

ONE SIZE DOES NOT FIT ALL: THE RELATIONS BETWEEN SERVICE
CAPABILITIES AND HUMAN RESOURCE MANAGEMENT

By

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ABSTRACT OF THE DISSERTATION

One Size Does Not Fit All: The Relations between Service Capabilities and

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Previous research in strategic human resource management (HRM) has generally taken two approaches. The best practices perspective conveys a high performance philosophy, while the contingency perspective based on generic market positioning differentiates between high performance and low cost philosophies. This paper is among the first to draw on the capability-based view of strategic management to provide HRM with a more accurate anchor of strategic capabilities. Under the current dynamic environment, the key to sustained competitive advantages depends on the heterogeneous and inimitable capabilities of organizations that are aligned with organizations' strategic focus. The heterogeneity in turn demands different HRM practices and strategic positions. Using the hospitality industry, I conducted three studies using both quantitative and qualitative approaches to examine the extent to which hotels in different segments aligned their strategic foci, strategic capabilities, strategic positions, and HRM systems and the subsequent impact on financial performance. Results showed that there were different capabilities that predicted financial performance:

hotels' capability to provide tangibles to customers was a threshold capability for all hotels, while the capability to provide service was a distinctive capability only for luxury hotels. In addition, an alignment with the recommended HRM profiles and an emphasis on the strategic positions were helpful for creating the needed strategic capabilities. Implementing efficiency-oriented and reliability-oriented HR and emphasizing back-of-the-house positions were critical to hotels that focused on operational excellence and product leadership, while adopting flexibility-oriented HR and valuing front-of-the-house positions were important for hotels that excelled at customer intimacy. This has implication for future strategic HRM research in that instead of advocating for more best practices, this study suggests that identifying the right practices and strategic positions according to needed capabilities is key.

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Introduction

The field of macro human resource management (HRM) research traditionally adopted a best practices approach, which argued that certain practices would be universally effective in promoting the performance of human resources (Pfeffer, 1995). Although this approach garners substantial empirical support (Cappelli & Neumark, 2001; Combs, Liu, Hall, & Ketchen, 2006; Delery & Doty, 1996; Guthrie, 2001; Huselid, 1995; Ichniowski, Shaw, & Prennushi, 1997), the best practices perspective only conveys a general high performance philosophy but does not fully articulate the complex HRM in effect (Pfeffer & Sutton, 1999). For instance, a philosophy of selective hiring or pay for performance can be implemented using many different practices, focusing on different skills and performance aspects. Indeed, organizations vary in their actual decision to adopt these best practices (Ichniowski, Kochan, Levine, Olson, & Strauss, 1996). In addition, as these best practices are explicit and uncomplicated, they alone are not sufficient to sustain competitive advantages of organizations (Reed & DeFillipi, 1990).

The contingency perspective has mostly used the market positioning typologies developed in the strategic management field almost 30 years ago (Miles & Snow, 1984; Porter, 1980), considering these typologies as firm- or industry-level contexts that organizations align HRM with (Arthur, 1992; Datta, Guthrie, & Wright, 2005; Delery & Doty, 1996; Youndt, Snell, Dean, & Lepak,

1996). The argument is that “more is better” only applies to differentiation strategy, but not cost leadership. These generic typologies are also not articulate enough with regards to HRM contexts (Becker & Huselid, 2006). Instead, essentially two sets of philosophies and practices are advocated (Becker, Huselid, & Beatty, 2009). In addition, this perspective is limited to the comparison of market positioning between industries or firms, without taking into consideration the internal contexts, which are increasingly recognized as a critical source of competitive advantage (Makadok, 2001).

The current paper aims to contribute to the macro HRM field in several ways. First, it is among the first to use resources- and capabilities-based views to more clearly articulate the positioning of HRM. Under the increasingly competitive environment, the secret to success does not rely on the unambiguous best practices or generic market positioning, but on the idiosyncratic and inimitable resources and capabilities that organizations possess to implement their strategies (Becker & Huselid, 2006; Teece, Pisan, & Shuen, 1997). Here resources are narrowly defined as all acquired and developed assets that can contribute to strategy implementation, and capabilities refer to the developed abilities to deploy resources (Amit & Schoemaker, 1993; Dutta, Narasimhan, & Rajiv, 2005). HRM is responsible for creating business resources and capabilities that have at least two attributes in order to sustain competitive advantage: first, they have to be valuable, which means that resources and capabilities should directly contribute to

the success of business strategy implementation (Barney, 2001; Priem & Butler, 2001); and second, they have to be inimitable, which dictates that they have to be complex and often specific to each organization (Barney, 1991; Reed & DeFillipi, 1990). This latter requirement is, paradoxically, contrasted with the generic differentiation argument (Teece et al., 1997). Therefore, one important assumption of this paper is that organizations demand heterogeneous rather than generic capabilities to succeed (Koch & Mcgrath, 1996). These capabilities in turn provide specific anchors for HRM configurations. One central goal of the paper is to determine the heterogeneous strategic resources and capabilities that are essential for organizations' unique niches, and examine the role of HRM in meeting these idiosyncratic business needs.

Second, this paper is among the first to examine the recent arguments of HRM differentiation within organizations (Huselid, Beatty, & Becker, 2005a; Zhou & Hong, 2008). Whereas traditional HRM research has typically assessed the extent to which universal HRM practices exist in organizations, regardless of to whom these practices are applied to, there are more and more arguments and indications that different jobs (Huselid et al., 2005a) and different people (Lepak & Snell, 1999) in organizations are managed differently. This is aligned with the first part of understanding the effect of HRM using strategic capabilities as the goals and outcomes of analysis (Becker et al., 2009). Different strategic capabilities of organizations endow various positions with different strategic

value – some are more central to the strategic capabilities than others (Huselid et al., 2005a). In order to effectively create strategic capabilities, a disparate rather than universal investment in certain positions may yield higher returns for organizations. Therefore, this paper aims at understanding organizations' ability to identify the strategic positions that are important for realizing business strategies and its subsequent impact on creating strategic capabilities.

Third, in order to further unravel the “black box” and to understand idiosyncratic HRM in practice, there is a growing need to focus on a targeted context (Lepak, Liao, Chung, & Harden, 2006). A comprehensive understanding of the specific strategic capabilities needed for organizations and their corresponding strategic jobs and HRM practices requires a narrowed and targeted strategic focus. This paper complements the vast body of macro HRM research conducted in the manufacturing industry by focusing exclusively on service (Batt, 2002) for several reasons. Firstly, the unique attributes of “prototypical” service such as intangibility, simultaneity of production and consumption, labor intensiveness, and customer participation may render the management of service different from manufacturing (Bowen, Siehl, & Schneider, 1989; Jackson, Schuler, & Rivero, 1989; Mills, Hall, Leidecker, & Margulies, 1983). A meta-analysis showed that high performance work systems had a differential effect on manufacturing versus service industries (Combs et al., 2006). Hence, recently researchers configured a high performance work system with a specific objective

of service quality (Liao, Toya, Lepak, & Hong, 2009).

Secondly, service has become a significant aspect of peoples' lives. As such, many organizations "are beginning to view service quality or service excellence as a strategic imperative or, at a minimum, a strategic opportunity" (Schneider, 1990; p. 399). Service capabilities have become an essential element for most organizations (Ray, Barney, & Muhanna, 2004). Despite the significance, there is scant endeavor in strategic management that focuses on service capabilities, as well as a missing linkage between marketing and management perspectives (Schneider, Bowen, Ehrhart, & Holcombe, 2000). On the one hand, strategic management research most often examines knowledge management and innovative capabilities (Galunic & Eisenhardt, 2001; Subramaniam & Youndt, 2005; Zahra & George, 2002); very scarce efforts have been placed on service capabilities. On the other hand, marketing and management researchers focus on different parts of the service profit chain: marketing researchers often analyze from the angle of customers to understand their needs and expectations (Bowen & Schneider, 1988; Szymanski & Henard, 2001); while researchers in the management field often start with how organizational management can be translated into customer "delight" (Bowen & Schneider, 1988; Schneider & Bowen, 1985; Schneider & Bowen, 1999). The current paper, therefore, is aimed at drawing from all three perspectives and proposing a model delineating customers' different expectations for service quality (Parasuraman, Zeithaml, &

Berry, 1985) and their implications for strategic capabilities and management practices.

Thirdly, focusing on service management can help us tackle some remaining puzzles in HRM research in terms of 1) the variations and 2) the bundling of HRM practices (Delery, 1998; Delery & Doty, 1996; Lepak et al., 2006). In previous research on best HRM practices, a high performance culture was commonly advocated, yet such a culture could be exemplified and conveyed differently through subtle distinctions in HRM, which were often not articulated. For instance, extensive training can focus on specialized versus generalized skills; teamwork can be further exemplified as functional teams or cross-functional teams; performance appraisal can specifically emphasize behaviors or results; performance-based pay can be anchored to individual performance versus collective performance; and so on and so forth. Focusing on a specific context thus allows the fine-tuning of practice foci to strategic capabilities. In addition, there has not been a consistent configuration of HRM systems (Delery, 1998). A targeted system focus for different aspects of service quality provides theoretical reasons why certain practices need to be bundled together to create desired strategic capabilities.

In sum, this paper aims to draw from research accumulated in strategic management, human resource management, and service management in order to understand the question of how to more accurately differentiate HRM systems to

create strategic capabilities and make bottom-line differences for service organizations. Towards this goal, I develop a model that delineates service management processes from strategy formulation to implementation, and highlights the important concept of fit between management architecture and strategic capabilities.

Literature Review

Universalistic Approach

The field of macro HRM has gained its momentum over the past decades partly due to the increasing recognition of the strategic value of human resources (HR) in enhancing organizations' competitive advantage (Pfeffer, 1995). The best practices perspective first argues for a high performance philosophy - instead of treating labor as a cost center, organizations should invest in a set of human resources best practices to enhance employees' motivation, ability and discretion to perform (Huselid, 1995; Lepak et al., 2006; Wright & Boswell, 2002). Selectivity in recruiting and selection, for example, conveys a message that a company values outstanding employees, which will not only contribute to the attraction and retention of elite employees, but also motivate the employees to work harder, thereby will almost always contribute to labor productivity (Koch & Mcgrath, 1996; Pfeffer, 1995; Terpstra & Rozzel, 1993).

Although the best practices perspective has gained some empirical support, such as the demonstrated superior performance of various commitment HR systems (Arthur, 1994), innovative HR practices (Ichniowski et al., 1997), high performance work systems (Datta et al., 2005; Delery & Doty, 1996; Huselid, 1995), and high involvement HR systems (Batt, 2002; Guthrie, 2001), it also provides opportunities for future research. First of all, there has not been a consistent conceptualization of one best practices system (Delery, 1998). Instead,

various empirical studies demonstrate that such best practices often depend on the targeted strategic objective, suggesting a need to further articulate differences in HRM. Second, a one-size-fits-all solution cannot adequately explain the complex reality and leads to a “knowing-doing gap” (Pfeffer & Sutton, 1999). The best practices in their generic form convey a high performance philosophy, but do not detail different routes to achieve high performance. For example, “pay for performance” can be implemented in myriad ways depending on the performance anchors; and “teamwork” can exhibit many different dynamics. Finally and perhaps most importantly, these generic best practices may yield diminishing return as more and more organizations implement them (Becker et al., 2009). According to the resource-based view (Barney, 1991), the definition and composition of best practices are neither tacit nor complex, thus they may not be able to sustain competitive advantages of organizations (Reed & DeFillipi, 1990).

Contingency Perspective

The contingency perspective introduces more complexities to HRM, in that certain industrial or organizational contexts such as market positioning strategies are taken into account (Delery & Doty, 1996). According to the behavioral perspective of HRM (Jackson & Schuler, 1995), an important task of HRM is to convey a message of desirable behaviors to employees according to business needs. Therefore, HRM practices vary according to business strategies.

Empirical evidence for the contingency perspective is meager, perhaps in part

due to the limited conceptualizations of strategy. Most studies relied on derivatives of the traditional industrial organization school of market positioning, such as using *cost leadership* and *differentiation* (Porter, 1980) as a simple dichotomy for HRM external strategic foci. For instance, comparisons have been made between “control” and “commitment” HR systems (Arthur, 1994), “high road” and “low road” strategies (Osterman, 1994), “human-capital-enhancing” and “administrative” HR systems (Youndt et al., 1996) etc. to examine their appropriateness under each context.

A simple and generic strategy dichotomy, however, may not be adequate for future strategic HRM research (Becker & Huselid, 2006). Cost leadership is sustainable only when organizations possess unparalleled asset massive efficiency (Barney, 1986). Moreover, as researchers point out, an adherence to generic market positioning in essence equates to two generic best practices systems (Becker et al., 2009), which are still not sufficient to articulate variations in HRM practice. Recent research in strategic management suggests that industrial market positioning can only illuminate organizations so far; the sustainable competitive advantage of organizations in the increasingly competitive environment to a larger extent depends on the internal resources and capabilities to realize strategies (Makadok, 2001; Reed & DeFillipi, 1990), which may provide a more specific context for configuring HRM.

Theory Development

Resources- and Capabilities-Based Views

As discussed above, there lacks an effective strategy schema in the industrial organization school to fully explicate the applications of HRM. Porter's market positioning typology suggests winning competitive advantage through placing a firm at the right industrial position to effectively gain market rent. The resource-based view, on the contrary, inherits the Ricardian perspective arguing that rent accrues from internal idiosyncratic and inimitable resources and capabilities to implement strategies (Barney, 1991; Barney & Wright, 1998; Reed & DeFillipi, 1990). Although resources have been broadly defined as all factors that can contribute to firm competitive advantage, which may subsume capabilities (Barney, 1991), here resources narrowly refer to firms' acquired assets, to be differentiated from the Schumpeterian perspective of capabilities, which is the internal ability to maximize rent with given resources (Dutta et al., 2005). Being a superior "stock picker" and "architect" (Makadok, 2001), firms can acquire, develop, and exploit various forms of resources to create competitive advantages (Eisenhardt & Martin, 2000; Wernerfelt, 1984).

Two main assumptions underlying the resource-based view are that firms are heterogeneous with respect to the strategic resources (physical, organizational, or human) that they control and that these resources are not perfectly mobile within the factor market (Barney, 1991). Resources that are not easily tradable in the

factor market but need to be built on a history of accumulation are most critical to sustain competitive advantage (Dierickx & Cool, 1989). Based on these assumptions, companies that control valuable, rare, imperfectly imitable and non-substitutable capabilities are able to generate sustained competitive advantages (Barney, 1991). An example was Microsoft's successful acquisition of the MS-DOS system in 1980 which sustained its competitive advantage over the next decades. This was in part due to its rare a-priori information about IBM's subsequent needs for computer operating systems (Makadok, 2001). For hotels, one important form of resources is their properties, such as the location and rooms. Hotels that are able to secure a valuable location (such as at the center of Time Squares) or a rare property (such as a historic building) should possess either superior information or massive asset efficiency (Barney, 1986; Dierickx & Cool, 1989), or otherwise, luck (Barney, 1986), and will subsequently possess competitive advantage.

The capability-based view extends the resource-based view in that it answers the question of why organizations that possess equivalent resources demonstrate different performance (Sirmon, Hitt, & Ireland, 2007; Teece et al., 1997). An analogy would be auto racing: the ultimate performance depends first on the make of the car that the drivers choose (which is based on the drivers' information and asset); when the quality of the cars is equivalent, the ultimate success of the race depends on the racers' capabilities to drive the car. The capability-based view is

substantiated by the recent failures of many Wall street and Main street organizations that used to possess valuable resources but were not capable of deploying the resources wisely at certain points. While certain resources can be acquired from the factor market, the strategic capabilities to convert given resources into maximum returns are built within organizations and cannot exist without the organizations (Makadok, 2001). While “resource-picking” activities rely on “cognitive and information factors”, “capability-building” activities happen mostly after resources are acquired and emphasize on “structural factors”. Take the hotel industry for example, the initial decisions to invest in real estates or franchise properties may depend on superior information and asset. Later successful management of the property, however, relies more on the day-to-day capabilities to maintain and utilize the resources, an important aspect of which is human resource management.

The resource-based view changes the way how strategy is conceptualized and leads strategic management researchers to believe that industrial positioning is sustainable only when it is supported by inimitable internal competencies to implement the strategies. In other words, it is the resources and capabilities of organizations that enable the inimitability of strategies (Wright, McMahan, & McWilliams, 1994). In addition, it challenges the assumption of universally effective business strategies - their generic nature dictates that they are not rare thus cannot sustain competitive advantages of organizations (Barney, 1991).

Therefore, sustained competitive advantages do not center on business positioning strategies, but on building heterogeneous and inimitable strategic capabilities that are embedded to achieve a given strategy (Brush & Artz, 1999), which can help further understand the differences in HRM.

Heterogeneous Strategic Capabilities

The idea of “exogenous” strategic contexts determining heterogeneous capabilities echoes the conceptualization of “contingent resource-based view” (Aragon-Correa & Sharma, 2003), which argues for the heterogeneous value of resources and capabilities under different contexts. Although there have been numerous debates about the parameterization of value and rarity, the central idea is that if the resources can “exploit opportunities and/or neutralize threats in a firm’s environment” (Barney, 1991; p. 105), and that if there are less firms that possess such inimitable resources than would be in a perfect competition market, then they can create competitive advantages for firms (Barney, 2001; Priem & Butler, 2001). Research examines strategic capabilities as unique to the industry. For the money market mutual funds, a distinguished capability to predict short-term interest rate was shown to be very important for the gross financial performance of the fund (Makadok & Walker, 2000). Such capability may have a less direct effect on stock market funds. Strategic capabilities can also vary within industries depending on the strategic focus and developmental paths of organizations (Eisenhardt & Martin, 2000). Both as bookstores, Borders pursued a

real-time inventory strategy to meet customers' diversified and immediate demands and subsequently developed an information system that enabled the capabilities to do so; Barnes & Nobles', in contrast, followed a low price strategy to provide affordable books, thus developed its scale and scope to create such operational excellence (Raff, 2000). Therefore, different sets of capabilities enabled these two book stores to succeed on their unique strategic foci, which had substantial implications for designing and differentiating HRM between the stores. In what follows I will elaborate on the targeted strategic foci and the needed capabilities for service organizations.

Hypothesis 1: Depending on the strategic focus, different strategic capabilities will contribute to firms' competitive advantage.

Focusing on the Service Strategies

As capabilities that contribute to business successes are heterogeneous and ambiguous, to comprehensively understand their relationships, there is a need to focus on a specific context (Brush & Artz, 1999). Most previous research on strategic and dynamic capabilities examined knowledge-based capabilities such as R&D and knowledge innovation (Dutta et al., 2005; Leonard-Barton, 1992; Rothaermel & Hess, 2007). Very scant efforts, however, have been placed on customer service capabilities, which are becoming increasingly important. In fact, 65% - 75% of the workforce employed in the manufacturing industries in the United States are performing service tasks (Horwitz & Neville, 1996). Service

directly determines customers' perception of service quality (Bowen et al., 1989) and organizations' future shareholder returns (Ogden & Watson, 1999). Customer service capability is an important focus of organizations and will be targeted in this paper.

“Prototypical” service is often narrowly defined by interpersonal aspects, emphasizing the unique attributes of intangibility, simultaneity of productions, sales, purchases, and consumptions, labor intensiveness, and customer involvement in service delivery (Mills et al., 1983). In fact, service and production are often inseparable (Shostack, 1977). Service varies along the degree of intangibility: service can be directed to people (e.g., hairstyling), to intangible goods (e.g., banking), and to tangible goods (e.g., cleaning) (Kelly, Donnelly, & Skinner, 1990). When selling products, service is also often involved, which is considered value-adding to products' tangible attributes (Horwitz & Neville, 1996) and can influence customers' perceptions of product quality (Bowen et al., 1989). In the hotel industry, the Mobil Travel Guide's definition (Table 1) of different hotels demonstrates that hotels of different star levels vary in both service and tangible aspects. For example, as the star level increases, the tangible establishments upgrade from “clean, comfortable and reliable”, to “exceptionally distinctive luxury” and with “expanded amenities”; while services improve from “limited” to “consistently superlative” with “attention to detail and the anticipation of guests' every need” (Mobil-Travel-Guide, 2008). Therefore, in this

paper, service is broadly defined as the delivery of all non-goods producing activities which may include both tangible and intangible aspects.

Insert Table 1 about here

Service Market Positioning Strategies. As the generic strategy typologies cannot capture the uniqueness of service industries' competitive advantage (Becker & Huselid, 2006), it is necessary to focus on the service context to understand its strategies (Brush & Artz, 1999). According to Andrews (1987), the most fundamental stage of strategic management is to identify the opportunities and threats in the targeted environment in order to gather valuable input for strategy formulation. The process through which a strategy is formulated is a central interest of the industrial organizational school. To conceptualize the strategies that are most applicable to the service context, it is important to understand what customers desire in a service transaction.

The uniqueness of the service context determines that customers not only desire the “instrumentality” of service that is analogous to the utility of products, but more notably, a unique feature of service “expressiveness” (Guttek, Bhappu, Liao-Troth, & Cherry, 1999; Swan & Pruden, 1977) which may be less applicable in a non-service context. This latter customer desire relates to the needs for “tender loving care” and service customization (Schneider et al., 2000). This gives

rise to at least three ways to differentiate: through operational excellence, product leadership, and customer intimacy (Treacy & Wiersema, 1993). *Operational excellence*, by definition, is “providing customers with reliable products or services at competitive prices and delivered with minimal difficulty or inconvenience” (p. 84). *Product leadership* and *customer intimacy* are two aspects of differentiation; the former refers to excelling at providing “tangible” aspects of service, while the latter refers to providing highly personal and expressive service to customers. Take the retail stores, Nordstrom, Sears, Costco, and Wal-Mart for examples, they all differentiate their quality through different means (Delery & Shaw, 2001; Huselid et al., 2005a). At Wal-Mart, the differentiating factor is neither product nor service leadership, but cost leadership enabled by the efficient integration of purchasing, distribution, and the “cross-docking” logistic processes (Stalk, Evans, & Shulman, 1992). Costco distinguishes by its quality and bulk package products, but has very few sales persons available to assist customers. Nordstrom and Sears excel at providing customized service by having qualified sales associates who show understanding and courtesy to assist and communicate with customers. Therefore, these three aspects can be considered three meaningful strategy foci of service organizations, each demanding a different set of strategic capabilities.

Articulating Strategic Capabilities

As argued above, explicit and imitable positioning strategies are not sufficient

to create competitive advantages (Wright et al., 1994). The determining factor is the strategic capabilities to convert organizations' resources into desirable outputs (Becker & Huselid, 2006; Sirmon et al., 2007; Wright, Dunford, & Snell, 2001). The question then is, given a strategic focus, what types of capabilities are strategic? Researchers argue that organizations with the same strategic focus have commonalities in their strategic capabilities whereas the details might vary depending on their contexts and histories (Eisenhardt & Martin, 2000). Integrating arguments from the marketing field (Agarwal, Erramilli, & Dev, 2003), the strategic capabilities of service organizations are derived from "determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors" (p. 68). Two implications can be drawn from this proposition. First, targeted customers have pre-service predictive expectations of service that they will receive in a given transaction (Ziethaml, Berry, & Parasuraman, 1993). Organizations that are capable of providing services that meet or exceed customers' expectation will have higher customer and financial outcomes (Day, 1994). Second, besides customers' expectations, a horizontal comparison with competitors is essential. Organizations that are able to surpass competitors in providing desirable services to customers are more likely to be providers of choice (Sirmon et al., 2007). Therefore, in order to identify strategic capabilities, organizations first need to understand what customers expect and what other competitors offer, both of which may be influenced by

industrial standards (e.g., Mobil Travel Guide).

Strategic Capabilities for Operational Excellence. For an operational excellence strategy, the targeted customers are high on instrumental needs (Gutek et al., 1999; Saporito, Chen, & Sapienza, 2004; Swan & Pruden, 1977).

Instrumentality is defined as the utility or feature of service, such as reliability (dependability and accuracy) and responsiveness (prompt service) (Parasuraman, Zeithaml, & Berry, 1994) relative to price. These attributes are also service search quality, namely, quality that customers can determine prior to receiving service (Brush & Artz, 1999) based on the hotel's star rating. This segment of customers purchase service because there is basic utility or end result of it that satisfies their immediate needs, such as physiological needs (e.g., a good night sleep) (Chiu & Lin, 2004). These customers are only willing to pay the minimum amount of money and time to get the most basic needs met (Treacy & Wiersema, 1993). Service is considered by customers as a means to an end (Swan & Pruden, 1977), but not so much as an enjoyment itself. These customers may not expect having extensive interactions with service providers. For example, customers who go to one-star hotels expect to find "clean, comfortable, and reliable establishments with limited services and amenities" (Mobil Travel Guide).

Service organizations that compete for these customers should have the capabilities to beat the market's price, as well as to provide higher quality to customers, such as superior speed, accuracy, and reliability etc. than competitors

(Fornell, Johnson, Anderson, Jaesung, & Bryant, 1996), among others. As an illustration of excellent responsiveness, Ritz Carlton required employees to address customers' complaints within 10 minutes and follow up with a phone call to make sure customers were satisfied within 20 minutes (Henderson, 1992). Everything being equal, providers that are able to offer cheaper but faster, cleaner, and more reliable service are more likely to satisfy customers. Therefore, I hypothesize that being able to deliver value to customers is critical in gaining competitive advantage among other organizations that focus on operational excellence.

Hypothesis 1a: For firms that compete on operational excellence, the capability to deliver instrumentality to customers is strategic to achieving high financial performance. Such capability does not contribute to higher performance for other strategic foci.

Strategic Capabilities for Product Leadership. For a product leadership strategy, the targeted customers are those who expect high quality tangibles (physical facilities, equipment, the appearance of personnel and communications materials) (Parasuraman *et al.*, 1994). These product qualities are also experience quality, which customers can obtain only after transaction (Brush & Artz, 1999). These customers are willing to pay a price premium not only to get the basic needs met, but also to enjoy the distinctive tangible aspects of service (Lenox, Rockart, & Lewin, 2006; Swan & Pruden, 1977). For example, when evaluating a

restaurant, the quality of food is often the utmost important criteria for many customers, thus customers are willing to pay more to enjoy better food, even when the service may not be the most superlative. Customers who go to three-star hotels expect to enjoy well-appointed establishments with expanded amenities such as a pool, a full-service restaurant, and a fitness center etc. (Mobil Travel Guide). Therefore, in order to succeed in serving customers who value the tangible aspects of service, organizations need to possess the capabilities to provide and maintain quality tangibles, among others, in order to satisfy the customers and receive future patronage.

Hypothesis 1b: For firms that compete on product leadership, the capability to deliver quality tangibles to customers is strategic to achieving high performance. Such capability does not contribute to higher performance for other strategic foci.

Strategic Capabilities for Customer Intimacy. For organizations that focus on a customer intimacy strategy, the targeted customers look for extensive (Mittal & Lassar, 1996) and highly personalized service (Skaggs & Youndt, 2004; Surprenant & Solomon, 1987) that is characterized by assurance (knowledge and courtesy of employees, and their ability to convey trust and confidence) and empathy (care and individual attention to and understanding of customer needs) (Parasuraman *et al.*, 1994). These customers have high social needs such as belongingness, love, and esteem etc. Expressive service is perceived by these

customers as an end or an enjoyment in itself (Swan & Pruden, 1977), and customers are willing to pay a price premium for the finest service (Lenox et al., 2006). As such, the interaction between employees and customers during service constitutes another indispensable component that is valuable to customers and strategic to organizations. For example, a good restaurant may provide quality food, but a great restaurant may also provide excellent service that shows care and respect, satisfying customers' expressive or relational needs. Likewise, customers of five-star hotels would expect to enjoy "consistently superlative services" featured by "attention to details and the anticipation of guests' every need" (Mobil Travel Guide).

There are at least two ways to provide customer intimacy: to provide more or exact choices for customers (outcome personalization), or to serve customers one-on-one based on their needs (process personalization) (Surprenant & Solomon, 1987). As an example of the first approach, Ritz Carlton operated a database for guests who maintained a relationship with the hotel, which provided front-desk employees across properties nationwide with access to guests' preferences such as smoking or non-smoking rooms, rose or wine in the evening, and preferences of pillows etc., such that they could consistently cater service to guests' exact needs (Henderson, 1992). As well, providers can personalize service processes by encouraging "pro forma" courtesy such as small talks and remembering customers' names, by helping customers find out what they desire,

or by catering service to their unique physical appearance and conditions and personal preferences (Surprenant & Solomon, 1987). One example was that Ritz Carlton trained employees to follow three steps of service: to greet guests with their names, to meet guests' needs, and to say farewell to guests again using their names. They also had a philosophy that an employee should not tell guests directions. Instead, they would personally lead the guests to their desired destinations (Henderson, 1992). Therefore, organizations that provide service expressiveness at a level that is superior to competitors, among others, will have a competitive advantage among organizations that similarly compete on customer intimacy.

Hypothesis 1c: For firms that compete on customer intimacy, the capability to deliver expressiveness to customers is strategic to achieving high performance. Such capability does not contribute to higher performance for other strategic foci.

To sum up, firms that effectively develop the strategic capabilities that are essential for their strategic focus are more likely to outperform those that are unsuccessful in creating such capabilities. As discussed above, valuable resources “enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness” (Barney, 1991; p. 106). Strategic capabilities, in turn, enable firms to acquire, accumulate, allocate, combine, deploy, and utilize valuable resources to achieve business goals (Makadok, 2001; Schreyogg & Kliesch-Eberl, 2007; Sirmon et al., 2007). As such, the possession of strategic capabilities will

contribute to firms' performance. Being able to deliver instrumentality to customers looking for low cost and efficiency, quality tangibles to customers looking for physical enjoyment, and expressiveness to customers looking for tender loving care service, service organizations are more likely to meet and/or exceed targeted customers' expectations thus have more favorable perceptions of service (Gotlieb, Grewal, & Brown, 1994; Szymanski & Henard, 2001) and future purchase behaviors from customers (Boulding, Kalra, Staelin, & Zeithaml, 1993; Zeithaml et al., 1993), which in turn, are essential for companies to ensure future profitability.

Configurations of Human Resource Management

Given different sets of capabilities, the question then is, how can HRM facilitate building such capabilities? The service profit chain model links management practices with desired service: namely, organizational practices are translated into employee service behaviors, which in turn lead to customer satisfaction and loyalty, and subsequently higher sales and financial performance of organizations (George & Bettenhausen, 1990; Heskett, Sasser, & Schlesinger, 1997; Schneider, 1990). In this vein, I will focus on how HRM can contribute to creating strategic capabilities of organizations.

External fit with strategic focus. Contingency or external fit theories (Baird & Meshoulam, 1988; Delery & Doty, 1996; McMahan, Virick, & Wright, 1999) assert that in order to execute business strategies, organizations have to first

envision a workforce that is able to create the strategic capabilities, and then configure human resource management practices that will create such a workforce (Huselid, Becker, & Beatty, 2005b). Due to limited resources, it is often difficult and expensive to create all capabilities of superior performance simultaneously (Bowen et al., 1989; Cappelli & Neumark, 2001). Instead, there are different approaches to strategic management (Nag, Hambrick, & Chen, 2007). The assumption is that companies that adopt a system that aligns with the suggested profile of the desired strategic capabilities will be more effective (Van De Ven & Drazin, 1985; Venkatraman, 1989).

Internal fit as a configuration. Aside from the external fit of HRM with strategic capabilities, researchers also emphasize the configurational or internal fit among HRM practices (Baird & Meshoulam, 1988; Delery & Doty, 1996), i.e., how the practices influence performance as a bundle. This argument is coherent with the resource-based view which believes that one determinant of ambiguity is the internal complexity that resides in the relation among multiple practices (Reed & Defillipi, 1990). It also echoes the strategic capabilities argument which states that the complementarity among strategic processes is often what constitutes inimitability (Teece et al., 1997). There have been inconsistencies, however, in configuring the bundle of high performance work practices (Ichniowski et al., 1996).

Towards this question, I argue that there is no one best bundle, but different

configurations of HRM based on an underlying theory that are effective for different strategic capabilities. I use the framework of required human capital, social capital, and the management of employees' motivation and empowerment (Batt, 2002; Becker & Huselid, 1998; Combs et al., 2006; Delery & Shaw, 2001; Huselid, 1995; Lepak et al., 2006; Wright & Boswell, 2002; Youndt, Subramaniam, & Snell, 2004) to illustrate the configuration of HRM and to visualize a desirable workforce for the desired service capabilities. This is referred to as fit as "bundles" approach (Guest, 1997), which assumes that there are different combinations of practices that can be effective and that it is the configuration of certain practices that makes a difference.

First of all, employees need the right knowledge, skills, and abilities that are aligned with the strategic capabilities to create value for the firm (Jackson & Schuler, 1995; Wright et al., 1994). Certain HR practices bundled together can create, develop, deploy, and retain desirable human capital that is essential for organizational success (Lepak & Snell, 1999). For example, recruiting, selection, and training are useful practices that can attract, acquire, and develop employees' knowledge, skills, and abilities to serve customers (Liao et al., 2009). Although the importance of human capital is widely recognized, there has been limited effort in linking different human capital with different strategic capabilities, such as differentiating generalized versus specialized skills (Batt, 2002; Bhattacharya, Gibson, & Doty, 2005; Coff, 1997; Liao, Toya, Lepak, & Hong, 2007; Macduffie,

1995; Zacharatos, Barling, & Iverson, 2005). This paper argues that HRM needs to be specifically designed to create human capital that is most important for the needed strategic capabilities.

Second, employees are not isolated individuals but are embedded in social relationships with supervisors, coworkers, subordinates, clients, and partners etc. (Brass, 1995). The interpersonal dynamics also need to be aligned with the strategic capabilities of the firm. Social capital theory has advocates for strong ties and weak ties (Collins & Clark, 2003; Reagans, Zuckerman, & Mcevely, 2004). On the one hand, the private good perspective (Brass, Galaskiewicz, Greve, & Tsai, 2004) and structural hole theory (Burt, 1997) upholding individuals' outreaching network ties and private resources may be amenable for companies in which individuals take full responsibilities for their tasks and individual contributions are encouraged. On the other hand, a public good and network closure perspective (Coleman, 1988) supporting collective coherence may be applicable in situations where a unified culture and a cooperating mechanism are desired. Therefore, whether to create a collective, cohesive or individualistic, outreaching social structure depends on the strategic capabilities of the organization, as well as the makeup of human capital.

The design and configuration of HRM practices, such as teamwork, information sharing, and rewards, can facilitate the creation of preferred social capital, i.e., the desired structural, relational, and cognitive interactions among

employees, which can then substantially influence work outcomes (Gant, Ichniowski, & Shaw, 2002). Previous research in HRM, however, has not clearly employed theories of social capital. For example, researchers generally conceptualize teamwork as a useful practice to solicit higher performance (Datta et al., 2005; Guthrie, 2001; Ichniowski et al., 1996). Yet, there is little differentiation between different types of teams, such as temporary teams and stable teams, and functional and cross-functional teams. Therefore, there is a need to align the configuration of social capital with the human capital composition and the strategic capabilities.

Finally, even for employees who have the right skills and social capital to perform, they need to be motivated properly to display desirable behaviors to contribute to the strategic capabilities of the firm (Wright et al., 1994). Expected behaviors that are matched with strategic needs vary along flexible versus inflexible (Bhattacharya et al., 2005), independent versus cooperative, concern for process versus for outcomes, and narrow versus broad skills applications etc. (Wright & Snell, 1998). Such desirable behaviors enabled by their motivation and commitment are also managed by various combinations of HR practices (Liao et al., 2007; Schuler & Jackson, 1987; Zacharatos, Hershcovis, Turner, & Barling, 2007). For instance, practices such as recruiting and selection, socialization, performance appraisal, rewards and punishment establish expectations for employees to display desirable behaviors such as knowledge sharing and

combination (Collins & Smith, 2006), passion for service (Schneider, Wheeler, & Cox, 1992) and positive emotions to customers (Sutton & Rafaeli, 1988).

However, previous research often generally asserted that pay for performance was an effective way to motivate employees (Datta et al., 2005; Delery & Doty, 1996; Guthrie, 2001; Zacharatos et al., 2005), without taking into account the kind of performance being paid for, nor the important difference between pay for individual performance and pay for collective performance (Macduffie, 1995). Therefore, HRM practices also need to be tailored to the desired motivation and behaviors of employees.

Taken together, by focusing on targeted strategic capabilities, this paper adheres to two rationales for configuring HRM to meet strategic needs. First, according to the strategic capabilities of service organizations, certain workforce human capital, social capital, and motivation are desired, which are enabled by different configurations of HRM practices. Second, the horizontal alignment of HRM practices that serve a common strategic goal will further strengthen the effects of HRM systems. Therefore, the assumption is that there is an effective profile of HRM system for each strategic focus; the greater the alignment of HRM with the effective profile, the more likely the organizations will be able to create the strategic capabilities desired for their strategic foci. In what follows I will spell out the rationales of the effective profiles for each strategic focus of service organizations.

Hypothesis 2: An alignment between firms' strategic focus and HRM is more likely to create desired strategic capabilities.

Efficiency-Oriented HRM. As defined above, an operational excellence strategy aims at reducing costs and delivering basic quality services that are inexpensive, readily available, convenient, and fast (Bowen et al., 1989; Gutek et al., 1999; Schneider & Bowen, 1999). Organizations in this segment thus have to balance cost and quality – research showed that no product line adopted both strategies at the same time (Nayyar, 1993). From customers' standpoint, research showed that customer satisfaction was influenced to a greater extent by service quality than by cost (Fornell et al., 1996) - customers were more sensitive to variations in service quality than price. As such, effective operational excellence implies streamlining processes and improving mechanisms to reduce cost without sacrificing basic quality (Treacy & Wiersema, 1993).

One important factor in considering management structure is the extent of uncertainty. Given needed strategic capabilities of operational excellence, there may be less uncertainties associated with serving this customer segment in terms of their needs and expectations – instrumentality at low cost. Organizational theories suggest that a typical measure that works in such an environment is a mechanistic system (Burns & Stalker, 1961). Efficiency is realized through “aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of

marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on” (Porter, 1980; p. 35).

The human capital component for an operational excellence strategy is likely to emphasize manual skills (Youndt et al., 1996) and basic demeanors only, due to the simplified tasks, clear division of labor (Weber, 1924), standardization of service process, reduced discretion of employees (Huselid et al., 2005a), and in some situations, substitution of employees by equipment and systems (Horwitz & Neville, 1996; Thompson, 1967). As turnover rate for such service positions is often high, investment in human capital is limited. Training usually only includes company policies and procedures, corrective actions training (Youndt et al., 1996), and basic on-the-job training (Schlesinger & Heskitt, 1991). Rewards are also tied to basic skills. In fact, many companies often benchmark the lowest market rate (Huselid et al., 2005a). In addition, in order to further reduce cost, one effective way is to hire non-traditional employees such as part-timers and contractors (Schuler & Jackson, 1987).

The motivational mechanisms under operational excellence are also likely to focus on quantifiable results. First, there are generally very few opportunities provided for employees to use their discretion or vary in performance (Schuler & Jackson, 1987). Employees under this scheme are often rewarded on the quantity of service they produce, instead of the quality (Schuler & Jackson, 1987).

Therefore, managerial practices need to be in place to standardize and clearly

define service delivery processes to ensure that service performance by employees will meet companies' requirements (Gutek et al., 1999). Second, in order to further ensure service consistency when employees serve "encountering" customers, organizations may use unobtrusive monitoring functions (Bowen et al., 1989; Gutek et al., 1999) and command and control (Youndt et al., 1996). This approach is applicable when employees have limited discretion. In fact, many department stores, grocery stores, and call centers use monitoring to ensure service quality (Sutton & Rafaeli, 1988). Some companies even invite customers to help monitor employees' performance. A store in Hayward, California provided a five-dollar incentive for customers to report clerks who did not exhibit welcome greetings and smile (Sutton & Rafaeli, 1988).

Finally, there is a low emphasis on the development of social capital among employees. There are many reasons for this: employees work on shifts and may have to work with different people at each shift; many employees have a very short tenure of working with a particular service company or at a particular position; they only focus on their particular task function without having to interact with other employees etc. Therefore, there is very little utility for employees to develop interpersonal bonds (Lawrence & Lorsch, 1967). Instead, teamwork is coordinated by the system itself (Schuler & Jackson, 1987; Weber, 1924).

In sum, the efficiency-oriented HRM practices that are suggested for

operational excellence are: selection based on basic demeanor, training on rules and task-specific skills, internal monitoring, evaluations based on error-free performance, compensation based on lowest market rates, clear division of labor, specific job description, and basic information sharing systems.

Hypothesis 2a: For firms that focus on operational excellence, implementing efficiency-oriented HRM is more likely to enable delivering instrumentality to customers than not implementing such HRM. Efficiency-oriented HRM does not contribute to strategic capabilities of other strategic foci.

Reliability-Oriented HRM. For organizations competing on product leadership, which is comparable to the quality strategy in manufacturing (Youndt et al., 1996), it is important to possess the capability to deliver quality tangibles (Parasuraman et al., 1985). There are very different demands of human capital, motivation, discretion, and social capital of employees and subsequently different HRM focus than an operational excellence strategy. Organizations need to inculcate a quality-orientated service climate and culture (Bowen *et al.*, 1989; Schneider *et al.*, 1992) and leadership's commitment to quality (Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2005).

First, these organizations emphasize in-depth and *specialized* human capital (Wright & Snell, 1998). As the quality that customers demand is distinguished in tangible aspects, these targeted customer needs are also mostly predictable and can be satisfied in given ways. Specialized human capital, according to

organizational theorists, is most valuable under such a stable context (Hannan & Freeman, 1977). HRM practices such as recruiting, selection, training, reward, and retention of the specialized human capital that fits the company's strategic capabilities are particularly important (Youndt et al., 1996). In particular, selective hiring and in-depth training on the specialized skills to each job may prove beneficial to developing the needed specialization (Johnson, 1996; Schneider et al., 1992). Pay for specialized skills that are particular to the employees' jobs is also helpful for encouraging the development and retention of such skills (Wright & Snell, 1998).

Second, a climate for quality is also transmitted to customers through the way employees interact with each other, i.e., the social capital among employees. Given the specialized human capital among employees, each employee may not know everything needed to carry out a task. Thus, an organic structure characterized by effective teamwork and communication between employees is key (Burns & Stalker, 1961; Lawrence & Lorsch, 1967). In particular, functional teamwork among employees is essential for members to develop idiosyncratic knowledge of the team, trust, and common communication protocols (Nahapiet & Ghoshal, 1998; Thompson, 1967). Also, a long-term team relationship is desirable because targeted customer needs are stable, and the development of specialized knowledge takes time to accumulate. In addition, strong ties among employees are critical for establishing a pleasant emotional front for serving customers.

Employees who are closely tied to each other can develop trust and strong norms across the company (Nahapiet & Ghoshal, 1998). Under such a work relationship, employees are more likely to convey “a sense of oneness” to the customers, which is considered an integral part of quality service. As such, HRM practices aimed to reduce employees’ status differentials and to have fewer levels in the hierarchy are important (Pfeffer, 1998; Schuler & Jackson, 1987).

Third, employees’ motivation to improve quality is cultivated by HRM practices that convey an appreciation of superior quality (Schneider, 1990). For example, rewarding behaviors that lead to high performance is a useful way of sending such a message (Horwitz & Neville, 1996). In particular, rewards need to emphasize collective service performance in order to reinforce the trusting environment (Heckscher, 2007). Also, it is important to recognize that employees tend to treat customers the way organizations treat them. Organizations that provide employees with resources (logistical, administrative, equipment) and managerial support (Schneider & Bowen, 1985) are more likely to have reciprocations from employees.

Another component that motivates employees is appropriate discretion (Delery & Shaw, 2001). As employees have specialized skills and the coordination among team members is often scripted, it allows a more explicit description of job responsibilities (Schuler & Jackson, 1987). However, it is important that employees are endowed with opportunities to make suggestions

and receive important information in order to ensure quality (Horwitz & Neville, 1996). Finally, providers place an emphasis on providing feedback of service quality based on internal evaluations of specific job performance.

To sum up, reliability-oriented HRM practices that are effective for product leadership include selective hiring and extensive training on task-specific skills, performance evaluation and compensation based on department performance, promotion and functional teams within departments, specific job description, suggestion, information sharing systems, and internal feedback.

Hypothesis 2b: For firms that focus on product leadership, implementing reliability-oriented HRM is more likely to enable delivering quality tangibles to customers than not implementing such HRM. Reliability-oriented HRM does not contribute to strategic capabilities of other strategic foci.

Flexibility-Oriented HRM. The goal of customer intimacy strategy is to offer expressive services that are varied based on individual customers' needs (Bowen et al., 1989; Schneider et al., 2000). It is important for these companies to personalize services and establish one-on-one service relationships. Typical measures that are used by customers to evaluate quality are empathy and assurance (Parasuraman et al., 1985). In these situations, customers' needs are addressed case-by-case, which can be interpreted as an uncertain context that dictates a more organic (Burns & Stalker, 1961), interpersonal-oriented (Lawrence & Lorsch, 1967), and flexible (Mills et al., 1983; Wright & Snell, 1998;

Youndt et al., 1996) system. This requires that employees have discretion to handle spontaneous situations and have broad knowledge and information to carry out proper tasks (Batt, 2002; Horwitz & Neville, 1996; Wright & Snell, 1998). Flexibility here refers to the internal adjustment of employees' skills, behaviors, and coordination to meet customers' idiosyncratic needs (Bhattacharya et al., 2005), which is distinguishable from the macro conceptualization of dynamic capabilities (Teece et al., 1997) or the flexibility of HRM systems (Wright & Snell, 1998).

The capability for expressiveness demands human capital of breadth and integration rather than depth and specialization, because individual employees are responsible for satisfying a customer on a wide array of service demands. The type of human capital required should be generalized to cope with request uncertainties, to solve various problems, and to develop needed skills in the future (Batt, 2002; Wright & Snell, 1998). As such, practices of selective hiring, extensive training, and rewards for generalized skills are helpful for acquiring, developing, and retaining such skills (Batt, 2002; Skaggs & Youndt, 2004; Youndt et al., 1996). As individuals with desirable broad skills that are specific to the firm are very valuable to the company, actions such as broad internal career opportunities should be taken to develop and retain these employees (Batt, 2002; Lepak & Snell, 1999).

The social capital attribute that is ideal for flexibility is weak ties rich in

structural holes (Blyler & Coff, 2003). As customer demands are diverse, even when employees have very generalized skills, they may not be able to manage all requests alone but have to seek assistance from other functions internally and externally. The simultaneity of service production and consumption also demands prompt responses to problems (Mills et al., 1983). In order to facilitate problem solving, temporary teams are desired such that different functions can be integrated to address difficult problems (Batt, 2002; Heckscher, 2007). Ritz Carlton, for example, solved a customer complaint regarding slow elevators by creating a cross-functional team, consisting of housekeeping, laundry, and room-service workers, which found out that the problem originated from poor management of linens (Henderson, 1992). Employees also have to be able to locate certain resources when needed. A working environment that is characterized by weak ties that facilitate a broad reach across a wide range of employees may be the most appropriate (Granovetter, 1973).

Various management practices can be used to motivate employees to deliver expressive service. First, personalization of service requires that employees be empowered with discretion (Burns & Stalker, 1961; Lawrence & Lorsch, 1967) to cater the service to meet customers' demands. A key to enhanced flexibility is to implement "high involvement" practices to empower employees (Batt, 2002; Horwitz & Neville, 1996). Horwitz and Neville (1996) specified four levels of involvement: level 1 is a production-line approach as advocated for the

efficiency-HRM system; level 2 is called “suggestion involvement”, where formal channels are provided for employees to make suggestions as mentioned in the quality-HRM system; level 3 is “job involvement”, where employees are harnessed with a considerable amount of freedom to carry out their work; and level 4 is “high involvement”, where practices such as information sharing, teamwork, problem solving, participation in decision making, profit sharing, and employee ownership are emphasized (Horwitz & Neville, 1996). These later two levels are most desirable under this strategic context, so as to allow employees to maintain a one-on-one service relationship and be responsible for the entire customer service process (Hartline, Maxham Iii, & Mckee, 2000; Mills et al., 1983). Employees have opportunities to perform a wide array of service tasks upon requests of the customer, are able to seek information and resources from others, are able to continuously learn new knowledge and skills, and are able to flexibly cater service to meet the customers’ needs (Batt, 2002).

Because both employees and customers have discretion and choices, it is unrealistic to use control mechanisms to standardize performance. Instead, a climate should be cultivated to establish a norm of flexibility (Bowen et al., 1989; Hartline et al., 2000). In addition, it is also difficult to use a precise job description when employees are facing idiosyncratic customer needs (Wright & Snell, 1998). Therefore, employees need to decide how to behave according to customers’ needs and solve problems both “off-line” and “on-line” (Batt, 2002;

Hartline et al., 2000).

In order to motivate employees to serve customers in an expressive manner, it is important to recognize individual performance and tie rewards to individual-based service excellence. In other words, individuals are held accountable for one-on-one customer service (Heckscher, 2007). Even though teamwork is desired, the relationships are temporary problem-solving teams rather than functional teams, thus the use of individual incentives and rewards can be effective. In particular, as customers' requests and subsequent employees' service outcomes may vary substantially, it is reasonable to use "behavioral" criteria rather than using quantifiable outcomes (Schuler & Jackson, 1987).

Behavior-based evaluations can also accurately capture the critical process of interpersonal interaction and effectively encourage employee discretion (Hartline et al., 2000).

To ensure that individual customers are well served, customer needs and expectations need to be responsively attended to (Johnson, 1996; Schneider et al., 1992). This can be achieved by collecting customer responses regarding their personal preferences and experiences before, during, and after service (Bowen et al., 1989). Organizations also benefit from clarifying customers' roles in the service processes, and informing customers of the service processes (Bowen et al., 1989).

In a nutshell, flexibility-oriented HRM practices that are effective for

customer intimacy include selective hiring and extensive training on generalized skills, performance evaluation and compensation based on individual performance, promotion and problem solving teams across departments, broad job descriptions, employee involvement, instant information sharing systems, and external feedback.

Hypothesis 2c: For firms that focus on customer intimacy, implementing flexibility-oriented HRM is more likely to enable delivering expressiveness to customers than not implementing such HRM. Flexibility-oriented HRM does not contribute to strategic capabilities of other strategic foci.

Differentiation on Strategic Positions

So far I have discussed the strategic capabilities for different service foci and the suggested HRM systems for creating the desired strategic capabilities.

Although HRM researchers often emphasize one set of practices within organizations, a universal application of HRM practices across the entire organization is neither practical nor efficient (Becker et al., 2009). Instead, recent arguments frequently iterate the importance and effectiveness of HRM differentiation within organizations for two major reasons (Zhou & Hong, 2008). On the one hand, from a “bottom-up” perspective, different employee human capital may take on different strategic roles for companies, depending on employees’ value to the competitive advantage of the firm, and the uniqueness of employees’ skills (Lepak & Snell, 1999). While it is desirable to invest in both

core and non-core employees, the costs of doing so may simply outweigh the benefits (Cappelli & Neumark, 2001), thus it is more cost-effective to focus on employees of high strategic value (Delery & Shaw, 2001; Huselid et al., 2005a). On the other hand, employing a “top-down” perspective, depending on organizations’ strategic capabilities and key processes, the jobs or positions that employees hold are afforded with different strategic value (Huselid et al., 2005a). Strategic positions are those that are 1) critical to the success of organizations’ strategy; and 2) have a potential for performance improvement among the job holders (Huselid et al., 2005a). For example, Nordstrom excels at providing expressive service, thus their sales associates are of critical value; whereas Costco is known for its large scales of tangible products, thus their purchasing and logistic staff may be the most strategic (Huselid et al., 2005a). Although differentiation based on jobs widely exists in many organizations (Jackson et al., 1989), it is important to ensure that strategic positions are properly invested on and managed to create strategic capabilities.

Managers not only need to implement the right HRM practices, but also ensure that these practices are applied to the most strategic people (Delery & Shaw, 2001). According to Wright et al. (2001), “one can hardly conceptualize a firm capability or competency absent the people who comprise them nor the systems that maintain them” (p. 711). One important role of HRM, therefore, is to identify the strategic capabilities and subsequently strategic employee groups, and

to effectively acquire, develop, utilize, support, and retain these employees (Huselid et al., 2005a).

Take the hospitality industry for example, different employee positions exhibit different levels of importance depending on the hotels' strategic focus. Studies found that in mid-scale leisure- and business-class hotels, front desk accounted for most of the variance in customer perceptions of quality, followed by housekeeping, while room service, bellmen, and parking did not significantly influence customers' quality perceptions (Hartline, Wooldridge, & Jones, 2003). In a different hotel sample, however, parking staffs were among one of the most important groups that determined customers' perceptions of service quality (Hartline & Jones, 1996). Different employee groups may display different strategic value because their work means differently to their targeted customers. For hotels emphasizing operational excellence, the strategic positions include back-of-the-house employees that maintain hotel efficiency and low cost, such as operations; likewise, for hotels that focus on product leadership, back-of-the-house positions are critical for ensuring the quality of tangibles; for hotels delivering customer intimacy, front-of-the-house positions that are unique to this segment are most influential in impressing customers with their expressive service.

Taken together, I propose that the capability to identify strategic positions is a necessary condition for service organizations to strategically manage their human

resources. This is all the more important when businesses start to realize different values of different types of human capital and apply differential human resource management configurations towards them (Lepak & Snell, 1999; Lepak & Snell, 2002). In fact, previous HRM studies acknowledged that high performance work practices were often not applied universally to all employees. Instead, researchers operationalized the measures as the percentage of employees that were exposed to a certain practice (Huselid, 1995; Macduffie, 1995). Therefore, it is critical to ensure that high performance work practices are directed to the most strategic positions of organizations.

Hypothesis 3: An alignment between firms' strategic focus and strategic positions is more likely to create desired strategic capabilities.

Hypothesis 3a: For firms that focus on operational excellence, an emphasis on back of the house employees is more likely to enable delivering instrumentality to customers. Strategic back of the house positions do not contribute to strategic capabilities for customer intimacy.

Hypothesis 3b: For firms that focus on product leadership, an emphasis on back of the house employees is more likely to enable delivering quality tangibles to customers. Strategic back of the house positions do not contribute to strategic capabilities for customer intimacy.

Hypothesis 3c: For firms that focus on customer intimacy, an emphasis on front of the house employees is more likely to enable delivering expressiveness to

customers. Strategic front of the house positions do not contribute to strategic capabilities for product leadership or operational excellence.

 Insert Table 2 and Figure 1 about here

Pilot Study I

So far I have discussed the strategic foci, strategic capabilities, suggested HRM systems, and strategic positions for service organizations. Researchers suggest that it is more appropriate to use a single industry when cross-firm comparisons on practices and performance are needed (Becker & Gerhart, 1996; Ichniowski et al., 1997). The hypotheses will be tested using the hospitality industry in this study. Hospitality industry is a service and labor intensive industry. It is ideal for studying strategic foci and strategic capabilities as the industry standards such as Mobil Travel Guide and AAA have established proxies for a variety of strategic foci, which widely range from 1 to 5 star or diamond levels. It is also appropriate for studying HRM systems and strategic positions as human resources are often considered a critical asset for labor intensive service organizations (Mills et al., 1983; Terpstra & Rozzel, 1993) such as hotels and are often organized into functions that serve different aspects of customer stays.

Pilot study I is aimed at pre-testing the research hypotheses using customers' perspectives. According to marketing research, prior to customers receive service,

they have a predictive expectation of service quality. Customers from different market segments or in different situations anticipate different services (Schneider et al., 2000). Factors contributing to predictive expectations include past and recent experiences, second-hand experiences from word-of-mouth and advertising, social economic status, and geographic location etc. (Boulding et al., 1993; Ziethaml et al., 1993). Predicted service quality was shown to be positively related to actual service perceptions and satisfaction (Fornell *et al.*, 1996; Hamer, 2006; Voss, Parasuraman, & Grewal, 1998). Also, customers compare the service they receive to their expectation and form their perception of quality and satisfaction accordingly (Ziethaml et al., 1993). Customer satisfaction, in turn, is translated into loyalty, willingness to pay a premium, word-of-mouth, and subsequently financial profits (Reichheld & Sasser, 1990; Szymanski & Henard, 2001). Therefore, an important capability of hotels is to understand and meet customers' expectations better than competitors.

Hypothesis 1 predicts that there are heterogeneous strategic capabilities that are important for hotels with different strategic foci to succeed. The reason is that hotels of different segments target different customers who have certain predictive expectations. As such, the desired service quality to win those customers is different from one hotel to another. Specifically, hotels that focus on operational excellence need to be able to deliver instrumentality to customers in order to succeed (Hypothesis 1a), such as reliability and responsiveness; hotels that focus

on product leadership need to be able to provide quality tangibles (Hypothesis 1b); for hotels that focus on customer intimacy, the ability to deliver expressive service, such as empathy and assurance, is critical (Hypothesis 1c). Therefore, Pilot study 1 is designed to understand customer expectations of different hotel segments, and what distinguishes hotels among their competitors within their segment in winning customer satisfaction.

Methods

Data collection

Following the sampling strategy used in previous research that examined customer perceptions (Liao, 2007), forty eight master students enrolled in a research methods course at a large US university collected data as part of their course requirements. The students received training on data collection and obtained certification from the university Institutional Review Board. They were placed into 3 to 4 person groups to collect 20 to 30 surveys per group from random customers who had a hotel stay in the past year. The respondents were asked to recall a recent hotel stay experience and indicate their expectations and perceptions of service quality before and after their stay. Further, to make the sample as representative of the general population in the U.S. as possible, the students were asked to have approximately 50% men, 50% women, and around 30% ethnic minorities in their sample. They were also instructed to reach out to people of different ages but who were at least 18 years old and to administer the surveys in diverse locations. The

respondents were assured of research anonymity. There was no monetary incentive for the study.

Participants

A total of 416 respondents approached by graduate students of a management school participated in this study. The response rate was 95%. Respondents' mean age was 31 years. Of those who indicated their gender, 162 were men and 251 were women; the gender ratio of the sample may be due to the fact that students involved in the management school were predominantly female. The ethnicity of respondents also roughly corresponded to the general population of the United States: 47.5% were whites, 9.2% were blacks, 10.1% were Hispanics, 28.8% were Asians, 3.1% American Indians, and 1.2% others. Only 20.3% of the participants had a below college degree education; 40.1% had college education; and 37.9% had post-graduate education. The occupations of participants were predominantly professional, students, management, and administrative staff.

Measures

Service quality. Customer expectations (worded as “Before arriving at the hotel, I expected that the hotel would have the following quality”) and actual experiences (worded as “When staying at the hotel, I experienced that the hotel had the following quality”) of service quality were measured using 22 items (repeated for expectations and experiences) from the SERVQUAL instrument (Parasuraman *et al.*, 1994) and 3 items from service personalization (Mittal &

Lassar, 1996), which consisted of 5 sub-dimensions: reliability (5 items; e.g., “Dependability in handling customers' service problems”), tangibles (4 items; e.g., “Visually appealing facilities”), responsiveness (4 items; e.g., “Prompt service to customers”), assurance (4 items; e.g., “Employees who have the knowledge to answer customer questions”), and empathy (8 items; e.g., “Employees who deal with customers in a caring fashion”; “Employees display personal warmth in their behavior”). The response format was a 5-point likert type scale ranging from 1 = very inaccurate to 5 = very accurate. The reliabilities for the five dimensions of expectations of service quality ranged from .86 to .91; for experiences of service quality, the reliabilities for the five dimensions ranged from .85 to .93. The averages of each sub dimension were used as construct scores for customer expectations and experiences of service quality.

Customer satisfaction. Customer satisfaction with the hotel stay was measured using two items: “Please tell us your overall satisfaction with the hotel quality (e.g. room, comfort, facility, value for money etc.)”, and “Please tell us your overall satisfaction with the hotel service (e.g., experience with the staff and service)”. The response options ranged from 1 = very dissatisfied to 5 = very satisfied. The reliability for the two items was .83. The average of the items was used as an indicator of overall satisfaction.

Strategic focus. Hotel star levels were used as a proxy for strategic foci. Specifically, according to Mobil Travel Guide, the hotels were categorized into

three major segments: limited-service hotels included 1 to 2 star hotels, which were considered to compete on operational excellence; full-service hotels included 2.5 to 3.5 star hotels, which focused on product leadership; and luxury hotels included 4 stars and above, which according to Mobil Travel Guide, excelled on customer intimacy.

Results

Table 3 presents the descriptive statistics, reliabilities, and correlations of study variables. ANOVA analyses of expectations and experiences of hotel service quality across the three hotel segments were conducted as shown in Table 4. Results showed that customers' expectations of hotel service quality were consistently high for all hotels, except the expectations of empathy were higher for full service ($M = 4.23$) and luxury hotels ($M = 4.31$) than for limited service hotels ($M = 4.03$).

Customers' actual experiences with hotel service quality, however, varied substantially across different hotel segments. In general, perceptions of service quality increased as the hotel stars upgraded. In particular, customers' actual experiences on all five aspects of service quality were significantly higher for full-service hotels (Ms range from 4.14-4.23) than for limited-service hotels (Ms range from 3.79-3.93). In addition, customers' perceptions of reliability, tangibles, responsiveness, and empathy were significantly higher for luxury hotels (Ms range from 4.17-4.43) than for limited-service hotels.

 Insert Tables 3 and 4 about here

Pair-sampled T-tests on the comparisons between customer expectations and actual experiences of service quality were also presented in Table 4. Although customers' expectations were high across all hotel segments, customer actual experiences of service quality were consistently low, particularly for limited-service hotels, leading to significant unmet expectations for all five aspects of service quality (expectations for limited-service hotels ranged from 4.03-4.18; while actual experiences of service quality ranged from 3.79-3.93). For full-service hotels, customers' experiences were lower than expectations on reliability ($M = 4.22$ vs. $M = 4.33$), responsiveness ($M = 4.20$ vs. $M = 4.30$), and empathy ($M = 4.14$ vs. $M = 4.23$). For luxury hotels, there were no significant differences between customer expectations and experiences of hotel service quality, suggesting general met expectations for all five aspects of service quality.

Hypothesis 1 predicts that strategic capabilities vary according to service organizations' strategic foci. Therefore, it is important to understand for each segment, on which aspects of service do organizations excel in meeting customers' expectations is the most important for customer satisfaction. I regressed customer satisfaction on the difference scores between experiences and expectations, using reliability and responsiveness in the first step, tangibles in the

second step, and assurance and empathy in the third step. Results shown in Table 5 suggested that different strategic capabilities were important for winning customer satisfaction among different hotels segments. For limited-service hotels, meeting customers' expectations on responsiveness significantly predicted customer satisfaction ($b = .29, p < .05$), partially supporting hypothesis 1a that the strategic capability for operational excellence was the ability to deliver instrumentality (fast service). For full-service hotels, meeting customers' expectations on tangibles significantly predicted customer satisfaction ($b = .21, p < .05$), supporting hypothesis 1b that the strategic capability for product leadership was the ability to deliver quality tangibles. For luxury hotels, meeting customers' expectations on empathy significantly predicted customer satisfaction ($b = .81, p < .05$), partially supporting hypothesis 1c that the strategic capability for customer empathy was the ability to deliver expressive service to customers (empathy). Therefore, hypothesis 1 was generally supported that different sets of strategic capabilities that were closest to the strategic foci predicted customer satisfaction for the three hotel segments.

Discussion

Pilot study 1 provided some support for Hypothesis 1 that different strategic capabilities were meaningful for different strategic foci. This suggests that there is no one best way to succeed, but multiple capabilities that service organizations can compete on given their strategic focus. Customers' demand diversity has been

considered as one influential factor in the service delivery and management process (Larsson & Bowen, 1989). For the hospitality industry, the industry standards established by Mobil Travel Guide and AAA have prescribed certain qualifications that hotels need to have in order to be a star hotel. However, meeting industry standards or advocating for a generic market positioning strategy does not automatically lead to competitive advantages, or at least not sustainable competitive advantages. According to resources- and capabilities-based view, sustained competitive advantages rest on the assumption of heterogeneity, rareness, and complexity (Barney, 1991; Reed & DeFillipi, 1990), not universality and standardization. In order to possess the right strategic capabilities that are essential for service organizations' strategic focus, organizations need to first understand what their customers expect, and what competitors provide, and then exceed competitors on the capabilities that matter most to customers.

Pilot Study II

Pilot study I, using customers' perspectives, provided some support for the linkage between strategic foci and strategic capabilities. Pilot study II was conducted using a qualitative approach (interviews with hotel general managers) to further tailor the model and the measures to the hospitality industry. Specifically, the purposes of pilot study II were four folds. First, it was intended to understand the categorization of strategic foci for the hospitality industry. The research hypotheses for three dimensions of strategic foci were based on literature review on service and strategic management as well as the definitions by Mobil Travel Guide. It would be more applicable to the hospitality industry if inputs from hotel managers were incorporated into the framework. Second, I also wanted to understand the theoretical linkages between strategic capabilities and strategic foci using managers' perspectives. Third, the configurations of suggested human resource management profiles were based on previous strategic HRM research and theory. It was necessary to tailor the measures of HRM to reflect industry practices. Fourth, I also wanted to understand the actual practices in which different jobs and positions were endowed with different strategic value or managed differently in order to refine the hypothesis of differentiation based on strategic positions.

Method

Semi-structured interviews were conducted with three general managers of

three and four star hotels in New York City and New Jersey. All hotel managers had experience managing multiple hotels. The study was approved by the Institutional Review Board of the university. The managers' contact information was obtained from the New York City and New Jersey hotel associations. Invitation emails were sent explaining the purpose of the study and inviting them to participate in the interviews. Ten dollars were donated to Mercy Corp designated to the China Quake Relief on behalf of each participant as an incentive.

Five out of ten randomly selected managers responded with an interest to participate in the study, leading to a response rate of 50%. However, two managers had schedule conflicts and were not able to finally participate in the study. The participants were provided with an informed consent form which ensured research confidentiality. Each interview lasted between 30 minutes to 1 hour, during which participants were asked questions regarding hotel strategies, customer expectations, human resource management practices, and position differentiation. One manager was not able to commit to an interview and completed the open-ended questions in writing.

Results and Discussions

The results of the interviews were summarized in Tables 6-9. Overall, the interviews reinforced the argument that parallel to the industry standards established by Mobil Travel Guide and AAA, there was heterogeneity in hotels'

strategic focus, which broadly fell into three categories (Table 6). First, some hotels focused on a lean structure and low price. Second, some hotels competed on tangibles. For example, as one manager indicated, “our identity is a very good location, very easy to get to, very good facility, it is the meeting room, the technology, the layout that is very appealing to corporate meeting customers”. Third, some hotels competed on superlative service. For example, a manager described that they provided “a level of service that is relaxed yet refined. Very down-to-earth staff who attempts to relate to our customers on a very human level”.

Insert Tables 6-9 about here

The general managers indicated heterogeneous strategic capabilities that were essential for their competitive advantage (Table 7). Such strategic capabilities often originated from understanding and meeting the customers’ needs and expectations. Some hotels focused on the instrumentality of a hotel stay. For example, a manager indicated that their customers looked for “a comfortable bed, an easy access, maybe ...an attractive rate”. There were also customers who look for high quality tangibles, such as “a good product, maybe a good room, a good bed”, as one manager indicated. For hotels that competed on customer intimacy, they needed to deliver expressive service to meet targeted customers’ needs, such

as to “address the guest by name”.

There were indications of differentiation between front- and back-of-the-house positions (Table 8). According to a manager, a front-of-the-house position is defined as “someone who interfaces directly with the guests on a one-to-one basis, (such as) a housekeeper, a front desk agent, a bell person”; a back-of-the-house position is “an area where you wouldn’t see a guest, (such as) the kitchen, the shipping area”. Due to the difference in job location, there were different practices that were applied to front- and back- of the house. For examples, in selecting and training employees, managers indicated that there was a greater emphasis on “personality and presentation” for front-of-the-house positions, while for back-of-the-house, attention was directed to “the ability to interact with co-workers and supervisors” and “technology awareness”. Performance evaluation was more concrete and objective for back-of-the-house, while front-of-the-house evaluations relied on “customer feedback which tends to favor negative responses over positive”. Empowerment was more important for front than for back office. In addition, front-of-the-house positions enjoyed broader promotion opportunities because as explained by one manager, “the interaction with a variety of clients gives front office management a more nuanced view that equips them to be better managers over the long run”.

In general, the general managers agreed that successful human resource management was critical for the hospitality industry. As one manager put it: “this

type of business in particular, everything is about the people. You have to invest in the people, you have to hire really good people, you have to educate them well, give them the right tools to be able to execute. But everything from a human resource standpoint is all about staff.” This echoes with researchers’ argument that if manufacturing firms generally manage “things”, service firms mostly manage “people” (Mills et al., 1983).

The general managers also provided fine distinctions of human resource management practices which were roughly aligned with the hypothesized strategic capabilities. For instance, in selecting and training employees, there were emphases on extensive specialized skills selection and training versus superior communication skills and extensive service training to all employees. Empowerment also varied between different strategic capabilities. For some hotels, empowerment took the form of suggestions, while other hotels empowered completely. The idea was that “in the end the guest request has to be fulfilled, irregardless of what that may be... So everybody has to have the feeling that they can do whatever it takes”. Another example was feedback, which relied on either internal audit and management evaluations, or external evaluation such as customers and mysterious guests. Other details of HRM practices for different strategic capabilities are summarized in Table 9.

In sum, the qualitative data provided general evidence for the research framework and hypotheses about the heterogeneous strategic foci and associated

capabilities, differentiation of human resources management across different strategic capabilities and also internally between different positions. The input from general managers was also used to modify the surveys used in study 3.

Study 3

Pilot studies 1 and 2 provided some support for the research framework and substantiated the appropriateness of the hospitality context in understanding the research questions. Study 3 is an endeavor to formally test the research hypotheses in a sample of hotels.

Methods

Participants and Procedures

Data were collected from two sources. First, survey data from managers were collected through the Center for Hospitality Research (CHR) at Cornell University's School of Hotel Administration. The CHR is a leading research institute for hospitality research, which publishes an academic journal, delivers research reports, and provides industry tools. Individuals can register with the CHR to gain access to research and related materials. To register, which is free of charge, individuals are asked to provide email addresses and identify their companies and positions. Initial invitations were sent via emails to about 1678 registered general managers (GM) of the hospitality industry from all over the world. Of these, 128 bounced back, resulting in 1550 deliverable addresses. GMs are the best informants of hotel management and performance. In order to avoid single respondent bias and ensure reliability, the GMs were also asked to provide contact information of the human resource manager of their hotels. An invitation email was then sent to the human resource managers to complete a second survey.

Both GM and HR managers completed an online survey regarding their hotel's strategic positions, human resource management practices and financial performance. As incentives for the participating hotels, they were provided with an access to the study results developed as a research report by the center. For hotels that had two responses from both the GM and human resource manager, two t-shirts with the institution's logo were given as gifts.

To enhance the response rate from hotels, three waves of reminders were sent to remind the managers to complete the survey approximately three weeks, six weeks, and nine weeks after the initial invitations were sent out. A final usable sample of 227 managers (including both general and HR managers) from 152 hotels located in 38 countries were obtained, leading to a hotel-level response rate of 9.81%. A comparison of the responding hotels with 50 randomly selected nonresponding hotels showed that there was no significant difference in hotel types, stars, geographic locations, and average customer evaluations. Excluding 18 hotels that did not have a designated HR position or had undeliverable addresses, 70 HR managers responded out of 134, thus the response rate for HR managers was 52.2% of responding hotels. There was no significant difference between hotels with single and multiple managers responding in terms of stars, rooms, geographic locations, hotel types, percentage unionized, and financial performance. The between-rater agreement of the 70 hotels that had multiple respondents was described in the measures below.

In addition, archival data were retrieved from an online source, Tripadvisor.com, which according to its online fact sheet, is one of the most popular and unbiased user websites that collect more than 400,000 hotels' information, including countries, locations, hotel types, star ratings, sizes of facilities, price, and more than 20 million customer reviews.

Measures

Strategic focus. Hotel star ratings from Tripadvisor.com were used as a proxy for strategic foci. Specifically, according to Mobil Travel Guide, the hotels were categorized into three major segments. Limited service hotels included 1 to 2 star hotels, which could be considered as competing on operational excellence; full service hotels included 3 star hotels, which typically focused on product leadership; and luxury service hotels included 4 stars and above, which according to Mobil Travel Guide, excelled on customer intimacy. Dummy codes were created for full service and luxury hotels, and limited service hotels were used as the comparison group in the following regression analyses. Dummy codes of all three types of hotels were used in the structural analyses.

Strategic capabilities. According to strategic management and HRM researchers, strategic capabilities can be measured as the ability to convert given inputs into desirable outcomes (Dutta et al., 2005; Wright, 1995). On the one hand, important resources such as hotel properties and human capital should first be taken into account. Information on resources and capabilities was obtained from

Tripadvisor.com. In addition, two items were used to measure the quality of human capital of hotels (Subramaniam & Youndt, 2005). An example was “Our employees are widely considered the best in our industry”. Cronbach’s alpha was .73. The average was used as a control for human capital of hotels.

On the other hand, archival data from Tripadvisor.com were used as a proxy measure of strategic capabilities of hotels. The strategic capabilities reflecting the success of different strategic focus were measured by 1821 customers’ evaluations of the various aspects of their hotel stays in the most recent year (i.e., dated from January 2008 to February 2009 on TripAdvisor). Specifically, instrumentality was measured by “value for money”; tangibles was measured by the average of “rooms” and “cleanliness” ($\alpha = .94$); expressiveness was measured by the average of “service” and “check-in/front service” ($\alpha = .92$). Response scales ranged from 1 to 5. In order to aggregate the customers’ ratings to the hotel level, the Intraclass Correlation Coefficients (ICC) were examined of each indicator using null models of HLM. Results showed that ICC1s were .14, .27, .30, .11, and .16, while ICC2s were .60, .74, .77, .52, and .61, for value, rooms, cleanliness, check-in/front desk, and service, respectively. The ICC2 values were in general comparable to the suggested cut-off value of .60 (Glick, 1985), indicating sufficient inter-rater consistency for data aggregation; the low ICC2 for check-in/front desk may be due to the reasonable variation in individual customers’ experiences in these aspects in the “pseudo” service

relationships (Gutek et al., 1999) with different employees. The ICC1 values were also generally consistent with the reported mean value of .12 (James, 1982), indicating substantial variance between hotels as compared to within hotels. In addition, the median $r_{wg(j)}$ (James, Demaree, & Wolf, 1984) of the five items was .80, indicating sufficient inter-rater agreement among customers. Therefore, the customers' ratings were averaged to the hotel level and used in the subsequent analyses.

Strategic positions. Strategic positions were measured by having managers "place each employee group into a category that describes their role in implementing the hotel's strategy indicated above". There were 11 front of the house positions, such as "Front desk staff", "Concierges", and "Maids and room service staff"; and 9 back of the house positions, examples were "Cashiers and accounting", "Purchasing staff", and "Kitchen staff". Four response categories were adapted from Huselid et al. (2005): "N/A" (coded as 0), "Surplus positions (C positions that do not have a strategic impact but may be needed for running the hotel; coded as 1)", "Support positions (B positions that have an indirect impact on implementing the hotel's strategy but are essential for running the hotel; coded as 2)", and "Strategic positions (A positions that have a direct impact on implementing the hotel's strategy; coded as 3)".

As the list of hospitality front- and back-of-the-house positions were generated using archival data and from interviews with hotel managers, an

exploratory factor analysis was used to identify the groupings of positions that tended to get the same emphasis in hotels. Using principal component analysis with Varimax rotation, five components emerged, explaining 61.26% of the variance in positions (Table 10). Component 1 consisted of doormen, bell attendants, parking, concierges, entertainment, and security officers, which was broadly considered as *front-of-the-house service staff*. Component 2 included many *back-of-the-house operation positions*, such as housekeeping, maids and room service, operation/engineering, and front desk thus was named as such. Component 3 was called *administrative staff* and included auditing, clerks, cashiers and accounting, and purchasing staff. Component 4 was mostly *activities staff*, involving kitchen, food and beverage, event planners, and sales persons. Finally there was also a separate component of *call center staff*, such as reservation and customer service. Therefore, the means of each component were used as indicators of the five types of strategic positions. In particular, in order to test the hypotheses, I consider back-of-the-house operation staff as strategic to operational excellence and product leadership, and front-of-the-house service staff as critical for implementing customer intimacy.

The ICCs and r_{wg} were also examined of general and HR managers' responses of strategic positions to ensure appropriateness of data aggregation. For back operation, ICC1 = .10, ICC2 = .12, median $r_{wg(j)}$ = .97. For front service, ICC1 = .70, ICC2 = .76, median $r_{wg(j)}$ = .92. For call center, ICC1 = .22, ICC 2

= .30, median $r_{wg(j)}$ = .97. For administration, ICC1 = .32, ICC 2 = .40, median $r_{wg(j)}$ = .95. For activity, ICC1 = .62, ICC2 = .70, median $r_{wg(j)}$ = .97. The high r_{wg} values justified the aggregation of responses of strategic positions to the hotel level (Kozlowski & Hattrup, 1992). The relatively low ICC2 values for back-of-the-house operation, call center, and administration positions may be due to the small number of respondents from each hotel (general and HR managers). Thus, using the averages of each hotel might underestimate the relationships of interest (Bliese, 2000).

Insert Table 10 about Here

Human resource management practices. HRM practice measures were adapted from multiple previous studies (Delery & Doty, 1996; Ichniowski et al., 1997; Macduffie, 1995; Schneider, White, & Paul, 1998; Youndt et al., 1996), as well as from the interviews with hotel managers to cater to the context of hotel and service management. The response options were in a 5-point Likert scale format: 1 = strongly disagree and 5 = strongly agree. Ten practices (selection, training, performance evaluation, compensation, promotion, teamwork, job description, participation, information sharing, and feedback) were measured with 27 items which were tailored to reflect a focus on efficiency, reliability, and flexibility, respectively. For example, selective hiring was measured using four

items (e.g., “General service orientation / demeanor are used as important hiring criteria” reflecting low investment on selection vs. “Previous experience / professional training on specific tasks are used as important hiring criteria” reflecting selection based on specialized skills); teamwork was measured with two items: “Management places a great deal of importance on developing formal work teams within each department” reflecting a focus on functional work vs. “Management places a great deal of importance on developing problem-solving teams across departments” reflecting a focus on cross-functional work); participation was measured using two items, including “Employees are provided with the opportunity to suggest improvements in service processes” reflecting a modest degree of involvement, and “Employees are allowed to make many decisions on how to provide service” reflecting high involvement.

HRM practices were measured with reference to the strategic positions, following the previous approach of measuring HRM as applied to the core employees (Batt, 2002; Delery & Doty, 1996; Osterman, 1994). The focus of this study is to measure whether organizations with different strategic foci differ in their HRM practices for the most strategic employees, instead of repeatedly measuring all HRM systems among all possible positions. The latter is considered an ideal way to understand differentiation (Zhou & Hong, 2008) but is beyond the scope of this study.

The profile deviation approach prescribes a recommended score on each

HRM practice dimension for each strategic focus. Following procedures suggested by previous researchers (Venkatraman, 1989), these recommended scores were obtained by 1) using the hypotheses above to identify the practice focus for each system, such as set rates for an efficiency HR system, pay for collective performance for a reliability HR system, and pay for individual performance in a flexibility HR system, and 2) benchmarking empirical data (the suggested scores were approximately equivalent to one standard deviation above the means of the top ten percent performing firms of each segment, such that the items that had low overall means did not have a disproportional impact on the overall deviation). A complete list of the items and suggested profiles were attached in the Appendix. The inverse means of the absolute deviations from suggested were used as indicators of the suggested profile of each HR system.

HR systems were reported by both general and HR managers, thus inter-rater reliability (ICC) and agreement (r_{wg}) were calculated to ensure appropriateness of data aggregation. For efficiency-oriented HR system, ICC1 = .57, ICC2 = .66, median $r_{wg(j)}$ = .95. For reliability-oriented HR system, ICC1 = .50, ICC2 = .60, median $r_{wg(j)}$ = .94. For flexibility-oriented HR system, ICC1 = .50, ICC2 = .59, median $r_{wg(j)}$ = .93. The high $r_{wg(j)}$ values supported the aggregation of reports of HR systems to the hotel level.

Financial performance. Three indicators that were commonly used in the hospitality industry to benchmark competitors were used to measure hotels'

financial performance: revenue per available room (RevPAR), occupancy rate, and gross operating profit per available room (GOPPAR). Both general managers and HR managers were asked to report the financial performance of their hotels. For RevPAR, ICC1 = .94, ICC2 = .95; for occupancy, ICC1 = .87, ICC2 = .91; for GOPPAR, ICC1 = .78, ICC 2 = .83, which indicated a high within-group consistency and high between-group variance. The financial indicators from managers of each hotel were averaged. Following previous studies (Macduffie, 1995), the 10-base logarithms of three performance indicators were taken as dependent variables in order to ensure comparable ranges between variables.

Control variables. Following previous studies (Sun, Aryee, & Law, 2007), a few control variables were included in the measure to account for property differences between hotels, which included hotels' resources (location, number of rooms, number of full-time and part-time employees, property type, and human capital), ownership, management, and percentage unionized. The interviews with general managers revealed that unionization played an important role in managing certain hotels, such as in New York City, where the Trades Council collective bargaining regulated certain employee management practices across all hotels as well as sometimes specific to each hotel, including job description, scheduling, overtime, time off, pay level, disclosure, discipline etc. It also limited flexibility in adopting new practices as any changes to past practices were automatically subject to collective bargaining. Therefore, percentage unionized was included as

a control variable.

Analysis Strategies

Based on the research hypotheses, the level of analysis was at the hotel level. Researchers argued that the choice of levels of analysis should be according to the HRM variables of interest (Becker & Huselid, 1998). HRM measured at a higher level may be more generalizable while it may be more accurate and reliable at a lower level (Gerhart, Wright, McMahan, & Snell, 2000). In this case, it is reasonable to believe that there is substantial and meaningful variance of HR practices, strategic positions, and capabilities across hotels, as previous research has frequently shown significant between-store/branch differences even within the same company (Liao & Chuang, 2004; Liao et al., 2009).

The analysis of hypotheses involves multiple alignments: the alignment between strategic focus and strategic capabilities (Hypothesis 1), between strategic focus and human resource management configurations (Hypothesis 2), and between strategic focus and strategic positions (Hypothesis 3). Researchers in strategic management and HRM research have called for more careful and accurate conceptualizations and measurements of fit (Chadwick, In Press; Venkatraman, 1989), which will be used as guidelines for analyses in this study.

First, with regards to the linkage between strategic focus and strategic capabilities, according to the previous hypotheses development, the success of a strategic focus is created by building the right strategic capabilities, suggesting

that different capabilities may display a different relationship with financial performance for different strategic foci. This was tested using fit as moderation. All three capabilities were entered into the prediction of financial performance, as well as their interactions with hotel stars.

Second, the alignment between human resource management and strategic foci was tested using both theories of fit as profile deviation and fit as moderation. Fit as moderation was most commonly used in previous studies to test the fit between HRM and strategy (Youndt et al., 1996). In this case, fit as profile deviation was also used because according to the hypotheses development above, in order to develop desired strategic capabilities, it is important that firms configure heterogeneous sets of coherent HRM practices that will serve that purpose, i.e., an emphasis on the system's perspective. As the systems of HRM practices that are suggested for different hotel stars are different, not only in terms of practice focus, but also in terms of magnitude, these are better captured in specified profiles (Venkatraman & Prescott, 1990). In addition, while traditional fit as moderation approach often takes an additive approach in which more HRM practices are considered better (Becker & Huselid, 1998; Delery, 1998), the suggested profiles here emphasize the "right" amount. A simple additive approach also implies that the practices are substitutive of each other (there is equifinality among practices). In my hypotheses, however, the HRM configurations have internal coherence and one practice will demand that other practices are in place

in order to be effective (such as functional teamwork and collective rewards vs. cross-functional teamwork and individual rewards). Researchers suggested that profile deviations approach was the most appropriate for testing this type of configurational hypotheses (Delery & Doty, 1996).

As such, following previous studies (Delery & Doty, 1996; Venkatraman & Prescott, 1990) and according to the hypotheses developed above, a suggested profile of each HRM configurations was established first by using hypotheses to identify the practices that were most relevant for each system, then by assigning each identified practice a value approximately equivalent to one standard deviation above the means of the top ten percent performing firms, and then the inverse means of the absolute deviations from the suggested profile were used to predict the possession of strategic capabilities, along with their multiplication with hotel stars. Examples of suggested profiles were attached in the Appendix.

Third, following Huselid (1995) and Lepak and Snell (2002), fit as matching along with fit as moderation were used to test the alignment between strategic foci and strategic positions. Fit as matching is most appropriate for testing the theoretical linkages between variables (i.e., strategic positions for different star levels) without referent to an external criterion (Delery, 1998). The matching of back-of-the-house positions for limited-service and full-service hotels, and front-of-the-house positions for luxury hotels was based on hypotheses stated above. Then, the interactions between the value of these matched positions and

hotel stars were used to predict the creation of strategic capabilities.

In the following analyses all managers' responses were aggregated to the hotel level. I used both traditional regression approach as well as structural equation modeling (SEM) to test the interactions. Specifically, in Tables 12-14, multiple regressions were used with financial outcomes as dependent variables and service strategy, strategic capabilities and their interactions as independent variables, along with control variables. In Tables 15-17, capabilities were entered as dependent variables and service strategy, HRM, positions, and their interactions were entered as independent variables, along with control variables.

I also examined the hypotheses using path analysis and the LISREL 8.71 software (Jöreskog & Sörbom, 1993). SEM has its advantage in that it can simultaneously estimate multiple relationships and take into account measurement errors (Anderson & Gerbing, 1988). Specifically, I employed the scale scores as single indicators approach (Mathieu, Tannenbaum, & Salas, 1992), which was recommended as the most friendly approach for estimating multiple interactions (Cortina, Chen, & Dunlap, 2001). Due to the relatively large numbers of missing values of GOPPAR, I did not include it in the analyses to preserve a larger sample size for modeling. In order to avoid unidentified models, I only included the paths and interaction terms that were most directly relevant to the research hypotheses, such that the cross-multiplications of all positions and all star levels were not included. For the same reason, I separated the interactions of hypothesized

variables with each star level, namely limited service (H1a, H2a, and H3a), full service (H1b, H2b, and H3b), and luxury hotels (H1c, H2c, and H3c) using three models (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008), in addition to the baseline model without the interactions. In each model, the interaction terms between star level and capability, HR, and positions were entered along with their main effects. Paths between the manifest and latent variables were set to the square root of the reliability of the measure; the error variances of the manifest variables were set to one minus the reliability times the variance of the measure. For those single item measures of hotel star, LogREVPAR, LogOccupancy, and Value, the reliability was set at .95.

Results

The means, standard deviations, and reliability of variables, as well as correlations between variables were presented in Table 11. Overall, the financial performance indicators were significantly related to the capabilities as rated by customers. In particular, RevPAR was significantly related to value, tangibles, and service, and tangibles was also related to Occupancy and GOPPAR. The strategic focus as indicated by hotel stars, however, generally did not significantly correlate with financial performance except luxury hotels with RevPAR, reinforcing the argument that it was not the positioning strategies but the actual capabilities that determined competitive advantages of organizations. The capabilities to deliver value, tangibles, and service, in turn, were correlated with

the emphasis on certain positions. In addition, hotels' size, union percentage, location, country, type, ownership, and management were also related to some indicators of financial performance and capabilities. In particular, the number of full-time employees was related to ratings of tangibles. Union was correlated with RevPAR and tangibles. Hotels in North America were generally lower in ratings of value and tangibles. Urban hotels were higher in occupancy and GOPPAR, while suburb hotels were higher in RevPAR as compared to the other locations including vacation destinations. Hotels were higher in occupancy and GOPAR but lower in RevPAR as compared to other property types such as resorts. Hotels owned by franchised companies were lower in RevPAR but higher in occupancy as compared to other ownership types. Hotels managed by management companies were lower in ratings of tangibles.

 Insert Table 11 about Here

Strategic Capabilities

Hypothesis 1 predicts that for hotels with different strategic foci, different strategic capabilities contribute to hotels' financial performance (H1a: value creation capability for limited-service hotels; H1b: tangibles delivery capability for full-service hotels; H1c: service delivery capability for luxury hotels). Tables 12, 13 and 14 present the regression results of the prediction of three indicators of

financial performance, respectively. Results in Model 1 (in Table 12) showed that value significantly predicted RevPAR ($b = .09, p < .01$), and tangibles (Model 2s) significantly predicted all three financial indicators ($b = .25, p < .001$ for RevPAR; $b = .07, p < .01$ for occupancy; and $b = .27, p < .05$ for GOPPAR, respectively). Service, in contrast, did not have a significant main effect on financial performance. In addition, as shown in Model 6 of Table 12, the multiplications between service and hotel stars explained significant additional variance of RevPAR above all main effects ($\Delta R^2 = .04, p < .05$), suggesting a significant interaction.

Figures 2 and 3 illustrates the plotting of interactions (Aiken & West, 1991) between service and hotel stars. Hypothesis 1c predicts that service is critical for hotels that aim at delivering customer intimacy (luxury hotels). Results provided some support for this hypothesis: the interaction plot showed that service had a positive slope in predicting RevPAR among luxury hotels ($b = .12, t = 1.22, p > .05$), but not for full-service ($b = -.10, t = -1.03, p > .05$) or limited-service hotels ($b = .04, t = .389, p > .05$). There was no significant interaction between hotel stars and value and a marginally significant interaction between stars and tangibles ($p < .10$ two-tailed or $p < .05$ one-tailed). The interaction plot in Figure 2 showed that tangibles had a positive relationship with RevPAR among all three types of hotels, although the relationship was strongest for luxury hotels ($b = .45, t = 4.12, p < .001$), as compared to $b = .30, t = 3.43, p < .01$ for limited service

hotels and $b = .23$, $t = 3.37$, $p < .01$ for full service hotels. This may suggest that the capability to deliver tangibles is important for all hotel stars to gain competitive advantage.

 Insert Tables 12 - 14 and Figures 2 and 3 about Here

Table 18 presents the tests of hypotheses using SEM. In the first model, I included all the main effects shown in Figure 16, excluding all interaction terms. Specifically, this model included paths from value, tangibles, and service to logRevPAR and logOccupancy, respectively, as well as paths from efficiency HR and back operation positions to value, from reliability HR and back operation positions to tangibles, and flexibility HR and front service positions to service. Also included was covariance among value, tangibles, and service, as suggested by the initial analysis. As shown in Table 18, this model provided a good fit to the data (Hu & Bentler, 1999), $\chi^2 = 26.73$, $df = 20$, CFI = .99, RMSEA = .06. Figure 16 summarizes the significant coefficients. Consistent with regression, Tangibles had a significant and positive relationship with LogRevPAR ($\beta = .57$, $p < .001$) and LogOccupancy ($\beta = .16$, $p < .001$). When modeled along with Tangibles and Service, Value had a negative relationship with LogRevPAR ($\beta = -.45$, $p < .01$) and LogOccupancy ($\beta = -.12$, $p < .05$).

Figure 16 also suggested significant interactions between Value and limited service hotels in predicting LogRevPAR (Hypothesis 1a), Tangibles and full service hotels in predicting LogRevPAR (Hypothesis 1b), and Service and luxury hotels in predicting LogOccupancy (Hypothesis 1c). Figure 17 showed that Value was negatively related to hotel RevPAR for both limited service hotels as well as other hotels. Figure 20 showed that Tangibles was positive related to hotel RevPAR for both full service hotels as well as other hotels, which was consistent with regression results. Figure 22 showed that Service had a negative relationship with hotel Occupancy among other hotels except luxury hotels.

In sum, Hypothesis 1 was marginally supported in that service was a positive predictor of financial performance only for luxury hotels, but not among other hotel segments in the regression analysis. Although not hypothesized, the capability to provide tangibles was important for all hotels' financial performance in both regression and SEM analyses.

 Insert Table 18 and Figures 16, 17, 20 and 22 about Here

Suggested HRM Profiles

Hypothesis 2 predicts that hotels that adopt the suggested HRM profiles for their strategy are more likely to create the desired strategic capabilities. The regression results are demonstrated in Tables 15-17. Hypothesis 2a predicts that

operational excellence hotels (limited-service hotels) that adopt efficiency-oriented HR systems are more likely to create the strategic capabilities. This received some support. Model 3 of Table 15 showed that the interactions between efficiency-oriented HR and hotel stars had a marginally significant effect on ratings of value ($p < .10$ two-tailed or $p < .05$ one-tailed). The interaction plot in Figure 4 showed that efficiency-oriented HR had a positive relationship with value for limited-service hotels (simple slope $b = 1.64$, $t = 1.85$, $p < .10$ two-tailed or $p < .05$ one tailed), but not for full-service or luxury hotels (simple slope $b = .32$, $t = .56$, $p > .05$ and $b = -.24$, $t = -.31$, $p > .05$, respectively).

Hypothesis 2b posits that hotels competing on product leadership (full-service hotels) are more effective when they adopt reliability-oriented HRM systems. Results did not provide support for this hypothesis: reliability-oriented HRM and hotel star's multiplication did not predict tangibles (Model 4 of Table 16). Instead, it marginally predicted ($p < .10$ two-tailed or $p < .05$ one-tailed) the capability to deliver value (Model 4 of Table 15). The plot in Figure 5 showed that the relationship between reliability-oriented HRM and value was more positive for limited-service hotels than for full service hotels and luxury hotels.

Hypothesis 2c states that customer intimacy hotels (luxury hotels) need to implement flexibility-oriented HRM systems to most effectively create strategic capabilities. Results provided support for this hypothesis. Model 5 in Table 17 showed that the interaction terms between flexibility-oriented HR and hotel stars

explained significant additional variance of customer ratings of service above all main effects ($\Delta R^2 = .06, p < .05$). The interaction plot in Figure 10 illustrated that the relationship between flexibility-oriented HR and ratings of service was particularly positive for luxury hotels (simple slope $b = .53, t = 1.73, p < .10$) but not among limited service hotels ($b = .19, t = .44, p > .05$) or for full service hotels ($b = -.50, t = -1.60, p > .05$).

 Insert Tables 15 - 17 and Figures 4, 5, and 10 about Here

Structural models in Figure 16 showed significant interactions between Efficiency HR and limited service hotels in predicting value (Hypothesis 2a) and Reliability HR and full service hotels in predicting tangibles (Hypothesis 2b). In addition, Flexibility HR had a positive relationship with service ($\beta = .27, p < .05$). Consistent with regression results, Figure 18 showed that Efficiency HR had a particularly positive relationship with Value among limited service hotels but less so for other hotels, providing support for Hypothesis 2a. Figure 21 showed that Reliability HR had a significant relationship with tangibles among full service hotels and in particular, full service hotels with lower Reliability HR had lower customer evaluations of Tangibles than other hotels. This provided support for Hypothesis 2b. There was no significant interaction between Flexibility HR and luxury hotels.

Therefore, hypothesis 2 was partially supported in that efficiency-oriented HR systems positively predicted ratings of value among limited-service hotels in both regressions and SEM, reliability-oriented HR systems positively related to ratings of tangibles among full service hotels in SEM, and flexibility-oriented HR systems positively predicted ratings of service among luxury hotels in regressions.

 Insert Figures 18 and 21 about Here

Strategic Positions

Hypothesis 3 posits that organizations also need to invest in the most strategic positions in order to effectively create strategic capabilities (H3a: back operations for limited-service hotels; H3b: back operations for full-service hotels; H3c: front service staff for luxury hotels). Only one main effect in regressions was significant (Model 3 of Table 15): back-of-the-house operation staff positively predicted ratings of value among all hotels ($b = .48, p < .05$), suggesting that the more hotels valued back of the house positions, the higher the hotels' capability to deliver value. In particular, hypothesis 3a posits that back-of-the-house positions are strategic to the hotels that compete on operational excellence in creating value for customers. The regression results in Models 6 and 7 of Tables 15 to 17 supported this hypothesis. Back-of-the-house operation staff and hotel star interactions significantly explained additional variance not only in ratings of value

($\Delta R^2 = .06, p < .05$), but also in tangibles ($\Delta R^2 = .06, p < .05$) and service ($\Delta R^2 = .06, p < .05$). The interaction plots in Figures 6, 8, and 14 showed that back-of-the-house operation staff consistently and positively predicted ratings of value (simple $b = 1.45, t = 3.34, p < .01$), tangibles (simple $b = 1.37, t = 3.12, p < .01$), and service (simple $b = 1.09, t = 3.09, p < .01$) among limited-service hotels. Therefore, hypothesis 3a was supported. The same results ($\Delta R^2 = .05, .05$, and $.07$, respectively) and plots (Figures 7, 9, and 13) were found for call center staff among limited-service hotels in predicting value (simple $b = .42, t = 1.68, p < .10$), tangibles (simple $b = .48, t = 1.93, p < .10$), and service (simple $b = .37, t = 1.87, p < .10$). The interaction plots also revealed that back-of-the-house operation staff did not positively predict capabilities to provide tangibles among full-service hotels ($b = .03, t = .00, p > .05$), not supporting hypothesis 3b, nor did it predict value ($b = .15, t = .52, p > .05$) or service ($b = -.02, t = -.06, p > .05$) in full-service hotels. Likewise, back-of-the-house operation positions did not predict capabilities of luxury hotels to provide value ($b = .50, t = 1.37, p > .05$) or tangibles ($b = .23, t = .62, p > .05$).

Hypothesis 3c predicts that front-of-the-house service providers are strategic to hotels that compete on customer intimacy (luxury hotels). Regression results in Model 10 of Table 17 showed evidence of support for this hypothesis. The interaction between front-of-the-house service employees and hotel stars significantly added to the prediction of customer ratings of service ($\Delta R^2 = .06, p$

< .05). The interaction plot in Figure 12 showed that front-of-the-house staff had a positive relationship with ratings of service only among luxury hotels (simple slope $b = .39$, $t = 2.09$, $p < .05$), but not among others ($b = -.20$, $t = -1.10$, $p > .05$ for limited service hotels and $b = -.09$, $t = -.82$, $p > .05$ for full service hotels). Although not hypothesized, results in Model 8 revealed that administrative staff also interacted with hotel stars in predicting service ($\Delta R^2 = .08$, $p < .01$). Figure 11 showed that administrative staff predicted service ratings only among luxury hotels as well.

 Insert Figures 6, 7, 8, 9, 11, 12, 13, 14, and 19 about Here

SEM results in Figure 16 suggested significant interaction between back operation positions and limited service hotels. In addition, front of the house service staff had an overall negative relationship with customer evaluations of service ($\beta = -.10$, $p < .05$). Figure 19 showed that although back of the house operation positions were positively related to customer evaluations of value among both limited service hotels and other hotels, customer evaluations of value were consistently higher for limited service hotels.

Therefore, hypothesis 3 was mostly supported in regression analyses which showed that back-of-the-house staff was strategic to creating not only value (hypothesized), but also tangibles, and service capabilities (unhypothesized)

among limited-service hotels, and that front-of-the-house service providers were strategic to delivering service to luxury hotels' customers (hypothesized). All of the above results were also summarized in Figure 8.

Discussion

Research Implications

Previous macro HRM research has predominantly employed a best practices approach or a contingency approach based on generic market strategies. The complex and heterogeneous practices that enable sustained organizational competitive advantages (Barney, 1991), however, suggest the insufficiency in previous generic best system(s) research. More and more researchers point to the direction of creating and exploiting firm internal resources and capabilities. Echoing the call for studies to examine the “contingent resource-based view” (Aragon-Correa & Sharma, 2003), this study provides evidence of service organizations' heterogeneous strategic capabilities. According to this perspective, resources and capabilities not only vary in their attributes such as rareness and inimitability, but also in their value to different organizations. Instead of arguing for more of everything, here I argue that having the right capability is most important.

Results showed that different strategic foci demanded different sets of strategic capabilities to succeed. The capabilities to deliver tangibles as evaluated by customers were important for all strategies (had a significant main effect), i.e.,

operational excellence, product leadership and customer intimacy strategy, suggesting that such capability might be a “threshold” capability (Boyatzis, 1982) for hotels. Borrowing from the definitions of individual threshold competency, this means that such capabilities are necessary for and fundamental to all hotels’ performance, but alone may not be sufficient to ensure higher performance for some hotels. According to firm interdependencies, when firms possess equivalent capabilities and produce products of equal quality, such as when hotels provide the same tangibles, then firms split the market equally.

On the contrary, when firms vary in their distinctive capabilities, such as the differential capability to deliver different levels of service among luxury hotels, then the higher quality firms will have higher customer demands and can charge higher rates (Lenox et al., 2006). The reverse is true for the possession of dysfunctional capabilities. For organizations that employed a customer intimacy strategy in particular, the current regression results showed that the capability to deliver superior service was essential. Such capability, however, was negatively related to financial performance in full-service hotels. This suggests that using a one-size-fits-all criterion to require all organizations to deliver value, tangibles, and service is neither effective nor efficient. Customers in full-service hotels do not expect to receive expressive service; they may not be willing to spend an extensive amount of time interacting with providers; they may not be appreciative of expressive service when provided. Customers who choose luxury hotels, on the

contrary, are willing to pay a price premium to receive personalized service.

Therefore, in identifying their distinctive capabilities and avoiding dysfunctional capabilities, organizations need to analyze the expectations of their customer segment, and determine how these specific expectations can be met.

Although this study only presents an initial step in unraveling the heterogeneous service capabilities, the results have implications that future research can exploit more in-depth the firm-specific resources and capabilities that sustain success in their market niche. This research suggests the complexity in strategic capabilities, not only in identifying capabilities, but also in determining the nature of capabilities. Future research can further develop the theorizing of threshold capabilities versus core capabilities (Prahalad & Hamel, 1990) and/or distinctive capabilities (Selznick, 1957), as well as dysfunctional capabilities, in order to explicate their differences. Future research should also test these theories in other industries, to further extricate the key to success among different organizations and under different contexts. This line of research in contingent resources and capabilities will complement the majority of previous research that undertakes a generic approach.

This study also endeavored to understand the different configurations of HR that were specific to service industries in assisting the creation of strategic capabilities. Results from multiple analyses showed that efficiency-oriented HR most significantly predicted the creation of value among operational excellence

hotels, reliability-oriented HR contributed to the tangibles of product leadership hotels, while flexibility-oriented HR positively predicted the delivery of service only among customer intimacy hotels. Efficiency-oriented HR, characterized by basic selection and training, corrective performance management, market compensation, functional promotion and teamwork, prescriptive job description, suggestion, basic information sharing, and internal inspections contributed to the capability to deliver value with low price for limited service hotels.

Reliability-oriented HR, composed of selection and training for specialized skills, result-oriented performance evaluation, pay for collective performance, functional promotion and teamwork, systematic information sharing, and internal feedback assisted the creation of high quality tangibles for product leadership hotels.

Flexibility-oriented HR was exemplified as selection and training on service skills, performance and compensation emphasizing service performance, cross-functional promotion and teamwork, broad job description and decision making, instant information sharing, and external customer feedback, and was beneficial to the creation of service capabilities. Although the results provided partial support for the hypotheses, future research may replicate this research perhaps using different samples. This approach has implication for future research in that instead of arguing for more best practices, this urges researchers to configure the right practices according to strategic needs.

This study employed a fit as profile deviation approach (Venkatraman, 1989) to demonstrate the alignment between HRM configurations and different strategic focus to create desirable strategic capabilities. Recently HRM researchers have emphasized the importance of using the right approach to measure the type of HRM fit that is of interest (Chadwick, In Press). Fit as profile deviation is most applicable here because instead of assuming more high performance practices are better, I argue that having the right practice focus with the right amount is most effective. In addition, fit as profile deviation also takes into account the coherence between different practices, which is important for creating different strategic capabilities. I encourage future research to further explicate the different ways of measuring fit under different theoretical backgrounds. Depending on the theory and hypotheses, future researchers can employ fit as covariation, addition, moderation, configuration, and gestalt to examine the various types of fit within HRM configurations and between HRM and external and internal contexts.

The current research results also demonstrated the importance of aligning strategic positions with strategic focus. While earlier research assumed a universality of practices within organizations, recently researchers advocated for more attention to be placed on internal differentiations based on strategic jobs and human capital (Huselid et al., 2005a; Lepak & Snell, 1999). Using fit as matching, the study provided support for the hypothesis that back-of-the-house positions were strategic to organizations that implemented operational excellence strategy

in creating value, and that front-of-the-house positions were critical for organizations that competed on customer intimacy to deliver service. Although unhypothesized, back-of-the-house positions were also associated with the delivery of tangibles and service in limited service hotels in regression results. This may be due to the fact that back-of-the-house positions dominate limited service hotels where very few front-of-the-house positions were available. Likewise, call center staff were associated with the delivery of value, as well as tangibles and service. In addition, luxury hotels that valued administrative staff had higher ratings of service. This may be explained by organizations' need to integrate multiple processes in order to dynamically adjust to external demands (Teece et al., 1997), in which administrative staff may play a role. Future research can further examine this issue in different industries. Although a complete examination of the HRM configurations among different positions and human capital categories is beyond the scope of this paper, it is highly encouraged for future research. For example, future research can compare all positions or human capital categories and measure HRM configurations repeatedly for different positions to test the effects of HRM internal differentiation.

Last but not the least, the study echoes the call for research to target a strategic context for HRM research in order to more fully understand the "black box" between HRM and firm performance (Lepak et al., 2006). This study focused on the strategic management of service organizations, which was

increasingly important but less frequently examined in previous literature. The hospitality industry could be broken down into three-segments, each of which undertaking a different competitive strategy, namely operational excellence, product leadership, and customer intimacy. Future research, therefore, should also examine these strategies using different service industries. In addition, future research should target other strategic contexts as well to comprehensively examine the different types of strategic capabilities that lead to success.

Practical Implications

The current study has implication for HRM practices in that instead of imitating the best practices that are deemed universally effective, organizations need to first of all ask the question of what is the market niche that they aim to compete in, find out the essential strategic resources and capabilities that they need to acquire or develop for the strategic focus, and then design their HRM configurations to target these resources and capabilities. Indeed, although evidence of effective generic practices exists, questions still remain in whether they are effective for all organizations, or the most effective for all organizations. There is an increasing need to understand strategic HRM deeper than a general high performance HR philosophy, in order to more fully articulate the complex differences in practice. As organizations have diverse industrial positions, strategic foci, and resources, it is reasonable to expect that the effective practices are unique to each organization. Indeed, results from this study showed that not

all organizations were comparable in the value creation and management processes. Instead, organizations fall into three strategic positions, each of which demands different strategic capabilities and human resource management. Therefore, a blind-minded replication of others' practices may not be the most cost effective for all organizations.

In order to understand what could be the strategic capabilities for organizations, managers need to first analyze the customer segment that they are targeting, understand what customers desire and what the organizations can provide to “delight” them. As shown in this study, providing those customers who are insensitive to intimacy high levels of service will in fact adversely impact financial performance. In addition, managers need to keep an eye on what competitors are providing, and figure out what is the unique value that they can provide using their inimitable resources and capabilities so as to excel their competitors. As an example, although it was hypothesized that tangibles would be the most distinguishing factor for product leadership hotels, results showed that being able to provide cleaner and more comfortable rooms was necessary for all hotel stars' competitive advantages.

In addition, organizations need to understand the mechanisms through which HRM can contribute to building the essential strategic resources and capabilities. Among the resources that are predominately tradable in the factor market, human resources have the potential to be highly specific to each organization and

inimitable by others, thus they constitute an important component of firm strategic resources that enable their sustained competitive advantage (Wright et al., 1994). Therefore, appropriately configuring the HRM systems that can translate into desirable human capital, social capital, and employee behaviors, and subsequently strategic capabilities of organizations is a critical step. The study provides an example of systematically understanding what types of human capital, social capital, and motivation are desirable for building needed strategic capabilities, and how HRM configurations can be tailored to reflect those emphases. For instance, to deliver superior service, a flexibility-oriented HRM system characterized by selection and training on general skills, cross-functional teamwork and individual compensation, and external feedback etc. is important for creating the needed capabilities.

Limitations

The current study's findings, although supporting many of this study's hypotheses, should be understood in light of several limitations. For example, the sample of hotel managers were from hotels located all across the world. Although hotel location was controlled in the analyses, the between-country market differences and between-cultural practice differences may have contaminated the research results and introduced additional errors than should all hotels were located in one city. For example, the responses showed that the use of Gross Operating Profit as a financial indicator was not prevalent in all countries. As

such, the present study might have under-estimated the relationships between the study variables. However, this study may have broader generalizability to more cultural contexts. In addition, not all of the hotels had multiple respondents. As such, the aggregation of responses to the hotel level may have accounted for only one manager's response. An analysis of the responses, however, did not reveal significant differences between hotels with single respondent or multiple respondents.

This study endeavored to reduce common-method bias by introducing multiple sources, including both managers' responses as well as archival data, to test a model of creating needed strategic capabilities using human resources management. The use of archival data from hotel review website, however, may have its own limitations. For example, voluntary customer reviews may not be the most representative opinions of all customers. Customers who have extreme experiences may be prone to input their reviews. An analysis of the inter-rater consistency and between-hotel variation, however, suggests sufficient evidence of customers' shared perception within hotels. In addition, many customers rely on hotel review websites in determining their purchasing decision, particularly Tripadvisor.com. Therefore, the customers' ratings have substantial practical implications and provide valid indication of hotels' strategic capabilities in delivering service.

Conclusion

The results of the current study have implications for management theory and practice. This paper was among the first to draw on the capability-based view of strategic management to examine the role of strategic HRM in building unique strategic capabilities that were essential for service organizations' success. Using the hospitality industry, I conducted three studies via both quantitative and qualitative approaches to examine the extent to which hotels in different segments aligned their strategic focus, strategic capabilities, strategic employees, and HRM systems and the subsequent impact on financial performance. Results showed that there were different capabilities that predicted financial performance for different strategic focus. Service capabilities, for example, were most strategic among luxury hotels that pursued customer intimacy, but not for other hotels. In addition, an alignment of the suggested HR profiles and an emphasis on the strategic positions were helpful for creating the strategic capabilities. Implementing efficiency-oriented and reliability-oriented HR and emphasizing back-of-the-house positions were critical for hotels that focused on operational excellence and product leadership, while adopting flexibility-oriented HR and valuing front-of-the house positions were important for hotels that excelled at customer intimacy to deliver superior service. Instead of advocating for more best practices, this study suggests that identifying the right practices and the strategic positions according to needed capabilities is key.

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TABLE 1

Mobil Hotel Star Ratings from Mobiltravelguide.com

<p>★★★★★ Five-Star Hotels</p>	<p>An exceptionally distinctive luxury environment offering expanded amenities and consistently superlative service make these hotels and inns the best in the U.S. and Canada. Attention to detail and the anticipation of guests' every need are evident throughout this exclusive group of hotels. The Mobil Five-Star lodging category includes such hotels as <u>The Peninsula Beverly Hills</u>, the <u>Four Seasons Hotel Chicago</u> and <u>The Ritz-Carlton San Francisco</u>.</p>
<p>★★★★★ Four-Star Hotels</p>	<p>Outstanding establishment in a distinctive setting with expanded amenities and exceptional service to create a luxury experience. Services may include, but are not limited to, automatic turndown service, valet parking and 24-hour room service. <u>The Ritz-Carlton Laguna Niguel</u>, <u>Mandarin Oriental Miami</u> and <u>Four Seasons Hotel Las Vegas</u> are prominent names in the Mobil Four-Star category, known for personalized service and hospitality, in addition to luxurious accommodations.</p>
<p>★★★ Three-Star Hotels</p>	<p>Well-appointed establishment with a full service restaurant and expanded amenities and services such as, but not limited to, room service, fitness center and optional turndown service. Many Hyatt, Hilton, Marriott, and Westin hotels are established names in the Mobil Three-Star category. Other notable Three-Stars include <u>The Heathman Hotel</u> and the <u>MGM Grand Hotel and Casino</u>.</p>
<p>★★ Two-Star Hotels</p>	<p>Comfortable establishment that is clean and reliable with expanded services including a full-service restaurant. Doubletree Hotels, Courtyard by Marriott and Four Points by Sheraton are well-established names in the Mobil Two-Star category.</p>
<p>★ One-Star Hotels</p>	<p>Clean, comfortable and reliable establishments with limited services and amenities. Some hotels may not have a full-service restaurant or dining room. Many Hampton Inns and Fairfield Inns consistently earn a Mobil One-Star rating.</p>

FIGURE 1
Overview of Research Model

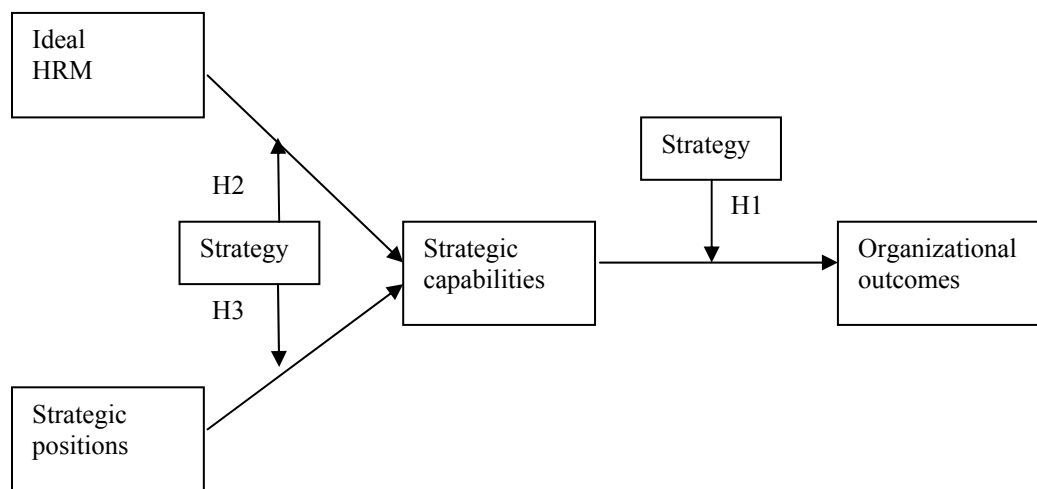


TABLE 2**Summary of Research Hypotheses**

Moderator: Strategy	Hotel	H1: Strategic Capabilities	H2: Suggested HRM	H3: Strategic Positions
★★★★★ ★★★★★ Luxury Hotels		H1c: Expressiveness (Study 1: customer evaluations of Assurance, Empathy; Study 3: customer evaluations of Service, Check-in/Front desk)	H2c: Flexibility-Oriented	H3c: Front-of-the-House Positions (front-of-the-house service staff)
★★★★ Full-Service Hotels		H1b: Tangibles (Study 1: customer evaluations of Tangibles; Study 3: customer evaluations of Rooms, Cleanliness)	H2b: Reliability-Oriented	H3b: Back-of-the-House Positions (back-of-the-house operation positions)
★★★ ★ Limited-Service Hotels		H1a: Instrumentality (Study 1: customer evaluations of Reliability, Responsiveness; Study 3: customer evaluations of Value for money)	H2a: Efficiency-Oriented	H3a: Back-of-the-House Positions (back-of-the-house operation positions)

TABLE 3

Means, Standard Deviations, Correlations, and Reliabilities of Variables in Pilot Study 1^c

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1.Satisfaction	4.16	.86	.83 ^a																	
2.Star	2.54	1.24	.20***																	
3.Price	2.52	1.11	.20***	.71***																
4.Urban	.38	.49	.09*	.16**	.12**															
5.EX ^b _reliability	4.28	.71	.34***	.09*	.09*	.10*	.89 ^a													
6.EX_tangibles	4.22	.77	.35***	.10*	.06	.08	.67***	.87 ^a												
7.EX_responsive	4.27	.75	.34***	.11*	.10*	.07	.77***	.73***	.86 ^a											
8.EX_assurance	4.26	.74	.38***	.07	.06	.11*	.71***	.66***	.75***	.86 ^a										
9.EX_empathy	4.17	.75	.39***	.14**	.15**	.09*	.66***	.69***	.75***	.80***	.91 ^a									
10.AC ^b _reliability	4.13	.80	.65***	.17***	.18***	.10*	.46***	.37***	.43***	.46***	.45***	.88 ^a								
11.AC_tangibles	4.11	.83	.64***	.24***	.19***	.13**	.41***	.59***	.45***	.50***	.55***	.68***	.87 ^a							
12.AC_responsive	4.10	.84	.65***	.24***	.22***	.11*	.38***	.44***	.49***	.50***	.55***	.73***	.70***	.86 ^a						
13.AC_assurance	4.11	.79	.66***	.17***	.12**	.14**	.44***	.47***	.49***	.61***	.57***	.72***	.73***	.80**	.85 ^a					
14.AC_empathy	4.02	.80	.65***	.19***	.20***	.07	.37***	.42***	.44***	.50***	.60***	.67***	.72***	.76***	.79***	.93 ^a				
15.DI ^b _reliability	.09	.34	.35***	.10*	.10*	.01	-.44***	-.23***	-.26***	-.18***	-.14***	.59***	.31***	.39***	.33***	.35***				
16.DI_tangibles	.08	.36	.36***	.16**	.15**	.06	-.24***	-.39***	-.26***	-.12**	-.10*	.37***	.52***	.32***	.33***	.37***	.59***			
17.DI_responsive	.10	.38	.36***	.14**	.14**	.04	-.32***	-.22***	-.43***	-.18***	-.13**	.36***	.30***	.58***	.37***	.37***	.65***	.57***		
18.DI_assurance	.08	.36	.35***	.13**	.07	.04	-.27***	-.17***	-.24***	-.38***	-.21***	.33***	.30***	.39***	.50***	.37***	.58***	.52***	.63***	
19.DI_empathy	.07	.31	.33***	.07	.06	-.02	-.28***	-.26***	-.31***	-.29***	-.40***	.28***	.23***	.27***	.29***	.50***	.54***	.54***	.57***	.65***

^a Numbers in diagonal are Cronbach's alphas.

*** $p < .001$ (1-tailed). ** $p < .01$ level (1-tailed). * $p < .05$ (1-tailed).

^b EX = Expectations of service quality; AC = Actual experience of service quality; DI = Difference scores between experience and expectations of service quality.

^c $N = 411$.

TABLE 4**Pilot Study 1 – ANOVA of different service quality aspects among star hotels**

Hotel star level ^d	Customer Expectations			Customer Experiences		
	Limited service	Full service	Luxury	Limited service	Full service	Luxury
Reliability	4.18 ^c	4.33 ^c	4.33	3.93 ^{a, b, c}	4.22 ^{a, c}	4.31 ^b
Responsiveness	4.16 ^c	4.30 ^c	4.43	3.83 ^{a, b, c}	4.20 ^{a, c}	4.43 ^b
Tangibles	4.11 ^c	4.26	4.34	3.83 ^{a, b, c}	4.23 ^a	4.37 ^b
Assurance	4.19 ^c	4.29	4.35	3.89 ^{a, c}	4.23 ^a	4.20
Empathy	4.03 ^{a, b, c}	4.23 ^{a, c}	4.31 ^b	3.79 ^{a, b, c}	4.14 ^{a, c}	4.17 ^b

^{a, b} indicate a significant difference in ANOVA post hoc tests; two hotel segments with the same superscription differ in customer expectations or experiences of service quality;

^c indicates a significant difference in pair-sample t-tests between customer expectations and experiences of a particular dimension of service quality.

^d Limited service hotels include 1-2 stars ($N = 138$); Full service hotels include 2.5-3.5 stars ($N = 235$); Luxury hotels include 4-5 stars ($N = 43$).

TABLE 5
Pilot Study 1 - Meeting customer expectations on service quality in predicting satisfaction

Hotel star level	Limited service hotels			Full service hotels			Luxury hotels		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Intercept	4.02***	4.04***	4.05***	3.92***	3.96***	3.96***	4.48***	4.75***	4.26
Cost	.04	.04	.04	.12	.11	.11	-.05	-.10	.01
Urban location	-.04	-.06	-.06	.16	.15	.15	.15	.08	.27
Reliability	.26*	.20	.18	.21*	.12	.09	.22	.16	.15
Responsiveness	.36**	.32**	.29*	.11*	.06	.01	.26*	.55	.07
Tangibles		.12	.09		.25**	.21*		-.46*	-.27
Assurance			.04			.15			-.19
Empathy			.08*			.04*			.81**
F	10.48***	8.58***	6.18***	6.40***	6.75***	5.18***	2.71*	2.76*	6.52**
R ² change	.24***	.01	.00	.11***	.03**	.01	.22*	.05	.14*

*** $p < .001$; ** $p < .01$; * $p < .05$.

TABLE 6
Pilot Study 2 - Qualitative Interviews with General Managers – Understanding Strategic Foci

Universality of industry standards	Operational Excellence	“You can have a 200 room hotel that charges a very low rate, and have a very small employee structure, a very tight strategic plan.”
“There are standards of AAA and Mobil, they have guidelines as to what you need to have in order to be a 4 and 5 stars hotel. From a product standpoint, the physical product as well as the service levels.”	Product Leadership	“As you increase in price, you add the quality of the product, the rooms become nicer, they become more, better appointed, more amenities, more features, more services, those are the things you will see.”
“As you look at individual categories, you are going to see some similarities in the categories, 4, 5 stars, 3 star, they are all going to kind of act the same. Have the same level of service, have the same level of product. And price is about the same.”		“For us we like to think that our identity is a very good location, very easy to get to, very good facility, it is the meeting room, the technology, the layout is very appealing to corporate meeting customers.”
Heterogeneity of strategic foci		
“Every hotel is different. You can have hotels that essentially are right next to each other, and they can be run very very different.”		“They have either a 1 king, 1 queen, or 2 double beds. And they have a pull-out couch, a queen-size sleeper sofa in the living room, as well as a wet bar, a refrigerator, a microwave, a coffee maker and what not...we have the highest number of square foot per room.”
“Hotels are all structured different depending on their size, their complexity, the market that they serve... So it is different between a business that makes a million dollars and a business that makes 40 million dollars. A 40 million dollar business is going to be much more complex and strategic than a million dollar business.”	Customer Intimacy	“We have in-room safes, we have signature bedding...We have a 5-piece bathroom amenity set. Things like robes in the room, bath rugs, slippers we have only for our VIP customers.”
		“I think as you add price, you add an increased level of service, which generally is more staff, better trained staff.”
		(We have) “a very high level of service. This is how we try to differentiate ourselves from our competitors.”
		(We have) “a level of service that is relaxed yet refined. Very down-to-the-earth staff who attempts to relate to our customers on a very human level.”

TABLE 7
Pilot Study 2 - Qualitative Interviews with General Managers – Understanding Strategic Capabilities

Understand customers' needs and expectations	Instrumentality	Expressiveness
“A hotel is like any other businesses, it serves the needs of its customers and trying to determine who your customers are, and what are the best things you have to offer to them, and what’s the best way that you can get that message out. Generally it is gonna make you very successful.”		
“The higher price, the higher expectation. The higher expectation for the product, the higher expectation for the service.”	Tangibles	
“I think that there are basics that customers expect, one is that they expect friendliness, from the staff, I think that there is expectation that cleanliness is important to them. Another important part is safety, people want to be safe, particularly women travelers, they want to feel secure when they come in, we are in a downtown environment, there is a whole lot of crazy things that can go on, so people want to feel that they are being taken care of, that somebody is, that their safety is a concern. So that’s an important characteristic. Particularly in the last few years, after 9/11, safety became a very important issue for travelers.”		

TABLE 8
Pilot Study 2 - Qualitative Interviews – Understanding differentiation based on positions

Division based on processes/positions	Front of the house	Definition
<p>“Hotels are really driven by function of the building so you have a department center that focus on ensuring the quality of the service is proper for the guest rooms, the sleeping areas, and you have the food/beverage department which does the same only for restaurants, and room service, and banquets, so the strategic direction in a hotel is driven more by the area of the hotel.”</p>		<p>“A front-of-the-house activity is someone who interfaces directly with the guests on a one-to-one basis, a housekeeper, a front desk agent, a bell person, people who generally in areas where guests operate.”</p> <p>“Front desk is probably the most important, it is the location.”</p>
<p>“The employees are separated in departments. For example, housekeeping is an operating department. Property operation is an operating department, front office is an operating department, front service, door staff, bell and concierges is an operating department. Separate them into different operating departments based on the functions they perform.”</p>		<p>HRM differentiation based on positions</p> <p>[selection] “Front of the house requires more personality and presentation.”</p> <p>[training] “There is a greater emphasis on service.”</p> <p>[performance evaluation] “Measures of performance tend to be somewhat subjective and more difficult to gage particularly as it is reliant on customer feedback which tends to favor negative responses over positive - customers tend to write in more so when they have a problem than without.”</p> <p>[promotion] “Generally in the industry those from the front of the house have a greater shot at promotion to the very top... The interaction with a variety of clients gives front office management a more nuanced world view that equips them to be better managers over the long run.”</p> <p>[empowerment] “More discretion for the front.”</p>
Differentiation on strategic importance	Back of the house	<p>Definition</p> <p>“Back of the house generally is an area where you wouldn’t see a guest, the kitchen, the shipping area, those types of areas, you are not going to see a guest walking through the kitchen, those people don’t need those areas where guests are generally present.”</p>

“When you break it down, there are certainly people who are more strategic in their roles than others. People who their sole job is to focus on the day-to-day function of what’s going on, and there are others who certainly look much longer term, much more so.”

HRM differentiation based on positions

[selection] “The ability to interact with co-workers and supervisors is of greater importance for the back.”

“The need for “technology awareness”.”

[training] “Service training is more focused for the individuals who have direct contact with the customers. For example, a dish washer, who doesn’t necessarily get to see the customers as frequently, or a laundry attendant who doesn’t have the opportunity to see a customer. They don’t have an as intensive customer service training as would have a bell person, or a front desk agent.”

[performance evaluation] “Work output can be more easily measured.”

[teamwork] “Greater tendency to have friction from inter-employee interaction in the back of the house.”

[empowerment] “Back line employees doesn’t encounter customers as much so it is not an issue for them.”

TABLE 9
Pilot Study 2 - Qualitative Interviews – Understanding Human Resource Management Configurations

The importance of HRM	Efficiency-oriented	[basic selection] “Employees, their previous experience and skills are less important than the managers... We are not looking for previous certificate or anything for our team members.”
<p>“This type of business in particular, everything is about the people, you have to invest in the people, you have to hire really good people, you have to educate them well, give them the right tools to be able to execute. But everything from a human resource standpoint is all about staff.”</p>	Reliability-oriented	<p>[orientation training] “We have an orientation that each individual goes through where they are given familiarize with our property, the rules of conduct, where things are located in the hotel, what the benefit packages are, how they are to come and to go, how they use the time clocks, where they pick up their uniforms, all those types of information that they need in general to be a member of the hotel.”</p> <p>[selection on specialized skills] “The difference in hiring say, a restaurant server, and a food and beverage director, are going to be very very different. Coz the skills required are immensely different. So your selection process is much more defined as to what is going to be needed. A restaurant server is highly specialized than someone who is going to be running a 10 million dollar division of the building.”</p> <p>“Depending on the positions we also look for individuals with good labor relations skills. Individuals who have either worked in the past with the local 6 and the New York city hotel trades council.”</p> <p>[training on specialized skills] “The training is more intense and frequent at the lower. Because generally they don’t have experiences in the business...there is basic skills training for individual positions, those would vary, and then there certainly is specialized training for managers, and then for the specific positions. There will be specialized training, say, for security, there will be more advanced first day training. Depending on positions and requirements of the positions, training will be dictated.”</p> <p>“They receive a job-skills checklist training, which is unique to their department. Every department has a unique job-skills checklist. For example, people who work at the front desk, their job-skills checklist includes a computer-based training for the property management system. If you work in the property operations, some of those include the training on the equipment and engine - the engineers have to constantly monitor the mechanical systems of the hotel. If you are housekeeping, you get training on different points that are required for servicing a suite. We have very specific points or tasks that need to be done in a suite. And you are taught how you are to go about and complete those tasks. And safety, the PPE, personal protective equipment that they</p>

need to use, how they use the mechanicals that they clean the suites with. So forth and so on.”

[performance evaluation based on results] “Every position has a skills outline and a performance outline, so all the key factors for that particular position are written in the evaluation. So it is pretty specialized for each position. And each individual is evaluated on how well they do on those particular special skills.”

[suggestion] “There is a “bright ideas” program at the hotel, where there are suggestion boxes, where individuals have an idea for improvement on hotel operations they can write it down, human resources department takes them out, and then they review it once in a month, there is a care committee in the hotel, which is a committee that is made up of team members and management...But this “bright ideas” program goes to the committee, those individual that has an idea that is actually taken and put into practices, receives a gift card as a reward. They may give a gift card to Macy’s, or to divergent records, give a gift card to AMC movies, or give a gift card to redeem different types of prizes that people enjoy.”

[information sharing system] “There is a hierarchy, there is a reporting hierarchy. There is process of how information flows, and is received, and who receives it. And how it is communicated. Ensure that whenever the communication is there is an action needed, the action is executed.”

“We have a dispatching system that we have in place in the hotel, that we have the operation reports that a light bulb is out, the person puts it into the computer, sends it over the radio, or depending on the ability to send a text message to... It is how we keep track of all the things that we need to address. Same thing for the guest calls. As a matter of fact, we have time limits in which we want an answer for the guest calls. If a guest needs an extra pillow, we have a system to ensure that they receive the extra pillow within 15 minutes of call.”

[internal feedback] “We give our feedback on a regular basis based on inspections of their work. We give them feedback based upon information we receive from our customers. And information we get from audits in every department. For example, we inspect the guest rooms, the suite maintenance, and give them feedback on a level of cleanliness. That’s done everyday. Different days we have managers assigned to do that, we have managers on duty program, plus executive participates in the inspection three days a week. Housekeeping managers do inspections. Same thing for the property operations team members to do suite care, as it is called here. Maintenance and Touch up or what not in a suite and do several rooms per day and cycle

Flexibility-
oriented

through the hotel. On a minimum they do it six times a year. The front desk is provided with feedback as well based upon observations they perform their duties in check in and check out.”

[selection on communication skills] “are obviously important for folks, staff that interact with our guests on a daily basis. So there is some consideration when you are selecting for those positions.”

“We are looking for individuals that have a very warm and engaging demeanor, personality, people who have a nice energy and nice smiles that will make our customers feel at ease, and feel welcome. Individuals that are not shy to engage the guests and make them feel at home.”

[service training] “Just because a person doesn’t interact with a guest, doesn’t mean that it is not important for them to know what good service is. So everybody goes through customer service training, no matter what position. Because one of the things that within our hotel, there is a philosophy that even though maybe I am a dishwasher, I am a cook, I do have customers too, they are my coworkers, so how you deal with a guest should be the same as you deal with a coworker. They are also trained communication skills.”

“And there are service training, modules that we go through as well. So individuals are provided training on how to handle different situations with customers, how to approach them, and what is included in the service training is...culture philosophy on how to deal with customers and what not.”

[cross promotion] “People could be promoted to other departments. There is always a possibility. If a restaurant server wants to apply to be a front desk agent, or if they want to apply to maybe become a manager, or a supervisor. Those who are specialized can be cross promoted, but generally they don’t because their skills are so specialized. But every promotion or every transfer is based on the person’s qualification, whether they can do the job, it is not they have to do it because they want to do it, they have to be qualified to do it.”

“Promotion is based upon their performance, they can be promoted to any positions that they are interested in.”

[empowerment] “One is that you have to give them the permission to do it, and the freedom to make decisions on their own. So that is philosophical, a point that you have to make clear that in the end the guest request has to be fulfilled, irregardless of what that may be. It is important that we can make sure that the guests feel like they are being taken care of. So everybody has to have the feeling that they can do whatever it takes.”

“They are empowered 100%. They make decisions that they need to make in order to take care of a customer. Our servers in the restaurant, if the customers aren’t happy with their meals, they are empowered to comp the bills, or to take the charges off the bill. Our team members here are empowered to discount the price of the room, or to give a free room, or to give a feature certificate for a free night. There are comp amenities to be sent to a room, to give them complimentary breakfasts or complimentary cocktail at the bar. They are all able to do what they want.”

[pay on individual performance] “On an individual basis.”

[cross-functional teamwork] “There is a big emphasis on teamwork, you have to work as a team in a hotel, every department depends on each other. One department doesn’t perform well, the business doesn’t perform well. You can have great rooms, you can be very very clean, but the restaurant is not so good, the hotel is not so good. Everything has to be equal, or it affects the perception of the customer.”

“When you bring in a large group, a large company meeting, the needs of that meeting are going to demand certain things, certain levels of performance from each department, so the departments will have to collaborate, to make sure that those needs are being met. There is a lot of information that flows throughout the building, that goes individual to individual, department to department. And there has to be a very collaborative kind of environment in order to make that work.”

[external feedback] “We have mystery shoppers, or secret shoppers, that come in to the hotel, that provide feedback. They disguise themselves as a regular guest, and they evaluate the performance at various departments...a company that provides this service, we pay them and they come in and provide details. Very detailed, on every aspect of the hotel, so they inspect our business center, the laundry, the room service, the restaurant, the front desk, the bell staff, and customer care line, property operation, housekeeping, everybody, concierges.”

TABLE 10
Factor Analysis of Strategic Positions Ratings^a

	Component				
	Front of the house service staff	Back of the house operation staff	Administrative staff	Extended activity staff	Call center service staff
6. Doormen	.84	.00	.10	.14	.20
5. Bell attendants	.79	.09	.10	.15	.24
9. Parking staff	.77	.11	.09	.08	-.03
4. Concierges	.74	-.07	.07	.19	.22
11. Entertainment servers	.58	.05	.19	.27	-.01
8. Security officers	.58	.27	.30	.13	-.11
17. Housekeeping staff	.09	.85	.17	.15	.03
10. Maids and room service staff	.12	.84	-.02	-.04	.01
1. Front desk staff	.04	.63	-.09	.11	.48
16. Operation/engineering staff	-.01	.62	.27	.13	.14
13. Auditing clerks	.29	.15	.73	-.08	-.09
14. Administrative clerks	.03	.06	.72	.19	.15
12. Cashiers and accounting	.08	.14	.62	.13	.02
15. Purchasing staff	.28	-.08	.60	.22	.26
19. Kitchen staff	.28	.10	.13	.80	-.00
7. Food and beverage servers	.41	.22	-.04	.72	.00
18. Event/activity/planners	.23	-.03	.25	.68	.10
20. Sales persons	-.06	.16	.22	.50	.43
2. Reservation staff	.14	.02	.04	.07	.72
3. Customer service staff	.24	.33	.18	-.02	.61

^aExtraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
Variance explained: 61.26%.

TABLE 11
Means, Standard Deviations, Reliabilities, and Correlations of Variables

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13
1.LogREVPAR ^b	2.00	.28													
2.LogOccupancy	1.83	.09	.34***												
3.LogGOPPAR	1.71	.36	.59***	.37***											
4.Capability:Value	3.73	.74	.28**	.10	.16										
5.Capability:Tangible	3.92	.76	.45***	.24**	.27**	.87***	.94 ^a								
6.Capability:Service	4.01	.61	.30***	.06	.16	.83***	.79***	.92 ^a							
7.HR:Flexibility	-.82	.39	.01	.00	.17*	.07	.10	.13	.82 ^a						
8.HR:Reliability	-.64	.24	-.11	-.08	-.00	.07	.08	.09	.62***	.77 ^a					
9.HR:Efficiency	-.63	.27	-.05	-.07	-.00	.06	.08	.12	.53***	.77***	.74 ^a				
10.Position:Service	1.41	.86	.19*	.15*	.14	.13	.21**	.09	.16*	-.02	-.07	.87 ^a			
11.Position:Operation	2.59	.43	.01	-.01	.09	.09	.06	.10	.06	.02	-.05	.24**	.78 ^a		
12.Position:Administration	3.17	.92	.28***	.04	.03	.18*	.25**	.14*	.25**	.03	-.00	.59***	.06	.68 ^a	
13.Position:Activity	2.31	.67	.14	-.03	.04	.01	.07	.05	.09	-.11	-.08	.57***	.30***	.34***	.77 ^a
14.Position:Hotline	2.55	.59	.10	-.10	.10	.10	.07	.09	.10	-.04	-.07	.34***	.42***	.28***	.28***
15.Star:Full Service	.46	.50	-.11	.02	.09	-.15*	-.23**	-.14	-.02	.01	.04	-.11	.16*	-.16*	-.10
16.Star:Luxury	.33	.47	.30***	.12	.01	.20*	.34***	.19*	.08	.01	.02	.29***	-.09	.25**	.22**
17.# of Full-time EEs	163.09	251.32	.12	.12	.08	.07	.15*	-.01	-.07	-.17*	-.28***	.36***	.05	.21**	.18*
18.# of Part-time EEs	49.43	166.85	.07	.05	.04	.02	.03	-.04	-.08	-.12	-.20**	.14*	.03	.07	.07
19.% Unionized	18.57	31.09	.23**	.05	.00	.14	.17*	.06	-.06	-.04	-.07	.18*	-.16*	.23**	.08
20.# of Rooms	200.33	196.65	.03	.12	-.01	-.02	.08	-.05	.02	.03	.02	.33***	.02	.18*	.20***
21.North America	.50	.50	-.09	.02	.08	-.17*	-.17*	-.07	-.07	.14*	.22**	-.27***	.23**	-.36***	-.29***
22.Location:Urban	.42	.50	.05	.15*	.16*	.13	.12	.04	-.15*	-.06	-.06	.17*	-.10	.04	-.05
23.Location:Suburb	.20	.40	.22**	-.07	-.03	.05	.04	.02	-.02	-.02	-.07	.08	.13	.01	.10
24.Type:Hotel	.78	.42	-.22**	.17*	.16*	.04	.05	-.06	.13	.04	.08	.08	.03	-.01	-.08
25.Owned by brand	.32	.47	.03	.09	-.04	-.01	.08	-.08	-.12	-.18*	-.09	.28***	.04	.17*	.23**
26.Owned by franchised	.28	.45	-.21**	.16*	-.03	-.08	-.13	-.04	.14*	.06	.05	-.31***	.23**	-.27***	-.16*
27.Managed by brand	.20	.40	.01	.13	-.09	.05	.10	.00	-.09	-.12	-.12	.24**	.01	.12	.16*
28.Managed by mgt co.	.25	.43	.04	.00	.17	-.13	-.15*	-.09	.15*	.06	.14*	-.10	.16*	-.03	.02
29.Human capital	3.65	.68	-.01	.07	.11	.09	.09	.10	.32***	.23**	.17*	.20**	.06	.24**	.19*

	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
14.Position:Hotline	.46 ^a														
15.Star:Full Service	.01														
16.Star:Luxury	-.00	-.65***													
17.# of Full-time EEs	.12	-.05	.21**												
18.# of Part-time EEs	.07	.09	-.01	.82***											
19.% Unionized	.02	-.05	.20**	.10	.01										
20.# of Rooms	-.01	-.12	.32***	.43***	.16*	.24**									
21.North America	-.14*	.29***	-.34***	-.28***	-.11	-.16*	-.03								
22.Location:Urban	-.07	-.04	.17*	.01	-.13	.12	.18*	-.11							
23.Location:Suburb	.15*	-.09	.15*	.13	.16*	-.10	-.09	-.03	-.42***						
24.Type:Hotel	-.03	.18*	-.06	.02	-.12	.01	.16*	.10	.27***	-.37***					
25.Owned by brand	.08	-.21**	.33***	.31***	.10	.00	.43***	-.24**	.10	.01	.03				
26.Owned by franchised	-.08	.27***	-.32***	-.17*	-.12	-.01	-.05	.34***	-.18*	-.20**	.23**	-.43***			
27.Managed by brand	.07	-.16*	.29***	.33***	.12	.13	.41***	-.26***	.08	.00	.03	.58***	-.20**		
28.Managed by mgt	.03	.11	-.05	-.09	-.10	-.02	.02	.18*	-.03	-.13	.13	-.07	.31***	-.29***	
29.Human capital	.12	.06	-.02	-.07	-.16*	.00	.14*	-.04	.02	-.02	.12	.07	.04	.14*	-.02.73 ^a

^a numbers in diagonal are Cronbach's alphas.

^bLogREVPAR = logarithm of Revenue per available room; LogOccupancy = logarithm of Occupancy; LogGOPPAR = logarithm of Gross operating profit per available room; Star: Full Service is dummy coded (1 = full service hotels and 0 = others); Star: Luxury is dummy coded (1 = luxury hotels and 0 = others), North America is dummy coded as 1 = located in North America and 0 = located in elsewhere; Location: Urban is dummy coded (1 = urban location and 0 = other locations); Location: Suburb is dummy coded (1 = suburb location and 0 = other locations); Type: Hotel is dummy coded as 1 = Hotel and 0 = others (such as resorts); Owned by brand is dummy coded as 1 = owned by hotel brand and 0 = other ownership; Owned by franchised is dummy coded as 1 = owned by franchised company and 0 = other ownership; Managed by brand is dummy coded as 1 = managed by hotel brand and 0 = other management; Managed by mgt is dummy coded as 1 = managed by management company and 0 = other management.

* $p < .05$ (1-tailed). ** $p < .01$ level (1-tailed). *** $p < .001$ (1-tailed). N = 152.

TABLE 12
Customer Evaluations of Capabilities in Predicting LogREVPAR (Hypothesis 1)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(Constant)	1.42***	1.30***	1.28	1.23***	1.26***	1.11**
Fulltime Employees	.00	.00	.00	.00	-.00	.00
Parttime Employees	.00	-.00	-.00	-.00	.00	.00
UNION %	.00	.00	.00	.00	.00	.00
ROOMS #	.00	.00	.00	.00	.00	.00
Owned by brand co._dmy	-.02	-.02	-.02	-.01	.00	.01
Owned by franchised co._dmy	-.02	-.02	-.02	-.02	-.01	-.02
Mgt by brand co._dmy	-.05	-.03	-.03	-.02	.00	-.03
Mgt by mgt co._dmy	.07	.07	.07	.06	.06	.04
North America_dmy	.04	.01	.01	.02	.02	.02
Loc Urban_dmy	.03	.07	.07	.07	.07	.07
Loc Suburb_dmy	.14	.15*	.15*	.16*	.16*	.17*
Type: Hotel_dmy	-.06	-.05	-.05	-.06	-.05	-.05
Human Capital	.02	.01	.01	.01	.01	.01
Star: Full service_dmy	.14*	.13*	.13*	.42	.40	.69
Star: Luxury_dmy	.27**	.18*	.18*	-.16	-.49	-.25
Capability: Value	.09**	-.13*	-.14	-.11	-.14	-.15
Capability: Tangibles		.25***	.25***	.28***	.30***	.27***
Capability: Service			.02	-.02	-.03	.04
Value*Full service_dmy				-.08		
Value*Luxury_dmy				.08		
Tangibles*Full service_dmy					-.08	
Tangibles*Luxury_dmy					.15	
Service*Full service_dmy						-.14
Service*Luxury_dmy						.10
R ² change	.05**	.09***	.00	.02	.03+	.04*
R ²	.33***	.42***	.42***	.45***	.45***	.47***
F	(16,99)	(17,98)	(18,97)	(20,95)	(20,95)	(20,95)
	= 3.08	= 4.20	= 3.92	= 3.81	= 3.95	= 4.04

*** $p < .001$; ** $p < .01$; * $p < .05$.

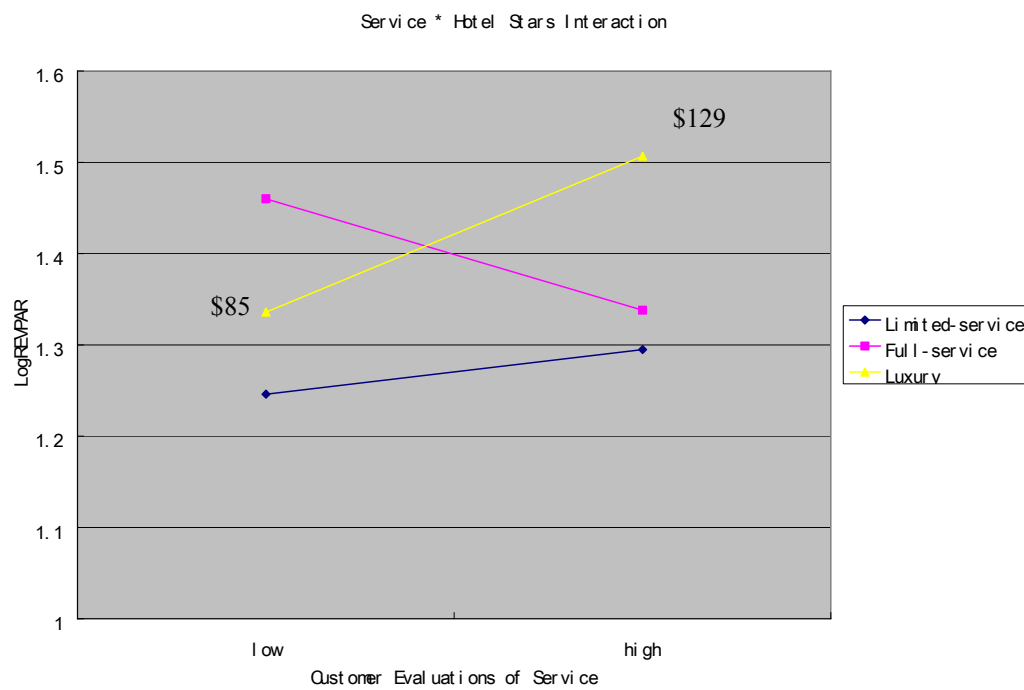
FIGURE 2

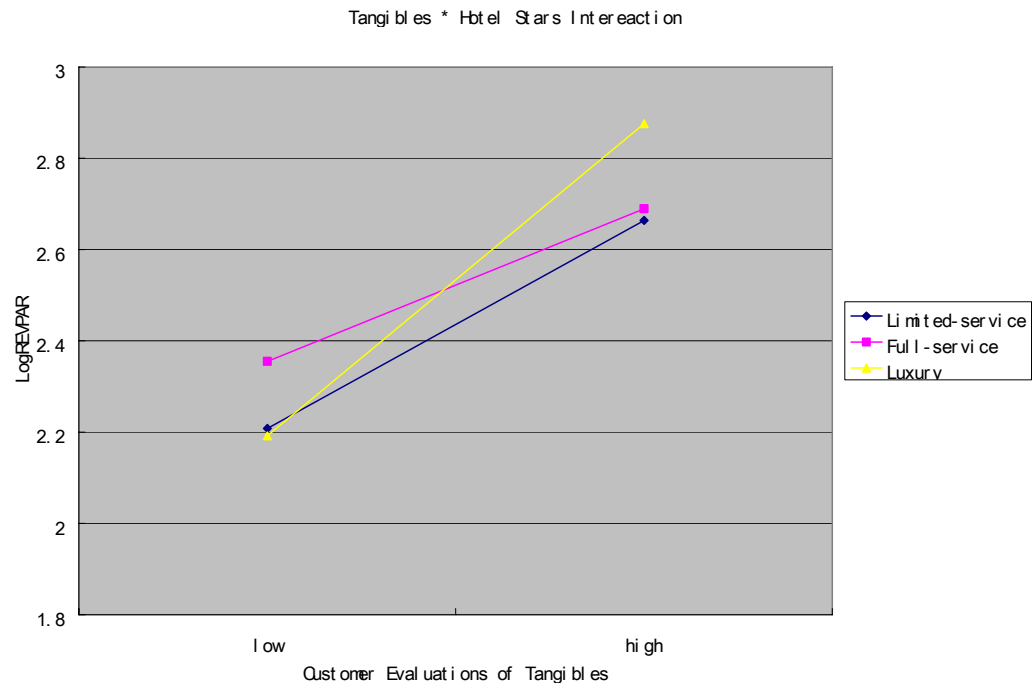
FIGURE 3

TABLE 13
Customer Evaluations of Capabilities in Predicting LogOccupancy (Hypothesis 1)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(Constant)	1.73***	1.70***	1.75***	1.83***	1.85***	1.79***
Fulltime EEs	.00	-.00	-.00	-.00	-.00	-.00
Parttime EEs	-.00	.00	.00	.00	.00	.00
UNION %	.00	.00	.00	.00	.00	.00
ROOMS #	.00	.00	.00	.00	.00	.00
Owned by brand co._dmy	-.02	-.02	-.02	-.02	-.02	-.02
Owned by franchised co._dmy	.04	.04	.04	.05	.04	.04
Mgt by brand co._dmy	.01	.01	.02	.02	.02	.02
Mgt by mgt co._dmy	.01	.02	.02	.02	.02	.02
North America_dmy	-.01	-.02	-.02	-.02	-.02	-.02
Loc Urban_dmy	.01	.02	.02	.02	.02	.02
Loc Suburb_dmy	-.02	-.01	-.02	-.02	-.01	-.02
Type: Hotel_dmy	.00	.00	-.00	.00	.00	-.00
Human Capital	.01	.01	.01	.01	.01	.01
Star: Full service_dmy	.02	.02	.01	-.11	-.14	-.07
Star: Luxury_dmy	.05	.03	.03	-.06	-.04	.03
Capability: Value	.01	-.05*	-.03	-.06	-.03	-.03
Capability: Tangibles		.07**	.07**	.07**	.04	.07**
Capability: Service			-.03	-.03	-.03	-.04
Value*Full service_dmy				.03		
Value*Luxury_dmy				.02		
Tangibles*Full service_dmy					.04	
Tangibles*Luxury_dmy					.02	
Service*Full service_dmy						.02
Service*Luxury_dmy						.00
R ² change	.01	.06**	.01	.01	.02	.01
R ²	.13	.19	.20	.21	.22	.20
F	(16,105)	(17,104)	(18,103)	(20,101)	(20,101)	(20,101)
	= .95	= 1.42	= 1.41	= 1.34	= 1.39	= 1.28

*** $p < .001$; ** $p < .01$; * $p < .05$.

TABLE 14
Customer Evaluations of Capabilities in Predicting LogGOPPAR (Hypothesis 1)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(Constant)	.85**	.74*	.71	.27	.35	-.16
Fulltime EEs	.00	.00	.00	.00	.001	.00
Parttime EEs	-.00	.00	.00	.00	.00	.00
UNION %	-.00	-.00	-.00	.00	-.00	-.00
ROOMS #	.00	.00	.00	.00	.00	.00
Owned by brand co._dmy	-.04	-.05	-.04	-.06	-.04	-.04
Owned by franchised co._dmy	-.09	-.09	-.09	-.11	-.11	-.13
Mgt by brand co._dmy	-.14	-.10	-.10	-.12	-.12	-.16
Mgt by mgt co._dmy	.20	.21*	.21*	.19	.18	.16
North America_dmy	.09	.06	.06	.07	.07	.06
Loc Urban_dmy	-.01	.05	.05	.04	.04	.04
Loc Suburb_dmy	.03	.05	.06	.04	.04	.03
Type: Hotel_dmy	.14	.15	.15	.15	.14	.13
Human Capital	.07	.05	.05	.07	.07	.08
Star: Full service_dmy	.03	-.00	.00	.56	.58	1.33
Star: Luxury_dmy	.02	-.09	-.09	.54	.38	.91
Capability: Value	.10	-.12	-.13	-.03	-.14	-.12
Capability: Tangibles		.27*	.26*	.24	.38*	.23
Capability: Service			.02	.04	.01	.24
Value*Full service_dmy				-.15		
Value*Luxury_dmy				-.16		
Tangibles*Full service_dmy					-.15	
Tangibles*Luxury_dmy					-.12	
Service*Full service_dmy						-.33
Service*Luxury_dmy						-.24
R ² change	.04	.05*	.00	.02	.01	.04
R ²	.20	.25	.25	.27	.27	.29
F	(16,76)	(17,75)	(18,74)	(20,72)	(20,72)	(20,72)
	= 1.16	= 1.47	= 1.37	= 1.32	= 1.30	= 1.45

*** $p < .001$; ** $p < .01$; * $p < .05$.

TABLE 15
Suggested HR Profiles and Strategic Positions in Predicting Customer Evaluations of Value (Hypotheses 2 & 3) ^a

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
(Constant)	3.60***	2.37**	3.30**	3.83**	2.54**	.06	1.71	2.60**	2.41**	2.56**
Fulltime EEs	.00	.00	-.00	-.00	-.00	-.00	-.00	-.00	.00	-.00
Parttime EEs	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
UNION %	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
ROOMS #	.00	.00	-.00	-.00	.00	.00	.00	.00	-.00	-.00
Owned by brand co._dmy	-.09	-.15	-.10	-.09	-.15	-.19	-.18	-.16	-.13	-.11
Owned by franchised co._dmy	.07	-.04	.02	.02	-.02	-.08	-.08	-.06	-.05	-.09
Mgt by brand co._dmy	.07	.07	.09	.07	.04	.05	-.02	.08	.04	.02
Mgt by mgt co._dmy	-.24	-.26	-.24	-.24	-.29	-.25	-.29	-.30	-.26	-.30
North America_dmy	-.14	-.26	-.23	-.26	-.31	-.24	-.30	-.30	-.24	-.31
Loc Urban_dmy	.28	.23	.26	.27	.19	.19	.17	.19	.22	.20
Loc Suburb_dmy	.21	.13	.16	.16	.10	.10	.06	.11	.11	.10
Type: Hotel_dmy	.13	.18	.20	.22	.17	.25	.19	.19	.19	.22
Human Capital	.07	.08	.10	.11	.03	.11	.07	.06	.07	.06
Star: Full service_dmy	-.16	-.17	-.99	-1.44	-.48	3.19*	1.55	.08	.16	-.12
Star: Luxury_dmy	.12	.10	-1.12	-1.44	.52	2.46	.57	-.89	-.46	-.53
HR: Efficiency	.29	.55	1.64	.40	.80	.36	.58	.59	.55	.55
HR: Reliability	-.03	-.23	-.03	1.86	-.29	-.24	-.31	-.08	-.18	-.15
HR: Flexibility	.05	-.09	-.06	-.04	-.15	-.03	-.13	-.18	-.09	-.14
Position: Front service		-.01	-.00	.01	.02	.06	.08	-.00	.00	-.08
Position: Back operation		.48*	.36	.38	.58*	1.45**	.44	.49*	.46	.48*
Position: Administration		.07	.08	.05	.08	.05	.05	.05	.07	.07
Position: Activity		-.14	-.10	-.14	-.15	-.22	-.24	-.1	-.06	-.12
Position: Call center		.02	.03	.03	-.03	-.07	.42+	.01	.00	.02
<i>HR Efficiency * Full service_dmy</i>			-1.26							
<i>HR Efficiency * Luxury_dmy</i>			-1.89+							
<i>HR Reliability * Full service_dmy</i>				-1.96						
<i>HR Reliability * Luxury_dmy</i>				-2.37+						

FIGURE 4

HR Efficiency * Hotels Interaction

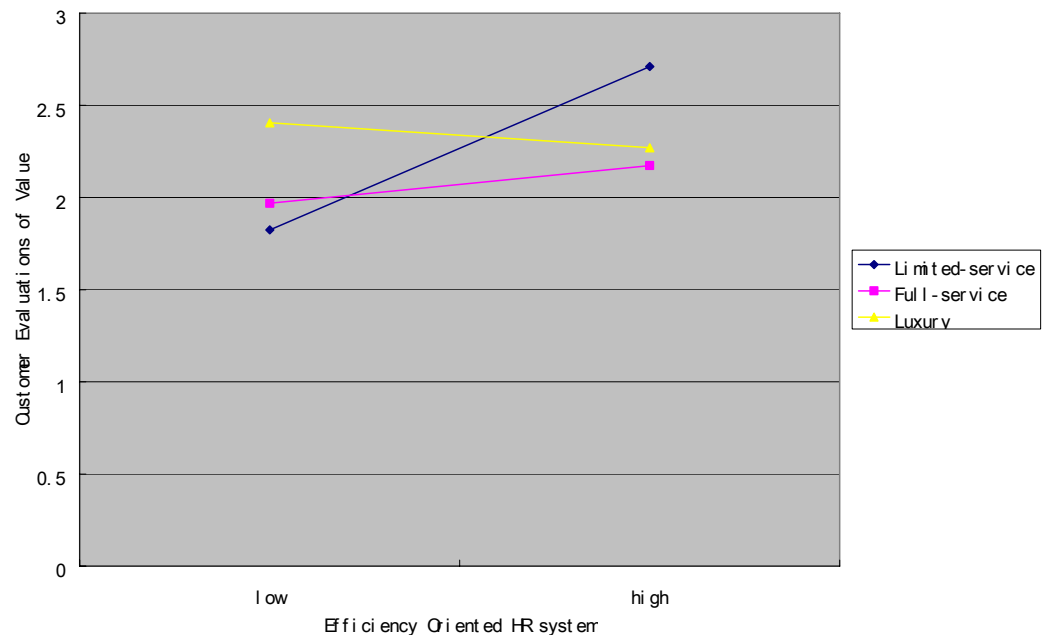


FIGURE 5

HR Reliability * Hotels Interaction

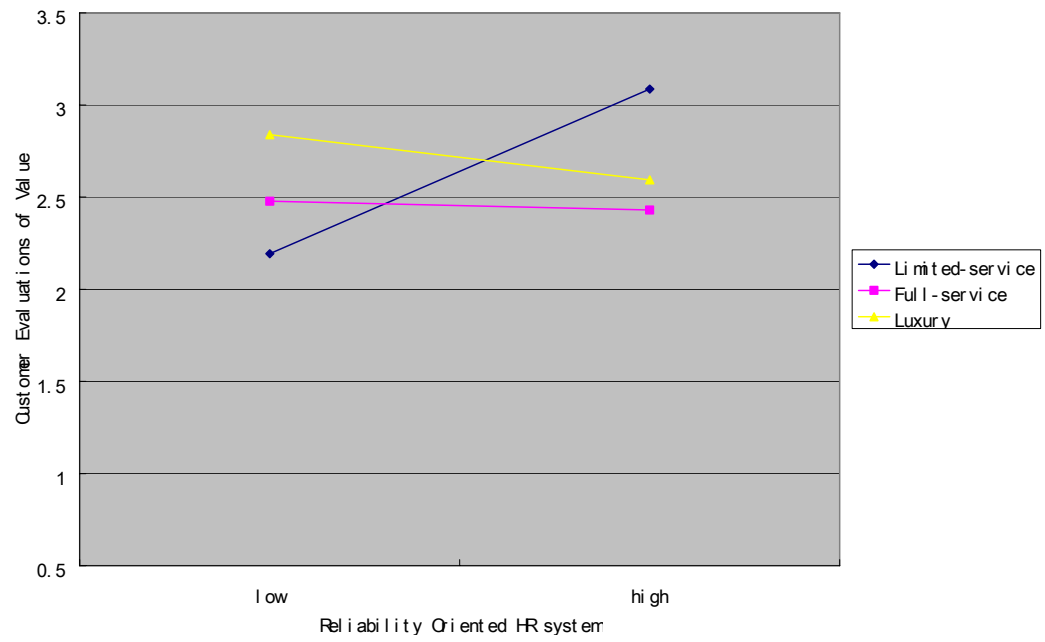


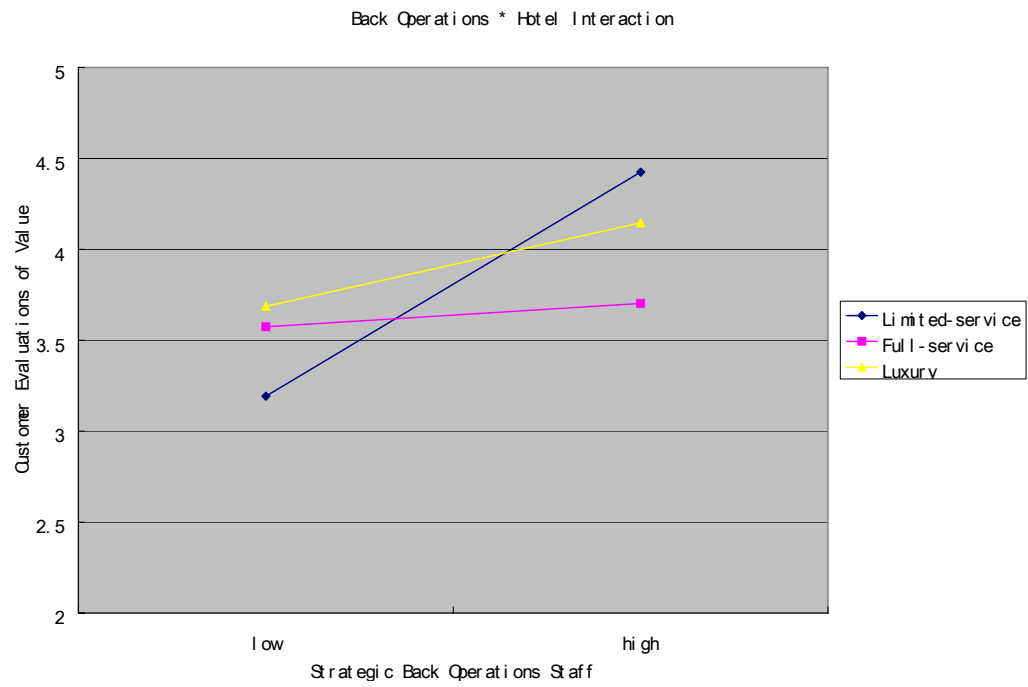
FIGURE 6

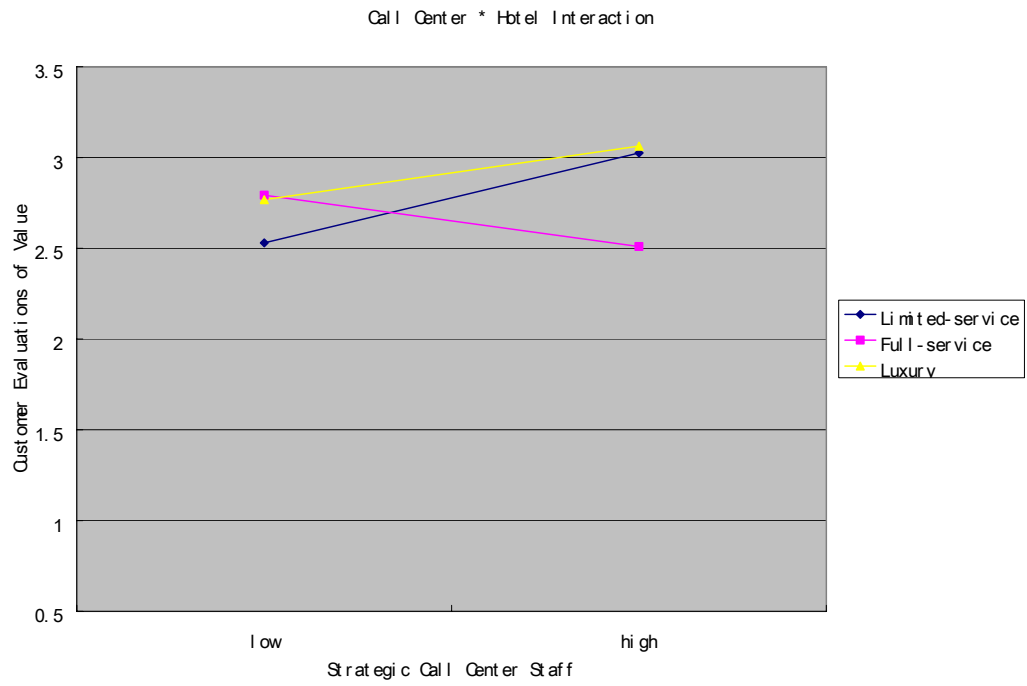
FIGURE 7

TABLE 16
Suggested HR Profiles and Strategic Positions in Predicting Customer Evaluations of Tangibles (Hypotheses 2 & 3)^a

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
(Constant)	3.69***	2.77**	3.00**	3.82**	2.79**	.31	1.89*	2.94**	2.68**	2.83**
Fulltime EEs	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Parttime EEs	.00	.00	.00	-.00	.00	.00	.00	-.00	.00	-.00
UNION %	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
ROOMS #	.00	-.00	-.00	.00	-.00	.00	.00	-.00	-.00	.00
Owned by brand co._dmy	-.09	-.14	-.10	-.09	-.14	-.18	-.19	-.14	-.14	-.10
Owned by franchised co._dmy	.07	.03	.06	.08	.05	-.00	-.00	.02	.03	.04
Mgt by brand co._dmy	-.01	.00	.03	.00	-.01	-.02	-.07	.01	.00	-.02
Mgt by mgt co._dmy	-.30	-.30	-.30	-.29	-.32	-.30	-.33	-.33	-.30	-.32
North America_dmy	.00	-.06	-.01	-.06	-.09	-.05	-.10	-.09	-.06	-.08
Loc Urban_dmy	.15	.12	.14	.15	.09	.08	.06	.09	.11	.13
Loc Suburb_dmy	.11	.07	.10	.09	.04	.04	-.00	.05	.07	.07
Type: Hotel_dmy	.08	.11	.13	.13	.09	.16	.11	.11	.11	.13
Human Capital	.06	.06	.08	.08	.02	.08	.04	.04	.06	.06
Star: Full service_dmy	-.10	-.11	-.17	-.97	-.19	3.33**	1.85*	.04	.07	-.25
Star: Luxury_dmy	.40	.36	-.35	-.85	.72	3.24*	1.42	-.33	.59	.02
HR: Efficiency	.30	.48	.71	.33	.61	.29	.48	.50	.49	.46
HR: Reliability	-.08	-.20	-.01	1.35	-.25	-.26	-.30	-.10	-.22	-.16
HR: Flexibility	.11	-.03	-.09	-.01	-.18	.04	-.05	-.09	-.03	-.06
Position: Front service		.01	.02	.03	.03	.08	.10	.02	.02	-.14
Position: Back operation		.32	.24	.22	.37	1.37**	.25	.32	.32	.32
Position: Administration		.10	.09	.07	.10	.07	.08	.07	.09	.12
Position: Activity		-.08	-.05	-.07	-.08	-.16	-.19	-.06	-.01	-.06
Position: Call center		-.02	-.01	-.00	-.05	-.12	.48+	-.03	-.03	-.03
HR Efficiency * Full service_dmy			-.04							
HR Efficiency * Luxury_dmy			-1.13							
HR Reliability * Full				-1.30						

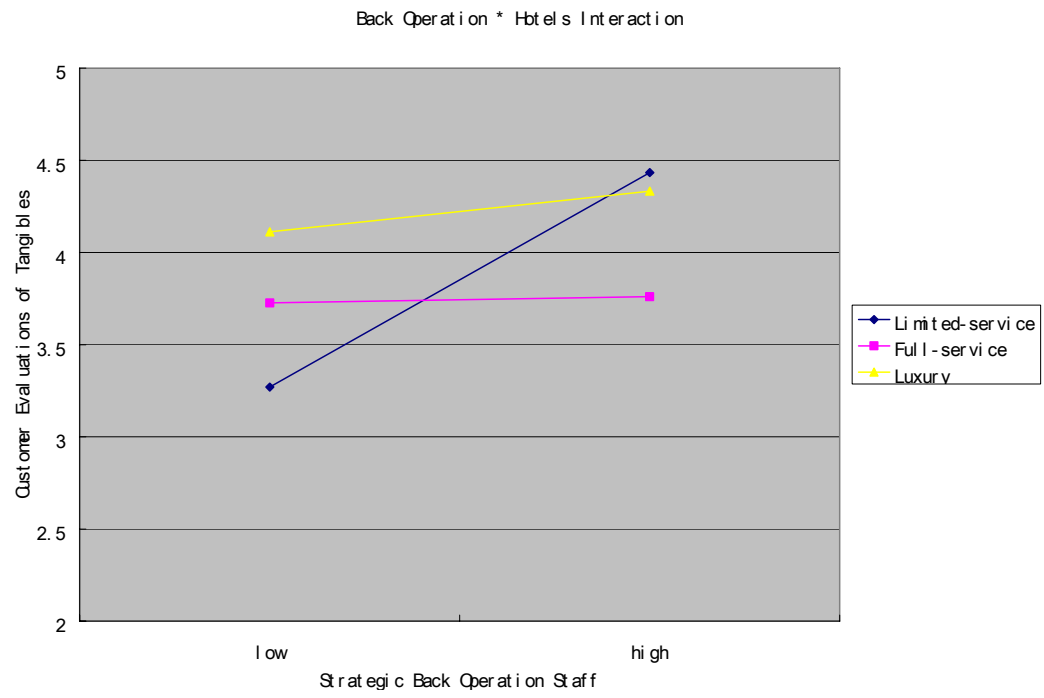
FIGURE 8

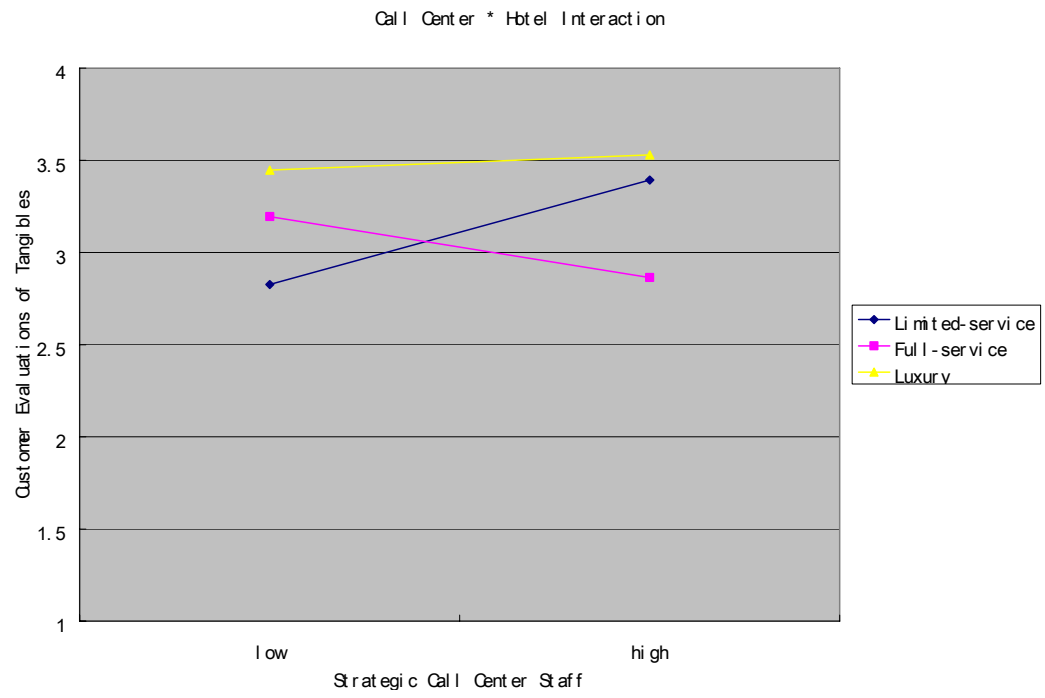
FIGURE 9

TABLE 17
Suggested HR Profiles and Strategic Positions in Predicting Customer Evaluations of Service (Hypotheses 2 & 3)^a

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
(Constant)	4.16***	3.43***	3.67***	3.90***	3.79***	1.50	2.85***	3.93***	3.49***	3.65***
Fulltime EEs	.00	-.00	.00	-.00	.00	.00	.00	.00	-.00	.00
Parttime EEs	-.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
UNION %	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
ROOMS #	-.00	-.00	-.00	-.00	.00	.00	.00	.00	-.00	.00
Owned by brand co._dmy	-.21	-.25	-.23	-.23	-.25	-.28	-.28	-.25	-.24	-.19
Owned by franchised co._dmy	.03	-.05	-.02	-.03	-.03	-.08	-.09	-.06	-.05	-.09
Mgt by brand co._dmy	.11	.12	.13	.12	.07	.10	.03	.14	.10	.06
Mgt by mgt co._dmy	-.19	-.21	-.20	-.20	-.25	-.20	-.24	-.27	-.21	-.26
North America_dmy	.01	-.04	-.01	-.03	-.10	-.02	-.07	-.10	-.02	-.10
Loc Urban_dmy	.09	.07	.09	.09	.03	.04	.02	.04	.07	.05
Loc Suburb_dmy	.01	-.04	-.01	-.02	-.06	-.06	-.10	-.05	-.05	-.07
Type: Hotel_dmy	-.13	-.09	-.07	-.08	-.09	-.03	-.08	-.08	-.09	-.05
Human Capital	.05	.05	.06	.06	-.01	.07	.03	.01	.04	.03
Star: Full service_dmy	-.18	-.22	-.34	-.59	-.77	2.62*	1.38*	-.18	-.07	-.27
Star: Luxury_dmy	.14	.10	-.47	-.46	.37	2.01	.39	-1.57*	-.35	-.76*
HR: Efficiency	.30	.47	.74	.40	.78	.31	.51	.49	.46	.46
HR: Reliability	-.26	-.35	-.21	.35	-.40	-.35	-.42	-.12	-.31	-.24
HR: Flexibility	.12	.06	.03	.06	.19	.10	.01	-.08	.05	-.02
Position: Front service		-.01	-.01	-.01	.02	.04	.07	-.00	-.01	-.20
Position: Back operation		.28	.22	.23	.40*	1.09**	.24	.29	.26	.28
Position: Administration		.01	.01	-.00	.01	-.01	-.01	-.11	.01	.02
Position: Activity		.01	.03	.02	.00	-.05	-.08	.06	.04	.05
Position: Call center		.01	.02	.02	-.04	-.06	.37+	-.01	.01	.01
HR Efficiency * Full service_dmy			-.17							
HR Efficiency * Luxury_dmy			-.90							
HR Reliability * Full				-.57						

service_dmy										
HR Reliability * Luxury_dmy										
<i>HR Flexibility * Full</i>										
<i>Service_dmy</i>										
<i>HR Flexibility * Luxury_dmy</i>										
Back operation * Full										
service_dmy										
Back operation *										
Luxury_dmy										
Call center * Full service_dmy										
Call center * Luxury_dmy										
Administration * Full										
service_dmy										
Administration * Luxury_dmy										
Activity * Full service_dmy										
Activity * Luxury_dmy										
<i>Front service * Full</i>										
<i>service_dmy</i>										
<i>Front service * Full</i>										
<i>service_dmy</i>										
R ² change	.01	.03	.01	.01	.06*	.07*	.07*	.08**	.01	.06*
R ²	.12	.15	.16	.15	.20	.21	.21	.23	.15	.21
F	(18,107)	(23,102)	(25,100)	(25,100)	(25,100)	(25,100)	(25,100)	(25,100)	(25,100)	(25,100)
	= .79	= .76	= .75	= .71	= 1.01	= 1.07	= 1.08	= 1.19	= .71	= 1.05

*** $p < .001$; ** $p < .01$; * $p < .05$.

^a Variables in Italic are hypothesized.

FIGURE 10

HR Flexibility * Hotels Interaction

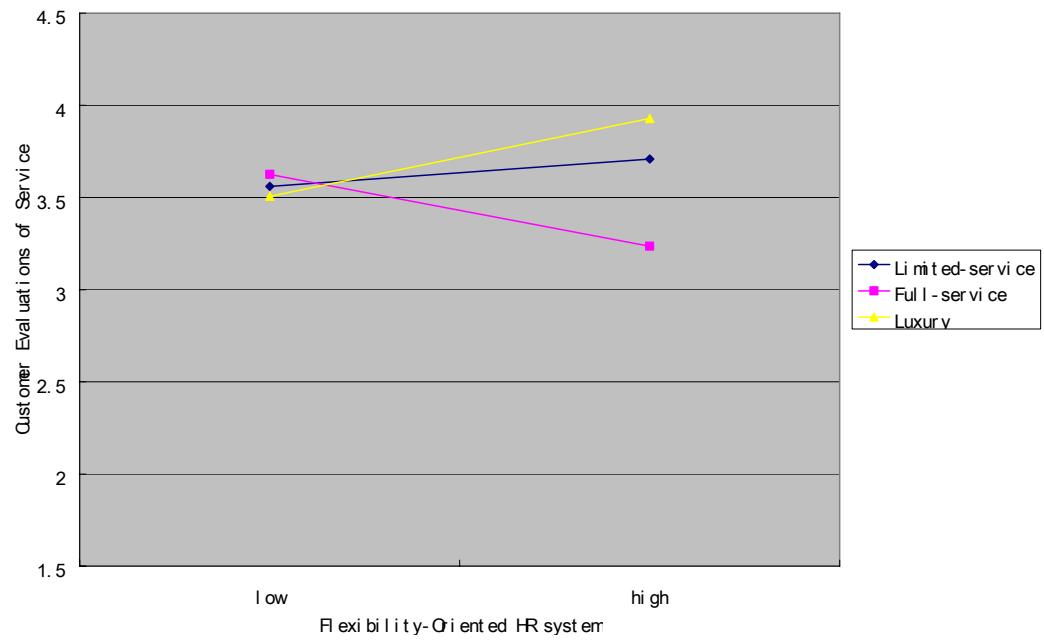


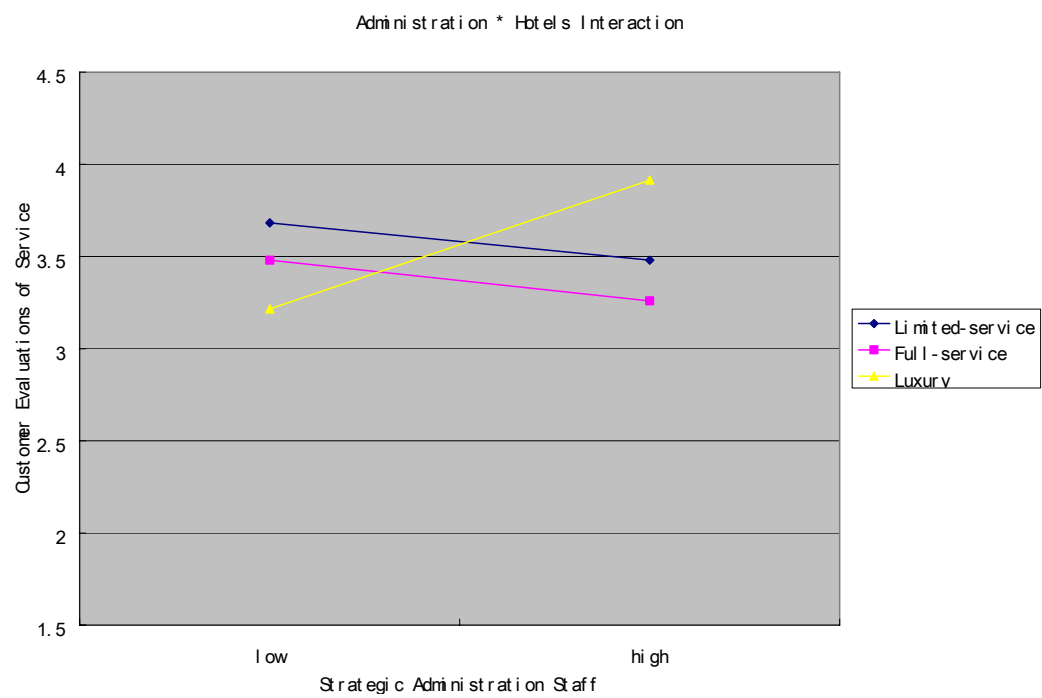
FIGURE 11

FIGURE 12

Front Service * Hotels Interaction

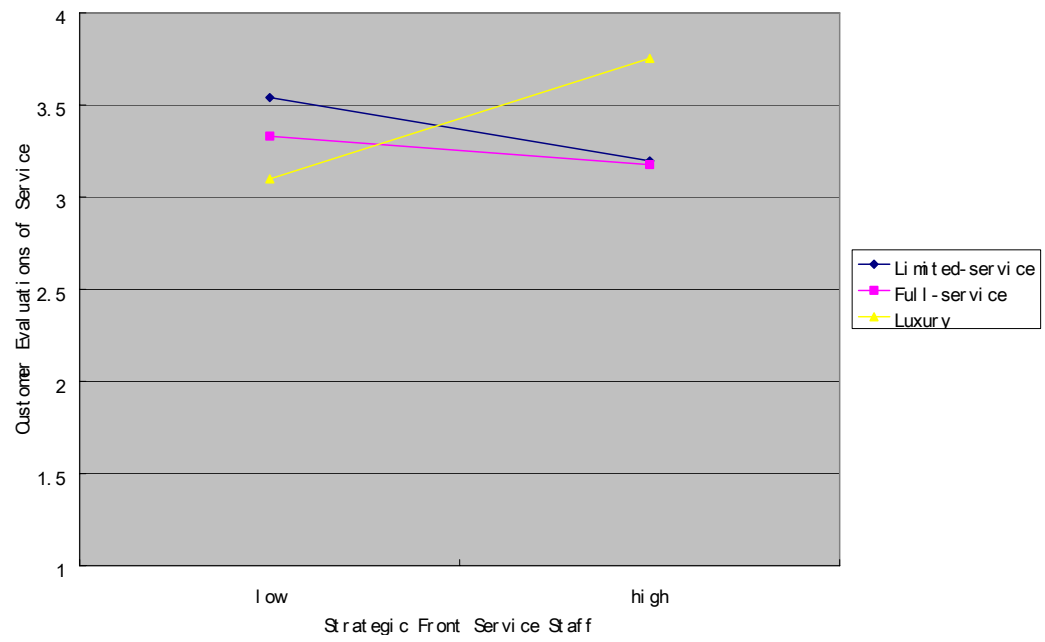


FIGURE 13

Call Center * Hotels Interaction

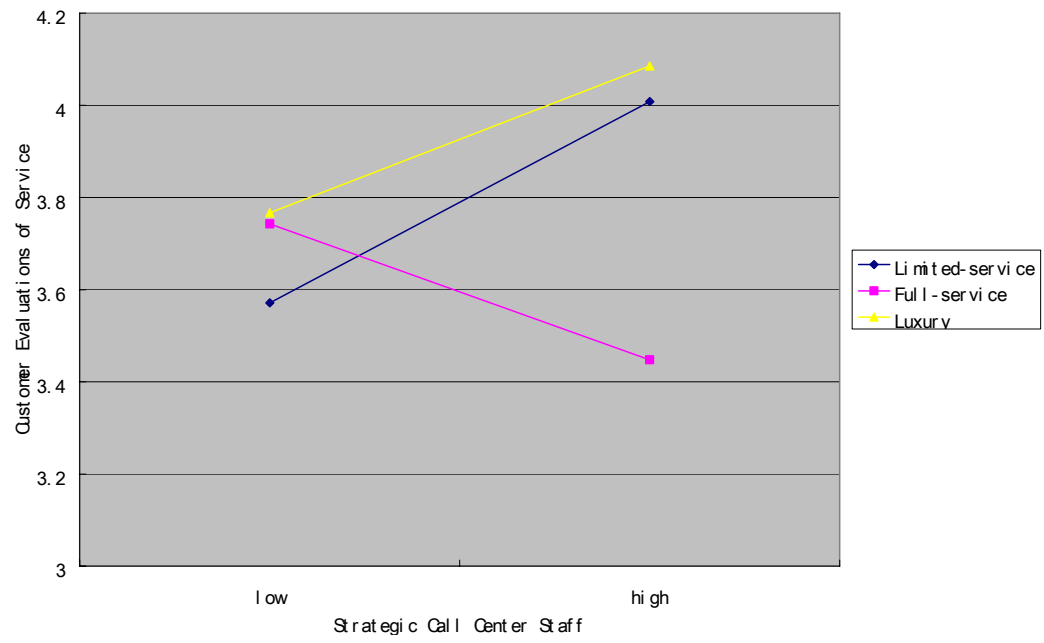


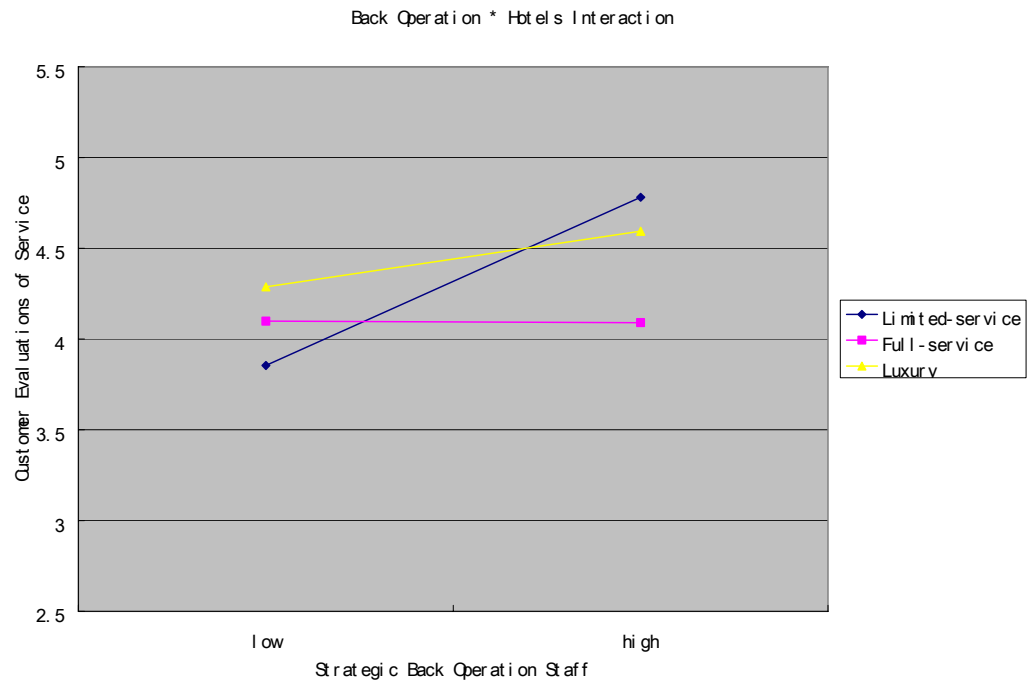
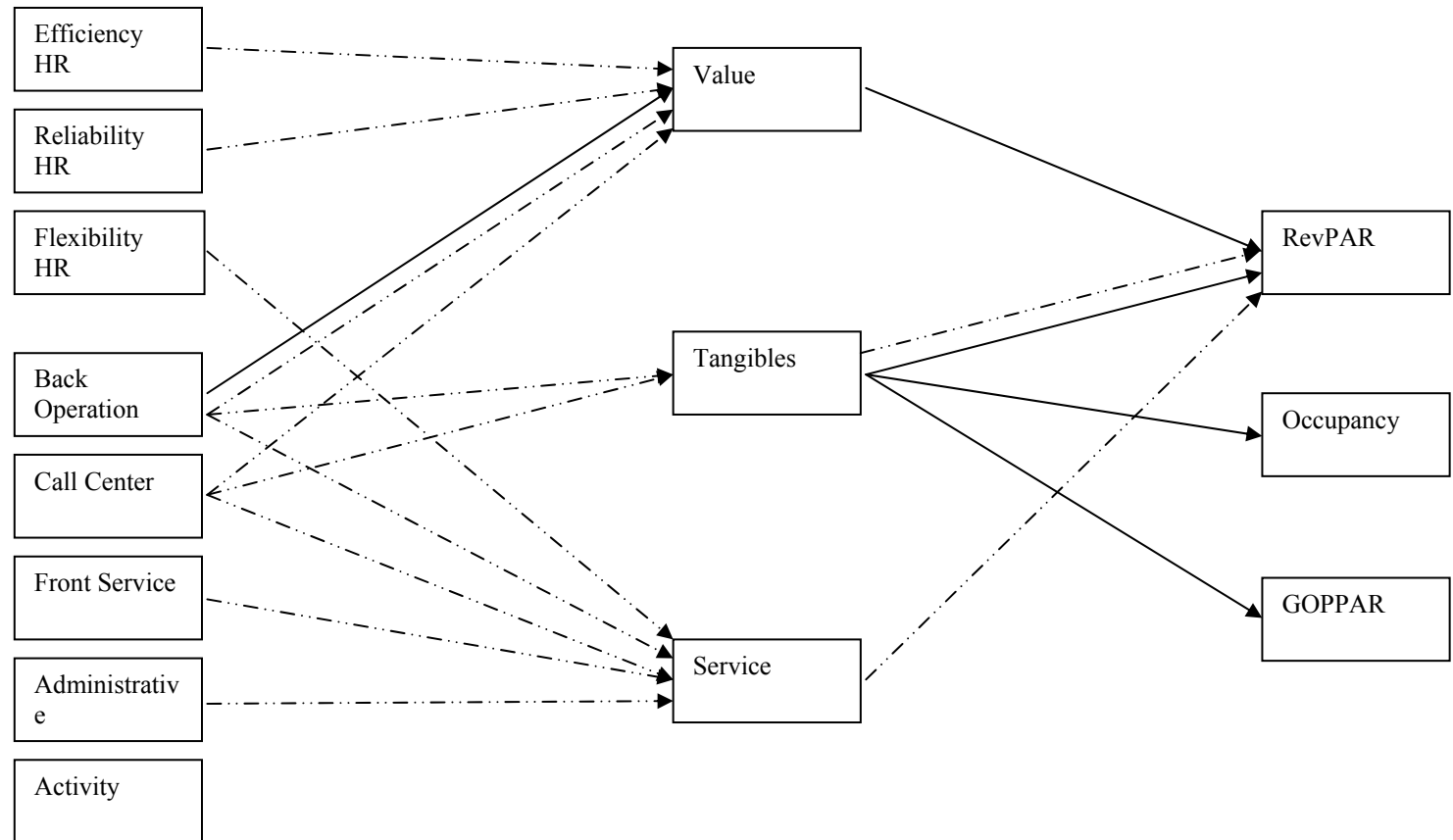
FIGURE 14

FIGURE 15
A Summary of Regression Findings^a



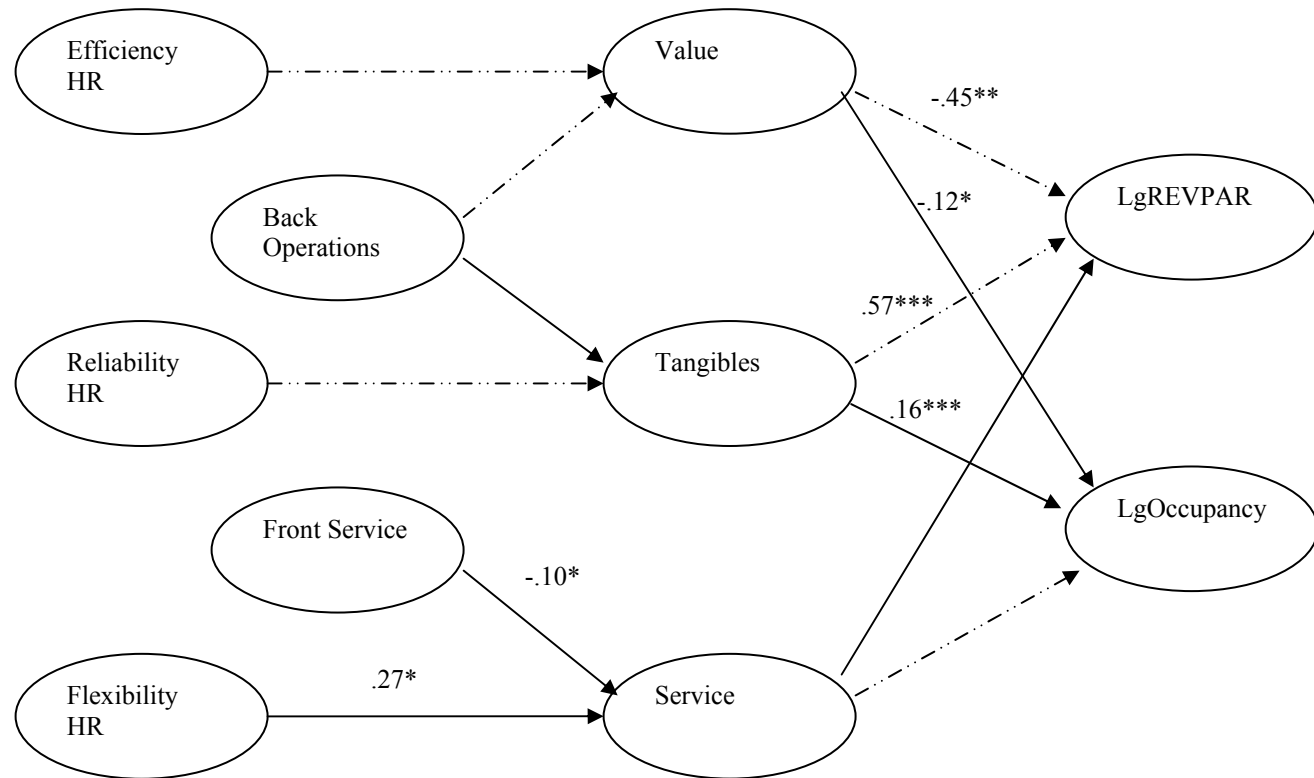
^aSolid lines indicate a main effect; Dashed lines represent a moderated effect with hotel stars

TABLE 18
Summary of structural models

Models		χ^2	<i>df</i>	<i>CFI</i>	<i>RMSEA</i>
Baseline model, not including interactions		26.73	20	.99	.06
Interaction models (tested at one star level at a time)					
Model 1	Limited service hotels interactions	62.37**	33	.97	.08
Model 2	Full service hotels interactions	148.73**	33	.90	.14
Model 3	Luxury hotels interactions	84.80**	33	.96	.11

** $p < .01$

FIGURE 16
Summary of Structural Model Results ^a



^aThe results were obtained from four analyses: (1) the solid lines and significant coefficients were from the baseline model without interactions, (2) the dashed lines to and from Value represented significant interactions between Limited service hotels and Value, Efficiency HR, and Back of the house positions, (3) the dashed lines to and from Tangibles represented significant interactions between Full service hotels and Reliability HR and Tangibles, and (4) the dashed lines from Service represented significant interaction between Luxury hotels and Service.

*** $p < .001$; ** $p < .01$; * $p < .05$

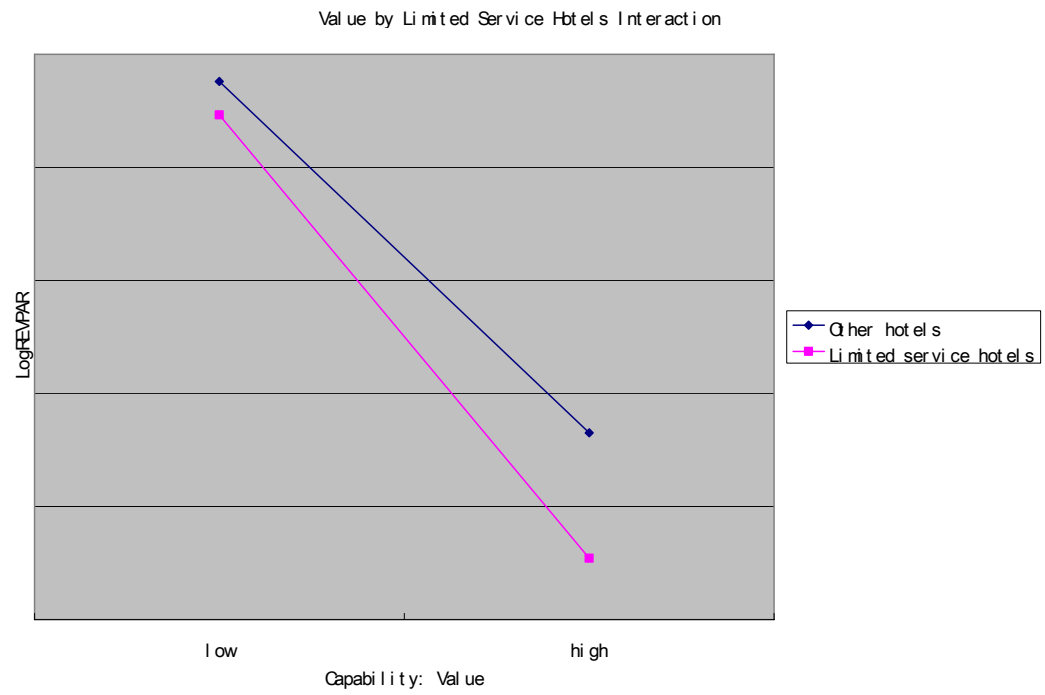
FIGURE 17

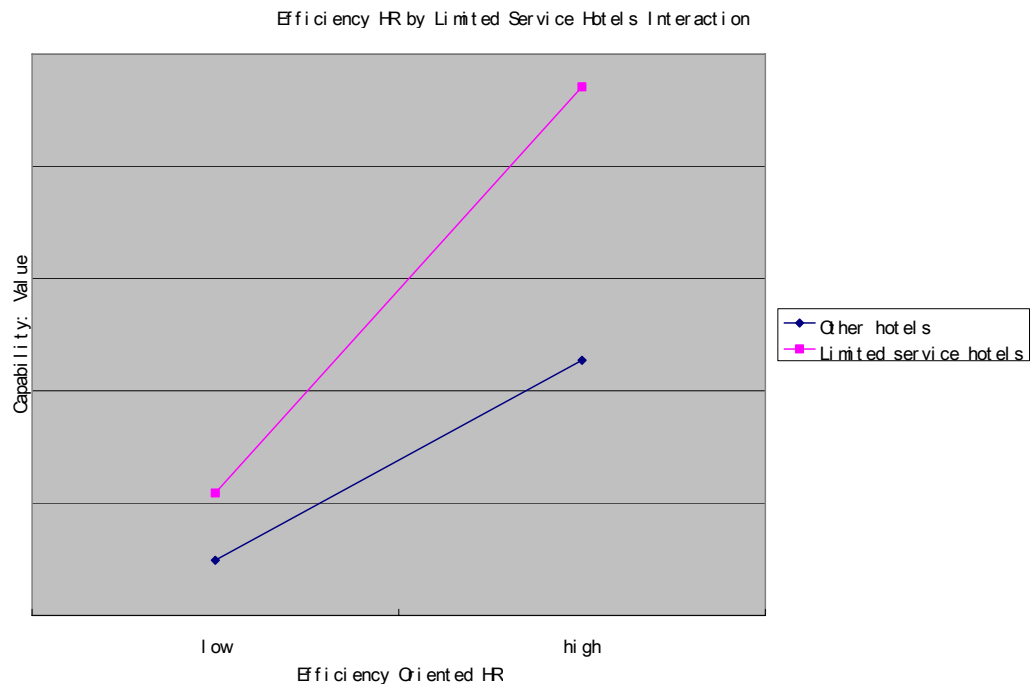
FIGURE 18

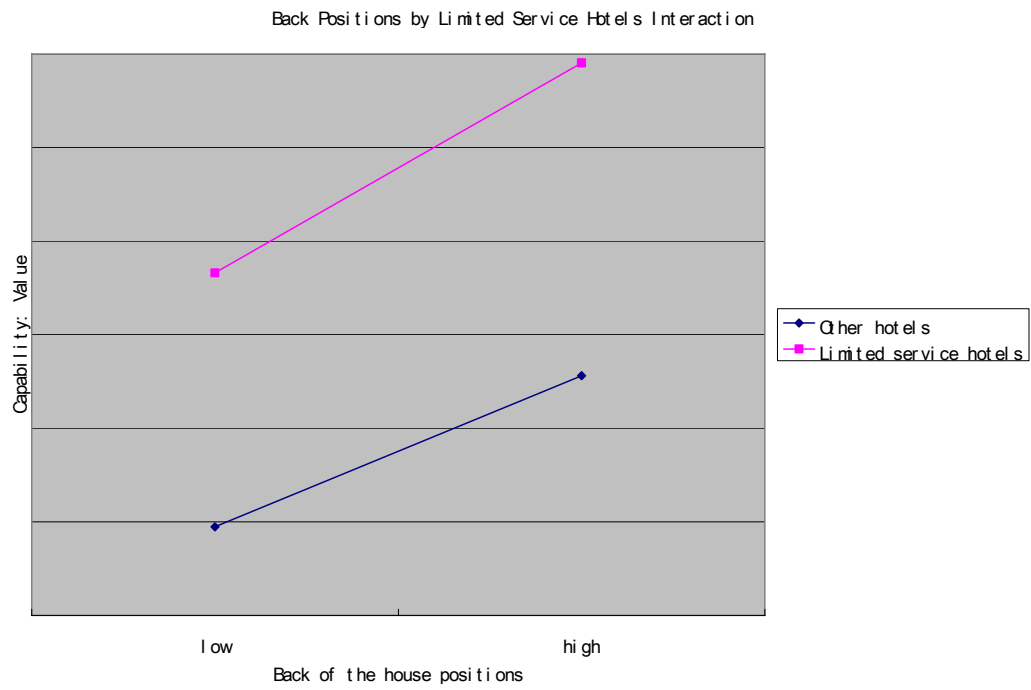
FIGURE 19

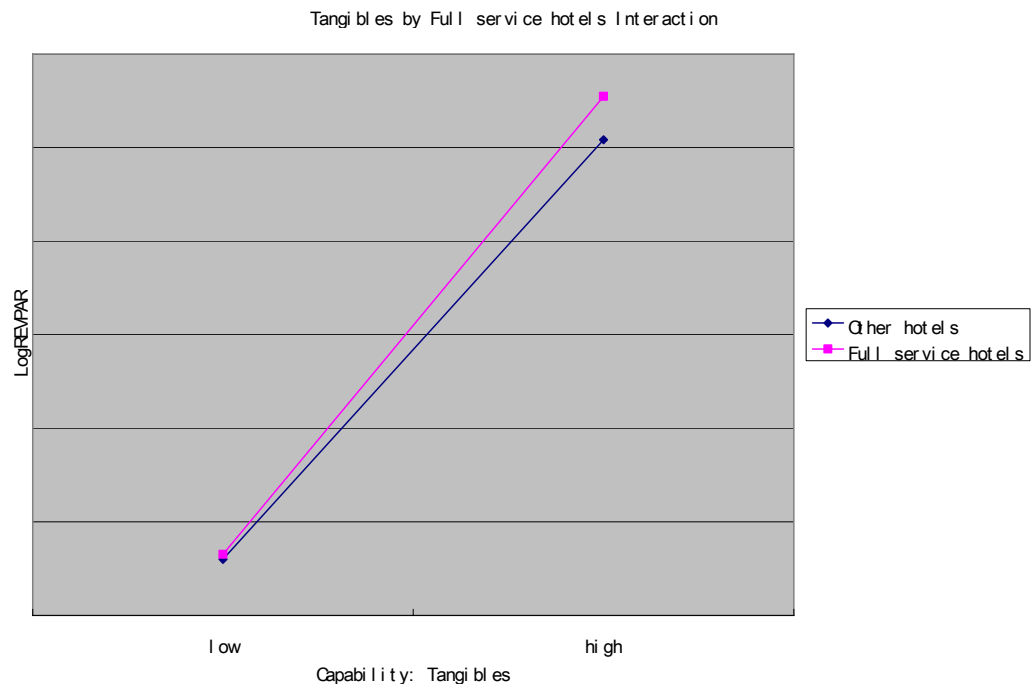
FIGURE 20

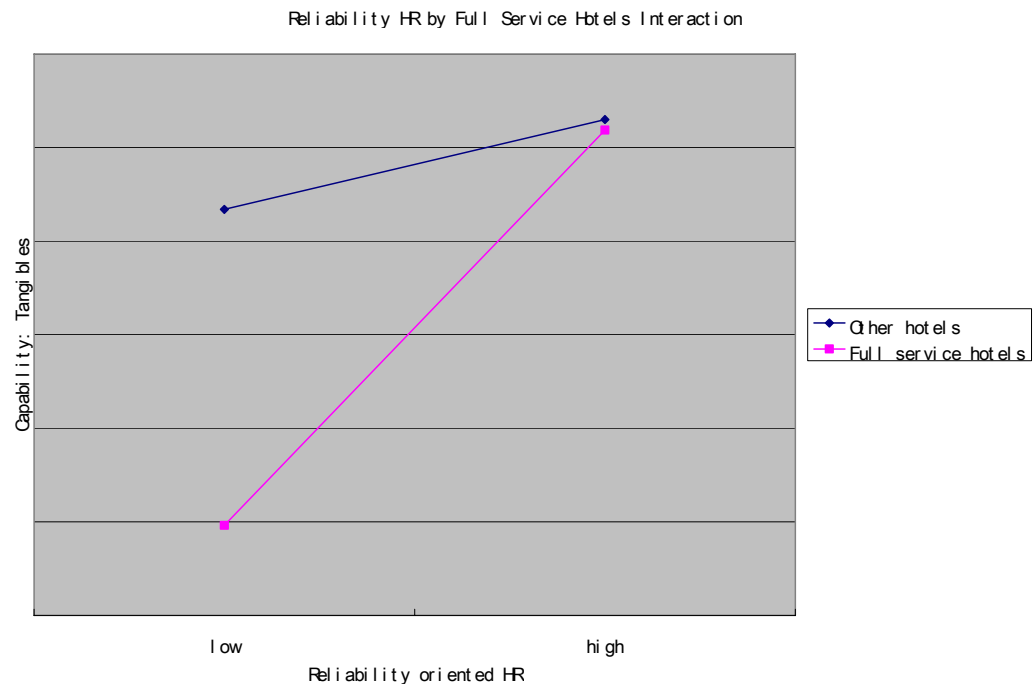
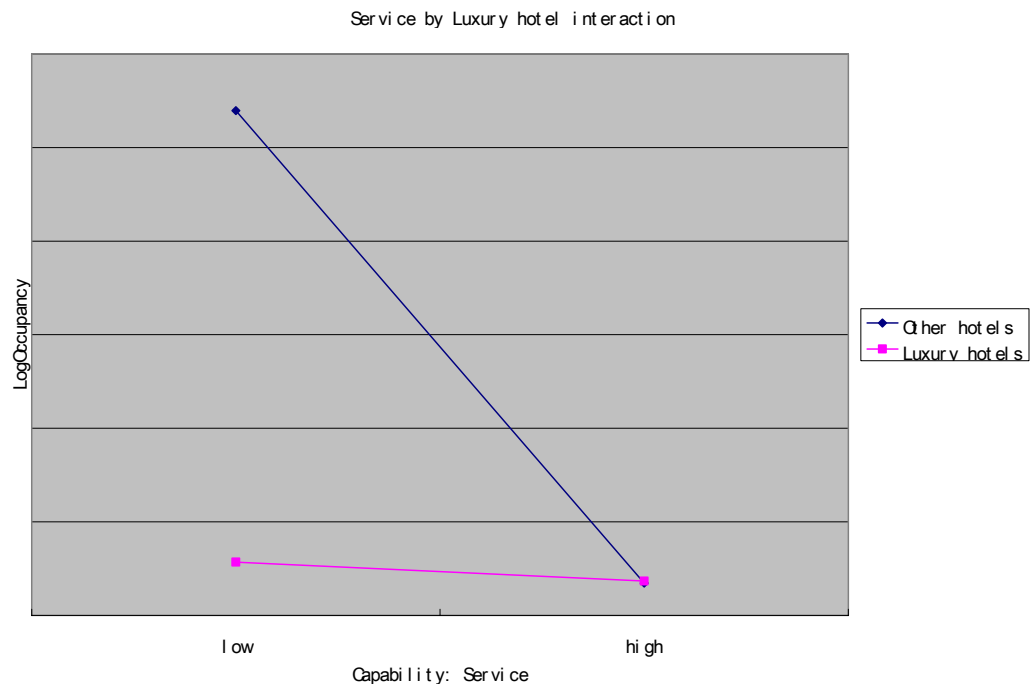
FIGURE 21

FIGURE 22

APPENDIX 1

SURVEY QUESTIONS

Section I: Strategic Focus

To what extent do you think your hotel **focuses on distinguishing from competitors on each of the following processes?**

0 N/A	1 Substantially below average	2 Somewhat below average	3 Equivalent to competitors	4 Somewhat above average	5 Substantially above average
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Cost leadership:

1. Offering value at low price
2. Running the hotel efficiently with few labor

Product leadership:

3. Offering prime location
4. Ensuring security for guests and belongings
5. Maintaining bedroom (e.g., comfort of bed, bedroom amenities and cleanliness)
6. Providing access (e.g., non-smoking rooms, convenient parking)
7. Offering leisure facilities (e.g., exercise equipment, entertainment facility)
8. Providing full service restaurant/bar
9. Operating business center facilities

Service leadership:

10. Room service (e.g., food and beverage, laundry)
11. Turndown service (e.g., preparing bed linens for sleeping)
12. Front desk service (e.g., wake-up call, telephone service)
13. Front services (e.g., valet parking, doormen, bell persons, concierges)
14. Other services (e.g., spa, massage, face/body treatments)
15. The service employees are available to assist guests in a personal manner
16. The service employees customize how service is offered for each guest

Section II: Strategic Positions

Please place each employee group into a category that describes their role in implementing the hotel's strategy indicated above:

Front of the house:

- | | |
|------------------------------|----------------------|
| 1. Front desk staff | 2. Reservation staff |
| 3. Customer service staff | 4. Concierges |
| 5. Bell attendants | 6. Doormen |
| 7. Food and beverage servers | 8. Security officers |

- | | |
|---------------------------------|----------------------------|
| 9. Parking staff
staff | 10. Maids and room service |
| 11. Entertainment servers | |
| <u>Back of the house:</u> | |
| 12. Cashiers and accounting | 13. Auditing clerks |
| 14. Administrative clerks | 15. Purchasing staff |
| 16. Operation/engineering staff | 17. Housekeeping staff |
| 18. Event/activity planners | 19. Kitchen staff |
| 20. Sales persons | |

N/A	<u>Surplus</u> positions (C positions that do not have a strategic impact but may be needed for running the hotel)	<u>Support</u> positions (B positions that have an indirect impact on implementing the hotel's strategy but are essential for running the hotel)	<u>Strategic</u> positions (A positions that have a direct impact on implementing the hotel's strategy)

Section III: Human Resource Management

Please indicate the extent to which you agree that the following human resource management practices are applied to the **strategic employees** of your hotel (identified in the above item) to improve their performance reliability and/or flexibility?

1. Strongly disagree	2. Disagree	3. Neutral	4. Agree	5. Strongly Agree
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1. Selection:

1a. General service orientation / demeanor are used as important hiring criteria.

1b. Previous experience / professional training on specific tasks are used as important hiring criteria.

1c. An extensive procedure is used to select employees with inter-personal skills essential for working with colleagues and supervisors.

1d. An extensive procedure is used to select employees with people and language skills essential for serving customers.

2. Training:

2a. Extensive orientation programs are provided to teach new employees property rules and information.

2b. Extensive training programs are provided to teach employees task-specific skills to each job.

2c. Extensive training programs are provided to teach employees customer service orientation and skills.

3. Performance evaluation:

3a. Employee appraisals emphasize error-free performance and other objective outputs.

3b. Employee appraisals emphasize adaptive behaviors to satisfy customers and other evaluations.

4. Compensation:

4a. Employees are rewarded based on a set rate instead of performance.

4b. Employees are rewarded extensively on the overall performance of their department.

4c. Employees are rewarded extensively on individual performance in satisfying customers.

5. Promotion:

5a. Superior employees have potential career paths within their functional area.

5b. Superior employees have potential career paths across functional areas and perhaps to the top.

6. Teamwork:

6a. Management places a great deal of importance on developing formal work teams within each department.

6b. Management places a great deal of importance on developing problem-solving teams across departments.

7. Job description:

7a. Specific job duties are prescribed by the management for the employees.

7b. The actual job duties are shaped more by the employees and customers than by a specific description.

8. Participation:

8a. Employees are provided with the opportunity to suggest improvements in service processes.

8b. Employees are allowed to make many decisions on how to provide service.

9. Information sharing:

9a. Employees have the service policy / guideline information they need to do their work.

9b. Employees have a dispatching / tracking system of work orders from different departments to do their work.

9c. Employees have instant information sharing about customer preferences from different departments to do their work.

10. Feedback:

10a. Employees are provided internal audits / inspections of service quality.

10b. Employees are provided management / peer evaluations of service quality.

10c. Employees are provided customer evaluations of service quality.

10d. Employees are provided external mystery guests evaluations of service quality.

Section IV: Hotel Information (Individual hotel's information will be kept confidentially and will only be reported in an aggregated format)

1a. Our employees are widely considered the best in our industry.

1b. Our employees are experts in their particular jobs and functions.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

2. What is your hotel's name? _____

3. What is your hotel's location? _____

4. What is your hotel's ownership? ☐ Company owned ☐ Franchised

5. What is your hotel's management?

☐ Managed by branded company, please specify name of branded company _____

☐ Independently managed, please specify name of independent company _____

6. Is your hotel unionized? ☐ Yes ☐ No

7. What was your **RevPAR** (revenue per available room) _____ \$ in the most recent year?

8. What was your **occupancy rate** _____ % in the most recent year?

9. What was **GOPPAR** (gross operating profit per available room) _____ \$ in the most recent year?

APPENDIX 2
Suggested profiles of HRM (Fit as profile deviation)

Items	Labels	Efficiency Oriented HR	Reliability Oriented HR	Flexibility Oriented HR
Selection 1	General service orientation / demeanor	4.8		
Selection 2	Previous experience / professional training on specific tasks		3.5	
Selection 3	inter-personal skills essential for working with colleagues and supervisors		3.5	
Selection 4	people and language skills essential for serving customers			4.1
Training 1	property rules and information	4.0		
Training 2	task-specific skills to each job		4.0	
Training 3	general customer service skills			4.8
Performance Appraisal 1	error-free performance	3.8	4.1	
Performance Appraisal 2	adaptive behaviors to satisfy customers			4.3
Compensation 1	a set rate instead of performance	3.5		
Compensation 2	the overall performance of their department		3.5	
Compensation 3	individual performance in satisfying customers			4.5
Promotion 1	within their functional area	4.0	4.2	
Promotion 2	across functional areas and perhaps to the top			4.0
Teamwork 1	formal work teams within each department	3.5	4.0	
Teamwork 2	problem-solving teams across departments			4.8
Job Description 1	prescribed by the management	4.0	4.0	
Job Description 2	shaped more by the employees and customers			3.5
Participation 1	suggest improvements	4.7	4.8	
Participation 2	make many decisions			4.0
Information Sharing 1	service policy / guideline information	4.3		
Information Sharing 2	dispatching / tracking system of work orders		3.5	
Information Sharing 3	instant information sharing about customer preferences			4
Feedback 1	internal audits / inspections	4.0		
Feedback 2	management / peer evaluations		4.0	
Feedback 3	customer evaluations			4.8
Feedback 4	external mystery guests evaluations			4.8□

Curriculum Vita

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EDUCATION

- 2009 Ph.D. in Industrial Relations and Human Resources
School of Management and Labor Relations, Rutgers University
- 2005 M.Sc. in Industrial/Organizational Psychology
Department of Psychology, Saint Mary's University
- 2003 BAs in Business Administration & English Literature
Department of Management & Foreign Language, Zhejiang University

WORK EXPERIENCE

- 2005 Department of Human Resources Management, Rutgers University
-2009 Teaching Assistant
- Summer Sirota Survey Intelligence, New York
2007 Research Intern
- 2003 Saint Mary's University
-2005 Research Assistant/Teaching Assistant

JOURNAL ARTICLES

Liao, H., Toya, K., Lepak, D. P., & **Hong, Y.** (2009). Do they see eye to eye? Management and employee perspectives of High Performance Work Systems and influence processes on service quality. *Journal of Applied Psychology*, 94, 371-391.

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