Inward Internationalisation in a Peripherical Tourism Destination: The Case of Bensaude Hotels Collection in the Azores

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Abstract

This dissertation examines the process of "inward internationalisation" of Bensaude Hotels Collection, the leading hospitality brand in the Autonomous Region of the Azores and part of the Bensaude Group, one of Portugal's largest and most long-established business groups. Bensaude Hotels holds a portfolio of ten hotel units, nine located in the Azores and one in mainland Portugal. The case study analyses the company's strategy for attracting international demand within an insular and geographically remote context, characterised by an insufficient domestic market and by institutional and environmental constraints.

Through an in-depth analysis of the company's inward internationalisation process, considered inward due to the absence of physical international expansion through the establishment of hotel units abroad, the case study identifies the key factors underlying this form of internationalisation, namely managerial experience, the firm's unique capabilities, and external factors that shape tourism in the Azores as a whole. It then examines how these antecedents transform the internationalisation process, influencing its pace and trajectory. Finally, the outcomes of the internationalisation process are assessed using performance, sustainability, and legitimacy indicators.

Lastly, this case study provides relevant insights into how destinations that are highly dependent on tourism, located in peripheral regions and structurally affected by multiple constraints, can strategically transform these limitations by adapting their offerings and, in doing so, consistently attract international flows.

Title: Inward Internationalisation in a Peripherical Tourism Destination: The Case of Bensaude Hotels Collection in the Azores

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Keywords: Inward internationalisation; Tourism and hospitality; Peripheral Island destinations; APO Model; Non-equity entry modes; CAGE distance; AAA framework; Sustainability and legitimacy.

Resumo

Esta dissertação estuda o processo de "internacionalização interna" da Bensaude Hotels Collection, a marca líder no setor de hotelaria na Região Autónoma dos Açores, parte integrante do Grupo Bensaude, um dos maiores e mais históricos grupos empresariais de Portugal. A Bensaude Hotels detém um portfolio de 10 unidades hoteleiras, sendo nove localizadas nos Açores e uma em Portugal Continental. O caso de estudo desenvolvido analisa a estratégia da empresa na atração de procura internacional, num contexto insular, geograficamente distante, de um mercado interno insuficiente e de alguns constrangimentos do foro institucional e ambiental.

Através de uma análise exaustiva do processo de internacionalização interna da empresa, isto é, interna devido à ausência de expansão internacional física, com o estabelecimento de unidades hoteleiras no estrangeiro, o caso de estudo identifica os fatores que estão na base desta internacionalização, nomeadamente a experiência dos gestores, capacidades únicas detidas pela empresa e fatores externos que condicionam todo o turismo nos Açores. Posteriormente, é analisada a forma como estes antecedentes transformam todo o processo de internacionalização, influenciando o seu respetivo ritmo e trajetória. Por fim, são expostas as consequências do processo de internacionalização ao abrigo de indicadores performativos, de sustentabilidade e legitimidade.

Por último, este caso de estudo oferece informação relevante sobre como destinos altamente dependentes do turismo, localizados em regiões periféricas e afetados estruturalmente por diversos aspetos, podem transformar estrategicamente estes constrangimentos, adequando a sua oferta, acabando por conseguir atrair consistentemente fluxos internacionais.

Título: Internacionalização Interna num Destino Turístico Periférico: o Caso da Bensaude Hotels Collection nos Açores

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Palavras-chave: Internacionalização interna; Turismo e hotelaria; Destinos insulares periféricos; Modelo APO; Modos de entrada sem investimento acionista; Distância CAGE; Modelo AAA; Sustentabilidade e legitimidade.

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List of Abbreviations

SMEs: Small and Medium-sized Enterprises
GDP: Gross Domestic Product
UNWTO: United Nations World Tourism Organization
APO: Antecedents, Patterns, Outcomes
CEO: Chief Executive Officer
INVs: International New Ventures
FDI: Foreign Direct Investment
OLI: Ownership, Location, Internalisation
RBV: Resource-Based View
VRIN: Valuable, Rare, Inimitable, and Non-substitutable
DC: Dynamic Capabilities
SMTEs: Small and Medium-sized Tourism Enterprises
R&D: Research and Development
CAGE: Cultural, Administrative, Geographic, and Economic
LoF: Liability of Foreignness
AAA: Adaptation, Aggregation, and Arbitrage
DMOs: Destination Management Organizations
COVID-19: Coronavirus Disease 2019
WTTC: World Travel & Tourism Council
SREA: Azores Regional Statistics Office
CAGR: Compound Annual Growth Rate
USA: United States of America

SATA: Azorean Society for Aircraft Transportation

RMS: Revenue Management System

PMS: Property Management System

OTAs: Online Travel Agencies

CRM: Customer Relationship Management

B2B: Business-to-Business

B2C: Business-to-Consumer

PR: Public Relations

AHP: Portuguese Hotel Association

MICE: Meetings, Incentives, Conferences, and Exhibitions

ADR: Average Daily Rate

RevPAR: Revenue per Available Room

Disclaimer: AI algorithms (namely ChatGPT) were used for word compression and language correctness under the supervision of my advisor. Prompt conversation is available upon request.

1. Introduction

1.1 Problem Statement

The construction of an internationalisation strategy represents a significant strategic challenge, especially for companies in search of growth, competitiveness, and long-term sustainability (Johanson and Vahlne 1977; Vahlne and Johanson 2017; Knight and Cavusgil 1996; 2004). Even though this subject has been extensively studied for multinational corporations and traditional manufacturing sectors, small and medium-sized enterprises (SMEs) present specific constraints when pursuing an internationalisation path, namely limited resources, managerial capacity, and higher exposure to uncertainty (Steinhäuser et al. 2021). These challenges are even more significant on service sectors such as tourism and hospitality, where the literature on this topic is scarcer, and where internationalisation takes an inward-oriented form, instead of involving physical expansion abroad (Welch et al. 2018).

Globalisation has redefined the role of borders and accessibility, allowing an unprecedent growth in tourism around the world (Held et al. 1999; Urry 2002). Therefore, the number of tourism-driven economies increased significantly, as now tourism is responsible for about 10% of global GDP and hundreds of millions of jobs worldwide (World Travel & Tourism Council, 2025; UNWTO, 2024). However, the literature still prioritises traditional outward expansion modes, based on exporting or foreign direct investment. Tourism and hospitality, especially in the context of small island economies, present a further enhanced gap.

To explore the impact of geographic distance, limited market size, accessibility constraints or environmental conditions on internationalisation, the Azores archipelago provides a relevant empirical setting. Within this context, the historical Bensaude Group, more specifically Bensaude Hotels Collection, the first and larger hotel group in the region, serves as an optimal case to study the impact of firm-specific capabilities, managerial experience, destination-specific conditions, and other various aspects on shaping "inward internationalisation" trajectories.

The primary objective of this dissertation is to contribute to internationalisation literature by examining "inward internationalisation" processes in the tourism and hospitality sectors, within peripheral destinations. The Antecedents - Patterns - Outcomes (APO) framework serve as the main analytical lenses to study Bensaude Hotels' internationalisation journey. A rigorous qualitative case study was built upon detailed interview evidence, with the aim to analyse the antecedents that shape internationalisation, the patterns through which it is materialized, and the general outcomes generated in terms of performance, legitimacy, and sustainability.

1.2 Research Questions

The following research topics were proposed in the context of Bensaude Hotels "inward internationalisation":

- What antecedent conditions motivated Bensaude Hotels Collection to pursue an "inward internationalisation" strategy?
- How does Bensaude Hotels Collection materialize internationalisation through its market logic, entry modes, networks, leaning processes, and offering configuration?
- What outcomes emerge in terms of performance, legitimacy, and sustainability?

1.3 Methodology

To address the identified research questions, this dissertation follows a case study approach. Primary data were collected through semi-structured interviews with senior executives of the Bensaude Group. Primary data were complemented with secondary sources, including academic journals articles, industry reports, official publications from national and regional institutions, as well as reports from international organisations related to tourism and hospitality. Data triangulation and factual cross-checking were adopted to increase the analytical rigour and to ensure the validity and credibility of the findings.

First Interview	Exploratory meeting with the CEO, Victor Cruz, aimed at contextualising the research project, understanding the strategic relevance of the hospitality business within the Bensaude Group, and assessing the group's interest in collaborating in the dissertation. This meeting also provided initial insights into the group's international exposure and strategic priorities.

Second Interview	In-depth interview with the Tourism Executive Director, Jorge Aguiar, focusing on the internationalisation process of Bensaude Hotels Collection. Topics included inward internationalisation logic, destination-specific constraints, market segmentation, channel configuration, partnerships, sustainability orientation and the application of internationalisation frameworks.
Third Interview	Follow-up interview with the Tourism Executive Director, Jorge Aguiar, further exploring internationalisation patterns, learning processes, offering configuration, digital transformation, and strategic repositioning of hotel units over time.
Fourth Interview	Interview with the Director of Sales, Pedro Salazar, addressing commercial strategy, distribution channels, demand composition, market performance indicators and competitive dynamics, including the presence of international hotel chains and their impact on value creation within the region.

Table 1: Summary of Interviews

2. Research Note

This chapter reviews the relevant literature in internationalisation strategy, integrating several perspectives, structured around three main stages: *Antecedents*, *Patterns*, and *Outcomes* (APO). This model provides the foundation to analyse the "inward internationalisation" phenomenon, in the tourism and hospitality sector.

2.1 Internationalisation Strategies

Internationalisation is widely discussed in strategy and management literature, but the term needs further clarification to be correctly understood. It can be described as the process through which firms increase their involvement in international operations (Welch and Luostarinen 1988). This is typically seen as a gradual, incremental expansion rather than single movement, where each firm goes through a different number of logical steps of international behaviour to move beyond domestic markets (Johanson and Vahlne 1977). In today's global economy, internationalisation represents a fundamental part of the strategic process for most firms (Melin 1992). Since strategy is about the change of perspectives and/or positions (Mintzberg 1987), internationalisation enables firms to have access to unique resources, new markets, more efficient techniques, and strategic assets (Dunning 1988). Also, international diversification has been shown to affect firm performance (Lu and Beamish 2004).

2.2 Historical Context

The literature on firm internationalisation has progressed from early studies of large multinational corporations and foreign direct investment (Hymer 1960; Vernon 1966; Buckley and Casson 1976) to behavioural models such as the Uppsala approach, which sees internationalization as an incremental learning process (Johanson and Vahlne 1977). Since the 1980s, concepts such as International New Ventures (INVs) and Born Globals have helped smaller businesses expand more quickly and across multiple markets (Oviatt and McDougall 1994; Knight and Cavusgil 1996; 2004; Jones et al. 2011). In the sectors of tourism and hospitality, internationalisation strategies differ from those applied to traditional tradable goods since services are consumed at their destination rather than exported. This leads firms to attract international customers or manage operations abroad (Dunning and McQueen 1982; Erramilli and D'Souza 1993; Go and Pine 1995). More recent studies emphasise the importance of networks and firm capabilities in defining internationalisation trends (Johanson and Mattsson

1988; Laufs and Schwens 2014; Paul et al. 2017), showcasing a change from a slow, gradual expansion to more dynamic patterns.

2.3 Drivers of Internationalisation

Academic research on the drivers of internationalisation has evolved from ad-hoc enumerations, such as commercial versus non-commercial motives (Hollander 1970), resource-, market-, efficiency- and asset-seeking logics (Behrman 1972; Dunning 1988; Dunning and Lundan 2008), and vertical versus horizontal FDI (Hymer 1976), towards more theory-driven classifications that better reflect firms' actual behaviour (Cuervo-Cazurra et al. 2015). This typology provides the theoretical foundation for the application of the Antecedents–Patterns–Outcomes (APO) framework to the tourism context of the Azores.

Cuervo-Cazurra et al. (2015) identified four integrated motives, based on behavioural economics and classical logics:

- Sell more: exploit existing capabilities to access larger/more attractive markets.
- Buy better: secure superior inputs or conditions abroad.
- Upgrade: explore new resources and capabilities to increase competitiveness.
- Escape: move to better institutional or competitive abroad to avoid constraints at home.

This framework refines earlier typologies by integrating four internationalisation motives: *sell more*, aligned with traditional market-seeking logics (Hollander 1970; Hymer 1976; Behrman 1972; Dunning and Lundan 2008); *buy better*, reflecting resource- and efficiency-seeking behaviour (Behrman 1972; Dunning and Lundan 2008); *upgrade*, corresponding to strategic asset-seeking (Behrman 1972; Dunning and Lundan 2008); and *escape*, consistent with escape investments (Dunning and Lundan 2008; Cuervo-Cazurra and Ramamurti 2013). By combining classical internationalisation drivers with insights from managerial decision-making and behavioural economics (Cyert and March 1963; Simon 1976; Kahneman and Tversky 1979; March 1991), this typology enhances analytical rigour and offers predictive leverage regarding firms' reallocation of activities across locations (Rugman and Verbeke 1992).

2.4 Theoretical Perspectives on Internationalisation

To understand internationalisation, this section presents four lasting views that continue to be essential to the field. Firstly, economic and transaction cost perspectives, mainly supported by Dunning's Eclectic (OLI) Paradigm (Dunning 1988) as well as entry-mode theories (Anderson and Gatignon 1986), which explain internationalisation through the configuration of ownership, location, and internalisation advantages. Secondly, behavioural and processual models illustrated by the Uppsala model (Johanson and Vahlne 1977; Vahlne and Johanson 2017) and network approaches (Johanson and Mattsson 1988) see internationalisation as a gradual, incremental learning process. Thirdly, resource-based and dynamic capability theories (Barney 1991; Teece et al. 1997) stress firm-specific assets and dynamic capabilities. Finally, institutional and legitimacy perspectives (North 1990; Kostova and Zaheer 1999) emphasise the importance external pressures and the need for legitimacy.

2.4.1 Economic and Transaction Cost Perspectives

The Eclectic Paradigm (OLI) (Dunning 1988) remains a cornerstone in explaining firms' international expansion. According to this framework, international production occurs when ownership advantages (O) that confer competitiveness, location advantages (L) that render specific markets attractive, and internalisation advantages (I) that favour internal governance over external arrangements align, collectively explaining how, where, and why firms internationalise. Complementary entry-mode theories (Anderson and Gatignon 1986) further refine this perspective by analysing internationalisation decisions as trade-offs between risk, control, and resource commitment. Figure 1 illustrates diverse entry modes. The high-control modes are preferred under conditions of high asset specificity or environmental uncertainty, whereas shared or contractual modes are favoured when flexibility and adaptability are required. Although originally developed to explain manufacturing firms and foreign direct investment, these frameworks are also applicable to service sectors such as tourism and hospitality. Dunning and McQueen (1982) applied the eclectic paradigm to tourism, demonstrating that internationalisation in services relies less on cost reduction and more on quality assurance, customer proximity, and brand reputation. Similarly, Erramilli and Rao (1990) argue that entry-mode choices in service firms are primarily shaped by the need for customer proximity and control over service delivery, reflecting a balance between flexibility and risk.

Figure 1
Entry Mode Classified by the Entrant's Level of Control

High-Control Modes: Dominant Equity Interests

Wholly-owned subsidiary
Dominant shareholder (many partners)
Dominant shareholder (few partners)
Dominant shareholder (one partner)

Medium-Control Modes: Balanced Interests

Plurality shareholder (many partners)
Plurality shareholder (few partners)
Equal partner (50/50)
Contractual joint venture
Contract management
Restrictive exclusive contract
(e.g., distribution agreement, license)
Franchise
Nonexclusive restrictive contract
Exclusive nonrestrictive contract

Low-Control Modes: Diffused Interests

Nonexclusive, nonrestrictive contracts
(e.g., intensive distribution, some licenses)
Small shareholder (many partners)
Small shareholder (few partners)
Small shareholder (one partner)

Figure 1: Entry Mode Classified by the Entrant's Level of Control

Source: Anderson and Gatignon, 1986

2.4.2 Behavioural and Processual Perspectives

The Uppsala model (Johanson and Vahlne 1977) (Vahlne and Johanson 2017) constitutes the foundation of behavioural and processual perspectives, conceptualising internationalisation as an evolutionary process shaped by incremental commitment and experiential learning. Within this framework, firms expand internationally in a gradual manner, accumulating market knowledge and reducing uncertainty through trust-building processes, whereby experiential and relational learning prevails over optimal, calculative decision-making. Subsequent developments, particularly Johanson and Mattsson (1988), extended this perspective by introducing a network dimension, emphasising that internationalisation is largely driven by firms' ability to leverage business networks. From this viewpoint, internationalisation extends beyond market entry to encompass the strategic cultivation of privileged relational positions that facilitate access to resources and opportunities. The relevance of relational embeddedness is further reinforced in service contexts (Sharma and Johanson 1987) and in tourism specifically, where empirical evidence highlights the critical role of networks between hotels and travel agencies in enabling international success (Medina-Muñoz and García-Falcón 2000).

2.4.3 Resource-based and Dynamic Capability Theories

Barney (1991) introduced the Resource-Based View (RBV), arguing that sustained competitive advantage stems from firm-controlled resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). These resources include both tangible and intangible assets, such as knowledge, skills, processes, and routines. However, as internationalisation unfolds in environments characterised by rapid change, the Dynamic Capabilities (DC) framework extends the RBV by emphasising firms' ability to adapt, integrate, build, and reconfigure internal and external competences in response to market shifts (Teece et al. 1997). This perspective captures how organisations generate new forms of competitive advantage while accounting for path dependencies and existing market positions (Leonard 1992). In tourism and hospitality, the RBV has similarly evolved to stress the relevance of dynamic capabilities. Empirical evidence shows that employees' knowledge and skills, firms' absorptive capacity, and external relationships foster management innovation and innovative performance in tourism firms (Nieves and Segarra 2015; Jacob and Groizard 2007; Volberda et al. 2013). More recently, Nguyen et al. (2023) highlight the positive influence of human capital, organisational learning, environmental dynamism, and digital marketing on the development of dynamic capabilities.

2.4.4 Institutional and Legitimacy Perspectives

Understanding how firms respond to external pressures and secure legitimacy across different institutional environments is central to internationalisation. Institutional and legitimacy perspectives offer a robust analytical lens to address this issue. North (1990), a foundational contributor to institutional theory, argues that organisations operate within formal and informal structures, regulatory, normative, and cognitive, that shape strategic decision-making and influence internationalisation paths. Building on this view, Kostova and Zaheer (1999) introduce the concept of institutional duality, highlighting the tensions firms face between internal legitimacy, rooted in organisational practices, norms, and values, and external legitimacy, arising from alignment with local institutions, cultural norms, and stakeholder expectations in host environments. The relevance of institutional and legitimacy dynamics is particularly evident in the tourism sector. Rivera (2006) demonstrates that regulatory and stakeholder pressures significantly influence hotels' proactive environmental behaviour in developing contexts, with both coercive pressures (e.g., government monitoring) and normative pressures (e.g., industry associations), enhancing participation in sustainability initiatives and improving environmental performance. Complementing this perspective, Garay et al. (2014) show that, for small tourism firms operating in European protected areas, social legitimacy plays a critical role in the adoption of sustainability practices.

2.5 Integrative Framework: Antecedents – Patterns – Outcomes (APO)

The multiple theoretical perspectives presented before (economic, behavioural, resource-based, institutional) demonstrated that internationalisation is a multidimensional process, strongly influenced by several aspects such as firm-specific, relational, and contextual factors. Most of these frameworks, however, were initially designed to be applied in the traditional manufacturing contexts, thus requiring adaptation to fit the specific dynamics of service industries such as the tourism sector. The present study adopts the framework proposed by Steinhäuser et al. (2021), the "Antecedents – Patterns – Outcomes (APO)" model to integrate the different lenses into a coherent analytical structure (Figure 2).

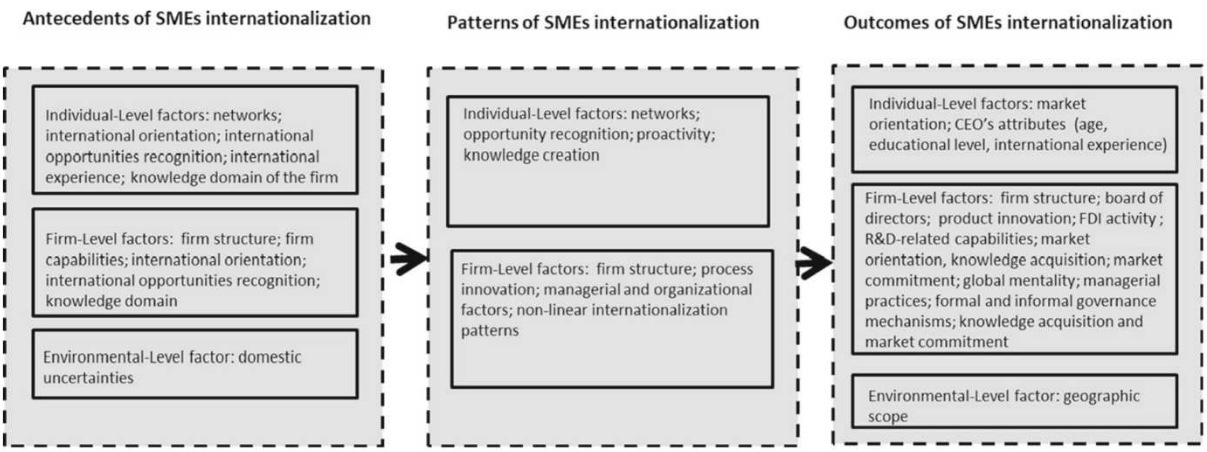


Figure 1: Conceptual Framework: Internationalization of SMEs

Source: Steinhäuser et al. (2021)

2.5.1 Overview of the APO Model

The APO model divides the internationalisation of small and medium enterprises in three stages. The first stage of the framework, Antecedents of SME's internationalisation, is composed by individual, organisational, and environmental factors, which are the elements that impact firms to engage internationally. Patterns of SME's internalisation is the second level of the model, describing how several activities carried out by the company (e.g., market choices, entry modes, relational networks) lead to the internationalisation phenomenon. Lastly, Outcomes, the final level of the model, captures the consequences of international expansion on the overall performance of the firm, in terms of various dimensions (e.g., learning, performance, legitimacy, sustainability). Steinhäuser et al. (2021) conducted a comprehensive analysis of twenty years of research in this literature field, developing a framework which is suitable for service industries, particularly the tourism and hospitality sectors, where firms attract customers to their own domestic market, rather than entering international markets (Bianchi and Stoian 2024). In addition, Turunen and Nummela (2017) advocate that tourism companies internationalise "at home", taking advantage of local resources and networks to attract international demand. By organising the literature according to the three APO dimensions, an analysis of the interaction between managerial characteristics, destination-specific conditions, and organisational capabilities can be conducted, explaining internationalisation processes and its outcomes in the context of tourism.

2.6 Antecedents of Internationalisation

In this subchapter, the elements that encourage small and medium enterprises to internationalise was analysed. This section was divided into middle-level factors such as individual, firm, and environmental level antecedents.

2.6.1 Individual-Level Factors

Perceptions of and openness to international opportunities are influenced by individual-level factors, especially the ones related to the entrepreneur or manager (Steinhäuser et al. 2021). Some socio-cognitive traits are key antecedents of international expansion (Acedo et al. 2006; Acedo and Jones 2007). In SMEs, these traits influence the process of international expansion. Fear of losing control and intolerance for ambiguity often constitute barriers in international engagement (Westhead et al. 2001; Knight 2001). In addition, prior international experience tends to lessen those limitations, fostering more positive and realistic perspectives on foreign contexts (Jones and Coviello 2005; Westhead et al. 2001). Finally, personal, and professional networks are also fundamental in the internationalisation process (Steinhäuser et al. 2021). In tourism, several studies demonstrated the impact of networks (Pillmayer and Scherle 2014; Aarstad et al. 2018; Bianchi and Stoian 2024). In fact, Pillmayer and Scherle (2014), in their paper regarding Jordanian SMTEs, showed the importance of personal and biographical ties, rather than formal channels, in the process of internationalisation, emphasising also the relationships with foreign tour operators when accessing new markets. Also, recent work by Bianchi and Stoian (2024) highlighted that managerial and organizational capabilities, such as networking, marketing, technology, and innovation, are drivers of inbound internationalisation, enabling SMEs to attract foreign customers in their internal market.

2.6.2 Firm-Level Factors

Regarding firm-level factors, the antecedents of internationalisation have to do with firm-specific resources, structures, and capabilities that influence how firms build their international path (Steinhäuser et al. 2021). Following the previously analysed resource-based and dynamic capabilities theories (Barney 1991; Teece et al. 1997), in the tourism and hospitality sectors, some firm-specific assets such as human capital, including their knowledge and skills, organizational learning, as well as external relationships, are key drivers to achieve competitiveness and to develop innovation (Nieves and Segarra 2015). Moreover, Hallin and Marnburg (2008) argue that knowledge management is especially important for building up competitive advantage in the hospitality industry. Furthermore, several empirical research have shown that, in tourism, relational and knowledge-based resources are critical, thus the creation of value is dependent on cooperation, service encounters, and destination-based knowledge networks (Shaw and Williams 2009; Camison and Monfort 2012). Even if firm size and the availability of resources influence the readiness of a company to internationalise (Martineau and Pastoriza 2016; Serra et al. 2012), several studies pointed out the importance of building networks, in the tourism sector (Medina-Muñoz and García-Falcón 2000; Novelli et al. 2006). Similar to SMEs, the role of networks may significantly influence the process of internationalisation and its magnitude (Chetty and Stangl 2010; Coviello and Munro 1997). Finally, innovation in services is a core component that enhance differentiation and customer experience (Nguyen et al. 2023), whereas digital transformation enhances the degree of visibility a firm has and its competitiveness (Sigala 2018; Mariani and Borghi 2021).

2.6.3 Environmental-Level Factors

Environmental-level antecedents reflect the impact of external conditions in the decision to internationalise. These factors include the institutional, economic, and competitive environment that may shape the strategic decision-making of SMEs (Steinhäuser et al. 2021). Here, one of the most significant frameworks to be applied is Porter's Diamond of National Advantage (Porter 1990). This model defends that the success of a certain company or sector is dependent on national-specific conditions, which help to build the competitive advantage of a country. Thus, Porter (1990) highlights it is companies and not countries that compete internationally, however their success may be justified by their economic environment, government institutions, and policies. The model is constituted by four determinants: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry. Additionally, Porter (1990) incorporated exogenously the action of government and the role of chance, thus completing the competitive Diamond (Figure 2). In fact, several studies adapted the Diamond model for their research projects (Chang Moon et al. 1998; Estevão et al. 2018), covering different sectors, and especially, tourism. Estevão et al. (2018) applied the Diamond model to the case of Portugal, using several regional tourism clusters, including the region of Azores. The authors found that competitiveness in Azores was significantly influenced by supportive government policies and cooperative networks, and, at the same time, the lack of R&D connections prevented the ability to innovate. These findings suggest that institutional coordination and governance mechanisms are crucial to understand the regional competitiveness in tourism, particularly in the Azores.

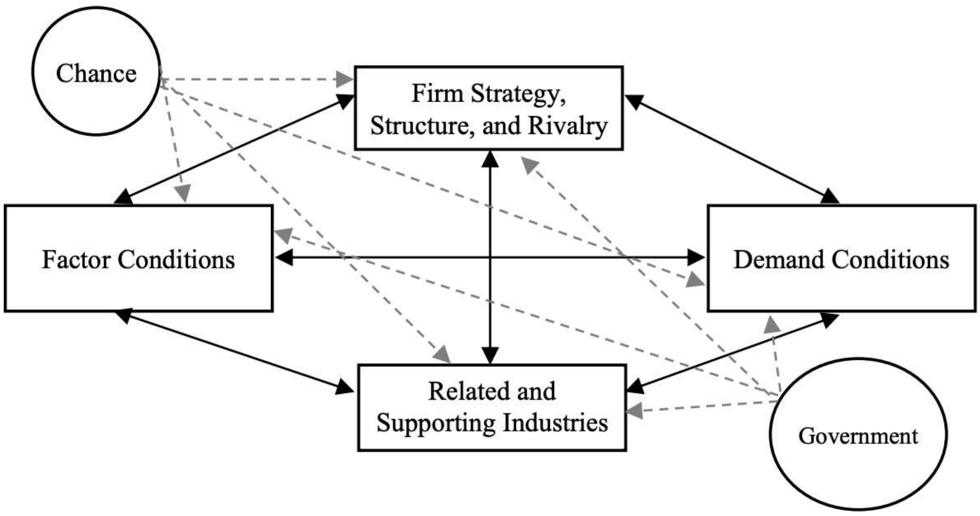


Figure 3: Porter Diamond Model

Source: Porter (1990)

2.7 Patterns of Internationalisation

Patterns of SMEs internationalisation, the second stage of the APO model, includes the different activities that a firm undertakes to achieve internationalisation. This subchapter is divided in four sections: process/learning patterns, entry-mode patterns, market-selection patterns, and offering configuration (Steinhäuser et al. 2021).

2.7.1 Process/Learning Patterns: Uppsala & Networks

Following the APO model, process and learning patterns represent the way companies transform antecedents into effective action to achieve internationalisation, influencing its rhythm and trajectory. Within this perspective, the Uppsala model (Johanson and Vahlne 1977; Vahlne and Johanson 2017) remains central. As it was mentioned before, this theory describes internationalisation as gradual, experiential learning process. In this way, as long as firms increase their market knowledge, they increase commitment, decreasing uncertainty over time. This model evolved over time, form an individual learning approach to a relational process, where interaction and trust-building inside networks promote opportunity recognition and market expansion (Johanson and Mattsson 1988). Even though networking theories were already introduced as an antecedent in the APO model, in the patterns dimension it assumes a dynamic and processual role. Networks are not only vehicles to reach information and resources, but they also actually shape the evolution of the internationalisation process, influencing specifically its scope, the sequence, and the stability of international engagement (Coviello 2006; Crick and Spence 2005). In service sectors, evidence supports the same underlying logic. Sharma and Johanson (1987), even if studying the case of technical consultancy firms, the authors share a valuable insight, highlighting that relationships and networks replace asset reallocation, thus demonstrating that interpersonal ties and trust are fundamental for international expansion. This is particularly interesting in the tourism sector, in which the visibility of firms and destinations is dependent on the collaboration with several agents and market partners (Medina-Muñoz and García-Falcón 2000; Pillmayer and Scherle 2014). These relationships have been presented as learning mechanisms, allowing companies to refine their strategies, adapt their offering, and establish their international position. In fact, several empirical studies demonstrated that cooperating with tour operators and digital platforms promotes adaptive learning and process innovation, affecting positively the quickness and the direction of internationalisation (Novelli et al. 2006; Bianchi and Stoian 2024). In this way, tourism firms do not follow a linear expansion, their international process is described as a network-embedded and evolutionary process.

2.7.2 Entry-Mode Patterns: Control vs. Commitment

Within the APO model, entry-mode patterns show how firms put into operation their internationalisation strategies. Several aspects such as resources' availability or the need for control influence entry-mode decisions (Stopford and Wells 1972; Cespedes 1988). Companies usually begin by selecting non-equity modes, for example exporting or contractual agreements, evolving to other arrangements as experiential knowledge and market confidence increases (Anderson and Gatignon 1986; Pan and Tse 2000). Moreover, equity modes such as joint ventures or wholly owned subsidiaries require more investment and risk, but at the same time provide more control over the brand and its operations, whereas contractual agreements (licensing, alliances, and others) are less risky, offering adaptability with less capital exposure (Agarwal and Ramaswami 1992; Root 1998; Pan and Tse 2000). Studying the service sector, Erramilli and Rao (1990) demonstrated that inseparability of production and consumptions affects the entry modes selected by this type of firms, which demand more control and presence. Furthermore, Contractor and Kundu (1998) applied this reasoning to the tourism and hospitality sector, highlighting the impact that the need to maintain service quality and brand consistency have on the decision between different entry modes. In addition, hotel companies usually go for non-equity or hybrid modes (e.g., franchising, management contracts, strategic alliances) which allow internationalisation, and at the same time taking advantage of the experience in the local market (Dunning and McQueen 1982). Diverse hybrid market mechanisms such as digital platforms, destination management organisations, or partnerships with tour operators allow internationalisation in the tourism industry without FDI or physical presence (Medina-Muñoz and García-Falcón 2000; Pillmayer and Scherle 2014; Bianchi and Stoian 2024). In the case of Azores, a small island destination, the access to new markets depends not only on contractual agreements, but especially on the structure of air connectivity. The control that tourism firms and destinations can have on inbound demand and on their internationalisation process development is highly dependent on functional entry-modes such as route networks, airline alliances, or co-marketing agreements (Bieger and Wittmer 2006; Baldacchino 2006; Duval 2007). Thus, internationalisation in tourism constitutes a dynamic process, where networks play a crucial role, and where control and commitment should be arranged managing relationships, and governance aspects.

2.7.3 CAGE Framework: Distance and Market Selection

The CAGE framework (Ghemawat 2007b) (Figure 3) provides lens to understand the reasons that provoke “distance” between countries. The model identifies cultural, administrative, geographic, and economic factors as the key ones that impact these differences (Ghemawat, 2007). The increase of the identified distances increases the liability of foreignness (LoF), the additional costs and coordination challenges of operating internationally (Zaheer 1995), which in turn influence the selection of markets, sequencing, and the velocity of international expansion (Hymer 1976; Zaheer 1995). The tourism industry, the Azores case particularly, as stated before, is described by “inward” internationalisation, so consequently distance adopts specific meanings. Firstly, the geographic and administrative distances, for example air connectivity, visa regimes, or bilateral policies significantly influence accessibility and destination competitiveness (Bieger and Wittmer 2006; Duval 2007; Neumayer 2010). Moreover, the cultural distance impacts the tourists’ perception of quality and their interpretation of marketing. This underscores the need to adapt communication and service delivery for different cultures (Mattila 1999; Reisinger 2010). Lastly, the economic difference, which is reflected in the differences between income levels, exchanges rates between country of origin and respective destination, or relative prices, moulds demand elasticity and sustains market segmentation in international tourism (Crouch 1994; Song and Li 2008). In the case of Azores, a small island destination, the geographic isolation augments the effects of distance, thus making networking coordination and accessibility two strategic substitutes for physical proximity (Baldacchino 2006).

C	A	G	E
• Language differences • Ethnic differences • Religious differences • Differences in social norms	• Lack of colonial links • Lack of shared currency • Lack of political links • Political hostility • Differences in legal systems • Differences in trade policies • Institutional weakness	• Physical distance • Lack of common borders • Lack of access to sea • Size of country • Climate differences	• GDP and GDP per capita differences • Differences in availability, cost, and quality of human, financial, and natural resources; • Differences in infrastructure • Differences in distribution structures

Figure 4: CAGE Framework

Source: Ghemawat (2007)

2.7.4 The AAA Model: Adaptation, Aggregation, Arbitrage

The AAA framework (Ghemawat 2007a) presents three generic strategies to create value internationally: adaptation, aggregation, and arbitrage. These three strategies complement the CAGE framework and its distance dimensions.

- Adaptation: involves modifying one or more aspects of a company's business plan to fulfil local requirements or preferences.
- Aggregation: aims to achieve economies of scale or scope by establishing regional or global operations, shared platforms, or standardized processes, when and where it is appropriate.
- Arbitrage: by placing parts of the value chain across different places, exploits variations among national or regional markets, for example factor costs, resources, or regulations.

In tourism and hospitality, even though the AAA Model (Ghemawat 2007a) was originally developed for business in general, these firms often combine local adaptation and global aggregation to guarantee responsiveness and brand consistency at the same time (Okumus et al. 2010; Dev et al. 2007). Moreover, they adapt their services based on local cultures and destination idiosyncrasies, but at the same time maintain brand standards and centralized systems to guarantee consistency (Go and Pine 1995; Contractor and Kundu 1998). Protecting service quality and brand reputation creates a need, often supported by contracts or franchising, which encourages monitoring and codified routines (Contractor and Kundu 1998). In addition, collaboration with firms, municipalities or DMOs (Destination Management Organizations) is fundamental for destination-level adaptation, since governance success is dependent on networks or trust, coordinated action, and interdependence (Beritelli et al. 2007). Furthermore, digital tools integrate data and actors at scale (Sigala 2018). Big data analytics allow personalised experiences (Mariani and Baggio 2021). Finally, arbitrage relevance in tourism is limited, since cost advantages (Ghemawat 2007a), matter less in the tourism sector, in which activities depend on interaction and presence (Erramilli and Rao 1990).

2.8 Outcomes of Internationalisation

In the APO framework, outcomes represent the consequences of internationalisation, on different levels: individual, firm, and environmental (Steinhäuser et al. 2021). This section analyses the variations in performance, competitiveness, legitimacy, and sustainability. Based on existent literature, some studies highlight that the internationalisation performance is not linear, presenting several improvements in profitability, legitimacy, and growth (Dhanaraj and

Beamish 2003; Lu and Beamish 2004). Other studies enhance that the benefits appear after firms acquire experiential knowledge and market familiarity (Love and Ganotakis 2013; Naldi and Davidsson 2014). In the tourism and hospitality sector, evidence shows that internationalisation boosts organisational resilience, which is described as the capacity to anticipate, absorb, and recover from shocks, enhancing sustainable competitiveness (Rienda et al. 2024).

Reputation and legitimacy also appear as fundamental outcomes of internationalisation. In the tourism sector, consistent service quality and brand image appear as determinant factors that influence visitor perceptions and competitiveness (Chi and Qu 2008). In addition, the increase in international visibility has a positive impact in the vulnerability to crises and on the exploitation of opportunities that arise from them, highlighting the importance of reputation management for the respective recovery and for maintaining tourist demand (Majeed and Ramkissoon 2022). Finally, when tourism firms comply with quality standards and sustainability certifications, their institutional legitimacy increases, by signalling credible and responsible environmental and social practices (Font and Harris 2004).

Sustainability appears as a multidimensional outcome of internationalisation. Considering tourism literature, this outcome is interpreted through environmental, social, and economic lenses, which are in consonance with the Triple Bottom Line model (Elkington 1998). In this sector, especially in small island destinations like the Azores, sustainable expansion requires managing economic viability, social well-being, and environmental protection. COVID-19 enhanced the vulnerability of destinations that are highly dependent on tourism, showcasing the need for more resilient and sustainable models (Ioannides and Gyimóthy 2020). Also, the progress in sustainable tourism depends on fundamental aspects such as collaborative governance with public authorities, community players, and businesses, since it allows coordination, inclusive decision-making, and the ability to overcome complex social, economic, and environmental challenges (Bramwell and Lane 2011). Finally, branding and sustainability reinforce each other. So, destinations that communicate credible responsible practices improve their image, attracting environmental conscious tourists, which builds a long-term competitive advantage (Toelkes 2018; Alhaddar and Kummitha 2025).

3. Case Study: The Bensaude Group and the Azores Hospitality Sector

3.1 Introduction to the Case

The following case study aims to examine the internationalisation of small and medium enterprises (SMEs), using the Azorean hospitality sector to approach the topic through "inward internationalisation patterns" lenses. The Antecedents-Patterns-Outcomes (APO) model was selected for this effect. In tourism, internationalisation differs from traditional outward expansion models since firms attract foreign demand to their domestic market, relying on experience delivery, network relationships, or brand-based advantages. The Azores, due to the insularity, small market size, dependence on air connectivity, and seasonality, provide a compelling setting where external partnerships are fundamental for market access. In this context, the Bensaude Group, a historical Portuguese conglomerate, central to the development of the regional economy, provides a relevant case to study the effect of managerial vision, firm-specific capabilities, destination legitimacy, among others, on shaping "inward internationalisation".

3.2 Context: Tourism and Internationalisation in the Azores

Portugal is a country of tourism. According to the World Travel & Tourism Council (WTTC) report, the tourism sector contributed with 21.5% to the Portuguese GDP (WTTC, 2025). The Azores archipelago is no exception. According to the regional secretary for tourism, in 2025, the tourism weights 17% in the regional GDP (Azores are an autonomous region). Being a peripheric region of Portugal, aspects such as the market reach and season pacing are highly constrained by diverse factors: existence of enough air connections, limited resident demand well, and strong seasonality cycles.

In fact, the reality has changed significantly in recent years. Prior to air-space liberalisation and the arrival of low-cost companies to the region in 2015, between 2004 and 2007, according to SREA (Azores Regional Statistics Office), the market was growing steadily, with total tourist nights increasing, on average, 67 thousand a year, from 1,089,142 (2004) to 1,291,072 (2007) (Appendix 1), representing a CAGR of 5.82%. The period from 2008 to 2014 was not considered due to the economic effects caused by the Subprime Crisis and the Sovereign Debt Crisis. Between 2015 and 2019, there was a regime shift. The total tourist nights increased from 1,548,389 in 2015 to 3,021,347 in 2019 (CAGR 18.41%) (Appendix 1). There was a total shift, which cannot be explained by natural tendencies. The entrance of low-cost companies was determinant for growth. The following years (2020-2021) were not considered due to the impact of the COVID-19 pandemic. Even though the market was already established, between 2022 and 2024, nights continued to grow from 3,242,060 to 4,196,263 (CAGR 13.76%; +477,101 nights/year) (Appendix 1), showcasing the maturation of the destination, even in a scenario of inflation, higher travel costs, and economic instability. This period consolidated tourism as the motor of the regional economy. Appendix 2 represents the evolution of tourist nights graphically. An upcoming tendency is increase in the prominence of Local Lodging (Alojamento Local), representing approximately 37.5%, in 2024, of total tourist nights in the Azores. However, the traditional hotel accommodation is still the one that presents a higher importance with approximately 44.6% of total tourist nights. This can be partially explained by the significant increase in Local Lodging supply. It is also interesting to look at the demand origins of the Azorean tourism. According to SREA, in 2024, the demand was dominated by Portugal (28.72%), which can be interpreted as "quasi-international" demand, since most of the Portuguese tourists arrive from the Portuguese mainland. Portugal was followed by the USA (11.03%), which can partially be explained by the significant "Azorean Diaspora" in the US and the new air connections, contributing to the enhancement of the destination's visibility. After there were Spain (10.15%) and Germany (10.05%), countries that benefit from fight connections to the Azores. This distribution reinforces that the hospitality sector competitiveness is highly dependent on airlift governance, cultural ties, and intermediary collaboration.

3.3 The Bensaude Group: Historical and Strategic Overview

According to the Bank of Portugal, the average economic lifetime of a Portuguese company is 10 years. By contrast, the Bensaude Group celebrated 200 years of existence in 2020, ranking among the oldest business conglomerates in Portugal. This longevity reflects a deliberate strategic vision that enabled the group to evolve from its trading and maritime origins into a diversified portfolio encompassing tourism and hospitality, energy, distribution and retail, transportation, logistics, navigation, information systems, and complementary service activities. Along this trajectory, the group has played a central role in the economic and social development of the Azores, particularly in inter-island mobility, supply chains, and tourism.

The group's involvement in tourism dates back to 1933, when Vasco Bensaude and other Azorean entrepreneurs founded Sociedade Terra Nostra with the ambition of developing a luxury hotel, the region's first golf course, and a botanical park with species from around the world. This vision materialised in 1935 with the opening of the Terra Nostra Hotel, an emblem of luxury and Art Deco architecture, and the inauguration of the Terra Nostra Botanical Garden. In 1947, Bensaude & Cª founded the Azorean Society for Aircraft Transportation (SATA), a decisive step in connecting the Azores internally and later integrating the region into international mobility. During the 1960s, the group further expanded its hospitality footprint with the opening of Hotel São Pedro.

Tourism gained renewed strategic relevance in 1996 following public incentives to private investment, leading the group to expand its hotel portfolio throughout the 1990s with Hotel Avenida, Hotel Açores Atlântico, and the requalification of Parque Terra Nostra. In the early 21st century, the inauguration of São Miguel Park Hotel preceded a phase of accelerated expansion, including Marina Atlântico (Ponta Delgada), Terceira Mar (Angra do Heroísmo), Canal (Horta), and Açores Lisboa, the group's first hotel outside the Azores. This expansion established Bensaude as the leading Azorean hotel group, while its then leader, Luís Bensaude, became known as "the father of Azorean tourism".

Despite the adverse effects of the global financial crisis, particularly acute in peripheral Southern European economies, the liberalisation of airspace in 2015 marked a turning point for Azorean tourism. In this context, Terra Nostra Garden Hotel was refurbished in 2014 and distinguished by the World Travel Awards as Portugal's Leading Boutique Hotel and by Condé Nast as Best Countryside Hotel. The group subsequently entered the low-cost segment with NEAT Hotel Avenida in 2017 and upgraded Hotel Açores Atlântico to Grand Hotel Açores Atlântico in 2018, becoming its first five-star property. In 2019, Bensaude Turismo was rebranded as Bensaude Hotels Collection, reflecting the consolidation of a tourism project that now comprises 11 hotels: 10 in the Azores and 1 in Lisbon (see Appendix).

From a strategic perspective, the group's resilience is supported by experienced leadership, strong operational know-how, diversified business units, and deep-rooted local networks. Currently employing over 3,000 people, 96% of whom are based in the Azores, the group is the largest private employer in the archipelago. Its structure includes 30 operational companies, five real estate entities, and several participations in associated firms, including production activities, enabling the group to consistently navigate the challenges and opportunities of a remote island economy.

3.4 The "Inward Internationalisation" Trajectory

3.4.1 Antecedents

The antecedents that shape the international trajectory of Bensaude Hotels Collection depends on the interaction between different aspects such as destination-specific conditions in the Azores archipelago, the international experience of its managerial team, and firm's specific accumulated capabilities. However, these diverse aspects do not yet constitute strategic decisions. In fact, they frame the opportunity space where the group's internationalisation patterns are shaped. It is therefore essential to understand these antecedents to explain why Bensaude follows this "inward internationalisation" process the way it does, also realising the influence of environmental constraints and internal resources combined in the formation of this strategic path.

Looking to their human capital, the senior leadership presents an international outlook. Several managers and directors have international experience, having worked abroad in large hotel chains across Africa, Brazil, and other geographies. In addition, other executives came from abroad and currently occupy important positions at the group. Also, there is a continuous effort from their executives to invest in their own education. Managers consider this experience important to help them navigating with international markets, while engaging more confidently with foreign demand. Managers appear as "networkers" who have continuous and constant interactions with different entities such as tour operators, travel agencies, soft-brand affiliations, technology partners, or public institutions (e.g., Turismo de Portugal or Visit Azores). These relationships are considered important channels for accessing international demand, as well as gathering informal market insights. At the same time, their role functions as a bridge between Azorean culture and its specificities, and the expectation from foreign visitors. Managers highlight Bensaude Hotels' attention to detail, emphasising care and authenticity as core elements that must take part of the guest experience.

Furthermore, managers highlight heritage, organisational structure, and accumulated capabilities as some of the main strengths of the group. Bensaude hotels is completing 90 years of existence in 2025, employing roughly 900 people, many of them with a lot of experience, having ongoing investments in their formation, and strongly identified with the company and its values. Bensaude Hotels' purpose is to give a "caring and caregiver" service to their customers. They present a deeply embedded internal service culture, based on the local staff experience and knowledge, which function as key assets in dealing with international visitors. Brand architecture follows an endorsement model. Bensaude Hotels is the corporate umbrella, while each hotel presents its own identity, which is often supported by several affiliations with international "soft brands" to obtain visibility in different market. As an example, *Terra Nostra Garden Hotel* is part of Condé Nast, which is a company that affiliates several hotels, with certain characteristics. These brands are basically that can be associated to other brands, giving access to their networks, communications, promotions, and others.

Moreover, sustainability is also considered one of the group's main pillars. The group's hotels hold Travelife Gold certification, a very demanding certification that covers several sustainability dimensions. They systematically monitor the consume of water, energy, and waste per guest night, using room-key master switches, as well as led retrofits and window sensors to optimize consumption. Parallelly, the group has invested a lot in photovoltaic parks at several hotels that have the conditions to adopt these sustainable energies. In addition, *Terra Nostra Garden Hotel*, which is located in Furnas, uses geothermal eating as its main source of energy. Other important elements were the replacement of single-use plastic amenities by rechargeable and environmentally friendly ones, or the donation of food surplus to charity. These aspects are recurrent across the group's operations and take part on the organisational context within which Bensaude Hotels engages with foreign guests.

Digital and analytical capabilities are also fundamental for the group. They use, as intelligence tools, Revenue Management Systems (RMS), which, based on the inventory, helps to define a pricing strategy based on historic data. This system is connected to the "heart" of this ecosystem, the Property Management System (PMS). Another functionality is the "Motor of Reserves" which updates the availability in hotel's website, sending each booking to the hotel's main system. Then, the "Channel Manager" is the one that updates all OTAs (Online Travel Agencies) and the website, guaranteeing that everything remains synchronized. Also, they include satisfaction surveys that integrate online reviews and semantic analysis of guest feedback. The group is now implementing Oracle Opera as a unified property-management system, operating multiple revenue systems, also supported by benchmarking tools. In addition, they also have a competitive set for each hotel, which compares each hotel to their most suitable rivals. This system learns based on experience and historic data, helping to make more informed pricing and inventory related decisions. In the upcoming years, the group intends to implement a Customer Relationship Management system (CRM). This system allows to customize the profile of a client based on historic data. This system works above the PMS and has each client there registered, including newsletters and other functionalities.

Moreover, management reports a shift from the traditional B2B model, supported by the relationships with tour operators and traditional relationships, to a B2C model where digital platforms represent approximately 40% of the total business, roughly 15% of sales are made through online channels, with more than half being made directly through Bensaude Hotels' own website. The integration of all these dimensions into a complex ecosystem allow the group to adjust its offer across different markets and maintain closer relationships with international guests.

The Azores archipelago as a destination is described at the same time the main asset and a structural constraint. The management repeatedly noted that a region that has around 250,000 inhabitants cannot be considered a "market" itself in the context of tourism and hospitality. Thus, the growth of this sector needs to rely on external demand, in a process of "inward internationalisation". The biggest appeal of the archipelago is its nature, tranquillity, and cultural idiosyncrasies across nine islands, with each one having different things to offer. However, the region faces several limitations in terms of accessibility, human resources, and nature preservation, which makes this region a less than ideal destination for large-scale mass tourism. In addition, an emerging environmental factor that was identified by the management was the gradual entry of international hotel chains (e.g., Mercure, Hilton) into the Azores. Even though this entrance may increase, in the short-term, the destination visibility and professional expertise and know-how, it also raises structural questions regarding value creation and its retention within the region in the long-term. Since these global brands are more standardized and less differentiated, their growing presence may shape the competitive landscape where local authors such as Bensaude Hotels operate.

Moreover, air connectivity appears as the most important external demand driver. The arrival of low-cost companies arrived in 2015 was described as a turning point in the region's accessibility. This change redefined the effective market reach of the Azores, augmenting the scale of external demand. Nevertheless, at the same time, there are some major barriers that add uncertainty to long-term planning and possible investment. Significant bureaucratic hurdles in regulatory and funding processes were reported by the managers. Some funding programs present short time windows, that are delayed even more by bureaucracy, with a few time-consuming requirements, which difficult applications.

3.4.2 Patterns

The internationalisation journey of Bensaude Hotels does not follow the path of establishing foreign units across the globe, but it appears through the systematic attraction of international demand within the Azores, with a continuous focus on serving and upgrading this flow. In this context, internationalisation is not a spatial process but a relational and organisational one, which has its foundations on transforming a remote, insular, and structurally constrained destination into a functional base, prepared to receive global tourist streams. This section analyses the materialisation of these patterns, based on interview evidence that helped to explain the managerial reasoning, capability development as well as contextual aspects that influence Bensaude Hotels internationalisation path.

Market Logic and the Operationalisation of CAGE Distance

Senior managers constantly highlighted that the Azorean hospitality market, with around 250,000 inhabitants, cannot be considered as a conventional domestic market. The region faces several internal constraints such as the aforementioned small population, limited purchasing power and seasonal mobility, factors that make resident demand structurally insufficient to develop large-scale hotel operations. In fact, even mainland Portuguese travellers can be considered "quasi-international" visitors due to requirement of air transportation and the perception of the archipelago as a distinct destination. Thus, foreign demand is fundamental to stimulate the market and to dictate how Bensaude Hotels plan their operations.

In this context, the influence of CAGE distance is notorious across its all dimensions. In terms geographical distance, the archipelago's isolation and its dependence on airlift affect both the volume and stability of demand. As a result, the liberalisation of airspace in 2015, with the arrival of low-cost companies and expanded flight connections, was key to improve the islands' accessibility, expanding and diversifying the profile of foreign visitors. Administratively, bureaucratic issues, including tight and lengthy funding processes and difficult regulatory requirements to comply with influence directly the level of hotel development, renovation, and innovation. Also, in economic terms, the limitation of the local market leads the group to focus their attention on international guests with larger spending capacities. Finally, culturally, visitors seek specific aspects in the Azores such as nature-oriented experiences, tranquillity, and authenticity, which, in turn, influence how the group design their hospitality offering.

Furthermore, the previously described emerging presence of international hotel chains interacts with these distance dimensions, raising competitiveness issues. This trend influences how Bensaude interprets market expectations, reinforcing the need to preserve differentiation, with their cultural embedded value propositions, in a destination that faces geographic isolation, and upcoming standardisation issues.

Channels, Entry Modes and Networked Access to Foreign Demand

Bensaude Hotels internationalises through the configuration of several channels and diverse partnerships that act as non-equity entry modes. These channels appear as substitutes to the traditional outward expansion and make the access to international markets easier, reinforcing at the same time the group's integration into the global tourism ecosystem.

Historically, individual agents used to travel to explore new potential guests, trying to persuade them to come to the Azores. Tour operators also played a pivotal role by aggregating demand from different markets and transmitting informal market intelligence about aspects such as traveller preferences and issues regarding seasonality. These long-term partnerships worked as trust-worthy entry routes that helped to reduce uncertainty and to launch the Azores as notorious nature-oriented destination.

In the last few years, according to management, they expanded this traditional organisation, complementing it with the creation of a more sophisticated digital ecosystem. The group focused on improvements in the corporate website, adopting professional audio-visual content, targeted campaigns in specific North American cities in partnership and collaborations with Public Relations (PR) agencies and influencers have allowed the transition from a B2B to a B2C reality, which accelerated even more after the pandemic. In addition, even though OTAs remain prominent channels for discovery, the management pointed that the digital bookings in their website represent a growing tendency, especially in more premium units.

Parallelly to digitalisation, institutional and trade networks represent another vehicle to access international markets. The group reported an active participation in several chambers of commerce (including luso-german and luso-american), sectoral associations with national entities (AHP, Associação de Turismo de Lisboa, Turismo de Portugal) and with regional entities (Visit Azores). Some of these important partnerships enable the group's presence in international tourism firms such as *Top Resa* in collaboration with these entities. Managers highlighted that travelling these institutional partners contribute to the increasing visibility of the destination, enhancing credibility in international markets as well as updating intelligence on market trends. The group also participates in congresses, workshops, roadshows, or educational tours to create high-value relationships that increase their know-how and expertise.

Affiliations with soft brands, which include the presence of *Terra Nostra Garden Hotel* in Condé Nast, appear also as reputational entry modes, increasing the group's visibility in specialised international segments, while also complementing their digital and institutional channels.

Furthermore, air transportation represents an infrastructural entry mode. The arrival of companies like Ryanair and EasyJet, or later U.S. carriers contributed to the suppression of a structural bottleneck that had previously strangulated demand. Also, the introduction of routes by Swiss Air and Edelweiss allowed a growth in the high-spending Swiss travellers. At the same time, the expanded connections to Spain and France also helped to redefine seasonal flows. Management considers this shift essential for internationalisation, allowing all entry modes to operate effectively.

Finally, there are corporate and event-based channels (MICE) are considered to be an increasing important entry mode, especially to fight against seasonality. Bensaude is investing more to be hosts of conferences, congresses, weddings, and other events, leveraging their premium units to attract specific groups in the medium and low seasons.

Learning, Knowledge Accumulation and Incremental Trajectories

Bensaude Hotels' internationalisation process is particularly processual, based on incremental learning instead of discrete market-entry decisions. Evidence from interviews reinforce that learning appears through three complementary mechanisms: experiential, digital, and relational. Together these elements shape how the group perceive international demand and continuously refines its offering.

Looking first at the experiential level, as it was referred before, the group counts with the presence of several managers with international backgrounds, combining experience in Africa, Brazil, different multinational hotel chains, and luxury operations. This experience feeds the group with service differentiation, tacit knowledge, cultural nuance, premium expectations, and segment psychology. This tacit knowledge is significantly valuable to help decisions regarding service refinement, property repositioning, and segmentation logic. It also influences managers' interpretation of guest behaviour and market signals. Managers highlight that "luxury" in the Azorean context, when someone plans a trip to the region, is not synonymous with material opulence, but rather with wellness, authenticity, tranquillity, and experiential coherence. In addition, experimental learning is also transmitted internally. Hotels such as *Terra Nostra Garden Hotel* and *Grand Hotel Açores Atlântico* often serve as testbeds for potential new experiential elements or new service concepts, which may be subsequently adopted along the remaining portfolio of hotels.

Moreover, looking at the digital level, the adoption of several advanced systems such as the unified PMS, RMS, channel managers, benchmarking platforms, competitive-set analyses, and semantic feedback tools together create a complex ecosystem with a structured learning architecture. These instruments enable the group to anticipate demand fluctuations, identify behavioural patterns and refine offering (price, room distribution, etc.) across different units. Cross-unit learning is also supported, thus the data that is generated by one hotel informs practices in the other ones. Also, in the near future, Bensaude Hotels expects the introduction of CRM capabilities to further advance this trajectory. These capabilities allow them to improve guest profiling and personalisation, strengthening, consequently, the bond between data intelligence and service design.

Furthermore, according to interview evidence, the relational learning is achieved through the continuous engagement with architects, designers, consultants, travel consortia, soft brand partners and industry associations. These continuous interactions open the doors to global trends and emerging tendencies regarding wellness, sustainability, and experiential hospitality. Managers also stated that actions such as the repositioning of *Terra Nostra Garden Hotel* and the conceptual evolution of *Grand Hotel Açores Atlântico* were built on this collaborative learning foundations. The pandemic was partially responsible for the intensification of these processes. The temporary slowdown enabled digital enhancement, brand consolidation, and content development. Then, the reopening phase increased learning's pace regarding shifting domestic and international demand specificities.

Offer Configuration and the AAA Logic

The AAA framework is a clear representation of how Bensaude Hotels configures its offering to answer international demand, taking into consideration the constraints of the Azorean context. Adaptation, Aggregation and Arbitrage act together, transforming antecedent capabilities into a polished and coherent value proposition.

Adaptation is notable in the differentiated experiential identities of each property. Terra Nostra Garden Hotel, taking advantage of its geothermal and botanic environment, positions itself around tranquillity and wellness, being a suitable destination for both high-value European and North American guests. In addition, *Grand Hotel Açores Atlântico* is a symbol of the Azorean maritime heritage, characterized by its premium service, making it appealing for visitors that seek luxury, differentiation, and cultural authenticity. This hotel is also popular among North American guests. The recently reclassified *NEAT Hotel Avenida* serves younger, urban and more price-sensitive travellers, but also corporate and short-stay guests. Managers consistently defended the idea that luxury in the Azores is defined by nature, silence, rest, and authenticity, rather than material wealth. This is an idea that shapes several aspects such as service routines, gastronomy, interior design, storytelling and prisonisation of sleep quality. Besides, the repositioning programs at *Terra Nostra* and *Grand Hotel* showcase the way in which adaptation can support the strategic move toward a low-intensity, high-value tourism strategy. This shift also represents a response to the environmental-specific constraints identified before.

Aggregation provides consistency and efficiency across the portfolio. The advanced digital ecosystem, including the unified PMS and RMS platforms, support cross-unit learning as well as pricing optimisation. In addition, the sustainability certifications, notably Travelife Gold, standardise environmental practices and reinforce international legitimacy. Also, the endorsement brand model contributes to maintain hotel-level individuality, ensuring at the same time corporate consistency. All these elements together permit the group to standardise quality units that are geographically dispersed.

Arbitrage, although less visible, remains strategically central. Given the geographic constraints regarding possible physical expansion, as well as excessive and unclear regulation, the group is incentivised to pursue "value over volume". Revenue management orientation enable Bensaude Hotels to arbitrage between segments and seasons, adopting an optimal price policy in periods where the intensity of international demand is more significant. Parallelly, the focus on premium and wellness-oriented guests is the reflection of a structural arbitrage logic. The attraction of travellers with a higher willingness to pay is in line with the sustainability imperatives that discourage mass tourism. Finally, Bensaude benefits from a hybrid labour capability, built on specific aspects such as the combination of internationally experienced managers locally rooted teams. These conditions make it possible to combine global standards with cultural authenticity at a competitive cost.

Sequencing, Timing and the Interaction Between Shocks and Readiness

The previously described patterns are shaped over time, being dependent on diverse factors such as environmental, structural changes, and internal readiness. Thus, temporal sequencing is one of the main factors that influence the group's internationalisation path.

2015 - 2019: Post-Liberalisation Expansion

The airspace liberalisation and the entry of low-cost companies served as an ignition point that reduced geographic and administrative distance. The international demand suffered a considerable growth, leading the group to allocate resources to requalification, repositioning, and digital transformation. According to interview evidence, this period was described as "transformative", highlighting the transition from latent capability to active internationalisation.

2020 - 2021: Pandemic Contraction and Internal Consolidation

Due to the COVID-19, the tourism demand collapsed, Bensaude Hotels utilise this period to strengthen its brand architecture, to consolidate digital infrastructure, as well as refining its experiential strategies and communication. This process of learning allowed teams to reflect, to redesign processes and prepare the upcoming recovery. The senior management established as the main priority the resistance to the catastrophic situation. After resistance, the main objective was to recover. Despite of the adverse conjuncture, the management identified growth as their ultimate goal.

2021 - 2025: Premium Consolidation and Selective Diversification

During and after the pandemic recovery, the international demand returned to its pre-covid levels, even surpassing it. Therefore, the group intensified their investment in the premium segment, caring out strategic acquisitions: several properties, such as one in the Douro region (north of Portugal), the other in Pico Island, resembling their strategic move to diversify their portfolio, as well as advocating for a low-intensity tourism vision. This period showed how accumulated capabilities and beneficial external conditions acted to strengthen the group's internationalisation path.

Taking all into consideration, these patterns describe Bensaude Hotels' interaction with international demand, considering the constraints and specificities of the Azorean archipelago, serving as a background for the outcomes that will be analysed in the following section.

3.4.3 Outcomes

Within the APO model, the outcomes are the reflection of the observable consequences of the internationalisation path of Bensaude Hotels Collection, at individual, firm, and environmental levels. These outcomes are the reflection of a non-linear and learning-based process of "inward internationalisation", appearing gradually and cumulatively.

First, to conduct the analysis, the group provided data from two hotel units to serve as a relevant benchmark. However, it was agreed to keep the name of the hotels confidential.

Focusing on performance, the available indicators[1] indicate a sustained international orientation of demand. Between the considered period, international guest represents consistently around two-thirds of total demand (Appendix 14). In addition, the vast majority of national guests come from mainland Portugal, following a "quasi-international" logic of demand. So, the nature of demand reinforces the necessity to attract exterior markets, either national or international. In addition, this distribution is accompanied by a gradual improvement in revenue-related indicators. Analysing Average Daily Rate (ADR), it increased from 81€ in 2023 to 105€ in 2025 (Appendix 15). Parallelly, Revenue per Available Room (RevPAR) rose from 60€ to 72€, in the same period (Appendix 15). These indicators are in line with a "value over volume" logic. The group seeks growth through yield optimization rather than scale expansion. At the same

[1] Data availability is limited to the period between 2023 and 2025.

time, the occupancy rates remain relatively stable, oscillating between 72% and 74% (Appendix 16), which suggests that improvements in performance are mainly driven by price and segmentation rather than capacity increases.

Looking to the evolution of the sales channel mix (Appendix 17), in the same period, the steady increase in digital penetration is notorious, representing, in 2025, more than 60% of total sales. The rate of direct sales remained constant, highlighting a still strong direct relationship with international guests. The traditional actors, such as tour operators and OTAs, continue to remain significant, indicating a hybrid channel configuration that balances, control, risk diversification, and visibility. These indicators combined suggest that "inward internationalisation" process reconfigures the role of each actor, in a broader ecosystem, rather than eliminating each one of them.

In terms of the geographic distribution of demand (Appendix 18), the most prominent markets were Portugal, USA, Germany, France, and Spain, indicating a reduced dependence on a single market. The steady increase in the north American market in line with the group's strategy and with the expansion of air routes. This composition is representative of a coherent alignment between the group's offering configuration and the strategy to attract international guests with more purchasing power, enhancing at the same time the resilience to market-specific shocks.

Moreover, legitimacy and reputation play a central role throughout the internationalisation path. The high ratings across online platforms (e.g., Google, Booking, TripAdvisor) (Appendix 19) and the sustainability certifications (e.g., Travelife Gold) reinforce the group's credibility in foreign markets. This is particularly relevant since, in this case, the destination selection is influenced by aspects such as authenticity, trust, or responsible practices. Additionally, the association with tourism associations and public entities also impacts positively visibility and the perceived reliability among international stakeholders.

Finally, sustainability appears as a multidimensional outcome, with significant importance. Bensaude Hotels strategy towards more premium and low-intensity tourism is in line with the Azorean-specific environmental constraints, also supporting the destination viability in the long-term. Several daily practices, namely the ones related to waste reduction, energy efficiency, and resource monitoring, are representative of the continuous orientation towards sustainability. These practices contribute to the positioning of the Azores as a responsible destination, although the increasing expansion of international hotel chains in the region introduces new competitive and governance challenges that may change the paradigm.

Together, all these outcomes present the performance, legitimacy, and sustainability consequences that an “inward internationalisation” process may raise, in a peripherical, insular, tourism-dependent region.

4. Teaching Note

4.1 Overview

This case study presents the story of Bensaude Hotels Collection, the oldest hospitality group in the Azores archipelago. It describes how the group builds its "inward internationalisation" path, in a structurally constrained region, insular, and tourism dependent. Different to other international trajectories, centred on outward expansion, Bensaude is a representation of how organisations, which operate in remote environments, internationalise by attracting foreign demand to their home market. Following the case of Bensaude Hotels, students can analyse the way environmental conditions, managerial experience, firm-specific capabilities, and destination specificities interact to shape the internationalisation path.

Key learning objectives include:

- Understand the antecedents of "inward internationalisation", considering the specific context of remote and small-scale destinations, which include managerial capabilities, environmental constraints and accumulated organisational resources.
- Analyse the impact of distance (CAGE) on market logic, strategic priorities, and demand structures, in an insular context.
- Evaluate non-equity entry modes and network configurations, understanding their role in the access to international markets.
- Examine the role of incremental learning in shaping the evolution of the firm's internationalisation process.
- Apply the AAA framework and its dimensions to comprehend how companies configure their offering across distinct destinations and segments.
- Discuss the dilemma of competitive positioning and value creation raised by the presence of multinational hotel chains.
- Suggest recommendations to consolidate the company's international positioning.

Students should read the case before class and utilise the research note to master theoretical concepts and frameworks. The Azores archipelago represent an optimal setting to understand the underlying logic of "inward internationalisation", within a geographic constrained, tourism-dependent destination. The Bensaude Hotels case is suitable to create a dynamic classroom discussion where students can interpret strategic decisions, reflect on the overall implications of "inward internationalisation" and challenge assumptions.

4.2 Case Questions – Introductory Guidance

1. What antecedent conditions motivated Bensaude Hotels Collection to pursue an "inward internationalisation" strategy?

This question encourages students to examine the contextual and firm-level conditions that enable Bensaude Hotels' internationalisation process. Students should analyse factors such as managerial experience, firm-specific capabilities, and environmental constraints, being able to distinguish between strategic choices and structural imperatives in defining "inward internationalisation.

2. How does Bensaude Hotels Collection materialise internationalisation over time through its market logic, entry modes, networks, learning processes and offering configuration?

This question invites students to analyse how the internationalisation process is materialised without outward expansion. Students should apply the relevant frameworks (e.g., CAGE, non-equity entry modes, AAA) to comprehend how networks, learning, and offering configuration facilitate the access to international demand.

3. What outcomes emerge in terms of performance, legitimacy, and sustainability, and what strategic trade-offs does the company face in consolidating its international positioning?

In this question, students are invited to reflect on the implications of "inward internationalisation". Students should critically analyse how the identified patterns result in performance, legitimacy, and sustainability outcomes, while considering the strategic trade-offs the group may face when consolidating its international positioning in a constrained, peripherical, and tourism-dependent destination.

4.3 Case Questions and Suggested Resolution

1. What antecedent conditions motivated Bensaude Hotels Collection to pursue an "inward internationalisation" strategy?

The antecedents motivating Bensaude Hotels Collection to pursue an "inward internationalisation" strategy result from the interaction between managerial human capital, accumulated firm-specific capabilities, destination-specific conditions, and environmental constraints. Rather than reflecting a single deliberate strategic choice, these antecedents define the opportunity space within which the group's internationalisation patterns have evolved. In this context, attracting foreign demand represents a structural necessity shaped by the interplay between internal resources and the constraints of a peripheral destination.

At the individual level, senior management exhibits a strong international orientation, supported by extensive international professional experience across diverse geographies and international hotel chains, as well as the integration of foreign managers into key positions. Executive education and international exposure are regarded as critical for engaging with international guests. Managers also act as active networkers, cultivating relationships with travel agencies, tour operators, technology partners, soft-brand affiliations, and public institutions such as Turismo de Portugal and Visit Azores. These networks function both as access channels to international markets and as sources of informal market intelligence. Additionally, management plays a mediating role between international guest expectations and Azorean cultural specificities, reinforcing a service philosophy centred on care, authenticity, and attention to detail.

At the firm level, key antecedents include the group's heritage and accumulated organisational capabilities. Approaching 90 years of existence in 2025 and employing around 900 people, Bensaude Hotels benefits from a highly experienced workforce, continuous investment in training, and deep destination knowledge embedded in local staff. These capabilities constitute strategic assets in interactions with foreign guests. The group's endorsement-based brand architecture, where Bensaude Hotels operates as a corporate umbrella while individual units retain distinct identities, combined with affiliations with international soft brands such as Condé Nast, enhances global visibility and access to international networks without relying on ownership-based expansion.

Sustainability further reinforces the inward internationalisation strategy. All hotels hold Travelife Gold certification, with systematic monitoring of water, energy, and waste consumption per guest night. Investments in energy efficiency, photovoltaic infrastructure, and geothermal energy, notably at Terra Nostra Garden Hotel, demonstrate how sustainability practices are embedded in daily operations, aligning environmental constraints, international visitor expectations, and destination identity.

These antecedents are strengthened by advanced digital and analytical capabilities. The group operates within an integrated technological ecosystem, including revenue management systems, channel managers, property management systems, and guest satisfaction analytics based on online reviews and semantic analysis. These tools support pricing, inventory management, distribution, and feedback analysis, enabling a shift from a predominantly B2B model towards a more B2C-oriented logic and increasing managerial autonomy over foreign demand.

At the destination level, the Azores constitute both a strategic asset and a structural constraint. While the archipelago's natural environment and cultural distinctiveness attract international visitors, geographical remoteness, environmental regulation, and labour constraints limit large-scale tourism development. The gradual entry of international hotel chains (e.g., Mercure, Hilton) may enhance destination visibility but also intensify competition, reinforcing the importance of differentiated, experience-based positioning for regional operators.

Overall, these antecedents collectively establish the organisational and contextual foundations that enable Bensaude Hotels Collection to engage with international markets through an inward internationalisation logic, centred on attracting foreign demand to the Azores rather than pursuing outward expansion.

2. How does Bensaude Hotels Collection materialise internationalisation over time through its market logic, entry modes, networks, learning processes and offering configuration?

Bensaude Hotels internationalisation path is based on a non-spatial, relational process, which is centred on the attraction of international demand to the Azores archipelago. The group transforms a distant, insular, and structurally constrained region into a functional platform prepared to receive foreign tourism flows, rather than expanding through foreign establishments. In this way, internationalisation is an organisational process moulded by distance, learning, and networks, contrasting with the traditional outward market entry.

Focusing on market logic and CAGE distance, the Azorean tourism market, with approximately 250,000 inhabitants, cannot be considered a conventional domestic market. This small dimension and the limited purchase power make local demand insufficient to sustain the several hotel operations. So, the access to international demand is a structural necessity, rather than a discretionary strategic decision. As a result, the group's market logic is influenced by several dimensions of distance, demonstrated by the CAGE framework.

CAGE Dimension	Key Aspects	Implications
Cultural	Preference for authenticity, tranquillity, and nature-based experiences.	Experiential differentiation grounded in local culture, wellness, and authenticity.
Administrative	Dependence on airspace regulation, bureaucracy, and sustainability requirements.	Use of non-equity entry modes, institutional partnerships, and soft-brand affiliations.
Geographical	Insularity, remoteness, seasonality, and airlift dependence.	Air connectivity as an infrastructural entry mode; focus on premium, low-intensity demand.
Economic	Limited domestic demand; higher spending capacity of international visitors.	"Value over volume" logic supported by revenue management and seasonal arbitrage.

Figure 2: Proposed CAGE Framework

The CAGE framework proposes a demonstrates a selective positioning, especially as international hotel chains join the Azorean market. These actors may increase destination visibility and know-how, but their standardised business model increase competition. This reality reinforces the group's commitment to present a differentiated offering, characterised for its local embeddedness.

Moreover, in terms of entry modes, channels, and networks, Bensaude Hotels enters foreign markets through a diversified set of non-equity entry modes. Tour operators appear as historic actors, that through long-term relationships played a fundamental role by reducing uncertainty and aggregating international demand. Therefore, this established B2B structure, over time, was complemented by a complex digital ecosystem, which enabled the transition towards a more B2B-oriented structure. In addition, even though several players such as the OTAs still remain important for visibility, the weight of the direct bookings through the group's own platforms increased significantly, especially in more premium-oriented units.

Furthermore, institutional and trade networks are another important entry mode. The participation in several tourism associations (e.g., AHP, Associação de Turismo de Lisboa, Turismo de Portugal, chambers of commerce, and the collaboration with regional and national institutions (e.g., regional government, Visit Azores) increase international credibility, destination visibility, and market intelligence. Parallelly, the affiliation with soft brands, such as the integration of *Terra Nostra* into Condé Nast can be seen as a reputational entry mode, which enables access to specific international demand segments.

Another critical entry mode, an infrastructural one, is air transportation. In 2015, the liberalisation of airspace and the entrance of low-cost companies contributed to the reduction of geographical distance, also boosting the reach of the destination internationally, contributing positively to the operation of other entry modes.

Moreover, the AAA framework is a useful tool to understand Bensaude Hotels' offering configuration. All dimensions (Adaptation, Aggregation, Arbitrage) operate simultaneously, influencing the way services are designed, delivered, and monetised across foreign segments.

AAA Dimension	Key Practices	Role in Inward Internationalisation
Adaptation	Differentiated experiential identities across properties; wellness, tranquillity, authenticity; local storytelling.	Aligns the offering with heterogeneous international expectations while preserving destination-specific identity.
Aggregation	Unified PMS and RMS systems; shared sustainability standards; endorsement brand architecture.	Ensures consistency, operational efficiency and international legitimacy across a geographically dispersed portfolio.
Arbitrage	Revenue management; seasonal pricing; focus on premium, high-spending segments.	Enables "value over volume" growth, mitigating demand volatility and respecting environmental and capacity constraints.

Figure 3: Proposed AAA Framework

The group's international journey follows and incremental and processual trajectory, where learning is fundamental and continuous. Learning is developed through the operation of digital and relational mechanisms that interact to refine the firm's positioning and offering over time. The experiential learning is based on several aspects such as managerial perception of foreign demand, which influences segmentation choices, service refinement, experiential design. The different hotel units serve as experimental platforms, where management can test new concepts that may be adopted lately by the whole portfolio. In addition, the digital learning serves as a complement to this process. Integrated management systems enable cross-unit knowledge transfer, demand forecasting, and price optimisation. Finally, the relational learning is built from the continuous engagement with several entities such as consultants, designers, soft brand partners, travel consortia and industry association. Together, these relationships facilitate the access to new global trends in sustainability, wellness, and experiential hospitality.

The time sequencing is the representation of the interaction between external shocks and internal readiness. The period from 2015 to 2019 was suitable for repositioning and expansion, the pandemic phase was important for capability refinement and consolidation, and following period was favourable for premium aspirations consolidation and selective diversification. All these elements demonstrate how Bensaude Hotels materialises its “inward internationalisation over time, based on principles of cumulative learning and adaptative orchestration.

3. What outcomes emerge in terms of performance, legitimacy, and sustainability, and what strategic trade-offs does the company face in consolidating its international positioning?

Bensaude Hotels' "inward internationalisation" process generates several outcomes across performance, legitimacy, and sustainability dimensions. First, looking at the performance indicators, from 2023 to 2025, the group exhibits a stable, quasi-international demand profile, with approximately two-thirds of visitors being international, while mainland Portugal accounts for the large majority of the remaining demand. Across the same period, there was an increase of the revenue-related indicators. ADR increased from 81€ to 105€, while RevPAR rose from 60€ to 72€. Also, the occupancy rate remained stable, variating between 72% and 74%. These outcomes corroborate the "value over volume" strategy since performance increases are mainly driven by pricing, segmentation, and yield optimisation, rather than capacity expansion.

These outcomes are further reinforced by changes in channel and market configuration. Analysing digital penetration, it increased steadily, accounting for over 60% of sales. Looking at the channel mix, it remains hybrid. Direct sales remained stable, with OTAs and tour operators continue to play a significant role. The main markets are Portugal, USA, Germany, France, and Spain, indicating diversified demand rather than reliance on a single market.

Focusing on legitimacy, the outcomes appear through institutional and reputational signals. First, the high ratings across the most relevant platforms (e.g., Google, TripAdvisor, Booking) and the sustainability certifications (e.g., Travelife) increase the group's international credibility, where trust, authenticity, and responsible practices play an important role on destination selection. Finally, the institutional relationships reinforce the perceived reliability and visibility.

Moreover, Bensaude Hotels' practices, namely resources-efficiency management, and the orientation towards a more premium, low-intensity tourism, represent the most prominent sustainability outcomes, which are in line with the region-specific environmental constraints. Also, there are also considerable trade-offs, especially between control and visibility in channel management, premium positioning, and seasonality risks. Finally, there is the dilemma between the local differentiation and the competitive pressure imposed by international hotel chains.

5. Conclusion and Limitations

This dissertation examined the internationalisation path of Bensaude Hotels Collection through an in-depth qualitative case study grounded in the Antecedents–Patterns–Outcomes (APO) model, demonstrating that internationalisation can occur without outward expansion. The findings reveal a clear case of "inward internationalisation" in a tourism-dependent and geographically remote region, where attracting foreign demand constitutes a structural necessity rather than a discretionary strategic choice.

The case study illustrates how the interaction between internationally experienced management, accumulated organisational capabilities, destination-specific conditions, and environmental constraints shapes this inward internationalisation process. Bensaude Hotels leverages extensive networks, digital channels, and differentiated experiential offerings to position itself in foreign markets while creating a viable platform for international value creation within the Azores. The strategic focus on premium and low-intensity tourism further reflects an alignment between environmental constraints, international market logic, and long-term sustainability objectives.

From a theoretical perspective, this dissertation contributes to the internationalisation literature by applying established SME internationalisation frameworks to the tourism and hospitality context of a peripheral island destination. The empirical application of the APO model illustrates how incremental learning, distance management, and offering configuration interact in a setting characterised by strong dependence on air connectivity and deep local embeddedness.

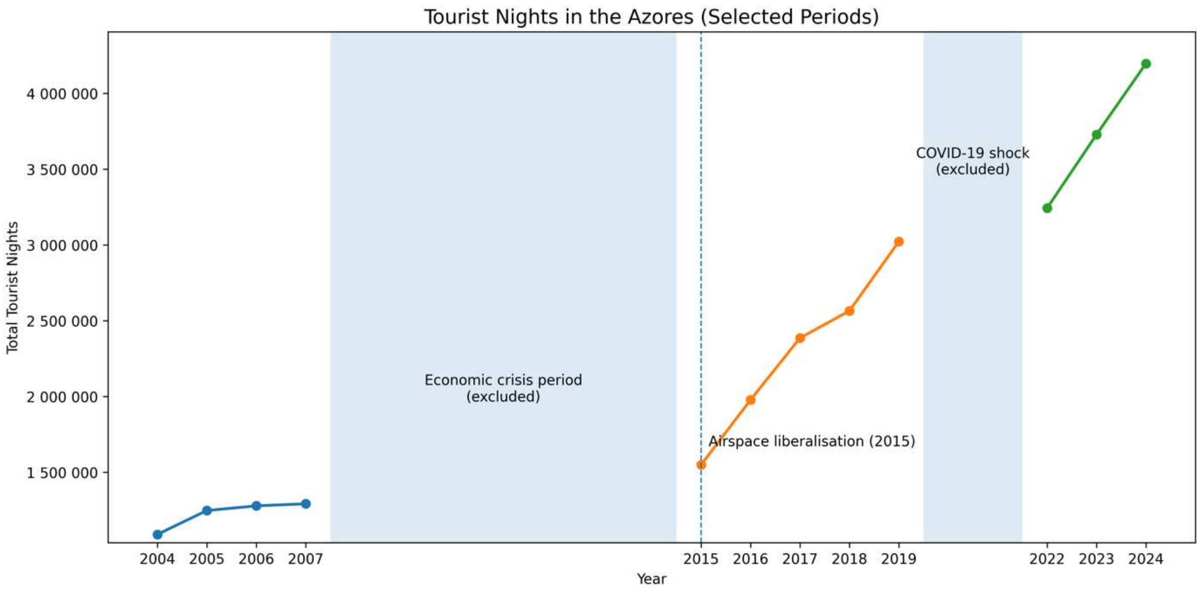
Despite these contributions, several limitations must be acknowledged. First, the academic literature on inward internationalisation in tourism and hospitality, particularly in small island and geographically remote regions, remains limited, constraining broader theoretical benchmarking. Second, access to longitudinal firm-level performance data was restricted, especially for periods preceding the COVID-19 pandemic and airspace liberalisation. Third, the study does not allow for an in-depth examination of the long-term competitive implications of multinational hotel chains' presence. Finally, the limited timeframe favoured a holistic perspective over more granular analysis.

6. Appendices

Appendix 1: Tourism Demand Indicators in the Azores, SREA (2025)

Period	Years	Initial Nights	Final Nights	Absolute Growth	Avg. Annual Growth	CAGR (%)	Key Context
Pre-crisis growth	2004–2007	1 089 142	1 291 072	+202 930	+67 643	5.82%	Stable growth before major economic shocks
Post-liberalisation expansion	2015–2019	1 548 389	3 021 347	+1 472 958	+368 240	18.41%	Airspace liberalisation and low-cost carrier entry
Post-pandemic consolidation	2022–2024	3 242 060	4 196 263	+954 203	+477 101	13.76%	Demand maturation after COVID-19 shock

Appendix 2: Total Tourist Nights in the Azores: Selected Periods and Structural Breaks



Appendix 3: Tourist Nights by Country of Origin and Share of Total (2024), SREA (2025)

Country of Origin	Tourist Nights (2024)	Share of Total (%)
Portugal	1 073 963	28.72%
USA	412 355	11.03%
Spain	379 415	10.15%
Germany	375 678	10.05%
Italy	257 262	6.88%
France	234 752	6.28%
Netherlands	139 965	3.74%
Canada	167 638	4.48%
Other Countries	156 568	4.19%
UK	96 068	2.57%
Switzerland	94 291	2.52%
Belgium	80 231	2.15%
Czechia	59 622	1.59%
Poland	54 662	1.46%

Denmark	41 986	1.12%
Austria	39 254	1.05%
Slovakia	16 552	0.44%
Hungary	15 787	0.42%
Brazil	15 001	0.40%
Slovenia	14 997	0.40%
Israel	13 114	0.35%

Appendix 4: *Grand Hotel Açores Atlântico*




Appendix 5: *Terra Nostra Garden Hotel*

Appendix 6: *Hotel Marina Atlântico*

Appendix 7: *Caloura Hotel Resort*

Appendix 8: *São Miguel Park Hotel*

Appendix 9: NEAT Hotel Avenida

Appendix 10: *Terceira Mar Hotel*

Appendix 11: *Hotel do Caracol*

Appendix 12: *Hotel do Canal*

Appendix 13: *Hotel Açores Lisboa*

Appendix 14: National vs. International Demand Mix, Bensaude Hotels Collection (2025)

Demand Type	2023	2024	2025
National	34%	37%	35%
International	66%	63%	65%

Appendix 15: Performance Indicators (ADR; RevPAR), Bensaude Hotels Collections (2025)

Indicator	2023	2024	2025
ADR (€)	81 €	92 €	105 €
RevPAR (€)	60 €	69 €	72 €

Appendix 16: Average Occupancy Rate, Bensaude Hotels Collection (2025)

Indicator	2023	2024	2025
Average Occupancy Rate (%)	72%	74%	72%

Appendix 17: Sales Channel Mix, Bensaude Hotels (2025)

Sales Channel	2023	2024	2025
Direct	15%	16%	15%
OTAs	35%	33%	30%
Tour Operators	30%	27%	28%
Corporate	8%	7%	8%

Appendix 18: Markey Mix by Country, Bensaude Hotels Collection (2025)

Market	2023	2024	2025
Portugal	34%	37%	35%
USA	13%	14%	15%
Germany	12%	11%	13%
France	3%	5%	4%
Spain	4%	3%	3%

Appendix 19: Online Rankings Across Platforms, Bensaude Hotels Collection (2025)

Indicator	Booking.com	TripAdvisor	Google
Average Rating	8.0	4.0	4.3

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