AN ECLECTIC INVESTIGATION OF TOURISM MULTINATIONALS: EVIDENCE FROM GREECE[♥]

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ABSTRACT

This paper analyses determinants of profitability differences between subsidiaries of Multinational Enterprises (MNEs) and Domestic Enterprises (DMEs) in the tourism industry, using firm level data. Previous studies focus on the hypothesis that ownership-specific advantages are a major determinant of performance differences. This paper explores performance issues using the eclectic paradigm configuration of tourism multinationals (NACE=55), operating in Greece and a panel dataset for 95 firms and 10 years. A quantile regression technique is used to estimate the proposed model. Results indicate that, overall, MNEs out-perform their domestic competitors and are generally larger in terms of size. The study reveals, though, that when breaking MNEs into majority and minority owned, the latter perform better, as they make substantial use of local partners. These partners contribute with knowledge of the local market, which is an important aspect for the tourism industry. Finally, the authors discuss the conclusions and managerial implications of the findings.

Key Words: Greece, Tourism industry, Hotel sector, Multinational Enterprise Subsidiaries (MNES), Performance

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[♥] The authors would like to thank two anonymous reviewers for their constructive comments and suggestions as well as Dimitri Stergiou, Technical Institute of Patras for his help to the review process. The usual disclaimer applies.

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1. INTRODUCTION

Substantial effort has been devoted in the last decade to enhancing the theoretical insights of the application of conceptual models to tourism, but a paucity of studies have considered the international hotel sector, e.g. Mace (1995), Litteljohn (1997) and Johnson and Vanetti (2005). The performance of international hotels has long been a topic of interest to academics, who adopt a plethora of approaches, such as: finance, e.g. Phillips, and Sipahioglu (2004), economics, e.g. Chen and Dimou (2005) and international business, e.g. Quer, Claver and Andreu (2007).

The academic literature over the past three decades reveals an emphasis on tourism planning and economic dimensions on Greece (Galani-Moutafi, 2004). Despite the growing popularity of tourism management studies, the extant literature, on Greek and international tourism, mainly contains contributions in the sociological and economics fields (Galani-Moutafi, 2004). According to Altinay (2006) and Lee (2007) the investigation of hospitality industry's internationalisation process is at "embryonic" stage. The current literature covers a variety of subjects, with no common starting point to the investigation of the Greek case. The only common aspect is the willingness of Greeks to provide not only high quality tourism services but also to further expand the sector in Greece (Haralambopoulos and Pizam, 1996). The paucity of studies on the Greek tourism industry which adopts an international business and strategy perspective is surprising low, despite the fact that Greece is a popular destination and has attracted a substantial amount of Foreign Direct Investment (FDI) (Filippaios, 2006). One of the key aims of this paper is to fill this gap in the literature. Moreover, by using the Greek case as an example, we make a contribution to the current literature by providing a coherent framework for further research in the international tourism industry.

As revealed by the above discussion, two are the key shortcomings of the literature until now. The first refers to the rather fragmented approach that most studies adopt when analysing the tourism industry (Litteljohn, Roper, and Altinay, 2007). Most of the studies are primarily adopting a sociological perspective whilst the vast majority of studies that come with an international business background usually refer to specific case studies in the hotel sector and thus the generalisation of their result is rather ambiguous. The second gap is country specific and refers to Greece. Although Greece has grown immensely as a tourist destination and a vast majority of international hotel chains have already established their presence, the phenomenon has not attracted the researchers' interest primarily due to data consistency and availability. The case of Greece is interesting for the international literature as it combines as tourism destination a variety of characteristics that not many other countries have. It is a whole year destination with an interesting geographical dimension, i.e. a large amount of islands and coastline.

The paper explores performance issues using the eclectic paradigm (Dunning, 2001;1993) configuration of tourism multinationals operating in Greece. Earlier studies have used this framework to identify the main aspects of internationalisation in the tourism sector (Dunning and Kundu, 1995;Dunning and McQueen, 1982;Johnson and Vanetti, 2005). Other studies have also used similar frameworks to investigate expansion strategies of international hotel firms (Chen and Dimou, 2005). Finally, there are studies that have used modifications of the eclectic framework to explore multinationals' entry modes or multinationals' emergence from countries with similar environments to the Greek one (Melian-Gonzalez and Garcia-Falcon, 2003;Rodriguez, 2002;Williams and Balaz, 2002;Zhao and Olsen, 1997).

This study contributes in the literature in two ways. First of all it builds a conceptual framework that can be used to investigate the tourism industry's performance in other contexts, outside the Greek one. It does so by integrating various aspects of the international business and services literature in an eclectic way. We shift the focus from the mother company to the subsidiary level and do not investigate the impact of internationalisation on performance but the effect of multinational ownership structure on the subsidiaries' performance. To that respect this study is unique in the current literature. The second key contribution has to do with the specific investigation of the Greek case. This study goes beyond the current approaches and provides quantitative evidence on the situation in the Greek market.

This paper advances the literature by analysing the determinants of profitability differences between subsidiaries of Multinational Enterprises (MNEs) and Domestic Enterprises (DMEs) in the tourism industry using firm level data. Previous studies have tested the hypothesis that ownership-specific advantages are a major determinant of performance differences. This study focuses on the hotel sector (NACE=55) in Greece, using a panel data set for 95 firms over 10 years. The model is estimated using a quantile regression technique as the dependent variable, in our case profitability, and shows a significant skewness. The results indicate that the determinants of profitability differ between MNEs subsidiaries and DMEs.

The rest of the paper is organised as follows: Next section provides a description of the international tourism industry and places Greece within the international context. Section three presents the conceptual framework and our hypotheses. Section four describes the sample and some basic statistics, whilst section five discusses the econometric estimation technique. In section six we provide an interpretation of the results. Finally, section seven concludes with some managerial implications, policy recommendations and section eight presents the study's limitations and some interesting suggestions for further research.

2. THE GLOBAL TOURISM INDUSTRY AND THE CASE OF GREECE

2.1 Characteristics of the Global Tourism Industry

In a global economy of shifting production locations, comparative, and competitive advantages, it is the immobile factors of production (labour, wages and productivity) and the distinctive characteristics of tourism destination countries that determine competitiveness in tourism sectors and destinations (Anastassopoulos and Patsouratis, 2004). The hotel industry constitutes a particularly interesting case as the increase of globalisation and the rapidly changing structure of tourism-related industries have opened avenues for new ways of participation in supply and distribution value chains and networks. Furthermore, the dual nature of the industry composed of large MNEs and a substantial number of local Small and Medium-sized Enterprises (SMEs) creates a need to investigate the challenges and opportunities for both types of firms (OECD, 2005). In this context, the product of the tourism industry is complex and of a perishable nature (Archer, 1987). The tourism product, in the hotels sector, cannot be experienced from distance and without face to face interaction. The tourism product's quality is primarily based on the social interaction between the supplier and the consumer. This interaction is of particular importance for MNEs when designing international expansion strategies as the product requires local adaptation and is enhanced by the use of local knowledge (Doz, 1986). Based on this argument, the development of new tourism destination countries requires the physical presence of MNEs. The tourism industry – which mainly covers hotels, restaurants, cafés and bars, camping grounds, canteens and catering – has witnessed tremendous development in the European Union (Eurostat, 2004).

Additionally, tourism industries are less productive than other economic sectors due to the personalised nature of their services (Keller, 2004). There are certain constraints to increasing productivity, which are related to the nature and quality of the service, customer satisfaction, etc. The sector is dominated by SMEs which offer personalised services, are more labour intensive, feature irregular work patterns, and therefore are less productive when compared to the other non-financial service sectors.

Indicative is that almost two thirds of the value added generated in the sector in the EU-25 in 2001 originated from enterprises numbering less than 50 persons employed (micro and small enterprises, see Table 1). However, large enterprises (employing more than 250 persons) generated approximately one quarter of the value added both in the accommodation services and restaurants, bars and catering sub-sectors (Eurostat, 2004).

Table 1. Value-added at factor cost and persons employed, by enterprise class, 2001 (% total)

	Micro enterprises		Small enterprises		Medium-sized		Large enterprises	
	Share of value added	Share of persons employed	Share of value added	Share of persons employed	Share of value added	Share of persons employed	Share of value added	Share of persons employed
EU-25	38.4	45.7	24.3	24.4	12.7	10.2	24.6	19.7
EU-15	38.7	45.1	24.4	24.6	12.5	10.1	24.5	20.2

Source: Eurostat, Structural Business Statistics (theme4/sbs/sizeclass).

Developments, however, in human and social capital and technological developments such as the adoption and use of information and communication technologies, integrated management systems may affect competition (MNEs Vs local SMEs). In certain sectors or segments these developments are more advanced and therefore offer a more favourable environment for the development of MNEs' strategies (Litteljohn, Roper, and Altinay, 2007).

2.2 The case of Greece

Greece, until very recently, has identified its positioning in the global markets as a destination for international visitors seeking traditional 'sun, sea and sand' package vacations. The country is usually selected by international tourists solely as a place of recreation, whereas cultural and other qualitative elements are not the main incentives of tourist attractiveness (Patsouratis, Fragouli, and Anastassopoulos, 2005). This perception has resulted in a highly seasonal industry, focused primarily on the Islands, and largely dependent on low return package tours for its success (WWTC, 2005).

The successful organisation of the 2004 Athens Olympic Games, however, accompanied by a successful marketing campaign helped to rejuvenate the transportation infrastructure, tourist resorts and hotels. The Greek tourism industry is transforming its competitive positioning from a low cost recreational only location, to a location offering higher quality and value for money as well as specialised tourism activities, i.e. agro-tourism, winter sports, conference tourism and archaeologically related tourism. The regulatory framework as described in the latest developmental and incentives investment law (3299/2004) indicates a clear commitment on behalf of the government not only to support high value added activities but also alternative forms of tourism (agro-tourism, golf courses, marinas, spas, thalasso-therapy centres, conference centres) fully exploiting the country's comparative and competitive advantages. Furthermore, the existence of well-trained and experienced human resources and the comparatively low operating costs provide the most favourable external environment for FDI. Finally, the excellent climatic conditions all around the year, enables the industry to diversify both in winter/mountain and summer tourism activities.

Indicative of this transformation are recent tourism flows with Greece ranking 15th globally with 16 million tourism arrivals in 2004, 90% of which came from European countries (WTO, 2005). In 2005, the year following the organisation of Olympic Games, revenues in the industry had risen by 11.5% to 31.7 EUR billion (WTO, 2005). The forecasted projections, thereafter, show an average annual growth of 4.1% till 2015, with revenues reaching 60.3 EUR billion in the next 10 years (WTO, 2005).

Within this context, during the last two decades we have seen in Greece a substantial internationalisation process in the tourism industry (Litteljohn, 1997). At the end of 2004, FDI in the tourism industry reached 819.4 EUR million, representing 3.8% of the total FDI stock located in the country (Bank of Greece, 2005). Large international hotel chains, like Club Med, Hilton, Hyatt Regency and Sofitel established their presence in a market with significant potential in order to capitalise on this transition of the Greek tourism market from a low cost to a high value added, high profitable market.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESES

3.1 Performance and Internationalisation

The international business literature (e.g. Aharoni, 1966;Archer, 1987;Johanson and Vahlne, 1977;1990;Johanson and Wiedersheim-Paul, 1975;Welch and Luostarinen, 1988) thoroughly investigates firms' internationalisation process. Most studies adopt an evolutionary process of the firm which gradually expands abroad. This evolutionary process leads to the development of three conflicting models on the effect of internationalisation process and multinationality on firms' performance.

The first, being the simplest one, hypothesises a linear relationship between internationalisation and performance. Authors like Delios & Beamish (1999), Grant (1987) and Grant et al., (1988) show that there is a positive and linear relationship. In this case internationalisation creates new growth opportunities for firms and thus enhances their profitability potential. Other authors (Lu and Beamish, 2004;Qian, 1997;Ruigrok and Wagner, 2003) propose a U-shaped relationship. The firm during the initial stages of internationalisation shows deterioration in its performance. This deterioration can be attributed to the lack of internationalisation experience. This argument of course might hold conversely as internationalisation can initially enhance growth offering new profitable investment opportunities (Geringer, Beamish, and DaCosta, 1989;Geringer, Tallman, and Olsen, 2000;Grant, Jammine, and Thomas, 1988;Hitt, Hoskisson, and Kim, 1997;Tallman and Li, 1996) and thus create an inverted U-shaped relationship. Finally, newer studies (Contractor, Kundu, and Hsu, 2003;Lu and Beamish, 2004) find an S-shaped relationship by combining the arguments of the above two conceptualisations.

The effect of multinationality on performance has, also from an empirical perspective, produced rather inconclusive evidence. Both in terms of profitability as well as company growth, researchers are far from reaching a consensus and results are influenced from the different methodologies, samples and theoretical standings. Through an empirical lens, some authors like Tallman and Li (1996) find weak if not mixed evidence on the effect of multinationality on firm's performance whilst others, Cantwell & Sanna-Randaccio (1993) show that domestic companies grow faster than MNEs. Finally, other researchers (Siddarthan and Lall, 1982) take an apposing view and suggest that there is a negative influence of multinationality on growth. To make things even more complicated a stream of the literature suggests that the relationship between multinationality and performance is not even linear (Geringer, Beamish, and DaCosta, 1989).

3.2 Performance and Multinational Ownership

An interesting point in this discussion is whether MNEs internationalise through greenfield investments, mergers & acquisitions, joint-ventures or other contractual arrangements. Some studies (Barbosa and Louri, 2002;Dimelis and Louri, 2002) suggest that the different ownership structures adopted by MNEs demonstrate a way of protecting their property rights, their reputation or other intangible assets. These studies base their arguments on the property rights theory and link ownership structures with performance (Chhibber and Majumdar, 1999). The higher the control of the mother company over the subsidiary the more efficient it is to transfer a higher level of technology and thus transform this subsidiary to a much more productive unit against its local competitors. This effect gets augmented, once we move from minority to majority holding, as there is a substantial reduction in monitoring costs. In a recent study, Lee (2007) finds that the performance of US multinational hotel companies is significantly affected by the mode and location of entry.

Building on this discussion, this study uses Dunning's Ownership, Location, Internalisation (OLI) framework to investigate the effect of multinationality and ownership structure on performance. The basic assumption of the eclectic paradigm is that the returns to FDI, and hence FDI itself, can be explained by a set of three factors: the ownership advantages of firms 'O', indicating who is going to produce abroad 'and for that matter, other forms of international activity' (Dunning, 1993:142); by location factors 'L' 'influencing the where to produce' (Dunning, 1993:143) and by the internalisation factor 'I' that 'addresses the question of why firms engage in FDI rather than license foreign firms to use their proprietary assets' (Dunning, 1993:145).

Using the above propositions one can explain not only the scope and geography of international value added activities but the performance of MNEs' activities as well.

In order to be able to compete in a foreign location and tackle the disadvantages generated by operating in a foreign environment, a firm must possess certain ownership advantages–sometimes called 'competitive' or 'monopolistic' advantages - that can compensate for the additional costs associated with setting up and operating abroad, costs which are not faced by domestic producers or potential producers (Dunning, 1988:2). Dunning (1988:23) defines three different types of ownership advantages: those that stem from the excessive possession or access to a particular asset able to generate income such as trade marks, patents; those associated normally with a branch plant rather than a de novo firm, and those that are a result of geographical diversification or multinationality per se.

The second condition of international production is that the company must be better-off transferring its ownership advantages within the firm across borders, rather than selling them to a third party via licensing or franchising. This second factor is the internalisation and has been defined by Dunning (1993) as a choice between investing abroad or not. In this point we further build on the extension of OLI suggested by Guisinger (2001:264) in his 'evolved eclectic paradigm'. In his model, Guisinger (2001:264) replaces the 'I' factor with 'M' for the mode of entry. This allows differentiation between factors affecting different modes of entry in different countries.

The third condition of the eclectic paradigm is concerned with the 'where' of production. MNEs will chose to produce abroad whenever it is in their best interests to combine intermediate products produced in their home country which are spatially transferable with at least some immobile factors or intermediate products specific to the foreign country (Dunning, 1988:4). Some of the location advantages include factors endowment and availability, geographical factors or public intervention in the allocation of resources as reflected by legislation towards the production and licensing of technology, patent system, tax and exchange rate policies which a multinational would like either to avoid or to exploit (Dunning, 1977:11). In this paper this part of the eclectic paradigm is binded to Greece as we investigate the performance of investment decisions of MNEs in the Greek market. This discussion builds on the context specificity of the eclectic paradigm and enables us to draw general conclusions by comparing homogenous, with respect to the external environment, investment decisions.

3.3 Hypotheses Development

In this paper we compare the performance of MNE subsidiaries located in Greece with that of local enterprises. Arguably, it would be expected that the competitiveness of MNE subsidiaries would be dependent on the nature and extent of their ownership advantages and on the ways in which they organise the deployment of these in the host country. Empirical work has been interested in explaining the employment of these assets in host countries in relation to the competitive advantages of domestic firms. Before we proceed further, the main findings of this literature are presented very briefly here.

Firstly, there are large differences across industries in the degree to which production and sales are accounted for by MNEs. Second, MNEs are firms which have the following characteristics: high levels of R&D relative to sales, high levels of product differentiation and a large share of professional and technical workers in their workforce. These constitute the most significant **O** of MNEs. Third, and related to the first, ‘it is clear that the significance of the **O** varies between MNEs, and is both industry and country specific’ (Dunning, 1993:142).

We hypothesise that the MNEs will be more profitable than domestic enterprises in the host country. As Dunning mentions: "Discounting for risk, all that is required is that, at the margin, it should be earning profits at least equal to its opportunity costs" (Dunning, 1993:424). With this in mind we state our first testable hypothesis.

H1: The extent of multinationality will have a positive impact on the firms' performance

Conversely, theory and empirical research show that this is not always the case. As several authors like Hymer (1960/1976) have pointed out, a subsidiary entering into a foreign market may be faced with certain disadvantages. These disadvantages depend on specific industrial and market structures as well as the economic, social and political structure of the host country. There are industries though were the role of national responsiveness or national integration is of crucial importance for the success and performance of the firm under investigation (Doz, 1986). In some cases, this need determines the profitability or the success of the local subsidiary of an MNE. Disadvantages related to specific industry or market imperfections as well as the differences in the social, political, economical and institutional environment need to be addressed from a multinational's perspective (Maroudas and Y., 1995;Thimann and Thum, 1998).

The literature is until now highly descriptive and does not provide conclusive evidence on the impact of multinationality on the tourism firms' performance (Zhao and Olsen, 1997). The possibility of collaboration between a multinational enterprise and local partners in different forms was investigated in a paper by Rodriguez (2002). He finds that if the local environment is stable and the local market perishable then Spanish MNEs will enter directly the market as their transaction costs are low and thus can afford to commit significant resources. In their study, Lee and Jang (2006) showed that international diversification in the hotel industry does not improve financial performance but contributes substantially to the stability of profits. Chen and Soo (2007) exploring the cost structure and productivity growth of the Taiwanese international hotel sector, find a significant substitutability effect among different production factors, i.e. capital, labour and material. This substitutability can lead MNEs to substitute capital investment by local labour or material from the domestic market. Then the local partner has an obvious advantage in securing this kind of inputs. In addition, local managers and partners can also help MNEs in the tourism sector to diminish cultural differences and increase the probability of success (Ayoun and Moreo, 2008). In this context hotel managers need to find a proper balance between product standardisation and “responsive” policies both in facilities as well as services provided. This local responsiveness requires the presence of a local partner in order to accommodate this need (Whitla, Walters, and Davies, 2007). Of course, hotel chains have to take into consideration local trends and tastes as well as any change in them. In this case the local partner being able to get in contact with members of the local industry or associations has an advantage (Litteljohn, 1997). Finally, the fact that most international hotel operators have to deal with multiple environments at the same time makes the need to use a local partner almost a necessity (Burgess, Hampton, Price, and Roper, 1995). This partner can offer the necessary “entrepreneurial orientation” aspect as argued by Altinay and Altinay (2004). This leads to the formulation of our second hypothesis.

H2: Multinationals that employ local partners in their activities will outperform multinationals that operate on their own.

4. DATA AND SAMPLE DESCRIPTION

Our sample covers 95 active firms in the tourism industry located in Greece for a period of 10 years (1995-2004). Our primary source of information is the AMADEUS database, which covers a large number of European firms. AMADEUS is constructed by Bureau Van Dijk in collaboration with 30 large European Information Providers. It contains normalised, with respect to currency and accounting standards and thus comparable information on almost 1.5 million European corporations. The key Information Provider for the Greek market is ICAP, an organisation that collects information on Greek companies for the last 30 years. The primary source for ICAP is the published annual reports of Greek companies. The full list of companies participating in our sample can be found in table 2. These companies correspond to subsidiaries of MNEs as well as to purely domestic firms.

Table 2. Firms participating in the sample

Number	Company name	NACE Rev.1.1, primary code
1	HYATT REGENCY HOTELS & TOURISM (HELLAS) S.A.	5510
2	IONIAN HOTEL ENTERPRISES S.A.	5510
3	CARAVEL HOTELS S.A.	5510
4	GREGORYS MIKROGEVMATA S.A.	5530
5	FOOD PLUS S.A.	5530
6	ATHENAEUM S.A.	5510
7	LAMPSA HELLENIC HOTELS CO. S.A.	5510
8	ESPERIA S.A.	5510
9	CASINO PORTO CARRAS S.A.	5510
10	LOUIS HOTELS S.A.	5510
11	MARIS HOTELS TEAB S.A.	5510
12	ALDEMAR S.A.	5510
13	GOODY'S S.A.	5530
14	CHANDRIS HOTELS (HELLAS) S.A.	5510
15	HELIOS S.A.	5510
16	SANI S.A.	5510
17	ASTIR PALACE VOULIAGMENI S.A.	5510
18	KOBATSIARIS BROS AMALTHEIA S.A.	5530
19	MITSIS CO. S.A.	5510
20	ASTY S.A.	5510
21	DASKOTELS S.A.	5510
22	FAIAX S.A.	5510
23	MCDONALD'S HELLAS SOLE SHAREHOLDER CO. LTD	5530
24	KIPRIOTIS, G., & SONS S.A.	5510
25	CLUB MEDITERRANEE HELLAS S.A.	5510

26	ATHENS AIRPORT HOTEL COMPANY "SOFITEL" S.A.	5510
27	MOUSSAMAS BROS S.A.	5510
28	CAPSIS TOURIST COMPLEX S.A.	5510
29	UNET S.A.	5530
30	TITANIA S.A.	5510
31	GEKE S.A.	5510
32	ATLANTICA HELLAS S.A.	5510
33	ATTIKOS ILIOS S.A.	5510
34	SUNWING HOTELS HELLAS S.A.	5510
35	MAGIC LIFE GREECE LTD	5510
36	ABELA HELLAS S.A.	5552
37	MILOMEL HELLAS S.A.	5530
38	M.E.T.A. S.A.	5510
39	EUREST - PLATIS S.A.	5530
40	KASTELLORIZO S.A.	5530
41	STANLEY S.A.	5510
42	OLYMPUS PLAZA CATERING LTD	5551
43	VARNIMA S.A.	5510
44	HELLENIC HOTEL ENTERPRISES S.A.	5510
45	ELECTRA S.A.	5510
46	SOUTH TOURIST ENTERPRISES S.A.	5510
47	ELOUNDA S.A.	5510
48	VARDIS HOTEL ENTERPRISES S.A.	5510
49	OLYMPIC HOTELS S.A.	5510
50	AKS HOTELS S.A.	5510
51	DIVANIS ACROPOLIS S.A.	5510
52	OLYMPIC HOLIDAYS S.A.	5510
53	LOUTRA KYLLINIS S.A.	5510
54	LYTTOS S.A.	5510
55	E.P.T.E.A. S.A.	5510
56	TOURISTIKA SYNGROTIMATA ELLADOS S.A.	5510
57	TOURIST ENTERPRISES OF SOUTHERN AEGEAN S.A.	5510
58	CRETA STAR S.A.	5510
59	PANORMO S.A.	5510
60	AMALIA S.A.	5510
61	R.E.X.T.E. S.A.	5510
62	PLAKA S.A.	5510
63	MAHO S.A.	5510
64	DAIDALOS S.A.	5510
65	MELITON BEACH PORTO CARRAS S.A.	5510
66	ELLINIKI TOURISTIKI S.A.	5510
67	REXEKA S.A.	5510
68	HERSONISSOS S.A.	5510
69	HATZILAZAROU, J., S.A.	5510
70	CAPSIS TOURIST ENTERP. OF THESSALONIKI S.A.	5510
71	MESSONGHI BEACH S.A.	5510
72	DIONYSOS ZONARS S.A.	5530
73	ELINTOUR S.A.	5510
74	TRIA ASTERIA S.A.	5510
75	SOUNIO ENTERP. S.A.	5510
76	LANDA S.A.	5510

77	MIRASOL S.A.	5510
78	CRETE PROVENCE S.A.	5510
79	HAPPYMAG HELLAS S.A.	5510
80	SOULOUNIAS, N., S.A.	5510
81	AGAPI BEACH S.A.	5510
82	ARGOLIKOS ILIOS S.A.	5510
83	KAKETSIS, EFSTR., S.A.	5530
84	TOXOTIS S.A.	5510
85	ANAPTYXI AIGAIOU S.A.	5510
86	HERMES HOTEL & TOURIST ENTERP. S.A.	5510
87	MANTONANAKIS S.A.	5510
88	AKTI VRAVRONOS S.A.	5510
89	YES S.A.	5510
90	G.M. XENODOXEIAKES - TOYRISTIKES EPIXEIRISEIS S.A.	5510
91	ESTRELIA S.A.	5530
92	SKOURA SPORTS CAMPING S.A.	5522
93	HELLENIC TOYRIST & HOTEL ENTERPRISES S.A.	5510
94	MIRABELLO S.A.	5510
95	SVYRIADIS S.A.	5510

The AMADEUS database provides financial as well as ownership data on the participating firms. The distribution of firms in our sample can be found in table 3.

Table 3. Description of Firms

NACE Revision 1.1	Description	Number of Firms
55	Hotels and restaurants	95
55.10	Hotels	80
55.22	Camping sites, including caravan sites	1
55.30	Restaurants	12
55.51	Canteens	1
55.52	Catering	1

Our measure of performance corresponds to gross profit over sales (PERF). In our case the application of a net profit measure does not differentiate our results, as all companies, in the sample, operate in the same national environment and taxation applies uniformly. Different measures of performance are suggested by the literature, like the return on assets (ROA) or return on equity (ROE), but in this case we were constraint by data availability. A range of firm-level variables has been extracted from AMADEUS to control for the differences in corporate performance. A commonly used variable in the literature is firm's size (SIZE). This is measured by the natural logarithm of Total Assets. Our second independent variable measures the labour productivity (PROD) and is the ratio of turnover over employees. This is an important variable as tourism industry in countries like Greece shows a seasonal/cyclical behaviour and thus the amount of employees might differ from one season to the next. It is up to the individual corporation to deal with this seasonality at operational level and thus we would expect this ration to affect performance. The next two variables measure the corporate ability to finance operations and keep an appropriate level of liquidity to finance operations. Leverage (LEVERAGE) measures the percentage of external debt over the total capital employed whilst liquidity (LIQUID) is captured by the cash and cash equivalent over total assets. Both variables are related again to the ability of the corporation to deal with seasonal changes in the industry. Our three key variables are related to the participation of a multinational enterprise to the ownership structure of the company under investigation. The participation of an MNE to the ownership structure (MNE) is captured by a dummy variable. AMADEUS provides information on the Global Ultimate Owner (companies that control directly or indirectly at least 10% of the company under investigation) of the corporation and we used this information to classify companies as subsidiaries of MNEs (MNE=1) of purely domestic companies (MNE=0). Although someone could use the actual ownership percentage as given by AMADEUS, the results using the dummy variable are identical and for simplicity reasons we report only the ones with the dummies. As our second step we separated those companies that had an MNE as a majority owner (MNEMAJ), i.e. controlling over 50.01%, in their capital structure and the rest where the MNE had only a minority stake (MNEMIN). It is worth mentioning that using both variables in the same model would not be appropriate as those would be collinear. Finally, we separated the hotels sector by introducing a dummy variable (SECTOR). The variables description can be found in table 4.

Table 4. Variables Description

Variable	**Variable Description**
PERF	Gross Profits over Turnover
SIZE	Natural logarithm of Total Assets
PROD	Turnover per Employees
LEVERAGE	External Debt over Total Capital
LIQUID	Cash and Cash Equivalent over Total Assets
MNE	Dummy Variable (1 if the firm is a multinational, 0 if the firm is purely domestic)
MNEMAJ	Dummy Variable (1 if a multinational controls the majority of shares, 0 if the firm is purely domestic)
MNEMIN	Dummy Variable (1 if a multinational controls the minority of shares, 0 if the firm is purely domestic)
SECTOR	Dummy Variable (1 if the firm belongs to 5510, 0 otherwise)

Our first step in our statistical analysis was to identify differences between multinationals and domestic firms. Moreover, we were also able to identify whether the firms under investigation were controlled by an MNE through a majority or a minority ownership stake. As mentioned in the building of our conceptual framework, the main difference is that the minority owned MNEs would have local partners participating in their capital structure, providing the knowledge of the local market and adapting the strategy of the firm to the local environment.

Table 5. Descriptive statistics and correlations

Variable	Obs	Mean	Std. Dev.	PERF	SIZE	PROD	LEVERAGE	LIQUID	MNE	MNEMAJ	MNEMIN	SECTOR
PERF	763	0.300	0.288	1.000								
SIZE	763	16.505	1.253	-0.186	1.000							
PROD	763	89930	320793	-0.044	0.072	1.000						
LEVERAGE	763	0.325	0.243	-0.082	0.256	0.088	1.000					
LIQUID	763	0.071	0.132	0.244	-0.208	-0.024	-0.319	1.000				
MNE	763			0.064	0.218	0.064	0.123	-0.108	1.000			
MNEMAJ	763			-0.117	0.122	0.099	0.112	-0.122	0.731	1.000		
MNEMIN	763			0.232	0.170	-0.026	0.043	-0.010	0.573	-0.140	1.000	
SECTOR	763			-0.317	0.323	0.055	0.111	-0.185	-0.142	-0.095	-0.093	1.000

Table 6. Descriptive statistics and t-tests of means

Variable	Performance			
	Observations	Mean	Difference from Domestic	t-test
Domestic	562	2.93%		
Multinationals	201	3.20%	0.27%	1.12
Majority MNEs	125	2.31%	-0.62%	-2.93*
Minority MNEs	76	4.65%	1.72%	5.36*
Variable	Size (Total Assets)			
	Observations	Mean	Difference from Domestic	t-test
Domestic	562	25000000		
Multinationals	201	33600000	8600000	3.15*
Majority MNEs	125	27100000	2100000	0.04
Minority MNEs	76	44600000	19600000	4.79*
Variable	Size (Employment)			
	Observations	Mean	Difference from Domestic	t-test
Domestic	562	185		
Multinationals	201	340	155	8.53*
Majority MNEs	125	330	145	5.52*
Minority MNEs	76	355	171	5.38*
Variable	Leverage			
	Observations	Mean	Difference from Domestic	t-test
Domestic	562	30.5%		
Multinationals	201	38.3%	7.8%	4.01*
Majority MNEs	125	39.5%	9.0%	3.61*
Minority MNEs	76	36.2%	5.7%	1.41

* statistically significant at 1%,

Tables 5 and 6 provide the basic descriptive statistics, the correlation matrix of the variables and the t-tests of the difference of means. The correlation matrix does not reveal any substantial problems with multicollinearity between variables. In general, multinationals outperform domestic firms and are larger both in terms of their total assets and their employment. This provides preliminary evidence supporting our first hypothesis. Their leverage ratio is also larger indicating a tendency to rely more on external funding. The breaking up of MNEs to majority and minority owned reveals some interesting aspects of the sample. Minority owned MNEs are better performers and are in general larger than the majority owned MNEs. Again this result supports our argumentation that led to the formulation of our second hypothesis. This preliminary result creates a need for further exploration of the performance determinants and their differences between domestic, majority and minority owned MNEs. To shed further light we proceeded adopting an econometrical exercise.

5. ESTIMATION METHODOLOGY

In this paper the performance variable (dependent variable) is not normally distributed across firms. As figure 1 and 2 reveal, the distribution is highly skewed and thus departs from normality.

Figure 1. Normal Quantile Plot

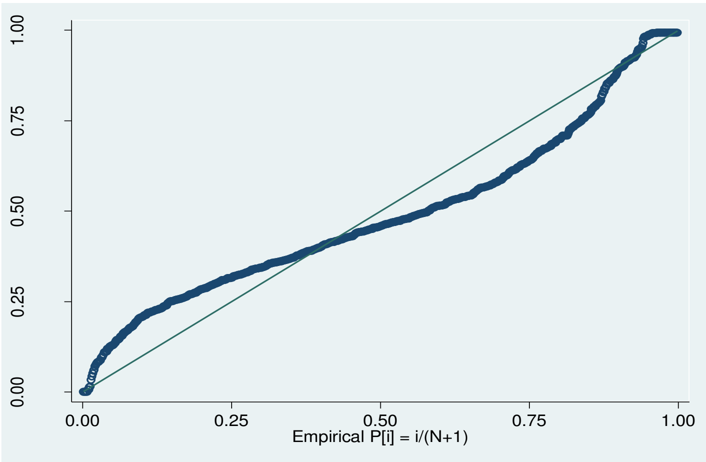
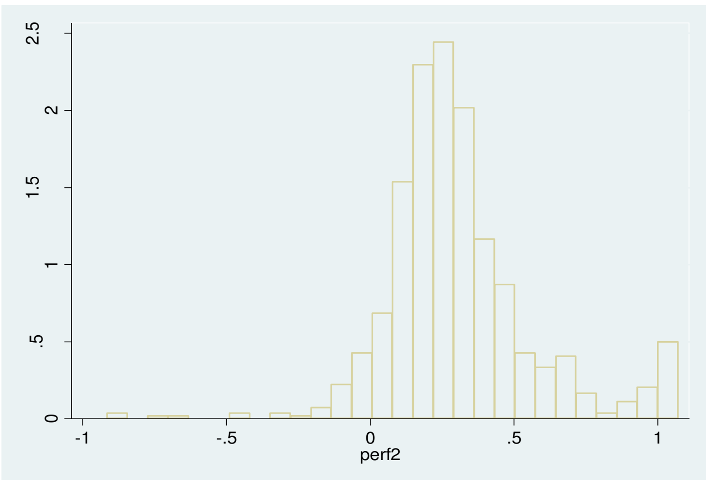


Figure 2. Performance Histogram



A Shapiro-Wilk (1965) and Shapiro-Francia (1972) tests, reported in table 7 verify the results obtained from the histogram and the normal distribution plot.

Table 7. Normality Tests

	Obs	W	V	z	Prob>z
Shapiro-Wilk	763	0.802	97.550	11.216	0.000
Shapiro-Francia	763	0.825	92.438	9.052	0.000

The application of Ordinary Least Square (OLS) estimation will not produce the best linear unbiased estimators (BLUE) as our error term will be affected by the skewness of the dependent variable distribution. Our sample requires an alternative estimation technique which puts less emphasis on outliers. Quantile regression as developed by Koenker and Basset (1978) takes into consideration the skeweness of the distribution and gives a more complete picture of the way performance is affected by the various independent variables. This technique was further developed by Koenker and Hallok (2001) and Koenker (2005). In our case we also accounted for heteroscedastic errors, applying a bootstrapping technique which reports robust standard errors (Gould, 1992;Horowitz, 1998).

Quantile regression provides estimations of models for the conditional median function and the full range of other conditional quantile functions (Buchinsky, 1994;Dimelis and Louri, 2002;Koenker and Basset, 1978). Departing from a standard linear model in the form: $y_i = x_i^{'}\beta + e_i$, where y_i is the dependent variable (in our case firm performance), x_i is the vector of explanatory variables, β is the vector of parameters to be estimated and e_i is the vector of independently and identically distributed error terms with a symmetric distribution around zero, the parameters of the above model are estimated in different quantiles and the quantile regression model takes the following form:

$y_i = x_i^{'}\beta(q) + e_i \; = Q_q(y_i) + e_i$ where $0 < q < 1$, $\beta(q)$ is the vector of explanatory variables estimated in a given value for q in (0,1) and $Q_q(y_i)$ represents the qth quantile of the conditional distribution of y_i given the vector of x_i. In simple words quantile regression uses the median or different quantiles of the distribution instead of the mean for estimation. This solves the problem of skewed distributions with respect to the dependent variable.

6. RESULTS AND INTERPRETATION

We proceeded in our empirical exercise in two steps. First, we report our results for the whole tourism industry. Our second step, which follows later in this section of the paper, concentrates only on firms active in the hotels sector. The use of a single industry in this study neutralises the industry effects and thus our results' discussion is tailored to the specific industry. The two sectors show differences primarily with respect to average size of the corporation as well as with respect to the business diversification of the active companies. In order to perform a sensitivity analysis of our results we proceeded in step two with only the hotel sector included. Table 8 reports the results for all firms irrespective of their sectoral participation.

Table 8. Quantile Regression, Depending Variable PERF, All Firms (t-statistics in parenthesis)

	Model 1	Model 2	Model 3	Model 4
SIZE	-0.013*	-0.015	-0.017**	-0.021***
	(-1.67)	(-1.62)	(-2.12)	(2.93)
PROD	-0.275**	-0.256*	-0.262**	-0.194*
	(-2.04)	(-1.67)	(-1.96)	(-1.73)
LEVERAGE	0.045	0.026	0.061	-0.054
	(1.17)	(0.59)	(1.58)	(-1.59)
LIQUID	0.690***	0.692***	0.704***	0.407***
	(9.13)	(7.98)	(9.25)	(6.26)
MNE		0.048**		
		(2.18)		
MNEMAJ			-0.009	-0.065***
			(-0.39)	(-3.29)
MNEMIN			0.122***	0.104***
			(4.42)	(4.40)
SECTOR				-0.265***
				(-13.00)
CONSTANT	0.453***	0.479***	0.505***	0.148***
	(3.39)	(3.08)	(3.71)	(1.28)
N	763	763	763	763
Pseudo-R Square	0.497	0.551	0.658	0.755

*** statistically significant at 1%, ** statistically significant at 5% , *statistically significant at 10%

Size (SIZE) produces a negative and statistically significant sign indicating that complexity emerges as an obstacle for performance. This result is not new in the literature (Horst, 1972), as size usually captures not only the existence of economies of scale but also diseconomies due to higher organisation and management costs. Especially in a small market like Greece this effect can be further reinforced (Stoian and Filippaios, 2005). On the other hand, the variable that measures turnover over employees (PROD) is negative and statistically significant. A possible explanation comes from the seasonality of the sector. A heavy reliance on employment reduces the ability of the firm to allow for seasonal changes to its customer base. Previous studies on the Greek economy (Dimelis and Louri, 2002), find similar results on labour productivity and its relation with performance. This result is also mirrored in the positive and statistically significant sign of liquidity. The excess liquidity provides enough flexibility to respond to seasonal expenses and thus a high degree of liquidity is a prerequisite for performance (Demos, Filippaios, and Papanastassiou, 2004). Multinationality as captured by our dummy variable (MNE) has a positive and statistically significant sign, indicating that MNEs outperform their domestic competitors. This provides strong support to our first hypothesis (H1). In order to further understand the impact of multinationality on corporate performance we proceeded in a way suggested by Dimelis and Louri (2002), splitting the MNEs subsidiaries to majority and minority owned subsidiaries. When the MNE variable is separated to firms owned by an MNE through a majority share the sign changes and turns out negative and statistically significant in some cases (Model 4). Contrary, firms that are owned by an MNE through a minority share face a positive and statistically significant impact on their performance. This is a strong confirmation of our second hypothesis (H2). The characteristics of the Greek tourism market (Anastassopoulos and Patsouratis, 2004;Galani-Moutafi, 2004;Haralambopoulos and Pizam, 1996;Maroudas and Y., 1995;Patsouratis, Fragouli, and Anastassopoulos, 2005) make it imperative for MNEs to find a local partner with a good strategic fit in order to deal with the local complexities.

Finally a sectoral dummy was introduced to account for differences between firms active in the Hotels sector and firms in the Hospitality sector. The negative and statistically significant sign indicates that Hotels tend to under-perform. These results require further investigation and thus we estimated our model only for firms active in the Hotels sector. The results are presented in table 9.

Table 9. Quantile Regression, Depending Variable PERF, (NACE 5510 Only) (t-statistics in parenthesis)

	Model 1	Model 2	Model 3
SIZE	0.017**	0.015*	0.018**
	(2.06)	(1.87)	(2.37)
PROD	-0.201*	-0.187*	-0.189*
	(-1.71)	(-1.73)	(-1.78)
LEVERAGE	-0.021	-0.032	-0.023
	(-0.56)	(-0.91)	(-0.66)
LIQUID	0.321***	0.365***	0.380***
	(3.87)	(4.45)	(4.90)
MNE		0.051***	
		(2.89)	
MNEMAJ			-0.008
			(-0.41)
MNEMIN			0.110***
			(4.28)
CONSTANT	-0.048	-0.014	-0.081
	(-0.35)	(-0.11)	(-0.63)
N	562	562	562
Pseudo-R Square	0.244	0.309	0.481

*** statistically significant at 1%, ** statistically significant at 5% , *statistically significant at 10%

The results remain similar to the ones presented in table 8, indicating that our suggestions for a closer cooperation between MNEs and domestic partners can lead to higher performance. Again the MNE variable has a strong positive sign suggesting that MNEs outperform their domestic counterparts (Dimelis and Louri, 2002;Horst, 1972;Kyrkilis and Pantelidis, 1994;Mudambi and Mudambi, 2002;Wheeler and Mody, 1992). Again breaking up the variable to majority and minority ownership suggest that the use of a local partner would lead to improvements in performance through the acquisition of local knowledge (Chen and Dimou, 2005;Chhibber and Majumdar, 1999;Doz, 1986;Lu and Beamish, 2004). An interesting aspect is the change in sign of size. Size becomes positive and statistically significant and this reveals the existence of economies of size-scale for firms active only in the Hotels industry.

7. CONCLUSIONS

This study offers a first step towards the investigation of performance determinants in the tourism industry in Greece. In an industry where the key characteristics of the product are determined by the capabilities of the corporation to offer services of a good quality by mobilising all available resources in specific locations, evidence on the effect of multinational ownership on performance are still scarce. Multinationals are the key international players in transferring technology, know-how, new production and human resource management methods. Whilst the vast majority of studies, until now, investigate the effect of internationalisation on performance from a mother company perspective, this paper investigates the mirror effect of multinational ownership participation on the performance of the subsidiary. An eclectic approach of multinationality was used to explain differences in profitability and performance between domestic and multinational firms. This approach brings together different aspects of internationalisation theories and despite the fact that it is somehow dated is still one of the most influential frameworks in international business (Dunning, 2001). A key advantage of this approach is its interdisciplinary flexibility (Guisinger, 2001).

We investigate our sample in two steps. The first step offers some preliminary statistics, whilst the key differences in the characteristics of MNEs versus domestic companies are examined using t-tests. Our results show that domestic companies on average do not differ in terms of performance with the multinationals' subsidiaries operating in Greece. Domestic companies show an average performance of 2.93% whilst subsidiaries in total a 3.20%. This result is different though when one splits the subsidiaries to majority and minority owned. The first underperform their local competitors by almost 0.5% achieving 2.31% and the latter over perform domestic subsidiaries by almost 1.5% achieving a 4.65% in gross profits over turnover. Overall, multinationals' subsidiaries are larger but only due to the effect of minority owned which are on average twice the size of domestic companies. When turning to our econometric exercise, our results indicate that, overall, MNEs outperform their domestic competitors and are generally larger in terms of size. An interesting aspect is revealed though, when we break our MNEs to majority and minority owned. Minority owned MNEs perform better as they make substantial use of local partners who bring into the corporation knowledge of the local market, an aspect important for an industry as tourism. These companies, at the same time, can benefit from all the characteristics of being part of an established international hotel network. Linkages with international hotel operators, a global clientele and transfer of managerial and advertisement standards can really benefit the performance of those companies. To this respect our study confirms the results obtained by Altinay (2007) who finds that although an ethnocentric approach to international expansion provides all the necessary conditions for an organisation's expansion and development, managers should be conscious of socio-cultural barriers. These socio-cultural barriers are better addressed through the existence of a local partner.

This finding can have important managerial implications for MNEs investing or looking to invest in countries with similar characteristics to Greece or more importantly to sectors with similar characteristics to the hotels one. The study addresses, to this respect, one key point raised by Litteljohn et al. (2007) who state that the international hotel management literature still provides mixed evidence on the nature of hotel management with respect to modal choice of entry. The quality of the product in this sector is primarily influenced by the interaction between the local customer and the supplier (Archer, 1987). Whilst MNEs can transfer management, marketing, human resource and organisation practices that can enhance the quality of the offered service, a substantial part of the service's quality is determined by the effective and efficient use of the local advantages (Akbaba, 2006;Anastassopoulos and Patsouratis, 2004;Burgess, Hampton, Price, and Roper, 1995). Allowing a local partner to contribute, towards this purpose, can substantially influence and improve the MNE's performance and profitability. The local partner's participation though has to be of a certain modal choice (Litteljohn, Roper, and Altinay, 2007), i.e. having a majority ownership share that will allow managing effectively on the knowledge base offered by the multinational partner. Managers of MNEs thus, when making investment decisions should actively look out for those local partners that could offer this kind of expertise. On the other hand from a local manager's perspective establishing a partnership with an MNE is beneficial as the local firm would be part of a network of operations where knowledge and other information flows could create new opportunities.

The paper though has another dimension that goes beyond the managerial implications. It can provide a useful insight to policy makers for developing specific sectors that could lead to creation of competitiveness for the local industry and as a consequence to the country as a whole (Galani-Moutafi, 2004). The development of sectors such as tourism, that build on comparative and competitive advantages of small countries such as Greece is the only way forward for a successful and sustainable development (Haralambopoulos and Pizam, 1996). It is in this case where policy makers should create the necessary conditions to bring together large global players as MNEs and local players. Their interaction would ensure that the exploitation and the augmentation of the local comparative and competitive advantages would be beneficial not only for the local firms but for the economy as a whole.

8. LIMITATIONS AND FURTHER RESEARCH

Although a single country study facilitates the interpretation of results with respect to location, its findings cannot be directly and generally applicable to other countries. When interpreting the results, one should bear in mind that this study refers only to the Greek case. Another limitation of this study is that covers primarily large hotel chains. Although these represent in the Greek market a substantial number of the total size of the industry and the market share, the study does not take into consideration the existence of a large number of small and micro, primarily family run, businesses active in the tourism industry.

With this in mind we believe that further research is needed to identify the underlying differences between majority and minority MNEs and to provide interesting policy implications in FDI attraction in the tourism industry. From an initial reading, policy makers should focus on actively attracting MNEs in the tourism industry overall. These bring with them new technologies, human resource or total quality management practices and through their spillovers enhance the capabilities of the domestic tourism companies. From a second, closer reading, though, seems like the investment incentives do not necessarily have to target majority owned investments as the employability of a local partner from a multinational might improve performance and further enhance the positive spillovers to the rest of the sector. This finding requires further examination in order to verify our results.

A second possible extension to this study would be to complement financial measures on corporate structure with primary data on management processes, information acquisition and distribution, human resource practices etc. Those data would provide a further insight to the way the two partners, i.e. domestic and foreign, cooperate and manage operations. This though would require a different methodological approach, focusing on a more qualitative study of the phenomenon that goes beyond the scope of the current paper.

Finally an interesting extension would be to compare the Greek case with other similar countries and test our hypotheses in an expanded country sample. As tourism industry becomes a global industry but with local attributes this behaviour should not be seen only in the Greek case but in most locations that share common characteristics of the tourism product. Expanding our sample in the Mediterranean countries could be the first stage. Portugal, Spain, Italy, Turkey and Cyprus are countries with similar characteristics in the tourism sector development. An expanded sample of those countries in a similar time frame would be beneficial for the design of policies at the Mediterranean level. This study could be also expanded to other non-financial service oriented sectors with similar attributes to the tourism one. In sectors where the product quality is heavily influenced by the interaction between the customer and the supplier, the methodology and the conceptual framework adopted in this study could find an interesting application.

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