

The internationalization of the hotel industry in Madeira, Algarve and the Balearic Islands regions

A internacionalização da indústria hoteleira nas regiões da Madeira, Algarve e Ilhas Baleares

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Abstract

The article examines the degree of internationalization of hotel companies, based on the assumption that high performance improves their competitive positioning and that of the regions in which they operate. Methodologically, we collected data characterizing hotel internationalization, insertion in international consortia, and the ability to attract international chains to the regions. Interviews with hotel directors were conducted. The results show that the Balearic region has the most internationalized companies. Madeira made an internationalization effort at the beginning of the 21st century; however, only the Pestana group has shown dynamism since then. The Algarve is competitive in attracting international brands but has the least successful level of international insertion. The comparative analysis shows that it is necessary to develop proactive measures that help prepare the future competitiveness of these regions through the internationalization of their companies. In addition, international chain hotels have been detected in consortiums. This positioning seems to be original in the literature, so we propose this line for investigation.

Keywords: Competitiveness; hospitality; consortia; internationalization; investment.

Resumo

O artigo estuda o grau de internacionalização das empresas hoteleiras, no pressuposto que um desempenho elevado melhora o seu posicionamento competitivo e das regiões em que se inserem. Em termos metodológicos levantamos os dados caracterizadores da internacionalização hoteleira; a inserção em consórcios internacionais e a capacidade de atrair cadeias internacionais para as regiões. Acresceram entrevistas com diretores de hotéis. Os resultados mostram que as Baleares detêm as companhias mais internacionalizadas. A Madeira tentou no início do século XXI; porém, desde então apenas o grupo Pestana mostra dinamismo. O Algarve é competitivo na atração de marcas internacionais, mas apresenta o nível de inserção internacional menos conseguido. A análise comparativa mostra ser necessário desenvolver medidas proativas que ajudem a preparar o futuro da competitividade destas regiões pela internacionalização das suas empresas. Acresce ter-se detetado hotéis de cadeias internacionais em consórcios. Este posicionamento afigura-se como uma originalidade face à literatura, pelo que propomos esta linha para investigação.

Palavras-chave: Competitividade; hotelaria; consórcios; internacionalização; investimento.



1. Introduction

In this article, we address the issue of the internationalization of hotel companies from peripheral and outermost regions, focusing on the following objectives: What was their capacity to create hotel companies that expanded internationally? What was their level of integration into networks, specifically international consortia? And, what was their ability to attract international hotel companies to the regions under analysis?

The methodology was based on a comprehensive survey and analysis of data available in databases, which allowed us to address the proposed objectives. Additionally, we conducted interviews with hotel managers to explore new aspects identified during the study. In line with current literature, the results reveal significant differences between the various regions. Furthermore, regarding the inclusion of hotels in international consortia, we identified a situation that appears to be new in existing theory, which is why we propose it for further investigation.

In terms of structure, the article begins by presenting the context of peripheral and outermost regions, followed by the theoretical framework on internationalization and competitiveness, the methodology, the presentation of results, and the conclusion. In the conclusion, we also include a discussion of the topic, proposed directions for future research, and the study's limitations.

1.1. The peripheral and outermost regions

A generic definition of peripheral regions (PR) characterizes them as areas located far from major economic and urban centers, often situated on a state's borders or in relation to the European continent. Typically, these regions have lower economic potential, limited political influence, and more challenging accessibility compared to central regions (Geo, 2010). Given their location on the European continent and their physical distance from the most economically, financially, and politically dynamic areas of the European Union (EU), the Algarve region in southern Portugal and the Balearic Islands, close to the Iberian Peninsula, are considered peripheral regions.

In addition, it is possible to identify regions in other areas characterized by territorial discontinuity from the European continent, namely due to their remoteness, insularity, small size, difficult topography, and climate. The economies of these regions depend primarily on a few products (traditionally agricultural products, fisheries, or natural resources), and these characteristics pose obstacles to their potential future development (EP, 2022). Consequently, the EU recognised them as Outermost Regions (OR). In the case of Portugal, this includes the archipelagos of Madeira and the Azores.

1.2. Specialization in the tourism sector as a path to economic growth

EU community funds have significantly contributed to developing peripheral regions (PRs) and Outermost Regions (ORs), particularly in terms of basic infrastructure. However, in the case of ORs, the funding is adjusted, and the amount available is greater (EC, 2017).

Common to many peripheral areas is using their natural resources for tourism development (sun, sea, beach, nature, and climate), often leading to strong specializations in this sector (Bartolomé et al., 2022; Calero & Turner, 2020). In the report "Building Portugal's Competitive Advantages," prepared by the Monitor Company under the aegis of Michael Porter and his model (Rodrigues, 1994), various activity clusters are identified that can contribute to regional development; in the case of the Algarve and Madeira, tourism is the primary sector identified (Amaral, 2014).

Regional productive specialization has been discussed in relation to the so-called "industrial districts" in the Anglo-Saxon sense, encompassing industry and services (Benko & Lipietz, 1994). The main characteristics have been identified by Garofoli (2002), with adaptations for tourism leading to: strong specialization in the dominant sector of activity; production that is relevant at the national level; a dense network of interdependence between productive companies; a multiplicity of small companies; the circulation of knowledge at the local/regional level; a strong presence of workers with skills acquired through operational practice; and a high job turnover rate (Herrero et al., 2022). Additionally, there are international relationships with suppliers (distribution) and clients, as well as difficulties in pursuing autonomous marketing strategies due to the small size of the companies.

The strong regional specialization in tourism has led to the decline of activities that involve physical effort in the primary and secondary sectors, overshadowed by the dominance of activities within the tourism sector, such as hotels, restaurants, entertainment, real estate, airport operations, transport, various services, and maintenance (Yalçinkaya & Güzel, 2019).

The emphasis on the services sector has resulted in approximately 80 percent of the regional GVA in the Algarve, Madeira, and the Balearic Islands being generated by tourism and related activities. This focus has yielded satisfactory results compared to the EU average across 27 member states. When examining the level of regional disparity (Eurostat, 2020), it is evident that these regions have made significant progress, approaching the EU average, as shown in Table 1.

Table 1. Indicadores de desenvolvimento regional

	Surface (km ²)	Population (a)	Regional GDP (pps inhabitant) in % of EU average at 27 (b)		Regional GDP (per capita in pps inhabitant) (b)	
			2011	2022	2011	2022
		2023				
Algarve	4997	472000	77	90	19700	31700
Madeira	802	253259	78	79	20000	28100
Baleares	5040	1209906	98	98	25100	31908

Source: a) Eurostat, 2023; b) Eurostat, 2020.

It should be noted, however, that starting from a relatively low base and converging toward the average is a relatively understandable process; however, reaching the average or even surpassing it represents a major challenge for the development of peripheral or outermost regions. Therefore, consolidating the development of these regions largely depends on their ability to create economic growth through their companies and generate well-paying jobs, thereby becoming a viable option for retaining talent and attracting qualified human capital (Morrison, 1998).

1.3. Positioning in the face of internationalization

The tourism sector has long been accustomed to foreign clients and international distributors. Currently, these regions share a similar profile regarding the main tourism distribution channels, as well as some dependence on international tour operators and online travel agencies (OTAs). However, bookings through direct channels are on the rise. Table 2 presents data characterizing the performance of the hotel industry in these regions, clearly indicating that it is higher in the Balearic Islands.

Table 2. Hotel performance indicators

Regions	Overnight stays 2023 (a)	No. of establishments 2022 (a)	Occupancy rate 2023 (a)	RevPar 2023
Algarve	5581324	1226	50,83	70,3 (b)
Madeira	1495269	443	67,93	73,4 (b)
Baleares	7107658	2764	78,24	98,5 (c)

Source: a) Eurostat, Regional Tourism Statistics, 2024; b) INE, Estadísticas de Turismo, 2024; c) Indicadores de rentabilidad hotelera en España en 2022, Hosteltur, 2023.

In summary, we can say that these regions, despite being peripheral and outermost, have focused on the tourism sector as the basis for their growth and have achieved a level of development that compares favorably with the average of the states in which they are located. The question that can now be raised, given the framework described, is what steps should be taken to promote the competitiveness of these regions in order to sustain their development efforts and provide a better standard of living for their citizens in economic, social, and environmental terms. In our opinion, this can be achieved by improving the international standing of their companies.

Given the plurality of agents in the tourism sector, we will focus in particular on one of its most relevant links: the hotel industry (INE, 2019). We will, therefore, study the capacity for the hotel industry's integration into these regions from three perspectives. First, we will outline the theoretical framework of the subjects under investigation, followed by the methodology. Finally, we will present the results and conclusions, along with suggested lines of research.

2. Internationalization and competitiveness

The internationalization of companies is important for their competitiveness (Mazaro, 2017). From the outset, a hotel company present in more than one market diversifies its risk by taking into account the following aspects:

- a) If your home market goes into crisis, you can keep other profitability options open.
- b) If one of your markets is affected by natural events such as earthquakes or severe storms, or by human events such as terrorist attacks, you still have the other markets in which you are present as potential profitability options.
- c) If your domestic market is affected by seasonal demand, you can diversify by targeting markets in major capitals with low seasonality or in the opposite hemisphere, maximizing resources between the two high-demand zones. The same reasoning applies if your domestic base is limited to a small number of source markets.
- d) d) If the domestic market is in a phase of the product life cycle considered "mature" (Arzoumanidis, 2021), which typically signifies lower margins and declining profitability, then investment in foreign markets that are in the growth phase of the product life cycle can provide additional profitability for the company. This can be decisive for the reform and repositioning of units in the original market.

It should also be noted that there are often state incentives for investment abroad to support companies in diversifying their activities (Carrasqueira, 2021). Furthermore, companies operating on the international stage undergo a learning curve that results in: a) more dynamic internal management, a greater sense of competition, and easier attraction of qualified human resources; b) increased openness to innovation due to competitive pressure, especially in highly competitive markets, which is particularly relevant in terms of technology (Buhalis & Main, 1998); and c) greater ease in establishing international partnerships and better positioning regarding customer loyalty.

In addition, we can highlight the inherent prestige that society and the respective sector confer on companies operating abroad.

2.1. Active internationalization: Direct presence abroad

When it comes to accessing international markets, and bearing in mind the theoretical framework, companies can adopt an active positioning that involves direct investment abroad with ownership (Oviatt & McDougall, 2005), internationally recognized as foreign direct investment (Santos, Brochado & Esperança, 2016; Falk, 2016). Alternatively, they may choose a softer approach, utilizing less costly contractual arrangements such as management contracts or franchise agreements (Carpentier & Collins, 2022). This approach can follow a logic of market power (Dunning, 2015), which is typical of large companies, or

occur sequentially in a learning process that is characteristic of medium and small companies (Johanson & Vahlne, 1977; Vahlne & Johanson, 2020). When originating from peripheral regions, the entrepreneur's attitude tends to be particularly relevant, as supported by theories of international entrepreneurship (Dalbosco, 2017; Schwens et al., 2018).

In this context, as the Algarve, Madeira, and Balearic regions are heavily dependent on tourism—having experienced strong development due to support from the European Union and remarkable growth in the tourism sector and demand flows—it would be expected that they would have generated companies with the size and ambition to expand internationally (Fu et al., 2019) as part of the growing globalization dynamics between 1980 and 2019. This is something we will explore further.

2.2. Passive internationalizations: Joining international networks

The opening up of global markets, the rapid advancement of technology, and the creation of distribution and marketing systems have led to the development of formats in which companies or their specific units can become part of networks, benefiting from the effects of cooperation (Morrison, 1998). In the case of the hotel industry, we refer to consortia (Litteljohn & Beattie, 1992; Poon, 1990; Ayazlar, 2016; Almeida et al., 2022). These groupings are characterized by the ability to offer independent hotels and small chains the possibility of maintaining management autonomy and legal identity while accessing a centralized organization that provides support in areas such as distribution and sales, marketing and communication, technology and digitalization, purchasing and cost management, partnerships and alliances, strategic consultation, and training (Claver et al., 2006; Almeida et al., 2023).

Jafari (2000) emphasizes that consortia are an ideal format for companies to engage in joint commercial activities, such as marketing and purchasing services. Byrne (1993) highlights that consortia are the best form of contractual agreement for independent hotels. Ayazlar (2016) states that hotel members in consortia share resources, business costs, and economies of scale while supporting one another without losing their operational independence. Almeida (2022) corroborates that hotel marketing consortia provide an opportunity to share resources, particularly for small chains and independent hotels with limited resources, which often depend on the goodwill of their distribution partners. Thus, collaboration can be a key strength for surviving competitively in the market. The predisposition of this model for independent hotels has even led to the definition of a small chain being limited to two or three hotels (Bhatia, 2006). Consortia are therefore a form of co-operation that allows companies to continue in their home market, but within international networks (Ayazlar, 2016). Naturally, the managers of the most demanding consortia only accept hotels that match the profile of the cooperators they are interested in working with, in order to create supply segments that are adjusted to the demand segments in which they specialize. In other words, joining a consortium doesn't just depend on the will of the member, but on the consortium manager considering that the hotel unit fits the profile of the desired offer for the customer segment covered by the network. Some claim to have visited each of the hotels in order to confirm their unique character and fit with the network (SHW, 2024). Naturally, for the member hotels, the profitability obtained will have to justify

paying the fees inherent in the process (Carlbäck, 2019). It is also common to find 4- and 5-star hotels in these consortia, as well as boutique hotels, design hotels or hotels of great importance in terms of location and gastronomic offer.

2.3. Attracting Foreign Direct Investment (FDI) in the hotel industry

FDI is characterized by either the creation of a new company in a given economy by a foreign firm (greenfield investment) or the acquisition of existing companies in other economies by a foreign firm (brownfield investment) (Peric & Radic, 2016). It can be executed solo or through a joint venture, directly or via subsidiaries or affiliated companies, and is typically approached with a long-term perspective (Ibrahim, 2024). In the case of hotels, it is common for them to partner with investment funds that provide the real estate, while hotel chains transfer their brand and know-how through management or franchise contracts, which are the most common among various types of agreements (Leković & Stanišić, 2017; Carrasqueira, 2021; Almeida *et al.*, 2022).

The impact of FDI on the development of the countries and regions where it occurs has been documented over time, including in studies on island states (Fauzel *et al.*, 2017). FDI serves as a source of knowledge, technology, management skills, and employee training for the destination regions. Many companies that currently engage in FDI within the hospitality sector aim to avoid negative social and environmental impacts; therefore, they promote the transfer of clean technologies that positively affect both the environment and society, creating a demonstration effect for other local companies (Wang *et al.*, 2023). Consequently, regions tend to develop policies to attract FDI and create conditions that facilitate its establishment, such as providing infrastructure, enhancing connectivity with international markets, and offering a favorable tax and regulatory framework, among other initiatives (Cró & Martins, 2020). Next, we need to see what capacity the regions under study have to attract international hotel companies to their territory.

In summary, the aim of this work is to obtain answers regarding: the capacity to generate hotel companies based in the three regions that have internationalized abroad; their inclusion in networks, specifically international consortia, despite only maintaining a physical hotel presence on national territory; and the level of attraction of international hotel companies to the regions under analysis.

3. Metodology

The article is based on a literature review, analyzing the data necessary for the theoretical framework under examination. We aimed to source data from Eurostat to benefit from reliable comparative analyses. As a secondary source, we consulted the National Statistics Institutes of Portugal and Spain, followed by other data sources related to the development process and hotel performance of the peripheral and outermost regions studied.

The section on internationalization and competitiveness is supported by the relevant bibliography used to frame the themes. The analysis proposes three areas of work:

- Identify the hotel companies that originate from and have their tax headquarters in the region, and that have expanded abroad, as well as the hotels they operate under their brands. The presentation of results began with the identification of hotel companies based on previous studies (Carrasqueira et al., 2018; Carrasqueira, 2021), which was then confirmed by analyzing the information available on the companies' websites. Of the 14 Portuguese companies identified with hotels abroad, four are relevant to this study concerning Madeira. For the hotel companies that have internationalized from the Balearic Islands in Spain, a search was conducted using the annual ranking from the magazine *Hotels 325 Special Report*, specifically for 2019 data (Weinstein, 2020), in order to work with data from before the COVID-19 pandemic and from a year considered to be a record in terms of tourism. Among the identified hotel companies, five originate from the island of Mallorca and two from Ibiza (Balearic Islands). The internationalization ratio was calculated as follows: $(\text{Number of hotels abroad} / \text{Total company hotels}) * 100$, with the result expressed as a percentage.
- Identify the companies that have hotels in Portugal registered with hotel chains, known as international consortia, as another form of internationalization. The survey of international hotel consortia networks was based on the list of the top 25 hotel consortia identified internationally by *Hotels 325 Special Report* magazine, using data from 2019 (Weinstein, 2020). The aim was to differentiate these consortia from the various marketing and sales websites created by destination marketers, to which hotels subscribe, with remuneration depending on the fees generated from sales. However, these websites cannot be considered consortia due to their specific characteristics. The identification of hotels that are part of these consortia was achieved through careful research of each website listed in the aforementioned *Hotels* magazine, focusing on hotels in the Algarve, Madeira, and the Balearic Islands. This information was then confirmed on the respective hotels' and chains' websites. The discovery of hotels that, while not independent, belong to chains with more than 100 units in their portfolio and are part of consortia led us to conduct exploratory interviews with the hotel managers of these establishments. Although it is not the focus of this work, we present the main conclusions we have reached, justifying our choice and positioning this variation, which deviates from the usual theoretical framework on consortia, as a recommendation for further study.
- Identify the international companies present in the Algarve, Madeira, and the Balearic Islands, as these regions are synonymous with attracting Foreign Direct Investment (FDI). The presence of international hotel companies in these regions serves as a proxy for attracting FDI, based on the top 50 companies listed in the aforementioned *Hotels* magazine ranking. Additionally, given the traditional expansion abroad due to physical proximity, we also utilized the ranking from the *Atlas da Hotelaria Portuguesa* (Deloitte, 2020) and the *Ranking Hosteltur de Presencia*

Internacional de Cadenas Hoteleras (Hosteltur, 2020). This approach allowed us to present the data included in this work, which was confirmed on the websites of the respective companies.

4. Results

4.1. International presence of chains originating in the regions

In terms of the hotel chains that originated in the regions under study, there are contrasting situations: Madeira Island has generated four chains that have internationalized through direct investment abroad, one of which has become the largest Portuguese multinational chain in the sector (Pestana HG), with a presence in 16 countries and over 100 hotels under its brands, comprising more than 11,000 rooms (PHG, 2022). The others have only internationalized to one destination, Brazil. Among these, two own just one hotel, indicating an 'antenna' type positioning to gain knowledge about the internationalization process. In the case of the Porto Bay chain, which has three hotels, the last investment abroad was made in 2009. Therefore, with the exception of PHG, the internationalization process appears to be stagnating (Table 3).

Table 3. International hotel chains from Madeira Island

Hotel chains	No. of hotels abroad	Where present	No. of hotels in Portugal	Total Hotels	Internationalisation ratio (%)
Pestana Hotels	21	Europa, América do Sul/ do Norte e África	79	100	21
Porto Bay	3	Brasil	12	15	20
Dorisol	1	Brasil	4	5	20
Enotel	1	Brasil	3	4	25

Source: Atlas of Portuguese hospitality, Deloitte (2020) and company websites.

On the other hand, the Balearic Islands, particularly the island of Mallorca, have witnessed the emergence and development of major international hotel chains such as Meliá, Barceló, Iberostar, and RIU. Over the past few decades, these groups have become industry giants, ranking among the top 50 internationally. Also based in Mallorca are the Piñero chain, while in Ibiza, we find Palladium and Playasol, creating a veritable hotbed of hotel entrepreneurship (Table 4).

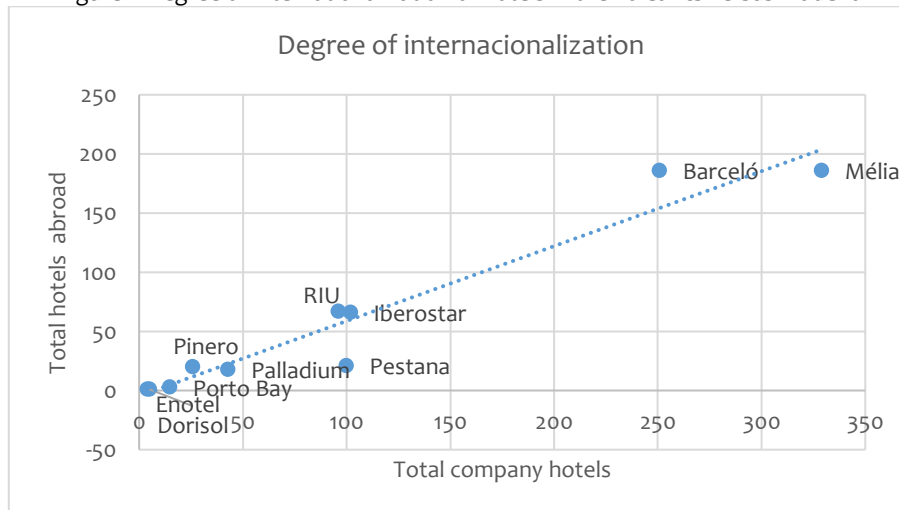
Table 4. Major international hotel chains based on the island of Mallorca

Hotel chains	No. of hotels abroad	Where present	No. of hotels in Spain	Total hotels	Internacionalisation ratio (%)
Mélio	186	Europa, Américas, África, Ásia e Médio Oriente	143	329	56,5
Barceló	186	Europa, Américas, Ásia e Médio Oriente	65	251	74,1
Iberostar	66	Europa, Américas, África e Ásia	36	102	64,7
RIU	67	Europa, Américas, África, Ásia e Médio Oriente	29	96	69,8

Source: Ranking Hosteltur, 2020.

The comparison shows that Spanish companies have become multinationals in the sector, with a presence on multiple continents. The 'internationalization ratio' indicator reveals that most of their hotels are located abroad. In Madeira, only Pestana HG can be considered a multinational, and its internationalization ratio is clearly lagging behind (It should be noted that the Pousadas de Portugal network, which consists of numerous small hotels, significantly contributes to this figure). To reinforce this trend, Figure 1 illustrates the relationship between the total number of hotels owned by the companies and the number of units abroad. Figure 1 also includes the hotel companies Piñero in Mallorca and Palladium in Ibiza (Balearic Islands).

Figure 1. Degree of internationalization of hotels in the Balearics versus Madeira



4.2. Presence in international hotel networks - consortia

Regarding the other form of internationalization—presence in hotel networks, such as inclusion in consortia—eleven out of the fifty-five analyzed were frequent. In absolute terms,

the Balearic Islands again hold a prominent position, with fifty-two hotels across ten different consortia. The Algarve has eighteen hotels in seven consortia, while Madeira has five in four (Table 5).

Table 5. Hotels in the Algarve and Madeira Island that are part of international consortia networks

Consortium name	No. of hotels in the Balearic Islands	No. of hotels in the Algarve	No. of hotels in the Madeira Islands
Keytel (Brands Prestige/Domus)	6	1	-
Global Hotel Alliance	-	6	-
Hotel Republic	7	1	-
The Leading Hotels of the World	7	5	2
Smal Luxury Hotels of the World	12	2	1
Design Hotels	7	1	1
Relais et Chateaux	6	2	1
Healing Hotels of the world	1	-	-
Prefferred Hotels Group	4	-	-
Logis Hotels	1	-	-
Hotels & Preference	1	-	-
Total	52	18	5

Note: This data was collected in March 2024 from the websites of the consortia mentioned.

As noted above, consortia provide independent hotels with the opportunity to benefit from the network effect, gaining access to resources that would be difficult or even impossible to obtain individually. They also enhance marketing, distribution, and sales possibilities. In the case of the hotels identified in Madeira, all are independent and fit within this framework.

However, during our research, we identified hotel units in the Algarve that belong to both national and international chains—some with more than 100 hotels—and are simultaneously part of soft brand consortia (Holverson & Revaz, 2006), which account for 56 percent of the consortium hotels. These hotel chains possess their own resources to perform the functions typically associated with consortia, prompting us to explore the rationale behind this positioning during our interviews. In this context, we learned about the network effect in the distribution, commercialization, and marketing efforts of consortia in specific markets (notably the United States, the origin market for several consortia), where the brand image of the soft brand fosters familiarity and trust with clients. This is also true for specific client niches, such as certain segments of the French market related to consortia of the same origin.

In this context, given the tourist significance of the Algarve and Madeira regions, one would expect a higher level of involvement in these networks.

4.3. International hotel companies in the regions

The survey revealed that the Algarve is home to eight international hotel chains, one of which is part of the TUI operator's hotel network, with two chains originating from Spain. Madeira has four international chains, all from Spain, including one that ranks in the top 25 of *Hotels* magazine. The Balearic Islands host sixteen international chains, seven of which originate in Spain and are included in the *Hotels* top 100 (Table 6). These results indicate that the Spanish archipelago is significantly better positioned to attract large international companies, alongside the largest hotel chains in Spain.

At the national level, the Algarve demonstrates a greater capacity to attract international hotels. In contrast, one Spanish brand that entered the region with a 500-room hotel in 2013 (then the second largest size in the area) has since ceased operations. Madeira, on the other hand, is notable for being on the radar of Spanish companies. However, compared to the Balearic Islands, both Portuguese regions are lagging behind in their ability to attract this type of investment.

Table 6. International hotel chains in the regions

	Algarve	Madeira	Baleares
International chains in the top 25 of <i>Hotels</i> Magazine	7	1	9
Spanish chains in the top 100 of <i>Hotels</i> Magazine	1	3	7
Total	8	4	16

5. Conclusion

The focus on the tourism sector has positioned the Algarve above the national development average, while Madeira is close to reaching that average; both regions are only surpassed by the Lisbon area in Portugal. However, to continue progressing toward the average, they need to enhance the competitiveness of their companies, particularly from an international perspective, to increase their autonomy, decision-making capacity, and overall competitiveness. The hotel industry is a key player within the tourism sector, which is why this article seeks to understand the degree of international involvement of these regions in this area.

With regard to the generation of companies based in the regions that have demonstrated the capacity to become international, Madeira and the Balearic Islands present an interesting case study. Madeira is home to Portugal's largest hotel group, Pestana HG, as well as three other companies with hotels abroad. In contrast, the Balearic Islands host Spain's largest hotel group, Meliá, along with other major groups such as Barceló, Iberostar, and RIU (Garcia, 2014), all of which are featured in the top 100 international rankings of large hotel companies.

The main difference lies in the pace of internationalization: the Balearic companies are continuing their growth process and currently have an internationalization ratio indicating that most of their hotel units are located outside Spain. In contrast, companies in Madeira

remain primarily concentrated in Portugal, with only Pestana actively continuing its internationalization process. Initially, the format used was foreign direct investment (FDI), which then transitioned to contractual models. In this context, the theory of international entrepreneurship emerges as a crucial element in the process (Carrasqueira & Pereira, 2024).

In the Algarve, often regarded as Portugal's main tourist region, we have not identified any local hotel chains that have successfully established an international presence. The lack of hotel chains based in the region with international expansion limits the development of autonomous strategies, reduces the capacity for social and political affirmation, and hampers the ability to offer competitive wages and attract talent. Additionally, this situation increases vulnerability to crises that impact the country or region asymmetrically.

Presence in consortia is another way to join international networks. The Balearic Islands are once again at the forefront of soft internationalization (Turunen & Nummela, 2017). In this context, the Algarve demonstrates more dynamism than Madeira. While the traditional justification for consortia to aggregate independent hotels in international strategies (Almeida et al., 2022) holds true for Madeira, it does not apply to the Algarve. This is because around 56 percent of the hotels in the consortium belong to chains with more than 100 hotels in their portfolio, which contradicts the existing theory.

This situation prompted the interviews we conducted with hotel managers, during which several reasons were identified: positioning in relation to emerging markets in terms of tourist demand (specifically the United States, and France); the consortium providing a soft brand that is already established in these markets; and marketing advantages, including promotion and distribution, with access to a significant customer base for future bookings. We believe that this topic warrants further study to enhance our understanding of the role of hotel consortia in the international landscape.

The other aspect studied was the ability to attract international hotel brands to the region. Once again, the Balearic Islands demonstrated a stronger position, while the Algarve exhibited a positive dynamic of attractiveness. These presences were once synonymous with foreign direct investment (FDI) by the chains. However, investment is now often made in collaboration with investment funds, and brands are associated with management contracts or franchises, which allows for lower costs in terms of both investment and disinvestment if profitability declines. Nonetheless, having international brands in a destination contributes to credibility and enhances its image, and there is typically a transfer of knowledge and improved positioning in tourism distribution.

To sum up, this paper aims to analyze the international presence of the hotel industry in the peripheral and outermost regions of the Algarve, Madeira, and the Balearic Islands to enhance competitiveness for companies and promote their economic growth and development. The Balearic Islands are clearly in a more favorable position; therefore, we propose the following policy measures for the Algarve and Madeira: the implementation of a tax incentive program to increase the size of hotel companies, under the assumption that larger companies will be better positioned to internationalize; support for internationalization (including technical assistance), particularly for joining networks; and executive training in international management and marketing.

One of the limitations of this study is that our research was based on the *Hotels magazine* ranking, as mentioned in the methodology. However, in the case of consortia, other organizations are not included in this ranking but are active in the regions studied. Therefore, we suggest this as a topic for future research to enhance the analysis. Additionally, we propose examining the reality of the internationalization of services, which encompasses numerous companies with international relations. Existing internationalization models based on the product industry do not apply to most cases, indicating a significant gap in our understanding.

For regions where citizens have significantly improved their standard of living due to tourism and rely on this activity to generate more than 80 percent of their GVA, these studies are essential. No economic cluster can position itself for competitiveness without internationally developed companies.

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