because they are unique and of superior quality than those being offered in their home market.

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[150] Teece 2021, p. 16.
[151] Teece 2021, p. 23.

Perceptions of benefits of internationalization

Operating in foreign markets presents both risks and opportunity. Some researcher believe that firms refrain from operating in foreign markets because they view internationalization as capital intensive, risky and less profitable compared to operating in home market. Furthermore, it is claimed that a firm's decision to internationalize is influenced by company's attitudes towards risks and the extent to which decision makers are willing to deal with uncertainty in foreign markets.[152] In other words, risk averse firms are unlikely to operate beyond national borders. In this study, the determinants under this category are profit and growth goals, scale and scope efficiencies, risk diversification and lastly, service quality improvement. I analyse whether any of these factors influenced the firms' decision to internationalize.

Managerial characteristics

The concept of managerial characteristics originates from the international entrepreneurship theory, which holds that, international entrepreneurship is a "combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organizations."[153] Further, it is claimed that attitudes of managers towards internationalization as well as managers' international experiences also impacts on a firm's international orientation.[154] Similarly, Upper Echelons theory (Mason 1984) argue that the personal strengths and weakness of senior managers (e.g. lack of vision, risk averseness and interpretation bias) influence the firm's strategic choices i.e. whether to internationalize or not.[155] In this paper, managerial characteristics is represented by managerial vision i.e. senior manager's desire to establish something unique, urge to have a global brand, as well as desire to work for an international company.[156]

There is a belief that one of the fundamental factors that drive firms to operate across borders is managerial urge to benefit from personal and business networks.[157] For instance, it is believed that cooperation among network members enhances knowledge gathering, synergy realization and sharing of strategic resources.[158] Therefore, networking is another determinant under the group managerial characteristics.

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[152] Patterson 2004, p. 21–22.
[153] Majocchi; Zucchella 2008, p. 2.
[154] Patterson 2004, p. 22.
[155] Nielsen 2010, p. 187.
[156] Patterson 2004, p. 21–22.
[157] Criado; Urbano; Josep 2005, p. 140.
[158] Lavie 2021, p. 642.

Domestic market environment

According to World Bank report, industries that encounter intense competition in home market, and have got less market concentration, as well as high market share instability, are more likely to extend operation abroad.[159] Patterson also notes that, in cases where domestic market is saturated such that organic growth is no longer possible, internationalization becomes an option for firms to increase both market share and profits.[160] Furthermore, Clougherty and Zhang examined how competition in domestic market impacts on firm's internationalization decision, and concluded that there is relationship between the two variables, and that fierce competition in domestic market pressurizes firms to be innovative, operate efficiently, reduce operating costs and increase their competitiveness.[161]

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[159] Goodwin; Pierola 2011, p. 1.
[160] Patterson 2004, p. 21–22.
[161] Bramati; Gaggero; Solomon 2015, p. 386.

4. Research Methodology

Thanks to advancement in technology especially the internet, that enables faster, cheaper, and easier access of high-quality data, that have been collected and compiled by scholars from all over the world. In this section, I discuss the research approach, research strategy, the data collection method, data evaluation criteria, and data analysis method applied in this paper.

4.1   Research Approach

As noted in the research overview section, secondary sources are exclusively used as the major source of data in this master thesis. To be specific, to answer both the main question and research sub-question of this study, I carried out a secondary analysis of primary qualitative data sets. This implies that, existing data is used to find answers to research questions that are different from the questions asked in the original study.[162] Why use secondary data? I consider secondary research the most appropriate research method for this study for several reasons. First, by relying on already existing data sets, I have access to a wide breadth of data, which is not possible to gather using primary research method, more so due to time limit of six months that is allocated for this study.

Furthermore, in respect to sample size, since I am using data that already exists, it is possible to choose datasets that used large sample size, such that generalizability of findings is not restricted. Again, instead of spending ample time on data collection, the use of secondary data permits me adequate time to analyse and compare the findings of primary research.[163] Finally as noted by Saunders et al. secondary data is viewed as the most suitable source for research projects requiring national or international comparisons. Certainly, the use of secondary data made it possible to compare internationalization motivates of service firms located in UK, USA, Thailand and many more countries.[164]

4.2   Research Strategy

This research aims at achieving two main objectives. First, this paper examines how and why internationalization motives differ across service sub-sectors. In addition, I investigate the current trends within the international service sector and figure out how the identified trends might influence service firms' internationalization decision in future. Consequently, to meet the first objective, I analyse findings of previous research that adopted qualitative research method. Qualitative method is viewed as the most appropriate research design because of two major reasons. First, as noted by Patton, unlike quantitative methods that require the use of standardized measures to analyse and fit people's perspectives and experiences into a predetermined response categories using assigned numbers, qualitative methods on the contrary allows for in-depth, open and detailed qualitative inquiry of issues as there are no predefined categories of analysis.[165] Second, Yip (1984) propose that

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[162] Long-Sutehall; Sque; Addington-Hall 2011, p. 336.
[163] Saunders; Lewis; Thornhill 2007, p. 257.
[164] Saunders; Lewis; Thornhill 2007, p. 247.
[165] Patton 2002, p. 13–14.

qualitative method is the most suitable approach to conduct process studies that analyse how firm's choice of strategy is impacted by the underlying industry factors.[166] Research strategy can be deductive, inductive or abductive. Under deductive approach, a researcher deduces and tests hypothesis from already existing theories. Inductive approach on the other hand, theory is an outcome of the research. In other words, the theory is developed in a data-driven manner.[167] Since this study does not aim at explaining causal relationships between variables, but rather focuses on the identification of differences in motives of internationalization.[168] I therefore adopt an inductive approach (Data analysis strategy is discussed in details in section 4.5)

To accomplish the second goal of this paper, which is to predict the future internationalization motives based on the current key trends in service sector, scholarly and scientific articles from recent journals available in various databases, such as Google Scholar, Elsevier Science Direct, Springer, SAGE, EBSCO and JSTOR, as well as recent literature from international consulting companies, such as McKinsey, PwC, Deloitte and Accenture are referred to. To assess the data quality, I ensured that only peer reviewed articles are used, and I also analysed the data quality based on secondary data evaluation criteria described in section 4.4 of this paper.

4.3   Data Collection Method

The following sub-section describes the process of secondary data collection, factors considered while choosing the dataset, and the criteria used to evaluate the quality of data.

4.3.1   Locating secondary data

While performing literature review, I detected that numerous studies that tackles the topic of firm internationalization motives already exist, and that the findings of these previous studies is helpful in answering the main research questions of this study. The next step as suggested by Saunders et al., was to find the precise location of the primary research data sets.[169] In my case, to find the relevant datasets, I used the keywords, rationale, motives, drivers, stimuli, and determinants of service internationalization. I also searched for 'factors influencing internationalization of service firms. The database referred to include Research Gate, Elsevier Science Direct, Springer, SAGE, EBSCO and JSTOR.

4.3.2   Dataset selection

In chapter two of this study, I mentioned that a comparison of internationalization motives among hotel, retail and HEIs sectors, which represent people, possession and information processing services respectively, is performed to help me conclude, whether there are sub-sectoral differences in factors that influence service firms' decision to internationalize. After

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[166] Whitla; Walters; Davies 2006, p. 779.
[167] Bell; Bryman; Harley 2019, p. 20–23.
[168] Saunders; Lewis; Thornhill 2007, p. 118.
[169] Saunders; Lewis; Thornhill 2007, p. 255.

evaluating numerous past studies, I decided to base my work on these three datasets: (1) Reasons for Internationalization of Domestic Hotel Chains in Thailand: (2) Revisiting retail internationalisation, drivers, impediments and business strategy (3) Internationalization of Higher Education Practices and Priorities (2003 IAU Survey Report). It is important to specify that, considering the technological development in the past years, I focus on primary research conducted within the past 20 years.

As emphasized by Heaton, I understand that before using data that was collected by different researchers, it is crucial to rigorously scrutinize the selected data sets to ensure that only high quality data that were collected by reputable researchers are used.[170] In the next paragraphs, I examine the suitability of the three datasets in which I analyse various aspects including, aim of the studies, researchers' profile, data collection methods, and data analysis procedures adopted in the primary research.

Dataset 1: Reasons for Internationalization of Domestic Hotel Chains in Thailand

Aim of the study: The aim of the research was to determine why Thailand's hotel chains operate beyond the boundaries of domestic markets. The study was conducted in 2012 and was published in *Journal of Hospitality Marketing and Management 2013.* Three Thai hotel chains out four published by the Tourism Authority of Thailand participated in the research.[171]

Researchers' profile: (1) Mr. Pimonpat Rodtook, is a senior Lecturer at Kasetsart University Department of Career Sciences, Bangkok, Thailand; (2) Mr. Levent Altinay, PhD, MSc, BSc. Professor Altinay, is a professor of Strategy and Entrepreneurship, Research Area Leader for Oxford School of Hospitality Management at the Oxford School of Hospitality Management in UK, and the Editor-in-Chief of the Service Industries Journal.

Data collection: In-depth interview, along with examination of relevant documents. Interviewees included nine senior managers directly involved in international expansion strategy. The duration of each interview was on average 205 minutes.

Data analysis: Coding analysis (motive coded as external or internal factors) was used to analyse data. This enabled constant examination of conceptual interactions and relationships, and the conditions under which they occur, and each reason was treated as a pattern.[172] Furthermore, data analysis entailed breaking down the interview transcripts into manageable blocks which were later classified under the suitable category. Theoretical memos were also written during the analysis and used in logical cross-classification of the variables, generation of themes as well as to illustrate the interrelationships.

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[170] Heaton 1998.
[171] Rodtook; Altinay 2013.
[172] Rodtook; Altinay 2013, p. 98.

For anonymity to be preserved, in the primary research the three participant hotel chains were listed as Hotel Chain A (HCA), Hotel Chain B (HCB), and Hotel chain C (HCC).

I chose this dataset because of its large sample size i.e. three (out of four) Thai hotel chains participated in the study, and this has an advantage that Thailand is one of the world's top tourist destination and Thai hotels are major players in the international hotel industry. However, considering economic, social, and political differences that exist among nations, focusing on a single nation restricts the generalizability of the findings.[173]

Dataset 2: Revisiting retail internationalisation: Drivers, impediments, and business strategy

Aim of the study: The purpose of the study was to establish whether the drivers of, and impediments to retail internationalisation and the business strategy have changed due to changes in international business environment. The study was undertaken in 2008 and was published *in International journal of retail and distribution management, vol. 36, no. 4, pp. 260-280.*[174]

Researchers' profile: (1) Ms. Jody Evans is a senior lecturer in marketing at University of Melbourne. The author is a PhD holder in International Marketing. (2) Professor Dominic Medway is the pro-vice chancellor, faculty of Business and Law at Manchester Metropolitan University in UK. The author's academic and professional qualifications is PhD University of Leeds; (3) Ms. Kerry Bridson is an associate professor in the department of marketing and the associate dean of teaching and learning in the faculty of Business and Law at Deakin University in Australia. The author was awarded for the best Doctoral paper and presentation, Australian and New Zealand Marketing Academy Conference (ANZMAC), New Zealand, 2001.

Data collection: The study adopted exploratory qualitative approach that involved interviewing executives responsible for international business development and international retail operations within selected UK and US retail companies. In total, 12 in-depth and semi-structured interviews were conducted (seven with UK firms and five with US retailers). On average interviews lasted for 45 minutes and all were tape-recorded. Additionally, review of the literature was done to explore changes in the drivers and impediments of retail internationalisation.

Data analysis: Content analysis technique was applied to analyse the data. This entailed identification of key themes after which they were illustrated through selected quotations. Data were occasionally revisited to gain further in-depth picture of the themes and topics.

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[173] Rodtook; Altinay 2013.
[174] Evans et al. 2008.

The firms involved in the study and their representative interviewees are shown in the figure below. The company names were omitted to preserve anonymity. **[175]**

Case letter	Origin country of study firm	Core retail sector of study firm	No. of countries in which present[a]	No. of outlets worldwide (range)	Main mode of entry[b]	Position of interviewee
A	UK	Footwear	23	501-1000	Organic growth	Marketing director
B	UK	Cosmetics	50	1,001-2,000	Store franchising	Chief executive
C	UK	Grocery	14	2,001-3,000	Acquisition	Senior executive
D	UK	Cosmetics	16	2,001-3,000	Concessions	Senior executive
E	UK	Department stores	16	1-500	Territorial franchising	Senior executive
F	UK	Music	10	1-500	Territorial franchising	Finance director
G	UK	Toys and games	15	1-500	Territorial franchising	Senior executive
H	USA	Clothing	2	1-500	Organic growth	Senior executive
I	USA	Toys and games	15	4,001-5,000	Organic growth	Chief financial officer
J	USA	Pharmaceuticals and nutrition	40	5,001-6,000	Store franchising	Senior executive
K	USA	Coffee shops	15	1-500	Territorial franchising	Senior Executive
L	USA	Homewares	2	501-1,000	Organic growth	Senior Executive

Figure 12: Key characteristics of studied firms and representatives' interviewees

Source: Evans et al. 2008.p. 18

Various factors inspired me to choose this dataset, first, by including store-based retailers that operated in footwear, music, clothing, department stores, together with toys and games, and indication that, the researchers ensured diversity within the sample. Secondly, the study included retail stores from UK and the USA, and these two countries are the major nations involved in retail internationalisation activity.[176] Lastly the researchers also ensured that the degree of internationalization among the selected retail stores varied considerably for example two US retailers studied were only present in a single foreign market, while one UK retailer had experience in over 50 countries. In general, the chosen sample is large enough and representative, and allows for generalizability of research findings.

Dataset 3: Internationalization of Higher Education Practices and Priorities (2003 IAU Survey Report)

Aim of the study: The survey had various objectives including identifying rationales, risks, benefits, issues, and trends of the international dimension of HEIs. Other goals of the global survey was to identify the key issues, trends and areas of growth, provide valuable information on the practices and priorities of internationalization at the institutional level, ensure that the voice of HEIs is heard in the ongoing discussion of the rationale for internationalization. Lastly, to develop a baseline of data on internationalization with which to monitor future developments.[177]

Research was sponsored by: The survey was conducted in 2003 and was funded by the International Association of Universities (IAU). IAU is a UNESCO-based, international non-governmental organization, whose mission is to facilitate international cooperation in higher education globally. IAU represents about 650 higher education institutions.

Data collection: It was an ad-hoc survey i.e. a one-off survey that addresses a specific subject matter.[178] The study was the first-ever global survey, and questionnaires with open-ended questions were sent to all 621 IAU members. There was a 28% response rate

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[175] Evans et al. 2008.
[176] Evans et al. 2008, p. 8.
[177] Knight 2003.
[178] Saunders; Lewis; Thornhill 2007, p. 251.

meaning that 176 HEIs from 66 different countries completed the survey. The greatest number of respondents was from Europe at 43%. According to the report, open-ended questions were preferred since it allows respondents to provide detailed information about the factors that influenced their decision to internationalize.

Data analysis: Text analysis was used to analyse the findings, and the rationales were grouped into four generic categories: academic, economic, political, and social/cultural. As stated in the dataset, the researchers ensured that questionnaires and the key concepts were equally understood by all participating HEIs and the questions were all asked in most neutral manner.

I considered this survey the most suitable to analyse internationalization motives of HEIs because, the survey was organized by a high-profile institution, and is was conducted at global level with a significantly representative population size of 621, and response rate. Was relatively high. It is important to clarify that, education system vary from country-to country, since the survey report indicates that majority of respondents were from Europe (43%), this paper therefore focuses on European education system.

To conclude, in the textbook, it is emphasized that, it is important to ensure a good fit between the research question of the present study and the aim of the chosen dataset.[179] I confirm that the research questions of this master thesis fits well with the aim of the chosen data sets, given that all the three primary research focused on identifying factors that influence respective service firms to internationalize.[180][181][182]

	Primary Dataset 1:	Primary Dataset 2:	Primary Dataset 3:
Research topic	Reasons for Internationalization of Domestic Hotel Chains in Thailand	Revisiting retail internationalisation: Drivers, impediments, and business strategy	Internationalization of Higher Education Practices and Priorities (2003 IAU Survey Report
Aim of the study	Determine why Thailand chain hotels, internationalize	Evaluate whether the drivers of, and impediments to retail internationalisation have changed due to changes in international business environment.	Identify rationales, risks, benefits, issues, and trends of the international dimension of HE (among others)
Data collection methods	Interviews and examination of relevant documents,	Exploratory qualitative approach	Questionnaire with Open-ended questions
Data analysis	Coding analysis	Content analysis technique	Text analysis

Table 1: Outline of the Datasets

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[179] Johnston 2014b, p. 622.
[180] Rodtook; Altinay 2013.
[181] Evans et al. 2008.
[182] Knight 2003.

4.4　Secondary Data Evaluation Criteria

Once a suitable dataset is identified, evaluation of the dataset is necessary to ensure the appropriateness for the current research topic.[183] As recommended by Saunders et al., in this present study the secondary data was evaluated to ensure credibility, reliability, validity and generalizability.[184] I specifically examined the following factors. (a) What was the purpose of the study; (b) Who was responsible data collection (c) What information was collected; (d) When was the information collected; (e) How was the information gathered; (f) How consistent is the collected information with information available from other sources.[185] The answers to this question are presented in the next paragraphs.

What was the purpose of this study?

It is essential to ensure fit between the original research and the current study, and that the objectives of the selected data set align with the purpose of the current study.[186] The three-dataset used in this study aimed at examining the internationalization motives of hotels, in-store retail stores and HEIs respectively. Therefore, the rationale for conducting the primary research matches the overall goal of this study and the information can be used to answer the main question of this research.

Who was responsible for collecting the information?

Answering this question helps to confirm the credibility of the dataset and it is also important to know the academic qualification, career profile of individual(s) involved in carrying out the primary research and the agency or institutions that sponsored the study.[187] The studies from the chosen data sets were conducted by highly qualified scholars working for reputable institutions as shown in the researchers' profile in the previous section.

When was the information collected?

Timeliness is one of the data quality attributes and refers to the extent to which the collected data represents reality from the required point in time.[188] Information on data collection date is vital since it shows whether the collected data is still relevant.[189] The present study aims at identifying current but not past motives of internationalization and considering the economic, technological, political, social and environmental changes that have been witnessed in international business environment in the past years, I presume a span of 20 years to represent the 'current' time, and the three primary research were undertaken within this period (2012, 2008 and 2003).

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[183] Johnston 2014a, p. 621.
[184] Saunders; Lewis; Thornhill 2007, p. 263–271.
[185] Stewart; Kamins 1993, p. 18.
[186] Dunn et al. 2015, p. 6.
[187] Boslaugh 2007, p. 10.
[188] Satterfield n. y.
[189] Boslaugh 2007, p. 9.

What methodology was employed in obtaining the data?

Stewart & Kamins argue that, for quality of secondary data to be assessed, the secondary researcher must be familiar with the research methodology adopted in the original study.[190] The data collection methods, and data analysis techniques used in each dataset were examined as explained in section 4.3.2 of this paper.

Management of the primary data

It is important that the secondary researcher have access to relevant documents (coding materials, raw datasets, interview questions, questionnaires, memos etc.) used in the documentation from the primary research.[191] For this study, I was not able to access the above listed materials. However, the published information was very detailed and sufficient such that I was able to identify the internationalization motives in each study.

How consistent is the information obtained from one source with information available from other sources?

Johnston states that "It is beneficial to have multiple sources to bolster confidence in findings, regardless of whether the sources arrive at the same conclusion or not".[192] In the case of this research, I compared the findings of primary study with the information available in literature and noticed a great degree of similarity. The few differences spotted are discussed in the analysis part of this study.

Table 2 summarizes the factors that were evaluated to ensure suitability of the selected primary data sets.

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[190] Stewart; Kamins 1993, p. 25.
[191] Johnston 2014a, p. 623.
[192] Johnston 2014a, p. 624.

	Data set 1	Data set 2	Data set 3
Purpose of this study	To determine why Thailand's chain hotels, operate beyond the boundaries of domestic markets	To establish whether drivers of, and impediments to retail internationalisation have changed due to changes in international business environment	Identify rationales, risks, benefits, issues, and trends of the international dimension of HE (among others)
Who collected the data	Senior researchers	Senior researchers	International Association of Universities (IAU)
Data sources	Primary sources	Primary sources	Primary sources
What information was collected	Motives of internationalization	Current motives of internationalization (among others)	Rationale for internationalization (among others)
Date of data collection	2012	2008	2003
Data collection method	Interview based research; Examination of relevant documents	Interview based research	Global survey with open-ended question

Table 2: Data evaluation criteria

Source: Own table

4.5   Secondary Data Analysis

As stated in the literature, after data collection it is essential to convert the non-standardised qualitative data from the previous study into meaningful information suitable to meet the objectives of the current study.[193] Secondary data analysis evaluates findings from multiple primary researches and uses this information to address a new research questions.[194] Text books distinguish between deductive and inductive approaches to qualitative analysis. Deductive approach is appropriate when existing theory was applied to formulate research question. Whereas inductive approach requires the researcher to first collect data and then analyse it to detect themes or issues to follow up and concentrate on.[195] Critique on deductive approach is that there is the likeliness of making premature assumption, and that there is the tendency of variation between the views of the participants under social settings and the theoretical assumptions.[196] Hence my decision to adopt the inductive approach to analyse the qualitative data, whereby I start by collecting the data (from previous research),

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[193] Saunders; Lewis; Thornhill 2007, p. 470.
[194] Long-Sutehall; Sque; Addington-Hall 2011, p. 338.
[195] Saunders; Lewis; Thornhill 2007, p. 487–488.
[196] Saunders; Lewis; Thornhill 2007, p. 488.

I then make analysis to detect aspects to focus on, after which I developed a conceptual framework to base my work on.

Following the above discussions it is clear that this paper adopts the Grounded theory to analyse qualitative data, whereby the analysis process offers explanation to the key aspects that emerges from the collected data.[197] The data analysis method of this study follows the four steps suggested by Saunders et al., and these steps include data categorisation, unitising data, recognising relationships, developing categories, and theory development and testing.[198] As stated by Saunders et al., "… grounded theory may be approached as a strategy as much as a set of procedures. Such an approach may therefore result in the process of analysis being conducted in a less formalised and procedural way, while still maintaining a systematic and rigorous approach to arrive at a grounded explanation or theory."[199] This statement justifies my decision to modify the general procedures and come up with data analysis process that suits this study. For instance, after performing the first three steps suggested by Saunders et al., instead of theory development and testing, the fourth step involves analysing the findings based on the dimensions of the revised framework (discussed in section 3.7).

Even though analysing research using Grounded theory is an exhaustive process, however I prefer to follow the process suggested by the approach, because the method allows for systematic approach of data analysis.[200] Moreover by following the steps suggested by Saunders et al., is possible to group and analyse data from different data sets. The diagram below illustrates the revised steps followed to analyse findings.
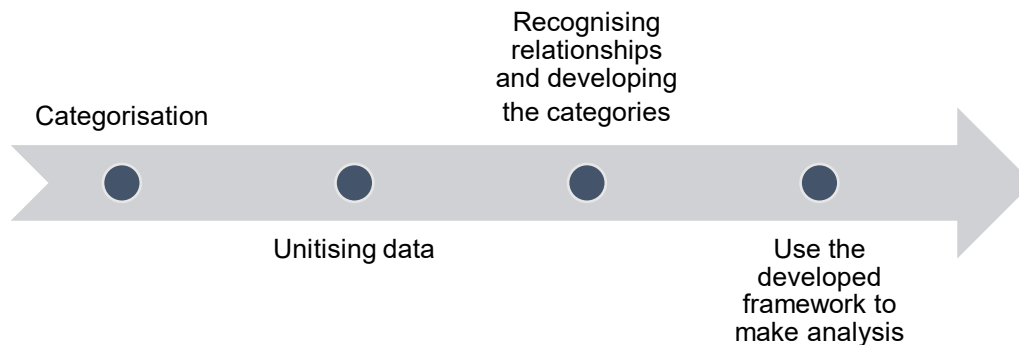
Figure 13: Data analysis process

Source: Own diagram based on Lewis; Thornhill 2007, p. 479–490.

The following paragraph explains how the four steps were adopted in this study.

Categorisation: The first step entails classifying data into meaningful categories, in which, four major categories that clearly differentiate the internationalization motives were identified. The groups are: (1) Firm characteristics, (2) Perception of benefits of internationalization (3) Managerial characteristics, (4) Domestic market environments

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[197] Saunders; Lewis; Thornhill 2007, p. 499.
[198] Saunders; Lewis; Thornhill 2007, p. 479–490.
[199] Saunders; Lewis; Thornhill 2007, p. 499.
[200] Hussein et al. 2014, p. 3.

Unitising data: Under phase two, internationalization motives identified in each data set are assessed and allocated to the appropriate category. This helps rearrange motives in a more manageable and comprehensible form. [201] As stated in the literature, matrices, charts or graphs can be used to organize and display the data and identify patterns. After which data processing is done using CAQDAS or a manual approach.[202] For this study, I used the manual approach to process the data, and the findings are visualized using a matrix as illustrated in table 3.

Recognising relationships and developing the categories: This stage involves designing a suitable matrix and placing the data gathered within the cells. [203] In this study, I developed a matrix with two dimensions. The first dimension includes the four major groups of motives, and the second dimension represents the determinants. Afterwards I assigned the identified determinants to the relevant group as illustrated in the table 3. This was helpful in establishing whether there are differences in internationalization motives among the chosen sub-sectors.

		Dataset 1 Hotel sector	Dataset 2 Retail sector	Dataset 3 HEIs sector
Group	**Determinant**			
Dynamic capabilities	To exploit firm's dynamic capabilities Development of differentiated services			
Perception of benefits of internationalization	Profit and growth goals			
	Scale and scope efficiencies			
	Risk diversification			
	Enhances service quality			
Managerial characteristics	Managerial vision			
	To utilize and benefit from network			
	Prestige			
Domestic market environment	Fierce competition in home market			

Table 3: Matrix developed for data analysis

Source: Own table

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[201]Saunders; Lewis; Thornhill 2007, p. 480.
[202]Saunders; Lewis; Thornhill 2007, p. 480.
[203]Saunders; Lewis; Thornhill 2007, p. 480.

Comparing results across the data sets: In the last phase, I conducted a cross analysis of findings from the three data sets focusing on the determinants identified in the revised framework. As an example, I analysed how firms' dynamic capabilities i.e. having differentiated and superior services influenced firm's decision to go abroad. Table 4 illustrates the comparison of findings. The results of the analysis are used to answer the main research question of this study.

People-processing services (Hotel)	Possession processing-services (Retail)	Information-based services (HEIs)
• Due to their superior and unique services, Thai hotel chains receive inquiries from foreign markets	• Unsolicited foreign orders • Internationalization as a means of exploiting and transferring firm's capabilities and core competences	• Core competence not a driver of HEI internationalization

Table 4: Example of cross analysis of findings

Source: Own table

Ethical considerations

Diener and Crandall categorize ethical principles in business research into four main areas: participants should not be subjected to harm; informed consent; protection of privacy and whether deception is involved.[204] According to Heaton, the issue of consent is of utmost importance when conducting secondary analysis and emphasizes that, "when sensitive data is involved, informed consent cannot be presumed".[205] Several points make me presume informed consent. First, the data provided in the datasets do not disclose companies' sensitive information, besides, the name of the companies and interviewees were not disclosed in the primary research. Again, the research question in this study does not in any ways shift the focus of the initial intention of the primary research, and most importantly, the data in question was freely available on the internet.[206] However the ownership of the original data is acknowledged and the used content referenced in form of footnotes, and a list of reference is also provided in the references section of this paper.

Strength and limitations of using secondary analysis in this Study

To determine the motives of internationalization in respective service sub-sectors, the individuals who performed primary research not only focused on a single firm, but rather undertook extensive research that involved various companies from each sub-category. For example, the study on internationalization motives within the hotel sector involved three out

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[204] Bryman; Bell, p. 128.
[205] Heaton 1998.
[206] Tripathy 2013.

of four chain hotels in Thailand. Further the researchers on motives within retail sub-sector examined motives of various retail-stores, which sell different merchandize and are located in two different countries i.e. UK and USA. Lastly, the IAU conducted a global survey with population of over 600 HEIs. Thus, relying on secondary data allowed me gather valuable information on factors that influenced respective firms to operate across border, which were collected by highly qualified scholars within a considerably longer period. Furthermore, in my view, the larger sample size used in the chosen datasets are representative of the target population and allowed for greater validity and generalizability of findings.[207]

Saunders et al., argue that, identifying the appropriate secondary data is time intensive and requires detective work that entails, not only establishing whether secondary data that meets the current objectives of the current research are available, but also finding the precise data that is needed.[208] Indeed this is one of the major challenges I encountered. Second limitation of using secondary data are that the different researcher may use different aggregations and definitions.[209] In each of the three datasets, the researchers used different terms and wordings to name the motives. Therefore, I had to critically read and analyse the findings, to be able to understand each motive and allocate it to the relevant group in the revised framework. Furthermore, in some data sets the motives were not listed in the order of importance, and this hindered me from coding the data and using data analysis soft wares Lastly, I did not have access to copy of the questionnaire or interview checklists as recommended in research literature.[210]

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[207] Leung 2015, p. 326.
[208] Saunders; Lewis; Thornhill 2007, p. 253.
[209] Saunders; Lewis; Thornhill 2007, p. 262.
[210] Saunders; Lewis; Thornhill 2007, p. 265.

5. Secondary Research Findings

This chapter presents the internationalization motives of hotels, retail stores and HEIs based on findings of primary research. An analysis of findings and a discussion on service characteristics that might be the cause of the sub-sectoral differences is presented in chapter 6 and 7 respectively. It is worth noting that, due to time and space limit, I will only analyse and discuss the motives that I regard to be key internationalization determinants in each sub-sector.

5.1 Findings: Internationalization motives in Hotel Sector

In summary, the findings of the first dataset showed that five major reasons influenced Thai hotels chain's decisions to internationalize: (1) To spread risk; (2) To increase profit by acquiring the opportunity of investment; (3) To learn new knowledge from overseas markets (4) To build worldwide brand recognition and create a marketing network; (5) Maintain and support the relationship between Thailand and neighbouring countries.[211] These motives are allocated in the revised framework as illustrated in table 4.

Group	Determinant	Findings: Dataset 1 People-Processing Services (Hotel)
Dynamic capabilities	Development of differentiated services	Having unique and superior solutions (influenced by Thai culture)
Perception of benefits of internationalization	Profit and growth goals	To increase profit by acquiring the opportunity of investment
	Scale and scope efficiencies	Create marketing network
	Risk diversification	Risks associated with natural calamities, unfavourable policies in home market, fluctuation in demand due to recession
Managerial characteristics	Prestige	Build a global brand recognition
	To utilize and benefit from network	Learn new knowledge from foreign markets and implement it in home country
	Managerial vision	Build a global brand recognition

Table 5: Findings: Internationalization motives in hotel sector

Source: Own table

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[211] Rodtook; Altinay 2013, p. 100–110.

5.2 Findings: Internationalization motives in Retail Sector

The key reasons for retail internationalization according to primary research findings are: Profit and growth goals, domestic market saturation, exploitation of core competencies, unsolicited foreign orders. Other drivers include corporate vision, pursuit of global efficiencies and competitive response.

Group	Determinant	Findings: Dataset 2 Possession-Processing Services (Retail)
Dynamic capabilities	Development of differentiated services	Exploitation of core competencies
	Unsolicited foreign orders	Customers abroad demanding for firms' products (because they are of superior quality)
Perception of benefits of internationalization	Profit and growth goals	Profit and growth seeking motive
	Scale and scope efficiencies	Pursuit of global efficiencies
Managerial characteristics	Managerial vision	The urge to have a global brand
Domestic market environment	Fierce competition in home market	Domestic market saturation

Table 6: Findings: Internationalization motives in retail sector

Source: Own table

5.3   Findings: Internationalization motives in HEIs Sector

In the IAU report, respondents identified 12 factors that influence HEIs decision to operate across borders. The rationale was listed in the order of importance as illustrated in Figure 15. [212]
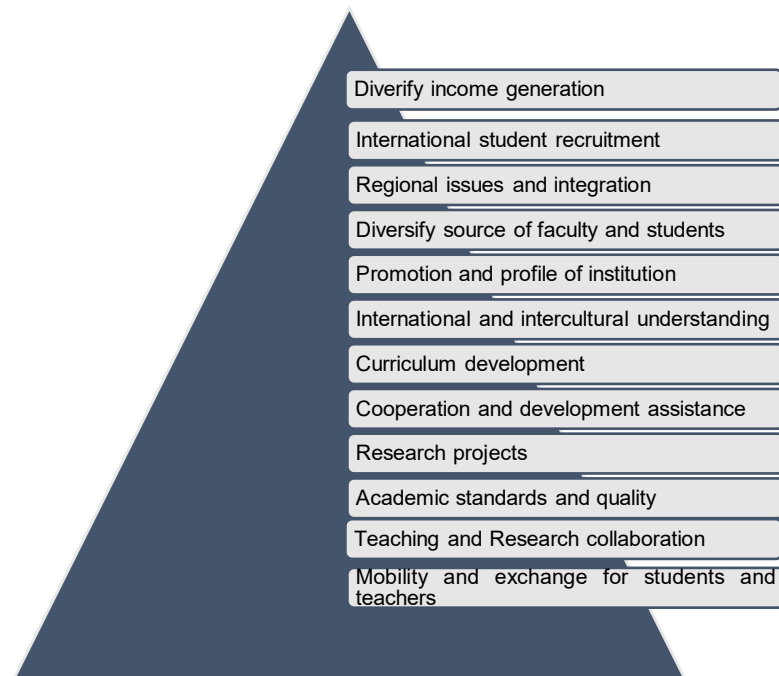
Figure 14: Rationale for internationalization in HEIs sector

Source: Own figure based on Knight 2003, p. 12.

As noted earlier, the survey was in form of open-ended question, if the 12 motives are scrutinized, it becomes evident that some of these rationales though not identical, but I consider them similar and interchangeable and this hinders data categorization. Hence my decision to group the motives in the appropriate category is as shown in table 7.

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[212] Knight 2003, p. 12.

Group	Determinant	Findings: Dataset 3 Information-based services (HEIs)
Perception of benefits of internationalization	Profit and growth goals	Diversify income generation International student recruitment
	Improve service quality	Curriculum development Enhance academic standards and quality Diversify source of faculty and students
Managerial characteristics	Managerial urge	Promotion of institution's profile
	To utilize and benefit from network	Mobility and exchanges for students and teachers Teaching and research collaboration Research projects Cooperation and development

Table 7: Findings: Internationalization motives in HEIs sector

Source: Own table

Conclusion

To conclude, majority of these findings corresponds to the factors identified by Buckley and Ghauri. For example, the researchers noted that the forces, which lead firms to operate outside home market include forces arising from interest of a single senior manager or a group of high-ranking executives. Second, unsolicited foreign orders that originate from sources that cannot be ignored e.g. clients, foreign government, and distributors. Third, the band wagon effect i.e. following the moves of a successful competitors abroad or expanding operations abroad with the general assumption that investment in some areas is mandatory. Fourth firms internationalize to respond to strong competition in the home market, lastly customer following is another reasons for internationalization, whereby firms follow an important customer to avoid losing a particular customer.[213]

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[213] Buckley; Ghauri 2015, p. 16.

6. Analysis of Findings and Discussion

In this section, the determinants of internationalization are compared across the sub-sectors. As recommended by Saunders et al., when referring to secondary data, it is important to ensure that unwanted information is excluded from the data set.[214] Consequently, I consider some motives to be irrelevant for this study and I exclude them from the discussion. For example, 'the need to maintain and support the relationship between Thailand and neighbouring countries', is one of the determinant that was identified by hotel managers, however in my view this factor is very specific to Thai hotel and cannot be generalized to represent the motive in hotel sector as a whole.

6.1 Dynamic capabilities

As discussed earlier, firms with strong dynamic capabilities are innovative, and can develop unique and superior services efficiently.[215] In this section, I discuss the dynamic capabilities that influenced hotel, retail and HEIs decision to operate across national borders. To be specific, I compare the findings of the three data sets to identify whether, the decision to internationalize was stimulated by factors related to ownership of dynamic capabilities. For example, did the firm internationalize to respond to unsolicited foreign orders i.e. customers in foreign markets demanding for a firm's services, because they are perceived to be of higher quality? Or was the decision influenced by organization's urge to exploit its dynamic capabilities in international markets?

6.1.1 Cross analysis of findings: Development of differentiated services

People-processing services (Hotel)	Possession processing-services (Retail)	Information-based services (HEIs)
• Due to their superior and unique services, Thai hotel chains receive inquiries from customers and other hotels located in foreign markets	• Customers want to carry tproduct to other countries • Internationalization as a means of exploiting and transferring firm's capabilities and core competences	• Core competence not a driver of HEI internationalization

Figure 15: Cross data analysis: Exploitation of value creation competences

Source: Own table

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[214] Saunders; Lewis; Thornhill 2007, p. 264.
[215] Teece 2021, p. 23.

In hotel sector, development of differentiated services was identified as a driver of internationalization decision. For example, findings from data set 1 (hotel sector) shows that, due to Thailand's unique culture, the services offered by majority of Thai hotel are perceived to be of higher quality globally, and that one of the stimuli of Thai hotels decision to internationalize was to respond to request from foreign hotels demanding Thai firms to manage their hotels.

> *"Thailand's hotel and service industry has gained such a good reputation among foreign tourists, that many foreign hotels have even invited Thai companies to manage them with skilled Thai personnel. For example, HCA was invited by Dubai's royal family to manage their hotel."*

This reactive motive was also identified in retail sector, and as noted by the researchers,

> "*Another retailer, with a presence in over 50 countries, described how the initial trigger for internationalisation was simply the fact that the company's owners were overwhelmed by the number of people who wanted to carry their product in other countries.*"[216] *(Case D)*

On the same note, the results of the primary research shows that, some managers in retail sector perceived the decision to operate in foreign markets as a proactive decision, in which internationalization was viewed as a "vehicle" to transport firm's unique solutions.

> "*You've got a vehicle that can transfer because it's got those USPs if you like, it's got its own brands, and it's got healthy margins […] Well if you look at our core competency, this is my personal view, our core competency is department store retailing, managing big space. So why go into small space or acquire something? So, the other option is you go internationally*" [217](Case C).

It is important to clarify that, even though the urge to exploit dynamic capability appears to be a common motive between retail and hotel firms, however, the interviewees in hotel sector explained that the decision to operate beyond national borders was simply a reactive response to foreign hotels requesting Thai managers go abroad and manage their hotels. On the contrary, in the retail sector, the decision to penetrate foreign markets was viewed as both proactive and reactive action. For example, internationalization is stimulated by foreign customers demanding for firm's products abroad (reactive action), and retail managers purposefully using internationalization as a vehicle to transfer their core competences to international markets (proactive action). In my view, the proactive action of retailers to exploit core competences abroad and enhance the firm's competitiveness in international market signifies that this motive is strategic motive in retail sub-sector. In comparison, the reactive action of "why not?" is an ad hoc decision, which implies that the motive is of less importance in hotel sub-sector.

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[216] Evans et al. 2008, p. 9.
[217] Evans et al. 2008, p. 10.

6.1.2 Discussion: Why the difference?

As noted the need to respond to unsolicited foreign orders, as well as the urge to exploit firms dynamic capabilities in foreign market influence both hotel and retail decisions to operate in foreign markets. In contrast none of these factors was identified as driver of HEIs internationalization decision. I presume that, the difference lies on the competitive strategies adopted by these firms. To illustrate, retail environment is characterized by mature domestic markets, limited growth opportunities and low entry barriers.[218] Similarly, competition is intense in international hotel industry, and brand name and reputation are the strategic assets in the sector and firm's source of sustainable competitive advantage.[219] Consequently, to survive the fierce competition, both hotel and retail sector develop dynamic capabilities (innovate new products, develop efficient production processes, and business models)[220], that necessitate the development of unique and superior services. Internationalization therefore helps retail and hotel firms to transfer the superior services e.g. strong brand name, differentiated hotel offerings etc. into foreign markets and earn sustainable competitive advantage. In comparison, standardization of curricular is the aim of most HEIs, and according to United Nations, standardization of education helps develop sustainable patterns of production and consumption of education.[221] Other scholars claim that, standardization of curricular helps develop 'best practices' which institution can use to benchmark their activities and improve teaching quality to meet international standards.[222]

Secondly, it is argued that liberalisation and deregulation of policies in service sector, significantly contributes to high economic performance, and this has led to trade in some services including retail and hotel become unrestricted in most developed economies e.g. USA.[223] Consequently hotel and retail firms can easily increase their market share by selling their differentiated products in these markets. On the contrary, the strict national policies in educational sector and the emphasis on quality assurance, restrict HEIs from offering differentiated services in foreign markets.

In sum, regarding dynamic capabilities, I conclude that, the difference is not due to the difference in distinctive characteristic of the services offered by the respective firms, my presumption is that, dissimilarities is caused by the competitive strategy adopted by respective firms. For instance, the interviewed hotel and retail firms strive to develop dynamic capabilities that help them differentiate their services and earn competitive advantage in the competitive international markets, on the other hand, the emphasis on curricular standardization, and the strict policies governing national education discourages the HEI from differentiating their services.

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[218] Evans et al. 2008, p. 4.
[219] Pla-Barber; León-Darder; Villar 2011, p. 143.
[220] Teece 2021, p. 23.
[221] United Nations 2019, p. 6.
[222] Sparapani; Perez 2015, p. 83.
[223] Schivardi; Viviano 2011, p. 147.

6.2 Perception of benefits of internationalization

As stated in the World Bank report, firms' decision to operate across borders could be due to "self-selection effect", whereby companies internationalize because they have higher productivity levels. Alternatively, internationalization decision could be because of "learning-by-doing" effect in which a firm internationalize to gain from knowledge spill overs and increase productivity.[224] In the next paragraphs I analyse the perceived benefits of internationalization that influenced hotel, retail and HEIs decisions to internationalize. I differentiate between profit and growth goals, and the risk diversification advantage.

6.2.1 Cross analysis of findings: Profit and growth goals

People-processing services (Hotel)	Possession processing-services (Retail)	Information-based services (HEIs)
• Increasing the profit by acquiring the oppotunity of investment	• Desire to increase profit is considered a crucial stimuli	• Profit and growth named as the least driver of internationalization • Student and teachers mobillity considered the most important reason for internationalization

Table 8: Cross data analysis: Profit and growth goals

Source: Own table

In retail sector, profit seeking was named as the major reason to expand operation to foreign markets. On the contrary in the hotel and HEIs sectors, the need to increase profit and growth is not the core reason for internationalization.

To illustrate, in hotel sector, the profit motive is explained by managers as being exclusively a proactive decision resulting from various factor e.g. the global economic crisis that forced debt-ridden hotels in various nations be taken over by successful foreign companies including Thai hotel chains. Secondly, some hotel managers claimed that the profit and growth goal arose as response to incentives offered by the host country government.[225]

> *"As the UK recession deepened since 1991, there was news from the Bangkok Bank manager there. They asked if I was interested in buying a hotel because the previous owner wanted to sell it, I saw it as an Opportunity").[226] (Managing director of HCC)*

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[224] Goodwin; Pierola 2011, p. 2.
[225] Rodtook; Altinay 2013, p. 103–105.
[226] Rodtook; Altinay 2013, p. 103.

In comparison, in retail sector the profit and growth goal was viewed as both reactive and proactive motive.

> "When you have a franchise business, typically 40 cents to every $1 of royalties goes down to the bottom line [...] it supports our growth here. It helps fund our core operations. It must be a profitable venture and it is. We kill two birds with one stone. We have international expansion and we have money"[227] (Case K)

Besides, some retailers claimed that push factors such as saturated domestic market and market maturity forced them to internationalize.

> "We kept saying we're mature and can't grow anymore in the UK" though every year we do grow, but despite that the impression left is that if we can't grow anymore in the UK, let's try and grow overseas."[228] (Case C).

6.2.2 Discussion: Why the difference?

Why is profit and growth goal the most significant factor in retail sector, but a less important factor in both hotel and HEI sector? I argue that in retail sector the decision is strategic and "self-selection effect" because as noted in the literature, retail business in most developed economies has reached maturity stage, and to have higher productivity levels, internationalization is considered the most important growth strategy. For example, retailers can achieve scale and scope efficiencies, whereby purchase is done in large quantities and excess merchandize directly exported to various countries, thereby retail firms minimise their marginal costs.

In contrast, realization of scale economies is restricted within the hotel sub-sector because production and consumption cannot be separated, and establishment of a physical facility is required in foreign market. Thus, to avoid high transportation costs likely to be incurred in transporting merchandize (e.g. Hotel furniture) from one country to the other, and due to perishability of some products that are essential for hotel firms (edible products including food stuffs), I presume that most hotel firms purchase the required merchandize locally. Moreover, using internationalization strategy to achieve scale economies is difficult in hotel sector, because most hotels find it important to give their hotels a slight regional feeling.[229] Branding is therefore the key strategy adopted by international hotel chains to increase their market share and maximize profits.

These findings match empirical findings of two different studies. For example, Whitla et al., studied motives of internalization among UK hotel chains and concluded that the most influential determinant was market factors (i.e. international customers demanding for similar hotel services in different countries), and that in hotel sector cost driver are constrained by limited economies of scale and standardization opportunities.[230] Similarly, the findings of Vida et al., shows that in mature retail markets, the potential for organic

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[227] Evans et al. 2008, p. 10.
[228] Evans et al. 2008, p. 10.
[229] Whitla; Walters; Davies 2006, p. 780.
[230] Whitla; Walters; Davies 2006, p. 777.

growth in home market is very limited, and internationalization has become an important growth strategy within the retail sector. [231] In this case, I am convinced that the inseparability which hinders separation of production and consumption makes hotel firms to adopt branding as the main profit and growth strategy, whereas in retail, internationalization is the strategy adopted to enhance profit and increase market share.

Why is profit and growth goal the least influential factor within the HEI sector? My assumption is that the dissimilarities is due to the difference in nature of good being offered by Higher education institutions. To illustrate, Goods and services can be grouped as private or public goods /services. A private 'good' is a service provided by private companies in a free market and at cost, with the objective of earning profit. Whereas, public goods are characterized by non-rivalrous consumption and, non-excludability from consumption (impossibility of supplier to exclude potential consumers from consuming the service).[232] Both hotels and retail firms sell private 'goods' with the fundamental objective of increasing sales and maximising profit.

Is education a public or private good? I emphasize that education systems vary significantly from country to country, and this discussion focuses on European education system, since 43% of the survey respondents were from European countries. Like most scholars, I perceive education to be a social good, because education satisfies important social needs (knowledge acquisition), contributes to creation of social welfare, and in majority of European countries, education can be accessed at relatively lower costs. Furthermore the state finances HEIs operations through tax, and HEIs activities are regulated by the responsible government authorities.[233] In general, majority of firms that offer social goods, HEI included are non-profit oriented,[234] hence profit and growth seeking motive is not a major rationale for HEI internationalization, and in my view, while success of profit oriented firms is measured by organization's market share and firms' profitability, instead HEIs' success is determined by the quality of education it offers.

However, it is important to specify that, the global survey to identify HEI internationalization rationale took place in 2003, since then, several policies have changed especially following the 2009 global economic crises. For example, as cost saving strategy most EU reduced the budget allocated for education, since then European HEIs are forced to look for additional sources of income.[235] Profit and growth goal has therefore become a core motive even within HEIs sector. This argument is also supported by De Wit who remarks that "traditional values that have driven international activities in higher education in the past, such as exchange and cooperation, peace and mutual understanding, human capital development, and solidarity, although still present in the vocabulary of international education, have moved to the side-line in a push for competition, revenue, and reputation/branding".[236]

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[231] Vida; Reardon; Fairhurst 2000, p. 37.
[232] Head; Shoup 1969, p. 1–3.
[233] Polcyn 2015, p. 32.
[234] Polcyn 2015, p. 32.
[235] EUobserver 2010.
[236] De Wit 2020, p. 3.

6.2.3 Cross analysis of findings: Spread risk

People-processing services (Hotel)	Possession processing-services (Retail)	Information-based services (HEIs)
• All the three hotel chain admitted that unsuitable conditions in home market (unstable demand, unfouvarable government policies) forced them to internationalize	• Risk spreading did not apper as a determinant of retail decision to operate abroad	• Spreading risk was not named by any of the HEIs as a driver of internationalization decision

Table 9: Cross data analysis: Spread risks

Source: Own table

The need to spread risks is the main motives for Thai hotels to internationalize, whereby the interviewees considered internationalization to be a means to diversify risks and reduce over dependency on home market. In addition, by operating across borders, the firms can respond to fluctuations in demand resulting from natural calamities e.g. Tsunami, Covid-19 pandemic, and political unrest (Gulf war), terrorism or even global recession. In addition, majority of the managers interviewed also complained about Thailand's unfavourable policies and legal restrictions towards hotel businesses. For example, the ban on selling alcohol after midnight has contributed to hotel s reporting low revenues since most of the revue is generated from sale of food and beverage. [237]

> *"Some of the legal restrictions really do not support our operation, such as prohibiting selling alcohol after midnight. Frequently, there are many hotel guests having a late check-in after midnight, especially foreigners. When they order an alcoholic beverage such as beer, we cannot serve them. This leads to receiving many complaints and losing some customers".[238] (Hotel managing of HCC)*

6.2.4 Discussion: Why the difference?

The motive to spread risk is a very important stimuli within the tourism/hotel sector. In contrast, the need to spread risk was not named as a motive neither by retailer nor by HEI administrators. The hotel managers explained that fluctuation of demand for hotel services in home market forced the firm to expand operation beyond Thailand. What causes demand instability in hotel sector? First, I argue that it is the nature of the services rendered by hotels that contributes towards the regular changes in demand. For instance, whereas retailer and education services can be categorized as necessity services (essential goods and services e.g. food, clothing, and shelter which individuals need to survive, or services/goods that are important for a certain minimum standard-of-living to be maintained).[239] In comparison, hotel services are to greater extent non-essential/luxury services, and a major feature of non-essential/luxury services is that demand for the services is highly responsive to changes in

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[237] Rodtook; Altinay 2013, p. 11.
[238] Rodtook; Altinay 2013, p. 11.
[239] Bochanczyk-Kupka n. y., p. 260.

income, such that a decrease in income results to decrease in demand for hotel services and vice versa.[240] This therefore explains the necessity for firms operating in hotel/tourism sector to diversify investment in foreign markets and be able to deal with uncertainty of demand in home market. To illustrate, in most economies, the current pandemic of COVID 19 has led to temporary lockdown of business premises, and some employee experienced a loss of or decrease in income. Consequently, consumers are most likely to cut expenditure on non-essential goods and services such as travelling and sightseeing.

In comparison, risk management issues in retail sector are related to inventory management (the need to avoid over or understocking), damage to inventory (e.g. as a result of natural calamities), and theft of physical items.[241] Therefore, internationalization strategy is not likely to help retailers minimize these risks. Further, some managers perceive retail internationalization as a long, risky, complex and expensive process with very high failure rate, and so to reduce risks most retailers prefer to limit their operations to only a few markets.[242]

Finally, in relation to HEIs, as stated earlier, education in most European countries is viewed as a social good , fees charged per student is relatively low, and the funding is majorly done by the state through taxes, consequently changes in income has minimal impact on the demand for educational services. However, due to aging demographic, risk spreading is likely to emerge an important driver of HEI's internationalization decision in future. (This topic is discussed in the next chapter of this paper)

To summarize, risk spreading is an important motive only in hotel sector. Based on the analysis I conclude that the difference is not caused by any of the distinctive service characteristics, rather the difference can be explained by income elasticity of demand that allows to distinguish necessity from luxury goods/services.[243]

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[240] 'OECD Glossary of Statistical Terms - Income elasticity of demand Definition' 2002.
[241] The European Business Review 2021.
[242] Knezevic; Delic 2015, p. 43.
[243] Calvet; Comon 2003, p. 1.

6.3   Managerial Characteristics

One of the main factors which determines a firm's international orientation is the characteristics of its management team, and Teece emphasizes that value (i.e. increase growth and profit) is achieved not only by minimizing transaction costs but also by exploiting (through management actions) the transfer of implicit and intangible assets.[244]

6.3.1 Cross analysis of findings: Managerial vision

People-processing services (Hotel)	Possession processing-services (Retail)	Information-based services (HEIs)
• The urge to become a global brand influenced the firm's decison to internationalize	• The company vision of being a worldwide brand was also mentioned as a internalization stimuli	• Managerial urge not listed as a driver

Table 10: Cross data analysis: Managerial vision

Source: Own data

The urge of managers to have a global brand is an important driver in both hotel and retail sector. A brand is commonly defined as 'a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers'.[245] As stated in the literature, there is no formula to calculate brand equity, however it is agreed that, brand awareness (i.e. brand recognition and recall) plus brand image are major components in determining a firm's brand equity. [246] Among others, positive brand equity allows a firm to charge price premiums, and earn above average returns. [247] This is important particularly in business environment with intensified competition e.g. in hotel and retail sectors.

For example, one US retailer reported that:

> "We do want to be a worldwide brand and one way of doing that is by store presence in a number of different countries, obviously"[248] (Case K).

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[244] Teece 2021, p. 24.
[245] Brodie 2009, p. 106.
[246] Cai; Hobson 2004, p. 198–200.
[247] Dev 2012, p. 13–19.
[248] Evans et al. 2008, p. 10.

6.3.2 Discussion: Why the difference?

Unlike in hotel and retail sectors, managerial vison is not a common driver of HEIs decision to internationalize. I presume it is because being a social good various stakeholder are involved in the decision-making process i.e. numerous government authorities in home and target country, faculty members, students etc. and therefore entrepreneurship theory of internationalization, which emphasizes on the strategic role of senior manager does not apply.

I must note that, the findings of the survey to a certain extent contradicts what is stated in the literature. For example, according to various sources, international ranking of HEIs (specifically universities) is a global trend and HEIs strive to become 'world-class' institutions. High ranking enhances the institution's profile, helps institutions get additional funds from the government, and contributes towards the attraction of highly talented students from different nations. [249] Being that international orientation of an institution is one of the major dimensions applied to rank universities, in my opinion, one of the implicit rationale for internationalization within the HEIs sector, is the urge to improve the profile of the institution and earn prestige along with other benefits that are associated with high international rankings.

From the analysis of findings, it is not evident that the difference in motives arises from the variation in characteristics of services offered by respective firms, rather I argue that it is due to the difference in industry structure as explained by Porter (1980), whereby education sector is to a larger extend characterized by high entry barrier and low competition (national policies governing education), as well as low threat from substitute, consequently the urge to operate across borders is relatively low among HEIs administrators. In contrast, to ensure survival in the dynamic business environment characterized by high competition, demand fluctuations, threat from substitute products, and dealing with suppliers and buyers with high bargaining power, most hotel and retail managers tend to be international oriented.

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[249] European Parliament. Directorate General for Parliamentary Research Services. 2020, p. 17.

6.3.3 Cross analysis of findings: Networking

Networks and alliances allow members to share strategic resources (e.g. knowledge) as well as realize synergy.[250].

People-processing services (Hotel)	Possession processing-services (Retail)	Information-based services (HEIs)
• Networking essential in achieving marketing economies	• Network aspect is not a major driver in retail internationalization	• Networking is considered beneficial because of its positive effects such as reduced academic parochialism, synergy realisation, knowldge sharing etc.

Table 11: Cross data analysis: Networking

Source: Own table

Networking appeared as the most significant factor that influences HEIs decision to operate in foreign countries, and from the 12 listed motives almost 50% are related to network issues (mobility and exchanges for students and teachers, teaching and research collaboration, research projects, cooperation and development assistance).

Network and its benefits are perceived differently in hotel sector. To illustrate, unlike in HEI sector where network is associated with building strong ties with other stakeholders, in hotel (as explained by hotel managers, who participated in the interview), internationalization helps the firm expand its internal network in foreign, such that it is possible to lower marketing and advertising costs.

> *"To extend the business means more sharing. Like marketing, the costs are very high to have a sales office abroad. If we have only a few hotels, the costs for this will be higher. But if we have a chain of many hotels and we sell packages and do the same advertising, this will make the cost lower with a higher income"* [251] *(HCA)*

However, this finding contradicts the empirical findings of a study that utilized a sample of 192 Japanese firms operating in hospitality sector. The study adopted business and social network ties as moderating variables to investigate, the role of a dynamic environment, on the relationship between entrepreneurial orientation and organizational performance in hospitality firms. The researchers concluded that "in an uncertain and dynamic environment a higher level of risk and entrepreneurial orientation benefit business performance especially when coupled with strong business and social networks".[252] This therefore means

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[250] Lavie 2021, p. 642.
[251] Rodtook; Altinay 2013, p. 17.
[252] Tajeddini; Martin; Ali 2020, p. 1.

that operating in a strong network is crucial for hotel to survive the dynamic nature of international business environment.

6.3.4 Discussion: Why the difference?

Why is networking fundamental driver of HEI internationalization decision? "Learning-by-doing" effect in which a firm internationalize to gain from knowledge spill overs and increase productivity explains why networking is an important factor that influence HEIs to extend operation to other countries. R&D spill overs refers to firms acquiring information created by others without paying for it, and that the creators cannot sue them for utilizing the information.[253] Further, it is described as both involuntary leakage and voluntary exchange of useful technological information.[254]For instance, in retail and hotel sub-sectors R&D is a crucial dimension of competition, therefore technological or R&D spill overs is undesired, because of fear of exposing company's valuable information to competitors. In comparison, R&D spill overs is beneficial to HEIs and institutions gain from knowledge sharing.

The theory of strategic competition also explains why networking is an important factor that influence HEI internationalization decision, but a less influential factors within retail and hotel sub-sectors. The main assumption of this theory is that, firms seeking to maximize profits, behave non-cooperatively and in case of cooperation, the collusion is often on a temporary basis (with an aim of meeting a specified objective), and the parties involved must sign contracts with strict competition clauses.[255] This implies that the dependency on network is low within sub-sectors where competition and rivalry is intense, as opposed to sub-sectors with low degree of rivalry. Subsequently firms operating in competitive business environment use patents and trademarks to protect their innovations, and licencing and franchising remain the most preferred form of cooperation. [256]

Lastly, as specified in the literature, the major reason for HEI internationalization is to improve the quality of education.[257] Hence my assumption is that, building strong ties with stakeholders, especially with HEIs in foreign countries, facilitates mobility of students and faculty members (for example, by participating in international exchange programmes such as ERASMUS), and allows for exchange of knowledge, enhances mutual learning and benchmarking of curricular, as well as facilitates the exchange of best practices, and results in improve quality of education. Furthermore, network allows HEIs to combine resources (knowledge & finances) required to undertake research. [258]

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[253] Dumont; Meeusen 2000, p. 1–2.
[254] Dumont; Meeusen 2000, p. 1–2.
[255] Shapiro 1989, p. 126.
[256] Shapiro 1989, p. 126.
[257] European Parliament. Directorate General for Parliamentary Research Services. 2020, p. 17.
[258] Hénard; Diamond; Roseveare n. y., p. 7.

6.4   Answer to the main question

The main research question of this study is: How do internationalization motives differ between people-processing services, possession-processing services, and information-based services? And, which service characteristic is responsible for the differences?

To clarify, I will split this research question into two parts, and begin by answering the first part of the main research question: ***How do internationalization motives differ between people-processing services, possession-processing services, and information-based services?***

The outcome of this study clearly indicates that, motives of internationalization to a larger extent differ among people processing services, possession–processing services and information-based services represented by hotel, retail and HEIs sectors respectively. To illustrate profit and growth goal is the only determinant that was mentioned in all the three datasets. However, the importance of this factor differed significantly across the sub-sector I.e. profit and growth goal named the most important reactive driver of retail internationalization decision, whereas the same determinant was viewed as a proactive and ad hoc decision by the interviewees in hotel sector. In HEI sector, profit and growth goal appeared as the least influential factor that drive HEIs to operate in foreign markets.

The second difference is that, as stated in the above paragraph, profit and growth goal is the major driver of retail internationalization. In comparison, risk diversification is the main factor that influence hotel to operate abroad, and networking and the need to improve service quality is named as the core stimuli of internationalization within HEI sector.

Regarding perception of benefits of internationalization, there are clear differences in how sub-sector benefit by operating beyond national borders. For example, the need to achieve scale and scope efficiencies drive retail firms to expand operation abroad. In hotel sector, the benefit of operating abroad is because firms can spread risks and avoid over dependency on home market. In HEIs sector the major benefit of internationalization is that institutions can benchmark their offerings, exchange, and gather knowledge and at the end improve the service quality.

Networking is another determinant that stimulate manager's decision to Internationalize. However, as discussed earlier, the interviewed hotel managers perceived internationalization to be useful in coordinating firms' internal operations and minimise marketing costs. In HEIs sector networking entails building strong ties with external stakeholders e.g. HEIs in foreign countries and be able to benefit from the network e.g. enhance student mobility via exchange programmes.

Finally, the need to 'escape' fierce competition in home market forced retailers to internationalize. Neither hotel firms nor HEIs named fierce competition to be a core motive that influence the firms'' decision to operate abroad. Table 13 visualizes the above discussed findings.

Group	Determinant	Dataset 1 Hotel sector	Dataset 2 Retail sector	Dataset 3 HEIs sector
Dynamic capabilities	Development of differentiated services	✓	✓	
Perception of benefits of internationalization	Profit and growth goals	✓	✓	✓
	Scale and scope efficiencies		✓	
	Risk diversification	✓		
	To enhance service quality			✓
Managerial characteristics	Managerial vision	✓	✓	
	To utilize and benefit from network	✓		✓
	Prestige			✓
Domestic market environment	Fierce competition in home market		✓	

Table 12: Sub-sectoral differences in internationalization motives

Source: Own table

In the next paragraphs I answer the second part of the main research question: *"... Which service characteristic is responsible for the differences?"*

This is the second part of the main research question and entailed critical analysis of the primary research findings and scrutinizing the service sub-sectors in general, to understand why internationalization drivers differ across the sub-sectors. I clarify that, this question was answered in the discussion parts of this chapter, and to avoid repetition, the next paragraph summarizes the findings as per the discussion.

As noted, the results of this study reveal that, indeed the reasons for internationalization differ among hotel, retail services, and HEIs. However, in majority of cases, I could not relate the differences in internationalization motives to distinctive characteristics of the services being offered by respective sub-sector (i.e. people-processing, possession-processing, and information-based services). Rather the findings of this study show that the dissimilarities are caused by various reasons. To begin with, inseparability nature of hotel services, which hinders hotel firm's form achieving scale economies explains why profit and growth goal is not a key driver of hotel internationalization.

Another point is that, the variation in competitive strategies adopted by different sub-sectors i.e. differentiation strategy in retail and hotel sub-sector, compared to standardization strategy that is common within HEIs sector makes the need to internationalize and exploit dynamic capabilities to be a dominant factor in retail and hotel sub-sectors, but not within HEIs sector. Third, income elasticity of demand arising from the difference between the nature of services being offered by retail/HEIs i.e. necessity goods, compared to hotel services that are to a larger extend luxury service, makes risk diversification a significant

determinant in hotel sector. Lastly, it is claimed that retail business in majority of developed economies has reached the maturity stage and internationalization remains a key growth strategy for retailers operating in developed economies.

Another important finding is that, motives are not purely different across sub-sectors; rather it is the degree of significance that differs. For example, the significance of profit and growth motive varies across the three sub-sectors. This finding matches Whitla et al. argument that, strength of drivers varies across industries and sub-sectors.[259]

Based on the findings of this paper, I conclude that, the fundamental cause of sub-sectoral differences in internationalization motives is due to the variation in underlying structures of the respective service sub-sectors. For examples, firms that have to deal with low market entry barriers, high rivalry, availability of substitute services, and low growth in home market are determined to internationalize and compensate for the loss caused by these challenges. On the other hand, firms that do not encounter the above listed challenges, have different reason to internationalize that includes to gather knowledge, networking etc. Furthermore, the findings of this study shows that, distinctive characteristics of services to a great extent fail to explain why internationalization motives differ across service sub-sectors. To be specific, it is only the inseparability nature of hotel services, which in my opinion, hinders achievement of scale economies that explains why profit and growth motives differ between retail and hotel firms.

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[259] Whitla; Walters; Davies 2006, p. 778.

7. Key trends and Impact on Internationalization Motives

As stated in WTO 2019 report, predicting how services trade is likely to evolve in the future is not an easy task. Nonetheless, the report identifies four major trends expected to affect services trade in the future: digital technologies, demographic changes, the impact of climate change and rising incomes.[260] The report goes further to explain that these changes will all act as disruptors, potentially reducing trade costs, creating shifts in demand, and creating new markets.[261] The objective of this section is to determine how digital technologies, demographic changes and the impact of climate change will affect the internationalization motives of service firms in future. Due to time and space constrain, the trends will be discussed only in relation to the sub-sector in which the changes are expected to have a significant impact.

7.1   Digital Innovation

Reports show that, by enabling cross-border trade for services that traditionally needed face-to-face interaction, digital technologies will reduce the cost of trading in services and lower barriers to entry. [262]

Digital innovation in retail and possible impact on internationalization motives

Like in many sectors, digital transformation is currently also being witnessed in retail sector, and examples include the growth of e-commerce 5G connection system, block chain technology, internet of things (IOT), artificial intelligence (AI) and multi-sided platforms.[263] In this paper, I discuss digital innovation that might help international retailers address the current issue of last mile delivery namely, development of autonomous vehicles (AVs).[264] Additionally, I analyse how 3D printers, together with AI, robotics and IoT, might influence firms' internationalization motives in future.

Autonomous vehicles

A part from facing stiff competition from big players such as Amazon, Alibaba and co., international retailers struggle to address the issue of last-mile delivery, as well as respond to the rise of customers demanding for regional products. Financial times describes last mile as "the final, short segment of the end-to-end origin to destination route products take to get to customers."[265]

Autonomous vehicles (AVs) are vehicles operating both on the ground, air and sea, and can be operated automatically.[266] It is predicted that by 2022 there will be approximately 1.8 billion autonomous vehicles.[267] I believe that the self-driven vehicles and drones will have a great impact on retail internationalization, such that retailers will be able to solve both the

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[260] 'World Trade Report 2019: The future of services trade' 2019, p. 6.
[261] 'World Trade Report 2019: The future of services trade' 2019, p. 9.
[262] Same as above
[263] 'Retail - transformation in the retail industry and retailing business' 2021.
[264] European Parliament. Directorate General for Parliamentary Research Services. 2015, p. 2.
[265] Financial times 2020.
[266] European Parliament. Directorate General for Parliamentary Research Services. 2015, p. 2.
[267] European Parliament. Directorate General for Parliamentary Research Services. 2015, p. 2.

problem of last mile delivery and also respond to consumers demand for regional products. How? I argue that future international retail business will consist majorly of small and medium sized retailers who specialize in the sale and distribution of regionally produced goods to bordering countries via drones and other AVs. For example, local retailers from Vorarlberg province (who sale local brand 'ländle' expanding operation to Germany, Liechtenstein, and Switzerland. Consequently, the expected impacts on internationalization motive is that the group of retailers offering these services can claim that the decision to operate across border was influenced by the company's need to respond to sustainable consumerisms.

3D printers

3D printing is the second digital innovation that is expected to have a great impact on retailer operations in the future. 3D printing refers to a manufacturing technology for making three-dimensional objects using a digital model. [268] The likely impact of 3D printer in retail sector is that, consumers will adopt the concept of Do-it-yourself (DIY), such that consumers will be able to design and print their own products in the comfort of their own homes. [269] What is the likely impact of 3D printer on retail internationalization, specifically how will this trend influence future internationalization drivers within the retail sector? I suppose that, only a few customers will buy finished products online or in stores, rather the future purchase to be dominated by individuals buying raw material required by the customers to print the product. In consequence, the product assortment in retail stores will change from storage of finished goods to include selling of 'raw materials. Thus, network seeking is likely to become an important determinant in retail internationalization, because in my opinion, digital technology is complex and requires international retailers to coordinate and cooperate with suppliers of the raw materials, manufactures of the 3D printers and perhaps the software manufacturing companies.

5G connection system and big data

5G connection refers to next generation of mobile internet connection that allows for very fast data download and upload. In international retail, 5G has huge potential to allow for faster insights into customer behaviour and preferences.[270] Historically companies have been managed by intuition and experience, however through big data, it is possible to decode data on customer behaviours and emerging trends based on real time information, and be able to forecast on supply and demand patterns with very high degree of certainty. This implies that, big data enhance the quality of decision making and minimizes the liability of foreignness.[271]

As stated earlier, some retailers perceive internationalization as a complex, expensive and risky process and therefore prefer to operate in a few markets. I presume that in future, the liability of foreignness will significantly decrease due to digital transformation, and that more retailers' especially small and middle-sized firms will be motivated to operate beyond national borders, because of the low cost and less riskiness of internationalization process.

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[268] European Parliament. Directorate General for Parliamentary Research Services. 2015, p. 2.
[269] European Parliament. Directorate General for Parliamentary Research Services. 2015, p. 5–6.
[270] 'What is 5G and what will it mean for you?' 2020.
[271] 'How Can Big Data Contribute To Digital Marketing Success?' n. y.

For example, fewer resources will be required to carry out market research, or to establish own facilities in foreign market.

In below diagram, I summarize the probable impact of digital transformation on firms' internationalization decision.

5G Technology: *Low internationalization cost via Pop-Up Stores*

- It allows for faster insights into customer behaviour and preferences
- **How will 5G connection influence retail internationalization decision?**
- Through 5G, it is possible to use pop-up stores to provide a full omni channel experience to customers. I.e Retailers use portable telecommunications infrastructure (e.g VR; AR) to quickly connect the digital and the physical via pop-up stores
  - Pop-up stores have the advantage of low-cost to market a brand.

Big data: *Reduction of liabilty of foreignness*

- Big data allows to access and decode data on customer behaviors and emerging trends based on real time information. Consequently, there is certainty in forercast of supply and demand patterns even in foreign markets and this minimizes the liability of foreigness which is a major barrier to internationalization.
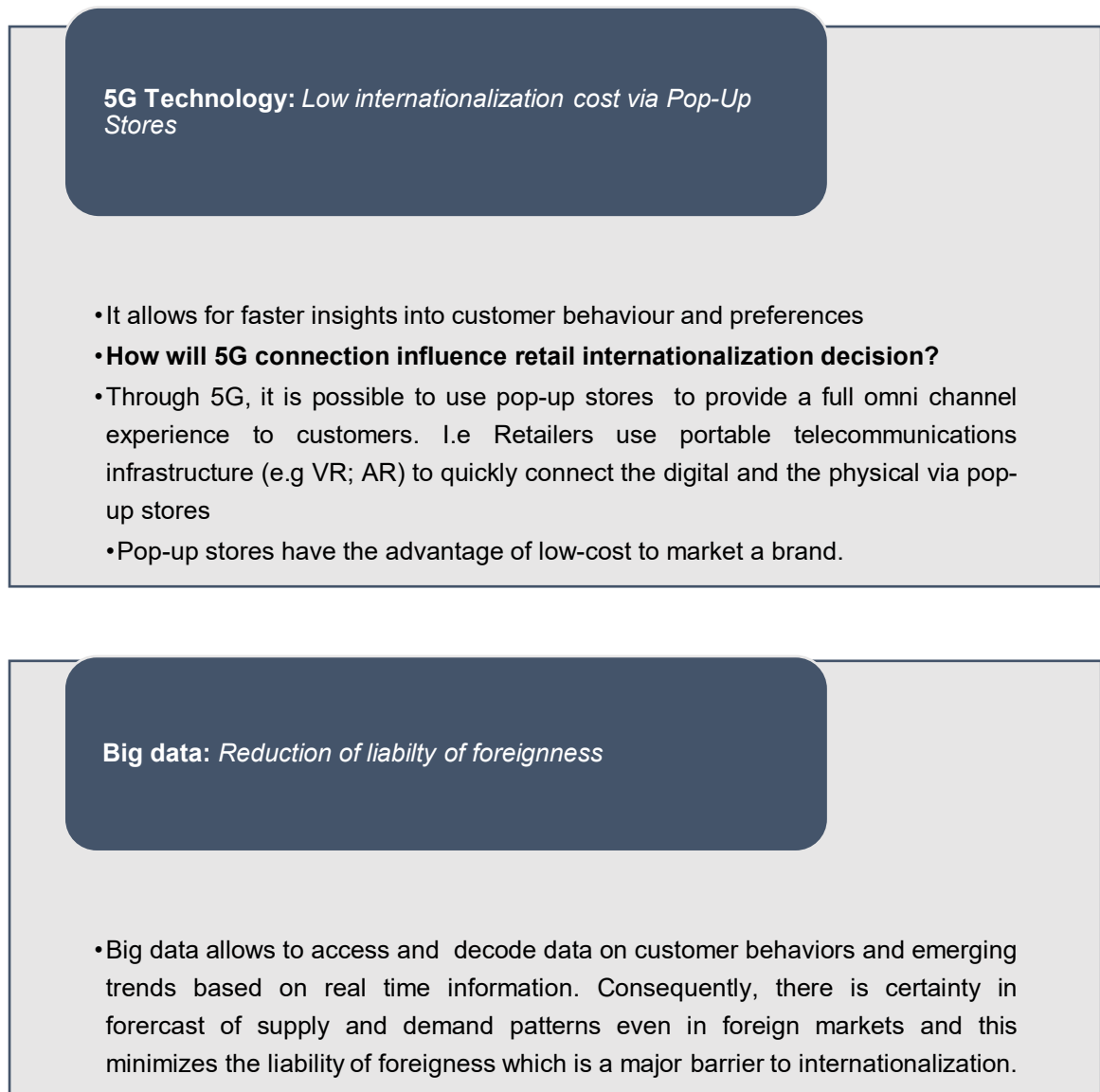
Figure 16: Impacts of digital transformation on internationalization motives

Source: Own diagram

Digital innovation in HEIs sector and possible impact on internationalization motives

HEIs are faced with two main issues; the first one being that, in majority of European countries, the global economic crisis in 2009 led to reduction of education budget, and since then, institutions are forced to look for additional sources of income.[272] Second, the constant technological changes experienced in modern business environment had led to increase in demand for life-long learning.[273] How should HEIs address this issues? Massive Open Online Courses (MOOCs) is the trend within HEIs sector, and refers to online courses hosted on bespoke platforms and can be accessed simultaneously by thousands of students located in different corners of the globe.[274] Through MOOCs, HEIs can offer long-term educational services to international students, who demand for life-long education. Thus, I am convinced that, HEIs will in future strive to build a strong brand that is globally known and enhance their competitiveness in international markets. For instance, international brand awareness leads to brand loyalty, which again allows for regular purchase of educational services.

7.2   Demographic Changes

Demographic changes in HEIs: Impact on internationalization motives

One of the core factors that influences demand for goods and service is population's age structure.[275] According to statistics, population in developed countries is ageing, whereas the population in developing countries is composed majorly of young people (i.e. 18 to 25 year-old age).[276] As a result, the aging population in developed economies demand for health services, whereas the demand for education in developing and underdeveloped economies is increasing. From my perspective, HEIs in developed economies will be forced to expand operations (inward or outward internationalization) to seek and serve potential international customers and compensate for decreasing demand in home market, as well as hinder the underutilization of resources. Concisely customer seeking, decreasing demand in home market and profit/growth motives will become major stimuli of HEIs decision to internationalize.

7.3   Climate Change

Impact of climate change on internationalization motives of retail and hotel

Conscious consumerism is a trend that is currently witnessed in all sectors of economy including retail sector. Companies are under pressure to ensure sustainable operations and assure customers that both the brand and services offered are sustainable. Notably, retail sector has in the past been criticized for playing a major role in the perpetuation of climate change. For example, destroying or burning excess merchandise is a common practice

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[272] EUobserver 2010.
[273] London 2011, p. 1.
[274] European Parliament. Directorate General for Parliamentary Research Services. 2015, p. 7–8.
[275] Hénard; Diamond; Roseveare n. y., p. 7.
[276] World Health Organization 2011, p. 3–4.

within the fashion industry.[277] On a similar note, in Germany, Amazon have been accused for destroying huge amount of as-new and returned merchandize.[278] In the past, such practices had minimal to zero impact on a brand image, however in the modern business environment, social responsibility is essential not only for brand image, but also for long-term survival of the firm. Hence my belief that, retailers will have to adopt strategies that preserve the brand image and contribute towards the achievement of sustainable competitive advantage. For example, instead of burning or destroying excess production, retailers will sell their excess production in foreign market. Consequently, retail managers will name 'social responsibility' as one of the factors that influenced the company's decision to operate abroad.

Climate change and global warming poses a great threat to tourism sector. For example, beach erosion, higher sea levels, surges and storms is likely to have negative impact on coastal tourism. Furthermore, the demand for winter sports in mountain regions is predicted to decrease because longer summer season and short winter period.[279] Thus my assumption is that in future a common motive in hotel /recreational firms will be natural resource seeking motive. To explain, due to short winter period, the return on investments will decrease, subsequently, hotel chains that in the past specialized in offering winter recreational services will be forced to diversify their product portfolio by investing in countries endowed with different natural resources such as tropical climate.

7.4 Answer to research sub-question

"What are the key trends in service sector, and how are they likely to affect services firms' internationalization decision in the future?"

This paper has discussed three key trends likely to affect services trade in the future: digital transformation, demographic changes, and the impact of climate change. From the discussions, it is apparent that, current trends in the service sector are likely to have impact on service firm's internationalization decision. For example, I anticipate that, technological innovation (AVs) will influence small and middle-sized firms expand operations to bordering countries and sell 'regional products' to consumer who value sustainable consumerism.

Interestingly, network has been an important source of market information. However, in future, IoT and big data will accelerate data collection and decoding process, such that retailers can access real time information about customer buying behaviours, trends in various target markets, as well as information on degree of competition. This implies that the importance of networking as source of market information might decline in future. Instead, I presume that, international retailers will be required to establish strong ties with various stakeholders, more specifically with IT firms to gather knowledge on how to coordinate and manage technology, and later pass this know-how to consumers.

Another prediction is that, considering that the trend of consumers demanding for regional and sustainable products is growing rapidly, makes me believe that, instead of globalization, Glocalization strategy is likely to be adopted by majority of multinational retailers, which

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[277] Vox 2018.
[278] Fortune 2018.
[279] World Tourism Organization 2003, p. 8.

implies that cooperation with local manufacturers and suppliers will intensify, such that international retailers can offer regional products to domestic customers. In general, I argue that in future, there is the tendency of 'need to build strong relationship with various stakeholder' emerging to be an influential factor that drive retailers decision to internationalize.

The motive to use internationalization as a vehicle to transport brand name, create brand awareness and increase brand equity will emerge an influential driver of HEI internationalization decision, and this makes this motive (managerial urge to build a strong brand) become a significant motive in majority of service sub-sectors. On the same note, the availability of real time market information, that leads to decrease in liabilities of foreignness, together with reduction in amount of resources required to conduct international market research, might greatly influence service firms to operate abroad.

The demographic change in developed economies (more aging population) will force HEIs to seek growth or avoid underutilization of resources through internationalization. In this case, growth seeking motive will become an important driver of HEI internationalization decision. The current issue of climate change, diminishing of natural resources in home market, will force hotel/tourism firms to invest in countries endowed with different natural resources, implying that traditional motive of natural resource seeking might remerge as a fundamental factor that drives hotel internationalization decision.

I conclude that, indeed the current trends will influence service firm's internationalization decision. However, the impact of these trends towards firm's internationalization motives varies across the sub-sectors. For example, demographic changes might have great impact on HEIs internationalization, and digital innovation in retail sector. Again, the trends will not lead to emergence of completely new internationalization motives; rather it is the significance of the existing motives that is likely to change across the sub-sectors. I.e. traditional factors such as natural resource seeking and customer following motives will gain importance in HEIs and hotel sector respectively. From my perspective three important new motives will result from the current trends: (1) Social responsibility and the need to contribute towards the environmental well-being (2) The need to provide regional products to neighbouring nations and respond to consumers' demand for sustainable consumerism (3) Decision to penetrate foreign markets facilitated by the low risks and low cost of internationalization process.

The table below summarizes these findings. The future motives (marked in green tick symbol ☑) are presented against the current motive ✓ (representing hotel sector) ✓ (represents retail sector); and ✓ (represents HEIs).

Group	Determinant	Dataset 1 Hotel sector	Dataset 2 Retail sector	Dataset 3 HEIs sector
Dynamic capabilities	Development of differentiated services	✓	✓	
Perception of benefits and risks	Profit and growth goals	✓	✓	✓ ☑
	Scale and scope efficiencies		✓	
	Spread risks	✓		
	Enhances service quality			✓
	Prestige			✓
Managerial characteristics	Managerial / Corporate vision	✓	✓	☑
	Networking		☑	✓
Degree of competition in domestic market	Fierce competition in home market		✓	
Other motives	Customer seeking motives			☑
	Natural resource seeking	☑		
	Social responsibility		☑	
	To respond to sustainable consumerism	☑		☑

Table 13: Comparison of motives (current versus future)

Source: Own table

8. Final Remarks

This study is perhaps the first explorative study that, exclusively focused on analysing the differences in internationalization motives at sub-sectoral level within the service sector, and examines the service characteristic that might be causing the differences, as well as the first study to forecast on the possible future internationalization motives based on current trends.

One key message of this study is that, it is incorrect to assume that, the sub-sectoral differences in internationalization motives purely lies on the distinctive characteristics of services, I argue that the variation in underlying structures of the respective service sub-sectors is the fundamental cause of sub-sectoral differences in internationalization motives. For examples, firms faced by low market entry barriers, high rivalry, availability of substitute services will be influenced to internationalize and compensate for the loss caused by these challenges. On the other hand, firms that do not encounter the above listed challenges, have different reason to internationalize, for example, to gather knowledge, networking etc. Other factors such as distinctive characteristics of service, firm's competitive strategies, income elasticity of demand, and life-cycle stage of the service sub-sector also contribute to the differences in internationalization motives.

Regarding the sub-question of this study, it is evident that the current trends are likely to have an impact on firms' rationale to operate beyond domestic borders. For instance, I predict that three new motives will emerge from the identified trends; (1) Company's need to be socially responsible and contribute towards the environmental well-being;(2) The urge to provide regional products to neighbouring nations and respond to consumers' demand for sustainable consumerism; (3) Decision to penetrate foreign markets will be facilitated by the low risks and low cost of internationalization. Another prediction is that the significance of some drivers will change across sub-sectors. For example networking as source of market information is likely to become a less influential determinant in majority of the sub-sectors, since digital transformation will allow firms to access and collect real time information about the target market.

8.1   Relevance to the business environment

The present study makes contribution to the field of service firms' internationalization strategy. More specifically, the findings of this study highlight how factor analysis at sub-sector level can help researchers detect the differences within the service sector. To illustrate, whereas majority of previous research examined internationalization drivers of a specific service firm e.g. retail, banks, insurance etc., this study acknowledges the heterogeneous nature of services and performs a cross sector analysis to determine how internationalization motives differ across service sub-sectors. Therefore, I strongly believe that since this paper considered the diversity in service sector, the findings of this study is general, and can be used by managers while making decision concerning firm internationalization strategy.

As stated in the literature, there has been a continuous discussion, whether theories of internationalization should be adopted to meet the distinctive characteristics of services,

and I quote a statement from a previous section of this paper "some researches question whether, it is correct to analyse internationalization strategy of service firms using the traditional theories, which were initially developed to examine the internationalization process of manufacturing firms. On the other hand, a different group of authors argue that, internationalization of service companies and manufacturing industries go through a similar process, and therefore developing new theories or adjusting the existing models is unnecessary.[280] The last group of authors acknowledges the heterogeneity of services and recommend that, study on service internationalization be done at sub-sectoral level within the service sector."[281]

This paper analysed the motives of internationalization within the service sector, using a framework based on three traditional theories of internationalization (RBV, TCT and Network approach). The findings show that, that majority of the drivers named by the respondents are indeed addressed by the existing theories. However, it is important to specify that, as claimed by Whitla et al, the strength or importance of the driver, and to some extend the interpretation of the driver differ from sector to sector. [282] To illustrate, profit and growth motive was regarded a proactive factor in tourism sector, but in retail sector, it was categorized as both reactive and proactive motive. Also, in HEIs sector profit and growth goal appeared as the least influential driver, whereas it was regarded as one of the most important stimuli in hotel and retail sector. Interestingly, the results of this paper indicate that, in each sub-sector a different theory best explains the internationalization motives. For instance, within the hotel sector the most significant driver relates to RBV approach, in which hotels exploit their unique and superior capabilities to create strong brand and internationalize to create brand awareness and win brand loyalty, in consequence hotels benefit from high brand value.

Transaction cost theory best explains internationalization drivers within the retail sector, because all the interviewees stated that internationalization strategy was adapted to help the firm reduce operations costs (through scale and scope economies) and achieve profit and growth goals. Finally, from the 12 drivers listed in HEIs survey report, more than half of the internationalization motives strongly relate to the assumption of network approach (e.g. cooperation and development, research projects, regional issues, and integration etc.) networking.

Surprisingly the results of this shows that the importance of operating in network to gather market knowledge might diminish due to digital transformation that enhances access of real time information. Nevertheless, digitalization and the complex nature of technology, and the increasing demand for local products will require service firms to build strong ties with IT firms' local producers, software providers, technical engineering company etc. Moreover, the factor of managerial vision discussed in international entrepreneurship theory, is emerging as an influential driver in all the three sub-sectors. In summary, the findings of this research show that, manufacturing theories are relevant to analyse service sector internationalization strategy.

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[280] Carneiro; Rocha; Ferreira da Silva 2008, p. 89.
[281] Moreira et al. 2013, p. 248.
[282] Whitla; Walters; Davies 2006, p. 778.

Again, the relevance of this study is not questionable because, considering the dynamic nature of international business environment geared by rapid technological developments together with political, social, and institutional changes, it will be wrong to assume that internationalization motives are static. Notably, John Dunning also reviewed his list of motives in response to the changes in businesses environment, and many scholars emphasize the need to ensure that international business (IB) theories focus more on how firm's behaviour change over time.[283] This research analysed the key trends in the service sector and identified new possible internationalization motives, as well as predicted the motives that are most likely to dominate service sub-sectors.

8.1   Limitation and future research

To answer the main question of this paper, I relied on analysing the findings from three different data sets, that were collected by different researchers, using different data collection and data analysis methods, moreover the objectives of the original research slightly differed from the goal of this master thesis. Consequently a few limitations were spotted, and the first limitation relates to the issue of exclusively relying on secondary data as major source of data. As stated in the textbooks, one of the major disadvantages of using secondary data is that there is no real control over data quality. Even though I evaluated the quality of the chosen datasets against the criteria described in section 4.4 of this paper, nevertheless I still recommend that further research to determine difference in internationalization motives to be based on primary research, which allows for collection of first-hand and up-to-date data.

Second, the revised framework used in data analysis process was based on Resource based view, transaction cost theory and Network approach. The results indicate that majority of the identified motives are indeed addressed by the three theories. Nevertheless, incorporating Uppsala and Entrepreneurships theory might have led to creation of more determinants and simplified the categorization of motives. Hence my suggestion that future researchers to improve the revised framework by integrating additional theories.

The service taxonomy adopted in this study is too broad and generalizing some findings of this paper can be questioned. I suggest that the next study that compares internationalization motives in service sector be done not across sub-sectors, but within the sub-sectors, since this will allow for generalizability of the findings. Most importantly future research should consider factors such as firms' size, age, type of ownership etc.

Lastly, this study has identified three new motives that are likely to arise from current trends: (1) Social responsibility and the need to contribute towards the environmental well-being (2) The need to provide regional products to neighbouring nations and respond to consumers' demand for sustainable consumerism (3) Decision to penetrate foreign markets facilitated by the low risks and low cost of internationalization. It could be interesting, if future studies can examine, the extent to which the newly identified motives influence service firms' internationalization decision. If the relevance and accuracy of this motives is proven, then

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[283] Surdu; Greve; Benito 2020, p. 1.

findings of this master thesis shall have contributed towards theoretical development in international business.

8.2   Reflection

I chose to undertake research on the topic of factors that influence service firms decision to operate abroad because, for the past 10 years I have worked for an international logistics company, in the network development department and I have witnessed the company's new ventures in foreign markets fail after a relatively short period of existence. Additionally, digital transformation and climate change are some of the major issues currently discussed in professional environment, therefore I decided to integrate these topics in this research project, and examine how these issues will impact service internationalization decision in future.

Since numerous studies on service internationalization already exists, I had to scrutinize the literature to learn more about the topic and identify the research gap. After a while, I developed a conceptual framework built on the three theories of internationalization i.e. RBV, transaction cost theory and network approach. The two dimensional framework was used to compare how internationalization factors differed across service sub-sectors and the findings helped in answering the main research question of this study. Besides, by referring to various reports published by reputable international organizations, I gained deep insight on the key trends in the service, and I applied this information to answer the sub-question of this study. I therefore conclude that both the main goal and the sub-objective of this master thesis are achieved, and the understanding of how and why factors that influence firms' decision to internationalize differ across service sub-sectors is enhanced. However as recommended, there is still need to undertake more research and address the issue that this study failed to cover.

In sum, through this research project, I have gathered very important information on internationalization strategy of service firms, particularly, I gained insight on the current trends in the service sector. Moreover, my research and data analysis skills are enhanced, and I am confident that the gained know-how will be beneficial in my future career, especially while performing market research and analysis

The biggest problem I experienced during this research process was the difficulty to identify suitable data sets that fulfilled all the quality criteria, and which I could base my work on. Another problem was that, majority of text books discuss the advantages and disadvantages of using secondary data but fail to highlight on techniques that are suitable to analyse secondary data collected from different datasets, and my effort to get a sample of past master thesis that used secondary data in OPUS (FH database) was also futile. Therefore, I was forced to undertake intensive research from various sources and use the gathered knowledge to devise a strategy, which allowed me to integrate data from three different datasets and analyse the findings.

If I had the possibility to do this research again, I would conduct an empirical study that involves various service firms operating within the same sub-sector, this will enable me gather first-hand information on factors that influence respective firms to internationalize.

Thereafter, I would analyse the internationalization motives using a combination of internationalization theories, and at the end perform pattern matching to compare the predicted theoretical pattern with the observed empirical pattern.

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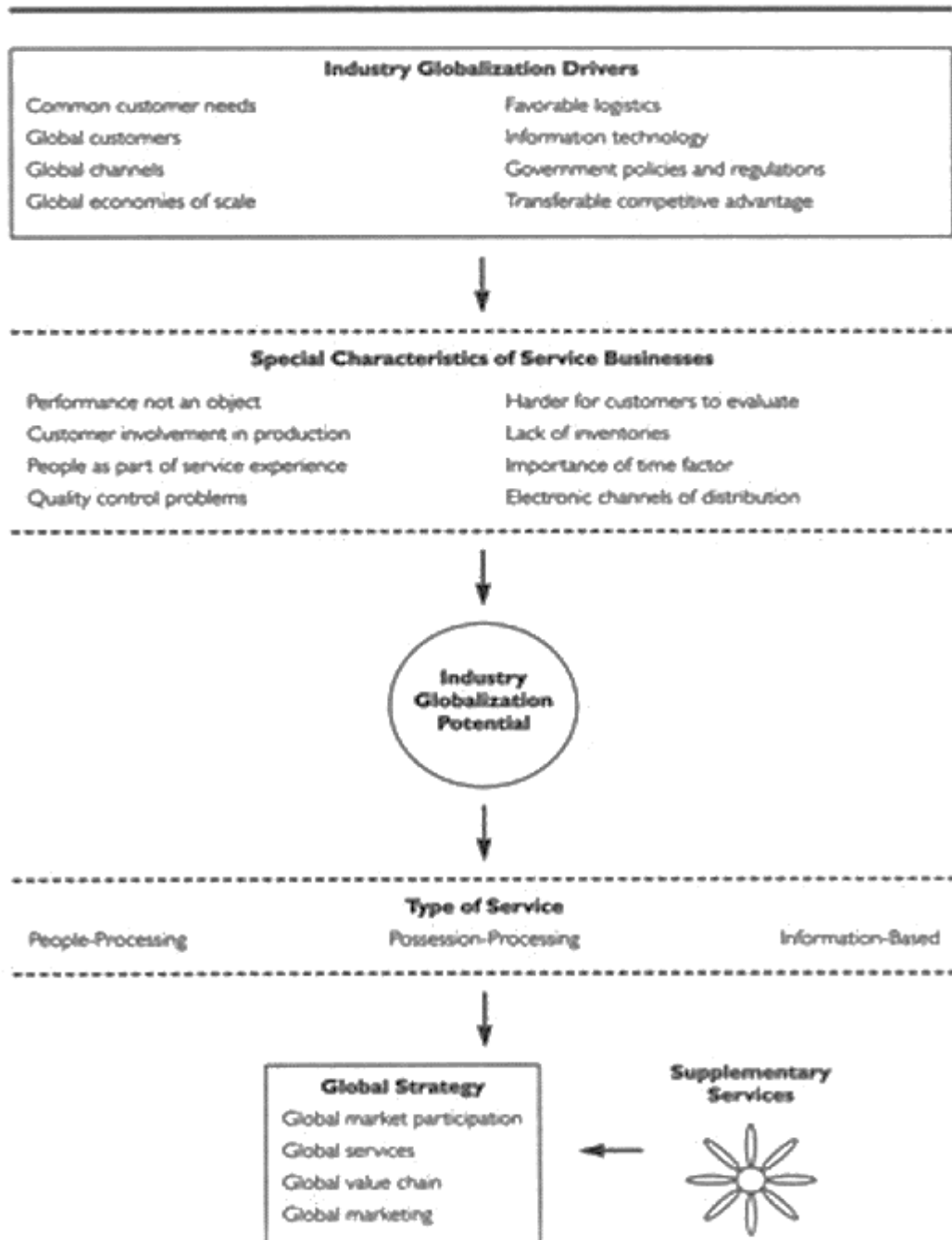
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Appendix

Globalization Framework for Service Businesses

Industry Globalization Drivers

Common customer needs

Global customers

Global channels

Global economies of scale

Favorable logistics

Information technology

Government policies and regulations

Transferable competitive advantage

Special Characteristics of Service Businesses

Performance not an object

Customer involvement in production

People as part of service experience

Quality control problems

Harder for customers to evaluate

Lack of inventories

Importance of time factor

Electronic channels of distribution

Industry Globalization Potential

Type of Service

People-Processing

Possession-Processing

Information-Based

Global Strategy

Global market participation

Global services

Global value chain

Global marketing

Supplementary Services

Source: Lovelock; Yip 1996a, p. 66–69.

Statement of Affirmation

I hereby declare that all parts of this thesis were exclusively prepared by me, without using resources other than those stated above. The thoughts taken directly or indirectly from external sources are appropriately annotated. This thesis or parts of it were not previously submitted to any other academic institution and have not yet been published.

Dornbirn, 09. 07.2021   Domtila Wäger