

Articles - Tourism Management

The mega events paradox: analyzing the behavior of the hospitality industry in the city of Rio de Janeiro during and after the Olympics

O paradoxo dos grandes eventos: analisando o comportamento da indústria hoteleira na cidade do Rio de Janeiro durante e após as Olimpíadas

La paradoja de los grandes eventos: analizando el comportamiento de la industria hotelera en la ciudad de Río de Janeiro durante y después de los Juegos Olímpicos

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Palavras-chave:

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Abstract

Considering the urban transformations and the development of the hotel sector in the City of Rio de Janeiro driven by the 2016 Olympic Games, this study aims to understand how the hotel industry behaves in terms of organic growth and investments during periods of mega international events. To this end, a qualitative case study research was carried out that included 7 different hotel brands whose results were coded and categorized resulting in a theoretical-conceptual framework responsible for identifying some competitive pressures on traditional hospitality, including 6 different challenges: (1) political institutional insecurity, (2) perceptions of the media, (3) public security, (4) other national and foreign locations, (5) new videoconference technologies, and (6) Online Travel Agencies. It was found that the exponential growth in the number of beds in the city in the years leading up to the 2016 Olympics generated several complications for the industry at that time. The logic of this expansion is discussed throughout the paper during different phases and the aim is to help fill a gap left by empirical research in the area, which has little explored the logic behind the option of investing during Olympic Cycles.

Resumo

Considerando as transformações urbanas e o desenvolvimento do setor hoteleiro na Cidade do Rio de Janeiro impulsionado pelos Jogos Olímpicos de 2016, este estudo visa compreender como a indústria hoteleira se comporta em termos de crescimento orgânico e investimentos em períodos de megaeventos internacionais. Para tanto, foi realizada uma pesquisa qualitativa de estudo de caso que incluiu 7 diferentes marcas hoteleiras, cujos resultados foram codificados e categorizados resultando em um arcabouço teórico-conceitual responsável por identificar algumas pressões competitivas sobre a hospitalidade tradicional, incluindo 6 diferentes desafios: (1) insegurança político institucional, (2) percepções da mídia, (3) segurança pública, (4) outras localidades nacionais e estrangeiras, (5) novas tecnologias de videoconferência e (6) Agências de viagens online. Verificou-se que o crescimento exponencial do número de leitos na cidade nos anos que antecederam as Olimpíadas de 2016 gerou diversas complicações para o setor naquela época. A lógica dessa expansão é discutida ao longo do artigo em diferentes fases, e o objetivo é ajudar a preencher uma lacuna deixada por pesquisas empíricas na área, que pouco tem explorado a lógica por trás da opção por investir durante os Ciclos Olímpicos.

Palabras clave:

Mega eventos;
Juegos Olímpicos;
Turismo y Hostelería;
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Resumen

Considerando las transformaciones urbanas y el desarrollo del sector hotelero en la Ciudad de Río de Janeiro impulsado por los Juegos Olímpicos de 2016, este estudio tiene como objetivo comprender cómo se comporta la industria hotelera en términos de crecimiento orgánico e inversiones durante períodos de mega eventos internacionales. Para ello, se llevó a cabo una investigación de caso de estudio cualitativo que incluyó 7 marcas hoteleras diferentes, cuyos resultados fueron codificados y categorizados dando como resultado un marco teórico-conceptual responsable de identificar algunas presiones competitivas sobre la hostelería tradicional incluyendo 6 desafíos diferentes: (1) inseguridad político institucional, (2) percepciones de los medios, (3) seguridad pública, (4) otras localidades nacionales y extranjeras, (5) nuevas tecnologías de videoconferencia, y (6) agencias de viajes online. Se encontró que el crecimiento exponencial en el número de camas en la ciudad en los años previos a los Juegos Olímpicos de 2016 generó varias complicaciones para la industria en ese momento. La lógica de esta expansión se discute a lo largo del trabajo durante diferentes fases, y el objetivo es ayudar a llenar un vacío dejado por la investigación empírica en el área, que ha explorado poco la lógica detrás de la opción de invertir durante los Ciclos Olímpicos.

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1 INTRODUCTION

On October 2nd, 2009, Rio de Janeiro was chosen during the election held in Copenhagen as the host city for the 31st edition of the 2016 Summer Olympics, beating Madrid in the final and other candidates such as Tokyo and Chicago in the preliminary phases. After two failed attempts (2004 and 2012), Brazil became the first country in South America to host the Olympics in the history of the modern Games, which began in 1896. So far, 16 editions have taken place in Europe, 6 in North America, 3 in Asia, and 2 in Oceania.

In this context, it should be noted that Brazil has recently experienced a phase marked by mega events such as the Military World Games (2011), the World Youth Day, the Confederations Cup (2013), The Rio+20 UN Conference on Sustainable Development (2013), the FIFA World Cup (2014), the Summer Olympic and Paralympic Games (2016), and the Soccer American Cup (2019). A dynamic that started with the Pan American Games of 2007 allowed Brazil and Rio to play an active part hosting the most important international events worldwide in a short period of time.

In the case of Rio de Janeiro, the hotel sector stood out as one of the main challenges considering that at the time of its nomination in 2009, the city had less than 19,000 hotel rooms with the minimum required by the International Olympic Committee being 40,000. Rio de Janeiro would need to resolve its historical gap both in the number of beds and the quality of the hospitality service provided, which was far below that required by international standards in terms of level of service and quality of rooms. Despite all the challenges faced along the way, Rio de Janeiro arrived on the eve of the Games with more than 51,000 rooms, representing a significant increase in the offer (Rio Negócios, 2016).

While seeing this as a moment of great opportunities for business expansion, great efforts would also have to be made to adapt the infrastructure of the City of Rio de Janeiro to meet all Olympic requirements (Embratur, 2016). Thus, this article aimed to study the case of the City of Rio de Janeiro and its specificities, especially with regard to the phenomenon that triggered the accelerated expansion of the hotel industry during the years leading up to the Games. It is worth mentioning that this expansion took place in the context of an emerging country that comes with an entire institutional complexity capable of generating great influence on the investment logic in several sectors of the industry (Cornelissen, 2010), such as tourism and hospitality.

Despite the characteristics of the case of Rio de Janeiro, the demands of infrastructure that the modern Olympic Games brought over the years were quite similar to other host cities as all had to deal with issues involving urban mobility, accommodation, security, and others (Liao & Pitts, 2006). For this reason, understanding the phenomena investigated in this paper also becomes relevant for future situations once the Olympic Games are recurrent and take place periodically every two years in the world, alternating between their winter and summer editions. Due its characteristics, there will always be governments and companies somewhere in the world investing in an Olympic agenda.

Recent examples from other host cities such as Barcelona (1992), Atlanta (1996), and Sidney (2000) have demonstrated how the Olympic Games were largely responsible for attracting high levels of investments and created

a friendly environment to accelerated economic growth and development with the exponential reduction of unemployment rates, for example (Milan, 2016). Carvalho and Tang (2014) point out that hosting mega events such as the Olympic Games not only attracts new investments, but is also capable of generating a great appreciation of regional culture through greater visibility and international insertion that the hosting locations usually acquire during the period. However, there were also other recent cases such as Athens in 2004 that despite all the cultural rescue of the Greeks who invented the Games, the Olympics of that year ended up becoming one of the main causes for the increase of the Greek debt, GDP shrinkage, and rising unemployment, triggering a serious crisis in the country (Karatassou, 2015).

Also, according to Carvalho and Tang (2014), the case of Rio de Janeiro was not very different. Although it was possible to observe positive aspects that led to a coordination of efforts and investments through public-private partnerships, the international appreciation of the Rio de Janeiro brand, and the economic moment that the region experienced before and after hosting the Games opens a discussion about the positive and negative aspects of its Olympic legacy. Recently Setti (2018) compared the Olympic arenas in Rio de Janeiro and Barcelona, highlighting the underutilization and abandonment of Rio's infrastructure, while the Catalans preserve their legacy even after more than 20 years.

Thus, tourism and hospitality, since it is one of the segments that has undergone the most changes in the case of Rio de Janeiro and represented here by 7 hotel brands, this article proposes to dialogue more directly with works that have been concerned with understanding the logic of investment and expansion of the hotel chain such as the articles written by Farok and Sumit (1998), Rodríguez (2002), and Zhang, Guillet and Gao (2012). Its contributions also include evaluating the economic impacts of the Olympic Games in specific sectors of the economy, a point still little explored by the literature.

Finally, this work made use of the institutional theory perspective (North, 1990) to support its discussions with the following premises: (1) the institutional environment of a country or region directly influences the company's investment options; (2) the political risk perceived may vary according to the company background and its national or foreign origin; (3) incentives or constraints driven by mega event contexts affect the creation of a more or less favorable institutional environment. At the end, it is expected that we will be able to make not only theoretical propositions, but also practical recommendations for other hotel chains that have to make decisions over investments during mega event cycles. Beyond this introductory part, the study is structured with a session dedicated to literature review in addition to the method, findings, and discussion, along with a brief space for final considerations.

2 LITERATURE REVIEW

2.1 Institutional environment, investments, and incentives

The decision to expand investments or not in contexts of mega events, as well as in other situations, goes through a manager's decision-making process and takes into account several variables including the institutional one, which is an important factor capable of influencing the company's behavior (Williamson, 1985). North (1990) defined institutions as the "rules of the game", comprehending several incentives or constraints that can determine the attractiveness to the economic activity in certain markets. On the other hand, Scott (1995) said that the institutional environment is formed not only by formal institutions, but also of normative and cultural-cognitive systems called informal institutions¹ composed by the regulatory, normative, and cultural-cognitive pillars.

Peng (2006) explained that the functionalities of the institutions reduce the uncertainties of a given environment. The rules and norms, as well the other pillars presented above, regulate the behavior of the society and determine what is acceptable or not. Scott (2001) explained that depending on the characteristics and associations of these pillars, it would bring greater or lesser stability to social life in each region, contributing to the levels of business uncertainty and investment. Hillman *et al.* (2004) added that in situations where high levels of institutional risk are observed, companies tend to choose more conservative strategies.

Mathews (2006) called attention to the differences in the institutions from emerging and developed economies where firms from developing countries choose to expand the operations to other markets to seek strategic resources while reducing institutional and market constraints in their home countries. Cuervo-Cazurra (2016) explained how

¹ Taboos, customs, and traditions.

four characteristics of the host country such as political uncertainty, violence, pro-market reforms, and geographic isolation can contribute to firms expanding to other markets. Companies chose to expand their business where they observed lower risks or characteristics similar to their home market.

De Villa *et al.* (2018) added that the behavior of companies would be conditioned mainly to the institutional environment in which they are inserted combined with the perceived political risk. According to the authors, the perceived risk is conditioned not only to the behavior of local institutions, but also in the case of foreign companies to relations between governments and the configuration of institutions in the country of origin. Depending on the perceived risk, companies should choose to adopt more or less engaged strategies. Oliver and Holzinger (2008) explained that the more familiar with local institutions a company became, an increase in their engagement with the host location could be seen, going from a low visibility strategy to a posture of anticipation where a closer relationship with the local government was implied. De Villa *et al.* (2018) pointed out once again that in the case of emerging regions such as Latin America, talking about political risk becomes even more relevant given the historical fragility presented in the institutions in most of these countries.

Wheeler and Mody (1991) added that the decision for the allocation of international resources should be well studied and take into account not only the local institutional characteristics or the profile of the manager, but also other strategic issues such as the firm's available resources and the market structure and local competition. Buckley and Ghauri (2015) also said that this planning should be done not only for each intended region, but also according to the life cycle of the product and the market in which it will be inserted. In general aspects, the idea would be that different institutional environments demand different strategies of investment and risk taking (Bruton *et al.*, 2014).

Regarding emerging markets, the focus of this study, the higher perceived institutional risks could be compensated by other ways (Adams, Régibeau & Rockett, 2014). The authors have drawn attention to the various incentives that governments have been making to create an institutional environment that is favorable to direct investment and job creation. The creation of an institutional environment favorable to certain sectors or groups of companies, despite violating some free market rules, has been widely practiced over the years by governments around the world. Vézina (2010) explained that the most common incentive is fiscal with the reduction of taxes or tariffs for certain strategic segments. However, in some other cases it is possible to verify other normative subsidies as in the case of changing laws to make the activities of some sectors less bureaucratic.

Very often emerging nations that host mega events make use of tax incentives during the construction and operation phase to attract investment and develop sectors considered critical for the event. However, Tavares-Lehmann (2016) discussed the risk of living in an economy of incentives. According to the Author, the big problem would be the fact that many times these incentives are indiscriminate, meaning that they do not select companies that would be able to better contribute to the local socioeconomic development, eventually attracting several bad investments when taking into account the interests of local society. Another problem identified in the permanence of these policies is that in most cases they are not able to support economic crises or help companies to recover since in times of low economic activity it is common to observe tax deficits and the need to increase public revenue.

2.2 Hotel chain investment choices

Hernández and Nieto (2015) conducted an empirical study with a sample of almost 10,000 companies where they analyzed precisely the relationship between the institutional distance between the country of origin and the hosting location pointed out by Kostova (1999) in the option for the entry mode. In addition to their research reinforcing that the option for entry with higher levels of resource commitment is more propitious to movements where this distance is positively perceived, there was still a great difficulty on the part of companies in measuring or even identifying the nature of that distance, which according to the authors could go in several directions. The reluctance of firms to expand into more institutionally distant markets would also not contribute to their decrease since only through several shocks between different realities could a reduction be observed from the perceived institutional distance. Others studies also go in the same direction such as in the case of Aliouche and Schlenrich (2010) who studied the expansion of US hotel brands in China.

Despite so many variables that together bring a high complexity to the choice and way of allocating resources in foreign markets, it is common to observe several companies launching themselves abroad in a reactive and unplanned manner (Cavusgil; Knight & Resenberger, 2009). The authors point out in their manual a step-by-step process of strategic measures that if not followed could lead to failure of direct investments in new markets. In

addition to these steps, other strategic tools already consolidated in areas such as marketing (Kotler & Keller, 2007) could be adapted and come to contribute to the decision-making process about investing or not.

The option to invest in a hotel chain follows the same logic as pointed out by Pla-Barber *et al.* (2011). In contexts where the company identifies a greater risk caused mainly by the perceived distance between the company's origins and the hosting market, it will be very common to observe options for entry modes with less commitment of resources such as franchising, brand licensing, or management contracts while direct investments such as purchasing property and the construction of a new hotel would come only in situations where greater control of variables and less perceived distance could be observed. Some of those entry modes and the contract arrangements made by several hotel brands around the world can be found in the study of Alon *et al.* (2012).

Farok & Sumit (1998) were one of the first authors to study the option for the international hotel chain to enter into foreign markets. The authors defend a varied use of entry strategies depending on each internationalization movement. For them, since it would not be possible to feel significant changes in the characteristics of the firm between one expansion or another, the main determinants would be in the specific variables of each of the countries or regions. In that sense, the local institutional would be of great importance for the option between a greater or lesser investment, which would condition greater or lesser control over the operation.

Once again, for Andreu, Claver, and Quer (2017), the decision to expand investments in the hotel chain would go through two overriding factors. The first of them is very similar to the one already discussed, which is related to environmental issues of the hosting region with emphasis on variables such as business opportunity, local bureaucracy, country risk², in addition to levels of political, financial, and institutional instability. The second factor in turn would be very related not only to the firm's background, but also to the risk profile of the manager in the role of decision maker, which are factors that contribute to the construction of a greater or lesser perceived psychic distance (Johanson & Vahlne, 1977).

More recently, Zhang, Guillet and Gao (2012) studied the phenomenon that led to the expansion of the hotel chain in China, which went from 137 in 1978 to 14,237 in 2009, the year in which Beijing hosted its first Olympics. The authors identified that in this growth process, multinational hotel chains played a determining role in attracting foreign direct investment to the country given that, due to the characteristics of the business, it is not possible to grow without expanding the number of beds or building new hotels, which are typically direct investments.

Rodríguez (2002) made a parallel about the expansion of the hotel chain and the service sector in Spain. The author mainly used the theory of transaction costs and the cultural distance between the region of the headquarters from the subsidiary to justify the option for the entry mode. One of the most important findings is the fact that the hotel chains at the beginning of their expansion process tend to require higher levels of control over their operations and as they become more and more internationalized, it is more common to observe a greater sharing of this control with local partners.

In recent years, Cypriano and Gándara (2011) called the attention for the change in the behavior of hotel investments. In their study about the performance of national and international hotel chains in Brazilian micro-regions, it was possible to identify that until the 2000s, it was common to observe a predominance of own resources in expansion and revitalization projects, especially for major brands. However, in the last 20 years the hotel sector has increasingly opted for less risky entry modes such as franchising, licensing, and management contracts.

This change in the investment behavior could be explained by Canteras (2009), who identified the rise of the investment risk in the Brazilian hotel sector, which during the 1990s and 2000s went through a period of great supply boom. With the global financial crisis of 2008, the main Brazilian capitals were already struggling with the low occupancy rates and the difficulty to compete with international destinations.

Boyen and Ogasavara (2013) also identified that operating via franchise contracts has been a trend followed by other hotel brands located in emerging markets such as Brazil. In these regions, the risk of investment is commonly divided among different real estate investors who are responsible for the building and renovation of the hotels, and later hire the big brands just to operate them. According to the authors, about 77% of new players entering the Brazilian hospitality sector opt for contractual and less risky modes. This number is higher compared with the 65% found in other regions of the world such as North America, Europe, and Asia (Contractor & Kundu, 1998).

² The uncertainty associated with investing in a particular country. Could involve a complex combination of macroeconomic policies, structural weakness, bad governance, and other risks.

Markunas (2016) was another author who identified a great dispersion of players operating in the Brazilian hotel industry where about only 30% of the hotels are affiliated to any chain. Of these, it is important to highlight the presence of international real estate investment funds as the main owners of branded hotels in Brazil. In that sense, there is a grey territory between the real owners of the assets and the brands responsible for their operation, making identifying the origin of capital in the enterprise even more difficult.

2.3 Megaevents and tourism

Since mega sporting events occur at least once a year somewhere in the world, it is relevant to study this phenomenon capable of generating tangible and intangible benefits for the localities that receive them, especially regarding tourism flow (Hall, 1994). Even so, the real benefits of hosting mega events such as the Olympic Games are questionable since investments in infrastructure, marketing, and security tend to exceed the revenues obtained from tourism, ticket sales, or broadcasting rights (Preuss, 2004). Similar dynamics also occur with other mega events such as the FIFA World Cup (Allmers & Maennig, 2009) or other smaller competitions such as the Rugby World Cup (Jones, 2001).

Even so, the dispute of countries for the right to host mega sporting events around the world is visible. An answer to the possible negative financial returns may be precisely related to the intangible aspects generated in the destination image and in the long-term tourism behavior (Solberg & Preuss, 2006). According to the authors, there is a positive correlation between hosting mega sporting events and the increase in tourism flow – an impact that can be observed from the moment of the bid's decision. In the case of the Sydney Olympic Games (2000), there was an increase of 48% in the flow of tourists between the years 1994 and 2000 with a positive impact also for the rest of the Oceania region.

But perhaps the best example of a tourist legacy left to an Olympic city was the case of Barcelona (1992), which in the year of the Games received 1.7 million visitors. That number would become 7.4 million in 2011 and 8.3 million in 2015, very significant figures for a city that has a population of only 1.6 million (IOC, 2019). It is important to note, however, that these reflexes were not immediate and took some years to be able to clearly see this intangible legacy.

Singh and Zhou (2015) were others who analyzed the Olympic Games on tourism arrivals in a region historically outside the traditional international tourism route. The authors highlight the positive impacts of the Beijing Games (2008) on tourism, especially regarding the opening of China to the international community. The years leading up to those Games was a period marked by promoting the country's image and also by visa promotion policies for foreigners. According to data from the USCBC (2018), there was an expectation that the 2008 Olympics would be a turning point event for the city, generating an annual growth of 9% in tourism arrivals for the next decade.

Another emerging region with great tourist potential recently impacted by mega sporting events was the city of Rio de Janeiro, which hosted the FIFA World Cup (2014) and the Summer Olympic Games two years later. According to *Veja* magazine (2017), in 2016 Brazil received a record number of 6.6 million foreign tourists at its airports. In addition to the increase in the tourist flows, Rocha and Fink (2017) identified that the Olympic brand promoted positive impacts on Rio's image as a destination, being responsible for reducing its negative historical perceptions of urban violence worldwide.

Table 1 - Key theoretical concepts

(Continue)

Concepts	Description	Authors
Institutional Environment	Formed by formal and informal institutions, and its regulatory, normative and cultural-cognitive pillars that defines the "rules of the games" and can determine the more or less attractiveness to the economic activity in certain markets.	Williamson (1985); North (1990); Scott (1995, 2001); Peng (2006); Mathews (2006); Cuervo-Cazurra (2016); Bruton <i>et al.</i> (2014).
Political Risk	Corresponds to the level of market reliability based on the actions of the local government. This would be one of the main determinants for the perception of institutional distance by the entrepreneur.	De Villa <i>et al.</i> (2018); Oliver and Holzinger, (2008)
Incentives and Constraints	Related to the behavior of the institutions on a given nation capable to create incentives or constraints with tax and normative incentives or bureaucracy and corruption that can influence the market attractiveness in different ways.	Adams, Régibeau and Rockett, (2014); Vézina (2010); Tavares-Lehmann (2016)

Table 1 - Key theoretical concepts

(Conclusion)

Concepts	Description	Authors
Foreign Direct Investment	This type of investment is characterized by the capital contribution of foreign companies in a given market. The factors described above tend to determine the levels of direct investment in a country or region.	Weeler and Mody (1991); Buckley and Ghauri (2015)
Foreign Market Entry Modes	Entry modes are the ways in which it is possible for companies to start their business in other markets and may involve lower or higher levels of resource commitment and control over operations.	Farok and Sumit (1998); Pla-Barber <i>et al.</i> (2011); Andreu, Claver and Quer (2017); Aliouche and Schlenrich (2010); Alon <i>et al.</i> (2012)
Hotel Industry Investment Choices	Has to do with the investment pattern observed in the hotel industry, which in recent years has adopted less risky options in addition to the presence of large real estate investment funds with diverse capital origins.	Cypriano and Gándara (2011); Canteras (2009); Boyen and Ogasavara (2013); Contractor and Kundu (1998); Markunas (2016)
Strategic Planning	These are designed and planned business actions using tested models that bring greater reliability and predictability to the investment decision.	Cavusgil, Knight and Resenberger, (2009); Kotler and Keller (2007)
Mega events and Tourism	Has to do with the positive correlation found between hosting mega sporting events and the national and international tourism arrivals. The impacts on tourism generated by the destination image can often be seen as part of the event's intangible legacy.	Hall, (1994); Preuss, (2004); Solberg and Preuss, (2006); Singh and Zhou (2015); Rocha and Fink (2017); Fourie and Santana-Gallego, (2011)

Source: prepared by the authors.

Fourie and Santana-Gallego (2011) developed a study that analyzed 200 mega sporting events that occurred in the world between 1995 and 2006. The authors identified a positive correlation between hosting the event and tourist arrivals, which on average had increase of 8% in the year of the events. Even so, they call attention to the difficulty of measuring the impact in the years before or after the mega event, since several variables can influence that such as the type of event and the place and time of year in which it occurs. In view of this, the main concepts discussed here can be seen in Table 1.

3 METHOD

An abductive-qualitative research method based on the case study was used in preparing for this research in the condition of multiple cases across 7 different hotel brands that at the time of the 2016 Olympics held representative activities in the city. Those cases when combined to form a part of the "Great Case" of the Olympic Games in Rio de Janeiro, helping us to identify how the hotel industry behaved in the city during this period. The case study was chosen since it is a method widely used to identify the factors that determine or contribute to the occurrence of a phenomena, explaining their causes, as justified by Eisenhardt (1989).

Data collection took place through secondary sources from the analysis of scientific and journalistic articles and from primary sources through marketing material provided by some of the companies and entities visited in addition to semi-structured interviews with both managers of the local hotel chain as well as people involved in public life and sector entities linked to the tourism and hospitality industry in the city of Rio de Janeiro. Visits to sector entities besides hotel companies were made in order to enable the crosschecking of some of the information provided by the hotel industry based on the city, as well identify the city's measures responsible for affecting the business environment during the period analyzed.

The company's selected were divided into two groups that had similar interview scripts in theme but specific in questions. The first group includes the hotel brands that opted to expand their activities in the city of Rio de Janeiro during the years leading up to the Games either by building new units or by upgrading existing ones. The second group is made up of public and private entities linked to the tourism sector that had an active participation during the remodeling process of the local hospitality industry. Both groups had a total of 7 entities, totaling 14 hotels and agencies visited through 17 interviews, as described in Table 2.

Table 2 - Interviews

No.	Position		Pages		
			Transcribed	Time	Total
<i>Group 1 - Hotel Brands</i>					
R01	Account Manager	Accor Hotels	21	59min	
R02	Account Manager	Best Western Hotels & Resorts	15	42min	
R03	Head of Reception	Best Western Hotels & Resorts	17	47min	
R06	CEO Brazil	Golden Tulip Hotels	17	1h06min	
R07	HR Consultant	Marriott Hotels	04	E-mail	
R08	Corporate Manager	Othon Hotels	08	53min	
R16	Reception Manager	Venit + Mio Hotel	14	43min	
R17	Account Manager	Windsor Hotels	17	47min	
<i>Group 2 - Support Agencies</i>					
R04	Vice-President	Brazilian Hotels Association	16	1h01min	
R05	Business Development Coordinator	Federation of Industries of the State of Rio de Janeiro	18	59min	
R09	Accommodations Director	Rio 2016 Organizing Committee	18	50min	
R10	Commercial Director	Rio Convention and Visitors Bureau	19	1h02min	
R11	Public-Private Partnerships Project Manager	Rio de Janeiro City Hall	17	55min	
R12	Subsecretary of the Civil House	Rio de Janeiro City Hall	11	1h07min	
R13	Project Management Analyst	Rio de Janeiro City Hall	15	57min	
R14	Business Intelligence Director	Rio Investment Agency	23	1h28min	
R15	Agreements Coordinator	Secretary of State for Sport, Leisure and and Youth	04	E-mail	
Total/Average			254	57min	17

Source: prepared by the authors

All respondents held positions of middle and upper management in central business sectors, and the interviews took place mostly on the premises of the companies studied, which made it possible to visit the rooms and living areas of the hotels. All interviews were recorded with the authorization of the respondents and then went through a transcription process, generating a total of 254 pages of primary data that would later be categorized following criteria that took into account common points identified in two or more respondents in order to bring validity and relevance to the events studied. The interviews lasted between 42 minutes and 1 hour and 28 minutes and totaled 14 hours and 16 minutes of recording.

The hotel chains studied included brands such as Accor Hotels, Best Western Hotels, Golden Tulip Hotels, Marriott Hotels, Othon Hotels, Venit + Mio Hotel, and Windsor Hotels. These choices and their relevance are justified below.

The first brand visited was the French brand Accor, which has operated in Brazil since the 1970s with about 330 units spread across more than 90 cities coming from a process of great expansion with the objective of reaching 500 units in the country in the next years. Soon after we visited the North American brand Best Western, which despite having arrived in Brazil in the 1990s, made its first entry into the City of Rio de Janeiro in the Olympic period with the inauguration in 2016 of its first unit also in the west part of the city.

The diversification of the hotel portfolio was also due to the presence of the Dutch brand Golden Tulip focused on the business tourism segment, which since 2009 belongs to Louvre Hotels, one of the most important hospitality groups in the world with more than 2,600 hotels spread over more than 54 countries. In turn, the North American brand Marriott, which has more than 550 hotels in 60 countries, also expanded its activities in the city of Rio de Janeiro during the years leading up to the Games.

In addition to these international brands, some national hotels were also visited such as the Othon Palace, which has two own units in the city of Rio de Janeiro and also operates under management contracts in other regions of the country. Another Brazilian brand, Venit, has only one unit in front of the Rio de Janeiro Olympic Park and its inauguration took place a few months before the Olympics. Lastly we visited one of the most traditional chains in the city, Windsor Hotels, which was founded in Rio de Janeiro in the 1980s and since then has had as its characteristic to focus on event tourism where most of its units have areas destined for convention centers. Regarding the support agencies, the list can be found on Table 2.

With regard to the data analysis process, the conversations held with the interviewees were transcribed and went through a coding process for categorizing their responses. This allowed us to reach a total of 20 variables distributed in 5 different groups: (1) types of costumers, (2) sources of revenue, (3) hotel competitors, (4) traditional challenges, and (5) new challenges. All those together tend to reveal the competitive pressures, challenges, and opportunities for the traditional hospitality operation in mega event contexts.

4 RESULTS AND DISCUSSION

4.1 Phase 1 - Expansion of investments in the City

About a year after Rio de Janeiro was chosen to host the 2016 Olympic Games and after the main structural challenges of the City were mapped, such as the lack of beds, the mayor at that time signed three municipal laws on November 25, 2010 that comprised the legislative package with the objective of holding mega events in the city such as the 2014 World Cup and the 2016 Olympic Games. This set of laws can be understood as the institutional framework that made it possible to boost local businesses in specific sectors considered strategic to the city.

The first of them, Law No. 5,229/2010, authorized the Executive Branch to create the company Rio 2016, which had the aim to speed up the investment of resources and better monitor the execution of projects for the World Cup and the Olympics. Law No. 5,230/2010, on the other hand, had as its main concern to develop the construction and operation of different means of accommodation in areas considered to be of interest for hosting mega events through municipal tax incentives. Finally, Complementary Law No. 108/2010 defined the urban parameters and norms for land use and occupation so as to encourage the expansion of the accommodation capacity in the city.

Considering this, what was observed in the city of Rio de Janeiro in the early years was an attempt to create an environment, above all institutional, that was friendly to attracting new investments, reducing the psychic and institutional distance perceived by investors (Xu and Shenkar, 2002). It was a period in which there was a rapid expansion of the means of accommodation in the city with its peak in 2013 when 50 new licenses were registered for the construction of hotels or requalification of the existing ones compared to the average of less than two licenses per year observed in the previous decade (Rio Negócios, 2016). Also according to figures from the agency, this phenomenon that occurred between 2010 and 2016 resulted in the creation of 70 new hotels, 5 renovations, and 15 other expansions in addition to 15,000 new direct jobs and 45,000 indirect jobs totaling R\$ 6 billion in investments in the local hotel industry, which expanded in the period through both direct investment and contractual modes of entry, the two most common entry modes of the sector as pointed out by Ivanova and Ivanov (2013).

However, these numbers were only possible mainly due to the efforts of the city government as pointed out by one of the interviewees (R14) when stating that *“there were several obstacles to the growth of the local hotel network, which historically had a large deficit in accommodation. We were simply not prepared to host the mega events that were to come”*. A different scenario was found in London (2012) where *“different from Rio de Janeiro, we couldn't observe a great expansion of the hotel chains, once the sector was already very developed and capable to attend the demands of the IOC and the Games”* R09.

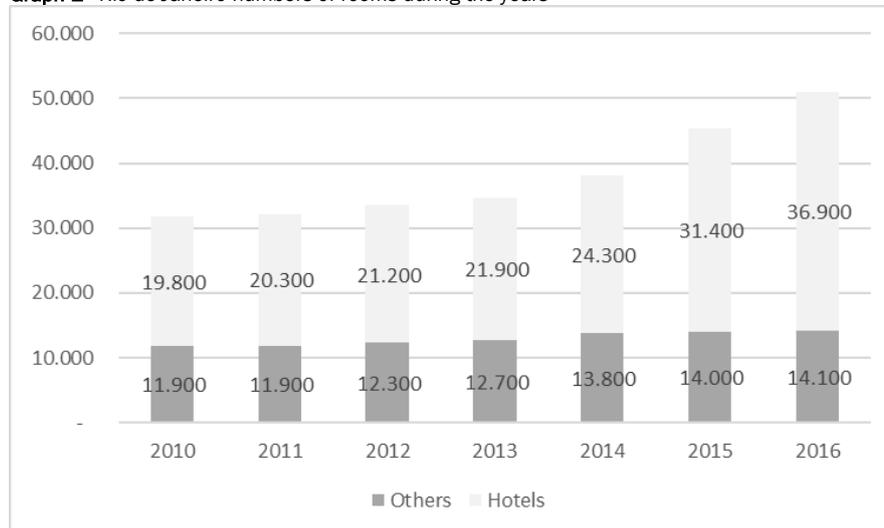
Returning to Rio, another respondent (R12) also pointed out that all these obstacles were tuned down because *“there was a lack of urban and construction incentives capable of making entrepreneurs invest in the city's hotel industry”*. The creation of a more attractive environment through incentives from nations around the world, especially in emerging regions, were also discussed by Li (2005).

But the resumption took place precisely after the publication of the laws already mentioned above, which gave incentive both to the phases of acquisition, construction, and operation of businesses. For the acquisition of new land, a 3-year exemption from city taxes was given while in the construction phase there was also a 3-year exemption from IPTU tax and a reduction in ISS from 5% to 0.5% during the period of the construction. All hotels opened by the end of 2015 also received a 60% reduction in the IPTU amount until the year of the Olympics in 2016. Other non-tax incentives, as in the normative area as presented by Adams, Régibeau, and Rockett (2014) were also present in order to accept the occupation of regions of the city that were not allowed for commercial use before and also the use of 100% of the built area for bedrooms, compared to the previous 70%. These measures allowed the expansion of about 25% in the service capacity (Rio Negócios, 2016).

Also, according to figures from the agency, what was observed during the years 2011 and 2014 were 123 new licenses for the construction, expansion, or remodeling of hotels compared to 16 between the years 2002 and 2010. This expansion left the city of Rio de Janeiro with an accommodation capacity of more than 51,000 rooms and 110,000 beds on the eve of the 2016 Olympic Games compared to the little more than 31,000 rooms it had in 2010 considering only hotels and other traditional means of accommodation. In absolute numbers, the period registered an increase of about 62% in the number of beds in the city with 76% only in the offer of hotels, which went from less than 20,000 to almost 37,000 rooms in just 5 years. The Rio evolution can be better seen in Graph 1.

If compared with London (2012), we could observe an increase of only 12% in the offer. With that, the city goes from 110,000 to 123,000 hotel rooms in the year of the Olympic Games (The Caterer, 2009). Another emerging region that had recently hosted the Summer Olympics was Beijing (2008). On that occasion it was possible to observe an average annual growth of 7% in the hotel offers between 2002 and 2007, arriving in the year of the Games with an offer of 130,000 rooms in the city (Tian & Johnston, 2008).

Graph 1 - Rio de Janeiro numbers of rooms during the years



Source: adapted from Rio Negócios (2016)

These figures also disregard hosting by platforms which more than one of the respondents (R09, R10, and R14) pointed out that “*Airbnb practically did not exist in 2010 and reached the eve of the Olympic Games as the official sponsor of the event. This was something that was not foreseen and caught everyone in the sector off guard*”, thus showing the lack of strategic planning in the sector during its expansion. In June 2016, the platform had more than 33,000 active ads subdivided into the entire property category 75%, private room 23%, and shared room 2% (Airbnb, 2016).

In addition to these numbers, what was observed in the city in the period was the expansion of important national and international brands that came to the city through both direct, but also through administration and licensing contracts, mostly because the creation of a more attractive institutional environment at that time (Eder and Miller, 2004).

In 2010, traditional accommodation in Rio de Janeiro was subdivided into Motels (19%), Hotels (64%), Flats (14%), Hostels (2%), and Inns (1%) and in 2016 already adopted the following configuration: Motels (12%), Hotels (72%), Flats (10%), Hostels (4%), and Inns (2%) (Rio Negócios, 2016). An interesting and atypical phenomenon in the case of Rio de Janeiro was the fact that “*due to the incentive law, around 1,000 motel rooms were converted into hotels, many of which remained so after the end of the Olympics*” (R14).

Another interviewee (R16) also pointed out that “*the geographic supply of beds has undergone important changes with the migration of hotels from traditional areas of the city such as Downtown and the South Zone to the West Zone of the City*” with a focus on the region where the Olympic Games took place. Interestingly, Barra in 2013 represented about 19% of the city's bed supply and reached 27% in 2016, becoming the second neighborhood in the city with the highest offer behind only Copacabana. The South Zone in turn saw its share decrease from 48 to 41% (Rio Negócios, 2016). The West Zone, a region that until then lived outside the city's traditional tourism route, was also the one that received the most investments in the area of urban mobility. Currently, hotels in the region that at the time took advantage of the large offer of empty pieces of land that the neighborhood still had, now focus on event and corporate tourism (R02, R17).

Figure 1 - Olympic Clusters Rio 2016

Source: adapted from Destination360 (2016)

However, it is important to note that the policy of incentives for the hotel sector stimulated by the City government in the period was not necessarily responsible for promoting a socio-spatial justice in the city. We can affirm this since it ended up privileging projects in the most distant regions and close to the Olympic Park, while the more tourist neighborhoods downtown and in the south zone were practically forgotten since they did not have available buildings or pieces of land capable of receiving these projects. While the Barra da Tijuca region received investments of BRL 7.3 billion in the period, the amounts of Deodoro, Maracanã, and Copacabana combined did not reach BRL 2.4 billion (Oliveira & Corradi, 2017). This geographic distribution can be better seen in Figure 1.

4.2 Phase 2 - The changing situation and the beginning of the crisis

However, before the 2016 Olympic Games took place, Brazil as a whole, but the city of Rio de Janeiro in particular, plunged into a deep political crisis aggravated mainly by low economic indicators and high unemployment rates (BBC, 2016). One of the main drivers of this crisis was the successive corruption scandals in civil construction contracts in an operation that became known worldwide as “Lava-Jato”, or Carwash. The findings of the investigations took millions of people to the streets in popular mobilizations for the end of corruption across the country and ended up culminating in the resignation and prison of the Governor of the state of Rio de Janeiro Sergio Cabral in 2014 and the impeachment of the President of the Republic in 2015. After the Olympics, Sergio Cabral’s successor, Fernando Pezão, was also arrested in 2018 accused of corruption. Kwok and Tadesse (2006) had highlighted the impacts of corruption and other illegal practices for the distrust of the investors, causing a direct impact on FDI as well local investments.

Public security has also been a recurring problem in the city and by the year 2017 presented its worst numbers since 2009 with a 17% increase in the rate of violent crimes compared to 2016 (Exame, 2017). But despite the turbulent moment that the government and the city was going through, one of the respondents pointed out that “the City of Rio de Janeiro still seemed to present good economic health, a certain immunity to everything that happened in the state and in the country”. Such “immunity” was mainly due to the construction and the direct investment that mobilized the city for the Olympics. In parallel to this, the state and the region was immersed in a deep economic and fiscal crisis. Between the years of 2016 and 2018, it was common to observe delay in the payments and division of public employee salaries (G1, 2019).

However, right after the end of the Olympic Games, the opposition won the city elections and with that came a great rupture. One of the interviewees (R11) pointed out that “from the moment of the change in the municipal government, the apparent good financial health that the city seemed to enjoy gave way to a totally different reality.” It was a period when the high public debt became evident, causing investments and economic activity to fall. Another respondent (R14) added that “this rupture also brought about the discontinuity of all public incentive policies that

were part of the other government and caused the discontinuation of important agencies such as *Rio Negócios* and *Rio Convention*", entities that in previous years had played a fundamental role in attracting new investments to the city.

These ruptures also contributed to the deterioration of the destination image in the eyes of the investors (Metaxas, 2010). It is important to note that these government transitions were not peaceful as exposed above. During the period analyzed, two governors were arrested, one president deposed, and another two former presidents detained. The city government was also accused of improbity with the Olympic contracts but was never convicted. That way, the government ruptures and scandals at all levels of power contributed to the discontinuity of public policies and loss of the investor trust. A picture of this is that, after reaching third place in the Kearney Foreign Direct Investment Confidence Index³ in 2013, Brazil accumulated negative results in recent years, going from ranking in the 12th position in 2016 to 22nd in 2020 (Kearney, 2020).

Another interviewee (R10) also said that "because it was one of the industries that invested the most in the last few years, the hotel and hospitality sector in the city was also one of those that suffered the most". With the end of the incentives and a large increase in the beds offer, the sector began to go through a period of great difficulties as it saw occupancy rates plummet from almost 100% close to mega events to an average of 51% in 2017 (Data Rio, 2019). According to reports from the agency, in 2010, the average annual occupancy rate in the city reached 79%. One of the respondents (R10) pointed out that "there was no planning to think about the post-Olympic period, such as a calendar of periodic events that could keep up the demand for the coming years as well".

Soon after the phenomenon of explosion in the offer, a drop in demand combined with the end of tax incentives culminated in the closing of some hotels around the city, many of which were recently opened for the 2016 Olympics (R01). The non-sustainability of operations through tax incentives was seen in the case of Rio de Janeiro and had already been pointed out in studies of Tavares-Lehmann (2016).

As a classic example of this dynamic is Hotel Nacional, one of the largest hotels in Rio de Janeiro with more than 400 rooms and 40 years of history. Closed since 1995, this original project of Niemeyer went through a remodeling process of BRL 430 million to attend the Olympics and reopened in 2016 under the Spanish brand Gran Meliá and a 20-year contract of administration, but it ended up closing its doors in March 2018 after operating for less than 2 years (*O Globo*, 2018). Also according to the agency, in the 2 years that followed the Olympics Rio de Janeiro observed the closing of 16 hotels in the city, many of which were newly opened. Together these hotels represented an offer of more than 2,800 rooms.

It should be noted in this context that several interviewees (R04, R06, R10) identified the explosion of accommodation offer by platform, which went from zero to 33,000 active ads in the same period, as one of the main changes responsible for the hotel crisis. One of them (R03) even said that "the mega events were not beneficial for the sector. Soon after the Olympics, the sector started to lead a tariff war as a way of trying to attract new customers and compensate for the drop in the occupancy rate". But this phenomenon that led up to the explosion of the hosting by platforms and the informal tourism was a global movement that was happening in other regions of the world much before 2016 (Guttentag, 2013), and even so the local hotel industry did not foresee that. Although on a smaller scale, London also showed the presence of hosting by platform, a model that emerged in 2009, and by the time of the 2012 Olympics it was in full expansion. During the weeks when the Olympic Games took place, it was already possible to observe an additional offer of 6,000 Airbnb offers with a 75% occupancy rate (CBS, 2012).

Still according to respondent (R03), the new dynamics that took place in the sector started to be harmful to all players, mainly to those new hotels built in the west part of the city, which were outside the traditional tourist route and were dependent on a non-existent calendar of events and also on corporate contracts from industries such as offshore, which had their activity greatly reduced.

In this period, in addition to the increase in the traditional hotel offer and the expansion of the accommodation model by platform, the hotel sector also suffered from competition from the motels (R14). During the Olympic period, one of the respondents (R09) further explained that "the City, fearing that demand could not be absorbed by the local offer, hired some transatlantic ships to stay at the port during the Games". Although this attitude was widely

³ Annual survey that tracks the impact of political, economic, and regulatory changes on the FDI intentions and preferences of top executives from global companies around the world.

criticized at the time by the local hotel association (R04), as it is a coastal city, Rio de Janeiro inevitably ends up most of the year on the transatlantic route with some ships having more than 2,000 rooms.

Due to the problems in generating revenue, one of the interviewees said that "*hotels in this period had to reinvent themselves and invest in experience tourism with the offer of new activities inside and outside their facilities*". Despite these new possibilities, the hotel chain ended up also facing new competitors such as tourist agencies, and more recently the experience hosted by a platform such as Airbnb Experience and Rent a Local Friend. Still in this process of diversification, many of the new hotels were built with their own convention centers and sought to bring events into their facilities, usually associated with accommodation and consummation of guests (R17). Even so, the hotels found themselves in difficulties due to the region having other large convention centers in addition to an agenda of mega events limited to *Carnaval*, New Year's Eve, and Rock in Rio.

4.3 Phase 3 - The new market dynamics and recovery expectations

In this new dynamic that has set in, the local hotel chain has been going through a process of forced adaptation. Such necessity of adjustment was also seen in other locations with high concentration of hotel offers as in the case of Manhattan in the 1990s when the tariffs quickly dropped and several units were closed to face the scenario of global crises (Baum & Mezias, 1992). According to one of the respondents (R06) "*in addition to the projects that were closed, it is very common to find hotels with entire floors unused in addition to a reduced team in an attempt to eliminate costs and continue operating*". All this difficulty that the sector faces goes almost unnoticed in the eyes of the consumer. These in turn see this change as positive in recent years since with the mega events there has been an improvement in the quality of the service provided and a drop in the city's average tariff.

Another positive factor was that "*this new dynamic has even increased the regional tourism of Brazilians from other states and Latin Americans who historically avoided Rio de Janeiro because they considered it a high-cost destination*". Nowadays, about 60% of all foreign tourists visiting Rio de Janeiro are Latin American with a prominence of Argentines who represented about 20% of the international tourists in 2008 with that number reaching almost 38% in 2018 (Turismo.gov, 2018).

It is also possible to observe a change in the lifestyle of the *carioca* himself who has chosen to spend the night in hotels in situations where they will meet commitments in more distant regions at hours of the day considered as riskier. The opening of hotel facilities for day use and breakfast has also become increasingly common in all types and classes of establishments.

Thus, a few years after the Olympic Games and in the beginning of the crisis, the local hotel chain is still going through an adaptation process (R02). In general terms, although the sector as a whole complains about this new dynamic that has installed itself with increased competition and falling prices, it is possible to notice that the brands that chose a more conservative investment such as the expansion and requalification of existing units, have been facing the crisis better. Those conservative postures were most seen on national hotel chains mostly because of the different understandings of the local conjecture and familiarity with the institutional environment over time (Hillman *et al.*, 2004).

In order to exemplify, in 2016 the Brazilian hotel chain was mostly composed by independent brands (89.8%) that were responsible for 66.3% of the total offer of rooms. Only 10.2% of the hotels were linked to a national or international group. Even so, what was observed in the period between 2016 and 2019 was a growth of national brands compared to international ones. While the national chain had a positive balance of 159 new hotels, the international ones opened just 72, representing a comparative growth 55% lower than the national network (JLL, 2019).

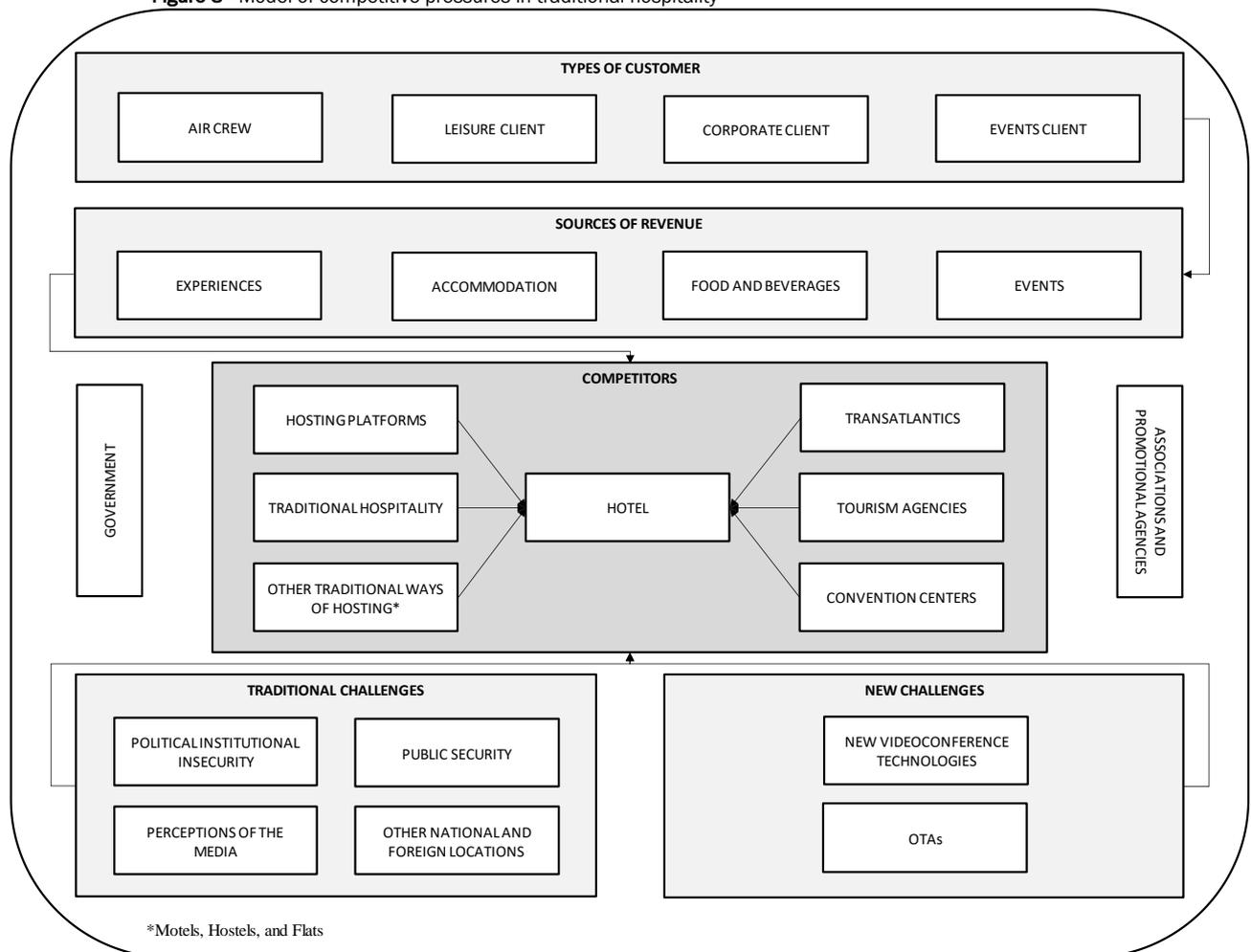
Despite expectations of stabilization and recovery in the sector, which in 2019 after 3 consecutive years of decline showed a growth of 4.7% (JLL, 2019), in 2020 these were once again frustrated by the new coronavirus pandemic (COVID-19). Worldwide, the tourism industry suffered a 70% drop in the first 8 months of 2020 alone. The fall represents 700 million fewer tourist arrivals and USD 730 billion losses for the sector, 8 times higher than that registered by the 2008 financial crisis (G1, 2020). In Rio de Janeiro, with the cancellation of its main attractions such as *Carnaval* and *Réveillon*, the hotel sector laid off about 20% of its workforce. In addition, about 90 hotels in the city had to suspend their activities temporarily, and those that remained open registered occupancy rates around 20%, practically restricted to health professionals and offshore operators (El País, 2020).

4.4 Integrated Data Analysis

In order to understand this new conjuncture, a new theoretical framework was proposed where it was attempted to map through the respondents' statements along with the dialogue with the key concepts of the literature proposing how it has behaved in the face of the main challenges of this sector. Called the model of competitive pressures in traditional hospitality, one of the main contributions of the model is that opportunities can be seen and failures avoided through strategic planning based on the mapping of challenges (Cavusgil, Knight & Resenberger, 2009) in situations that present similar contexts. It is important to note that mega events such as the Olympics occur periodically every 2 years and certainly Rio de Janeiro will not be the last city to present a deficit in the number of beds.

Going more precisely into how the framework dynamics works, it starts from the point of view of a hotel chain. Around it we have its direct and indirect competitors, which in the new context were expanded due to the need for adapting to the new environment. The types of customers and sources of revenue were also diversified and now come as opportunities to be explored. At the bottom of the model we still have the challenges classified as traditional and emerging with this last one arising mainly due to technological advances in the past few years. All of these 20 actors divided into 5 different groups are responsible for putting positive and negative pressure on the hotel chain located in the center of the model. The level of pressure can be even greater or less depending on the institutional environment in question (North, 1990; Scott, 2001; Peng, 2006).

Figure 3 - Model of competitive pressures in traditional hospitality



Source: prepared by the authors.

According to R02, "if previously the types of clients in the tourism and hospitality industry were limited to leisure and corporate clients, due to the need to seek new sources of revenue, events are increasingly being given importance to a new type of client" who are those in the city to go to an event or attend events within the premises

of the hotel that has space for conventions. To a lesser extent, there are also contracts with airline crews as they are important for generating a regular flow through the months. It is important to say that this category of customer does not reach unanimity among all respondents and there are still those who like to deal with the question between the two original categories (corporate and leisure).

In this new dynamic, all these customers would then be willing to spend also with food and beverages in addition to the traditional accommodation. Due to the tariff war that started in the city after the Olympics, more and more hotels need to seek diversification in the sources of revenue and investment (Cypriano & Gándara, 2011), and according to R17, *“the diversification of the way in which hotels operate has also opened space to explore tourism experience and also part of corporate events such as fairs and conferences, or personal events such as weddings and birthdays”*.

It is important to highlight that event tourism (Fourie & Santana-Gallego, 2011), was a sector considered strategic in the meetings of the hotel association, which is why the vast majority of new hotels in the city of Rio de Janeiro have a space for this (R04). Thus, the frameworks consider not only traditional sources of revenues, but also add the possibility of gains with hosting events and offering experiences to the customers. In this sense, hotels are nowadays offering even more complementary services to add value to the guest experience not only within their facilities, but also outside. Much more than organizing City Tours or visiting traditional tourist spots, tourism of experience aims to connect travelers with experiences closer to those lived by the locals (Sebrae, 2015).

At the center of the model and positioned beyond traditional competitors is hosting by platform, which is increasingly becoming a preference among young people and adults up to age 30 (Airbnb, 2016). The ocean transatlantic, due to the coastal characteristics of the city, has also become an alternative accommodation in the summer. Due to the Games taking place during the southern hemisphere winter, the presence of transatlantic cruise ships in the city during that period would not be common, but this way of accommodation, traditional at other times of the year, ended up becoming an option also for the Olympic period.

Due to the diversification of the areas of activity, tourism agencies for the experience part and the traditional convention centers end up becoming indirect competitors. As explained by one of the respondents (R17), *“in some cases, however, some hotels have become so specialized in the part of events that they end up becoming a reference in small and medium-sized events for up to 4,000 people”*. With the transformations suffered by the city and in the hospitality industry, there were an expansion of the number of direct competitors now with the presence of new and definitive entries such as the hosting platforms, motels, and convention centers.

All of these issues would still be inserted in an environment of high institutional and regulatory pressure (Bruton et al., 2014) represented in the model through the government and industry associations. Agents who have a strong influence on the main challenges listed by the respondents and their actions have a major contribution to political risk (De Villa et al., 2018) and consequently to the psychical and institutional distance perceived by investors, as well as the challenges classified as rational with emphasis on institutional insecurity and issues of public security, historically problematic due to the characteristics of the emerging regions (Cuervo-Cazurra, 2016). Other important issues, such as the perceptions of a media that is almost always negative toward the city, do not contribute to the development of the destination's image (Metaxas, 2010). Finally, one of the interviewees (R10) further explained that *“as far as the event market is concerned, other regional markets, such as our neighboring city of São Paulo, have shown to be one of the main competitors in attracting new events to Rio de Janeiro”*.

Other issues classified as new challenges and that appeared in several speeches (R01, R04, R10) are closely related to the advances in videoconferencing technologies and virtual reality, which increasingly give way to business trips and face-to-face meetings. These options, despite demanding high initial investments, in the long-term bring savings for companies, causing even more shrinking of the corporate tourism public (Solberg and Preuss, 2006). Still in this sense, one of the interviewees (R03) also pointed out that *“online travel agencies (OTAs) such as Booking.com, despite facilitating the search for accommodation, give hotels greater visibility and transparency towards customers and are responsible for the stay of a good part of the margins, about 20%”*.

5 FINAL CONSIDERATIONS

The objective of the present work was to understand how the behavior of the hotel sector unfolded in the city of Rio de Janeiro during and after the Olympic period and the logic that involved the decision-making process that led to investments of BRL 6 billion in the sector in a space of 5 years. Despite major improvements in the period, the city

has experienced what we classify here as the paradox of mega events, since the explosion in the number of beds combined with the lack of strategic planning (Cavusgil, Knight & Resenberger, 2009) by both hotel brands and the city, especially in what we call the post-Olympic period contributing to the increase of the political-economic crisis in the sector.

Working in home office, virtual meetings, and digital conferences were already becoming a global trend that was further stimulated by the COVID-19 pandemic in 2020, and the expectations are that the digitalization will directly affect corporate tourism. In Brazil almost 50% of the companies adopted remote work during the pandemic, of which 63% intend to maintain home office for part or the entirety of their staff after the COVID-19 crisis (Ebc, 2020). Even with the vaccine, business travel is expected to fall by up to 36% worldwide driven mainly by the travel segment of sales and conferences (WSJ, 2020). This will impact not only hotels, but the entire tourism economy such as airlines, restaurants, and services in general.

Regarding the institutional point of view (North, 1990; Scott, 1995), the mega events paradox can also be seen. During the years from the Olympic nomination to the years leading up to the 2016 Olympic Games, what was observed in the different spheres of government, especially at the city level, were measures capable of promoting the socioeconomic development of the city by creating an institutional environment capable of positively affecting the attractiveness of new business and investments in Rio. In this sense, these statements are in line with two of the premises presented at the beginning of this work: (1) the institutional environment of a country or region directly influence the company's investment options and (3) incentives or constraints driven by mega event contexts affect the creation of a more or less favorable institutional environment.

However, with the advancement of the political and economic crisis that took place in the country mainly from 2015, many of the projects were not finished and the investment levels drop considerably. The political contradictions caused by the lack of a post-event planning, a permanent calendar of events for the city, and the problems of public security, corruption, and impeachment of the local governments also contributed to the crisis in the sector, a situation that deteriorates even more with the COVID-19 sanitary crisis lived by the world and Brazil in 2020. The impacts of this new conjecture contributed for the rise of institutional insecurity and distance observed (Kostova, 1999) among investors.

Cornelissen (2010) already pointed out the more negative than positive aspects that mega events could bring, especially in countries said to be emerging. According to the author, in those locations it is very common to see the overlapping of political interests over the real economic and social development gains brought by the event. Liu and Wilson (2014) were others to identify negative impacts of hosting mega sporting events such as price inflation, increase in crime rates, environmental pollution, and risk of diseases due to international tourist arrivals. Oliveira (2015) commented on Rio's recent experience with the FIFA World Cup (2014) and the Olympic Games (2016). In both episodes, the lack of coordination between the city, state, and central governments generated a political and institutional rupture responsible for making the projects not serve the interests of the population, compromising the possibilities of legacy.

With this we believe that this work and the framework presented will be able to help managers in their strategic planning and decision-making process in direct investments in future cases where they present similar conjuncture of mega events and the lack of specific services offer as was the case for the hotel sector in Rio de Janeiro. It is expected that with studies like this, hotel chains and Olympic cities do not repeat the same mistakes as those observed in Rio's edition. In this sense, it is necessary to map all the competitors involved and define strategies that take into consideration long-term scenarios and include the post-event period. Considering that the Olympic Games take place every 2 years and the localities said to be in emerging countries have increasingly gained representativeness in recent years, observing mistakes and strengths of past cases can be decisive for the success of the event and its legacy both for society and the local economy and businesses.

However, it is believed that further studies still need to be carried out in order to extrapolate the findings of this study to other situations that present a similar context, as is the case of emerging regions receiving mega events that present accommodation deficits. Also, the difficulty in identifying the investment origins of the national and foreign hotel brands visited was a limitation of this research, as this could be an important variable capable of affecting the perceived investment risk of the companies. Because of this limitation, although there is a tendency that points us in that direction, it was not possible to validate at this first moment the second premise: (2) the political risk perceived may vary according to the company background and its national or foreign origin.

In that sense, further investigations will be necessary in order to test the model dynamics in other contexts with an even greater diversity of cases and actors that represent a more direct view of hosting through a platform, which has currently presented itself as one of the main competitors to traditional hospitality.

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