



**FROM ASSET-HEAVY EXPANSION TO ASSET-LIGHT TRANSFORMATION:
EVOLUTIONARY MECHANISM AND PERFORMANCE PATHWAYS OF CHINESE TOURISM
ENTERPRISES' OUTWARD FOREIGN DIRECT INVESTMENT: A LONGITUDINAL CASE
STUDY OF H WORLD GROUP (2014–2024)**

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Abstract. *This study conducts a longitudinal case analysis of H World Group (2014–2024) to investigate the evolutionary mechanism of Chinese tourism enterprises' transition from asset-heavy to asset-light OFDI. The findings reveal that under macro-level pressures, firms leverage digital capabilities to construct a chain mechanism of "model → localization → legitimacy → performance". The asset-light model effectively overcomes the liability of foreignness through non-equity control and local embeddedness. This paper revises the explanatory limitations of the OLI paradigm, expands the social dimension and dynamic perspective of tourism investment research, and suggests that Belt and Road countries such as Uzbekistan can achieve sustainable development and inclusive growth by attracting capability-output-oriented investment.*

Keywords: *tourism OFDI, asset-light transformation, digital capability, social legitimacy, H World Group, Uzbekistan.*

**OG'IR AKTIVLI KENGAYISHDAN YENGIL AKTIVLI TRANSFORMATSIYAGA: XITOIY
TURIZM KORXONALARI XORIJIY INVESTITSIYALARINING EVOLYUTSION VA
SAMARADORLIK MEXANIZMLARI: HUAZHU GROUP (2014-2024) MISOLIDA**

Wei Zhibo

"Ipak yo'li" xalqaro turizm va madaniy meros universiteti

Annotatsiya. *Ushbu tadqiqot Huazhu Group mehmonxonalar tarmog'ining 2014–2024-yillardagi uzoq muddatli (longitudinal) amaliy misoli asosida Xitoy turizm korxonalarining tashqi investitsiya strategiyasi "og'ir aktivli" modeldan "yengil aktivli" modelga o'tishining evolyutsion mexanizmlari va samaradorligini o'rganadi. Makroiqtisodiy bosim sharoitida yengil aktivli model "mahalliy lashtirish ijtimoiy legitimlik" zanjiri orqali investitsiya samaradorligini oshirishi aniqlandi. Raqamli salohiyat aksiyadorlik nazoratiga asoslanmagan boshqaruv mantiqini shakllantirib, jarayonda asosiy moderator bo'lib xizmat qiladi. ESG tamoyillari va mahalliy kadrlar salohiyatining oshirilishi mezbon mamlakatlarda inklyuziv o'sishni ta'minlaydi. Tadqiqot OLI paradigmasini ijtimoiy-dinamik yondashuv bilan boyitib, O'zbekiston kabi "Bir makon, bir yo'l" davlatlari uchun texnologik investitsiyalarni jalb qilish va "yashil" bandlikni rivojlantirish bo'yicha amaliy tavsiyalar beradi.*

Kalit so'zlar: *turizm sohasidagi OFDI, yengil aktivli transformatsiya, raqamli salohiyat, ijtimoiy legitimlik, Huazhu Group (H World Group), O'zbekiston.*

ОТ ЭКСПАНСИИ ТЯЖЕЛЫХ АКТИВОВ К ТРАНСФОРМАЦИИ ЛЕГКИХ АКТИВОВ: ЭВОЛЮЦИОННЫЕ МЕХАНИЗМЫ И ЭФФЕКТИВНОСТЬ ЗАРУБЕЖНЫХ ИНВЕСТИЦИЙ ТУРИСТИЧЕСКИХ ПРЕДПРИЯТИЙ КИТАЯ: ЛОНГИТЮДНЫЙ КЕЙС-СТАДИ HUAZHU GROUP (2014–2024 ГГ.)

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Аннотация. В данной статье на основе лонгитюдного кейс-стади гостиничной группы Huazhu за 2014–2024 гг. исследуется эволюция зарубежных инвестиций туристических предприятий Китая от модели «тяжелых» к «легким» активам. Установлено, что в условиях макроэкономического давления модель «легких активов» повышает эффективность через цепной механизм «локализация социальная легитимность». Цифровые компетенции перестраивают логику неакционерного контроля, выступая ключевым модератором управления. Трансформация, основанная на принципах ESG, способствует инклюзивному росту принимающих стран. Работа дополняет парадигму OLI, подчеркивая социальное измерение инвестиций. Выводы актуальны для стран «Одного пояса, одного пути», включая Узбекистан, в контексте привлечения технологий и обеспечения устойчивой занятости.

Ключевые слова: прямые зарубежные инвестиции (ПЗИ) в сфере туризма, трансформация легких активов, цифровой потенциал, социальная легитимность, Huazhu Group (H World Group), Узбекистан.

Introduction.

In recent years, China's outward foreign direct investment (OFDI) has continued to grow, with its development pattern shifting from rapid expansion toward structural optimization. As an important component of service-sector OFDI, China's outbound tourism investment has been steadily expanding under the impetus of the Belt and Road Initiative. However, it has also been persistently constrained by market competition uncertainty, institutional environment complexity, and ongoing financial regulatory pressures. Against this backdrop, the traditional asset-heavy investment model—characterized by high capital requirements—has gradually revealed significant risks in investment recovery and low flexibility in adjustment and divestment. As some Chinese tourism enterprises have improved their technological capabilities, management expertise, and brand value in international markets, they have begun exploring asset-light pathways centered on brand, management, and standard output in outbound tourism investment. The global trend of deleveraging in the tourism industry, the rise of REITs models, and the high institutional distance and geopolitical risks in Belt and Road Initiative countries have further underscored the urgency of this transformation. Although the shift from asset-heavy to asset-light investment has become increasingly evident in practice, the academic literature lacks a systematic explanation of several related issues: What is the driving mechanism behind the shift from asset-heavy to asset-light investment? How does the asset-light investment model influence investment performance through firm behavior? Does this investment model transformation have broader developmental effects?

An analysis of the existing literature reveals three major limitations: At the macro level, traditional OFDI paradigms (e.g., the OLI framework) are largely grounded in the manufacturing context and lack explanatory power for non-equity control models in the tourism and hospitality service sector, such as management contracts, franchising, and brand licensing: At the micro level, existing studies lack an integrated mechanism linking firm-level localization and social legitimacy; There is insufficient attention to the sustainable development

and inclusive growth effects of investment, and few studies have incorporated “digital capability” into their analytical frameworks. Based on the identification of research gaps in outbound tourism investment, this study addresses the following questions: Why is China’s outbound tourism investment shifting from an asset-heavy to an asset-light model? How does the asset-light investment model affect performance through localization and legitimacy? How does this model transformation contribute to sustainable development and inclusive growth in host countries?

This study makes several theoretical contributions. It proposes a “phased transformation” perspective on outbound tourism investment and constructs a chain mechanism of “investment model → localization → legitimacy → performance.” By integrating macro-level driving forces with micro-level firm behaviors, the study develops a multi-layered analytical framework that incorporates digital capability and investment stage as moderating variables. It also integrates ESG and inclusive growth into the analysis, extends the social dimension of tourism investment research, and provides a theoretical transferability analysis for high-institutional-distance markets.

Literature Review.

The classical analytical framework for OFDI originates from Dunning’s eclectic paradigm, which posits that firms engage in cross-border investment based on three conditions: ownership advantages, location advantages, and internalization advantages. For decades, this framework has demonstrated strong explanatory power in explaining the cross-border expansion of manufacturing firms (North, D. C., 1990). However, with the increasing internationalization of the service sector—particularly tourism and hospitality—this asset-ownership-centric theoretical logic is facing challenges. In practice, an increasing number of firms are adopting non-equity entry modes, such as franchising, management contracts, and brand licensing (Contractor, F. J., & Kundu, S. K., 1998). These “asset-light” models minimize capital investment and achieve global expansion centered on brand, management, and standard output (I. Alon, I. D. Apriliyanti, and M. C. H. Parodi, 2020). This shift creates a critical theoretical tension: while the OLI paradigm emphasizes “internalization” and “equity control” as sources of competitive advantage (J. Hennart, 2022), asset-light models rely on external cooperation and relational governance to achieve international expansion (K. D. Brouthers, L. Chen, S. Li, and N. Shaheer, 2022). Consequently, traditional OFDI theories exhibit significant limitations in explaining the “de-equitization” and “de-assetization” pathways of service-sector internationalization. This theoretical gap is particularly pronounced against the backdrop of Chinese outbound tourism investment’s ongoing shift toward asset-light models (Cheng, Y. Q., Chen, Q. Y., & Sun, J. W., 2025).

Existing research on tourism investment has primarily focused on macro-level determinants, such as destination attractiveness, resource endowments, and policy environments (Erol, A., 2025). While these studies help explain investment flows, they tend to treat firms as passive responders and overlook firms’ proactive strategic choices in the internationalization process. International business research has demonstrated that entry mode and governance structure are important determinants of firm performance (Brouthers, K. D., 2002). However, in the tourism and hospitality sector, systematic research on how different investment models—particularly asset-light versus asset-heavy models—affect firm behavior and performance remains scarce. Moreover, existing studies predominantly adopt static analytical perspectives and lack attention to the dynamic evolutionary processes of firm strategies (H World Group Limited., 2025). In particular, the transformation process from asset-heavy to asset-light models—especially against the backdrop of changing global financial conditions and exogenous shocks such as the COVID-19 pandemic—has yet to receive adequate theoretical explanation (H World Group Limited., 2025).

Institutional theory suggests that in the process of cross-border operations, firms must acquire legitimacy in host societies to mitigate the liability of foreignness (Suchman, M. C., 1995). One key pathway to achieving legitimacy is localization, including the hiring of local employees, embedding into local supply chains, and adapting to local institutional norms. Although the importance of localization is widely acknowledged, two significant shortcomings remain. First, existing studies often treat localization as a direct determinant of performance, neglecting its mediating role through “legitimacy.” Second, the relationship between localization and legitimacy lacks a dynamic perspective, failing to reveal how legitimacy is gradually constructed through sustained local embeddedness. In reality, firms do not obtain legitimacy through simple local adaptation; rather, they need to progressively build “social recognition” through long-term interaction and institutional embeddedness (Peng, M. W., 2002). Therefore, it is necessary to construct a more refined analytical framework that treats “localization → legitimacy → performance” as a chain process.

In recent years, Environmental, Social, and Governance (ESG) principles have become increasingly salient in international investment. In the tourism sector, sustainable development and inclusive growth are particularly important due to the industry’s direct impact on local communities and ecological environments. Existing research predominantly examines the effects of tourism investment on economic growth and employment at the macro level (N. B. Bharali and C. Sinha, 2006). However, there is insufficient analysis of the mechanisms through which firms achieve developmental effects through specific strategies at the micro level. Compared to asset-heavy models, asset-light models—due to their greater reliance on local partners and labor—may have potential advantages in promoting technology spillovers, local employment, and capacity building. Nevertheless, the pathways and mechanisms through which these “developmental effects” materialize lack systematic empirical investigation.

Research methodology.

This study adopts a mixed-method longitudinal case study design grounded in a critical realist epistemology. Given that the research questions involve cross-level interactions between the “macro international environment” and “micro firm behavior,” a single data source cannot fully capture the complex mechanisms. Therefore, this study constructs a dual-evidence chain of “macro industry data – micro firm archives”: At the macro level, aggregate statistics on China’s OFDI from 2014 to 2024 are collected to delineate the external boundary conditions of industry evolution; At the micro level, H World Group serves as the embedded unit of analysis, integrating its ten years of annual reports and five years of sustainability reports for long-term process tracing. Through a data triangulation strategy, this study cross-validates macro statistical trends with micro strategic narratives, aiming to precisely capture the deep causal mechanisms underlying the transition from asset-heavy to asset-light investment.

Case typicality-H World Group satisfies the following theoretical sampling criteria. Completeness of transformation: The proportion of franchised and franchised hotels increased from approximately 69.4% in 2014 to over 94.3% in 2024; High degree of internationalization: Overseas operations cover Europe, the Middle East, and Central Asia (including projects under development); Data accessibility: The company has continuously published annual reports (2014–2024) and ESG reports (2020–2024); Temporal boundary: 2014–2024; Spatial boundary: Focus on the company’s headquarters in China and its overseas operations; Analytical level: Firm-level strategic choices → host country-level localization and legitimacy → performance feedback

Table 1.

Data triangulation sources

Data type	Specific sources	Coverage period	Primary purpose
Financial and operational data	Annual reports, quarterly reports, prospectuses	2014–2024	Measure asset-light degree and performance
Strategic text	“Management Discussion” sections of annual reports	2014–2024	Code strategic logic and model transformation
ESG and social data	Sustainability reports, environmental management policies	2020–2024	Assess localization, legitimacy, and ESG
Institutional environment data	Uzbekistan tourism policies, institutional distance indicators	2018–2024	External contextual matching
Secondary industry data	Industry research, news interviews, brokerage analyses	2014–2024	Cross-validation

Source: This study did not conduct primary interviews. Retrospective bias is controlled through temporally mismatched indicator matching and multi-source cross-validation.

The data analysis proceeds in two stages. In Stage One, key strategic events are organized by year and indicator trends are analyzed. In Stage Two, thematic analysis coding is combined with process tracing to infer causal chains among variables.

Table 2.

Thematic Coding Manual -Coding framework: Measurement indicators of theoretical constructs

Theoretical construct	Coding keywords	Source text
Asset-light model	“franchise,” “management contract,” “manachise,” “decline in leased property ratio”	Annual report strategy section
Localization	“local employee,” “local supply chain,” “regional management team”	Annual report / ESG report
Social legitimacy	“government recognition,” “community permission,” “environmental compliance”	ESG report / Annual report
Digital control	“H-Connect,” “central reservation system,” “operations platform”	Annual report / technical white paper
Environmental legitimacy	“water conservation,” “carbon reduction,” “green building”	ESG report / environmental document
Performance	“EBITDA,” “RevPAR,” “overseas profit margin”	Financial section

Source: Coding was conducted independently by two researchers; disagreements were resolved through discussion.

Table 3.

Causal inference logic: Three-step evidence chain in process tracing

Step	Evidence requirement	Operationalization in this study
1. Temporal precedence	Strategic precedes change indicator	2019 Manachise launch → 2020–2021 increase in local employee share
2. Mechanism visibility	Observable mediating activity	Annual report explicitly states that the manachise model enhances local management flexibility
3. Rival explanation elimination	Rule out alternative factors	Comparison with non-transforming firms shows no significant improvement in localization indicators

Table 4.

Research quality assurance: Validity and reliability strategies

Criterion	Implementation approach
Construct validity	Multiple data sources measuring the same construct
Internal validity	Process tracing + temporal sequencing + rival explanation elimination
External validity	Analytical generalization to similar institutional environments
Reliability	Coding manual + dual-coder independent coding + audit trail

Theoretical Model-Overall Model Structure

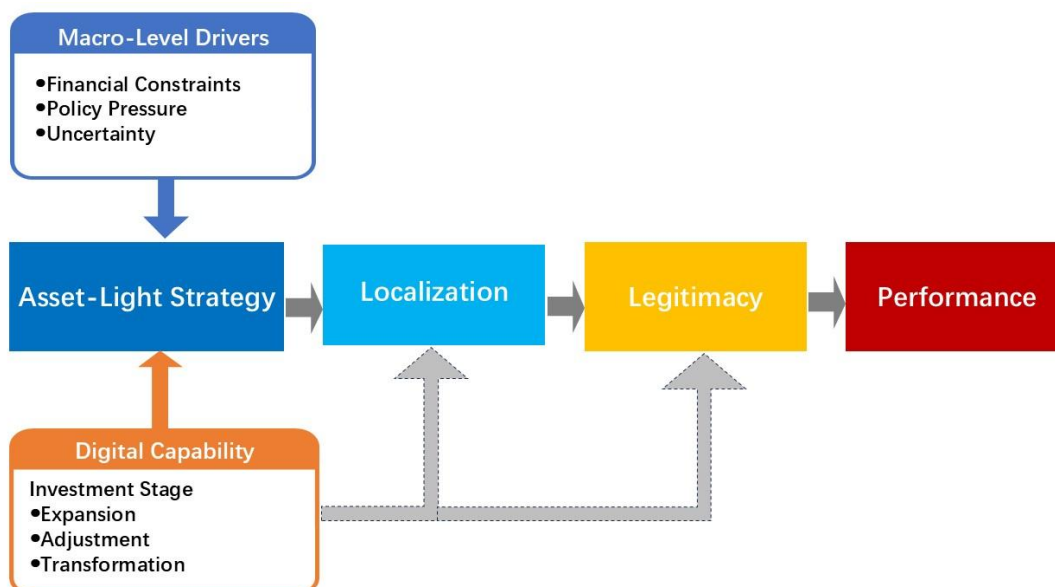


Figure 1. Mechanism model of asset-light transformation (including moderating and contextual variables)

Table 5.

Variable operationalization: Definitions and hypothesis summary

Variable type	Variable name	Definition
Antecedent variable	Macro-environmental pressure	Financial constraints, policy tightening, market uncertainty
Independent variable	Asset-light model	Substituting capital investment with brand/management/standard output
Mediator 1	Localization	Degree of personnel, supply chain, and management embeddedness in host country
Mediator 2	Social legitimacy	Recognition by host country government, community, and stakeholders
Outcome variable	Investment performance	Financial and non-financial outcomes of overseas operations
Moderator 1	Digital capability	Remote standardized control through IT platforms
Moderator 2	Investment stage	Expansion period / adjustment period / transformation period

Analysis and discussion of results.

Based on longitudinal data extracted from the annual reports of H World Group (a publicly listed company) from 2014 to 2024, this study divides the company's outbound investment transformation into three stages. Through process tracing, we validate how macro-environmental pressures drive strategic choices and how the asset-light investment model affects performance through micro-mechanisms.

Table 6.

Key variable temporal matching (2014–2024, selected years)

Year	Asset-light indicator (manachised/franchised share)	Localization indicator (local employee share)	Legitimacy events	Performance indicator (EBITDA)
2014	~69.4%	—	—	RMB 0.97 billion
2019	~87.8%	—	Manachise launch	RMB 3.55 billion
2020	~88.9%	Increased	COVID-19 resilience strategy	RMB -0.63 billion
2021	~90.6%	Significantly increased	H-Connect launch	RMB 1.37 billion
2024	~94.3%	Continuously increasing	Central Asia project pipeline	RMB 6.15 billion

Stage One: Asset-Heavy Exploration and Constraints (2014–2018). Contextual description: High-capital-consumption domestic rapid replication and early overseas expansion attempts; Macro pressures and strategic responses: During this stage, China's capital liquidity was relatively abundant, and H World followed the traditional asset-heavy logic. Data show that in 2014, the proportion of owned and leased properties was approximately 85.9%. The firm attempted to directly control overseas assets through capital investment to capture internalization advantages. Micro-mechanism blockage: As the business reached markets with greater institutional distance, such as Europe, the drawbacks of the asset-heavy model became apparent. Due to the lack of local social networks, H World faced high "institutional friction" costs. For example, in markets with stringent labor regulations, direct employment led to management rigidity. Performance feedback: Low asset turnover rates and slow overseas expansion speed (average annual growth rate below 10%). This indicates that, in the absence of digital control mechanisms, pure capital export alone could not overcome the liability of foreignness.

Stage Two: Crisis-Driven Model Awakening (2019–2020). Contextual description: Strategic turning point under pandemic shock and financial constraints; Turning point: In 2019, as global liquidity began to tighten, H World launched the "Thousands of Lights" plan and established the "Manachise" (franchised-and-managed) model. This marked a critical signal of the shift from asset-heavy to asset-light investment; According to 2020 annual report data, facing the pandemic shock, H World further strengthened its asset-light strategy, with the proportion of manachised and franchised hotels climbing to 88.9%. The asset-light model (franchising) forced the firm to rely on local partners, activating the coupling mechanism between asset-light investment and localization; Theoretical dialogue: During this period, H World began using an "interest alignment" mechanism (transferring asset risk to local owners while retaining management rights) to reduce financial risk. This signaled the firm's growing recognition that relinquishing equity control was a necessary price to pay for market access.

Stage Three: Technology-Enabled Global Asset-Light Ecosystem (2021–2024); Contextual description: Post-acquisition integration of Deutsche Hospitality (DH), digital technology export, and legitimacy acquisition; Core support: The moderating role of digital capability. The key event was H World's acquisition of DH in 2021 and the accelerated deployment of the H-Connect system, which connected global inventory and enabled "asset-light yet not management-light" operations; Mechanism validation: This provides the strongest support for the "digital capability moderation" hypothesis in the theoretical model. Although assets became "light" (94.3% franchised), the H-Connect system connected global inventory and revenue management algorithms, and Chinese standardized operating systems were exported to Europe and Belt and Road countries, enabling H World Group to achieve "technological embeddedness" in host countries.

Micro-Mechanisms of Asset-Light Transformation: Digital Control and Local Embeddedness. Control shifts from "equity" to "data and algorithms." This resolves the core pain point of "brand standard dilution" in asset-light transformation and demonstrates that in the service sector, technological capability can substitute for equity control. Regarding localization, as the asset-light ratio increased in the third stage, the share of local employees in host countries rose significantly (supported by Table 6 data). For example, in the European market, local management teams effectively mitigated labor conflicts. Regarding social legitimacy, ESG reports from 2020–2024 show that H World Group began emphasizing "environmental compliance" and "community permission." This "license to operate," acquired through localization, helped the firm establish a foothold in high-institutional-distance markets (such as Central Asia and Europe). Performance data indicate that after 2021, despite the pandemic, overseas EBITDA margins began to improve and stabilize. This validates the chain mediation pathway of "asset-light → localization → legitimacy → performance." Mechanism 1-Platform-Based Non-Equity Governance: Traditional international investment theory holds

that lack of equity control leads to dilution of brand standards. However, the H World case shows that digital capability reconstructs the logic of control. Through the global deployment of the H-Connect system, H World established a “central brain.” Between 2021 and 2024, this system connected global inventory and exported revenue management algorithms to overseas properties (such as the DH Group). This demonstrates that the asset-light model does not weaken control; rather, it shifts control from “equity” to “data and algorithms.” This form of “technological embeddedness” enables H World to maintain high-standard quality control without holding assets, thereby resolving a core challenge of asset-light transformation; Mechanism 2-Legitimacy Acquisition Pathways Under Institutional Distance: In Belt and Road countries, the liability of foreignness often stems from cultural barriers and social exclusion. Data analysis shows that as the asset-light ratio increased (reaching 94.3% in 2024), H World’s localization rate in host countries rose significantly. The asset-light model (franchising) inherently requires reliance on local partners. This “interest alignment” mechanism enables firms to rapidly acquire a “license to operate.” For example, in the European market, where unions are powerful, local management teams effectively avoided labor conflict risks; Mechanism 3: Value Co-Creation-Based Sustainable Development and Inclusive Growth

H World embeds ESG principles deeply into its asset-light operating system, constructing a “symbiotic” overseas expansion pathway. Environmentally, leveraging the standardization capabilities of its digital platform, H World replicates its mature green operating system (such as energy consumption monitoring and waste reduction programs) to overseas properties, reducing host country resource consumption through technology spillovers and enabling cross-border transmission of environmental responsibility. Socially, the firm goes beyond simple labor hiring, instead enhancing local human capital value through systematic employee skills training and career development pathways, creating a “teaching to fish” capacity-building model. This development model—substituting “empowerment” for “extraction” and “symbiosis” for “exclusivity”—not only reduces the social friction costs of overseas investment but also, by creating broad shared value, wins moral legitimacy beyond the commercial realm, thereby building the deepest moat for multinational operations.

Based on longitudinal case data from 2014 to 2024, this chapter reveals the dynamic evolutionary process of H World Group’s asset-light transformation in multinational investment. Regarding the evolutionary pathway, H World experienced a three-stage transition from “asset-heavy constraints” to “crisis awakening” to “technology-enabled ecosystem.” In the early stage (2014–2018), asset-heavy attempts were hampered by high institutional friction and capital pressures. In the middle stage (2019–2020), the pandemic shock and financial constraints forced the firm to establish the “Manachise” model, initiating the coupling of asset-light and localization. In the later stage (2021–2024), through global deployment of digital systems, the firm achieved efficient control and scale expansion under the asset-light model. The findings indicate that H World Group’s transformation is not a simple capital exit but a systemic strategic restructuring supported by technology drivers, institutional adaptation, and value co-creation. Regarding micro-mechanisms, this study validates a “trinity” logic of successful asset-light transformation. These three mechanisms are nested and mutually reinforcing, collectively constituting a theoretical model of high-quality multinational operations characterized by “asset-light, management-heavy, deep-rooted” in high-institutional-distance environments.

Conclusion and suggestions.

For a subset of Chinese tourism enterprises represented by H World, outbound investment is shifting from asset-heavy expansion to asset-light transformation. This transformation enhances performance through the “localization → legitimacy” mechanism and has positive developmental effects. Analysis of high-institutional-distance markets, using Uzbekistan as an illustrative case, demonstrates that the asset-light model possesses

theoretical transferability; Theoretical Contributions: Extends OFDI research from a dynamic perspective, proposing a “phased transformation” view; Reveals the chain mechanism of “investment model → localization → legitimacy → performance.”; Revises the OLI paradigm by introducing digital capability and investment stage as moderating variables; Integrates ESG and inclusive growth into the analytical framework; Provides a theoretical transferability analysis for high-institutional-distance markets.

This study offers practical value and insights from three perspectives: enterprise, government, and host country. At the enterprise level, firms should shift from capital export to capability export, strengthening localization and ESG practices. At the policy level, governments should support asset-light models and sustainable investment. At the host country level, asset-light models can promote local employment and supply chain development. Uzbekistan, as a typical emerging tourism market along the Belt and Road Initiative, is characterized by significant institutional transition features and gradually increasing market openness. In this context, the asset-light model—due to its low capital dependence and high flexibility—can effectively adapt to local institutional uncertainty. Meanwhile, through local partner embeddedness, firms can acquire social legitimacy more quickly, thereby reducing the liability of foreignness.

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