THE HILTON HOTELS IN THE MIDST OF THE UAE 2071 CENTENNIAL PLAN: REDESIGNING THE UAE ON THE PATH OF INNOVATION AND INTERNATIONAL TOURISM

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Abstract

Motivated by the strategy of economic diversification and the consequent transformations in the tourism and hospitality sector of the United Arab Emirates (UAE) mainly from implementing a long-term vision through the UAE Centennial Plan 2071, the case aims to put students in the role of Jan Schneider, president of the Hilton Hotels for the Middle East and Africa, so that they can propose an expansion strategy for the group in the country and region. In this context, some strategic challenges related to institutional uncertainties and the possible increase in market competitiveness need to be addressed. The case was designed for undergraduate and graduate students of business administration and hotel management who want to discuss topics such as entry strategies and international expansion of hotel ventures.
Keywords Hotels, Tourism, Hospitality, Innovation, International Expansion, Middle East.

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INTRODUCTION

Launched at the end of 2020, the so-called UAE Centennial Plan by 2071 (UAE Centennial 2071) aims to provide a long-term national vision to guide the country's development over the next 50 years. Presented by Sheikh Mohammed Al Saied, Vice President and Prime Minister of the UAE, the plan aims to invest in future generations, equipping them with the skills and knowledge needed to keep the country in pace with global transformations with the objective of promoting the reputation and competitiveness of the region, making the UAE one of the best places to live by the year 2071. Based on 4 pillars: Future-focused government, Excellent education, Economic diversification, and Social happiness, the vision for the UAE until 2071 is focused on knowledge, innovation, investment in people, in addition to recognizing the active role that the private sector would need to take on in promoting these initiatives (Alarabiya News, 2023).

The UAE Centennial 2071 follows a change in the country's view that was in course since 2016 after the publication of the Sustainable Development Goals of the United Nations 2030 Agenda (SDG UN 2030) regarding the need to promote greater economic diversification for a region still highly dependent on fossil fuels. Parallel to maximizing the production efficiency of its oil and gas reserves, the UAE government is betting on cleaner and renewable energies, indicating a transition in the energy matrix for the coming decades. Having been successful in previous years by investing in infrastructure, services, and security to make the region a more attractive destination for businesses of the world, a sector that ended up standing out among those not belonging to oil was the tourism and hospitality industry.

The Middle East has become continually more popular for international tourism, especially regarding business tourism. Although the desert climate of the region may not please many, the UAE has made compensations by investing in recent years in large artificial structures that have been become tourist attractions in their own right such as the Burj Khalifa (Annex 1) and the artificial islands of Palm Jumeirah (Annex 2). At the same time, what had already been found in the country was a high-quality tourist infrastructure such as modern airports, highways, and efficient public transport systems, in addition to international renowned boutique hotels and seaside resorts, allowing a variety of choices for visitors, always within the luxury segment. As a recipe for making its main cities, Dubai and Abu Dahbi, great destinations for business tourism, the country has also been investing heavily in bringing events and exhibitions to the region.

As a high point of this event-based corporate tourism, events such as the Dubai Shopping Festival, the Dubai Horse World Cup, and the Dubai Airshow are already part of the country's agenda. On the Abu Dhabi side, the highlight goes to the Formula 1 Grand Prix and the Abu Dhabi International Boat Show, in addition to several other smaller sector events. Not only does the country sponsor these events, but it also provides modern convention centers and innovative technological structures capable of attracting investors, companies, and businesses from around the world. In this context, Jan Schneider, President of the Hilton Hotels for the Middle East and Africa, sees the UAE Centennial 2071 as the perfect chance to continue expanding the brand's business in the United Arab Emirates as the Middle East consolidates itself as the new hub of luxury tourism in the world.

On the other hand, Schneider knows that the region's gain of visibility should bring an increase in competitiveness for the service & hotel sector in general as new international brands arrive in the country. As a result, knowing the best way to operate and expand their coming business in the region ends up being crucial to mitigating risks and maximizing gains. All these factors need to be considered by Schneider and his team when proposing an expansion strategy to Hilton's headquarters. The best way to enter into new locations is still a dilemma to be explored.

HILTON HOTELS BACKGROUND

Founded in 1919 by James Hilton, the Hilton Hotels and Resorts started in the state of Texas with its first hotel called The Mobley, a 40-room structure that at the time charged affordable rates between US$ 1 and US$ 2.50 a day. The years that followed were a period of expansion via acquisition for the brand until the opening of a new hotel in the city of Dallas with 325 rooms that already had several features aimed at greater comfort for its guests such as ventilation systems and hot water showers also in common areas. By 1929, the Hilton Hotels would already have 7 hotels throughout the state of Texas. In 1938, it was the group's turn to expand to the state of California, opening its first venture in the city of San Francisco. Years later, in 1943, Hilton would become the first North American hotel chain with a presence on both east and west coasts of the country after arriving in New York City.

But the biggest expansion of the brand was just after the end of World War II when in 1945 it acquired the largest hotel in the world for its time, the Stevens. In 1949, the Hilton Hotels leased the iconic Waldorf-Astoria, legendary for being one of the oldest and most luxurious hotels in the world. Until 1977, the Waldorf-Astoria would be definitively acquired by the Hilton. 1949 was also the year of the first international expansion of the Hilton group when it opened a unit in the city of San Juan in Puerto Rico. By 1953, the Hilton would already be in the European and African continents after opening units in the cities of Madrid in Spain and Cairo in Egypt, until that time, always expanding through mergers & acquisitions and also greenfield ventures. From 1965 onwards, the chain would further accelerate its expansion process by adopting a franchise system in the United States. By the end of that same decade, in 1969, it was the brand's turn to open the first casino of the brand in the city of Las Vegas. Until 1970, the Hilton Hotels would also be present in the Asian and South American continents, opening new units in Singapore and Caracas in Venezuela.

With the death of its founder James in 1979, the control of the business passed into the hands of the family, but the change in management did not stop the international expansion of the brand, which has always valued a high standard of accommodation and control over its operations. In 1995, the company launched its own website, allowing reservations to be made online. Until 1999, with equity entries through the acquisition of other chains such as Doubletree, Red, Embassy Suites, Hampton Inn, and Homewood Suites, Hilton Hotels could already be seen in the main cities of the world, reaching the number of 76 countries in 2009. Currently Hilton Hotels has 13 brands that together manage more than 7,000 hotels and 758,000 rooms between equity and contractual arrangements, employing approximately 164,000 people in more than 100 countries. Valued at more than US$ 22 billion, the brand registered in 2019, before the pandemic, revenues of US$ 11 billion and a net income of US$ 2 billion.

Present in the United Arab Emirates since 1971 with the opening of the Hilton Abu Dahbi (Annex 3), the chain has continued in recent years to expand its presence in the region in destinations such as Dubai, Abu Dhabi, and Ras Al Khaimah that have become increasingly popular among international tourists. In the entire Middle East and Africa region, the company currently has 122 hotels, of which 36 are located within the United Arab Emirates, 28 in the city of Dubai and 7 in Abu Dahbi. Even so, Schneider understands that there is plenty of room for the brand to expand its operations in the region given that the Middle East represents just over 2% of the brand's total number of hotels when considering the company's operations globally (Annex 4). However, when considering the representation of Hilton properties in the UAE compared to the entire Middle East and Africa region, the country's share goes to almost 30% (Mundo das Marcas, 2006).

The challenge for Schneider was finding the right pace for expansion as new competitors entered the Middle East and UAE market. While the preference for own ventures imposed the necessity for the brand a high volume of investments, the franchising, despite having proven to be a good alternative for Hilton in some locations of the word, can lead to loss of control and theft of know-how if used indiscriminately or with the wrong partner.

THE TOURISM AND HOSPITALITY SECTOR IN THE UNITED ARAB EMIRATES

In the year of 2019, the last one before the pandemic, the tourism and hospitality sector in the UAE recorded gross revenues of USD 50 billion, equivalent to 11.6% of the country's total Gross Domestic Product (GDP) for that period. In that same year, international tourists spent US$ 40 billion, representing almost 80% of the sector's total income. To arrive at these numbers, the country was coming from a period of growth in the number of beds where until 2019 the UAE had 1,089 hotels and 180,000 rooms. Just taking into consideration the representativeness of hotel incomes for the country, the numbers are around US$ 8.2 billion. With the industry's comeback after COVID-19, in 2023, what can be observed in the country is the increase in competitiveness and the arrival of new hotel brands. Schneider understands, however, that as a large part of the UAE hotel industry is based on the luxury segment, it will be difficult to observe a price war in the market as occurs in other regions of the world because for this segment what becomes essential is the quality of service (MOEC, 2023).

Even in middle of the pandemic of recent years, the UAE had the second highest bed occupancy rate in the world, reaching 54.7% in 2020. During this period, the country received almost 15 million international tourists mainly due to business tourism, a sector less impacted than leisure or events. Until 2019, however, the average occupancy rate of hotels in the UAE was 74% with stable figures compared to previous years even amid the increase in the supply of beds in the country, which had suffered greater acceleration from 2017 (Annex 5 and 6) with the launch of plans such as the UAE 2031 Tourism Strategy that promised to inject billions of dollars into the industry in the medium term (UAE (2023). By 2030, the expectation of the local government is that the tourism and hospitality sector will contribute even more to the country's GDP, ranging from the current 11.6% to 15%, thus reinforcing the importance of the sector for the economic diversification strategy currently in vogue by the UAE Centennial 2071.

In 2023, with the official ending of the COVID-19 health emergency decree by the World Health Organization, the tourism sector in the UAE continued to rise with the city of Dubai being chosen as the best tourism destination of the year by the TripAdvisor platform (Annex 7) (N Travel, 2023). With the award, the United Nations World Trade Organization (UNWTO) announced that the Middle East had the largest relative increase in the number of international tourists worldwide in 2022 with international arrivals reaching 83% of the 2019 numbers. When looking at the other continents, recovery was still at 63%. The UAE has also stood out in the entire region for being the only country to overcome pre-pandemic numbers, thus showing the good phase that its tourism sector is going through. The international hotel brands are very aware of these numbers and the potential of the region. In addition to changes in visa rules that now allow visitors to stay in the country for 60 days instead of 30, the increase in tourist numbers can be attributed mainly to these long-term structural changes promoted by the local government.

A key part of this success is also the partnerships with foreign airlines, which continually more are offering direct routes to the region from important airports of the world. In addition, regional airlines such as Emirates (Annex 8), Etihad Airlines, and Qatar Airways have increasingly invested in the expansion and modernization of their fleet, offering flights with premium services at affordable prices. Almost always, however, these options are only available to travelers open to face longer stopovers, spending a day or two in the region while waiting for their connection flight to other destinations in the world. Another key to support the growth of tourism in the region is the positioning of Middle Eastern countries as a destination of the future guided by sustainability, accessibility, and diversification. As a result, its modern structures in the middle of the desert have increasingly invested in cultural conservation with more sustainable accommodation based on the tourism of experience, a type of tourism seen as a way of differentiation by international hotel brands, which compete globally by offering not only accommodation, but experiences for their guests that portray part of local life.

EXPANDING OPERATIONS AMID THE UAE 2071 CENTENNIAL PLAN

By 2023, in fact, many indicators have shown that the Middle East should assume an even greater role in the international tourism agenda in the years to come. In the midst of these transformations that the United Arab Emirates and other neighboring countries have been going through, Schneider shared the idea that the brand should expand its locations and take on a stronger presence in the region in view of the low representation of only 2% that the Middle East hold in the company's global business. Other brand executives, however, had their reservations. Dominik Vogue, Global Vice-president of Operations for Hilton Hotels, highlighted that historically the region has shown insecurities that have not been overcome, being that one of the main reasons why the brand has not yet given greater representation to the region within its portfolio.

A classic example of this is in the discussions regarding the consumption of alcoholic beverages in the country. Although prohibited among Muslims, it is common to find foreigners consuming alcohol in some hotels or restaurants, but never in public areas. Legislation, however, is constantly changing, and local authorities are far from having any consensus on the subject. A classic example of this was the ban on beer consumption in the stadiums of the FIFA World Cup in Qatar in 2022 just a few days before the opening ceremony. The last-minute decision meant serious losses for foreign sponsoring companies as they could no longer have their brands associated with the event after months of planning (Russo et. al., 2022). Vogue points out that events like this need to be taken into consideration by the Hilton Hotels, considering that the food and beverage sector usually represents 25% of its total revenues. In addition, Vogue highlights the growing attention that the region has drawn to international hotel brands, which are arriving to the GCC countries continually faster, contributing to the increase in the presence of the highest demographic density of luxury hotels in the world with more than 240 options in Dubai alone (CPT, 2023).

On the other hand, it is true that compared to more traditional neighboring countries such as Saudi Arabia and Qatar itself, the UAE is way ahead in terms of flexibility and Westernization. On the streets of the country's main cities, for example, it is very common to see female tourists walking around wearing western clothes, requiring the use of a veil only in religious temples. Even so, Vogue has some reservations about the risks of investing millions of dollars in new Hilton ventures in the Middle East and even in the UAE, considering that the country already presents a certain saturation in terms of geographic permeability of Hilton hotels and others from the luxury segment in the main cities of Dubai and Abu Dhabi.

Schneider understands, however, that having in hand clear guidelines for the country's development for the next 50 years through the UAE Centennial 2071, which places tourism as one of the priority industries, brings a certain security that, besides the competitiveness, the sector will continue to develop and receive investments in the coming decades. For him, even in the middle of such challenges, this certain predictability would hardly be found in any other country in the world. In order to calm the spirits of Vogue and other board members, however, Schneider understands that other strategic arrangements different than direct investment could be explored by the brand. Although the Hilton Hotels has historically guided much of its international growth through mergers and acquisitions, from a perspective of quality and greater control over operations, this model has in fact brought greater risks due to the lack of liquidity of the business (Trading Economics, 2023). But among all the doubts, Schneider's only certainty was that the Hilton Hotels could not be stopped and just watch all those changes taking place without moving forward.

ANNEXES

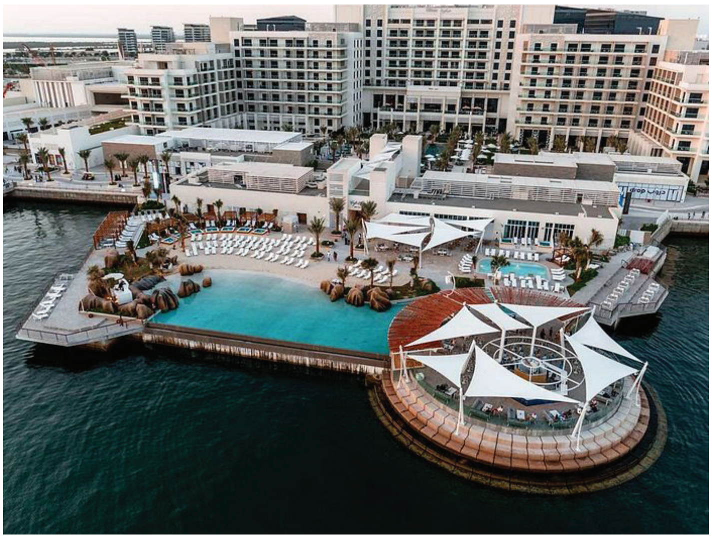
Annex 1: **Burj Khalifa, the tallest building in the world**

Source: Guiness World Records (2013)

Annex 2: **Artificial Islands of Palm Jumeirah**

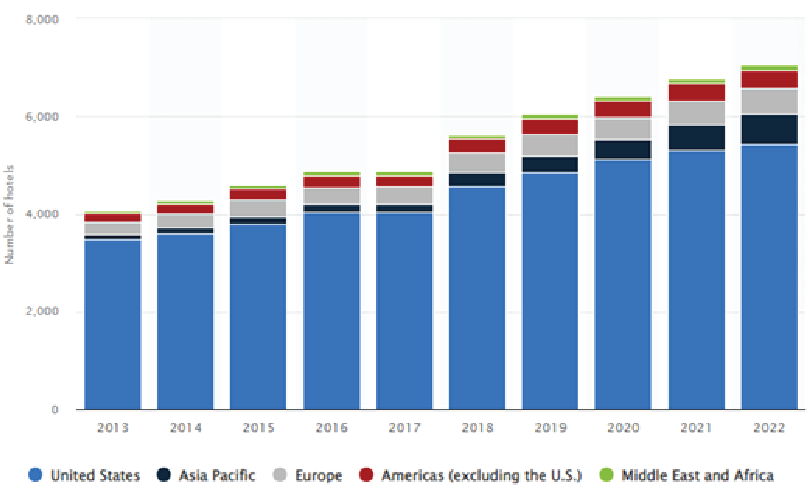
Source: Visit Dubai (2023)

Annex 3: **Hilton Abu Dhabi**



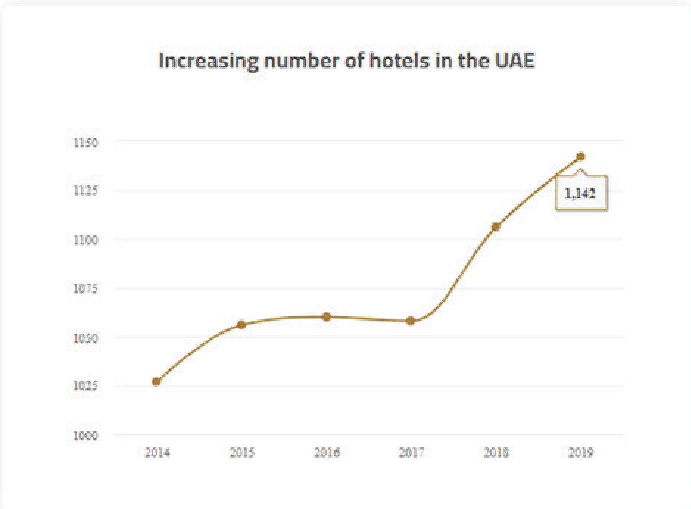
Source: TripAdvisor (2023)

Annex 4: **Number of Hilton hotels worldwide**



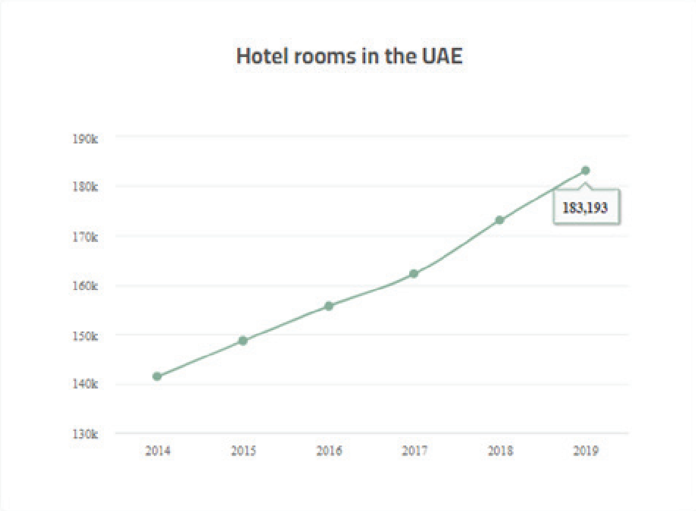
Source: Statista (2023)

Annex 5: **Number of hotels in the UAE over the years**



Source: MOEC (2023)

Annex 6: **Number of hotel rooms in the UAE over the years**



Source: MOEC (2023)

Annex 7: **TripAdvisor's most popular destinations in 2023**

1	Dubai, UAE
2	Bali, Indonesia
3	London, UK
4	Rome, Italy
5	Paris, France
6	Cancun, Mexico
7	Crete, Greece
8	Marrakesh, Morocco
9	Dominican Republic
10	Istanbul, Turkey

Source: N Travel (2023)

Annex 8: **Emirates First Class**

Source: Wego (2023)

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TEACHING NOTES

LEARNING OBJECTIVES

The case puts students in the role of Jan Schneider, president of the Hilton Hotels for the Middle East and Africa, so that they can reflect on an expansion plan for the chain in the region in the medium and long term and thus follow the structural changes that are emerging from the implementation of plans such as the UAE Centennial 2071 that places the tourism and hospitality sector as a priority industry in the face of the economic diversification strategy to make the UAE less dependent on oil. At the end of the discussion, students are expected to be able to: (1) understand how factors of the external environment such as institutions and competitiveness impact the tourism industry; (2) evaluate the main entry modes of hotel chains in foreign markets; and (3) propose the best entry strategy for hotel chains that operate internationally.

TARGET AUDIENCE

The case was designed for undergraduate and graduate students of business administration and hotel management courses who want to discuss topics such as entry strategies and international expansion of hotel ventures.

SOURCES OF INFORMATION

The case was built entirely through secondary data sources such as scientific articles, journalistic papers, as well as advisory reports and public UAE government reports such as the UAE Centennial 2071 and the UAE 2031 Tourism Strategy.

SUGGESTED TEACHING PLAN
Assignment Questions

- What are the government plans presented in the case UAE Centennial 2071 and the UAE 2031 Tourism Strategy about? What transformations are they proposing?
- What are the main characteristics of the tourism and hospitality sector in the UAE? What are its most prominent segments?
- How did the expansion process of the Hilton hotels take place over the years and what were the main entry modes observed?
- What are the main challenges to be overcome by countries in the Middle East and by the UAE itself in terms of attracting international tourists?
- In the position of the protagonist of the case, Jan Schneider, what recommendations would you give to the company in order to continue expanding its operations in the region?

DISCUSSION AND ANALYSIS

This teaching plan considers two application options, which are with or without prior preparation. While the prior reading of the case is indicated for graduate students and a class duration of 1 hour and 30 minutes, the case can also be read in class for undergraduate students. In this option, the total class duration indicated will be 2 hours, as follows:

Application option 1 – Undergraduate students and a 2-hour class
- Case reading – 30 min
- Small groups discussion – 30 min
- Presentation of the case by the instructor – 10 min
- All group discussion – 40 min
- Closing and Follow up – 10 min

Application option 2 – Graduate students and a class of 1 hour and 30 minutes
- Small groups discussion – 30 min
- Presentation of the case by the instructor – 10 min
- All group discussion – 40 min
- Closing and Follow up – 10 min

INTRODUCTION

During the initial 15 minutes of the plenary discussion it is suggested that the instructor warm up the discussion with the students by posing the following opening question:

(Opening question) What external environmental factors present in the Middle East and UAE market can be seen as a threat to the expansion of Hilton's business in the region?

When negotiating with other cultures or expanding operations to other countries, there are several environmental factors that can positively or negatively impact a companies' business (Young et. al., 2003). The so-called risks of international business can be subdivided into four major areas, namely monetary risk, commercial risk, cultural risk, and country risk (Cavusgil et. al., 2009). The first of them, monetary risk, concerns precisely the exposure that a company has when trading in foreign currency in addition to other issues involving monetary exposure, external taxation, the valuation of assets abroad, and the exchange rate variation itself. In the case of multinational companies, this type of exposure occurs a lot when the tax and fiscal structure greatly differs between the headquarters and its international subsidiaries. The greater this difference, the greater the monetary risk observed (Daniels et. al., 2014).

Another important risk to be taken into consideration is the so-called commercial risks, which are those risks that come from the characteristics of the local market in which the company operates. This risk has to do with the local competitive intensity or the existence, for example, of a weak business partner (Javalgi et. al., 2011). Other operational problems arising from poor strategic implementation and market reading can contribute to the commercial risk of an international operation. Parallel to it are also what we call cultural risks that are based precisely on the cultural differences that exist when negotiating or operating businesses in countries that are culturally distant from the headquarters (Sanyal, 2005). According to the author, differences in negotiation styles, consumption habits, forms of the decision-making process, and different ethical practices can contribute to the increase of the cultural risks perceived by a foreign company.

Then there is what we call country risk (Lou, 2009). This type of risk concerns the level of government intervention in a given market in addition to issues related to bureaucracy, corruption, and the degree of reliability of the political, legislative, or judicial system. At the same time, the levels of social instability found in a region can also contribute to the perceived country risk, which can sometimes also be described as political and/or institutional risk. There are several international rating agencies in the world such as Moody's and Fitch that are responsible for assigning scores that measure country risk (Trading Economics, 2023), thus providing risk indicators that guide companies and investors that want to start or expand their operations for certain regions. These indicators usually range from AAA (+ or -) in cases of lower risk to CCC (+ or -) in situations where the country risk is higher.

Finally, these four risks: commercial, monetary, cultural, and country, when associated, contribute to the formulation of a construct called psychic distance, which is a collection of factors that interrupt the flow of information between markets, inhibiting the firm's ability to learn about foreign markets, thus creating a level of uncertainty about these markets in the minds of its managers (O'grady & Lane, 1996). It is worth noting, however, that psychic distance is something perceived and may vary according to the characteristics of each organization as well as the background of its managers (Håkanson, & Ambos, 2010). In this way, different companies, even North American ones, will perceive different psychic distances when negotiating with the same Arab country such as the UAE, for example.

Applied to the case in question, the risks that are most evident are the commercial risk and country risk. The former concerns the accelerated expansion that the tourism and hospitality sector has been experiencing in the UAE with a large increase in the supply of hotels and rooms. This increase in supply, if not accompanied by an equivalent increase in demand, can lead to a rise of competitiveness in the sector and losses for companies in the segment. In addition, country risk is also evident with the issue of legal uncertainty presented by the national institutions since it is not a democratic country in the way it deals with controversial social issues such as alcohol consumption or other rights of minorities in the country. Although little discussed, it is also worth calling attention to the cultural risk due to the great differences between the Arab world and the North American community, where the brand is headquartered.

ANALYSIS

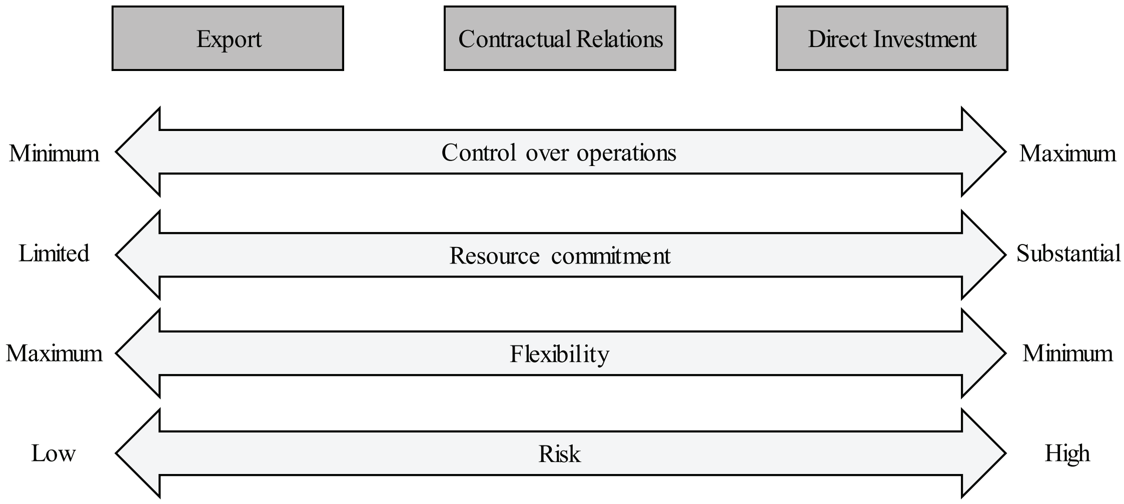
After this initial discussion, the following discussion question can be presented to the group:

(Discussion question) What have been the main entry modes used by the Hilton Hotels over the years? What are the main advantages and disadvantages of each of these modes?

There are different ways in which companies manage to expand their activities internationally with the main ones being divided into three broad categories: export, contractual modes, and direct investment (Datta et. al., 2002). According to the authors, while export refers to an entry strategy in which a company that produces products or services in a given country sells or distributes them to consumers located in other countries, contractual relations will be any form of contractual arrangement, whether licensing or franchising, where a firm allows a foreign partner to use its intellectual property in exchange for royalties or other compensation. Finally, the direct investment modality will be characterized by the physical presence of a company in a certain foreign market, and this presence can be established through incorporations via greenfield, mergers, or acquisitions. Therefore, what will characterize direct investment will be precisely the presence of a company's own capital via shareholding or other equity means in a foreign subsidiary.

Each of these strategies, however, has advantages and disadvantages and it is up to the company's managers to evaluate the one that best suits their businesses and projects. To this end, according to Cavusgil et. al., (2009), to choose the best entry strategy it is necessary to take into account factors such as (1) the firm's objectives in terms of profitability and market share, (2) the degree of desired control over critical business decisions, its operation, and strategy, (3) the degree of risk the company is willing to tolerate, (4) the characteristics of the service or product offered, (5) the environmental conditions of the destination country, (6) the nature and extent of rivals' competitive potential, (7) the availability and capacity of local partners, and (8) the strategic importance of the market. Some of these factors and the dynamics with which they behave with the entry modes can be seen in Image 1 below.

Image 1: **Relevant factors when choosing the entry mode**



Source: Adapted by the authors from Cavusgil et. al., (2009) In a reading of Image 1 we can observe that the control over the international operations concerns exactly the capacity that the headquarters will have on critical decisions as well as quality control of the international processes. The commitment of resources deals precisely with the amount of financial, human, and administrative resources needed to carry out each of these operations. Once having made the option for one of these entry and operation modalities, the head office will also have different levels of flexibility precisely because of the greater ease or not of withdrawing capital from the business. This possibility is also closely related to the risk of the project since in situations of direct investment, for example, despite having a greater level of control, the commitment of resources is usually high due to their low insolvency. It is worth noting, however, that for each of these three categories, there will be different types of entry modalities with substantial variations in terms of control, commitment of resources, flexibility, and risk.

In the case of companies in the hotel segment, as they are essentially a service industry, exports can hardly be seen as a possible entry modality, leaving contractual and direct investment modes as options (Quer et. al., 2007). Among these options, market factors such as those already presented above as well as internal and specific factors of the firm such as available resources, technical competence, and management profile will need to be taken into consideration. It is very common for internationally recognized hotel brands wanting to expand their operations without taking too many risks to opt for contractual arrangements such as management, licensing, or franchising contracts. In this option, the brand holder provides the know-how of the operation in exchange for a share in the venture's operating profits. As it does not involve the need for a high commitment of resources, the contractual option can be well used in situations where the brand aims a rapid demographic growth (Kruesi et. al., 2017).

Foreign direct investment (FDI) is also widely used by hotel enterprises that focus on quality control over their operations (Andreu et. al., 2017). In this modality, however, as it generally involves a high investment, the expansion process is usually slower. Even so, within the FDI option there are different arrangements that can bring different levels of risk and control. The riskiest option, but with greater control, are incorporations via greenfield where the foreign organization starts a project from scratch. In addition to this, another way to advance more quickly would be through the acquisition of an existing operation and the possibility of taking with it the brand, location, and client portfolio of the business being acquired. Finally, Andreu et. al., (2017) also highlight the possibility of expanding via joint ventures. In this modality, the risk and responsibilities would be divided between two or more companies with different arrangements that would allow a majority, equal, and even a minority shareholding with the percentage of shares being determinant to define who has the final control over the operation. These different contractual and direct investment arrangements can be seen in Figure 2.

Image 2: **Classification of entry modes**

Contractual	Direct Investment
Licensing	Greenfield
Franchise	Acquisition
Technical Agreements	
Service Contracts	joint venture
Administration Contracts	- Minority
Construction Contracts	- Majority
Manufacturing Contracts	- Egalitarian
Co-production agreements	

Source: Adapted by the authors from León-Darder et. al., (2011)

In the case of Hilton Hotels, it was possible to observe throughout the case story combined strategies that involved expansion both via contractual modes and direct investment. For the purpose of enable accelerated expansion and greater geographic permeability, especially within the United States where the brand currently owns almost 80% of its hotels, a good part of this growth was made through franchise agreements. As for its international ventures, as a way of favoring control over the quality of its operations, what was observed was expansion via direct investment. In regions of high psychic distance (O'grady & Lane, 1996) as in the case of the Middle East, however, it is common for companies to end up opting for lower risk strategies. As it is a market almost entirely based on luxury tourism, the possible loss of quality control that contractual modes bring could harm the brand's image. In this way, it is important that the instructor remind the group that there is no better or worse option and that the manager should always respect his risk aversion profile (Kraus et al., 2015).

CLOSING

After this discussion and with the intention of. proceed with the final stage of the case discussion, in the last 10 minutes the instructor may present the following closing question to the group:

(Closing question) Which strategic suggestions would you give to the protagonist of the case so that the Hilton Hotels could continue to expand its operations in the region and in the UAE?

At this moment, the instructor could ask the class to be divided into two groups, one in favor of the brand adopting a posture that favors contractual relationships and the other favoring direct investments. Before closing the discussion, representatives of each one of the groups could also contribute with the reasons why they defend their approach.

DISCLAIMER

The authors declare that they have no conflict of interest to report and have not received any type of financial aid for preparing the material. In addition, despite using the name of a real organization, their protagonists are fictitious and were created only for didactic purposes. Thus, the dilemmas described throughout the text do not necessarily represent the official opinion nor view of the organization cited.

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