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Review

Managing the service brand value of the hotel industry in an emerging market

Hsiao-Ping Chang[a], Chun-Chieh Ma[b,*]

[a] Chung Shan Medical University, Taiwan
[b] National University of Tainan, Taiwan

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ABSTRACT

This study integrates the resource-based view (RBV) of a firm and institutional theory to investigate how top management team (TMT) leaders promote the quality of employees' service by leveraging the resource-based advantages (e.g., service brand value, TMT leadership, human capital (HC) management, and service culture) of their hotel brands to compensate for institutional influences at the global, regional, and local levels in an emerging market. The results show that a hotel develops its resource-based advantages by creating service brand value, which is cultivated by the TMT's transformational leadership through HC investment and the creation of a service culture to improve the quality of service behaviors. At the same time, resource-based and institutional advantages are applied in a complementary fashion to achieve successful market expansion in China as an emerging market.

Contents

* Corresponding author. Tel.: +886 935 675578.
E-mail addresses: pamela22@ms7.hinet.net (H.-P. Chang), ccma@mail.nutn.edu.tw (C.-C. Ma).

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1. Introduction

In recent years, hotels have expanded to become a large-scale industry in emerging markets (Lv and Zhao, 2009). Explanations of their competitive advantages may stem primarily from two different sources: resource-based and institutional views. A resource-based view (RBV) of hotel management stresses the value of service brand (Vallaster and de Chernatony, 2005), leadership capability (Capon et al., 2001), service culture (Dawson et al., 2011), and employees' service quality (Bettencourt et al., 2001) in driving a firm's performance (Barney, 1991). However, very little research has been done to understand how these internal firm processes are managed to create supernormal returns in hotel management or to understand the relationship between service brands and their related capabilities. In particular, the institutional context within which some of these resources and capabilities are exploited and explored to seek market expansion in emerging markets has yet to be studied (Diestre and Rajagopolan, 2011).

In addition, 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 hotel as a whole. Previous empirical research and meta-analyses have indicated that transformational and transactional leadership styles have different effects on individual performance (Morhart et al., 2009). However, how these two types of leadership styles can lead to better employee performance remains to be investigated. From the perspective of resource-based theory, the current study tries to bridge this gap using specific human capital (HC) management practices (investment vs. leveraging), which can improve service quality and the hotel's service brand.

In an emerging market, 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 et al., 2003). Regional brands have marketing strategies with some globalized elements but are restricted to a particular region of the world (Keegan and Green, 2008). Local brands, in 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. Each type of hotel brand focuses on and provides services to different categories of customers, and each has its own distinct advantage (Global Hotel Forum, 2008). As stated by Khanna and Palepu (2006), the institutional context in emerging market influences firms' resource exploitation and market segmentation. In particular, local protectionism and institutional advantages allow local hotels to compete against foreign hotel brands (Pine and Qi, 2004). However, global brands and regional brands can leverage their resources to compensate for the constraints of institutional context in transition economies whose markets are characterized by rapid growth in the near future (Meyer and Peng, 2005).

This study first aims to investigate how different hotel brands compete in an emerging market by capitalizing on various resource-based advantages, such as top management team leadership, service culture, and HC investment and leveraging, to maximize and maintain the ultimate value of their service brands. From the perspective of the RBV, we propose that top management teams cultivate the service brand values of their hotels by maintaining sound employee service behaviors and through HC investment into the service cultures of their hotel brands, thereby leveraging their resources to enhance their sustainable competitive advantage. Second, we combine the RBV and institutional theory to explain which resource-based (vs. institutional) advantages different hotel brands possess to serve different market segments (global, glocal, and local) in an emerging market. Third, we apply this analysis to differentiate the necessary increases in the advantages (resource-based vs. institutional) between global, regional, and local hotel brands for market growth in different segments in China. The findings contribute to providing a better understanding of how a hotel uses its specific resource advantages to not only compensate for institutional constraints but also complement its institutional advantages to create sustainable competitive advantages and grow in an emerging market.

2. Literature review

2.1. RBV of hotel management

The main proposition in the RBV is that competitive advantages are based on the resources that are important for the sustained competitive advantage of firms (Barney et al., 2011). Scholars of the RBV define resources as bundles of tangible and intangible assets, including a firm's management skills, its organizational processes and routines, and the information and knowledge it controls that it can use to help choose and implement strategies. However, only resources that are valuable, unique and inimitable can lead to sustainable competitive advantages (Barney and Wright, 1998).

2.1.1. Service brand value

Backhaus and Tikoo (2004) viewed brands as a firm's most valuable asset. 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 (Olsen et al., 2005). The term "service brand" is frequently utilized in service industries (de Chernatony et al., 2006). However, the value of a service brand is highly dependent on the capability of staff members to deliver the brand's promises (Nguyen and Leblanc, 2002). Hence, a service brand differs from a consumer goods brand. A consumer goods brand relies on largely using external communication to express brand meaning to customers, whereas a service brand needs to be communicated to that firm's staff and comprehended, accepted, and internalized by staff members (de Chernatony et al., 2006). Importantly, a company's employees are required to have a shared understanding of their service brand's values and to strongly commit to and identify with the service brand by exhibiting brand-supporting behaviors (Vallaster and de Chernatony, 2005).

Accordingly, human resource management strategy in the service context is assumed influenced by brand attribute (tangible and intangibles) and standardization or customization of an organization's services to individual clients (Ashness and Lashley, 1995). Because standardization plays a crucial role in the worldwide integrated service economy, Blind (2006) further identified a taxonomy of five clusters of service standards: service management, service employee, service delivery, customer interaction and data flow and security. Additionally, human capital management, service behavior and results can be standardized to ensure customer satisfaction.