

**Article Title: Managing Service Brand Value in Emerging Markets: the HRM Perspective in China's Hotel Industry**

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# Managing Service Brand Value in Emerging Markets: the HRM Perspective in China's Hotel Industry

## ABSTRACT

This study uses the resource-based view of a firm, competence-based perspectives and institutional theory to investigate how top management team leaders in China cultivate the service brand value of their hotels, maintain sound employee service behaviors, and incorporate the resource-based advantages (i.e., service brand value, top management team leadership, staffing and training practices, and service culture) of their hotel brands at the global, regional, and local scales. The results can make contributions to provide a better understanding of how a China's firm uses its specific resources to create sustainable competitive advantages that compensate for the local institutional context. In addition, transformational leadership is a crucial mechanism in China that facilitates employees' service behavior through staffing and training practices and service culture to provide consistent service brand value.

**Keywords:** institutional context; service brand value; top management team leadership; staffing and training practices; service culture

## Introduction

Effective human resource management practices can assist organizations in the cultivation of superior human capital, which in turn aids them in developing sustainable competitive advantages (Kusluvan, Kusluvan, Ilhan, & Buyruk, 2010). According to the human capital perspective of the resource-based view, human resource management practices can contribute to a firm's performance by leveraging human capital, inducing discretionary effort, and cultivating desired attitudes and behaviors (Murphy & Murrmann, 2009). Nguyen and Leblanc (2002) argued that hotels can effectively communicate their brand value to customers and maximize the values of these brands through their employees. Yang (2009) discovered that top managers placed greater emphasis on sharing individual and organizational knowledge with their staffs than on engaging in daily routines that would create future competitive advantages for the whole hotel. Previous empirical research and meta-analyses have indicated that transformational and transactional leadership have different effects on individual performance (Morhart, Herzog, & Tomczak, 2009). However, how transformational leadership can lead to better employees' performance still remain to be investigated. The aim of current study tries to bridge this gap by means of some specific human resource management practices.

In recent years, hotels have expanded to become a large-scale industry in emerging markets (Lv & Zhao, 2009). The hotel brands can be categorized into global, regional, and local brands. Global brands have hotels in multiple countries and offer consistent service quality to their customers (Steenkamp, Batra, & Alden, 2003). Regional brands have marketing strategies with certain globalized elements but are restricted to a particular region of the world (Keegan & Green, 2008). Local brands, by contrast, exist in only one country or in a limited geographical area (Wolfe, 1991) and are owned by either a local firm or the local government. The differences between these three types of hotel brands are important because each focuses on and provides services to different categories of customers (2008 Global Hotel Forum, 2008). Local

protectionism and resource advantages allow local hotel companies to compete against foreign hotel brands (Pine & Qi, 2004). Institutional perspectives have emphasized the relationship between institutions and business strategies in transition economies (Meyer & Peng, 2005).

This study aims to examine how different hotel brands compete within the institutional context by investigating how various resource-based advantages. To better understand this phenomenon, we first combine the resource-based view of the firm with institutional theory to explain the current status of China's hotel industry in emerging markets. Second, we investigate how top management teams in China cultivate the service brand values of their hotels. Third, we apply this analysis to global, regional, and local hotel brands in an emerging market. The findings have made contributions to provide a better understanding of how a China's firm uses its specific resources to create sustainable competitive advantages that compensate for the local institutional context. In addition, transformational leadership is a crucial mechanism in China that facilitates employees' service behavior through staffing and training practices and service culture to provide consistent service brand value.

## Literature review

### *Institutional context*

The institutional perspective addresses the methods by which institutions confer legitimacy on organizations and their actions. A firm can face coercive, normative and mimetic pressures from the government, industry alliances, societal expectations and competitors (DiMaggio & Powell, 1983). Institutions may influence and dominate organizations by enforcing laws, rules and norms that act as both "formal rules" and "informal constraints" (Child & Tsai, 2005). Informal institutional constraints, such as interpersonal ties, may be essential for facilitating economic exchange if formal institutional constraints are weak (Peng & Luo, 2000).

In addition, *Guanxi* (personal connections and political ties) plays an important role in the institutional context, especially if searching for a business partner or closing a transaction. Interpersonal ties can facilitate and assure trade but can also hinder business activities (Pine, Zhang, & Qi, 2000). Oliver (1991) noted that institutional contexts govern organizations' strategic reactions to institutional influence and determine how organizations conform to their institutional environments.

In this study, the institutional context refers to the ways (both active and passive) in which hotels interact with the predominant norms, traditions, and social influences in their internal and external environments, as well as the ways in which hotels adjust their structures and activities (Oliver, 1997). Successful hotels gain the support of society and other institutions.

### *Service brand value and top management team leadership*

From the resource-based perspective, competitive advantages are based on unique resources that are valuable for competitors to imitate (Barney, 1991). Backhaus and Tikoo (2004) viewed brands as a firm's most valuable asset. The term "service brand" is frequently utilized in service industries (de Chernatony, Cottan, & Segal-Horn, 2006). A "brand" refers to a firm's ability to consistently deliver on its promise across all business units, regardless of the geographical scale of the enterprise (Olse, Chung, Graf, Lee, & Madanoglu, 2005). The value of a service brand is highly dependent on the capability of staff members to deliver the brand's promises (Nguyen & Leblanc,

2002). Therefore, a company's employees are required not only to have a shared understanding of their service brand's values but also to strongly commit to and identify with the service brand by exhibiting brand-supporting behavior (Vallaster & de Chernatony, 2005). In this study, service brand value is determined by the employees who consistently deliver the service brand's promise, regardless of a company's geographical spread.

According to Capon, Berthon, Hulbert and Pitt (2001), branding is strategically important and is a responsibility of top management team leaders. Top management team leaders are responsible for transferring the service brand's value to employees through verbal and non-verbal communication (Vallaster & de Chernatony, 2005). Typically, such information is disseminated through a top-down communication process to avoid chaos. Bass (1990) differentiated transformational leadership from transactional leadership and claims that the two leadership styles differ in how values are communicated during the interaction process.

Avolio, Bass and Jung (1999) proposed a six-factor model to differentiate the structures of transformational and transactional leadership. This model consists of three transformational factors (charisma, intellectual stimulation, and individualized consideration) and three transactional factors (contingent reward, active management by exception, and passive-avoidant leadership). Bass (1999) proposed that most leaders have both transformational and transactional traits. Thus, references to a given leadership style (i.e., transformational or transactional) indicate the predominance of that style, not its exclusivity. For instance, transformational leaders are more likely to have attitudes, beliefs and values that are generally consistent with the transformational style but can still evince a transactional style at times (Bass, 1999).

Leaders with transformational behaviors energize and empower their employees to act by providing a compelling vision for the future, eschewing a system of rewards and punishments (Ozaralli, 2003). Transformational leadership initiatives include empowering behaviors, such as delegating responsibility to employees, enhancing employees' capacity to think independently, and encouraging employees to come up with new and creative ideas (Dvir, Eden, Avolio, & Shamir, 2002). The empowerment of employees is often presented as one of the main features distinguishing transformational leadership from transactional leadership because the latter does not seek to empower employees but rather merely aims to influence employee behavior (Kark, Shamir, & Chen, 2003). The transactional leadership style focuses on clarifying employees' roles and guiding subordinates to achieve pre-determined goals based on rewards, offering employees limited (or non-existent) empowerment opportunities (Minett, Yaman, & Denizci, 2009).

Prior empirical studies demonstrated that transformational leadership was positively associated with employee outcomes (e.g., Gong, Huang, & Farh, 2009). Therefore, we expect transformational leadership from top management teams to enhance employee service behavior. In this study, we adopt Avolio, Bass and Jung's (1999) six-factor model to analyze the transformational and transactional factors presented in our different case studies.

### ***Service culture***

Organizational culture adds significant complexity to the process of developing a shared brand understanding but can serve as an immensely powerful communication tool (Gaddam, 2008). A positive and powerful organizational culture is valuable, rare and imperfectly imitable; thus, it has high potential for the creation of sustainable

competitive advantages (Mueller, 1996). Compared with other industries, the hospitality industry has a unique organizational culture (Dawson, Abbott, & Shoemaker, 2011). Gronroos (1990) described service culture, in particular, as “a culture where an appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers is considered a natural way of life and one of the most important norms by everyone”. Dobni (2002) suggested that service culture can increase service quality, which then leads to service excellence.

In our study, we adopt Ooncharoen and Ussahawanitchakit’s (2008) definition of service culture and identify the following five dimensions of this concept: high-quality service, open and honest communication, service responsiveness, the prevention of service failure, and service recovery. Service culture is a dynamic concept that consists of an organization’s appreciation for good service and its ability to clearly convey its service brand values.

### ***Staffing and training practices and employee service behaviors***

Service employees are considered to be core employees because they serve as the link between a firm and its customers, and their performance adds value to their firms (Ployhart, Van Iddekinge, & Mackenzie Jr., 2011). Schuler and MacMillan (1984) found that good human resource management practices can help organizations attract excellent human capital and thereby retain a sustainable competitive advantage. Among the various duties of human resources management, staffing and training practices are foremost in determining how businesses access and develop the critical skills required to maintain a competitive advantage and superior long-term performance (Raghuram, 1994).

Staffing is broadly defined as the process of attracting, selecting, and retaining competent individuals to achieve organizational goals. In the hotel industry, employees are trained according to the corporate philosophy and brand culture to integrate their activities with the service style unique to the particular hotel in question (Ipe, 2008). Training builds a firm’s human capital as it develops employees over time to enable the fulfillment of various business requirements (Noe, Hollenbeck, Gerhart, & Wright, 2003). The hospitality industry perceives training to be the key input to ensure peak performance and considers soft skills to be the most important competency for value generation. Firms are able to develop and shape their human capital through effective staffing and training practices; thus, the appropriate use of these practices is critical for ensuring that employee skills match a firm’s business requirements (Raghuram, 1994).

Therefore, employees should behave in a conscientious manner when delivering customer services as they are conveying the promises of the service brand to its customers. Given the importance of service behavior to this industry, it is crucial to understand how an organization in the service sector can create an environment that motivates effective service behavior. In the competence-based perspective, human resource management practices affect employee service behavior, thus maintaining organizations’ sustainable competitive advantages.

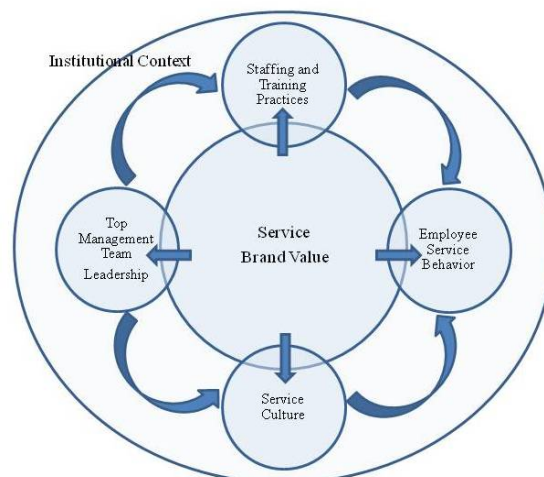
### ***Leveraging institutional constraints for competitive advantages in the hotel industry***

Service brand values play a critical role in determining employee behavior, and it is important that employees’ values reflect those of the service brand (de Chernatony & Drury, 2004). Service brand values are communicated to employees via overt internal

communications, the ripple effect, top management team communication, and staffing and training activities (Chernatony et al., 2006). Top management team leaders should act as appropriate role models for employees by embodying the values of the service brand (Morhart et al., 2009). Dobni, Brent Ritchie and Zerbe (2000) recommend that top management team leaders verify employees' understanding of the organization's brand values frequently, through methods such as surveys and discussion. Selective staffing is one of several methods to identify potential employees who have values similar to that of the service brand (Chernatony et al., 2006). Hallam (2003) found that service culture (e.g., sharing brand storytelling) is an effective way of transmitting service brand values to employees. Thus, top management team leadership strongly influences employee service behaviors through staffing and training practices and service culture (Zhou, Brown, & Dev, 2009).

However, the hotel industry of a transitional economy with a dynamic institutional environment differs from the hotel industry of other countries because of the business, social, cultural, economic and political context (Kong & Cheung, 2009). Institutional perspective emphasizes the relationship between institutions and business strategies in transitional economies (Meyer & Peng, 2005). The institutional framework in transitional economies constrains foreign entry strategies by restricting both the choice of entry modes (Meyer & Nguyen, 2005) and location (Bevan, Estrin, & Meyer, 2004). Global brand hotels rely on strong resource-based advantages (e.g., quality human capital, proprietary knowledge of global-scale managerial techniques, and access to financial resources) to deliver effective customer services (Dev, Brown, & Zhou, 2007). These hotels rely mainly on the resources of their headquarters because of the global scale of their operations but often suffer from a lack of familiarity with the local institutional context of emerging markets and minimal local demand for their services. By contrast, regional and local brand hotels are equipped with superior knowledge of the local context (i.e., local government regulations and customer preferences). These hotels tend to cater to regional and local business travelers. Effective top management team leaders can bridge service brand values and transfer knowledge to the local staff to build local linkages.

Utilizing institutional theory, resource-based viewpoints and competence-based perspective, this research aims to investigate three types of hotels (i.e., global, regional, and local) to determine how top management team leaders transfer service brand values to their employees to promote effective employee service behaviors. The conceptual framework of this study is depicted in Figure 1.



**Figure 1.** Conceptual framework

## Methods

We used a qualitative approach to collect data for our various case studies. All of the interviews were conducted in a face-to-face, conversational format and used closed- and open-ended questions. Secondary data were used to supplement our analysis of the case studies.

### **Data collection and sample**

We identified informants based on their expertise in the hotel industry and knowledge of the firms to be examined. We used 10 hotels in major cities of the People's Republic of China, including Beijing, Shanghai, Suzhou, Kunshan and Hangzhou, as case studies (Please refer to Appendix 1 for details). All of the interviewees were top management team leaders. We interviewed 3 global, 5 regional, and 2 local brand hotels over a 2-year period.

### **Results**

Since 2008 Beijing Olympic, the hotel industry in China has begun to embrace the concept of green, environmentally friendly hotels. The government passed a regulatory policy implementing a green hotel certification system to promote energy conservation, environmental protection, and economic growth before the start of Expo 2010 Shanghai. To encourage hotels to participate in the green hotel certification system, the Shanghai government graded the city's four- and five-star hotels on their compliance with these green initiatives and awarded a "silver leaf" or "gold leaf" certification to hotels that passed the policy requirements.

In China's hotel industry, many hotels remain state-owned and operate on the basis of institutional benefits (Tang, Chen, & Wang, 2006). Political ties ensure the opening of a hotel (in China, a hotel must obtain permission and certificates from multiple government offices before opening), whereas business ties ensure good performance. Political ties between managers and government officials are unbalanced, with officials operating in a position of dominance. Many informants indicated that complimentary dinners and gift giving were requisites for maintaining political ties (Liu, Huang, & Hsu, 2010). For example, Hotel B, a luxury hotel with a global brand that caters to high-end customers, noted the following:

"We used management contracts as our mode of entry into the Chinese market because our local business partner had good personal and political ties with the complicated local government.... Although we didn't participate in the green hotel certification system implemented by the Shanghai government, we did earn a green hotel award in 2010: the 7<sup>th</sup> Golden-Pillow Award of China's Hotels. As a response to the Shanghai government's environmental protection policy, we actively implemented environmental protection, health and safety initiatives into our hotel operations. Most of our customers come from Western countries and make their reservations through our own worldwide reservation network. We have a strong global resource base and offer a consistent quality of service to them. These customers usually become accustomed to our service style and love their experience when they stay in our hotel."  
*Director of Food and Beverage* (our local partner took care of the local government)

According to the general manager of a regional brand hotel, Hotel H obtained the "silver leaf" certification and became an officially designated hotel for Expo 2010 Shanghai.

"When the local government enacts new policies, we have to understand the content of those policies and obtain a certificate of qualification. If our hotel does not receive the "gold leaf" or "silver leaf" designation, we will not be listed as an official hotel of the Expo by the Chinese government, and our room occupancy rates will be affected.... [I]n terms of the official government requirement to lower reduce resource waste, complimentary dinners and gifts were used to maintain a good relationship with the government and receive a 'silver leaf' award. If we



didn't have good political ties, it would be more difficult to obtain the 'silver leaf' designation for our hotel. Our customers are regional and local customers." *General Manager* (follow-up and response to the local government's new policy)

Hotel I is a local brand and a state-owned hotel.

"Our hotel management style strictly complies with government policy. We are required to create an environment (a corporate culture and a work environment) that complies with the current top-down social ideology (i.e., Harmonious Society) of the central government.... It is mandatory for us to do so because we are a state-owned enterprise and because most of our customers are local customers and government officials. Our hotel enjoys good relations with the national and provincial/municipal governments. The government wants our hotel to internationalize and encourages this through economic incentives. We also receive political support through government networks that facilitate projects." *Sales Manager* (local response and benefits from local government)

By analyzing the institutional contexts of and relationships between relevant factors, we derive the following proposition.

**Proposition 1** Institutional context has a positive impact on hotels in China. Local brand hotels obtain the most benefits (i.e., business ties, networks of relationships, and governmental support) from local institutions, whereas regional brand hotels obtain the least benefits and global brand hotels obtain intermediate benefits from such institutions.

Global brand hotels generally rely on firm-specific resource advantages and information from their headquarters to ensure that their brand image and service quality are delivered consistently at all branch locations. For example, Hotel B's headquarters sends a new general manager to its branch hotels every 2-3 years. The general manager must assist the department heads in training the local staff and in conveying the service philosophy through the daily sharing of a story. This daily story provides employees with a clear understanding of the service brand's promise and stimulates them to improve the status quo and to refine the methods that they use to improve the service brand value to customers. Top management team leaders utilize a transformational leadership style and fully empower their front-line employees to ensure the proper delivery of the brand promise.

"Our hotel customers are of the elite, and we offer every guest a private butler. In our hotel, we have five employees for each customer, and we treat our customers like royalty. To ensure customer satisfaction and retention, we fully empower our front-line employees to handle the customers' needs. Top management team leaders usually emphasize our service brand's promise and share excellent service stories with the staff members. We also provide our employees with discretionary funds to resolve the customers' complaints. Additionally, we encourage employees to learn professional skills and develop their full potential in our training academy." *Sales Manager of Hotel B (global brand)*

The value of Hotel H's service brand lies in its focus on providing "appropriate services" (i.e., no more and no less than needed). The general manager is responsible for conveying the corporate culture and service philosophy to the hotel's employees. The general manager also plays a mentoring role and is available at all times to monitor, guide and lead the employees in the delivery of the brand's promises.

"The leadership style in our hotel consists of both soft and hard management. Usually, we reward our staff if they provide excellent services, but we also punish them for lateness or repeated mistakes (i.e., if an incursion occurs more than three times). Department heads have to guide and lead their employees to follow through on their daily routines. We also maintain informal friendships with our employees. Our hotel is a high-value 5-star hotel with a 4-star hotel's price. Our guest rooms are clean, comfortable, and safe. We have lots of Japanese guests, and they emphasize their desire for safety in the hotel. However, we do not offer extra services,

such as room service, a fitness center, or laundry service.” *General Manager of Hotel H (regional brand)*

The value of hotel I’s service brand lies in its provision of traditional Chinese service culture to its customers in accordance with governmental policy. Top management team leaders use a transactional leadership style. They focus on clarifying roles and guiding their employees to achieve pre-determined goals by offering rewards. These leaders delegate very limited power to their employees.

“Our hotel complies with the government’s policy (e.g., Harmonious Society) to lead, train, and motivate our employees. Employees have limited decisions regarding the daily routine and basic service. The General Manager has to be involved in all decision making and situations that require problem-solving skills.” *Sales Manager of Hotel I (local brand)*

On the basis of the analysis above, we can derive the following proposition.

**Proposition 2** High-value service brands and higher levels of employee empowerment tend to correlate with a transformational leadership style, whereas low-value service brands and lower levels of employee empowerment tend to correlate with a transactional leadership style.

The service brand value of Hotel A is determined at a global level, which means that this hotel requires high-quality services as part of its staffing and training practices. Hotel A is considered to be the best service brand in the hotel industry and is famous for its customer service; as a result of the strength of its service brand, Hotel A attracts excellent human capital. The human resource department of the corporate headquarters provides branch hotels with the means to utilize the knowledge (based at headquarters) and training to develop superior capital while maintaining high-quality services and global brand value.

“We have the best staff in our industry because we recruit employees through a strict multiple interview process. New employees are selected with particular qualities. They need drive and zeal, the readiness to serve others and a positive outlook. Every employee is required to carry a fold-out card, which spells out the chain’s Gold Standards—an array of Ritz’s principles. The training then gives meaning to these principles and brings them to life. Twenty principles of the Gold Standards are discussed each day, ensuring that they are at the forefront of the employees’ minds. The genuine care and comfort of our guests is our highest priority.” *Director of Food and Beverage of Hotel A (global brand)*

To fulfill the service brand value of Hotel A, the top management team leaders and employees need to be carefully selected. The employees of a global brand hotel are not only identified through a complex process but also continuously provided with excellent training programs to improve their skills. Unlike global brand hotels that provide luxurious services to their customers, regional brand hotels (e.g., Hotel F) provide appropriate services as needed. Thus, the process of staffing regional brand hotels is less complex. These hotels attract people that are less experienced but are service-oriented in character. Therefore, such hotels offer training programs to strengthen their employees’ service knowledge and professional skills and align employees’ service behavior with brand values. Local brand hotels provide customer service with an Oriental influence. These firms only recruit local employees and offer basic work-related skills. Staffing and training practices are also less important to these hotels, given that their employees are generally identified through referrals.

**Proposition 3** Service brand value is highly related to a hotel’s staffing and training practices. In particular, stronger service brand values for a hotel will be strongly correlated with that hotel’s investment in its human capital and commitment to high-cost staffing and training practices.

The service brand value of Hotel A lies in its ability to create unforgettable memories and to provide “excellent services” to its customers. Hotel A emphasizes careful attentiveness to customers, and its employees try their best to accommodate customers’ expectations.

“We emphasize consistency, stability, and the importance of listening to our customers. We encourage each of our employees to provide extra services to our customers. We also fully empower our front-line employees and provide employee a discretionary budget of US \$2,000 daily to accommodate and fulfill customers’ expectations.” *Director of Food and Beverage of Hotel A (global brand)*

The service brand value of Hotel H lies in the company’s ability to provide a safe environment and to anticipate the needs of the customers. Their service style exhibits a Japanese service spirit.

“We place an emphasize on employees’ service attitudes and behaviors, so we teach employees to review the hotel’s customer profiles before the customer’s arrival. We also provide appropriate extra services depending on individual guest’s needs.” *GM of Hotel H (regional brand)*

The service brand values of global brand hotels are well established and have a long history. Furthermore, the service cultures of global brands must match their brand values. In Hotel A, the top management team used a transformational style of leadership to encourage employees to demonstrate service brand value by providing them with the freedom to engage in responsive service behaviors and allocate extra services to guests (Chathoth & Olsen, 2002). For regional brand hotels, the main value of the service brand lies in the repeat business of its loyal customers. Front-line employees are encouraged to anticipate customers’ needs but to approach managers for further instructions before extra services are provided. Similarly, the service brand values of the local brand hotels consist of providing services suitable to a traditional Chinese cultural experience. The employees in these hotels rely largely on their managers’ authority to solve problems and provide extra services.

**Proposition 4** Service brand value is highly related to service culture. Stronger service brand values for a hotel will correlate with a stronger service culture for that hotel.

The employees in Hotel A are known for their service quality in the hotel industry. They regard the “genuine care and comfort of our guests” as their highest mission and are committed to providing “excellent services”.

“Our employees observe the customers at all times and solve their problems immediately. We also encourage employees to provide extra services to our customers by approaching them proactively and by providing the unexpected in terms of customer needs. When we receive thank-you letters from our guests, we give rewards to our staff and praise them for their excellent service behavior in executing our service brand value. We view our employees as our hotel’s most important asset. Every employee in our hotel is required to line on hotel’s ‘gold standards’ rule that reads, ‘we are ladies and gentlemen serving ladies and gentlemen’, and live by the spirit of the ‘three steps of service’.” *Director of Food and Beverage of Hotel A (global brand)*

Concerning service brand value and employee service behaviors, the employees of Hotel F are characterized as honest, attentive professionals who actively interact with their customers.

“We encourage and coach our employees to interact actively with customers. For example, our bellmen deliver all of the luggage immediately and inform customers about the availability of certain facilities, such as the gym, while reminding guests about the available stationery (e.g., business cards, letters, and envelopes).” *GM of Hotel F (regional brand)*

The service brand at Hotel A emphasizes creating a unique and unforgettable

memory of staying at the hotel for its guests. To ensure that this brand's values are being delivered, the hotel requires its employees to follow its "gold standards" and the "three steps of service" when encountering any hotel guest (Bacon & Pugh, 2004). The hotel's policy outlines the proper behaviors and language for staff to use when addressing guests. For instance, the staff should say "please accept my apologies" instead of "I'm sorry", and are not permitted to use the word "no" with guests. Unlike global brand hotels that aim to provide elite service to their customers, regional brand hotels demonstrated a service culture characterized by friendliness and considerate services. Front-line staff members are required to actively interact with customers and contact hotel guests an hour ahead of their scheduled arrival to confirm their time. Many local brand hotels are still state-owned and operate on a non-economic basis (Tang et al., 2006). Their staff members do not exhibit exceptional service attitudes when attending to customers. This type of hotel tends to foster an environment resembling that of a communist society and adheres to government management policies regarding leadership, training, and organizational culture. Therefore, employees rarely display active service behaviors when serving their customers.

**Proposition 5** Service brand value is highly related to employee service behaviors. In particular, stronger service brand value will be correlated with higher quality and more effective service behaviors from a hotel's employees.

Hotels may utilize different staffing and training practices depending on their top management teams' leadership styles. In Hotel A, the leadership teams are more transformation-driven managers who constantly convey the service philosophy and corporate culture of the firm to their employees through storytelling. Additionally, global brand hotels place a strong emphasis on employees' talent development.

*"The general manager delivers the hotel's service brand value, hotel history, and service philosophy to employees through orientation. To help employees understand the credo, 'Gold Standards' and 'Three Steps of Service', the general manager will use storytelling to share excellent service cases on a daily basis to motivate and encourage staff to be proactive in their customer service. Top management team leaders treat each individual staff with tailor-made considerations and provide coaching, mentoring and growth opportunities on a personal basis."*  
*Director of Food and Beverage of Hotel A (global brand)*

The leadership styles found in regional brand hotels tend to be more transactional. Hotel F places heavy responsibilities on its managers. The managers stay in the hotel to monitor employees' daily routine and coach them to achieve improvements in their service behavior.

Lastly, the managers of the local brand hotels use a transactional leadership style to comply with government policies regarding the leading, training and motivating of employees. In Hotel I, employees provide customer service with both Oriental and Western cultural influences.

**Proposition 6** Top management team leadership styles are highly related to employee service behaviors through staffing and training practices. A transformational leadership style is more effective than a transactional style of leadership at influencing employees' service behavior quality through specific staffing and training practices.

The leadership styles in Hotel A and Hotel B provide decentralized authority and more empowerment to their employees. Therefore, the service cultures in both of these hotels emphasize trust in their hotel staff, and these staff are fully empowered and expected to provide extra services to customers to achieve service excellence.

Conversely, the leadership styles in Hotels E, F and I require managers to act as mentors; thus, the hotel staffs have limited flexibility in providing extra services to guests in these hotel.

“The daily routine involves a review of the credo, the ‘Gold Standards’ card, and the ‘Three Steps of Service’. In addition, the headquarters will send us a daily story to share with employees, and these are real stories involving examples of either service excellence or failure that took place in our branch hotels. Our staff share and discuss these stories daily and learn key lessons about service excellence. Our top management team leaders fully empower front-line staff to resolve any customers’ complaint immediately and encourage our staff to create an environment of excellent service.” *Director of Food and Beverage of Hotel A (global brand)*

The leadership style used in global brand hotels tends to empower employees to solve customers’ complaints immediately and to reward employees for excellent service. Conversely, the leadership style used in regional and local brand hotels tends to provide staff with limited opportunities for empowerment.

**Proposition 7** Top management team leadership styles are highly related to employee service behaviors through service culture. A transformational leadership style provides employees with more empowerment and produces higher quality employee service behaviors than a transactional style because it yields a stronger service culture.

Global brands (e.g., Hotels A, B, and C) usually enter China through management contracts with local partners. Under these management contracts, the global brands are only responsible for managing the daily operations of the hotel business, which involve the hotels’ internal activities and functions (Fidel, Cristina, & José, 2011). The local Chinese partner handles all of the complicated matters related to the external stakeholders, including government agencies. The managers of global brand hotels are only responsible for their hotel’s operations, whereas local partners are used to relieve the pressure generated by the hotel’s institutional context.

Moreover, global brand hotels typically possess strong resource-based advantages related to their industry expertise, international experiences, strong brand reputations, worldwide reservation systems, huge internal labor markets, and the sound management practices dictated by their head office. The company headquarters offers bountiful resources to branch hotels to enable those branch hotels to maintain their high-quality services. The headquarters of a global hotel brand also sends new general managers to each branch hotel every 2-3 years to convey the service brand’s values and service culture to the branch hotels’ staff. In addition, a global brand’s headquarters has access to a large talent pool, allowing it to send teams of expatriates as needed to assist in branch operations and train the local staff. Branch hotels rely mainly on their own worldwide reservation networks to attract repeat business from existing clients. Hatch and Dyer (2004) stressed that excellent human capital is a source of competitive advantage for these firms.

Although global brand hotels have resource-based advantages (e.g., brands with outstanding reputations and strong brand values), when they operate in China, these global hotels need to accommodations to the local norms and customs of the Chinese cultural context (Adner & Zemsky, 2006). For example, Hotel A’s Beijing site allows its customers to smoke inside the hotel out of respect for Chinese customs. When leveraging the institutional context for resource-based advantages, global brand hotels experience pressure from local institutions.

By contrast, local brand hotels have more local advantages than global and regional brand hotels. Most local brand hotels are state-owned and have a stable

customer base composed of government officers. Unlike global brands that possess strong resource-based economic advantages, local brand hotels possess strong network ties and have a good relationship with the government, and in the Chinese context, these factors have a greater impact on the hotel industry than the influence that the various advantages of global and regional brands can provide (Yu, 1999). Although local brand hotels do not offer high-end services, they still have stable customer bases composed of government officers and local business tycoons (Du & Dai, 1998).

Additionally, regional brand hotels have fewer resource-based advantages (Dev et al., 2007). Most of the regional brand hotels do not establish their own worldwide reservation networks, nor do they have access to integrated human capital resources from a headquarters office. In China, regional hotels operate under institutional pressures and face constraints from local government restrictions and interest groups (Pine & Qi, 2004). Regional brand hotels have limited brand advantages (unlike global brand hotels) and limited local advantages (unlike local brand hotels). The general managers of regional brand hotels usually come from Asia-Pacific countries, such as Taiwan, and are capable of using the Chinese language to convey the service brand value and service culture of the hotel. These general managers instruct the hotel staff to serve customers using active management techniques. Regional hotels require the support of the local government to resolve the pressure generated by China's institutional context.

**Proposition 8** Global brand hotels have the greatest ability to leverage resource-based advantages to compensate for the local institutional context, followed by regional brand hotels and local brand hotels.

## Conclusions

By integrating institutional theory, resource-based viewpoints, leadership theory, human resource practices and competence-based perspectives, this study examines how a China's firm uses its resource-based advantages to reduce institutional constraints while enhancing its service brand value, and thus maintains its sustainable competitive advantages in emerging markets. The results are shown as follow.

First, institutional context has a positive impact on hotels. China's hotel industry differs from that of other countries because of the fierce competition, multiform ownership and management systems in China (Kong & Cheung, 2009). Knowledge of China's unique business, social, cultural, economic and political contexts is essential for a foreign business to compete and succeed in the Chinese context.

In addition, for hotels in China, stronger service brand values are correlated with more transformational and less transaction-driven leadership styles of top management teams. Managers often adjust their leadership style to their situation (Armstrong & Overton, 1977), and specific situations influence leadership styles (Clark, Hartline, & Jones, 2009). In the hotel industry, the transformational leadership style is more effective than transactional leadership at influencing employee service behaviors through staffing and training practices and service culture. Transformational top managers as role models have great power to communicate service brand values to employees (Dauphinais and Price, 1998). Unlike transactional leaders, transformational leaders motivate their subordinates to achieve the desired results through critical thinking, intellectual stimulation, individualized consideration, inspirational motivation, and charismatic style (Asree, Zain, & Razalli, 2010).

Finally, global brand hotels have the greatest ability to leverage resource-based advantages to compensate for the local institutional context, followed by regional brand hotels and local brand hotels. As compared to regional and local brand hotels, global brand hotels typically possess strong resource-based advantages, including industry expertise, international experience, strong brand reputations, worldwide reservation systems, access to large internal labor markets, and sound management practices generated by their headquarters. In China, global brand hotels often experience faster business expansion and achieve greater market shares through a mix of management contracts and franchising. The latter option allows foreign firms to gain a better understanding of the Chinese institutional environment, which is particularly important given that regulations may vary from one province to another.

Our results suggest that firm-specific resources can be sustainable competitive advantages that compensate for the local institutional context. This finding makes contribution to the service theory by stressing the argument of resource-bases view. Furthermore, previous literature on transformational service proposed that a transformational leadership style is more effective than a transactional style (e.g., Gong et al., 2009; Liao & Chung, 2007). However transformational leadership can lead to better employees' performance still lack investigation. This study makes contribution to literature on transformational service by our finding that transformational leaders may communicate service brand values effectively to employees and facilitate employees' service behavior through staffing and training practices and service culture, thereby ensuring consistent service quality.

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## Appendix 1. Hotel Profiles

Hotel		Brand initiation	Grand Opening	No. of Rooms	Location	Organization Form	Revenue per square meter (m <sup>2</sup> )	Interviewee	
Global Brand	A	5*US-owned brand	Since 1927	2007	305	Beijing	Hotel Chain (Management Contract)	43.75 CYN	• Director of Food and Beverage
	B	5*US-owned brand	Since 1957	2008	174	Shanghai	Hotel Chain (Management Contract)	45.45 CYN	• Director of Sales Dept. • Sales Manager
	C	5*US-owned brand	Since 1957	2007	631	Shanghai	Hotel Chain Management Contract	29.76 CYN	• Training Manager • Food and Beverage Manager
Regional Brand	D	5*TW-owned brand	Since 1991	2007	654	Shanghai	Hotel Chain (Management Contract)	18.75 CYN	• Assistant General Manager
	E	5*TW-owned brand	Since 2004	2011	86	Shanghai	Independent Hotel	20 CYN	• CEO • Food and Beverage Manager
	F	5*TW-owned brand	Since 1991	2007	142	Suzhou	Independent Hotel	15.6 CYN	• General Manager • Sales Manager
	G	5*TW-owned brand	Since 1984	2008	154	Beijing	Independent Hotel	14.26 CYN	• General Manager • Room Division Manager
	H	5*TW-owned brand	Since 1984	2007	208	Shanghai	Independent Hotel	14.26 CYN	• General Manager • Sales Manager • Director of Sales Dept.
Local Brand	I	5*CN-owned brand	Since 1993	1989	632	Shanghai	Hotel Chain	17.4 CYN	• Sales Manager
	J	5*CN-owned brand	Since 2004	2005	699	Hangzhou	Hotel Chain	22.57 CYN	• Personnel Manager • Brand Manager
	k	5*CN-owned brand	Since 1999	2004	351	Nanjing	Hotel Chain	20.93 CYN	• General Manager • Room Division Manager