The Strategic Management of Brand Equity in Emerging Markets

Tommy Lee Wong, MBA (UWA)

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Abstract

Over the past thirty years, the Asia-Pacific region has recorded some of the fastest real- Gross Domestic Product (GDP) growth around the globe. The majority of this growth has been generated by one country in the Eastern Asia sub-region – China. Driven by the 'Open Door' economic reforms in the 1970s, China's economy has grown by an average of 10 per cent (in real GDP terms) since the early 1980s, and has emerged as the second largest economy in the world. At the same time, major Western economies such as the US and the EU have both experienced significant financial downturns in their economies. The disparity of growth between the Chinese economy and the Western developed economies provide a strong motivation for Western organisations to seek growth opportunity outside their highly saturated domestic markets. As Western organisations continue to expand into Asian emerging markets as part of an accelerating globalisation phenomenon, the possession of a strong and well-established brand is viewed as an essential requirement. A critical issue therefore, is how can internationalising organisations establish, maintain, and develop their brand effectively in new emerging markets. Recently, there has been a call by Delgado-Ballester and Hernandez-Espallardo (2008) in the brand literature to develop a finer-grained understanding of the antecedent factors associated with the strategic management of Brand Equity, i.e. the specific resources and capabilities linked with 'Brand Awareness', 'Brand Association', 'Perceived Quality', 'Brand Loyalty', and 'Other Proprietary Brand Assets'.

This thesis explored these antecedent resources and capabilities by undertaking a quasi-longitudinal analysis of Marriott's international entry into the emerging

Chinese market from 1997 to 2012. A detailed history of Marriott's entry into China was constructed, and this was tested against a series of semi-structured interviews with senior Marriott executives that were involved directly in the process as it unfolded. The findings of this thesis indicated that the strategic management of Brand Equity required Marriott to develop and leverage eight specific resources ('Financial Capital', 'FDIs, 'Functional Business Areas', 'Internal Operating Systems', 'International Brand Reputation', 'Human Capital', Compatible Goodwill', and 'Domestic Stakeholder Relationships'). The findings also indicated that Marriott mobilised these specific resources through five critical capabilities (Define and Communicate a Desired Market Position; Conduct Brand Equity Audits; Accurately Define Resource and Capability Deficiencies in the Organisation; Overcome the Resource and Capability Deficiencies Identified; and Establish, Maintain and Develop the Desired Market Position).

This thesis identified three key areas for future research. Firstly, the applicability of these findings to organisations in different industry settings and different emerging markets. Secondly, the impact different stages of an organisation's operating cycle may have on the strategic management of Brand Equity. Although this research broadly analyses the organisation's entry and establishment in an emerging market, it was unable to consider, inter alia, other stages such as 'decline' and 'divestment'. Thirdly, there is an opportunity to explore the concept of 'Compatible Goodwill' in terms of its composition and a finer-grained understanding of the role it plays in the strategic management of Brand Equity.

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List of Acronyms

APEC	Asia-Pacific Economic Cooperation
CCP	Chinese Communist Party
CCTV	Closed-Circuit Television
CNTA	China National Tourism Administration
CRF	Corporate Research Foundation
CRM	Customer-relationship Management
EPZs	Export Processing Zones
ETDZs	Economic and Technical Development Zones
FDIs	Foreign Direct Investment
GDP	Gross Domestic Product
GFC	Global Financial Crisis
HMCs	Hotel Management Companies
IB	International Business
IMF	International Monetary Fund
IO	Industrial Organisation
JVs	Joint Ventures
LSOP	Localised Standard Operation Procedures
MES	Modern Enterprise System
MICE	Meetings, Incentives, Conferences and Exhibitions
MNCs	Multinational Corporations
PLC	Product Life Cycle
R&D	Research and Development
RBV	Resource-Based View
ROIs	Return on Investments
SEZs	Special Economic Zones
SOBs	State-Owned Banks
SOEs	State-owned Enterprises
SOP	Standard Operation Procedure
TCE	Transaction Cost Economics'
TVEs	Township and Village Enterprises
UNCTAD	United Nations Conference on Trade and Development
US	United States
VRIN	Valuable, Rare, Imperfectly Imitable and Non-substitutable
WTO	World Tourism Organisation
WTO	World Trade Organisation

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<div align="center">**Chapter One**</div>

1.1 Introduction

The focus of this chapter is to introduce the research topic. As such the objectives of this chapter are four-fold: Firstly, it explains the rationale of the research. Secondly, it describes the role Brand Equity plays in establishing, developing and defending an organisation's desired market position in a highly attractive and competitive foreign market. Thirdly, it presents a brief discussion of the broad research opportunity. Lastly, it concludes with the structure of the thesis.

1.2 The Growth of Asia

Over the past thirty years, the Asia-Pacific region has recorded some of the fastest real- Gross Domestic Product (GDP) growth around the globe (IMF 2012). In 2011, the emerging Asian economies contributed close to 60 per cent of total global economic growth (Siregar & Nellor 2012), and have grown by an average of 6.15 per cent per annum over the past three decades (UNCTAD 2012a). The majority of this growth has been generated by the Eastern Asia sub-region, which has consistently surpassed the whole region's GDP growth by over 2 per cent over the same period (UNCTAD 2012a). According to the International Monetary Fund, the centre of global economic activity will be shifted away from developed economies to Asia by 2050 (IMF 2010).

The strong growth experienced in the Eastern Asia sub-region has been largely attributed to one country – China. Driven by the 'Open Door' economic reforms in the 1970s, China's economy has grown by an average of 10 per cent (in real GDP terms) since the early 1980s (UNCTAD 2012a). Furthermore, the Chinese

government has been providing financial incentives (i.e. tax and duty exemptions, subsidised land and power) to entice Western organisations to invest in its special economic zones across China (Cui 1998; Farrell, Remes & Schulz 2004). Over the past fourteen years (1998 to 2012), China's economy has increased eight-fold, and has emerged as the second largest economy in the world (World Bank 2012). At the same time, developed economies in the Western world have recorded a much lower average GDP growth rate of 4.7 per cent per annum (UNCTAD 2012a). Major Western markets such as the US and the EU have both experienced significant financial downturns in their economies, and only managed to record an average of 2.7 per cent and 1.99 per cent GDP growth respectively over the same period (UNCTAD 2012a). The disparity of growth between the Chinese economy and the Western developed economies provide a strong motivation for Western organisations to seek growth opportunity in Asia (Cavusgil & Cavusgil 2012). With declining demand and consumption spending at home, coupled with the proliferation of international businesses resulted in many Western organisations expanding their geographic diversification and investment across borders (Dos Santos, Errunza & Miller 2008; Grave, Vardiabasis & Yavas 2012; London & Hart 2004).

With the world's largest population, rapid economic growth, rising income and consumption together with low labour cost, China has represented an attractive market for Western organisations seeking growth outside their highly saturated domestic markets (Bose 2012; Enderwick 2009; Pillania 2009). The success of the Chinese policies to attract foreign direct investment (FDI) from the West has been well documented; in 2010, there were approximately 450,000 foreign-invested enterprises operating in China (Morrison 2012). Notwithstanding the financial

instability across the US and Western Europe since the Global Financial Crisis of 2008, FDI in China rose by 10 per cent in 2011 to a total of US$116 billion (Invest in China 2012; UNCTAD 2012b).

1.3 International Expansion

Whilst Western organisations continue to invest heavily in the emerging markets within the Asia-Pacific region, and particularly in China, there has been an increasing recognition that competing in these markets is exceedingly challenging (see Hitt, Hoskisson & Kim 1997; Tsui-Auch & Möllering 2010; Williamson & Zeng 2004; Yang 1998). With highly fragmented consumer markets and distribution channels (Chuang, Ganon & Wei 2011; Christensen & Bower 1996), an uncertain political environment (Kennedy 2005; Liu 2007; Taylor 2011), and dynamic market conditions (Hoskisson et al. 2000; Stalk & Michael 2011), Western organisations wishing to enter China face a highly competitive situation that is particularly unfamiliar. International business research demonstrates that organisations that wish to enter, and more importantly, remain viable in highly competitive foreign markets must be able to define a viable competitive position, and then go about achieving and protecting that position over time (Allen & Helms 2006; Bauer & Colgan 2001; Keller & Lehmann 2006; Li, Zhou & Shao 2009; Porter 1985, 1996). Research also demonstrates that to achieve this outcome, an organisation requires four main characteristics: Firstly, the organisation must possess and clearly communicate their strategic vision across the organisation (Kantabutra 2008; Lipton 2004; Vermeulen 2001); secondly, the organisation must possess and invest sufficient financial and human-capital resources to support their FDI activities (Birasnav, Rangnekar & Dalpati 2011; Cavusgil & Cavusgil 2012; Crook et al. 2011; Gupta & Govindarajan

2000; Hoskisson et al. 2000; Jarvis 2011); thirdly, the organisation must possess the ability to forge a valuable reputation in the foreign market (Johnson & Tellis 2008; Kitchen & Laurence 2003; M'zungu, Merrilees & Miller 2010; Yaprak 2012); and lastly, the organisation must forge productive relationships with salient domestic stakeholder groups (Cheung & Rowlinson 2011; Fam, Yang & Hyman 2010; Li, Zhou & Shao 2009; Peng & Heath 1996).

1.4 Brand Equity Framework

One marketing theory that focuses specifically on the definition, establishment and protection of desired market positions in highly competitive markets is known as the Brand Equity framework (Aaker 1996, 2004; Aaker & Keller 1990; Lin & Kao 2004). The Brand Equity framework is multi-dimensional; it provides organisations with a conceptual basis to strategically manage five brand assets that enable an organisation to establish and defend a desired market position in a competitive marketplace. The five brand assets consist of four consumer-related assets (i.e. Brand Awareness, Brand Association, Perceived Quality and Brand Loyalty) and one market-related asset (i.e. Other Proprietary Brand Assets) (Aaker 1991). Each of these brand assets contributes to the establishment and defence of a desired market position in a highly-competitive market in the following ways. Firstly, Brand Awareness is considered as a major element of brand knowledge and can influence a consumer's purchasing decision by eliminating competing brands from consideration (Belen del Rio, Vazquez & Iglesias 2001; Biel 1991; Dawar 1999; Dobni & Zinkhan 1990; Keller 1993). Secondly, Brand Association ensures the organisation provides positive cues to their target segments, either through direct interaction with the target customers themselves, or indirectly through collaborations with external entities (Aaker 1991;

Biel 1991; James 2005; Janiszewski & Van Osselaer 2000; Keller 1993; Van Osselaer & Janiszewski 2001). Thirdly, Perceived Quality ensures the organisation defines and delivers the requisite levels of satisfaction desired by their various target customer segments (Aaker 1991; Kim & Kim 2004; Yoo, Donthu & Lee 2000). Fourthly, Brand Loyalty ensures the organisation defines the specific target segments it is interested in attracting, and undertakes marketing activities that increase repeat purchasing behaviour and positive word-of-mouth referrals (Aaker 1991, 1996; Pappu, Quester & Cooksey 2005; Wang, Wei & Yu 2008). Lastly, Other Proprietary Brand Assets is related to market behaviour rather than perceptions of consumers and is defined as an organisation's trademarks, patents and channel relationships that provide protection for the organisation's competitive position in the market (Aaker 1991). These five brand assets can be applied at the Product (see: Aaker 1996; Farquhar, Han & Ijiri 1991; Park & Srinivasan 1994; Pennington & Ball 2007; Yoo, Donthu & Lee 2000) and Corporate (see: Aaker 2004; Abratt & Kleyn 2012; Ambler & Barrow 1996; Backhaus & Tikoo 2004; Eisenberg, Kilduff, Burleigh & Wilson 2001; Fetschrin & Usunier 2012; Frook 2001) branding levels. Given that the research opportunity of this research concerns Western organisations internationalising into emerging Asian markets, this research will focus on "Corporate" Brand Equity specifically (hereafter "Brand Equity").

The Brand Equity framework is widely supported by researchers and practitioners as a concept that influences the effectiveness of FDI (see Barwise 1993; Farquhar, Han & Ijiri 1991; Mahajan, Rao & Srivastava 1994; Rangaswamy, Burke & Oliva 1993; Simon & Sullivan 1993; Smith & Park 1992). Furthermore, the effective management of Brand Equity has been linked to desirable organisation outcomes including

increased market share and profitability, increased consumer preferences and purchase intentions, enhanced brand extension, more powerful organisational communication and added value to organisations and customers (see: Aaker 1991, 1996; Agarwal & Rao 1996; Baldauf, Cravens & Binder 2003; Farquhar 1989; Keller 2003; Madden, Fehle & Fournier 2006; Myer 2003; Na, Marshal & Keller 1999; Yeung & Ramasay 2008). Despite this empirical support, there have been recent calls for research to explore how Brand Equity is constructed as a strategic organisational process, and how its influence on consumer purchase behaviour may be moderated by national/cultural differences (see: Aragon-Correa & Sharma 2003; Banerjee 2007; Broyles, Schumann & Leingpibul 2009; Nguyen & Leblanc 2001; Priem & Butler 2001; Rust, Zeithmal & Lemon 2000). One such call has been to identify the specific organisational factors required to strategically manage Brand Equity in foreign markets (Betts & Taran 2005; Delgado-Ballester & Hernandez-Espallardo 2008; Ind & Bjerke 2007) – especially in organisations attempting to leverage Western brands into emerging Asian markets such as China (Ni & Wan 2008).

1.5 Broad Research Opportunity

Based on these calls, the research opportunity for investigation in this research is:

What are the antecedent factors associated with the strategic management of Brand Equity in emerging markets?

Research into this area will contribute to the identified major deficiencies in two significant ways: Firstly, it will examine the antecedent factors associated with the strategic management of Brand Equity in the context of a large, well-established Western organisation operating in an emerging foreign market and create a model for

the strategic management of Brand Equity which contributes to model building and add to the prescriptive power of the theory. Secondly, this research will examine Brand Equity in the context of a non-Western market - China.

1.6 Significance and Contribution

This research seeks to contribute to the theoretical understanding of the strategic management of Brand Equity by identifying the antecedent resources associated with the five brand assets as well as the capabilities need to be built around these resources in order to maximise their effectiveness. This research also seeks to identify the managerial implications stemming from this finding.

1.7 Structure of the Thesis

This thesis proceeds in seven chapters. Following this introductory chapter, Chapter Two provides an overview of Aaker's (1991) Brand Equity framework and its five assets, focusing on the development of Brand Equity theory since its inception in 1991. Chapter Three presents an overview of the Resource-Based View (RBV) literature, and its usefulness in exploring the antecedent factors associated with the strategic management of Brand Equity across international borders. Chapter Three culminates in the specific Research Question to be addressed in this research. Chapter Four outlines the research method adopted in this research, and details the methodological principles and procedures that were engaged to investigate the research question posed at the end of Chapter Three. Chapter Five provides a historical account of: i) China's economic reforms and the subsequent events surrounding the emergence of the Chinese tourism and hotel industry since the 1970s, and ii) Marriott's Hotel's expansion into China. Chapter Six presents the results of

the qualitative analysis of the data gathered in this research. Chapter Seven provides a discussion of the key findings as they relate to the research question posed at the end of Chapter Three. Chapter Seven also presents the theoretical and managerial implications in detail and recommends future research opportunities.

<div align="center">**Chapter Two**</div>

<div align="center">**Review of the Literature – Brand Equity**</div>

2.1 Introduction

The focus of this chapter is to introduce the relevant literature concerning Brand Equity. As such, the objectives of this chapter are three-fold: Firstly, it introduces Aaker's (1991) Brand Equity framework and discusses its five brand assets. Secondly, it provides a discussion of the measurement and management of Brand Equity as they relate to desired organisational outcomes. Lastly, this chapter concludes with a discussion of the current call for a strategic management lens to be applied to the Brand Equity literature.

2.2 Brand Equity

The concept of Brand Equity was first coined in the early 1980s and coincided with the vastly increased levels of mergers and acquisitions of that decade (Ahammad & Glaister 2008; Chase, Burns & Claypool 1997; Choi & Russell 2004). The original Brand Equity concept recognised that the most valuable assets of potential take-over target organisations may not be their tangible assets (such as physical buildings, or plant and equipment) but rather their intangible assets (e.g. management skills, operation expertise, and their brand names) (Barwise 1993). For example, in 1988, Philip Morris purchased the Kraft Corporation for US$12.6 billion, six times Kraft's market capitalisation; the price premium was attributed to the value of Kraft's global brand name and image (Cancino 2011). Recognition that an organisation's worth on the open market can largely be based on the value of its brand name, has led to an

emphasis by organisations to increase the Balance Sheet value of their Brand Equity since the 1990s (Kapferer 2005; Keller & Lehmann 2006; M'zungu, Merrilees & Miller 2010; Oliveira-Castro et al. 2008).

Brand Equity first gained legitimacy as an academic theory in the 1990s (Aaker 1991; Ambler 1992; Farquhar 1989; Keller 1993; Keller & Lehmann 2006; Leuthesser 1988). In his initial theoretical formulation, Aaker (1991, p.39) defines Brand Equity as a set of assets and liabilities linked to a brand and its attributes (name, logo, or symbol) that add to (or subtract from) the value provided by a product or service to an organisation and/or that organisation's customers; the accumulated value represents the Brand Equity that an organisation has achieved and can benefit from. Aaker (1991) also states that the value of an organisation's Brand Equity relies on its management of five specific brand assets and the following sections detail these five brand assets:

2.3 Aaker's (1991) Brand Equity Assets

Aaker's (1991) Brand Equity comprises four main consumer-related assets and one market-related asset. The four assets based on customer perceptions of the brand are: Brand Awareness, Brand Associations, Brand Quality, and Brand Loyalty. The fifth asset, Other Proprietary Brand Assets, is more market-related rather than consumer-based and incorporates the market value of proprietary brand assets such as patents, trademarks, channel relationships, and research and development (R&D) investments.

2.3.1 Brand Awareness

Brand Awareness refers to the level of target consumers' familiarity with a brand name within a given market and/or for a specific need (Aaker 1991; Keller 1993; Kimpakorn & Tocquer 2010). According to Aaker (1991), Brand Awareness consists of a continuum ranging from uncertainty of brand recognition to believing the brand is the only one in its product class. The role of Brand Awareness as one of the five assets in consumer-based equity depends on both the context and the level of awareness. Aaker (1991) presents an awareness pyramid with three very different levels of Brand Awareness as depicted in Figure 2.1.

Figure 2.1 Awareness Pyramid
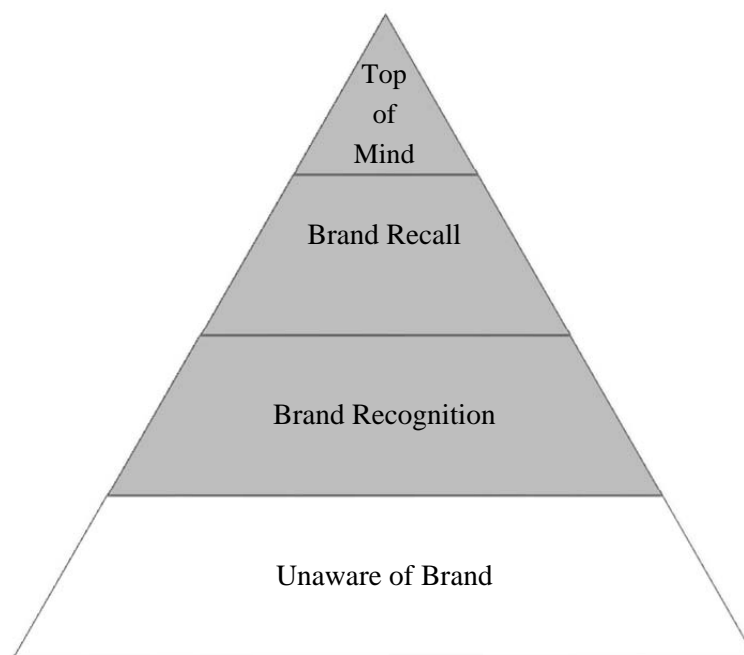
Source: Aaker (1991 p.62)

Brand recognition is the initial step in an organisation's communication process, as it is difficult for consumers to associate the brand's attributes until the brand name is established (Aaker 1991). The next level of the pyramid is brand recall. At this level,

consumers are asked to name a brand in a product class in an unaided recall situation. Unaided recall is more difficult to achieve in consumers than recognition, as consumers can recall more brands with aided recall than unaided recall. Brand recall level is therefore an indicator of a stronger brand position. Aaker (1991, p. 62) defines the top of the pyramid as the top of mind and claims that:

> The first brand in unaided recall task has achieved top-of-mind awareness, a special position. In a real sense, it is ahead of other brands in a person's mind.

Keller (1993) depicts Brand Awareness as the strength of a brand stored in a consumer's memory and the ability of the consumer to identify the brand under different conditions. Keller (1993, p. 10) further states that "anything that causes the consumer to 'experience' or be exposed to the brand has the potential to increase familiarity and awareness", which is consistent with Aaker (1991). Kim, Kim and Jeong (2003) suggest that in the hotel industry marketers should carefully identify and provide customers with relevant information to increase their awareness of the brand, which may help them to eliminate competing brands from consideration. Brand Awareness is also seen as a major element of brand knowledge, as brand knowledge influences what comes to mind when a consumer thinks about a brand (Belen del Rio, Vazquez & Iglesias 2001; Biel 1991; Dawar 1999; Dobni & Zinkhan 1990; Keller 1993, 2003b; Oakenfull & McCarthy 2010).

According to Aaker (1991) organisations that possess a dominant brand achieve a competitive advantage in the marketplace. A dominant brand as defined by Aaker (1991) is the only brand recalled by a high percentage of consumers in a purchase (top of mind) situation. Similarly, Keller (2002) suggests that the benefits created by a dominant brand include: improved perceptions of product performance; greater

loyalty; larger margins; improved marketing communication effectiveness; licensing opportunities; and additional brand extension opportunities. As such, a dominant brand may be of particular importance in the hotel industry as the perceptions of comfort and convenience of the brand are intangible products and services. Thus a dominant hotel brand may increase potential customer confidence in the hotel and the services it provides, and hence positive Brand Awareness plays an important role in brand choice and loyalty (Aaker 1991; Keller 1993; Kim & Kim 2004). One of the major challenges for hotels is how to create positive Brand Awareness amongst various marketing communications' cluster in the marketplace.

2.3.2 Brand Associations

Aaker (1991) defines Brand Association as 'anything linked in memory to a brand'. Accordingly, the more experiences a consumer has with the brand, the stronger the link will be. He uses children's enjoyment of their birthday-party experiences at McDonald's to illustrate how to strengthen the link by supporting it with a network of other links (p. 109).

Aaker (1991) identifies five distinct ways in which associations can create value to both the organisation and its customers as depicted in Figure 2.2. (over page) Aaker (1991) describes the five distinctive ways in which associations create value to the organisation and its customers as: firstly, helping customers to process and retrieve the large amount of information about the brand, especially during decision-making, and to assist organisations to effectively communicate to its customers; secondly, to differentiate the brand from its competitors within a product class when the competing brands are not easily distinguishable by most consumers (i.e. food and

beverage products); thirdly, to link associations that involve product attributes or benefits to customers to provide reasons to buy or use the brand and to create a specific basis for purchase decision and Brand Loyalty; fourthly, to use associations that stimulate positive feelings during purchase or use experience which can then be transferred to the brand (i.e. likable symbols/characters or good ambience); and lastly, to link associations that fit between the brand and new products by providing reasons to buy or use the extension (i.e. the extensive range of different lodging products and services under a specific hotel brand).

Figure 2.2 The Value of Brand Associations

- Help Process / Retrieve Information
- Differentiate/Position
- Reason-to-Buy
- Create Positive Attitudes/Feelings
- Basis for Extensions
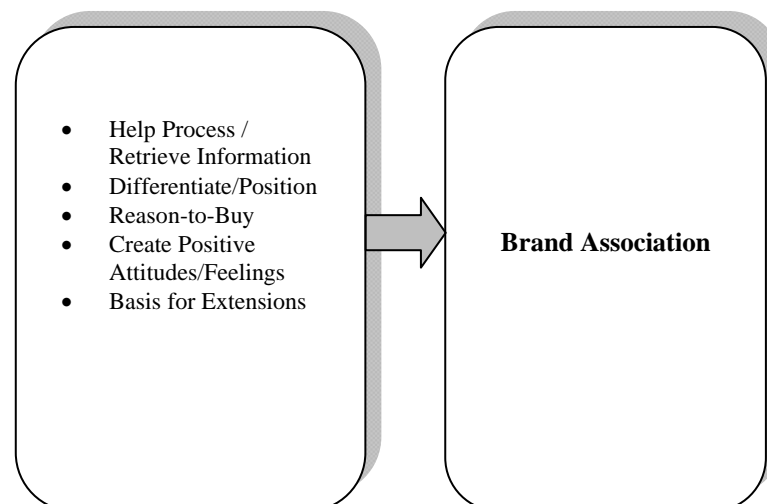
Brand Association

Source: Aaker (1991, p.111)

Keller (1993, 2003b) characterises Aaker's (1991) description of Brand Association as having three major forms: firstly, functional and emotional attributes that characterise a brand, such as what a consumer thinks the brand is or has (in a hotel industry context that may be price and trustworthiness of service quality provision); secondly, functional and experiential benefits that are personal value consumers attach to the brand attributes (in a hotel industry this may be convenient locations and prestige and social status); and lastly, brand attitudes that form consumers' overall

evaluation of the brand and its image. According to Belen del Rio, Vazquez and Iglesias (2001) positive brand attitudes towards a brand increase the consumer's willingness to pay a premium price for it, recommend it and accept brand extensions.

James (2005) describes Brand Associations and their meaning as consumers' perceptions of what associations they make with the brand. Brand Associations have also been about the "likeableness" of a brand which subsequently provides cues for information retrieval which then helps in forming that brand's image (Aaker 1991; Biel 1991; James 2005; Janiszewski & Van Osselaer 2000; Keller 1993; Kimpakorn & Tocquer 2010; Van Osselaer & Janiszewski 2001). Brand image comprises specific attributes and associations such as 'trustworthiness' and 'service quality' which consumers connect to a brand and strong Brand Associations can influence usage situations (Biel 1991; James 2005). Brand image has been referred to as target consumers' perceptions about a brand and their associations with the brand (Dawar 1999; Keller 1993). Two common characteristics of consumers' associations with brand image are attitudes towards the brand and perceptions of quality. Biel (1991) emphasises there is an array of attributes that influence brand image, which include: corporate image (i.e. the behaviour and performance of senior leaders), product image (i.e. service quality of the brand), and user image (i.e. occupation and social status of users). Graeff (1996) and Hogg, Cox and Keeling (2000) suggest that the impacts of brand image also involve personal identification, where consumers identify themselves with particular brands and develop attachment towards those brands, arguing that people try to improve their self-image by associating themselves with particular brands.

2.3.3 Perceived Quality

Aaker (1991, p. 85) defines Perceived Quality as the "customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives". Aaker's (1991) dimension of Perceived Quality consists of product and service quality as illustrated in Table 2.1 below. According to Aaker (1991), Perceived Quality needs to be defined in accordance with an intended purpose and a set of alternatives. Perceived Quality therefore cannot be considered as an objective means as it measures consumer perceptions and judgements and as Garvin (1988) argues, quality as a concept is easy to visualise but difficult to define.

Table 2.1 Aaker's (1991) Quality Dimensions

Product Quality	Service Quality
• Performance: How well does a washing machine clean clothes? • Features: does toothpaste have a convenient dispenser? • Conformance with specifications: What is the incidence of defects? • Reliability: How long will the lawn mower last? • Serviceability: Is the service system efficient, competent, and convenient? • Fit and finish: Does the product look and feel a quality product?	• Tangibles: Do the physical facilities, equipment, and appearance of personnel imply quality? • Reliability: Will the accounting work be performed dependably and accurately? • Competence: Does the repair shop staff have the knowledge and skill to get the job done right? Do they convey trust and confidence? • Responsiveness: Is the sales staff willing to help customers and provide prompt service? • Empathy: Does the bank provide caring, individualised attention to its customers?

Source: Aaker (1991, p.91)

Aaker (1991) distinguishes between 'Perceived Quality' and 'actual/objective quality', 'product-based quality', and 'manufacturing quality'. Actual/objective quality being superior service, while product-based quality refers to features and manufacturing quality conforming to specifications. He states that Perceived Quality is an asset to Brand Equity and it can generate value to organisations in several ways, such as price premium and elasticity, brand usage, and stock return and can be

measured across product classes. Gronroos (2001) suggests that both technical and functional quality is critical within the service industry. Technical quality is what the customer received from the service provider while functional quality is how the service is delivered by the provider. However, as mentioned previously, measuring Perceived Quality is a subjective exercise as individual customers have different needs, opinions, personalities, and preferences and these factors can influence their perceptions and judgements of the brand.

Lin et al. (2000) emphasise that quality and service quality are important concepts. Subjective evaluations of quality are made by the consumers after their experience with the brand, and not by the managers or experts (Netemeyer el al. 2004; Wang, Wei & Yu 2008; Yoo & Donthu 2001). With our current globalised markets, this is particularly the case for the hotel industry operating across international markets in both developed and developing economies, such as the United States (US), Australia, China and India. Lahiri and Gupta (2005) identify that Perceived Quality has an impact on successful brand extensions as consumers evaluate a new offering by relying on a strong, dominant and well-known brand name and its quality extends to the new product or service. Aaker and Keller (1990) argue that if the original product/service categories and extension categories are perceived to fit, and the congruence between them is sufficient, the Perceived Quality of the original categories could be transferred to the extension categories.

2.3.3.1 Brand Extension

Brand extension is an important component of Brand Equity due to its importance in the overall branding strategy. Many hotel firms, for example, have used brand

extension to benefit from their parent brands' goodwill, either to introduce new products/services, or to enter new markets. Most large hotel chains have at least one brand extension as a successful branding strategy (Jiang, Dev & Rao 2002). Brand extension as a research area has mainly been investigated in terms of how firms should capitalise and leverage their Brand Equity (Keller 2002; Wang, Wei & Yu 2008). Van Riel, Lemmink and Ouwersloot (2001) applied Aaker and Keller's (1990) work "Consumer Evaluations of Brand Extensions" to the service area and found that the original brand can be used as a key indicator to evaluate brand extensions. In their study, they found that there is a significant difference in the way that consumers formulate their evaluations between service and product. Brand extension strategies in the service context are most effective when there is a strong similarity in the service delivery processes between the original brand and the extensions. While in the product context Aaker (1991) proposes the transfer of positive associations is related to the degree of similarity the consumer perceives between original product category and extension. However, poor strategic fit, or executed brand extensions, may weaken the positive associations with the original brand and have long-term negative effects on a firm's Brand Equity (Gierl & Huettl 2011; John, Loken & Joiner 1998).

In their study, Van Riel, Lemmink and Ouwersloot (2001) state that a brand extension strategy contributes to Brand Equity by reducing marketing communication costs and lowering entry barriers to new markets. Keller (2002) claims a strong brand provides organisations with brand extension opportunities and organisations with greater Brand Equity enjoy more brand extension opportunities than firms with lower Brand Equity (Park, Milberg & Lawson 1991). Jiang, Dev and Rao (2002) propose that brand extension reduces risk to the customer therefore increasing customer loyalty.

Customer loyalty is closely related to customer use experience and cannot exist without prior purchase and use experience (Aaker 1991). Brand Loyalty as the fourth consumer-related asset of Aaker's (1991) framework is discussed in the following section.

2.3.4 Brand Loyalty

For organisations Brand Loyalty could be considered the central asset of consumer-based Brand Equity as it reflects how likely a target customer will switch to another brand during dynamic competition (Aaker 1991; Keller 1993; Nam, Ekinci & Whyatt 2011). Brand Loyalty serves as an indicator of Brand Equity since it can be linked to desired organisation outcomes such as: increased profitability, enhanced brand extension opportunities, more powerful organisational communication, and increased levels of consumer preferences and purchase intentions. Brand Loyalty is also the extent to which a target customer group demonstrates a preference for a given brand in the presence of viable alternatives (Aaker 1991, 1996; Nguyen, Barrett & Miller 2011). Aaker (1991) states that Brand Loyalty builds on a close relationship with customer's previous consumption experiences and cannot exist without prior purchase, use, or experience. As such, Brand Loyalty is qualitatively different than the other assets of consumer-based equity. Kim, Kim and Jeong (2003, p. 345) conclude that "most repeat purchases…are made on the basic of long-term views and attitudes" rather than a promotion campaign. Robinson, Abbott and Shoemaker (2005) agree and support Aaker (1991) and Kim, Kim and Jeong's (2003) assertions. There are two commonly used categories to measure Brand Loyalty (Aaker 1991). One is based on the behaviour of target customers by considering the purchase patterns of target customers such as: repurchase rates; percentage of consumer's total

purchases; and number of brands purchased. The second category is based on loyalty constructs, which includes satisfaction, switching costs, preferences, and commitment. Patterson (2000) and East, Sinclair and Gendall (2000) have also grouped measures of loyalty similar to Aaker (1991) into two distinct categories – behavioural and attitudinal. East, Sinclair and Gendall (2000) have combined attitude and behaviour into their second category as an attitude-behaviour combinations measure.

Aaker (1991) recommends five fundamental rules to maintain and enhance Brand Loyalty (depicted in Figure 2.3 over page). The first is to 'treat customers right' by ensuring a product or service functions as expected to provide a basis for loyalty. Second is for organisations to demonstrate that they care for their customers through active communications such as meeting with the customers who are using the product/service and listening to customers' concerns. Regular surveys of customer satisfaction/dissatisfaction may be used to understand customer's attitudes and perceptions of the brand. To create switching costs, organisations can develop solutions to customer's problems, or provide rewards directly to the customers. Finally, Aaker (1991) argues that organisations can enhance Brand Loyalty simply by providing some extra unexpected products or services. In their research, Kayaman and Arasli (2007) state that employees' responsiveness to customer requests is a key to creating Brand Loyalty in the hotel industry, while Bailey and Ball (2006) state positive perceptions of quality are vital parts of hotel Brand Loyalty management.

Figure 2.3 Maintaining and Enhancing Brand Loyalty

- Treat the Customer Right
- Stay Close to the Customer
- Measure / Manage Customer Satisfaction
- Create Switching Costs
- Provide Extras
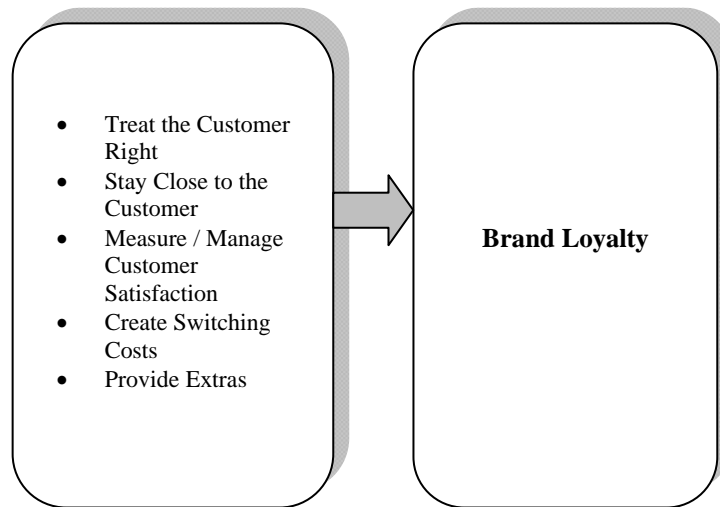
Brand Loyalty

Source: Aaker (1991, p.50)

Strong Brand Loyalty can reduce competitive threats and marketing costs, as well as providing organisations with brand leverage when introducing new products/services (Aaker 1991). A key premise is that the loyalty is to the brand and not to a product or service. Whilst Brand Loyalty can occur independently from other consumer-based Brand Equity assets, Brand Loyalty can also be influenced by these assets – the relationship is unclear. For example, Perceived Quality or attribute associations can influence Brand Loyalty. What is clear is that maintaining and building Brand Loyalty with existing customers will improve desired organisational outcomes; therefore Brand Loyalty is a valuable strategic asset for any organisation (Aaker 1991; Ekinci, Dawes & Massey 2008; Nam, Ekinci & Whyatt 2011; Nguyen, Barrett & Miller 2011).

2.3.5 Other Proprietary Brand Assets

The fifth asset of Aaker's (1991) Brand Equity framework is Other Proprietary Brand Assets, which is related to market behaviour rather than perceptions of consumers and includes firm's patents, trademarks and channel relationships. Aaker (1991) defines this particular Brand Equity asset as a trademark that provides protection to organisation's Brand Equity from its competitors. According to Aaker (1991) this fifth asset measures market share and market price as an indicator of an organisation's brand performance. Compared to the other four Brand Equity assets (i.e. Awareness; Association; Perceived Quality; and Loyalty), these measures are based on financial performance of the firm and are more readily available for enquiry (Aaker 1996). The major advantage of these measures is using standardised market-based measures allows a firm to compare its brand performance over time and across different markets. In the hotel industry, these market-based measures are critical for hotel chains operating across the globe. As already noted, Aaker (1991) suggests that organisations could generate Brand Equity by strengthening these five main assets.

2.4 Subsequent Brand Equity Research

Empirical research has consistently demonstrated a significant and positive relationship between Brand Equity and desired organisational outcomes such as increased profitability, enhanced brand extension opportunities, more powerful organisational communication, and increased levels of consumer preferences and purchase intentions (Madden, Fehle & Fournier 2006; Yeung & Ramasamy 2008). According to Keller (1993, 2003a), favourable consumer responses to an organisation's brand can lead to increased sales and lower costs leading to greater

profitability. Table 2.2 below provides examples of this research stream, and the array

of desired organisational outcomes detected.

**Table 2.2: Research Publications on
Brand Equity from a Consumer-Based Perspective**

Publication	Brand Equity Asset(s) Reviewed	Desired Organisational Outcomes Detected
Keller 1993.	Brand Awareness. Brand Association.	Improved Marketing Communication Effectiveness. Increased Profitability.
Cobb-Walgren, Ruble & Donthu 1995.	Brand Awareness. Brand Association. Perceived Quality.	Add Value to Organisation & Customers. Brand Protection. Enhanced Brand Reputation. Increased Market Share. Increased Profitability.
Agarwal & Rao 1997.	Brand Awareness.	Enhanced Brand Extension Opportunities. Improved Marketing Communication Effectiveness. Increased Market Share.
Na, Marshall & Keller 1999.	Brand Awareness.	Add Value to Organisation & Customers. Enhanced Brand Reputation. Improved Marketing Communication Effectiveness.
Yoo, Donthu & Lee 2000.	Brand Association. Perceived Quality. Brand Loyalty.	Enhanced Brand Reputation. Improved Marketing Communication Effectiveness. Increased Profitability.
Kim & Kim 2004.	Brand Awareness. Perceived Quality. Brand Loyalty.	Increased Market Share. Increased Profitability. Improved Marketing Communication Effectiveness.
Netemeyer et al. 2004.	Brand Awareness. Perceived Quality.	Enhanced Brand Reputation. Increased Market Share. Increased Profitability.
Delgado-Ballester & Munuera-Alemán 2005.	Brand Association. Brand Loyalty.	Add Value to Organisation & Customers. Brand Protection. Enhanced Brand Reputation. Increased Market Share. Increased Profitability.
Pappu, Quester & Cooksey 2005.	Brand Awareness. Brand Association. Perceived Quality. Brand Loyalty.	Enhanced Brand Reputation. Improved Marketing Communication Effectiveness.
Wang, Wei & Yu 2008.	Brand Awareness. Perceived Quality.	Brand Protection. Enhanced Brand Reputation. Increased Market Share. Increased Profitability.
Kimpakorn & Tocquer 2010.	Brand Awareness. Brand Association. Perceived Quality.	Brand Protection. Enhanced Brand Reputation. Increased Profitability. Improved Marketing Communication Effectiveness.
Nguyen, Barrett & Miller 2011.	Brand Loyalty.	Add Value to Organisation & Customers. Increased Market Share. Increased Profitability.

Figure 2.4 below summarises the relationships between the effective management of the five brand assets and the desired organisational outcomes detected in the empirical research published in this area.

**Figure 2.4: Brand Equity Components and their
Relationship to Desired Organisational Outcomes**

2.5 Brand Equity in the Hotel Industry

The concept of Brand Equity in the hotel industry has gained significant attention from researchers and practitioners in recent years (Cobb-Walgren, Ruble & Donthu 1995; Bailey & Ball 2006; Kayaman & Arasli 2007; Kim & Kim 2005; Prasad & Dev 2000). In the global hotel industry, hotel chains no longer focus on tangible factors alone in the search for growth (Kayaman & Arasli 2007). The importance of intangible assets such as corporate reputation, customer-relationship management (CRM), and Brand Equity are being viewed as vital components of an organisation's success. According to Forgacs (2006) branding is one of the most dominant trends in the global hotel industry and brand penetration in the ratio of branded hotels versus non-branded hotels is over 70 per cent in the US and 25 per cent and growing in

Europe. Branding is vital in the global hotel industry as international hotel chains compete on their core products (tangible physical assets and intangible services) and differentiate themselves through added value offerings.

Cobb-Walgren, Ruble and Donthu (1995) suggest that consumer's purchase intentions and preferences of hotels are influenced by hotel brand. According to Prasad and Dev (2000), a hotel brand represents the core of the customers' perceptions of its products and services. The physical and psychological features of a hotel brand contribute to building Brand Equity and higher Brand Equity generates significantly higher consumer purchase intentions. Higher Brand Equity is more likely to increase Brand Loyalty and could also attain more favourable customer responses to price premiums and brand extensions, as well as expansion opportunities (Keller 2002; Kim, Kim & Jeong 2003; Prasad & Dev 2000).

2.6 The Measurement of Brand Equity

The need to develop measures of Brand Equity has been a challenge for both academics and practitioners (Kapareliotis & Panopoulos 2010; Washburn & Plank 2002), and researchers have developed three approaches to achieve this. The first approach to measuring Brand Equity is based on the financial performance (and the market value) of a brand (Morris 1996). This approach is referred to as 'brand value' by Feldwick (1996) and primarily focuses on the monetary value of brand assets. In this approach, the brand is accounted as an asset and becomes part of the firm's balance sheet (Kim, Woo & Jeong 2003). Using the standardised market-based measures, such as market share, market price and the organisation's distribution indices, allows organisations to compare brand value over time and across markets

and is particularly valuable for merger, acquisitions, or divestitures purposes (Aaker 1996; Keller 1993).

The second approach for measuring Brand Equity is the consumer-based approach. This approach is based on consumers' knowledge of the brand and suggests that Brand Awareness, Brand Associations, and brand images are reflected in the consumer's knowledge and recall of the brand (Aaker 1991; Keller 1993, 2003b). Cobb-Walgren, Ruble and Donthu (1995) used a consumer-based approach to measure the outcome of Brand Equity and concluded that brands with a higher equity in each category generated significantly higher purchase intentions and greater preference. Brand managers report that this approach provides them with more relevant information to understand consumers' wants and needs (Keller 2003a).

Although the consumer-based approach to the measure of Brand Equity has been recognised as critical in analysing the potential value of a firm, the subjectivity of individual preferences has been criticised as hard to define (Low 2000). Myers (2003) and Srinivasan, Park and Chang (2005) both note that the methods for measuring the outcomes of Brand Equity in the 1990s were largely tangible in nature (i.e. based on verifiable financial and/or consumer-related performance measures such as profitability and market-share statistics). This tended to ignore some of the most valuable intangible outcomes available to the firm such as purchase intentions and levels of brand commitment. Myers (2003) claims that the very difficulty of measuring the intangible outcomes was the cause for them being largely ignored, and agues that research into this 'difficult' area will become a top priority in the first decade of the 21st century.

In an attempt to answer these criticisms, a third approach in measuring Brand Equity was derived from a combination of financial-based and consumer-based approaches. The existing financial-based and consumer-based approaches emphasise the financial data or the consumer perspectives of the firm respectively, but not both. The mixed approach of measuring Brand Equity tackles some of the criticisms of separate approaches by providing a more holistic view of the brand's performance (Low 2000).

2.7 Brand Equity Management

Despite the existence of no less than three measures for the determination of an organisation's Brand Equity, there have been frequent calls for empirical research into Brand Equity management and its relationship to organisational performance (Aragon-Correa & Sharma 2003; M'zungu, Merrilees & Miller 2010; Nguyen & Leblanc 2001; Priem & Butler 2001; Rust, Zeithmal & Lemon 2000). Recently, there have been calls in the literature for researchers to go beyond merely identifying the benefits of effective Brand Equity management to instead explore how Brand Equity is constructed as a strategic organisational process, and how its influence on consumer purchase behaviour may be moderated by national/cultural differences (Banerjee 2007; Broyles, Schumann & Leingpibul 2009; Menictas, Wang & Louviere 2012). One such call has been to identify the specific organisational resources and capabilities required to strategically manage Brand Equity across international markets (see Betts & Taran 2005; Delgado-Ballester & Hernandez-Espallardo 2008; Ind & Bjerke 2007) – especially in firms attempting to leverage Western brands into emerging Asian markets such as China (Ni & Wan 2008). Given few studies of Brand Equity have been conducted in a non-Western context (Wang et al. 2006) and while

many western firms have invested heavily in the Chinese market, this presents a research opportunity. The focus of this research seeks to present an historical analysis of Marriott's expansion into the Chinese market for high quality hotel accommodation (and associated services) with a particular interest in the resources and capabilities that the organisation required to effectively manage their Brand Equity in that context.

Myers' (2003) call for a greater focus on the intangible elements of Brand Equity was mirrored (and extended) by others in the field; Baldauf, Cravens and Binder (2003) claim that the 'new information economy' necessitated the measurement of the intangible knowledge-based assets associated with the generation of Brand Equity, and the outcomes associated with possessing and using such assets effectively. Yasin, Noor and Mohamad (2007) demonstrate the need to measure the effect that intangible influences beyond the control of the organisation have on Brand Equity generation – in their papers, the issue of 'country-of-origin' was found to affect consumer perceptions of Brand Equity, and the need to be able to measure and account for these effects is paramount in an increasingly globalised marketplace. Buil, de Chernatony and Martınez (2008) and Pappu, Quester and Cooksey (2005) highlight the need to understand (and measure) how consumer segments actually construct their perceptions of brands (i.e. how they observe, organise and interpret information about brands salient to their needs), and to use this information in conjunction with the more 'traditional' quantitative methods to improve an organisation's capacity to strategically manage their Brand Equity effectively. Common amongst the majority of 'Brand Equity measurement' research published since 2003 has been the call to

identify (and provide measures for) the tangible and intangible antecedents of Brand Equity, as depicted in Figure 2.5 below.

Figure 2.5: The Call to Identify the Tangible and Intangible Antecedents of Brand Equity
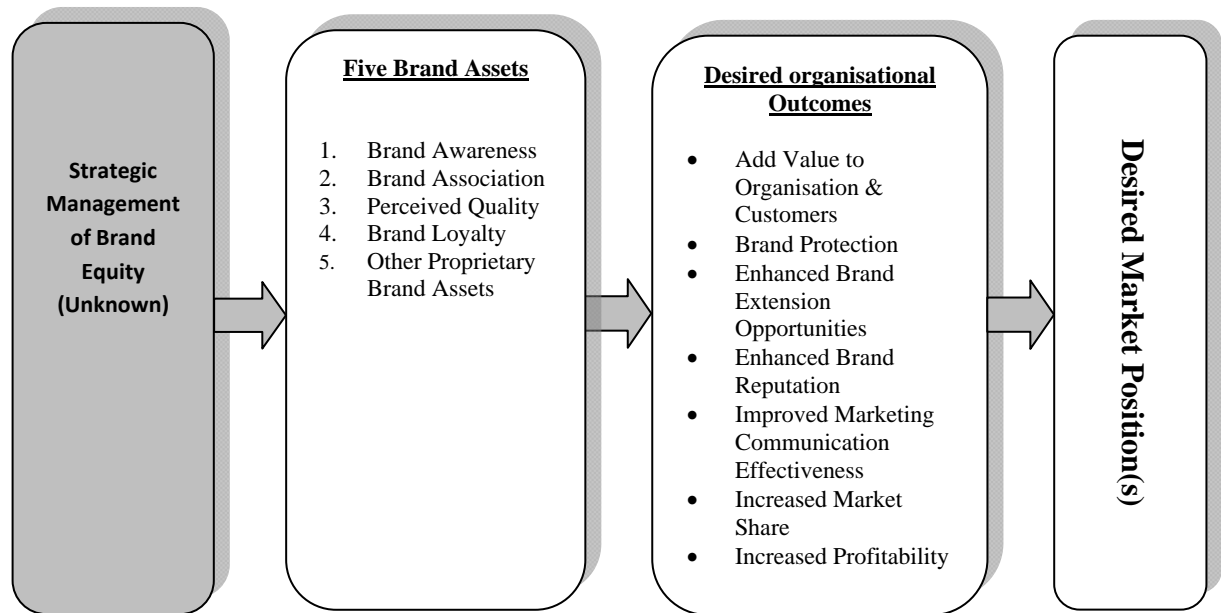
2.8 The Antecedents of Brand Equity

Yoo, Donthu and Lee (2000) were one of the first researchers to model a theoretical relationship between the antecedents and outcomes of Brand Equity. In their 'Brand Equity Creation Model', as depicted in Figure 2.6 (over page), there is recognition of the requirement for an organisation to undertake specific brand building strategies linked to the dimensions of Brand Equity discussed previously. There is also a recognition that the ultimate aim of brand building strategies is to provide value to the organisation (directly - with increased profitability etc., and indirectly – with the capture of information relevant to future brand building strategies), as well as to their target customers wherever they may be around the world (Pappu & Quester 2006).

Figure 2.6: The Brand Equity Creation Model
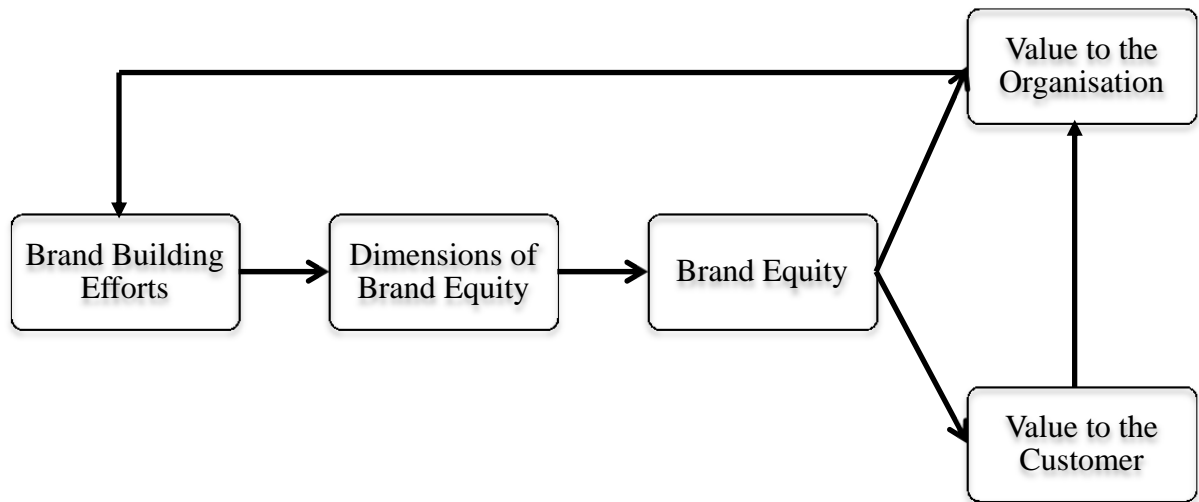
Source: Yoo, Donthu & Lee (2000, p.196).

Yoo, Donthu and Lee's (2000) structural model of the Brand Equity creation process raised important implications for researchers and marketing managers alike. In terms of academic research, the Brand Equity Creation Model provided a basis for subsequent research to explore the many and varied factors that contribute to brand building efforts. For example, Yoo and Donthu (2001) extended the model specifically by exploring its cross-cultural generalisability. They found that national cultural differences acted as an important antecedent variable that influenced how international target consumers perceived an organisation's brand building efforts, and the way in which their perceptions of Brand Equity were constructed. In 2003, Motion, Leitch and Brodie's paper explored the impact that corporate co-branding efforts had on the overall Brand Equity enjoyed by the separate partners to the cooperation. Their results hinted that the better integrated the marketing communications capabilities of the partnered organisations were, the greater the

impact their cooperation was on their individual levels of Brand Equity. Aurand, Gorchels and Bishop (2005) and Ghodeswar (2008) focused their attention inwards, and explored the role of internal marketing efforts and the creation of internal 'touch-points' (i.e. marketing efforts directed to build employee motivation and competency in delivering organisational promises to stakeholders) to develop their overall Brand Equity.

The array of antecedent factors that are now accepted as playing a significant part in the generation of Brand Equity has led to a realisation that organisations must develop their store of 'brand management capabilities' in order to remain competitive (Taylor, Celuch & Goodwin 2004; Wang, Wei & Yu 2008). 'Brand management capabilities' refer to any policy or control mechanisms that organisations put in place to determine the source of the Brand Equity advantages they might possess, and/or how to generate Brand Equity advantages into the future (Wang, Wei & Yu 2008). Given this realisation, researchers since the mid-2000s have called for a 'strategic management' lens to be applied to the Brand Equity literature – and in particular the 'Resource-Based View (RBV) of the Firm' lens (Ind & Bjerke 2007; Wang, Wei & Yu 2008). The RBV of the firm is a well-developed and accepted strategic management model that provides a framework for the identification of the inimitable sets of organisational resources and capabilities that underpin competitive advantages in a globalised marketplace (Barney 1991; Delgado-Ballester & Hernandez-Espallardo 2008). Recognising brands (and Brand Equity) as 'organisational assets' that are underpinned by inimitable sets of resources and capabilities, lends itself quite readily to such strategic analysis. Betts and Taran (2005) and Delgado-Ballester and Munuera-Alemán (2005) support this contention by defining brands (and Brand

Equity) explicitly as rent-generating assets because they meet the RBV of the firm criteria for being sources of competitive advantage - they are valuable, rare, inimitable and non-substitutable.

2.9 Brand Equity and the Resource-based View (RBV) of the Organisation

Whilst there has been a paucity of Brand Equity research based on an RBV analysis, it is not unheard of in the branding literature. Backhaus and Tikoo (2004), for example, made use of the RBV of the firm to analyse how an organisation's store of 'strategic human resource management' resources and capabilities underpinned their effective internal marketing efforts (to existing employees) and external 'employer branding' strategies (to employees of choice in external labour markets). Whilst their study was based upon employer branding strategies specifically, there are obvious parallels that allow Brand Equity researchers to apply the RBV of the firm model to identify the relevant factors required to operate in highly competitive and globalised markets (Delgado-Ballester & Hernandez-Espallardo 2008). Wang et al.'s (2006) study of the roles of Brand Equity and corporate reputation in customer-relationship management (CRM) in the Chinese market found that Brand Equity is a positive driver of CRM performance. Their findings also support the general thrust of RBV theory and propose that Brand Equity produces real value through corporate reputation and that this area requires further attention in marketing research.

Answering the specific call of Yakimova and Beverland (2005, p. 445) who state that "the maintenance of Brand Equity over the long term has received little attention in the brand management literature", there is a need to explore the role that antecedent

factors play in organisations that have been able to build and maintain their Brand Equity amid intense globalised competition.

2.10 Brand Equity Chapter Summary

This chapter initially provided a brief overview of the concept of Brand Equity leading to a discussion of Aaker's (1991) well-established and accepted consumer-based Brand Equity framework, comprising of: Brand Awareness; Brand Associations; Perceived Quality; Brand Loyalty; and Other Proprietary Brand Assets. This forms the theoretical underpinning of this research and lead to the second part of the chapter, a discussion of the different approaches to measure Brand Equity and the strategic importance of managing Brand Equity within an organisation. Finally, the chapter concluded with a discussion of the need in the research for a 'strategic' lens to be applied to the Brand Equity literature. The following chapter will present a literature review on the RBV theory and discuss how RBV can be used as a theoretical lens to identify the specific antecedent factors associated with the strategic management of Brand Equity.

Chapter Three

Review of the Literature – Resource-based View (RBV) of the Firm

3.1 Introduction

The focus of this chapter is to introduce the development of the resource-based view of the firm (RBV). As such, the objectives of this chapter are two-fold: Firstly, an overview of the RBV of the firm and a discussion of its development will be provided. Secondly, the research question for this thesis is presented.

3.2 History of the RBV

The RBV of the firm has emerged as one of the most widely accepted strategic management theoretical perspectives in recent time (Newbert 2007). The RBV of the firm seeks to explain how organisations attain and sustain their competitive advantage through resource heterogeneity and immobility (Barney 1991; Gibbert 2006; Penrose 1959; Wernerfelt 1984). The RBV of the firm is also useful in identifying the relevant resources and capabilities required to operate in highly competitive globalised markets (Bartlett & Ghoshal 1991; Dunning 1995; Rumelt, Schendel & Teece 1994). The RBV of the firm draws on various theoretical works by researchers from a number of disciplines (Fahy 2000; Hoskisson et al. 1999). The historical roots that formed the foundation of the RBV of the firm include two early major precursors: Ricardian and Penrosian Economics. Although the influence of Ricardo and Penrose on the RBV of the firm is well documented, other early contributors such as Schumpeter (1934), Andrews (1971) and Williamson (1975) have also significantly influenced the development of the theory (Rumelt, Schendel & Teece 1994).

3.2.1 Ricardian Economics

Much of David Ricardo's work in the 19th Century was focussed on the economic consequences of farming and owning land (Ricardo 1817). The Ricardian Economic assumptions are that the quantity of supply of land is fixed, therefore the factor of production is perfectly inelastic and does not respond to price changes. Under these assumptions, the owner of higher quality land which is scarce, immobile, and likely to sustain in equilibrium within a stationary state, would generate more economic rents. The Ricardian perspective of competitive advantage is based on land-owners' skills to identify and obtain potential resources and by exploiting these resources to earn superior economic rents (Makadok 2001). Resources, as defined by Ricardo (1817), having the potential of sustainable competitive advantage were mostly tangible in nature. They include fertile land, the prime locations of the land and physical labour. However, Ricardo also considered some early intangible resources such as the agriculture and management skills of landlords and their capability to combine these skills and land to increase the productive powers of soil to derive superior economic rents. Under the Ricardian economic view, only limited resources (i.e. fertile lands) are fixed and have an inelastic supply (Hirshleifer 1980).

3.2.2 Penrosian Economics

Edith Penrose (1959) posited an opposing view from that of Ricardian Economics. Ricardian Economics assumed that organisations simply produced to the market's supply and demand conditions to maximise organisation profits (Nelson & Winter 1982). In her book *The Theory of the Growth of the Firm,* Penrose's objective was to gain an understanding of the internal process of how an organisation grows and what factors could limit the growth of an organisation. According to Penrose (1959),

organisations should be viewed as an administrative framework that links and coordinates a pool of interchangeable productive resources in the organisation's growth process rather than as a simple administrative unit. Penrose proposes that resources such as top management teams, entrepreneurial skills, the absorption of new personnel, new knowledge and experience, and learning are all part of an organisation's productive resources. Management motives to generate adaptive responses to competition environmental factors via new resource combinations are capabilities which have the potential of sustainable competitive advantage (Kor & Mahoney 2000; Penrose 1959). This coordination effort is essentially dependent on human resources and other resources such capital, individuals and teamwork.

Two major contributions stemmed from Penrose's (1959) work which became the intellectual foundation of the RBV of the firm:

- Organisation's heterogeneity – Penrose observed that productive resources controlled by organisations can vary significantly, therefore organisations are fundamentally heterogeneous, even if they are competing in the same industry;

- Resource inelasticity – Ricardian economics only focused on a few resources that might be considered as inelastic in supply (for example fertile lands) while Penrose adopts a broader definition of what might be considered as inelastic productive resources. These broader inelastic productive resources included the disequilibrium-oriented concepts of entrepreneurship, managerial teams, flexibility and change.

Penrose (1959) provides what many strategy scholars consider to be the link between resource application and revenue creation, as opposed to a sole focus on resource

possession (Foss 1997). Penrose (1959) is considered to be one of the major contributors to the theoretical underpinnings of the RBV of the firm with her work in understanding the nature of an organisation and its growth (Rugman & Verbeke 2002). However, Penrose's (1959) framework lacks the discussion of the management of entrepreneurial activity on a global scale and the replication of capabilities in different markets (Augier & Teece 2007).

3.2.3 Other Early contributors

Schumpeter (1934) proposed that organisation success is largely the result of innovation of new technologies and products, or the uses of resources to influence change in the external environment and is therefore not necessarily associated with market power or the attractiveness of industry structure (Tushman & Anderson 1986). According to Schumpeter (1934), the competitive environment is dynamic in nature and organisations are bundles of resources and hierarchies of activities and knowledge, and organisational performance is determined by the specific internal routines and rules. The outcome of this view is that an organisation's success relies on its managers' capabilities to leverage available resources to gain competitive advantage. Andrews (1971) combined the internal and external elements to highlight the match between organisational resources and the external environment in order to create value to the organisation. This focus on the organisation's unique resources and their fit with the external environment provides a foundation for the development of competitive strategies, which has certainly contributed to the underpinnings of the RBV of the firm (Hoskisson et al.1999).

Williamson's (1975, 1979, 1985) Transaction Cost Economics' (TCE) fundamental premise is that managerial practices influence organisation's transaction structures and therefore its performance (Hoskisson et al. 1999). This view departs from traditional industrial organisation (IO) economics where the actions of managers are determined by industry structure. According to Combs and Ketchen (1999) TCE is relevant to the RBV of the firm as it focuses on organisation specific assets, which contributes to the development of resource inimitability. Resource inimitability is one of the critical elements of the RBV of the firm (Barney 1991).

3.3 The Contemporary RBV of the Firm

During the 1980s, strategic management thinking and research were heavily influenced by traditional industrial organisation (IO) economics (Hoskisson et al. 1999). By the 1990s, economists and strategy scholars started to investigate the validity of the structural determinism of IO theory in a globalised economy (Chakraborty 1997; Hamel & Prahalad 1994). Various economists and strategic management scholars started to look to factors inside the organisation, but not to the exclusion of external factors, in an attempt to gain better understanding of the inconsistent performance among organisations. One of the theoretical developments that provided an alternative explanation vis-à-vis the IO theory is the RBV of the firm. In the development of the RBV of the firm, three seminal resource-based works helped to form the basic principles of today's resource-based logic.

The first seminal work entitled resource-based was posited by Wernerfelt (1984) in the strategic management literature and has since emerged as one of the most widely accepted theoretical perspectives in the field of strategic management (Newbert 2007;

Powell 2001; Priem & Butler 2001; Rouse & Daellenbach 2002). Wernerfelt (1984) conceptualises organisations in terms of their resources rather than in terms of their position in the product market. In his paper, Wernerfelt (1984) provided economic tools (such as the resource-product matrix) which organisations could use for examining and managing the relationship between organisations' resources and profitability. He proposes a framework of competitive advantage based on the exploitation of existing and development of new resources as a complementary perspective to Porter's (1980) competitive advantage theory which is based on an organisation's product market position. Wernerfelt (1984, p. 172) defines a resource as "anything which could be thought of as a strength or weakness of a given firm….a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm." For example, brand name, in-house knowledge, skilled employees, efficient procedures and trade contracts. Wernerfelt's (1984) approach to the competitive advantage theory suggests that the position an organisation holds in their product market reflects the resources it controls. One of Wernerfelt's (1984) major contributions to the development of the RBV of the firm in the 1990s was recognising that an organisation's resource profile can have significant implications for its ability to gain advantages in implementing product market strategies.

The second seminal resource-based work is Rumelt's (1984) 'Towards a Strategic Theory of the Firm'. He extended the work of Wernerfelt (1984) in attempting to explore why organisations exist and the economic rent generating characteristics of organisations. Rumelt (1984) defines organisations as a bundle of productive resources (Penrose 1959) and suggests that the economic value of these resources will

vary, depending on the way they are being adjusted and renewed by general management of the organisation according to changes in the environment. Rumelt (1984) also suggests that the extent of imitability of these potential rents generating resources depends on the protection of the "isolating mechanisms" of the organisation (1984, p. 567). "Isolating mechanisms" such as unique resources, employee-embodied skills, special information, brand name and the organisation's reputation and image can limit competition by entry and imitation. Rumelt's (1984) work contains attributes such as the definitions of organisations as a bundle of productive resources and "isolating mechanisms" that were later encapsulated by the RBV of the firm.

The third seminal resource-based work is by Barney (1986). Barney introduces the concept of "strategic factor markets" in which essential resources an organisation needs to implement their product market strategies are acquired. According to Barney (1986, p. 1232), "strategies that require the acquisition of resources for implementation have strategic factor markets associated with them". For example, in a new market expansion strategy and local knowledge will be resources required for successful implementation. Recognising that strategic factor markets are not always perfectly competitive, Barney (1986) suggests that organisations can gain competitive advantage and earn above normal returns. Firstly, by having superior insights into the future value of strategies being implemented; secondly, by exploiting organisation specific resources such as unique business experience and teamwork of managers; and finally, by good fortune or luck.

However, Dierickx and Cool (1989) claim that not all necessary strategic resources can be acquired in the strategic factor markets. An organisation's strategic resources such as brand reputation, organisation specific human capital, and customer loyalty can only be built and accumulated through time by the organisation and are not tradeable on open strategic factor markets. Furthermore, Dierickx and Cool (1989) argue that the imitability of such strategic resources is closely related to five characteristics of process by which these resources might be accumulated. These are: firstly, time compression diseconomies; secondly, asset mass efficiencies; thirdly, interconnectedness of asset stocks; fourthly, asset erosion; and finally, casual ambiguity (p. 1507). Dierickx and Cool (1989) agree with Barney (1986) that many resources required for strategy implementation can be acquired on open strategic factor markets. However, they argue that resources only become strategically important when they are non-tradeable, non-imitable and non-substitutable (Dierickx & Cool 1989, p.1510).

3.4 The 'VRIN' Framework

A review of the approaches by Wernerfelt (1984), Rumelt (1984), Barney (1986), and Dierickx and Cool (1989) suggests that not all resources have the necessary attributes to earn above average economic rents and to contribute towards sustainable competitive advantage. Barney (1991) extends the ideas of resource attributes from Dierickx and Cool (1989) to further develop the RBV of the firm into a more comprehensive strategic management perspective by including the VRIN framework. This consists of four attributes (valuable, rare, imperfectly imitable and non-substitutable) of resources that can generate sustainable competitive advantage. Barney (1991) proposes that when organisations use resources that meet the VRIN

framework in ways that their competitors cannot they may attain sustainable competitive advantage.

The VRIN framework and its attributes and characteristics are: To be *Valuable*, the resources must assist the organisation in implementing strategies to exploit opportunities or neutralise threats posed by the external environment. These resources must also contribute positively to the organisation's ability to generate economic rents and to satisfy customer needs at a lower cost than competitors (Barney 1986). For example, resources which are acquired at below net present value could contribute to future economic rents (Peteraf 1993).

Resources must also be *Rare* among the organisation's competitors and in short supply relative to demand. An organisation can attain a competitive advantage when its value-creating strategy is not simultaneously being implemented by a large number of its competitors. Scarcity in terms of resource functionality or utility, rather than type is preferred (Peteraf & Bergen 2003). For example, managerial talent as an organisation resource is required in the implementation of almost all organisation strategies (Barney 1991).

The resources must further be resistant to duplication, that is, it must be *Imperfectly Imitable* by competing organisations. The resources should be organisation-specific and not easily utilised outside the organisation due to being imperfectly mobile or imperfectly imitable (Dierickx & Cool 1989; Lippman & Rumelt 1982; Peteraf 1993). Lippman and Rumelt (1982) introduced a concept of "uncertain imitability" to explain how heterogeneous differences across organisations can create rent

generating opportunities. The authors also stressed that factor immobility could result from legal rights to the exclusive use of resources, for example copy rights and brand names. This relates to how the resources are created or accumulated within the organisation in that they cannot be traded in the product market, nor can they be easily observed by the organisation's competitors. Casual ambiguity prevents the imitation efforts of competitors and preserves the condition of heterogeneity (Dierickx & Cool 1989; Rumelt 1984). In order for casual ambiguity to be a source of sustainable competitive advantage, competing organisations across the industry must have an imperfect understanding of the link between the organisation's competitive advantage and the resources it controls.

The resources must be *Non-substitutable* in that there should not be any strategically equivalent resources available to the organisation's competitors. A substitute product can potentially reshape the industry. For example, during the 1980s when aluminium was used to substitute steel for the production of soft drink cans.

The RBV of the firm emerged from various research streams espousing sometimes very distinct principles. These theoretical streams have been brought together and modified to provide an explanation of the distinctive resource profiles of heterogeneous organisations and the persistent superior organisation performance in the field of strategic management. All contributions to the development of the RBV of the firm focus on resources from different perspectives, which lead to organisation heterogeneity (Hoskisson et al. 1999). The shared assumption of major contributors to RBV is that resources constitute a dimension of an organisation's ability to achieve

sustainable competitive advantage, which is the theoretical underpinning of the RBV of the firm.

3.5 Defining the Productive Pool of Resources

Given this central assumption of the RBV of the firm that the exploitation of organisation resources produces sustainable competitive advantage (Barney 1991 2001; Peteraf 1993; Wernerfelt 1984), an area of much debate among strategic management scholars and researchers is the definition of a resource. The dilemma of creating a comprehensive list of resources without standardised classification and context has often ended in diverse and disjointed definitions in the extant literature (Fahy 2000). For example, Wernerfelt (1984, p. 172) defines resources as "anything which could be thought of as a strength or weakness of a firm and at any given time can be defined as those assets (tangible and intangible) which are tied semi-permanently to the firm". Barney (1991) categorises organisation resources into three specific types of capital, namely the physical capital (i.e. hotel properties, physical technologies such as reservation and booking systems), human capital (i.e. industry experience, government and supplier relationships, insights of individual managers and employees, local intelligence) and organisational capital (i.e. organisational culture, planning and controlling processes, informal relationships among various stakeholders in its environment). Furthermore, Collis (1994) suggests that an inclusive list of resources of an organisation's competitive advantage may never be known.

With significant ambiguity surrounding its terminology, defining resources within the RBV perspective is clearly a difficult task. Fahy (2000) suggests that in order to

overcome the ambiguity, resources should be termed as rent-generating factors with specific attributes according to the RBV's VRIN framework. According to Fahy (2000) and Miller and Shamsie (1996), resources are separated into two distinguishing categories, tangible resources and intangible resources.

Tangible resources are defined as factors that are physical and financial in nature. Physical factors such as tangible structures which are owned and controlled by the organisation and have recorded value on the organisation's financial statements including buildings, factories, offices, warehouses and plants and equipment which are used by the organisation to carry out business tasks as part of its strategies. Financial factors include financial capital (i.e. cash and bonds), cash earned from business activities, and financial investment. Tangible resources have also been described as available stocks of factors that are owned and controlled by the organisation (Amit & Schoemaker 1993). In general, there is no disagreement over the definition of tangible resources since by definition they are tangible in nature and capable of being measured by standardised accounting methods.

However, intangible resources are difficult to observe or measure, unlike tangible resources. Intangible resources are more difficult to value and are usually not recorded on an organisation's financial statements (Srivastava, Schervani & Fahey 1998). Despite this empirical studies have shown that intangible resources are the major contributors to organisation success (Aaker 1989; Amit & Schoemaker 1993; Hall 1992, 1993; Welbourne & Wright 1997). Furthermore, in many service industries, such as the hotel industry, intangible resources are argued to be the core sources of competitive advantage rather than the more traditional financial and

physical tangible resources (APEC 2001; OECD 2001). Resources including reputation of the organisation, brand name, networks, organisational culture, and employee know-how and management skills have been identified as major intangible resources (Aaker 1989; Amit & Schoemaker 1993; Hall 1992, 1993; Itami & Roehl 1987).

Hall (1992) suggests two extra elements within the categories of resources as proposed by Fahy (2000) and Miller and Shamsie (1996). These two elements are assets and capabilities. According to Hall (1992), assets are factors owned by an organisation and capabilities are factors that characterise what an organisation does with its resources, rather than what it has. Factors that are considered as assets include trademarks, contracts, networks, trade secrets, and business databases. Factors that are considered as capabilities include knowledge, skill and experience of management and employees, and organisational culture. Capabilities therefore are tacit in nature and are inextricably embedded in organisational learning, culture and practice (Kogut & Zander 1996). Capabilities are also considered to be the most difficult to imitate due to their high levels of casual ambiguity (Teece 2000). Barney (2001) agrees with the terminological criticisms of the RBV (Acedo, Barroso & Galan 2006; Fahy 2000; Foss 1997, 1998; Foss & Knudsen 2003; Hoopes, Madsen & Walker 2003; Rugman & Verbeke 2002; Williamson 1999) and explains that the:

> Resource-based theorists do not pretend to be able to generate a list of critical resources every firm must possess in order to gain sustained strategic advantage…. However, theorists do describe the attributes that these valuable resources must have if they are going to be sources of sustained strategic advantage for firms (p. 51).

Barney and Arikan (2001) further add that despite the subtle differences among the various characterisations of resources, they share the same basic theoretical structure that focuses on the organisation's key resources and the essential elements required for those resources to generate sustainable economic rents. For the purpose of this research, resources (both tangible and intangible) are defined as factors that are controlled and used by organisations to carry out business tasks as part of their overall strategy development and implementation. Capabilities are defined as the skills and knowledge of an organisation or what the organisation does rather than what it has.

3.6 The RBV of the Firm as the Theoretical Perspective in International Business (IB)

As a widely accepted strategic management theoretical perspective in recent time (Newbert 2007), the RBV of the firm has expanded its influence into the field of IB research (Espino-Rodriguez, Lai & Baum 2008; Peng 2001; Sharma & Erramilli 2004). Historically, IB research has been criticised as phenomenon-driven with scattered, unconnected topics (Peng 2001). The RBV of the firm with its theoretical perspective has helped to address this criticism by providing a unifying framework that makes IB research more theoretically rigorous (Peng 2001). Areas in which the RBV of the firm has made significant contributions and/or served as a bridge in the field of IB research (Athanassiou & Nigh 2000; Hitt, Hoskisson & Kim 1997; Peng 2001) includes international expansion, international market entry mode, emerging markets strategies, and international sourcing decision.

Understanding international expansion can be based on the RBV of the firm's key assumption of organisation heterogeneity and resource immobility (Barney 1991). The RBV of the firm provides valuable insights of the level of resource and capability constraints on organisational growth and in turn identifies the areas of opportunity for international expansion (Ramanujam & Varadarajan 1989).

The RBV of the firm's theoretical perspective suggests that international market entry mode decisions "cannot be viewed in isolation. It must be considered in relation to the overall strategic posture of the firm" (Hill, Hwang & Kim 1990, p. 117). The entry mode decision also has implications on an organisation's resource deployment (Peng 2000). As international markets are becoming more dynamic due to globalisation (Dunning 1995; Prahalad & Lieberthal 1998), the RBV of the firm is useful in conceptualising the organisation's resource position when making entry mode decision (Peng 2001). The RBV of the firm not only provides new explanations as to the broad spectrum of entry modes, it also increases the understandings of existing entry modes (Sharma & Erramilli 2004).

One of the most insightful theories when exploring emerging markets strategies is the RBV of the firm (Hoskisson et al. 2000). The RBV of the firm enriches the research areas of Multinational Corporations (MNCs) as it helps to identify the intricacies of competition in emerging markets (Peng 2000, 2001). It can also provide a bridge to explore resources an organisation requires to build the foundation for international diversification by specifying the nature of resources needed to overcome the liability of foreignness in emerging markets (Peng 2001).

An organisation's resources and capabilities are central to its strategy development and implementation, and have significant impacts on the overall performance (Grant 1991). As a conceptual framework, the RBV of the firm can be used by organisations as a tool to identify the strategic resources and capabilities required to gain sustainable competitive advantage (Barney & Arikan 2001). The RBV of the firm can also be used to explain the relationship between an organisation's specific resources and its international sourcing decisions, either through buying or making, or insourcing or outsourcing. (Leiblein & Miller 2003). The RBV of the firm suggests that when a specific function of the organisation is performing below management's expectations, outsourcing of that function can be a viable option to improve the overall performance (Teng, Cheon & Grover 1995). Using the hotel industry as an example, they demonstrated how underperforming hotels will be more likely to outsource than hotels with superior organisation performance. They found that underperforming hotels did not perceive that they had the required resources and capabilities to compete and that their suppliers could significantly improve their performance (Espino-Rodriguez, Lai & Baum 2008).

The RBV of the firm has contributed a major shift of research in the fields of strategic management and IB away from external market determinants of organisation success, to internal factors that enable organisations to achieve sustainable competitive advantage within different industries, regardless of the industry's attractiveness. The RBV of the firm is a well-developed conceptual framework to use in identifying the strategic resources and capabilities which link to performance at organisation level. As a theoretical perspective it has been widely accepted in the strategic management and IB literature (Barney 1991; Li et al. 2003; Newbert 2007; Peng 2001).

3.7 Specific Research Question

As presented in the previous chapter, the theoretical relationship between the antecedent factors and outcomes of Brand Equity has tended to affirm that organisations must develop their own store of 'brand management capabilities' in order to remain competitive (Taylor, Celuch & Goodwin 2004; Wang, Wei & Yu 2008). Since the mid-2000s, there has been a call to explore the antecedent factors associated with the strategic management of brand Equity, particularly in emerging markets (Yakimova & Beverland 2005). Based on the preceding discussion, this chapter concludes that the RBV of the firm is useful in identifying the relevant resources and capabilities required by organisations operating in highly competitive and globalised markets. Based on this, it is considered that the RBV of the firm is an appropriate conceptual framework to use to address the broad research opportunity identified in Chapter One, and the need to explore the role of antecedent factors associated with the strategic management of Brand Equity in emerging markets. This consideration gives rise to the following research question (as depicted in Figure 3.1):

What are the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets?

Figure 3.1 Antecedent Resources and Capabilities Associated with the Strategic Management of Brand Equity

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In order to address the research question, Barney's (1991) RBV framework will be used to identify the antecedent resources and capabilities associated with the strategic management of Brand Equity.

3.8 Resource-based View (RBV) of the Firm Chapter Summary

This chapter commenced with an overview of the RBV of the firm by providing a brief discussion of the history and the major precursors and development of the contemporary RBV of the firm. Subsequently, one research question was posed which seeks to elicit the antecedent resources and capabilities to address the research opportunity and the research need as identified in Chapter One and Two respectively. The method used to gather the requisite data will be described and discussed in the following chapter.

Chapter Four

Research Design and Methodology

4.1 Introduction

The focus of this chapter is to describe the research methodology adopted in this research. As such, the objectives of this chapter are two-fold: Firstly, it provides a discussion of the aim of this research and its approach. Secondly, this chapter explains the rationale and process of a single case study inquiry, and details the methodological principles and procedures that were engaged to investigate the research question posed at the end of Chapter Three.

4.2 Rationale for the Research Design

The broad aim of this research is to develop a more detailed understanding of the strategic management of Brand Equity by Western organisations operating in emergent Asian economies. Specifically, this research aims to identify antecedent resources (and related capabilities) required for a Western organisation to enter and establish itself in China (Taylor, Celuch & Goodwin 2004; Wang, Wei & Yu 2008). Given the human, cultural, and international complexities in the above issue, research requires a process that is not only capable of discovering the behaviour of the various parties, but is also able to explore the rationale behind their behaviours. Accordingly, a qualitative research strategy was adopted, as this method provides a means of assessing otherwise unquantifiable facts about the research subjects, and allows the researcher to appreciate the perceptions and social constructions of others (Berg 1989).

4.3 Research Methodology

Given the phenomena under investigation, a decision was taken to employ a single embedded case study method for theory building. In particular, Yin suggests that single embedded case studies research is a method suitable:

> …testing a well-formulated theory.... The theory has specified a clear set of propositions as well as the circumstances within which the propositions are believed to be true. To confirm, challenge, or extend the theory, there may exist a single case, meeting all the conditions for testing the theory. The single case can then be used to determine whether a theory's propositions are correct or whether some alternative set of explanations might be more relevant (2003, p. 40).

Yin (2003) suggests three rationales for conducting single-case designs. The first is when the case represents a 'critical case' in the sense that it develops a well-formulated theory. In the Marriott case, Aaker's (1991) Brand Equity framework serves as the well-formulated theory within which the critical role of the strategic management of the antecedent resources and capabilities is largely unknown (see Betts & Taran 2005; Delgado-Ballester & Hernandez-Espallardo 2008; Ind & Bjerke 2007; Ni & Wan 2008). Secondly, Yin (2003, p. 40) suggests that single case studies are also ideal where the case is 'unique or extreme'. The case of Marriott being 'unique and extreme' can be argued in the sense that it represented the largest US hotel chain expanding into a newly emerging Asian market. Thirdly, Yin (2003) suggests that single case studies are ideal where the case is a revelatory one; the Marriott case is potentially revelatory, in that the antecedent resources and capabilities required to strategically manage its Brand Equity may be identifiable from an analysis of Marriott's experience in China over the past 15 years.

In addition, Yin (2003, p. 13) recommends using the "case study method because you deliberately want to cover contextual conditions – believing that they might be highly pertinent to your phenomenon of study". This is the case with the role of the antecedent resources and capabilities, where "the boundaries between phenomenon and context are not clearly evident" (Yin 2003, p. 13). That Marriott is an internationally successful hotel chain is apparent, but its evolution and the antecedent resources (and the related capabilities) that contributed to its facilitation are not. As this study seeks to obtain Marriott senior managers' perspectives on what they report as critical antecedent resources and capabilities to strategically manage their Brand Equity in China, the single case study is an ideal research method.

4.3.1 Case Study as a Research Method

According to Bromley (1990, p. 302), case study research is defined as a "systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest". Hakim (1987) notes that case studies:

> …take as their subject, one or more elected examples of a social entity – such as communities, social groups, organisations, events, life histories, work teams, roles or relationships – that are studies using a variety of data collection techniques….Using a variety of data collection techniques and methods allows a more rounded, holistic study than with any other design (1987, p. 61).

Similarly, Yin (2003) suggests that case studies are not a specific research technique as such, but rather a way of organising social data to preserve the unitary character of the phenomenon being studied. Being amenable to accumulating data from various sources holistically, case studies have been widely applied to research into international strategic management and marketing (for examples see Hall 1992; Kim & Kim 2004).

4.4 Purposes of Case Study Research

Hakim (1987) suggests that the case study method is not, in and of itself, a prescribed research technique, but rather a combination of approaches that often overlaps with other research designs, offering their combined and complementary strengths. Such an approach not only provides power and flexibility to the research effort, but as Stake explains, it also allows the study's design to be directed by what it is that can be learned from the case itself:

> Case study [research] is not a methodological choice, but a choice of object to be studied. We choose to study the case… as a form of research, case study is defined by interest in individual cases, not by the methods of inquiry used (1995, p. 236).

Thus, a researcher's purpose in studying a given case determines the methodology to be employed. Yin (2003) suggests three research purposes to which case study research may be applied: descriptive research, exploratory research, and explanatory research. As a method for descriptive research, the purpose of a case study is to produce a register of facts from which the researcher gathers evidence concerning a given phenomenon. From this evidence, the researcher may then interpret the evidence for the purposes of theory development (Peshkin 1993). By studying the subject's perception of their own reality, and reporting on the issues at play in that reality, a detailed portrait of social phenomena is available (Hakim 1987). Van Maanen (1988, p. 1) defines this portrait as "a written representation of culture", whilst Aamodt (1991) suggests that it represents a 'thick description' of social experiences that is vital to a naturalistic inquiry. By identifying and describing social phenomena as they evolve over time, case studies allow the researcher to "retain the holistic and meaningful characteristics of real-life events" (Yin 2003, p. 2).

As noted, the exploratory purpose of the case study method is to examine the social reality of the actors' experiences. As Ball suggests:

> The analysis of case study is essentially concerned with interpretation. That is, the translation of raw data into a coherent portrayal of an institution and of institutional processes. The process of interpretation involves the data coming to stand for and represent a field of reality as the basis for a 'theoretical' (or some other kind of) account of the setting (in Hammersley, Scarth & Webb 1985, p. 50).

Given the interpretive nature of case study research, the researcher is able to advance propositions from the evidence accumulated, and as such, provide a vehicle for the further development of extant theory (Miles & Huberman 1994; Peshkin 1993; Yin 2003). As a method for explanatory research, case studies enable the researcher to investigate data to determine the nature of the relationships between phenomena present in the case (Hartley 1994). Given that case study research concentrates on the various issues that precede a known outcome, it also enables the examination of the processes involved in the case (Schendel & Hofer 1979).

4.4.1 Criticisms of the Case Study Method

Although case study research is of considerable benefit in advancing social inquiry, the approach has been criticised as an approach to research methodology. The major criticisms surround three points of contention: non-standard case study designs (Hamel, Dufour & Fortin 1993), measures of reliability (Guba & Lincoln 1981; Stake 1995), and verbose reports (Lynn 1991). The first major criticism is that the efficacy of case study research is constrained by the absence of a definitive, routinised design through which to conduct social research. The argument that case studies are '*ad hoc* research methods' that lack rigour, and therefore, inter-research comparability (see Hamel, Dufour & Fortin 1993) assumes two important criteria. The first is that case

studies should be required to follow a certain formula, and second, that researchers need *ex ante* formulations in which to elicit socially constructed information. In response to the first claim, Patton (1987) and Schultz and Kerr (1986) suggest that critics confuse the case studies method (as a design) with the type of data collected in the research itself. Therefore, they advise that the holistic nature of the case study method needs to be distinguished from the specific data gathering techniques used by the researcher. In response to the second criterion, the lack of a precise format can be considered 'strength' of the case study method, as it is this characteristic that provides the researcher with the opportunity to vary the approach according to the purpose of the study itself. As Eisenhardt (1989) states, case study research aids in the development of theories, rather than the testing of rigid hypotheses, and as such provide "an empirical genre appropriately flexible, eclectic, and capable of creating surprises" (Walker 1983, p. 155). Hakim (1987, p. 63) agrees, stating that having the freedom to choose the method of inquiry is not an impediment, but rather a strength that makes case studies "one of the most powerful research designs".

The second major criticism of case study research relates to the properties of 'reliability' and 'validity', which refer to the measures used to judge the quality of data (Guba & Lincoln 1981; Stake 1995; Yin 2003). The two concepts originate from experimental research, where systematic error is controllable by statistical techniques (Weiers 1988). Reliability refers to how accurately a measure yields the same result on repeated trials (Yin 2003). Validity refers to the degree to which a study accurately reflects the specific concept that the researcher is attempting to measure (Yin 2003). Without the agreement of independent observers able to replicate research procedures, or the ability to use research tools and procedures that yield consistent

measurements, researchers would be unable to satisfactorily draw conclusions, formulate theories, or make claims about the generalisability of their research (Guba & Lincoln 1981; Stake 1995).

In quantitative research analysis, reliability is gauged by the consistency of the research instruments over repeated applications. Although replication of the research instruments is impossible in a single case study because "the operations involved depend upon the particular circumstances and events that occur within the case" (Bresnen 1988, p. 47), Marshall and Rossman suggest that researchers should strive for reliability through notes of their work, enabling:

> …others to inspect their procedures, protocols and decisions…by keeping all data in well organized, retrievable form, researchers can make them available easily if the findings are challenged, or if another researcher wants to analyze the data (1989, p. 148).

Validity refers specifically to "the degree to which we observe what we purport to observe" (Rosenthal & Rosnow 1984, p. 76). Yin (2003) proposes three approaches to assessing the validity of information obtained from case study research: construct validity, internal validity, and external validity. According to Babbie (2007), construct validity is achieved when the measure of a particular concept correlates with the measures of other relevant concepts in a theoretically expected manner. Yin (2003) offers three tactics to increase the construct validity in case study research. Firstly, where possible, a researcher should use multiple sources of evidence so as to achieve a sufficient level of data triangulation. Secondly, the researcher should establish a chain of evidence that links the question asked, the data collected, and the conclusions drawn. Thirdly, the researcher should use the key informants to review

the draft report, and provide comment where required to ensure the report's accuracy in portraying case events.

Internal validity refers to the extent to which the observed effect in a case study is causal in nature (Babbie 2007). Whereas cause and effect may be noted in quantitative analysis through the experimental design and the establishment of statistical significance, the qualitative realm is not so amenable to such precise linkages (Krathwohl 1985). Internal validity in qualitative research, and particularly that undertaken in case studies, however, remains susceptible to contamination by researchers who allow their own perceptions to influence their interpretation of the data (Goode & Hatt 1952; Krathwohl 1985; Neck, Godwin & Spencer 1996; Yin 2003). Therefore, researchers undertaking a case study approach need to be careful in seeking deficiencies in their case work by scrutinising the data where doubt may be justified, and using pattern-matching, triangulation and/or explanation-building to strengthen the accuracy of interpretation (Eisenhardt 1989; Hammersley & Atkinson 1983; Livingston 1987; Yin 2003).

External validity refers to the generalisability of a study's findings to other populations and to other environmental conditions (Yin 2003). Although critics such as Tellis (1997) have claimed that case study research results lack external validity, Yin (2003) argues that such results may be generalised to a wider population provided that the case study is conducted rigorously. Yin continues to argue that the case study method is not simply undertaken to seek universally applicable results about populations, but rather to offer plausible and generalised findings to theory development.

The final major criticism of case study research surrounds the notion that they result in rather unfocused reports (Lynn 1991). Miles and Huberman (1994), Morris, Fitz-Gibbon and Freeman (1987) and Yin (2003) each warn researchers to pay attention to the careful and rigorous process of description required by the case study method. They suggest that case studies should 'create reality' by describing it sparingly, thereby making "the implicit explicit, the intuitive self-evident, and the abstract concrete" (Walker 1983, p. 163). Therefore, it is the responsibility of the researcher, through the skilled use of written communication, to reconstruct the composite issues inherent in a case study in a clear and concise form to the reader. In terms of this research inquiry, the above criticisms of the case study method (and their responses) required the researcher to incorporate a number of specific measures to ensure the reliability and validly of the data gathering and analysis process. The following section details the measures undertaken to ensure the reliability and validity of the inquiry.

4.5 The Suitability of the Case Study Method for this Research

The adoption of case study method for this research was governed by two factors namely the outcomes of the literature review, and to develop a more detailed understanding of the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets.

4.5.1   A Review of the Brand Equity Literature

The literature review indicated a significant and positive relationship between Brand Equity and desirable organisational outcomes, such as add value to organisation and customers and increased profitability and market share. It also suggested that Brand

Equity can be generated by effectively managing five brand assets: Brand Awareness; Brand Association; Perceived Quality; Brand Loyalty; and Other Proprietary Brand Assets. As this study requires a research method that accounts for both the human and policy interactions between the Marriott, the local market and the Chinese government, a flexible approach that is receptive to emerging themes, unexpected relationships and new issues is necessary. The case study method enables these qualities to be studied effectively (Eisenhardt 1989). Yin's (2003) definition of the single case study method emphasises its particular suitability in the investigation of the entry of Marriott into China. It allows the investigation of the phenomena within the real-life context (Marriott's strategic management of its Brand Equity in China) when the boundaries between the phenomenon and the context are not clear.

4.5.2 *The Marriott in China as an Elucidating Case Study*

The case is based on Marriott's entry and establishment in the emerging Chinese market. The specific combination of antecedent resources and capabilities Marriott mobilised to expand into China create what Yin (2003, p. 45) describes as a "rare or unique event" for which the case study methodology is a highly appropriate research design. Marriott's senior management role in the development and facilitation of its entry into China, however, cannot be considered as a single episode capable of being researched in a cross sectional manner. The history of the interaction between Marriott's senior management and its employees, and between Marriott, the local Chinese hotel developers, and the Chinese government, ensure that the interlocking series of events and perspectives can only be meaningfully assessed by a quasi-longitudinal inquiry (Fear 2001).

Interviews for this research were conducted as a quasi-longitudinal research over a period of four years starting from 2009 to 2012 to encapsulate the anticipated changes in the market within the Chinese hotel industry. These four years represent a significant period for the Chinese hotel industry with major events taking place in Beijing and Shanghai. In 2009, a year after China hosted the 29th Olympic Games the hotel industry was still enjoying the post-games tourism boom, while competition remained intense. In 2010, Shanghai hosted the World Expo 2010, which attracted more than 73 million visitors to the city with over 400,000 people visiting the World Expo site each day (World Expo 2010). As such, the capture of quasi-longitudinal data in this case enables the researcher to both track the development of Marriott's entry in China over time, and the manner in which the increased competition within the Chinese market has impacted on the actions of the various actors within the case over time. It is important to note that in this study a quasi-longitudinal inquiry does not refer to the collection of data over an extended period of time, but rather the historical examination of events. Rose (1991) suggests that case study design is ideal for longitudinal research, as it is amenable to both historical and operational aspects of investigation. Rose, highlighting the work of Pettigrew (1973) and Littler (1982) stated that:

> …methodological principle underlying [case study] design is the belief that theoretical concerns of a processual form require a longitudinal research design, thereby enabling a social system to be explored as a 'continuing system with a past, a present, and a future' (1991, p. 454).

An issue with longitudinal research, however, is that the potentially large and diverse numbers of variables present in the case history necessitate the truncation of the time span covered by the inquiry, and/or the omission of certain important contextual factors (Field & Morse 1985). However, as the organisational and temporal

perimeters of Marriott, the local Chinese hotel developers and the Chinese government interactions are self-defined, all of the relevant dimensions may be investigated completely in this case study. This property suits the single case study method, which allows the research entity to be understood in its entirety (Yin 2003).

4.5.3   The Research Proposal

Given the nature of the phenomena under review, the descriptive, explanatory, and exploratory purposes of this research are significantly interrelated. The descriptive purpose is realised by creating 'thick descriptions' of the issues and the complexities of the case. This contextual data serves the exploratory requirements of the research, as it informs the process of theory building (Strauss & Corbin 1990) and contributes to the explanatory purpose by identifying the causal links that may be present (Yin 2003). The literature review undertaken in Chapters Two and Three indicated that the strategic management of Brand Equity has significantly influenced organisation success, and as noted earlier, that researchers should not be detached from the subject matter. Through the collection of data from multiple sources, and by utilising an open coding technique (to be discussed later), the case study method may be used to both elucidate issues that have not been identified previously, and to refine existing theoretical concepts (see Yin 2003).

4.6 Conduct of the Research

The plan of this investigation is based on Yin's (2003) model for case study research. The order and content of this inquiry was modified to allow for the study's exploratory emphasis, and to accommodate the single case method. The research sequence is now described.

4.6.1 Selection of the Case

Two major factors influenced the selection of Marriott in China as the case in this research. Firstly, Marriott's entry into China represents an exceptional case of an internationally renowned organisation seeking to leverage its brand into a new market. As noted in Chapter Five, over the past 70 years, Marriott has grown into a leading global hospitality organisation with over 3700 lodging properties operating in 70 countries with reported sales from operations of US$12 billion (Marriott website 2011a). Its international reputation for service excellence throughout the world is well documented, achieving a number three ranking of best hotels in the world in 2010, and being named as one of the "100 Best Companies to Work For" in 2010 by FORTUNE® (Marriott website 2010b). Secondly, Marriott's entry into China represents a revelatory case where its senior management can reflect upon the antecedent resources and capabilities it required to strategically manage its Brand Equity in a new market over time is worthy of further consideration through case study research.

4.6.2 A Review of the RBV Literature

The literature review posed in Chapter Three suggests that there is one specific question to be researched in this research: *What are the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets*? The examination of this specific topic defined the units of analysis, the research question, and the appropriate methodology.

4.6.3   Development of the Case Study Protocol

The case study protocol documents the procedures to be employed when conducting case research. As well as describing each phase of the inquiry, the case study protocol assists in future considerations of the case by enabling other researchers to fully understand the methodology used. Yin (2003, p.67) suggests that a case study protocol is an essential element of the case study method, because it is "a major way in increasing the reliability of case study research and is intended to guide the investigator in carrying out the data collection from a single-case study". As the case study protocol was an essential tool in identifying the critical elements required in the planning and execution of the research, it was devised before the commencement of the research activity. This protocol (see Appendix A) was used to determine the design of the research, and the nature of the data gathering process, and indeed, the basic form of the research itself.

4.6.4   Informant Interview Preparation

The case study protocol specified the respondents, and the primary data to be gathered by the research. In order to obtain diverse perspectives, facilitate crosschecking of information, and recognise those issues requiring further consideration, 22 candidates were identified, and approached as informants. Table 4.1 (over page) summarises the title of each informant and their respective organisations.

Table 4.1 Titles and Organisations of Informants

Title	Organisation	Total
General Manager.	Marriott.	4
Marketing Director.	Marriott.	3
Human Resources Director.	Marriott.	3
Sales Director.	Marriott.	3
General Manager.	Parkyard Group.	1
Marketing Director.	Parkyard Group.	1
Sales Director.	Parkyard Group.	1
General Manager.	JC Mandarin Hotel.	1
Marketing Director.	JC Mandarin Hotel.	1
Sales Director.	JC Mandarin Hotel.	1
Finance Director.	Shangri-la Hotel.	1
Marketing Director.	Shangri-la Hotel.	1
Executive Vice President.	Interstate Hotel Group.	1

4.6.5 Informant Contributions to Research

From the thirteen current Marriott senior executives interviewed for this research, four general managers and three other senior executives have been working for the organisation in China since its entry in the mid-1990s; the other six senior executives have been with the organisation from five to ten years. These thirteen senior executives were able to provide a rich history of Marriott's operation in China from its entry in the mid-1990s through to the present. They also provided what they described as critical resources and capabilities required to strategically manage their Brand Equity in China. Eight of the remaining nine informants included two current general managers and six current senior executives (including marketing director, sales director and finance director) of three separate international hotels operating in Shanghai. The rationale to use these three separate international hotels was to obtain the diverse perspectives of the Chinese hotel industry and to crosscheck the

information provided by the Marriott's executives. These three other international hotels each represent a similar star-rating and organisation model of one of the three Marriott hotels included in this research.

Finally, one key informant has been a Marriott General Manager in China for more than ten years and is currently executive vice president of a major international hotel and resort organisation operating across China and in the US. This key informant has more than thirty years of senior executive experience with some of the world's most well-known brands, including the Peninsula, Hilton, and Hyatt in China, Hong Kong and in the US. This key informant was able to provide essential insights into Marriott's strategic management of its antecedent resources and capabilities in China from the mid-1990s to the late 2000s, as well as a detailed description of the changes in the overall hotel industry in China over the past twenty years. In order to control the content and scope of the interviews, an interview guide (see Appendix B) was prepared. This guide was based on the 'elements for investigation', the 'data requirements', and the 'critical incidents' that emerged from the preliminary secondary data gathering process. Of the informants approached, all 22 agreed to participate in the research project and undertake a tape-recorded semi-structured interview. The interviews themselves were of varying lengths, the shortest being 45 minutes duration, the longest being of 120 minutes duration.

4.6.6 Case Study Research Process

The case of Marriott's entry into China was researched over a period of four years, and was conducted according to the research design outlined in the case study protocol. This process is detailed below.

4.6.6.1 Combining the Research Purpose with the Research Question

By considering the research question within the descriptive, exploratory and explanatory purposes of the study, a suitable method of data collection and examination was constructed. This provided the investigator with a 'research map', upon which the data were gathered and analysed. For each of the three purposes of this research, the data were managed in the following manner. Firstly, in preparing the case history, secondary data sources were utilised to map the critical incidents surrounding the entry of Marriott into China, and in particular, those that were directly linked with the Chinese government's 'open door' trade policy and the Chinese hospitality industry. This is consistent with the recommendations of Fear who stated that what is required:

> …is a careful, accurate reconstruction through archival research of the firm's objective situation, the key players, their perceptions of the situation, their reasoning in favor of one path or another, and contemporary statements explaining why they considered the chosen path to be the correct one (2001, p. 174).

The sources of the secondary data included both local and international newspaper archives (for example the Australian, the China Daily, the Shanghai Daily, and the Xinhua newspapers), historical publications (for example the Asia-Pacific Economic Cooperation (APEC) report, China statistical yearbook, and Travel China) of China's economic and hospitality industry development, Chinese government agency publications, and the annual reports of Marriott. The local government agency publications and newspaper archives were useful in identifying the industry's critical incidents and issues in a historically accurate fashion. These critical incidents and issues were then summarised into an historical timeline, so that the appropriate issues (and therefore interview questions) could be directed at the individuals that were

specifically involved with them. The critical incidents and issues aided in the construction of the interview questions asked of the key informant. As such, although the core interview questions remained consistent across all respondents, a number of interview questions were specific to particular Marriott's senior executives.

In preparing the case analysis, the reality of each critical incident and issue was elicited by composing thick descriptions of the informant's views. This was achieved by asking 'what', 'when', 'why', and 'how' questions that preserve the meaningfulness of the case as a complex real-life process. Exploration of the case was achieved by posing 'what' and 'when' questions (for example: What and when did Marriott do to strategically manage its Brand Equity over time? What was the local market's response to their actions?), as they are ideal for the development of hypotheses and tenable propositions (Yin 2003). Explanation of the case was achieved by posing 'how' and 'why', as they can access the links between certain phenomena within a case specific context. This interrogative process described above was applied to each piece of information as it emerged during the data gathering and analysis stages of the case study research. Some information demanded only a single focus of inquiry, whereas others were multidimensional in nature. Where the information was multidimensional in that it displayed both descriptive and explanatory elements, it was analysed accordingly.

4.6.6.2 Unit of Analysis

Case studies comprise a single unit of analysis based upon depth that is both holistic and exhaustive (Ball 1996), and which retains the meaningful characteristics of realistic events. Thus, a case study as defined by Yin is an empirical inquiry that

"investigates a contemporary phenomenon within its real life context, especially when the boundaries between the phenomenon and context are not clearly evident (2003, p. 13). Miles and Huberman (1994) define seeing boundaries as the critical issue in the struggle to define case studies. They employ a simple definition that "we can define a case as a phenomenon of some sort occurring in the bounded context" (Miles & Huberman 1994, p. 25). Miles and Huberman speak in terms of the focus of the study surrounded by an indeterminate edge of the case marking the boundary of what will not be studied. This problem of case boundary is reflective of the point made by Peshkin (1993) that descriptive analysis is inevitably selective. Within the flexibility of case studies, boundaries of relevance are sometimes elusive and elastic. Exploratory case studies are susceptible to ill-defined boundaries until issues emerge. Simultaneously, case studies are opportunistic (Peshkin 1993) and permit the investigation to pursue new directions as the need arises, thus redrawing the boundaries.

Given that the selection of the units of analysis is dependent on the "way the initial research questions have been defined" (Yin 2003, p. 23), the primary unit of analysis are the perspectives of Marriott's senior manager's in terms of their view of the antecedent resources and capabilities required to strategically manage Marriott's Brand Equity in China. As the research concerns both the actions of Marriott and the associated reactions and demands of China over time, each dimension was subsumed as a secondary unit of analysis. Given that the interpretation of the local Chinese stakeholders' actions relied upon an understanding of the attitudes, values, and behaviours of the other actors involved, a subordinate level of units of analysis was

produced. Yin (2003) terms the use of multiple units of analysis in a single case study as an "embedded case study design". Yin explains that multilevel units of analysis:

> …incorporate subunits of analyses, so that a more complex - or embedded - design is developed. The subunits can often add significant opportunities for extensive analysis, enhancing the insights into the single case (p. 46).

4.6.6.3 Data Collection

Documentary material may be classified as either a primary or secondary source. Primary data is that which originates from an investigator's specific inquiry into a research problem, whereas secondary data is that which is gathered by a researcher, but was originated by another's inquiry to a different research problem (Malhotra et al. 1996). The distinction is significant, as it defines the proximity of the document's author to the subject matter. Whereas primary sources record the direct observations of involved parties, secondary sources are the remote observations of third parties. As the distance of secondary sources may decrease validity and reliability, primary sources are preferred (Babbie 2007). This study incorporates both primary and secondary documentation as appropriate, and as available, with validation mechanisms to control their validity and reliability.

Due to the strengths and weakness inherent to any single research method, Babbie (2007) recommends that multiple methods of inquiry be incorporated into case study research in order to overcome analytical and validity problems associated with singular research methodologies. As suggested by Babbie, Hakim (1987), and Yin (2003), the use of several different sources of data, and indeed the incorporation of different research methods to capture this data (otherwise known as 'triangulation') is a valuable research strategy, and was incorporated into this investigation. Given the recommendation of Marshall and Rossman (1989), the choice of the data collection

instruments in this study was dictated by the requirements of the research, and the investigator's access to the necessary information.

The first step in the data collection process involved the retrieval of secondary data descriptions of China's economic development since the 'open door' trade policy in the 1970s, the evolution of the Chinese hospitality industry and the history of Marriott's entry into China. Given that documentary records are a fundamental resource for historical inquiry, the initial draft of the case history was composed ranging from public archives (journal articles, books, newspapers and trade magazines etc.), to firm-published documents to official government reports. By reconstructing the period since the 'open door' trade policy was implemented, the contextual factors of China's economic environment, the Chinese hotel industry and the entry of Marriott into China were assembled and clarified, and the critical incidents and issues identified for further examination. Marshall and Rossman (1989, p. 95) suggest that researchers commence the data gathering process with secondary historical material, as it is "useful for establishing a baseline or background prior to interviewing".

As the researcher needed to gather data beyond the facts contained within the written histories (by gaining insight into the informant's understanding of the incidents and issues), interviews were then organised with each of the senior executives identified in the case study protocol. After the collection of the historical data was completed, a time line of events was constructed, and the interview questions to be posed to all 22 senior executives formulated. Hutchison (1986, p. 115) suggests that the interview process is the most effective method to achieve this, as it "serves to clarify the

meanings the participants themselves attribute to a given situation, [enabling] the researcher to understand the problem 'through the eyes' of the participant". These semi-structured interview questionnaires contained both standardised interview questions common to all Marriott's senior managers and specific interview questions for the competitor organisations in Shanghai, and were formulated to elicit the primary data required to answer the research question posed in this research. (See Appendix B for the full list of standardised questions for both Marriott and the competitor organisations). Both the standardised and specific interview questions were formulated to facilitate the aggregation, analysis, and validation of information, and enabled the researcher to interrogate the evidence gathered from other sources. These questions were designed to cover the necessary issues, but were framed in an open-ended manner, to allow the interviewees sufficient latitude for introspection and open reporting of their own perspectives. As a result, the informants were free to pursue those matters that they considered important. With the permission of the participants, each interview was recorded onto audiotape.

The collection of primary data using the semi-structured interview method allowed the informants to tell their own story in their own way, thereby allowing the researcher direct access to the experience of the case (Clandinin & Connelly 1994; Fossey et al. 2002). These individualised recollections strengthen the inquiry by counteracting the bias that may exist in the secondary documents (Burgess 1982), by adding matters of fact or detail that may only be recorded in individual memory (Samuel 1982), and by giving voice to those not usually heard (Fontana & Frey 1994). The semi-structured interviews assisted this inquiry in each of these areas, as

they enabled the researcher to access facets of the case that would not have been available by any other data gathering technique.

4.7 Case Analysis

The purpose of case study analysis is to summarise observations in such a manner that they yield answers to the research question (Yin 2003). As suggested by Miles and Huberman (1994), data in this study were analysed in a continuous fashion throughout the data gathering process. By continually analysing the data as it evolved from the documents and interviews, contradictions were isolated, missing data were identified and alternative explanations sought. The process and sequence of the case analysis appears below.

4.7.1 Editing the Data

Data should be edited to ensure that they are "accurate, consistent with other information, uniformly entered, complete, and arranged to facilitate coding and tabulation" (Emory & Cooper 1991, p. 450). Editing was undertaken in the following manner on all information as it emerged from the documentary records and interviews. As primary and secondary documentation focused on the facts of the case, editing at this stage was primarily concerned with searching for inconsistencies and omissions within and amongst the manuscripts, as well as organising the data in preparation for coding and categorisation. A particular issue was the difficulty in determining the neutrality of the researchers, and as such, all reports and interviews were afforded close attention in the verification process, and instances of explicit bias discarded.

As recommended by Denzin and Lincoln (2005), digital recordings of the interviews were transcribed immediately after the interviews. The immediacy of the transcription of an interview is important, as it is never an exact copy of the conversation that took place. No matter how thoroughly the transcript is done, the issues inherent to the 'translation' process may result in inaccuracies, mistakes and misinterpretations (Denzin & Lincoln 2005). The immediate transcription of the interview recordings also enables the researcher to account for the content and context of the exchange, and add in additional notes to the data where it is deemed necessary. The interview transcripts serve four major functions. Firstly, they recapture the essence of the exchange, and allow the researcher to reflect on the meaning of what the respondent had said. Secondly, they force the researcher to reflect on the relationship between what had been recorded, and the aim of the study (Riley & Love 2000). Thirdly, they help to determine what material was relevant and therefore worthy of coding. Lastly, they enable preliminary coding decisions to be made. The completed transcripts were submitted to the informants for verification of accuracy. The editing process in this research revealed material omissions in a number of the documentary records, however the majority related to unrecorded periods in particular reports. From time to time, accounts displayed a paucity of detail in, and explanation of, the events under review. Inconsistencies within individual interviews were negligible, as was the incidence of one account being substantially inconsistent with another. The majority of these issues were rectified by reference to further documents, with the remainder being clarified during the interviews.

4.7.2 Data Categorisation and Coding

Data categorisation organises the various dimensions of the data by grouping together attributes that relate to the concepts being examined. By devising categories that are mutually exclusive, exhaustive, and based on a single classification (Denzin & Lincoln 2005), aspects of the data were clustered together to facilitate the interpretive process. The previously noted units of analysis served as categories, and by considering their lateral and vertical relationships, the data were progressively distilled through interpretation and comparison. Data coding refers to the appointment of titles to salient elements in the data, in order to assign them to an appropriate category. This exercise simplifies the handling and interpretation of information, by introducing 'rules of order' to the treatment of data (Schwandt 1997). As recommended by Fleet and Cambourne (1989), data coding definition and labelling must fulfil three major criteria. Firstly, it must be consistent across the entire data bank. Secondly, it must precisely indicate what information is constituted by each code. Lastly, it must align with the locus of the enquiry. As suggested by Miles and Huberman (1994), data codes were assigned throughout the entire data gathering process. This allowed for the discovery of issues requiring further investigation, the refocussing of the research questions, the generation of additional codes, and the refining of existing codes. The complete coding system is detailed in Appendix C.

Given the qualitative nature of the inquiry, and the fact that statistical analysis fails to address the needs of undertaking analysis at the level of the whole case (see Yin 2003), only minor emphasis was placed on the record of frequencies. Instead, the

data were analysed for aspects of relevance to the research question. This was achieved by using the principles suggested by Becker and Geer (1982, p. 245):

- The coding should be inclusive. That is, any incident should be coded under a category, if there is initially any reason to believe that it might be considered relevant. Many incidents will, therefore, be coded under several categories, for they may be relevant to all of them. An incident, which on later analysis proves to be irrelevant, can simply be discarded;
- The coding should be by incidents: either complete verbal expressions or complete acts by an individual or group; and
- The coding should be 'full'. That is, the incident being coded should be summarised in all its relevant detail: the idea expressed, the actions taken, the people present, the date, and the setting.

As recommended by Babbie (2007), when coding the data, all elements were inspected for their visible, surface components (i.e. the manifest constituents) and any meanings that might underlie the visible elements (i.e. latent constituents). Collectively, the coded incidents defined the essential situations and factors embedded in the units of observation. By summarising and describing the fundamental characteristics of these units, their bearing on the study was illuminated, and the relationships between them were assessed.

4.7.3 Data Interpretation

Regardless of the methodological approach adopted in a research project, Bachor (2002) states that the researcher has an obligation to disclose the manner in which the data were interpreted to the reader. The nine tactics for data interpretation, as advanced by Miles and Huberman (1994) were employed in this research (see Table 4.2 over page for a summary of these tactics and their implementation). The

information in this table is arranged from the descriptive to the explanatory and from the 'concrete' to the abstract. As these procedures are not necessarily mutually exclusive, there was some overlap in their application to the data set.

Table 4.2 Processes for Data Interpretation

Tactic	Procedure
Noting patterns and themes.	When observing phenomena, gestalt psychology holds that people tend to perceive events in their entirety rather than their constituent parts. Therefore, as data were interrogated, recurring patterns and themes were noted in order to consolidate individual facets of the information.
Seeking plausibility.	Miles and Huberman (1994, p. 246) suggest that when drawing inferences "often happens during analysis that a conclusion is plausible, 'makes good sense', 'fits' … so plausibility, and intuition as the underlying basis for it is [valuable]."
Clustering.	Organising data into clusters aids in its interpretation by grouping objects that have similar characteristics (Miles & Huberman 1994). In this research, the clustering of data formed part of the coding process, followed by the grouping of more abstract elements during analysis.
Subsuming particulars into the general.	By making comparisons across the data set, instances of similar phenomena may be categorised together. This approach was integral to the category development in the analytic and theory building processes of this research.
Factoring (Factor analysis).	Factor analysis effectively reduces the number of variables by identifying which belong together and which seem to measure the same phenomenon.
Noting relationships between variables.	Determining the nature of the relationship between variables involves examining data to ascertain whether certain variables change directly, change inversely, or indicate no relationship at all.
Finding intervening variables.	An intervening variable is one that theoretically affects the observed phenomenon but cannot be observed. When variables in this inquiry seemed to be related but provided an unsatisfactory explanation, the data was searched for possible intervening variables.
Building a logical chain of evidence.	This involves the development of a related sequence of factors so that prior elements of events are related logically to subsequent elements.
Making conceptual or theoretical coherence.	Having gleaned evidence from the data that appeared to form converging patterns and identify relationships, theory was inducted from that evidence.

This table is adapted from the recommendations in Miles and Huberman (1994)

4.7.4 Verification of Conclusions

The process of verifying the conclusions of this study emanated from the previously noted concerns regarding the notions of reliability and validity. While Altheide and Johnson (1994) argue that methods for establishing confidence in qualitative research are poorly defined, Miles and Huberman (1994) submit a number of tactics for verifying the outcomes of qualitative research. Again for the purposes of coherence and parsimony, those employed in this research are outlined in Table 4.3 (over page).

These tactics were applied progressively during the interpretation process, in accordance with the suggestion of Webb et al. that researchers should:

> …begin with tactics that are aimed at assuring the basic quality of the data, then move to those that check findings by various contrasts, then conclude with tactics that take a sceptical, demanding approach to emerging explanations (1966, p. 66).

Where possible, a variety of tests were used for each outcome and, as a result, the rigour of both methodology and findings were significantly enhanced.

Table 4.3 Processes for Verifying Conclusions

Tactic	Procedure
Checking for representativeness.	During the interpretive process, data from non-representative sources was scrutinised, non-representative events were eliminated from the analysis, and no conclusions were drawn from this data.
Checking for researcher effects.	A major concern in qualitative data analysis concerns the potential contamination of data caused by the researcher during their inquiry. Potential sources of contamination in this study were: (a) holistic fallacy, whereby extreme evidence is ignored so data are interpreted as being more patterned or having greater congruence than they actually did; (b) 'going native', whereby researcher-informant relationships preclude the pursuit of further investigation lest it damages the rapport between the parties; and (c) over-reliance on particular well informed respondents. These influences were minimised by considering the material presented by a wide range of data sources.
Triangulation.	Triangulation refers to the use of a combination of methodologies in the study of a singular phenomenon, and may be applied to both data and theories. Data triangulation was achieved by gathering material from a wide variety of sources.
Weighting the evidence.	To account for the fact that some data were weaker or more suspect than others, the inquiry followed Miles and Huberman's (1994) suggestion that differential weightings be applied to the data according to (a) informant characteristics, and (b) circumstances under which data were gathered.
Ruling out spurious relationships.	Explanatory conclusions depend on inferences drawn that suggest that one factor is related to the other. Kidder and Judd (1986) recommend that researchers inspect each apparent relationship in order to ascertain that other causal processes have not produced the inferred relationship.
Checking out rival explanations.	Miles and Huberman (1994) suggest that explanations should not be accepted until all possibilities had been explored. On finding alternative explanations, resolution between competing analyses was reached by retaining all probable explanations until one became more compelling as the result of stronger evidence or the weight of various sources of evidence.
Looking for negative evidence.	Yin (2003) notes that conclusions should be interrogated for evidence that might disprove an established result, thus this inquiry remained open to contrary findings.
Getting feedback from informants.	As part of the triangulation process, the solicitation of feedback involved the informants reviewing drafts of the case reports. Yin (2003) emphasises the importance of this test as a way of corroborating the essential facts and evidence presented in the case report and enhancing the study's construct validity.
Comparing and contrasting variables.	Sowden and Keeves (1988) inform that making comparisons and contrasts between persons, cases, groups, roles, activities and sites significantly assists the verification process.

This table is adapted from the recommendations in Miles and Huberman (1994)

4.7.5 Mode of Analysis

The interpretation of the data, and the verification of the conclusions, was facilitated by the use of the QSR NVivo (version 8.0) software package. In the method literature, it has been emphasised that computer software programs such as NVivo, are of significant value in qualitative analysis and any subsequent theory building (Kelle 1995; Richards & Richards 1995; Weitzman & Miles 1995). The essential elements of the computerised interpretation and verification procedures were as follows. The interview transcripts were imported into the NVivo software database, following which the categories (i.e. the coding of the data) were established as a series of nodes. These nodes formed part of an index system that the software depicts as a 'stem and leaf' system of association. As noted, this information is reproduced in Appendix C. The generation of category nodes, and the subsequent coding of the data into these nodes, occurred in one stage.

4.7.5.1 Coding of Data

The initial categories were based upon the subordinate units of analysis, that is, the characteristics of the case entities that the researcher sought to understand, namely: 'what are the antecedent resources and capabilities that Marriott required to strategically manage its Brand Equity in China?' Table 4.4 (over page) summarises the coding nodes for this research. The interview transcripts were then scrutinised for significant terms, events, and issues located therein according to units of observation, and coded according to the index system. NVivo was then used to search the text, and then to allocate segments of the data to a designated node.

Table 4.4 Coding Rules

Node	Coding Rules
Brand Awareness.	Recognition and recall of a product class or brand.
Brand Association.	A link in memory to a brand through experiences and exposures to communications as well as personal identification and attachment towards a brand.
Perceived Quality.	Consumer's perceptions of the overall quality or superiority of a product class or a brand.
Brand Loyalty.	A high level of consumer preferences and purchase intention. Consumer's close direct relationship with the brand built from previous consumption experiences as well as casual interrelationships with brand's other equity assets.
Other Brand Proprietary Assets.	Behaviour of the markets rather than perceptions of consumers. Assets include patents, trademarks, channel relationships etc.
Tangible Resources.	Any physical resources that are controlled and used by an organisation to carry out business tasks as part of their overall strategy development and implementation.
Intangible Resources.	Any resources not defined as physical resources and that are controlled and used by an organisation to carry out business tasks as part of their overall strategy development and implementation.
Capabilities.	The skills and knowledge of an organisation or what the organisation does rather than what it has.

In order to facilitate the theory building process later in the research process, memos (see Appendix D) were maintained about the data, their categories, and the relationships between them as they emerged. Designed to store and organise ideas about the data, they were integrated into the analytic process. Wilson (1985) suggests that memos assist in the development of theory in five important ways. Firstly, they require that you move your thinking about the idea to a conceptual level. Secondly, they summarise the properties of each category so that you can begin to construct operational definitions. Thirdly, they summarise propositions about relationships between categories and their propositions. Fourthly, they begin to integrate categories with clusters of other categories. Lastly, they relate your analysis to other theories.

NVivo has a facility for the creation and retention of such memos for later consideration and analysis. Utilising the memo capability within the NVivo package, memo reports were generated by the software during coding. From these reports two emerging nodes of Entry Stage and Establishment Stage were identified and the interaction between the parties' became clearer, the context of the various phenomena surfaced, causes and effects were revealed, and motivations were exposed. The manner in which this material was used to develop the outcomes of the study is presented in the next section.

4.8 Developing Research Outcomes

Consistent with the stated research purposes, the analysis led to descriptive, exploratory, and explanatory outcomes. These were achieved in the following manner.

4.8.1 The Descriptive Outcome

The role of description in qualitative inquiry extends beyond a mere description of the case. Instead, it presents the issues and themes that are central to the analysis, either through the illustration of a particular theme, or as a method of demonstrating a combination of issues (Denzin & Lincoln 2005). Given that this study involved the input from 22 actors whose experience of the phenomena stretches over 15 years, the issues and themes in this research were contextually bound, and therefore, their purpose and meanings could not be captured without first understanding their origins. The complexity of the Chinese market and Marriott's operations in China could only be comprehended by producing 'thick descriptions' of the contextual elements. This approach is recommended by Guba and Lincoln (1981). The literal accounts of time,

place, economic circumstance, and so on embedded in the report facilitated the interpretation of the subjects' attitudes and values from their concrete behavioural displays. From these accounts, analytical judgements concerning the research question were made, working propositions generated, and relationships identified.

As no research can incorporate all aspects of a case, the report in this research represents an incomplete representation of the phenomena. However, the synopsis of peripheral data did not diminish the interpretive value of the investigation. Addressing this issue, Hughes (1980, p. 85) suggests that:

> …although descriptions have a fringe of incompleteness about them…this does not impair their ability to do the job, since nothing like completeness is ever attempted by the speaker of a natural language. Often a single descriptor will provide an adequate description…the remaining particulars being, as it were, bracketed away for present purposes or their sense 'filled in' using the specifics of the context in which they are used.

As an instrument through which the phenomena of an episode are exposed (Sekaran 1992), the descriptive component is clearly the foundation of case study research. Having identified the phenomena of the Marriott case, the researcher could investigate the dimensions, manifestations, and relationships of those phenomena. This is discussed below.

4.8.2 The Exploratory Outcome

Inductive research is related to symbolic interaction (Chenitz & Swanson 1986), a theoretical model in which investigation focuses on the ways people communicate and interpret meaning. By viewing the subjects' behaviour from this perspective, theories and propositions about social phenomena can be derived from the data of

social research. Emanating from the narrative data, from the findings of previous research, and researcher preconceptions, inductive research may not be able to offer the concrete reassurance that the hypothetical-deductive approach offers (Denzin & Lincoln 2005). The generation of theory from case evidence in this research used four procedures: category development; linking categories; testing emerging relationships; and connecting with existing theory. Each is briefly described below.

As noted, category (node) development was executed utilising NVivo software. Throughout the coding process, data were assigned to emerging categories to build a hierarchy of 'units of analysis'. In this procedure, Field and Morse (1985, p. 111) suggest that:

> Identified categories are accumulated until it becomes clear to the researcher those properties and characteristics of the elements which fit into that particular category. The researcher can then identify the criteria for further instances that would fit the specific category. A category is saturated when no new information on the characteristics of the category are forthcoming.

Once a category was 'saturated', a definition based on its inherent properties was formulated so as to demonstrate further data collection and stimulate theoretical reflection. Categories were refined, produced and discarded as required. The links between the various categories were identified through the use of the NVivo software. Scrutiny of the node reports facilitated consideration of preliminary propositions, as recommended by Eisenhardt (1989, p. 542):

> From the within-site analysis…overall impressions, tentative themes, concepts, and possible relationships between variables begin to emerge. The next step of this highly iterative process is to compare systematically the emergent frame with evidence from [the] case in order to assess how well or poorly it fits with the case data.

In order to test the emerging relationships, key variables within the node reports were identified and studied to ensure relationships held within and between categories. Although Eisenhardt's (1989) discussion of this process focussed on the multiple case study method, the principle holds for single case designs. Rather than testing relationships between individual perspectives were investigated:

> A step in shaping hypotheses is verifying that the emergent relationships between constructs fit with the evidence in each case. Sometimes a relationship is confirmed by the case evidence, while at other times it is revised, disconfirmed, or thrown out for insufficient evidence. This verification process is similar to that in traditional hypothesis research (Eisenhardt p. 542).

The emergent propositions were then compared to, and contrasted with, existing theory. This imperative is emphasised by Eisenhardt (p. 544):

> Examining literature which conflicts with the emergent theory is important for two reasons. First, if researchers ignore conflicting findings, then confidence in the findings is reduced. Second…conflicting literature presents an opportunity. The juxtaposition…forces researchers into a more creative, frame-breaking mode of thinking.…The result can be deeper insight into both the emergent theory and the conflicting literature.…Literature discussing similar findings…ties together underlying similarities in phenomena normally not associated with each other. The result is often a theory with a stronger internal validity, wider generalisability, and a higher conceptual level.

Eisenhardt's (1989) approach is similar to Yin's (2003) tactic of pattern matching in which empirically based patterns coincide with, or contradict predicted patterns. Hartwig and Dearing (1979, p. 9) emphasise the procedures discussed above by suggesting that the "underlying assumption of the exploratory approach is that the more one knows about the data, the more effectively data can be used to develop, test, and refine theory". Having identified the exploratory outcomes of the Marriott case, the researcher was able to identify the specific roles undertaken by Marriott to enter into China successfully, and propose a plausible framework to identify the

antecedent resources and capabilities of Western organisations operating in emerging markets such as China. The identification of these antecedent resources and capabilities also allowed the researcher to undertake analysis so to explain their roles in maintaining and building Brand Equity.

4.8.3   The Explanatory Outcome

Unlike quantitative research, where causal relationships are determined by the statistical analysis of dependent and independent variables, qualitative inquiry explanation rests on the researcher's observation of the same, but from the case description (Denzin & Lincoln 2005). Due to the complexity of the interrelationships and the imprecise measures inherent in the interpretive approach, the explanatory process relies on organising and integrating ideas about how the phenomena are interrelated (Polit & Hungler 1993). Warning that the process of explanation building from case studies is not well documented, Yin (2003) suggests that the final explanation results from a series of iterations, and recommends the following procedure:

- Making an initial theoretical statement or an initial proposition.
- Comparing the findings of an initial case against such a statement or proposition.
- Revising the statement or proposition.
- Again revising the statement or proposition.
- Comparing the revision to the facts of a second, third, or more cases.
- Repeating this process as many times as is needed (pp. 121-122).

Although Yin's (2003) process refers to multiple case studies, its basic features were applied in this research. As explanatory research invariably leads to alternative

conclusions about the same set of results, Yin's iterative approach clarified the outcomes by consolidating some findings and discounting others.

4.9 Research Design and Methodology Chapter Summary

This chapter described the methodological issues relating to this research. Based upon the need for a quasi-longitudinal qualitative approach to the research question, the single case study method was used to address the descriptive, exploratory, and explanatory purposes of the inquiry. A protocol was developed to guide the investigation, and to assist in any further consideration of the case. Information was gathered using documentary records and semi-structured interviews. Verification was fundamental to the study, and was engaged at every stage of the inquiry. The process elements were particularly influenced by Eisenhardt (1989), Miles and Huberman (1994), and Yin (2003). The categorisation, coding, and analysis of the case data was undertaken using the NVivo software package, details of which are included in Appendix C. The following chapter presents an account of China economic development with a focus on the period in which this case study occurs and a brief historical account of the development of Marriott hotel, in particular its entry into China.

<p style="text-align:center">Chapter Five</p>

<p style="text-align:center">China Economic Reforms and
Chinese Tourism and Hotel Industry Development</p>

5.1 Introduction

The focus of this chapter is to introduce the economic development of China since the 'Open-Door' policy and the history of Marriott hotel. As such, the objectives of this chapter are three-fold: Firstly, it provides a brief account of the historical evolution of the Chinese government's economic policy development with a focus on the period in which this case study occurs. As such, this chapter provides the political and economic context within which the Chinese economy was to develop. Secondly, this chapter provides an account of events surrounding the emergence of the Chinese tourism and hotel industries. Lastly, this chapter provides a brief historical account of the development of Marriott hotel, in particular its entry into China.

5.2 China Economic Reforms

The Chinese Communist Party (CCP), the world's largest political party with 90 million members, celebrated its 90th anniversary in 2011. Since the establishment of the CCP in 1921, China has undergone two distinct periods of economic reform. The first of which was the communist centralised control period (1949 – 1976) under the leadership of Mao Zedong. The second reform was the decentralisation and the 'Open-Door' policy period (1978 – present) under the leaderships of Deng Xiaopeng until 1997 (Shen 2000) and China's current president Hu Jintao. It is this latter period which will be examined.

5.3 Early Chinese Economic Reforms under Deng Xiaoping (1978 – 1992)

After Mao's death in 1976, the new leader of the CCP, Deng Xiaoping, implemented a range of political and economic policies and reforms to turn China from a centrally planned economy into a socialist market economy. The economic successes China appeared to enjoy in the first decade of the 21st Century were considered to be the results of reforms initiated by Deng. These new policies and reforms were based on Deng's famous saying of *Mozhe Shito Guohe* ('wading across a river by feeling for stone') (Li 2005:196) and built on a foundation of *Gaige Kaifang* ('reforms and openness'). In other words, they were gradual and experimental with no specific 'plan' but with a strong emphasis on agricultural and industry reforms as the guiding ideological principles of the CCP to replace Mao's political ideology of inequality and class struggle (White 1993).

5.3.1 The Beginning

5.3.1.1 Agricultural Reform

Initial experimental reforms began in the countryside that aimed to achieve a decisive breakthrough in agricultural output and productivity. More resources were injected into agriculture and more production incentives were provided for peasants to create an economic environment more conducive to effort and entrepreneurship in the rural areas (Hay et al. 1994). This initial reform was progressive and based on farming units known as *Shengchan Dui* ('production teams'). Under the new 'Household Responsibility System', agricultural land was assigned to individual households who were obliged to produce and supply part of their output to collective procurement, but were also allowed to consume, or sell, the extra output in a free market (Lin, Cai & Li 1996). The new system encouraged peasants to work harder for themselves with wages tied to productivity and the strategy of this reform was to give the peasants back their will to produce (Putterman 1988).

During the agricultural deregulation, township and village enterprises (TVEs) flourished with output accounting for half of China's rural GDP (IMF 1993). The Chinese government further enlarged its investment in agriculture and as a result the grain output continued to peak through 1979 with a rapid growth in production in the following years (Jaggi et al. 2005; Lin, Cai & Li 1996; Mackerras, Taneja & Young 1994; Rodzinski 1988). This reform also marked the initial changes of China's property rights (Jefferson & Rawski 2002), and after more than twenty years of rapid growth under gradual reforms, the Chinese government introduced the Property Law of China in 2007 (Zhang 2008). The introduction of the Property Law of China was an evolution rather than a revolution, the law has however, created new opportunities for foreign owned organisations to invest and expand into the Chinese market (Chen 2010).

5.3.1.2 The 'Open Door' Policy

Under the leadership of Deng, the Chinese government abandoned Mao's views on self-reliance and economic self-sufficiency and introduced a new 'Open Door' policy based on the adopted concept of 'Export Processing Zones' (EPZs) from other parts of Asia, such as Taiwan (Mackerras, Taneja & Young 1994). The major initiative of this new 'Open Door' policy was to open up selected geographic regions to foreign investment and to establish specific institutions nationally. Four special economic zones (SEZs) were established in the two coastal provinces of Guangdong and Fujian in 1979 and a further 14 coastal cities were designated as Economic and Technical Development Zones (ETDZs) in 1984. Another round of reforms in the 1990s saw the establishment of Pudong New Area of Shanghai. Benefiting from the 'Open Door' and with more flexible and preferential policies than other SEZs, Shanghai has become a new major trading, economic, and financial centre of China. The current context is of rapid development of Shanghai's service sector (in particular its hotel

industry) and a government planning to further develop cities and SEZs along the Yangtze River valley (integrated with Shanghai's Pudong region). These together with a fast evolving command economy provide the backdrop for this research into the operation effectiveness of Western organisations trading services in China.

Along with the establishment of SEZs, various institutional policies were introduced during this period of reforms including: the decentralisation of the foreign trading system; export tax refunds; joint venture law; and the reform of the foreign exchange system (Cho & Tung 1998; Luo 1998). Tariffs and import quotas were cut with import control lists shortened in preparation for the negotiation and eventual entry to the World Trade Organisation (WTO) in 2001 (Walmsley, Hertel & Ianchovichina 2006). In brief, the 'Open Door' policy was the beginning of a long journey of reforms for China. The 'Open Door' policy helped China build a foundation to re-connect with other countries, as well as the means to accumulate foreign currency and technology through the encouragement of Foreign Direct Investments (FDIs) to its SEZs (Galbraith & Lu 2000).

5.3.2 The State-owned Enterprises (SOEs) Reforms (1978 – 1992)

After observing the initial success of reforms in the rural areas, the Chinese government extended similar reforms to urban areas. However, unlike the agricultural reform, which was considered to be a spectacular success (Li & Putterman 2008; McMillan, Whalley & Zhu 1989), reforms in the industrial sector were more difficult due to a greater complexity of existing planned management system and the high level of external and internal constraints managers were under (Groves et al. 1994; Naughton 1994). Prior to the reforms, SOEs were both politically and centrally commanded by a multitude of bureaucrats in both local and central governments. These could not be easily divided into small production units like the

'Household Responsibility System' in the agricultural sector, which changed property rights of farm land in a short period of time (Li 1997; Sun 1999). The abilities of managers to manage effectively were also constrained by both external and internal forces (Li & Putterman 2008). Externally, resource allocation to enterprises was still fully controlled by the Chinese government and managers did not have the flexibility to operate efficiently (Li & Putterman). Internally, although the managers were appointed by the Chinese government to manage, the Communist Party officials were effectively responsible for the operation.

Reforms were implemented through a series of phases over an extended period of time. During this period of reform, market-based mechanisms started to do away with the long-held centrally commanded economic system (Srinivasan 2004). This decentralisation reform paved the way for China to transform into a more competitive economic system, both domestically and internationally. This particular economic system has been referred to as a 'controlled and phase' market system, which is closely based on Deng's approach of *Mozhe Shito Guohe* (Shen 2000). The first phase of reforms was focussed on the SOEs' performance with concentrated efforts to reduce government involvement in their administration and operation. The vast industrial bureaucracy created by long-held systemic problems was exacerbated by widespread unproductive rent-seeking activities. The rights of control and the claim to earnings of the SOEs were both ill-defined and unclear (Milgrom & Roberts 1990). In deciding the best way to improve the notoriously low productivity of the SOEs the Chinese government took serious actions to consolidate the control of SOEs and to reduce the layers of the industrial bureaucracy (Chen et al. 1988; Woo et al. 1994). By the mid-1980s the majority of SOEs were either transferred to local governments, mostly at the municipal level, or made national monopolies based on the strategic importance of the organisations (for example, oil fields, defence organisations and coal mines became part of the national

monopolies). The control rights of the national monopolies were consolidated into the respective ministries, or into one of the newly created national holding companies, such as the National Coal and North Industries.

Other earlier experimental actions taken by the Chinese government included the 'Empowerment and Profit Incentive System' and the introduction of 'Income Tax and Contractual Operation and Responsibility System'. The 'Empowerment and Profit Incentive System' was implemented in two stages during the early 1980s. The system was designed to provide SOEs with a degree of freedom to self-manage their operations. To achieve the desired outcomes, the Chinese government attempted to redefine and consolidate the relationships between the various government agencies and SOEs in the hope of moving the SOEs from highly commanded production units into more independent economic entities. However, despite having the full support and the best intentions of the Chinese government, the system failed to achieve its objectives (Huo 2000) due largely to the inadequacy and the inability of policies to tackle the economic actualities. Risks of the centralised relationships between the SOEs and the various government agencies and the lack of systemic organisation incentives, such as rewards for making a profit, or managerial accountability and responsibility for losses could not be addressed (Huo 2000).

Soon after the failure of the 'Empowerment and Profit Incentive System', the Chinese government introduced the 'Profit Tax' policy in an attempt to create a fairer and more competitive environment between the Chinese SOEs. The main driver behind this policy was to replace the existing quota profit system with a new tax levy based on the proportion of actual profit earned by the individual enterprise (Huo 2000). This particular policy was characterised by two distinct phases. The first phase was to adopt a uniform tax rate of 95 per

cent for all enterprises. The remaining after-tax profit was to be reinvested back into the enterprise, or could be used for employee incentive purposes, such as bonuses for outstanding employees (Li & Putterman 2008). However, the Chinese government soon found that this new fixed tax rate was too simplistic to use to differentiate between industries, enterprises and products. In addition, due to the simplicity of the policy and the lack of cost-pricing systems within the SOEs, the government was unable to adjust its national and provincial production and to measure the profit tax for individual enterprises effectively. With these concerns, the Chinese government decided to further reform the 'Profit Tax' regime (Zhang 1998).

The second phase of this 'Profit Tax' policy was designed to set tax rates based on the nature of industries, enterprises and products. At the same time, different categories of taxes were added to the tax system. Taxes such as a value added tax, urban construction tax, real estate tax and resources tax were all designed and added to assist the national industrial restructure (Zhao 2006). The key objective of this second phase was to create a more effective way to tax enterprises and to improve the existing productivity level. Although, different tax rates were applied to different industries and enterprises, they were really 'pseudo' taxes, since most of the SOEs were still wholly owned by the government or operated with local governmental interventions. SOEs operating in provinces who received strong local government support were able to negotiate with the tax agency to reduce their tax rates substantially, or pay no tax at all (Qian 1996). Having realised the extensive problems with the system, the Chinese government finally decided to abolish the system after less than two years into the reform. This is a typical example of how the CCP progresses with its reforms by experimental trial-and-error reforms largely based on Deng's saying of *Mozhe Shito Guohe* to turn China into a major economic entity.

Given the eventual failure of the 'Empowerment and Profit Tax System' reform, the Chinese government started to promote a system called *Chen Bao Zhi* ('Contract Responsibility System'). Under this new system managers were allowed to share the residue profit if they exceeded the profit target set in their contract by the government (Li & Putterman 2008). This new system gave managers more financial incentives to perform and to improve their productivity. By 1987 the majority of the large and medium SOEs had adopted this new system and by 1989 almost all SOEs were operating under the *Chen Bao Zhi* system (Wang 2004). With the *Chen Bao Zhi* system in place, the Chinese government introduced the new 'Regulations on Transforming the Management Mechanism of State-Owned Industrial Enterprise' to enable SOEs to set their own prices, wages and staffing level and to further consolidate SOEs' independence from government interferences (Naughton 2007). After this new regulation was introduced, SOEs started to lay-off employees to reduce costs in an effort to improve financial performance and profit creation. This was the end of the 'iron rice bowl' and the beginning of what Naughton (p. 91) described as the 'reform with losers', as millions of SOEs, government and public service employees lost their jobs.

5.3.3 Continued Reforms (1993 – 2012)

During this phase of reforms, the main initiatives of the Chinese government were to push for reforms concentrated on the establishment of a socialist market-based economy through better management of the financial, fiscal and regulatory sectors (Lin & Liu 2000). To achieve this goal, the Chinese government adopted a series of economic-related laws and policies in order to set up a more competitive market environment to further develop and improve the economy. A new enterprise concept framed as the 'Modern Enterprise System' (MES) was introduced to further restructure the SOEs. This was to provide SOEs with a scientific management system to operate as an enterprise with a defined structure of property

rights, financial independence and accountability and most importantly, a clear separation of administrative interference from the government (Xu & Wang 1999). Privatisation of small and medium SOEs was also made possible with the MES. Management of small SOEs could be contracted out or merged into a partnership arrangement in a form of stock sharing, or just simply sold to collectives and individuals. By the mid-1990s, over half of the small SOEs were privatised.

In 1997, the Chinese government commenced the *Zhua Da Fang Xiao* ('grasping the large, letting go of the small') campaign to further promote privatisation of SOEs (Wang 2004). Most of the SOEs at that time were considered to be small to medium in size and only about 1000 SOEs were considered large enough to be encouraged to form organisation groups. This campaign was an important milestone for Chinese SOEs; it marked the beginning of corporatisation in China and as a result, most of the small SOEs in China today are privatised (Wang 2004). To alleviate the increasing unemployment situation created by the mass layoffs from privatised SOEs, governments, both central and local, started to implement expansionary policies to foster the development of *getihu* ('small individual organisation') and the expansionary policies associated with the reform gave the economy a strong impetus for revival (Liu 2008).

Two significant factors evolved from the revival and growth of *getihu*. The first was related to increased private consumption patterns which required a faster and more efficient response to a new cohort of consumers who could afford the new level of consumption (Ma et al. 2006). Since the *getihu* sector could respond faster and offer a boarder range of products than the SOEs, this change in consumption patterns created a great opportunity for the expansion of the sector as well as the growth and development of individual entrepreneurs. Further

relaxation of private organisation regulations were introduced as demand rose to allow *getihu* to do business overseas and to reduce trade barriers for foreign joint-ventures (JVs) and capital investments (Thun 2004). The second significant factor of the growth of *getihu* was the increasing trend of government officials converting to entrepreneurs while the central government was trimming down the size of its bureaucracy (Chow & Tsang 1994). Since the government was the key player in the economy, previous government officials turned individual organisation owners, who had good information and relationships with the government, had a distinct advantage over other organisations in the market (Feng & Wang 2010). To reduce corruption opportunities, the Chinese government promulgated a set of regulations to impose restrictions on the operation of private organisations by government officials in 1993. In 1994, the Chinese government took another step forward to build a more structured and orderly business environment by introducing the Corporate Law to enforce corporations into three corporate entities: the shareholders; the board of directors and the chair of the board of directors. The implementation of the Corporate Law system marked the beginning of formalised recognition of corporate governance in China today (Cao 2000).

In 1997, with a determination to develop a market-based economy, the Chinese government adopted a share-holding system in SOEs and established the stock exchange market, as well as a modern banking system (Chen & Skully 2005). All of these institutions were developed to help incorporate market-based mechanism into SOEs and make them more competitive against foreign invested and non-SOE organisations under the impact of globalisation. A Bankruptcy Law was introduced a year later which was used extensively by SOEs and local governments to write-off bad debts soon after its introduction (Bonin & Huang 2001).

The establishment of the two stock exchange markets in Shanghai and Shenzhen was aimed at providing SOEs with improved access to finance, both domestically and internationally. In addition, the Chinese government planned to utilise the stock exchange markets to improve SOEs' share-value performance whilst still retaining state ownership and control (Cao 2000). The establishment produced a positive effect on China's market-based economic reform by improving the regulatory standards in the areas of corporate governance and due diligence (Jaggi & Tsui 2007). These two areas were considered by many investors as non-existent in the Chinese market prior to the development and establishment of the two stock exchange markets.

As part of the WTO membership requirements, the Chinese government proceeded to gradually allow limited foreign and private capital investment into its financial sector (Jiang 2004). By allowing foreign banks to operate in China, the banking standards of the Chinese capital market have improved and forced the State-Owned Banks (SOBs) to be internationally competitive for the first time. As a result of the improved banking standards, all SOBs in China were restructured into the share-holding system with the Chinese government being the majority shareholder, and were listed on both the domestic and international stock exchange markets in 2007 (La Porta et al. 2000).

5.4 Historical Background of the Tourism and Hotel Industry in China

Over the past thirty years, the Chinese government had been the majority stakeholder or developer of all major industries in China. As the country continues to transform itself into an increasingly market-based economy, the Chinese government has slowly and systematically backed away and started to allow private enterprises and market forces to develop (Perkins 1994). As the population continues to become better educated and wealthier, the service

industry is becoming a more dominant driving force in the economy (Zhang, Pine & Zhang 2000). A service industry did not exist prior to the 'Open Door' policy in the 1970s (Sun 1992) but was recognised and incorporated with the tourism industry as a major part of the economic and market reforms by the Chinese government in the late 1970s (Zhang, Pine & Zhang 2000).

As the first service industry to allow foreign investments since the implementation of the Open Door' policy, the hotel industry is a major driving force behind the development of the Chinese tourism industry (Zhang, Pine & Lam 2005). The diverse ownership structures of state, private, joint and foreign investment have provided the hotel industry with a long association with foreign organisations in operational partnerships and skills transfer and development (Yu 1998). As the case study for this research is Marriott in China this represents a critical context. The following section provides an overview of the history of tourism and hotel development since the 'Open Door' policy highlighting the hotel industry in China and its ownership structure and management development.

5.5 Tourism Industry Development in China since the 'Open Door' Policy

Over the past thirty years, the Chinese government has played a critical role in the development of the tourism industry in China. Through introducing significant changes to policies the Chinese government has further expanded and developed its tourism industry as part of China's overall market-based economic reform (Zhang, Pine & Zhang 2000). There are three distinctive periods during the past thirty years when major tourism reforms have taken place. From 1978 to 1985 tourism was still regarded as both a political and an economic activity; from 1986 to 1991 the Chinese government started to perceive tourism as more commercial than political; and from 1992 to 2002 the Chinese government finally

decided that tourism development should be in line with China's market-based economic reform. A detailed examination of each of the three periods is presented below.

5.5.1 First Significant Period of Tourism Reform - 1978 to 1985

After prolonged isolation from the outside world, the 'Open Door' policy and the relaxation of travelling regulations into China created an influx of international tourists. Since then China has emerged as one of the top ten destinations in the world (Zhang, Pine & Lam 2005). During the 1980s, China's popularity was rapidly increasing in the field of international tourism, with the marked increase of tourist arrivals not only creating extra revenue for many traders, but also creating major issues not previously considered by the Chinese government (Zhang, Pine & Lam). Some of these issues included the lack of necessary physical infrastructure such as hotels and transportation, capable personnel to provide adequate services at facilities such as hotels and travel agents, and experienced managers to manage the delivery of services (Zhang, Pine & Zhang 2000).

Prior to 1978, tourism services such as civil aviation, hotels and travel agents were funded and operated by the Chinese government (Zhang, Pine & Zhang 2000). By 1984, the State Council had decided that individual government departments, collectives and even individuals could invest in and operate tourism development projects (Han 1994). Hotel development was the first sector of any industry in China to receive foreign investment. Foreign invested hotels were exempt from all taxes for the first three years of operation as an incentive to encourage more foreign organisations to invest into the industry (Zhang, Pine & Lam 2005). Initially, only two forms of foreign hotel investments were permitted: joint venture and cooperatives. These investments included a condition of ownership transfer to Chinese partners after an agreed period, usually ten to twenty years (Han 1994). The opening

up for foreign investment into the hotel industry was critical to the success of the industry. By 1985, the hotel industry was the largest foreign invested sector in tourism accounting for more than 85 per cent of the total foreign investment in the tourism industry (Tisdell & Wen 1991). As part of the decentralisation of the foreign trading system, decentralisation policy in the areas of civil aviation and travel agents during the 1980s also stimulated development in the hotel industry, with the number of hotels increasing more than 20 per cent between the late-1970s to mid-1980s (Zhang, Pine & Lam 2005).

A management framework for the administration, management and operation was introduced to the tourism industry (Zhang, Chong & Jenkins 2002) with three significant impacts on the tourism industry. Firstly, it introduced a degree of autonomy by separating the tourism enterprises from administrative bodies; secondly, managers were allowed to take up responsibility for the overall management; and thirdly, all tourism corporations were able and permitted to establish performance reward system and a strict appraisal process for employees. These measures, together with the introduction of western hotel management concepts and foreign investments, were particularly successful in the hotel industry, but not as effective in other sectors where the 'iron rice bowl' privileges and culture were deeply entrenched (Zhang, Pine & Lam 2005). During this first period of change, the earnings of tourism foreign exchange increased by more than threefold (Zhang, Pine & Lam). Due to the Chinese government's rapid introduction of decentralisation and opening up for foreign investment, the tourism industry's development, however, was more focussed on quantity rather than quality (Pine & Phillips 2005).

5.5.2 Second Significant Period of Tourism Reform - 1986 to 1991

To improve the service quality of travel agencies, the Chinese government issued new regulations through the China National Tourism Administration (CNTA) in 1988. These new regulations were designed to improve the ethical codes of conduct of tour guides and to change the unfair practices and competition within the sector. In the same year, due to an oversupply of luxury hotels (4 and 5 star ratings) stemming from massive foreign investments in the hotel industry, CNTA decided that no further foreign investment in hotels was permitted in the main tourist cities (Tisdell & Wen 1991; Zhao 1989). In addition, CNTA also introduced licenses for hotel operations and regulations on star standard and the star rating of hotels. This was to improve the mismatch between service quality and facilities and to ensure hotels in China could meet international standards (Zhang, Pine & Lam 2005) with the first group of star rated hotels in China announced by CNTA in 1990 (Yu 1992). During this second period of development, CNTA was also working toward the development of a range of tourism education and training policies to establish a uniformed national system (Xiao 2006). By 1991, tourism education and training was slowly gaining recognition as an important factor to a successful tourism industry. Universities and colleges started to offer tourism courses and over a hundred vocational schools, tourism training and research centres and a tourism education press were established in the following years (Han 1994).

Many initiatives and policies were introduced during this second period of development, but as a whole, the tourism industry did not achieve the desired objectives or outcomes. Poor service quality in the hotel industry was still a major problem, mainly due to the lack of employees with higher levels of education and training (Kong & Baum 2006). Notwithstanding these major problems faced by the industry, tourism had developed into a substantial industry, as well as an important contributor to the overall Chinese economy.

5.5.3 Third Significant Period of Tourism Reform - 1992 to 2002

Prior to 1992, the hotel industry was the only industry allowed to receive foreign investments (Zhang, Pine & Lam 2005). By the spring of 1992, when Deng Xiaoping proclaimed that China would intensify its 'Open Door' policy to speed up the move to a market economy, tourism was further opened up to foreign investments (Ryan, Gu & Fang 2009). Foreign investors were allowed to invest in and operate with local travel agents and aviation operators and the industry was gradually gearing up to service both the domestic and international markets. In 1993, CNTA announced that category one travel agencies were allowed to operate in Sino-foreign joint ventures in state resorts. At the same time, the Chinese government also offered an attractive 24 per cent tax allowance for any new foreign invested tourism corporation in state resorts. The opening up of Sino-foreign joint ventures and large tax incentives marked the commencement of China's significant resort development program (Zhang, Chong & Ap 1999).

To further develop its market-based mechanism, tourism pricing was decentralised and tourism organisations were freed to set their own prices based on both market demand and competition (Hu 1994). By 1994, all tourism organisations were operating in a market economy environment in China (Liu 1995). As the industry became more market-based oriented competition for employment intensified. During this period of development, the 'Tour Guide Registration System' was implemented in 1995 by the CNTA to regulate the quality of tour guides working in the industry (Lam & Mao 2001). This regulation was designed to improve the service quality, general knowledge and competence of tour guides. One of the aims of this regulation was to turn national workers with a pre-existing culture of the 'iron rice bowl' into self-employed workers, subject to market demands and competition within the new market-based environment (Lam & Mao 2001). Employers of these tour

guides were also subjected to new CNTA's regulations to improve and deliver quality service. In 1995, all travel agencies were required to deposit a sum of money with CNTA as a guarantee of providing quality service. These deposits would be used as either indemnity when agencies failed to meet quality service standards set out by the states, or when agencies went into bankruptcy. This regulation was also designed to encourage travel agencies and tour guides to be more concerned with customer satisfaction (Liu 1995).

As competition intensified in the hotel industry and with a lack of funding, employing foreign Hotel Management Companies (HMCs) to improve operations was not an option for many domestically owned hotels (Tsang & Qu 2000). For this reason, in 1993 CNTA issued the 'Provisional Methods on Administration of Hotel Management Companies' to regulate the approval procedure and operating conditions of foreign HMCs in China (Zhang, Chong & Ap 1999). This in turn encouraged the establishment of Chinese HMCs to help improve service quality of domestically owned hotels with an aim to gradually replace all foreign HMCs. During this period of development, CNTA was also actively engaged in tourism promotion with multiple promotional strategies (Zhang, Pine & Lam 2005). For example, one of the promotion strategies in 1997 was a "Visit China" theme, which coincided with the return of Hong Kong to China (Zhang, Pine & Lam 2005).

The achievements of tourism in this period of development were much greater than the second period of reform between the late 1980s and early 1990s. Both tourist arrivals and earnings peaked in 1995, and the number of hotels increased from over two thousand in 1991 to more than three and a half thousand in 1995. Travel agencies and aviation operators, such as airlines expanded rapidly with a combined direct and indirect employment of more than 5.6 million people by the end of 1995.

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The role of the Chinese government in the development of China's tourism industry was more than a facilitator of foreign investments; it was also an educator aiming to develop its people to build an international standard tourism industry to compete with more developed countries (Zhang, Chong & Ap 1999). The various roles performed by the Chinese government, or its agents, and the different policies and regulations implemented during these three periods of development have not only guided the direction of tourism development but also increased the speed of expansion and laid down the foundation for future of the tourism industry (Zhang, Pine & Zhang 2000). The three major components of tourism, namely, international tourism, domestic tourism and outbound tourism have all matured significantly since the implementation of the 'Open Door' policy. The Chinese government recognises the importance of international tourism to the nation's economy (international tourism-generated income reached US$41.91 billion in 2007) and is proactive in participating in various promotional campaigns in the major markets around the world (Deng 2008). China hosted more than 131 million inbound tourists in 2007 (Deng 2008) and is predicted by the World Tourism Organisation to become the top tourist destination by 2020 (World Tourism Organisation 1999). The rapid economic development, the relaxation of travel regulations and the improved standards of living have created an emergence of outbound travellers in China (Zhang, Pine & Zhang 2000). In 2007, over 40 million people travelled outside China for business and for private reasons (Deng 2008) with the Chinese government working closely with potential destination countries to promote and maintain a strong growth of outbound travel.

After more than thirty years of active economic reforms and tourism development, China was successful in winning the bid to host the Olympic Games in Beijing in 2008 and the World Expo in Shanghai in 2010. As China continues to take a more active role in world politics and

economics together with frequent participation in world events, China is working hard to build a more favourable image of its unusual, but stable, political and social environment to potential international visitors around the world (Sun & Lin 2010). The tourism industry is sensitive to major changes both internationally and domestically and with further opening up of its borders to the outside world, China faces considerable global competition from developed tourist destinations that have more freedom to compete (Zhang, Pine & Zhang 2000).

5.6 Hotel Development in China Since 1978

The hotel industry in China has been the main source of foreign capital for tourism investment since the early 1980s (Tsang & Qu 2000; Yu 1998; Zhang, Pine & Lam 2005). In just over three decades, the Chinese hotel industry has developed significantly from virtually a zero base to over 14,000 star-rated hotels in 2008 (see Figure 5.1). During the three periods of tourism development, the hotel industry not only acted as a prime channel for foreign tourism capital investment, it also bought in much needed international management skills and knowledge to help the development of the sector's quality standards and workforce (Huyton & Sutton 1996). The critical factors contributing to this spectacular and sometimes under regulated growth can be traced back through the previously discussed history of China's tourism development periods.

Figure 5.1: Number of Hotels in China 1978 – 2008

Total Number of Hotels in China by Year
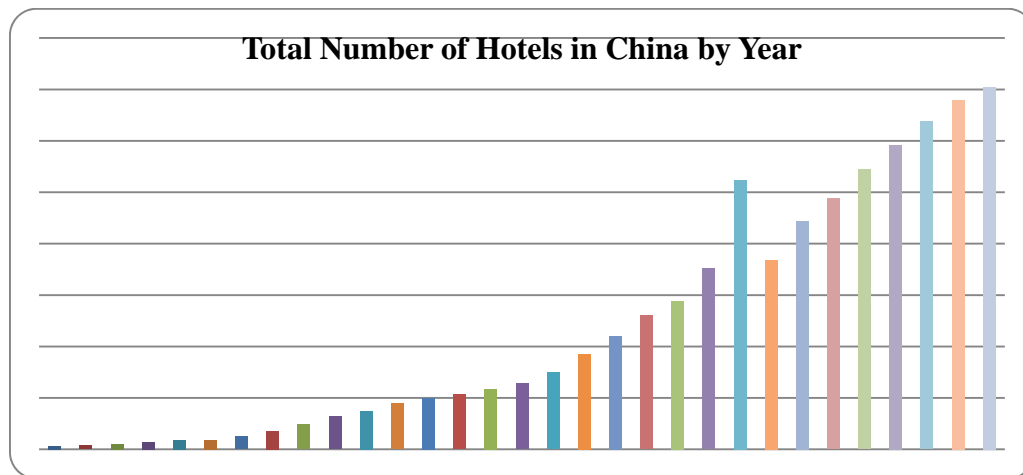
Sources: China National Tourist Office 2011 and National Bureau of Statistics of China 2008. Note: The year 2000 data shown in Figure 1 above is not comparable to those of 2001 and thereafter, as data in 2000 includes both star-rated and non star-rated hotels. CNTA changed its reporting format in 2001 to only report star-rated hotels.

Prior to 1978, hotels and guesthouses' were few in number and poor in quality and their main function was for political and diplomatic receptions (Tsang & Qu 2000; Zhang, Chong & Ap 1999). The unexpected influx of international tourists generated by the 'Open Door' policy and the relaxation of travel restrictions put China's existing accommodation facilities under extreme pressure (Pine & Qi 2004). The Chinese hotel industry was greatly under capacity to meet the increasing tourist arrivals and had limited capital for immediate improvement or expansion. To address these severe problems, the Chinese government introduced a diversification and decentralisation policy to accelerate the development of the hotel industry (Zhang, Chong & Ap 1999).

As part of the diversification of investment, a foreign JVs investment policy in hotel construction was established (Zhang 1989; Zhao 1989). Large investment and efforts were also put into hotel construction and renovation by the Chinese government and the industry to meet the anticipated rising number of tourists. From 1986 to 1991, over US$1.2 billion was

invested into the hotel industry by the Chinese government alone (Pine, Zhang & Qi 2000). With market restructuring, foreign JVs and substantial government investment, the number of hotels in China grew from a mere 137 in 1978 to over two thousand in 1991 (Zhang, Pine & Lam 2005). An early underlying assumption of the Chinese government has been that the main barrier to future tourism development was a shortage of hotel accommodation (Tisdell & Wen 1991). The persistence of this view continued even when faced with an oversupply of hotels during the Asian Crisis in 1997 and all through into the 2000s (Pine & Qi 2004). Despite the hotel industry running at a loss, the number of hotels continued to increase backed by encouragement from the Chinese government amid further opening of borders and relaxation of foreign capital investment regulations. Hotels were, and are still, considered a means to earn profits from tourism with minimal investment risks due to the government's financial backing and guarantees. This investment arrangement is described by Tisdell and Wen (1991 p.187) as "borrow a hen to lay eggs". The diversification of investment did accelerate the development of the industry with over 10,000 hotels operating in China by 2000 (Pine & Phillips 2005; Zhang, Pine & Lam 2005). However, the decentralisation of hotel ownership coupled with an investment attitude that owning hotels works as proof of an investor's (including local governments') power to produce physical capital in a fast expanding market-based economy resulted in an array of complicated hotel ownership types (Pine & Qi 2004). These various complicated ownership types are one of the many major barriers faced by management in the Chinese hotel industry today (Yu & Gu 2005).

5.7 Political, Economic and Cultural Structure

Under agreements with the WTO, the Chinese government has effectively further intensified, as well as distorted, the competition within its hotel industry by removing some of its controls and opened up more of the market for foreign investment and expansion (Pine & Qi 2004).

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These agreements have also created a unique and challenging situation for foreign hotel management when faced with barriers such as local development protectionism, dealing with business partners who are more political motivated than business driven, and competing in a market where most of the major competitors are financially backed by the government. As for the domestic hotel organisations, it is more of a replica of the Chinese SMEs development. The state-owned hotels are financial backed by their various government administrative bodies, they are constantly under government officials' influence and bureaucratic control and they are lacking in essential skills and knowledge to compete, the freedom to manage and the motivation to perform (Pine & Qi 2004).

The changing market environment from an economy with limited investment and development freedom to a more opened market-based system has great impact on the hotel industry as a whole (Yu & Gu 2005). Some of the more noticeable challenges for hotel management included: the change from the 'iron rice bowl' to a more performance based workforce; a declining political and cultural motivation to determine in which type of hotels domestic travellers should stay; and the reversal of some of government's investment incentives which were designed to attract foreign investors now being made available to both Chinese and domestic hoteliers (Yu & Gu 2005). As the Chinese become more affluent and domestic tourism matures, it is expected they will drive the prices and profitability of foreign hotels down and force improvement in the domestic hotels' quality standards.

The openness of the market has provided greater opportunities for domestic hotel organisations to further develop their brand value and to accelerate their consolidation of hotels to compete with foreign hotel organisations. For example, the Chinese Jin Jiang International Hotel Management Corporation was ranked 13th largest hotel group in the world

in 2008 (Jin Jiang Hotel 2011). On the other hand, with the reduction of hotel investment restrictions, foreign hotel organisations are now able to have wholly owned FDIs in hotels, while the majority of state-owned hotel organisations are still bounded by their particular locality and the government entity (Yu & Gu 2005). Even with 100 per cent foreign ownership, multinational organisations still need local networks and relationships (*guanxi*) to effectively conduct business operations such as hiring local workforce, obtaining relevant licenses (power, water and fire) and other essential areas such as storage, cleaning, maintenance etc.

Since China opened its door to international tourists in the late 1970s, it has created a significant demand on its under-developed tourism and hotel industry (Pine & Qi 2004; Tsang & Qu 2000). The hotel industry is considered by the Chinese government as an integral part of its tourism development and during the last three decades the industry has developed significantly. However, the international management skills, knowledge and the standard and quality of services provided by domestic hotels are still below international standards (Huyton & Sutton 1996; Tsang & Qu 2000; Zhang, Chong & Ap 1999). The Chinese government recognises that in order for its hotel industry to compete in the world market, further development in the areas of hotel management capability and resources; service quality standards; education and training; and competition between domestic and international hotel chains are required (Pine & Qi 2004; Tsang & Qu 2000).

5.8 History of Marriott's China Entry

5.8.1 Introduction

Marriott is a premium quality US-based 'lodging and related service provider' that has endeavoured to increase its global market share via international expansion of its operations

(Marriott website 2010b). Over the past 85 years, Marriott has combined innovation and growth to become a leading global hospitality organisation with over 3,500 lodging properties operating in 70 countries and territories (Marriott website 2011a). Marriott operates and franchises 20 different hotel and related service brands under its brand name with the majority of properties based in the US (Marriott website 2011a). As one of the world's strongest brands, Marriott enjoys outstanding consumer recognition, customer preference and a highly regarded reputation for operational excellence. Marriott's international reputation for service excellence throughout the world is well documented, achieving a number three ranking of best hotels in the world in 2010, and being named as one of the "100 Best Companies to Work for" in 2010 by FORTUNE® (Marriott website 2010b).

5.8.2 Marriott Background

The following Marriott background information is largely based on Marriott's current Chairman and CEO Bill Marriott's own recollection in his 1997 book "The Spirit to Serve". Other sources will be specifically referenced. Marriott originated from a nine-seat A & W franchise of root beer concentrate and restaurant equipment operated by its founder J. Willard Marriott and his wife Alice in Washington DC in 1927 (Marriott website 2010b). The A & W franchise was later renamed as 'The Hot Shoppes' and hot food was also added to the operation as part of Marriott's early diversification strategy. From its inception in the 1920s to mid-1950s, the core business of the Hot Shoppes was food and related service, which included a catering service to various domestic airlines (e.g. Eastern, American, and Capital airlines) and running industrial cafeterias at General Motors and Ford Motor plants. The operation was further diversified in 1957 when the Hot Shoppes opened its first motor hotel the 'Twin Bridges' in Arlington, Virginia. The Twin Bridges motor hotel was billed at the time as "The world's largest motor hotel…combining motel convenience with hotel luxury".

A new hotel division was created soon after the opening and Marriott's current Chairman and CEO Bill Marriott was appointed to manage and develop this new hotel division. This latest diversification strategy eventually turned Marriott from a food and related service operation to one of the world's largest hotel and related service provider today.

5.8.3 Marriott Hotel and Lodging Development

5.8.3.1 The Beginning (1950s – 1960s)

By 1961, the hotel division under Bill Marriott's leadership had four Marriott hotels across Virginia, Washington D.C., Dallas and Philadelphia. Marriott's hotel growth strategy was focused on targeting suburban locations near airports and major convention cities. In the same year, Marriott started what would eventually become its core financing strategy; three of its hotels were sold and leased back as a means of raising additional capital for growth. Part of this growth strategy was to add convention facilities, exhibition space and rooms to existing hotels to cater for business travellers. Marriott also continued its recruitment strategy by recruiting veteran "hotel men" from other hotels, such as Hilton and Sheraton. This recruitment approach enabled Marriott to rapidly improve the skills and experience of its lodging management team. In 1964, Marriott changed its name from the Hot Shoppes to Marriott-Hot Shoppes Inc. and for the first time received offers from other hotel companies to manage their properties on a fee-paying basis. By 1966, Marriott added two more hotels (the Atlanta Marriott and Saddlebrook in New Jersey) to its brand. In the same year Marriott checked in more than one million guests.

Marriott renamed its operation from the Marriott-Hot Shoppes Inc. to Marriott Corporation in 1967 a year prior to its first listing on the New York Stock Exchange. In 1968, Marriott acquired its first resort the Camelback Inn in Arizona and in 1969 expanded internationally

with a leased hotel in Acapulco, Mexico. By the end of the 1960s, Marriott's lodging division was contributing more than 22 per cent of its overall income from its ten hotels and resorts.

5.8.3.2 The Entry and Internationalisation Stage (1970s – 1990s)

The first franchised Marriott Inns opened in the Midwest of the US in 1970. As first of a series of economic downturns hit the US during the early 1970s, Marriott hotels were unable to contribute as much to the overall profit growth as projected. The 1970s was a decade of another major diversification push for Marriott when they expanded into the fast food industry. Marriott opened the Joshua Tree restaurants, acquired Farrell's ice cream parlours, opened the Marriott Travel World, the Great America theme parks, and bought into the Sun Line cruise ship partnership. Some of these ventures were successful, while others were sold off prior to the end of the decade. Despite the economic downturn, by 1972 Marriott was operating eighteen hotels, twelve of which were built in the previous six years. 1973 was another turning point for the Marriott lodging division when it negotiated its first lodging management contract. This contract provided the foundation experience and knowledge of one of Marriott's current core competencies – hotel contract management.

In 1973, Marriott acquired its first resort outside the US, the well-known Sam Lord's Castle in Barbados. By 1975, despite continued economic downturn holding down hotel occupancy rates across the industry, Marriott opened another seven hotels including its first investment in Europe, the Amsterdam Marriott. Marriott celebrated its 15th anniversary in 1977 with sales reaching US$1 billion. In the same year, Marriott made a major strategic financial decision when it commenced an era of debt financing to fuel growth in the 1980s. Marriott also had plans to sell off some of its hotels and take them back through management contracts.

Bill Marriott claims that Marriott's goal within its new strategic planning department was to have more than 50 per cent of its hotel rooms under management agreement.

As part of its strategy to move away from hotel ownership to hotel management, Marriott sold more than half of its room capacity to investors and drove diversification efforts to focus on capitals resources and not businesses. With a new financial goal equation of 20/20, 20 per cent return on equity and 20 per cent growth in sales, the hotel division was achieving the most rapid growth within Marriott. By 1979, Marriott was operating hotels across forty-six cities both domestically and internationally. Marriott ended the decade with US$1.5 billion in sales together with 50 new hotels in various stages of construction.

Marriott started the 1980s with an aggressive plan to push for an annual increase of 20 to 25 per cent in guest rooms including entering the moderate-priced lodging market with a new brand called 'Courtyard by Marriott' which created an industry panic with competitors rushing to expand into the moderate-priced lodging market. Sales from the lodging division started to dominate Marriott's overall income, generating more than half of the overall sales. With nearly one hundred hotels under planning and construction and US$1 billion in sales from the lodging division, Marriott was rated as one of the world's largest real estate developers at the time.

In 1984 Marriott expanded into the more luxurious hotel market with the opening of its flagship hotel the JW Marriott in Washington D.C. By 1985, Marriott was operating 149 hotels across the US, Mexico, Paris and London with the lodging division accounting for almost half of Marriott's total annual sales of over US$3.5 billion. Continued aggressive expansion during the 1980s saw Marriott opened its 500th hotel in Warsaw, Poland in 1989

and by the end of the same year; another 88 hotels were added. Aggressive expansion had pushed Marriott's long-term debt to a record level of US$3.3 billion in 1989. High levels of long-term debt coupled with an economic downturn and the looming war in Iraq had contributed to Marriott's new future growth strategy of focusing on leveraging its brands and expanding into international markets.

During the same time Marriott also established its long running popular Marriott Honoured Guest Awards frequent stay program. The program has since been renamed as the Marriott Rewards and today it has over 30 million active members worldwide. The Marriott Rewards program enables Marriott to build Brand Loyalty by using critical customer data to target its marketing offers more effectively. The program was voted Best Hotel Program and the most preferred hotel program by business travellers in America in 2008 (Marriott website 2011a).

5.8.4 The Asia-Pacific Expansion

With unrest in the Middle East and a potential US-led war in Iraq, coupled with real estate market crashes in the US, Marriott was searching for its future growth in the international markets across the globe in the late 1980s. Since the implementation of the 'Open-Door' policy in the mid 1970s, China has been a major market for many foreign companies (Jaggi & Tsui 2007). In the late 1980s, Hong Kong was under British rule and was the gateway for all major foreign companies into China. With China's rapid growth in trade and a huge potential for business travel, Marriott decided to use Hong Kong as its initial international expansion into the Asia-Pacific region when it opened its flagship hotel the JW Marriott in 1989. Selecting Hong Kong as its first Asia-Pacific market aligned with Marriott's growth strategy of leveraging its brands and fulfilling its expansion requirement of targeting major gateway cities in new markets. Marriott has been operating in London since the early 1980s

and had built up some Brand Awareness in the British market while it was not a well-recognised brand in the Asia-Pacific region during the late 1980s and early 1990s. Furthermore, Hong Kong was a major gateway city under a Western government [British] into China until it was officially handed back to China in 1997.

5.8.4.1 Marriott's Entry into China - 1997

Although Marriott has been operating under the JW Marriott brand in Hong Kong since 1989, it did not move into mainland China until 1997 through multiple acquisitions and management contract take-overs of established hotel chains. Acquired hotels included the New World hotel, the New World Courtyard hotel, the Ramada hotel and the Renaissance hotel. According to the former vice-president of Marriott Asia-Pacific, the acquisitions and management contract take-overs were catalyst to Marriott's entry into China, as they bought instant awareness of the brand to both travellers and hotel owners in China (Ding 2008). The entry of Marriott into China also coincided with special events held by the Chinese government to promote its tourism industry. Events such as the "theme years" and "Visit China" tourism promotions launched by the CNTA coupled with the relaxation of foreign capital investment regulations by the Chinese government to promote Chinese tourism (Ding 2008; Zhang, Pine & Lam 2005).

In 1999, Marriott acquired its first hotel in Shanghai, the four-star Yangtze New World hotel and opened its first worldwide sales office in China. The former sales manager of Marriott's Shanghai Worldwide Sales Office suggested that the establishment of its Shanghai sales office was a demonstration of Marriott's ambition to establish its business in China (*The Shanghai Daily* 1999). By the end of 1999, Marriott was operating in 12 cities across China predominately under the New World brand.

5.8.4.2 Marriott's Establishment in China 2000 – 2012

In 2000, Marriott opened its first 5-star business hotel under the Marriott brand in Hongqiao district, Shanghai. The former vice president of Marriott Worldwide Sales, Asia described the opening of the first Marriott in China as "An exciting development and that Marriott's growth in China is going strong" (*The Shanghai Daily* 2000).

By the end of 2000, Marriott was operating 2000 properties worldwide, of which 17 were in China across 12 cities under the business brands of Marriott, Renaissance, Courtyard and New World (Marriott website 2011b). In 2002, Marriott celebrated its 75th anniversary. In the same year its China operation was actively rebranding its acquired hotels into its own brands and opening new business hotels across China. For example, the Yangtze New World hotel was rebranded as a Renaissance hotel in Shanghai and new Courtyard and Renaissance hotels were opened in the new Pudong area in Shanghai and Downtown Tianjin province respectively (Marriott website 2011b). By the end of 2002, Marriott had doubled its hotel number in China to 35 and planned to add seven new hotels across China's second tier cities such as Tianjin, Wuhan, Suzhou, Nanjing and Qingdao to its portfolio in 2004. The majority of these seven new hotels were under the Renaissance brand, but more Marriott and Courtyard hotels in Shanghai were also being considered (*The Shanghai Daily* 2004).

During the late 1990s and early 2000s, the Chinese government continued to open up its market for foreign investment and expansion as part of the WTO entry agreements. During the same period, Marriot added 11 new business hotels under the brands of Marriott, Renaissance and Courtyard across both first and second tier cities such as Shanghai, Beijing, Guangzhou, Suzhou, Wuhan and Tianjin in China.

In 2007, Marriott announced its plan to double its portfolio of hotels in China by the end of the decade and planned to have over 100 hotels operating in China over the next five to six years (*The Shanghai Daily* 2007). Marriott also planned to double its presence in Beijing to 11 hotels with 4 new business hotels under the brands of Marriott, Renaissance and Courtyard scheduled to open to accommodate the two million people expected to visit the city for the Olympic Games in 2008 (Marriott website 2007). Although Marriott's operation focus was in the Beijing market in 2007, it did add two new Renaissance hotels in Shanghai and Wuhan by the end of 2007. While the global financial crisis (GFC) continued to impact on growth and employment across most developed economies during 2008 – 2009, hotel development remained strong in the Chinese market (*The Shanghai Daily* 2009a). Many international hotel chains continued to expand their portfolios in China in 2008 with Marriott adding five new business hotels under the brands of Marriott, Renaissance and Courtyard in Beijing, Ningbo, Shanghai and Hong Kong (Ding 2008).

Marriott celebrated one of its important milestones in 2009 when it opened its 800th Courtyard hotel worldwide in Shanghai (Marriott website 2011a; *The Shanghai Daily* 2009b). According to Marriott, one of its current growth strategies in China is in the second tier cities located across the three primary commercial regions of the Bohai Rim, the Yangtze River Delta and the Pearl River Delta. The Courtyard brand will be used as one of the growth vehicles to achieve such strategy together with the Marriott and Renaissance brands (Marriott International Security Analyst 2010). Notwithstanding the effects of the GFC, by the end of 2009 Marriott added another nine new business hotels in China under the brands of Marriott, Renaissance and Courtyard in the cities of Beijing, Shanghai, Nanning and Hong Kong and with 17 more new hotels under construction around the country (Marriott website 2011a; *The Shanghai Daily* 2009b).

In 2010, Shanghai hosted the 'World Expo', which attracted more than 73 million visitors to the city during the six month open period (World Expo 2010). In the same year, Marriott added 10 new business hotels across China with the majority of hotels opened in Shanghai and its surrounding second tier cities. The 10 new hotels include two Marriott hotels, a Renaissance hotel and four Courtyard hotels in Shanghai; a Marriott hotel and a Courtyard hotel in Suzhou; a Courtyard hotel in Hangzhou; and a Marriott hotel and a Renaissance hotel in Tianjin (Marriott website 2011b). During 2010, Marriott announced two significant development strategies in China. The first strategy was the signing of Marriott's first online travel agency partnership in China with one of China largest travel agents, the Ctrip Company (*The Shanghai Daily* 2010). This new online partnership enabled Marriott to leverage Ctrip's hotel reservation platform to allow Ctrip's members to book Marriott hotels worldwide and get real-time confirmation (Marriott website 2010a; *The Shanghai Daily* 2010). The second strategy was the signing of seven new hotel management contracts with various hotel owners and developers in the second and third tier cities across China (Marriott website 2010c; *The Shanghai Daily* 2010). According to Marriott, China is Marriott's largest market outside North America and the seven new hotel management contracts were part of Marriott's aim to double its current portfolio in China by the end of 2010 (Marriott website 2010c).

In 2011, Marriott added another six new business hotels under the brands of Marriott, Renaissance and Courtyard to its portfolio in China. By mid-2011, Marriott's Asian portfolio consisted of 109 hotels and resorts in 13 Asian countries and territories (Marriott website 2011b). Out of the 109 hotels and resorts, 58 properties are located in first and second tier cities across China with 42 under the brands of Marriott, Renaissance and Courtyard (Marriott website 2011b).

In just over two decades since it first entered into China, Marriott has grown from one hotel in Hong Kong to approximately 60 properties across China in 2011 (Marriott International Security Analyst 2010). In June 2011, Marriott announced its new global development plan which consists of opening 49 new hotels worldwide with a concentration of 24 hotels in the Asia-Pacific region (Tourism & Aviation 2011). As part of this new global development plan, Marriott will add another 10 new properties in the Chinese market with 8 under the Marriott brand (see table 5.1 below for a pictorial view of the timeline of Marriott's establishment in China).

Table 5.1 Timeline of Marriott's Development in Hong Kong and China under the Brands of New World, Marriot, Renaissance, Ramada and Courtyard Hotels

Year / Sales Office	1996/97	(1989)	1998/99	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
JW Marriott		*																
New World	*																	
Sales office in Shanghai			*															
Marriott				*		*						*	*	*	*	*	*	*
Renaissance		*		*	*	*	*	*	*		*	*	*	*	*	*		
Ramada			*															
Courtyard	*			*	*	*					*	*	*	*	*			

(1989) Represents Marriott's first hotels opened in Hong Kong as part of its initial Asia-Pacific expansion.

5.9 China Economic Reforms and Chinese Tourism and Hotel Industry Development Chapter Summary

This chapter provided a brief account of the historical evolution of the Chinese government's economic policy development focusing on the period of the 'Open Door' approach. The chapter then included a detailed account of the Chinese tourism and hotel industries in three distinctive periods during the past thirty years when major tourism reforms have taken place. The chapter concluded with a brief historical account of the development of Marriott hotel with a detailed account of the critical events that surrounded Marriott's entry into China. The following chapter will present and discuss the findings from the research program.

Chapter Six

Results

6.1 Introduction

The focus of this chapter is to present the findings of this research. As such, the objectives of this chapter are three-fold: Firstly, it identifies the resources and capabilities Marriott employed to strategically manage its Brand Equity in China. Analysis of the data indicates that this period of time can be stratified into two distinct stages: an entry stage and an establishment stage. Secondly, this chapter provides an account of how the array of resources and capabilities were associated with each of the individual brand assets. Lastly, this chapter provides a summary of how various resources were leveraged to create new resources combinations and how the relative importance of the resources and capabilities changed over time.

6.2 The Entry Stage (1997 - 2000)

6.2.1 Brand Awareness

During the entry stage, Marriott's senior management reported that seven resources were employed for the strategic management of Brand Awareness. Table 6.1 (over page) provides a summary of these seven resources. Firstly, Marriott's senior management reported that building a long-term relationship with the domestic key stakeholders (in particular with domestic governments in the 'newly opened' Chinese market) was integral to its entry into China. Marriott's senior management employed a combination of resources to develop their relationships and trust with domestic governments and key stakeholders in both Hong Kong and Mainland China.

Table 6.1: Resources Employed to Strategically Manage Brand Awareness During the Entry Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide operations.
Marriott's Foreign Direct Investments (FDIs) in China.	• Acquired domestic hotels.
Marriott's Functional Business Areas.	• Human Resource Management function. • Planning, Design and Development function.
Intangible Resources	**Description**
Marriott International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Experienced expatriate managers • Management experience and expertise. • Experienced domestic managers.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders.
Marriott's Acquired Domestic Compatible Goodwill.	• Compatible goodwill from acquired domestic hotels.

The combined resources employed included financial capital, human resource management function, the Marriott brand, experienced expatriate managers and management experience and expertise:

> It was very challenging and costly for us when Marriott first expanded into Hong Kong, as we had to build our relationships [with all our suppliers, developers and of course the local government departments] from scratch…things got a whole lot easier once we learnt how to work with them and they knew more about Marriott (Marriott General Manager 1, Personal Interview, 2009).

> It was very different in the early 1990s, as we couldn't set our room rates, or order our supplies with our preferred suppliers; we had to adapt ourselves to work with the market environment to establish our position (Marriott Sales Director 1, Personal Interview, 2009).

Secondly, Marriott's senior management reported that one of the capabilities it required was to promote and communicate to domestic governments how their brand coupled with their management experience and expertise could serve the

government's needs. To achieve this, Marriott's senior management implemented a similar, yet modified, recruitment strategy that they employed in the United States (US) during the 1960s. Marriott's senior management actively recruited veteran Chinese 'hotel men' from Hong Kong and surrounding countries, such as Singapore, to improve their domestic communication skills and knowledge. According to Marriott's senior management, the financial capital investments of headhunting experienced domestic managers enabled Marriott to achieve its strategic objective of building and developing productive relationships and trust with domestic governments and key stakeholders in both Hong Kong and China:

> …with our experienced domestic managers working closely with the domestic governments and key stakeholders, we were able to establish some very productive relationships with them [domestic governments and key stakeholders]…these relationships were and still are vital to Marriott's success (Marriott General Manager 3, Personal Interview, 2011).

The combined resources employed by Marriott's senior management to implement this recruitment strategy included financial capital, human resource management function, experienced domestic managers and management experience and expertise:

> Our US managers were not very effective in communicating with our Chinese key stakeholders [domestic government officials, hotel owners and suppliers], we needed domestic managers who speak Chinese and understand the local culture to work closely with these stakeholders to achieve the desired outcomes for all parties (Marriott Human Resources Director 1, Personal Interview, 2009).

Thirdly, as part of their entry strategy into China, Marriott's senior management reported conducting extensive market research and careful planning and development to identify and match compatible brown-field investment (both physical infrastructure and goodwill) opportunities in a market where it had no prior presence or experience. The combination of resources employed by Marriott's senior management to effectively conduct these marketing activities included marketing function, planning,

design and development function and productive relationships with domestic governments and key stakeholders:

> …it was vitally important for Marriott to pick the right hotel chains with the right clientele to buy in China when it first came to the market, as the bad ones can stick to your brand for a long time….I think they did a very good job of market research (Key Informant, Personal Interview, 2010).

> It took Marriott a number of years to find the right properties. But when it did, it went for them…it took a lot of planning and negotiating to get that market position in China (Marriott General Manager 3, Personal Interview, 2009).

Lastly, with compatible brown-field investment opportunities in China identified, Marriott's senior management reported employing a combination of resources to successfully negotiate and acquire the various domestic hotel chains and management contract take-overs in 1997. The combined resources employed for the acquisitions and management contract take-overs included financial capital, planning, design and development function and productive relationships with domestic governments and key stakeholders:

> Marriott conducted many talks with different government departments and went through very rigorous planning and negotiation processes to get into China (Marriott General Manager 2, Personal Interview, 2009).

> The acquisitions and management contract take-overs were costly with substantial risks, but it provided Marriott with a foothold in China where it had no prior brand presence (Parkyard Group General Manager, Personal Interview, 2010).

The acquisitions and management contract take-overs will be referred to as "acquired domestic hotels". The acquired domestic hotels: New World, Courtyard, Ramada, and Renaissance hotels, were all located in key Chinese gateway cities in accordance with Marriott's worldwide entry strategy of targeting gateway cities when expanding into new markets. In addition, the goodwill of the acquired domestic hotels had a degree of

strategic fit with Marriott's brand at the time. According to the Executive Vice President of Marriott, the acquired domestic hotels helped Marriott to generate the much-needed initial Brand Awareness in China: "…1997 was a catalyst year for Marriott…when Marriott purchased Renaissance in China. This brought us more exposure both to travellers and to hotel owners" (Ding, 2008).

Furthermore, based on the comments of Marriott's senior management, the acquired domestic hotels provided Marriott with a degree of Brand Awareness in China where it had no prior physical or virtual presence; they also enabled Marriott to quickly gain market-share without having to establish its brand from virtually no presence as it did in Hong Kong in 1989:

> …China only knew the Hilton at the time, so it was a very good entry strategy of Marriott to acquire the New World, Courtyard, Ramada and Renaissance hotels, as it provided Marriott with an instant face in the Chinese market where it had no prior history…but the strategy was very expensive, I believe (Key Informant, Personal Interview, 2009).

6.2.2 Brand Association

During the entry stage, the Marriott's senior management reported that seven resources were employed for the strategic management of Brand Association. Table 6.2 (over page) provides a summary of these seven resources. Firstly, Marriott's senior management reported that to improve the Brand Association of their newly acquired domestic hotels they needed to upgrade their quality standards and to aggressively promote Marriott's brand quality standards to the domestic market. To achieve this, Marriott's senior management commenced a series of internal and external marketing campaigns to promote Marriott's international successes and brand quality standards to build positive goodwill and association in the domestic

market. The combined resources employed by Marriott's senior management for these marketing campaigns included financial capital, acquired domestic hotels, marketing function, the Marriott brand, experienced domestic and expatriate managers, productive relationships with domestic governments and key stakeholders and acquired domestic compatible goodwill:

> …foreign hotels were strange, like entertainment to them [local Chinese]…they had no idea what an international hotel was, not to mention to actually see one…we invested substantial capital and worked very hard to promote what Marriott had to offer to our acquired domestic hotels' customers (Marriott General Manager 2, Personal Interview, 2009).

> They [the acquired domestic hotels] were very well known by their customers in the 1990s but they were Chinese hotels…and when Marriott took over the customers started to associate them with the Marriott brand…we knew we had to quickly change the fundamentals of them to make them look and feel more like Marriott (Marriott General Manager 4, Personal Interview, 2010).

> 20 years ago most Chinese were not allowed inside a foreign hotel, only foreigners, government officials and their VIPs were the guests of hotels…they [local Chinese] came to have a look at what the foreigners were up to (JC Mandarin Hotel General Manager, Personal Interview, 2010).

Table 6.2: Resources Employed to Strategically Manage Brand Association During the Entry Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide operations.
Marriott's Foreign Direct Investments (FDIs) in China.	• Acquired domestic hotels.
Marriott's Functional Business Areas.	• Marketing function. • Training and Development function.
Intangible Resources	**Description**
Marriott International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Experienced domestic and expatriate managers. • Management experience and expertise.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders.
Marriott's Acquired Domestic Compatible Goodwill.	• Compatible goodwill from acquired domestic hotels.

Secondly, to support their marketing campaigns to promote Marriott's brand promises and quality standards, Marriott's senior management reported implementing a range of internal processes and systems from Marriott's worldwide Standard Operation Procedure (SOP) to improve the standards and services of their acquired domestic hotels. The combined resources employed by Marriott's senior management included financial capital, acquired domestic hotels, training and development function, experienced domestic and expatriate managers and management experience and expertise:

> …in the early 1990s, hotel employees had no clue and no ideas of how to handle their own grooming and personal hygiene, not to mention providing quality service to the guests...we started with very basic training to get them up to our minimal standards, then slowly introduced our SOP....The employees are very different today, they now emulate western lifestyles while enjoying materialism and consumerism (Marriott General Manager 1, Personal Interview, 2009).

According to Marriott's senior management, the newly implemented internal processes and systems enabled Marriott to continue to build strong Brand Association with its acquired domestic hotels and compatible goodwill through the transformation of some of these hotels' standards and services:

> …with good support and training from Marriott's international office, we were able to achieve good results from some of the newly implemented processes and systems in areas such as hotel operation standards, overall food and beverage offerings and management and general customer service…but up-skilling our associates took longer, but training and development of associates is a continuous process (Marriott General Manager 1, Personal Interview, 2010).

6.2.3 Perceived Quality

During the entry stage, the Marriott's senior management reported that seven resources were employed for the strategic management of Perceived Quality. Table 6.3 (over page) provides a summary of these seven resources.

Table 6.3: Resources Employed to Strategically Manage Perceived Quality During the Entry Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide operations.
Marriott's Foreign Direct Investments (FDIs) in China.	• Acquired domestic hotels.
Marriott's Functional Business Areas.	• Planning, Design and Development function. • Training and Development function. • Marketing function.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Experienced domestic and expatriate managers. • Management experience and expertise. • Marriott's hands-on leadership style. • The "Marriott's Way" organisational culture.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders.
Marriott's Acquired Domestic Compatible Goodwill.	• Compatible goodwill from acquired domestic hotels.

Firstly, Marriott's senior management reported implementing a series of focussed training and refurbishment programs to westernise their acquired domestic hotels' quality and services. These focussed training and refurbishment programs were designed to increase the Perceived Quality of Marriott in the minds of the domestic customers from the myriad of domestic and international competitors in China during its entry stage. The combined resources employed by Marriott's senior management to deliver and implement these programs included financial capital, acquired domestic hotels, planning, design and development function, training and development function, experienced domestic and expatriate managers, management experience and expertise and acquired domestic compatible goodwill:

> …when Marriott first came to China no one knew what Marriott was like. They only knew what the New World, Ramada and the Renaissance were like and they thought their services and quality were fine until they had a taste of Marriott…Marriott was western, was safe, was new and exciting and now they expect it every time they walk into a Marriott hotel…our initial investment

[financial and human capital and training and development] really paid off (Marriott General Manager 3, Personal Interview, 2010).

…we changed the menus and the way we look in the lobby and around all the cafes and restaurants…one of the major challenges we faced was getting our new domestic associates up to Marriott's standard, after that other processes just fell into place (Marriott Sales Director 2, Personal Interview, 2009).

Secondly, to increase Marriott's Perceived Quality, Marriott's senior management reported actively marketing their international brand successes to domestic governments and key stakeholders. Marriott's international expertise coupled with its management's capability to utilise internal resources to produce above average profit margins underpinned the core message throughout Marriott's marketing campaign during its entry stage in China. To implement this marketing campaign, Marriott's senior management employed a combination of resources including financial capital, the Marriott brand, marketing function, experienced domestic and expatriate managers, management experience and expertise and productive relationships with domestic governments and key stakeholders:

> …when first entered into China, Marriott had to invest substantially to market its brand standards, expertise and SOP to all domestic governments and hotel owners…our good relationships with them helped (Marriott General Manager 3, Personal Interview, 2011).

> It was very important to be seen as high quality in this market. Especially in the early days, as three party joint ventures (JVs) was a very common investment practice in China back then…the three party including the domestic owners who had no capital, they provided the land and the foreign investors [mainly Asians] put in the capital and the hotel management companies such as the Marriott was hired to run the hotel…of course you also need the domestic government approval and support (Marriott General Manager 2, Personal Interview, 2011).

> Back then China didn't have the skills, the expertise, or the technology to run international hotels…it used international hotel management companies like the Marriott to upgrade its capabilities….Foreign hotels were a sign of economic development for the domestic governments, and hotels like the Marriott was viewed as the window to the world to most local Chinese and a symbol of

economic success to the domestic governments during the early 1990s (Key Informant, Personal Interview, 2011).

According to Marriott's senior management, the domestic governments and hotel owners perceived Marriott as a stronger market performer internationally than other foreign hotel chains in China during its entry stage. The senior management believed that largely stemmed from Marriott's effective promotion strategy to successfully build its Perceived Quality with domestic governments and hotel owners. The senior management also concluded that these market-based brand performances were becoming more important as domestic competition intensified:

> They [domestic hotels owners] wanted their investments to return not only good margins, but also wanted to use famous hotel brands to bring traffic to their other developments surrounding the hotel…the domestic hotels owners were quite specific with what they were looking for back then. They are much more selective now…with very specific target market, location and of course higher margins (Marriott General Manager 2, Personal Interview, 2012).

> …back in the 1990s and early 2000s it was much easier to get into preferred locations [hotel sites] in China, but not now…the domestic governments are getting very selective of whom they let into their provinces (JC Mandarin Hotel General Manager, Personal Interview, 2010).

Lastly, Marriott's senior management reported conducting a series of internal marketing campaigns to promote Marriott's brand promises, quality standards as well as to instil the "Marriott's Way" organisational culture to their domestic workforce. A range of targeted training and development programs were also implemented to up-skill their domestic associates. These training and development programs were designed to improve the acquired domestic hotels' operation and services. The combination of resources employed by Marriott's senior management for these internal marketing campaigns and training and development programs included financial capital, marketing function, training and development function, experienced

domestic and expatriate managers, management experience and expertise, hands-on leadership together with the "Marriott's Way" organisational culture:

> Slogans versus actions – too many people just talk and no actions, but Marriott's General Managers are hands-on operators. We invest in our people and we set examples for our young managers, so they can follow…this is very important in this domestic market (Marriott General Manager 3, Personal Interview, 2010).

> The domestic associates viewed foreign managers as the person who had "all the right answers"…the way they worked was vastly different in many areas from how we wanted them to perform (Marriott Sale Director 3, Personal Interview, 2010).

> …in the early days our domestic associates needed to be shown how to perform tasks and to be reminded how to work within the boundaries of procedures and processes (Marriott Human Resources Director 2, Personal Interview, 2010).

According to Marriott's senior management, their hands-on leadership style with a strong passion for success enabled them to successfully engage with the domestic associates while teaching them western management skills and to effectively instil Marriott's organisational culture, the "Marriott's Way", during its entry stage. Furthermore, most interviewees suggested that passion and actions were the two major drivers for successful hotel management:

> Managers need to be passionate about their jobs, as working in the hotel industry is not a nine to five job…attention to detail is critical to quality service….Leadership, training and development skills are considered as some of the vital capability and resources for success in China by not only the domestic hotel partners, but also by the senior managers of hotels in China (Key Informant, Personal Interview, 2012).

6.2.4 Brand Loyalty

During the entry stage, the Marriott's senior management reported that eight resources were employed for the strategic management of Brand Loyalty. Table 6.4 (over page) provides a summary of these eight resources.

Table 6.4: Resources Employed to Strategically Manage Brand Loyalty During the Entry Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide operations.
Marriott's Foreign Direct Investments (FDIs) in China.	• Acquired domestic hotels.
Marriott's Functional Business Areas.	• Marketing function. • Human Resource Management function. • Training and Development function.
Marriott's Internal Operating Systems and Programs.	• Marriott Rewards loyalty program.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Experienced domestic and expatriate managers. • Management experience and expertise. • Marriott's hands-on leadership style. • The "Marriott's Way" organisational culture.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders.
Marriott's Acquired Domestic Compatible Goodwill.	• Compatible goodwill from acquired domestic hotels.

Firstly, Marriott's senior management reported introducing the newly launched world's first multi-brand frequent guest loyalty program to promote and build Brand Loyalty with the domestic customers during their entry stage. The Marriott Rewards loyalty program was created from Marriott's first loyalty program, the Honoured Guest loyalty program, and was launched in the 1990s as the world's first multi-brand frequent guest loyalty program. According to the Director of User Experience of Marriott International, the Marriott's Rewards loyalty program was considered to be a specific product that worked well in emerging markets for Marriott:

> Marriott Rewards, our loyalty program, is a good example. Launching it into new markets has to be treated differently than how we work in the US where Marriott leads in brand preference….In Asia Pacific we have many more Marriott's Rewards members signed up to collect airline miles rather than hotel points….we need to work closely with airlines to build our membership and

awareness (Mariana Cavalcanti, Director of User Experience of Marriott International in Babitch & Chen 2005).

For the introduction and launch of the Marriott Rewards loyalty program, Marriott's senior management employed a combination of resources including financial capital, marketing function, Marriott's Rewards loyalty program and acquired domestic compatible goodwill. According to Marriott's senior management, the Marriott Rewards loyalty program and the accompany investment of marketing and promotional campaigns enabled Marriott to build and established a degree of Brand Loyalty with its domestic customers during its entry stage in China:

> When we first introduced our loyalty program it was the only one in the market…we promoted it hard…it was exciting and was free and our customers loved it and it is still one of the best programs in the industry (Marriott General Manager 2, Personal Interview, 2010).

Furthermore, based on the comments of the Director of e-Commerce of Marriott International, the Marriott Rewards loyalty program also enabled Marriott to build positive Brand Association with its domestic members in China:

> …you can collect Marriott's Rewards points for redemption for hotel stays and other rewards….This is important in Asia, as miles have traditionally been the currency of choice with respect to loyalty programs. So it is important to position your loyalty program very carefully to meet the needs of the domestic market….In China, there's a prestige factor associated with being a Marriott Rewards member. Marriott is a quality tier hotel brand…for the average Chinese consumer (Luis Babicek, Director of International eCommerce of Marriott International in Babitch & Chen 2005).

Secondly, in early 1990s, under the Chinese market system most hotel operations such as setting room rate and procurement were controlled by domestic governments. The lack of control and the constant need to satisfy both domestic governments and hotel owners' demands presented a competitive environment that was dissimilar to

what Marriott was used to dealing with. To build and establish Brand Loyalty with the domestic governments and hotel owners, Marriott's senior management reported implementing a two-tier Brand Loyalty building strategy. At the first-tier level, Marriott's senior management continued to recruit and develop their pool of domestic managers to work closely with the domestic hotel owners and government officials on operation matters; at the second-tier level, Marriott's experienced expatriate managers were focussed on working with the higher level of both national and domestic governments and representing Marriott at official and ceremonial functions:

> We always have a pool of well-trained and experienced managers ready to be posted anywhere in the world. The combination of this pool of foreign managers supported by our selected domestic managers is one of Marriott's strengths (Marriott Human Resources Director 3, Personal Interview, 2010).

The combined resources employed by Marriott's senior management to implement this two-tier Brand Loyalty building strategy included financial capital, Marriott brand, human resource management function, training and development function, experienced domestic and expatriate managers, management experience and expertise, productive relationships with the domestic governments and key stakeholders and acquired domestic compatible goodwill. According to Marriott's senior management, the two-tier Brand Loyalty building strategy enabled Marriott to achieve two important Brand Loyalty building objectives during its entry stage in China: Firstly, for Marriott's domestic managers to build vital networks and relationships with domestic key stakeholders through collaboration and understanding; and secondly for Marriott to build trust with various national and domestic governments through its committed foreign investments including the strong representation of experienced expatriate managers living and working in China:

> …with its two-tier Brand Loyalty building strategy, Marriott was able to depend on its management capability to effectively negotiate between the domestic hotel

owners, governments and Marriott's head office in the United States (Marriott General Manager 1, Personal Interview, 2011).

Lastly, with regard to Brand Loyalty with the domestic associates, Marriott's senior management found that the level of trust between the associates and management was substantially lower in China than in the US. From their experience, Marriott's senior management reported that if they were to successfully build productive relationships and trust with their domestic associates, they needed to gain their loyalty through action and policies. Marriott's senior management leveraged their experienced managers to work closely with the associates to achieve required organisational standards and at the same time, to instil its organisational culture of the "Marriott's Way". Other resources employed by Marriott's senior management to build Brand Loyalty with their associates included financial capital, human resource management function, training and development function, experienced domestic and expatriate managers, management experience and expertise, hands-on leadership, the "Marriott's Way" organisational culture and acquired domestic compatible goodwill:

> Our competitive advantage is that we care about our people, our associates…the "Marriott's Way" is the core capability to our success for over eighty years, which is based on the philosophy of if you treat your associates well, and in turn they will treat your customers well (Marriott General Manager 2, Personal Interview, 2011).

> …in the 1990s and even in the early 2000s investing in your employees and treating them well were not common management practices in China…Marriott is perceived as a very good employer in the Chinese market…it shows as Marriott was awarded the top employer in China by the Corporate Research Foundation (CRF) Institute in 2012 (Marriott Human Resources Director 1, Personal Interview, 2012).

According to Marriott's senior management, the "Marriott's Way" enabled the organisation to build productive relationships with its associates as well as to motivate them to improve their performance:

> Overall, good experienced managers are still looked upon as the person who set the brand standards in a country where human capital is still at a development stage and the "Marriott's Way" is still very effective in associates' training and development. Hopefully, we can keep them for as long as possible before our competitors poach them away (Marriott General Manager 1, Personal Interview, 2012).

6.2.5 Other Proprietary Brand Assets

During the entry stage, the Marriott's senior management reported that seven resources were employed for the strategic management of Other Proprietary Brand Assets. Table 6.5 (over page) provides a summary of these seven resources. Firstly, during the 1990s, a well-known international brand was an important indicator of success and quality to the domestic governments and hotel owners in China. Marriott's senior management reported that they needed to improve their international brand image in China due to the lack of exposure of Marriott brand in the domestic market. In order to do this, Marriott employed their international booking system to attract international guests from the US and other European markets to stay at their acquired domestic hotels when visiting China. Foreign hotel guests were perceived by the domestic market as an indicator of international success due to the limited number of foreign visitors to China during the early 1990s. The volume of foreign guests staying at Marriott's acquired domestic hotels enabled Marriott to promote its brand quality and trust, as well as its ability to attract the limited foreign visitors to China.

The combined resources employed for this promotional campaign included financial capital, acquired domestic hotels, marketing function, training and development

function, Marriott's international booking system, Marriott brand, Marriott's worldwide customer database, experienced expatriate managers, management experience and expertise and acquired domestic compatible goodwill:

> In the early days our international booking system was a hit, as it was able to bring in foreign guests from our overseas markets to visit China…we promoted it strongly as we knew other domestic hotels could not due to their lack of resources (Marriott Marketing Director 1, Personal Interview, 2009).

> The market soon associated Marriott as a quality brand due to the volume of foreign guests staying at our different hotels…domestic governments started to use our hotels as their preferred choice of hotels to entertain their guests due to our international image (Marriott General Manager 1, Personal Interview, 2009).

Table 6.5: Resources Employed to Strategically Manage Other Proprietary Brand Assets During the Entry Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide operations.
Marriott's Foreign Direct Investments (FDIs) in China.	• Acquired domestic hotels.
Marriott's Functional Business Areas.	• Marketing function. • Training and Development function.
Marriott's Internal Operating Systems and Programs.	• Marriott's international booking system. • Marriott's worldwide customer database.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Experienced expatriate managers. • Management experience and expertise.
Marriott's Acquired Domestic Compatible Goodwill.	• Compatible goodwill from acquired domestic hotels.

6.3 Entry Stage Summary

During the entry into China, Marriott's objective was to identify and acquire the resources and capabilities necessary to establish its desired market position. During the entry stage, eight resources associated with the strategic management of Brand

Equity have been identified; Table 6.6 (over page) summarises these eight resources and how they linked to the five brand assets. Six of the eight resources were identified as critical as they linked across all five brand assets throughout the entry stage. The six resources were: financial capital, FDIs, functional business areas, international brand reputation, human capital, and compatible goodwill. The remaining two resources were identified as important as they only linked to a limited number of the five brand assets during the same period.

Table 6.6: Resources Employed by Marriott to Strategically Manage Its Brand Equity During the Entry Stage (1997 – 2000)					
Resources	Brand Awareness	Brand Association	Perceived Quality	Brand Loyalty	Other Proprietary Brand Assets
Financial Capital.	Grey	Grey	Grey	Grey	Grey
FDIs.	Grey	Grey	Grey	Grey	Grey
Functional Business Areas.	Grey	Grey	Grey	Grey	Grey
Internal Systems & Programs.				Grey	Grey
International Brand Reputation.	Grey	Grey	Grey	Grey	Grey
Human Capital.	Grey	Grey	Grey	Grey	Grey
Domestic Stakeholder Relationships.	Grey	Grey	Grey	Grey	
Compatible Goodwill.	Grey	Grey	Grey	Grey	Grey

*Grey boxes indicate an observed linkage between the listed resource and the brand asset; white boxes indicate no observed linkage between the listed resource and the brand asset.

The results also indicate that four specific capabilities were employed by Marriott to leverage the eight resources with their strategic management of Brand Equity during the entry stage. These capabilities are as follows: Firstly, after establishing a presence in Hong Kong, Marriott actively sought growth opportunities in China. Extensive market research activities were conducted by the organisation to understand the intricacies of the Chinese market and to define how its brand could best be positioned in China. This market research capability provided Marriott with new market

knowledge to select its first gateway city of entry (i.e. Shanghai) and to explicitly define its desired market position in China. Secondly, Marriott carried out ongoing Brand Equity reviews to define its existing pool of resources and capabilities and to define the necessary resources and capabilities it required for its entry into China. Thirdly, based on the results of its Brand Equity reviews, Marriott was able to define the deficiencies between its existing and the necessary resources and capabilities it required to achieve its desired market position in China. These reviews sought the FDIs and human capital that were complimentary to Marriott's international brand reputation as well as strategically aligned with its desired market position in China. Lastly, Marriott sought to overcome the resource and capability deficiencies through deployment of internal resources and capabilities globally, acquisitions of compatible FDIs, and domestic recruitment of experienced managers to ensure it had the necessary resources and capabilities required to strategically manage its Brand Equity in China.

6.4 The Establishment Stage (2001 – 2012)

Since Marriott first entered into China, the economic environment and the market structure have changed significantly. Today, all major international hotel brands are operating in China and the domestic consumers are increasingly becoming more brands conscious as the domestic market continues to grow. As a consequence, the resources and capabilities for Marriott to strategically manage its Brand Equity also have to be further developed.

6.4.1 Brand Awareness

During the establishment stage, the Marriott's senior management reported that six resources were employed for the strategic management of Brand Awareness. Table 6.7 (below) provides a summary of these six resources.

Table 6.7: Resources Employed to Strategically Manage Brand Awareness During the Establishment Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide and domestic operations.
Marriott's Functional Business Areas.	• e-Commerce. • Marketing function. • Training and Development function. • Human Resource Management function.
Marriott's Internal Operating Systems and Programs.	• Marriott's official website. • Marriott Rewards loyalty program. • Marriott Rewards loyalty program membership.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Domestic experience and knowledge. • Experienced domestic managers. • Management experience and expertise.
Marriott's Domestic Stakeholder Relationships.	• Established networks of domestic managers.

Firstly, China's strong economic growth coupled with accelerated domestic business development had created various emerging segments in the domestic market during the 2000s. One of these emerging market segments was the domestic business sector with more domestic business travellers staying at international hotels while travelling for business. To compete for this new emerging market segment, Marriott's senior management reported implementing a series of targeted Brand Awareness marketing campaigns to reach and engage with the domestic business travellers. The core focus

underpinning these marketing campaigns was to provide business information and/or options with strategic relevance to this new emerging market segment:

> …with our aggressive promotion and marketing campaigns targeting local businessmen, the percentage composition of domestic business guests across our brands close to a key gateway city like Shanghai, is definitely increasing (Marriott General Manager 2, Personal Interview, 2010).

> …our website is one of the highest revenue producing websites in the hotel industry and with our loyalty program rewards, we are experiencing substantial growth of domestic business guests staying at our hotels in the second-tier cities such as Suzhou and Hangzhou (Marriott Sales Director 2, Personal Interview, 2010).

The business information and/or options including: pricing structure of Meetings, Incentives, Conferences and Exhibitions (MICE) and options such as the multiple brands under Marriott for their accommodation choice. To effectively generate positive Brand Awareness with this new emerging market segment, Marriott's senior management employed a combination of resources including financial capital, e-Commerce, marketing function, training and development function, Marriott's official website, Marriott Rewards loyalty program and its membership database and the Marriott brand. According to the Director of International e-Commerce of Marriott International, Marriott was not a household name in China as it was in the US during the early 2000s and the Marriott's official website was an effective way for the domestic customers to find out more about the organisation:

> …we do have leverage in how we reach out to the consumer directly through our loyalty program or website….In places like China, a website is not so much an exercise in selling hotel rooms. It's more of an exercise in brand awareness…we tried to let people know as much as possible about the local properties, the world of Marriott, Marriott Rewards, the organisation, employment opportunities (Luis Babicek, Director of International eCommerce of Marriott International in Babitch & Chen 2005).

Furthermore, based on the comments from Marriott's senior management, the marketing campaigns not only enabled Marriott to increase its Brand Awareness amongst the domestic business travellers, it also provided the organisation with valuable data to learn and understand the domestic consumers better:

> In the last three years [2002-2005], we have developed seventeen international sites…to learn about the different cultures, and how to tailor sites for the specific markets. We're interested in understanding Chinese consumer habits and upcoming market trends (Mariana Cavalcanti, Director of User Experience of Marriott International in Babitch & Chen 2005).

Secondly, according to the president and managing director of Marriott International - Asia Pacific, since its initial entry into China, Marriott had established commanding distribution and visibility of its brands in the key gateway cities (Marriott website, 2011c). For example, Marriott was the leading international hotel brand in Shanghai in 2011, with eighteen hotels operating across its brand portfolio and with five new hotels expected to be in operation by 2014 (Marriott website, 2011c). As part of Marriott's establishment strategy in China, Marriott's senior management reported continuing to actively seek, negotiate and secure properties with high growth opportunities in second-tier cities outside the major urban areas. Second-tier cities are located outside key gateway cities such as Shanghai and Beijing in different provinces across China.

In second-tier cities, the domestic governments and customers were the two major emerging market segments. These two major emerging market segments were increasingly expecting international hotels to provide localised products and services to serve and satisfy their needs. In second-tier cities, the domestic governments entertained their foreign and domestic VIP guests at international hotels and

showcased their domestic economic development by the number of international hotel brands operating in their cities:

> Domestic government officials are becoming more sophisticated with their demands and needs. More resources are needed to service this segment… they are one of our largest customer groups (JC Mandarin Hotel General Manager, Personal Interview, 2010).

> International hotels were a sign of economic development for the domestic government….using hotels such as the Marriott to entertain was viewed as a success by many local Chinese (Key Informant, Personal Interview, 2011).

> Marriott hotels in key gateway cities use different strategies to serve international guests; while in second-tier cities we focus more on localising our products and offerings to serve the domestic market (Marriott Marketing Director 2, Personal Interview, 2010).

Marriott's senior management recognised if they were to compete for these emerging market segments, one of the capabilities they required was to be able to promote and communicate to these segments on how Marriott could serve and satisfy their needs. To achieve this, Marriott's senior management reported implementing a similar but modified Brand Awareness strategy that they employed when first expanded into China during the 1990s by appointing experienced senior domestic managers to work closely with these two major emerging market segments in second-tier cities:

> …we get relocated to second-tier cities to manage our major clients [domestic governments and key stakeholders] and to train our management team to ensure our domestic customers get the services they want (Marriott General Manager 4, Personal Interview, 2009).

The combined resources employed to implement this Brand Awareness strategy included financial capital, human resource management function, the Marriott brand, domestic experience and knowledge, experienced domestic managers and management experience and expertise. According to Marriott's senior management,

the increased Brand Awareness enabled Marriott to grow its customer base in the second-tier cities:

> …we are seeing a redistribution of guest ratio in some of our hotels located in the second-tier cities. Some of them are having up to seventy per cent of their guests from the domestic market (Marriott General Manager 3, Personal Interview, 2011).

Lastly, when Marriott first entered into Mainland China, the hotel industry was considered an attractive industry to work in by the domestic workforce and hotels were often faced with the dilemma of too many qualified applicants for the limited positions. However, since the 1990s, the majority of international hotel chains have entered and established their operations in China. With the influx of international hotels and consistent double-digit gross domestic product growth, China has developed into a highly competitive labour market for the hotel industry. As the skilled and educated workers seek more secured and lucrative careers with government departments and multi-national organisations in other industries, the hotel industry was faced with ongoing skill-shortages:

> …if you see some strangers talking to your top managers, you can be certain that your top managers are being poached by your competitors (Parkyard Group General Manager, Personal Interview, 2011).

> The country [China] and its cities can build the world's most outstanding or tallest buildings in the world, but the skills level is still very much behind most of the developed markets (JC Mandarin Hotel General Manager, Personal Interview, 2010).

> It is becoming more difficult to employ and retain younger, quality staff because there are so many opportunities now open to young people in China (Mariana Cavalcanti, Director of User Experience of Marriott International in Babitch & Chen 2005).

Marriott's senior management reported that if they were to find enough skilled or qualified workers to fill the essential positions to maintain Marriott's level of service

quality, they needed to generate targeted Brand Awareness amongst these workers to promote Marriott as the preferred employer in the hotel industry:

> Our growth has been fast in emerging markets like China, but we have to do things differently to succeed. Manpower is an issue. Finding experienced associates is difficult….Awareness is an issue, so public relations and local marketing efforts are important to establish the brand (Belinda Pote, Senior Vice President of International Marketing of Marriott International in Babitch & Chen 2005).

To achieve this, Marriott's senior management reported implementing a two-tier recruitment strategy to source skilled and qualified workers to fill essential positions across its hotels. Firstly, Marriott's senior management employed the personal networks of their experienced domestic managers as a major part of their domestic recruitment marketing campaigns to identify and recruit suitable skilled and qualified workers. These personal networks included family members and relatives, friends, past work colleagues and government officials. Secondly, Marriott's senior management employed their experienced domestic managers' expertise and thorough understanding of the complexity of domestic employment context as a major part of their public relations process to assist in the negotiation of employment contracts. The combined resources employed by Marriott's senior management to successfully implement this two-tier recruitment strategy included financial capital, human resource management function, marketing function, training and development function, the Marriott brand, domestic experience and knowledge, experienced domestic managers, management experience and expertise and established networks of domestic managers:

> Senior managers are all Marriott people and the first job they do is to find domestic talent, as they know the domestic market (Marriott General Manager 1, Personal Interview, 2012).

We have a better understanding of domestic employment regulations and what governments are trying to achieve in the labour market…we are in a much better position to negotiate with all relevant authorities regarding employment terms and conditions (Marriott Human Director 1, Personal Interview, 2010).

According to Marriott's senior management, the two-tier recruitment strategy enabled Marriott to effectively source many of its skilled and qualified workers from across various provinces and cities:

…skilled employees with good language skills are one of the most important success factors in the Chinese hotel industry today…employees not only can speak Chinese, but also need to understand the subtle meanings behind the sentences is vital for the growing domestic demands…our extensive domestic networks assist us in finding our potential associates to fill positions across different functions and in different cities (Marriott General Manager 3, Personal Interview, 2012).

6.4.2 Brand Association

During the establishment stage, the Marriott's senior management reported that six resources were employed for the strategic management of Brand Association. Table 6.8 (below) provides a summary of these six resources.

Table 6.8: Resources Employed to Strategically Manage Brand Association During the Establishment Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide and domestic operations.
Marriott's Functional Business Areas.	• Human Resource Management function. • Marketing function.
Marriott's Internal Operating Systems and Programs.	• Marriott's official website. • Marriott Rewards loyalty program.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Experienced domestic and expatriate managers.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders.

Firstly, as part of Marriott's wider community Brand Association strategy in China, Marriott's senior management reported investing in various social responsibility and conservation programs across different provinces to promote their social commitment to the country. For example, the "Nobility of Nature" program was launched in 2010 and was designed to protect and improve water quality in both rural and urban areas in Sichuan Province and the counties of Pingwu and Yingjing:

> This enables us to demonstrate our shared vision of innovation, opportunity and respect for the environment while further strengthening our 20-year commitment to the people of China (President and Chief Operating Officer, Marriott website, 2010d).

The Sichuan Province was badly damaged by the 2008 earthquake and Marriott has so far invested US$500,000 as seed money to the program for providing funding for community development (Marriott website, 2010d). As part of this program, Marriott and the Ritz-Carton hotels announced their commitments to reduce their water and energy consumption by twenty five per cent by 2017 and actively promote this initiative through television video in all guest rooms. The combined resources employed for these social responsibility and conservation programs included financial capital, human resource management function, marketing function, Marriott's official website, the Marriott brand, experienced domestic and expatriate managers and productive relationships with domestic governments and key stakeholders:

> As I travel the world, I see how important social responsibility is to our guests, customers, associates and of course to our communities….The Nobility of Nature program in China is a great example of this approach. Marriott International extends its "Spirit to Serve" concept practiced in our hotels…to embrace the integration of social responsibility and sustainability in our business strategies…it was important to engage eight associates from Marriott hotels in Beijing, Shanghai, Suzhou, Guangzhou and Hong Kong in this visit (Arne Sorenson, President and Managing Director of Marriott International - Asia Pacific in China Newswire 2011).

As Marriott plans to open one hotel per month in China for the next three years, China is fast becoming its most important market outside the US (Marriott website, 2010d). According to Marriott's senior management, these social responsibility and conservation programs played an important role in creating positive association between Marriott and the wider community in China:

> …our social responsibility and conservation programs show that we care about the environments we operate in…the programs are well received by the various domestic governments, our customers, our suppliers as well as our associates (Marriott General Manager 1, Personal Interview, 2011).

> Marriott is committed to doing business in China and to the well-being of the Chinese people….Water is the key to prosperity and sustained economic growth. Helping to develop viable ways to preserve the water supply and conserve water in our hotels is important to our business, our associates and our customers (Chairman and Chief Executive Officer of Marriott International, Marriott website, 2010d).

Secondly, as the Chinese domestic tourism industry continued to develop, more leisure and business travellers were utilising domestic travel agents to recommend and book their travel requirements, including their accommodation needs. Marriott's senior management reported that they needed to build targeted Brand Association with the leisure and business traveller segments to gain access to new customers. One of Marriott's recent Brand Association strategies targeted at these segments was the strategic alliance partnership agreement between the Marriott Rewards loyalty program and Ctrip, one of China's leading travel agents. The Ctrip travel agency currently has China's largest hotel reservation network, with over 50,000 hotels in 138 countries (Marriott website, 2012a). The combined resources employed for this strategic alliance partnership included financial capital, marketing function, Marriott Rewards loyalty program and the Marriott brand. This loyalty program partnership

agreement provided Marriott with a strategic partner in China's growing tourism industry together with access to Ctrip's fifty million registered members in China:

> …in Asia Pacific…to build good brand associations and gain access to new customers….We undertake brand tracking studies to find out which attributes customers place importance on when choosing a hotel….We talk to our customers as we develop relationships with corporate companies and we seek out strategic partnerships to build alliance (Mariana Cavalcanti, Director of User Experience of Marriott International in Babitch & Chen 2005).

> China is arguably the world's most compelling tourism market today. Within the next 10 years, China is expected to be the world's single largest source of international tourism and its number-one travel destination (Chairman and Chief Executive Officer of Marriott International, Marriott website, 2010c).

According to Marriott's senior management, the new loyalty program partnership with the Ctrip was the natural progression from its distribution cooperation agreement signed back in 2010 and would provide improved services to both Marriott Rewards and Ctrip members:

> Ctrip is the most popular travel agent in China and is highly regarded by travellers in the country. We believe the co-operation…will further strengthen Ctrip's and Marriott International's leadership position in exceptional customer service and will be well received by both Marriott Rewards members and Ctrip users in China (President and Managing Director of Marriott International - Asia Pacific, Marriott website, 2012a).

> …up to seventy per cent of our hotel guests are domestic tour groups from different provinces…most of them are first-time travellers and come with organised tour groups to Shanghai for sight-seeing and shopping….The travel agents look after them on the road and we look after them here at the hotel (Marriott Marketing Director 3, Personal Interview, 2012).

6.4.3 Perceived Quality

During the establishment stage, the Marriott's senior management reported that six resources were employed for the strategic management of Perceived Quality. Table 6.9 (over page) provides a summary of these six resources. Firstly, with continuous

market reforms in the hotel industry and rapid internationalisation of domestically owned hotels, there was a general expectation that foreign hotel chains must be able to adapt in order to serve the needs and preferences of the growing domestic market in China:

> Due to economic growth, domestic customers are now patronising hotels….The domestic market is now a very important market for all hotels operating in China (Shangri-la Hotel Finance Director, Personal Interview, 2011).

Table 6.9: Resources Employed to Strategically Manage Perceived Quality During the Establishment Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide and domestic operations.
Marriott's Functional Business Areas.	• Human Resource Management function. • Marketing function. • Planning, Design and Development function. • Procurement and Logistic function. • Training and Development function.
Marriott's Internal Operating Systems and Programs.	• Internal information system.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Domestic experience and knowledge. • Experienced domestic and expatriate managers. • Management experience and expertise. • Marriott's hands-on leadership style.
Marriott's Domestic Stakeholder Relationships.	• Established networks of domestic managers.

To continue to build on its Perceived Quality with the domestic market, Marriott's senior management reported implementing a series of new hotel design and development programs in collaboration with domestic hotel owners. The newly developed hotels mainly located in the second-tier cities incorporated many specifically localised products and services to increase Marriott's Perceived Quality with the domestic customers. Some of the localised products and services being

offered by these hotels including: Localised Standard Operation Procedures (LSOP), professional domestic MICE supports, larger function rooms and ball rooms, certified function supports, localised food and beverage offerings, as well as centrally located hotel in close proximity to both business precincts and domestic tourist attractions. To effectively develop localised products and services for the domestic market, Marriott's senior management employed a combination of resources including financial capital, human resource management function, marketing function, planning, design and development function, the Marriott brand, domestic experience and knowledge, experienced domestic managers, management experience and expertise, hands-on leadership and established networks of domestic managers:

> …hotels in second-tier cities such as Suzhou and Hangzhou are focussing more on how to localise their food and beverage offerings to cater for the domestic customers' taste….Hotels are all investing in re-designing their spaces and re-bundling their resources to serve the domestic businesses better and to increase efficiency (Marriott Sales Director 2, Personal Interview, 2010).

> In China, people value the food and beverage service in hotels. This may have been the case in the US thirty years ago, but who really does this anymore in the US? But in China…the food and beverage operation is what carried the hotels….In China people tend to live in smaller houses, they're very socially active, but entertainment is not done in their homes, so they tend to be social in hotels. Food and beverage must be of top quality, and it is what maintains the hotel's existence (Luis Babicek, Director of eCommerce of Marriott International in Babitch & Chen 2005).

According to Marriott's senior management the newly developed hotels with their localised products and services enabled Marriott to increase its Perceived Quality with the domestic market, in particular in the second-tier cities:

> Marriott developed separate procedures for China as their international management procedures lack the ability to provide appropriate services to the regional guests in second-tier cities. These separate procedures are called local standard operation procedures (LSOP) (Key Informant, Personal Interview, 2011).

Our localised products and services [including domestic management and associates] are working very well for us…we market them as the Marriott quality with a 'local touch' (Marriott General Manager 2, Personal Interview, 2012).

Secondly, with domestic governments becoming more receptive to international business, they were more selective with foreign investments in their region and/or province and more concerned with how foreign brands could improve the image of their locale. Marriott's senior management reported that as part of their establishment strategy they needed to continue to increase Marriott's Perceived Quality with the domestic governments in new markets outside the key gateway cities. According to Marriott's senior management, being perceived as a leader in the hotel industry by the domestic governments and the state-owned enterprises (SOEs) and able to work closely with them and understand their needs were critical success factors in China:

The perception of being the best hotel is very important in the second-tier city, as the domestic governments and SOEs only want to entertain their guests at the best hotel in town….Marriott is considered one of the top brands and domestic customers are requesting to book Marriott as their preferred choice (Marriott General Manager 4, Personal Interview, 2011).

The domestic governments and state-owned-enterprises are two of our largest customer groups in the second-tier cities…domestic governments are becoming more sophisticated with their needs and more resources are needed to service this group of customer (Marriott General Manager 2, Personal Interview, 2012).

To increase Marriott's Perceived Quality with the domestic governments and SOEs in the second-tier cities, Marriott's senior management strategically selected their top senior domestic managers and promoted them as general managers in the second-tier cities to service the domestic customers, including the domestic governments and SOEs. The combined resources employed by Marriott's senior management to successfully implement this localised senior management promotion strategy to

increase Marriott's Perceived Quality in the second-tier cities included financial capital, human resource management function, the Marriott brand, domestic experience and knowledge, experienced domestic managers, management experience and expertise, hands-on leadership, and established networks of domestic managers:

> …we [Marriott] promote and deploy our domestic managers to the second-tier cities to ensure our domestic guests are looked after in the domestic ways, as they understand the domestic requirements better than some of our foreign managers (Marriott Human Resources Director 2, Personal Interview, 2011).

> As part of Marriott's "Spirit to Serve" value, we invest in our people and knowledge to provide our guests with high quality products, services and experiences (Marriott General Manager 1, Personal Interview, 2010).

According to Marriott's senior management, their domestic general managers enabled the organisation to provide relevant and localised services to serve the domestic market as well as to increase Marriott's Perceived Quality in the domestic market as an international brand with unique domestic quality:

> Hotel's strategy used to focus more on foreign guests, but now are more focussed on targeting the domestic government functions and domestic events (Marriott Marketing Director 1, Personal Interview, 2011).

> Marriott builds on its success by using its initial strategy coupled with domestic experience and learning…Marriott's new processes and services in China are blended with domestic culture to create a unique quality standard (Marriott General Manager 1, Personal Interview, 2012).

Lastly, with a commitment of 44 new hotels to be opened in the next five years, China had become one of the most important markets outside the US for Marriott (Marriott website, 2011c). To continue to increase its Perceived Quality with this important market outside the US, Marriott's senior management reported that they needed to be more responsive to the needs of the domestic market in China. To achieve this, Marriott became the first international hotel chain to relocate its Asia-

Pacific regional office to China (Hong Kong) together with its own president and a senior leadership team for the continent (Marriott website, 2011c). The Hong Kong regional office investment enabled Marriott to provide business functional services such as marketing, human resource management and training and development guidelines for all the Marriott hotels in China. To successfully relocate its Asia-Pacific regional office to China, Marriott's senior management employed a combination of resources including financial capital, human resource management function, planning, design and development function procurement and logistic function, internal information system, the Marriott brand and experienced domestic and expatriate managers:

> Marriott International's brands clearly resonate with our Chinese guests….Being based in Hong Kong and Beijing enables us to communicate face to face with our owners and customers and to be nimble and responsive to their needs. Asia is a key market for us, and China is the driver of Asia: we are totally committed to the country and to our operations here (President and Managing Director of Marriott International - Asia-Pacific, Marriott website, 2011c).

> Managers do not need to be an expert in all areas at Marriott; our regional office will provide us with timely and relevant information and guidelines for most operation requirements (Marriott General Manager 2, Personal Interview, 2011).

Furthermore, Marriott's senior management commissioned a dedicated Global Reservation Sales and Customer Care Centre in the city of Guangzhou in the Guangdong province in 2011. This centre was designed to service Marriott Worldwide Reservations, Customer Care and Marriott Rewards for Marriott's hotels throughout greater China (Marriott website, 2011c). As commented by the Vice President of Global Sales and Customer Care of Marriott International, this centre enabled Marriott to provide its domestic guests with high quality service:

> Marriott International is committed to China and to serving our ever-increasing number of Chinese guests in a location that offers an impressive labour talent at

a great value. With more than 50 hotels in China, and at least another 100 in some form of planning, China is a crucially important market to us - and is now by far our second biggest market anywhere in the world. We are committed to giving our guests what they want at every touch point along their journey with Marriott, and this dedicated Reservations and Customer Care Centre is key component of serving our Chinese guests (Marriott website, 2011e).

The combination of resources employed by Marriott's senior management to open this centre included financial capital, human resource management function, marketing function, planning, design and development function, training and development function, internal information system, the Marriott brand, experienced expatriate and domestic managers. According to Marriott's senior management, these recent investments (Hong Kong regional office and the Global Reservation Sales and Customer Care Centre) enabled Marriott to deliver high quality customer service with seamless connectivity to guests from the moment they check-in at the front desk to their airport departure:

> …we have very effective internal mechanisms to assist us in many aspects of operations…these systems surely make our lives easier (Marriott Sales Director 2, Personal Interview, 2012).

> Our new centre also acts as one of our marketing channels to provide the general public with relevant information of our hotels and to keep our existing guests informed with our latest offers (Marriott Marketing Director 2, Personal Interview, 2012).

6.4.4 Brand Loyalty

During the establishment stage, the Marriott's senior management reported that six resources were employed for the strategic management of Brand Loyalty. Table 6.10 (over page) provides a summary of these six resources. Firstly, with expanding domestic market and growing demands from the domestic governments and hotel owners, building Brand Loyalty with these two segments was becoming more

complex. For the domestic governments, their main concerns with international hotels were about how each brand could improve the image of their province/city and the economic contributions each hotel could generate for their economies. For the hotel owners, their main concerns with international hotels were how each brand could produce higher return on investments (ROIs) and the brand's ability to bring traffic to their development sites.

Table 6.10: Resources Employed to Strategically Manage Brand Loyalty During the Establishment Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide and domestic operations.
Marriott's Functional Business Areas.	• Human Resource Management function. • Marketing function. • Training and Development function. • e-Commerce. • Planning, Design and Development function. • Procurement and Logistic function.
Marriott's Internal Operating Systems and Programs.	• Internal information system. • Marriott Rewards loyalty program. • "Destination Marriott" career website. • Worldwide internship program.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Domestic experience and knowledge. • Experienced domestic and expatriate managers. • Management experience and expertise. • The "Marriott's Way" organisational culture. • Marriott's hands-on leadership style.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders. • Established networks of domestic managers.

Marriott's senior management recognised that for Marriott to continue to grow in China they needed to extend their existing relationships with the domestic governments and hotel owners from a purely productive oriented relationship to a loyal, long-lasting business partnership. To achieve this, Marriott's senior

management reported implementing a series of Brand Loyalty building campaigns offering customised values and benefits to specifically target the domestic governments and hotel owners. To build Brand Loyalty with the domestic governments, Marriott's senior management promoted their brand as an internationally recognised premium hotel with over 3,700 properties worldwide and with an ability to employ, train and develop domestic workers. The winning of the top employer in China award in 2012 further strengthened this ability:

> …hotel industry is one of the big employers in the market…the domestic governments still closely monitor our employment practices…they are turning the private sector into the modern iron rice bowl to look after the local Chinese workers (Marriott General Manager 3, Personal Interview, 2011).

> Since the Global Financial Crisis (GFC), we [Marriott] do not lay-off associates, but just do not replace them when they leave to try to keep the moral up (Marriott General Manager 2, Personal Interview, 2010).

> As part of Marriott's "Spirit to Serve" value, we invest in our people and knowledge to provide our guests with high quality products, services and experiences (Marriott General Manager 1, Personal Interview, 2010).

To build Brand Loyalty with the domestic hotel owners, Marriott's senior management continued to promote their brand as the leader in the domestic market with 56 hotels operating across both key gateway and second-tier cities and with another 44 new hotels to be opened in the next five years. This leadership position enabled Marriott to attract other businesses to be developed near and around their hotels. The ability to attract other businesses was considered one of the critical success factors by the domestic hotel owners. Marriott's senior management also promoted their ability to consistently meet contractual agreements with the full support from their global operations. Furthermore, Marriott's senior management systematically appointed their domestic hotel owner's representative as part of their

hotel senior management team and/or as the domestic contact representing the hotel owner to liaise and coordinate with the domestic governments and major suppliers:

> …with more brands available, the hotel owners are becoming more demanding with very specific requests for the hotel management organisation…they want more than just your famous brand, they want returns, good returns and traffic…Marriott's strategies are to aggressively promote our offerings to the domestic market and to capture all segments with our different brands (Marriott Marketing Director 4, Personal Interview, 2010).
>
> Marriott appoints their domestic hotel owner's representative as the assistant hotel general manager or as the main contact to deal with the domestic government officials or major suppliers (Key Informant, Personal Interview, 2012).

The combined resources employed by Marriott's senior management to build Brand Loyalty with the domestic governments and hotel owners included financial capital, human resource management function, marketing function, training and development function, internal information system, the Marriott brand, domestic experience and knowledge, experienced domestic and expatriate managers, management experience and expertise, the "Marriott's Way" organisational culture, productive relationships with domestic governments and key stakeholders and established networks of domestic managers. According to Marriott's senior management, these Brand Loyalty building campaigns enabled Marriott to continue to develop and expand across China:

> Another success factor in China is to know how to deal with the domestic market…the relationship between the hotel owner and the management team is very important to the success of the hotel (Marriott Sales Director 1, Personal Interview, 2012).
>
> In China, the market leading brands sell…we [Marriott] adapt to the environment rather than trying to change the system…we have a very strong culture and we do the same things in different settings….we invest in capital and people to create unique strategies to cater for our guests, associates, domestic governments and hotel owners…we leverage our parent organisation's internal processes to deliver our promises and to maintain profitability (Marriott General Manager 4, Personal Interview, 2011).

Secondly, Marriott's senior management recognised if they were to maintain their market leadership in China they needed to increase Marriott's Brand Loyalty with the increasingly sophisticated domestic guests. To achieve this, Marriott's senior management introduced a range of value-added products and services to improve the overall customer experience for the domestic guests when they visit Marriott. For example, Marriott's senior management reported introducing various business initiatives to meet the specific needs of the business segment. Initiatives such as "Meeting in China" and "Seamless Meetings" together with in-house certified meeting planners were designed to provide organised, friendly and hassle-free meeting and conference services:

> Marriott Hotels provide the most comprehensive, end-to-end solution for a wide array of events…event planner with a visible and accessible method to communicate customers' needs and program changes. Technology Marriott Hotels and Resorts provide ample function space, catered events, Internet access in meeting areas and public spaces (Marriott website, 2011d).

Other value-added products and services included free high-speed Internet access for all Marriott Rewards members when they stay at any Marriott hotel in Asia, luxurious Marriott signature bedding, new multi-purpose lobby designed for guests as well as domestic residents to meet friends and colleagues, domestic knowledge and staffing, destination restaurants and upgraded in-room entertainment and bathroom amenities. The combined resources employed by Marriott's senior management to build on its existing Brand Loyalty with the domestic guests included financial capital, e-Commerce and User Experience teams, human resource management function, marketing function, planning, design and development function, procurement and logistic function, training and development function, Marriott Rewards loyalty program, the Marriott brand, domestic experience and knowledge, experienced domestic and expatriate managers, management experience and expertise. According

to Marriott's senior management, the continuing upgrades of facilities and the introduction of value-added products and services enabled Marriott to continue to build its Brand Loyalty with the domestic guests in China:

> In China, the Marriott Rewards points are very important to our customer loyalty…especially now that they can use their points with the Ctrip travel agents across China…our Marriott Rewards program is a real winner for us (Marriott Marketing Director 1, Personal Interview, 2012).

> …membership of Marriott Rewards has increased some 50 per cent in Asia in the past three years [2009-2011], the rate of growth among Chinese guests has been almost double that with China now the fastest growing market in the world for the program. Marriott Rewards membership is expected to double in China by 2012 (President and Managing Director of Marriott International - Asia-Pacific, Marriott website, 2011c).

> …free high-speed Internet, our new business services and the Marriott Rewards points have all been perceived as good value by our guests…keep them happy and they will come back with their friends (Marriott Sales Director 1, Personal Interview, 2011).

Lastly, as skill-shortages continued to be one of the major challenges faced by the hotel industry in China, Marriott's senior management reported implementing a series of strategies to build Brand Loyalty with both of its internal and external labour markets. Internally, Marriott's senior management implemented different employment strategies specifically designed to promote and retain existing experienced domestic managers together with a wide-range of world-class in-house multidisciplinary training and development programs to up skill all associates as part of their internal Brand Loyalty building campaigns in China. For example, to provide experienced domestic managers with personal growth and distinctive career paths, Marriott's senior management strategically promoted all new domestic general managers to the newly developed hotels in the second-tier cities. This promotion strategy was designed to achieve three specific objectives: firstly, as a major part of the domestic

senior management succession planning process; secondly, as an incentive to build loyalty with and to retain their experienced domestic managers; and lastly, to leverage their experienced domestic managers' knowledge and networks to work closely with the domestic governments and to serve the emerging domestic segments in the second-tier cities. As part of its Global Diversity and Inclusion policy and Women's Leadership Development Initiative, Marriott's senior management continue to develop and promote their experienced domestic female managers to senior management positions. As a result, there are five female general managers managing different Marriott hotels in China in 2012:

> …four of us are local Chinese and we are very proud of being a female general manager of one of the world's largest hotel organisation and the winner of the Top 50 Companies for Women in 2011….We encourage all female associates at our own hotel to aim high as many opportunities are available to all of us (Marriott General Manager 4, Personal Interview, 2012).

> Marriott uses the second-tier cities as part of their domestic executive promotion strategy…it gives Marriott the domestic representation it needs in these cities, it also acts as an incentive to retain managers and to increase staff loyalty (Key Informant, Personal Interview, 2012).

> Human capital capabilities are becoming more important than having a western manager…western management strategy no longer requires a certain number of foreigners working as staff to operate in China….Foreign managers no longer have the monopoly of first pick of all the good positions (Marriott Human Resources Director 3, Personal Interview, 2012).

To build Brand Loyalty and up-skill existing associates, Marriott's senior management continued to provide on the job training for all associates' growth and development throughout their careers. For example, an average 78 hours of on the job training plus another thirty-four hours of professional development is provided to each associate every year (Marriott website, 2012c). For more senior associates, Marriott's

senior management provided them with specialised career and training paths to ensure they were prepared for future management positions:

> Marriott is very good with their in-house training programs….we were spending around US$800.00 per manager per year in training expense back in the early 2000s…we value our skilled associates and in China where hospitality skills are very hard to find, we use our in-house training programs to increase our available pool of skilled human resources (Marriott General Manager 1, Personal Interview, 2011).

> A fluent Mandarin speaking expatriate manager is still a rare resource in today's market, but we commonly transfer them across our hotels internally….one of our immediate issues is finding enough English speaking associates…English language skills are still considered to be low in China and that causes us concern with regard to our service quality level (Marriott Human Resources Director 1, Personal Interview, 2011).

Externally, Marriott's senior management continued to build their Brand Loyalty with the external labour market by actively engaging with domestic hospitality training schools across China as well as selectively inviting suitable candidates to participate in their internship program. Furthermore, Marriott's senior management continued to promote the "Marriott's Way" organisational culture on their recently launched "Destination Marriott" career website. The "Destination Marriott" career website was designed to assist potential employees to apply for the various careers available at Marriott worldwide and to highlight the various benefits and rewards enjoyed by Marriott's associates:

> Marriott's internship program works very well as a screening process…we often have a number of domestic and international interns working at our hotels and we filter out the potential interns and offer them positions in the hotels. Many of them ended up being one of our functional managers…our internship program is an important source of talents…there are many workers in the market, but to find suitable workers that speak English with good customer skills is very difficult…we are not only competing with other hotels, we are competing with all industries including the domestic government departments for talents (Marriott General Manager 3, Personal Interview, 2012).

At Marriott, everything we do is built on our culture of "people first."….We are committed to providing an environment where employees have the opportunity to achieve their potential….We are proud that our inclusive culture is the main ingredient that sets us apart from other companies. We know that when our employees feel valued and respected, they'll help make our guests feel that way too (Marriott website, 2012d).

For the more senior positions within Marriott, the senior management continued to leverage their domestic managers' networks to seek out and appoint experienced managers, including from competitors. The combined resources employed by Marriott's senior management to build Brand Loyalty with their internal and external labour markets included financial capital, human resource management function, marketing function, training and development function, "Destination Marriott" career website, worldwide internship program, the Marriott brand, domestic experience and knowledge, experienced domestic managers, management experience and expertise, hands-on leadership, the "Marriott's Way" organisational culture, productive relationships with domestic governments and key stakeholders and established networks of domestic managers. According to Marriott's senior management, their Brand Building campaigns with both the internal and external labour markets provided Marriott with a skilled labour force to consistently deliver its brand promises:

We [Marriott] work very closely with the domestic hospitality training schools in China…we get good students from some of these schools…our in-house training programs help the students to get up to our standards pretty quickly once they have started with us (Marriott Human Resources Director 3, Personal Interview, 2011).

Senior managers are all Marriott people and the first job they do is to find domestic talent, as they know the domestic market....People and brand power are two of the most critical success factors in the Chinese hotel industry today (Marriott General Manager 1, Personal Interview, 2012).

6.4.5 Other Proprietary Brand Assets

During the establishment stage, the Marriott's senior management reported that six resources were employed for the strategic management of Other Proprietary Brand Assets. Table 6.11 (below) provides a summary of these six resources.

Table 6.11: Resources Employed to Strategically Manage Other Proprietary Brand Assets During the Establishment Stage	
Tangible Resources	**Description**
Marriott's Financial Capital.	• Financial capital generated from worldwide and domestic operations.
Marriott's Functional Business Areas.	• Human Resource Management function. • Marketing function. • Procurement and Logistic function. • Security and Loss Prevention function. • Training and Development function.
Marriott's Internal Operating Systems and Programs.	• Internal information system.
Intangible Resources	**Description**
Marriott's International Reputation.	• The Marriott brand.
Marriott's Human Capital.	• Domestic experience and knowledge. • Experienced domestic and expatriate managers. • Management experience and expertise. • The "Marriott's Way" organisational culture.
Marriott's Domestic Stakeholder Relationships.	• Productive relationships with domestic governments and key stakeholders. • Established networks of domestic managers.

Marriott's senior management recognised that when major domestic hotel chains develop their skills and establish their global branding, they would pose a serious threat to Marriott's operation in China. To maintain Marriott's market leadership position and ability to deliver its brand's promises in China, Marriott's senior management reported investing additional resources to protect Marriott's premium operating systems and profitability. Furthermore, a series of localised strategies were

implemented to manage Marriott's inventories and its vast network of domestic suppliers across China:

> Domestic hotels lack global brand recognition and network, they also have under-developed administrative and operation processes….We leverage our parent organisation's internal systems and processes to gain competitive advantage and to maintain profitability…we share world trends information to adjust our operations and we share guests by cross-booking (Marriott General Manager 3, Personal Interview, 2009).

> …domestic hotel groups are still developing and learning from international hotels around the world, but they are catching up fast. In areas such as how to serve wealthy domestic customers, they are surpassing some international hotel groups (JC Mandarin Hotel General Manager, Personal Interview, 2009).

To maintain its market leadership position in China, Marriott's senior management continued to strategically build and market their brand as a preferred employer in the domestic market. Being a preferred employer enabled Marriott to select and recruit a skilled workforce to maintain and deliver its quality service level and to combat protected domestic competitors:

> Marriott is perceived as a very good employer in the Chinese market…it shows as Marriott was awarded the top employer in China by the Corporate Research Foundation (CRF) Institute in 2012 (Marriott Human Resources Director 1, Personal Interview, 2012).

> …the one child policy has contributed to the current skill-shortage situation in China. However, hotels are also competing with the domestic government departments for skilled employees, as the domestic governments are now providing benefits such as welfare, less hours and higher salaries to attract talents (Parkyard Group General Manager, Personal Interview, 2009).

Additional resources invested by Marriott's senior management to protect their premium operating systems and profitability included a dedicated domestic employment function to manage and resolve employment issues between Marriott, the associates and domestic government departments as well as extra security

measures such as Closed-Circuit Television (CCTV) and other equipment to monitor and to perform as an extra communication channel to inform associates that they are being monitored:

> International hotels are struggling to implement autonomous workplace conditions, or empowerment process in China due to its "fear to get into trouble" culture and the extremely tough employment regulations…we have dedicated human resources officers to deal with the various domestic government departments for all our domestic employment issues (Marriott General Manager 3, Personal Interview, 2011).

> …we constantly have to keep an eye on our employees and to let them know that they are being watched to protect our profits. For example, we caught two associates stealing from us, but we could not sack them due to various domestic employment protection regulations…we ended up paying them compensation to get them out of our hotel (JC Mandarin Hotel General Manager, Personal Interview, 2009).

The series of localised strategies implemented by Marriott's senior management to manage Marriott's inventories and its vast network of domestic suppliers across China included extensive internal supervision and rigorous auditing and accounting processes to effectively manage Marriott's inventories. Furthermore, Marriott's senior management also strategically invested in procurement technology to expand its distribution channels and networks with domestic suppliers to secure essential high quality and ethical products and services in the increasingly more intricate domestic market in China:

> …we [Marriott] put in extra resources and formalised procedures and guidelines to ensure all our systems and processes are working according to different policies and to protect our profit margins (Marriott General Manager 1, Personal Interview, 2010).

> Our suppliers play a vital role in upholding Marriott's reputation for excellence with guests, associates, business partners, and other important stakeholders. We have high, yet achievable, standards for sourcing the best quality goods and services….doing business with those who do the same will help us maintain a

competitive advantage and the pride and confidence of our associates, customers and clients (Marriott website, 2012c).

The combined resources employed by the senior management Marriott to maintain Marriott's market leadership position, to combat protected domestic competitors and to manage its inventories and vast network of domestic suppliers across China included financial capital, e-Commerce, human resource management function, marketing function, procurement and logistic function, security and loss prevention function, training and development function, internal information system, domestic experience and knowledge, experienced domestic and expatriate managers, management experience and expertise, the "Marriott's Way" organisational culture, established networks of domestic managers and productive relationships with domestic governments and key stakeholders. According to Marriott's senior management, these extra resources and localised strategies enabled Marriott to maintain its market position and to fulfil its brand's promises in China:

> Marriott has a very effective and low risks procurement and logistic system, we work closely with our suppliers to build reliable and profitable relationships and to expand our network in China…we have very tight control on costs and following the system is vitally important, as the system make things run smoothly and we depend on good quality products or services to satisfy our guests (Marriott General Manager 3, Personal Interview, 2012).

6.5 Establishment Stage Summary (2001 - 2012)

During the establishment stage, Marriott's objective was to continually establish and develop its desired market position in China. Based on the results of the establishment stage, six resources associated with Marriott's strategic management of Brand Equity have been identified; Table 6.12 (over page) summarises these six resources and how they linked to the five brand assets. All six resources were identified as critical as they linked across all five brand assets throughout the

establishment stage. The six resources were: financial capital, functional business areas, internal systems and programs, international brand reputation, human capital, and domestic stakeholder relationships. Interestingly, two resources employed during the entry stage (i.e. FDIs and compatible goodwill) were no longer identified as critical as they were not linked to the five brand assets during the establishment stage.

Table 6.12: Resources Employed by Marriott to Strategically Manage Its Brand Equity During the Establishment Stage (2001-2012)					
Resources	Brand Awareness	Brand Association	Perceived Quality	Brand Loyalty	Other Proprietary Brand Assets
Financial Capital.	■	■	■	■	■
FDIs.					
Functional Business Areas.	■	■	■	■	■
Internal Systems & Programs.	■	■	■	■	■
International Brand Reputation.	■	■	■	■	■
Human Capital.	■	■	■	■	■
Compatible Goodwill.					
Domestic Stakeholder Relationships.	■	■	■	■	■

*Grey boxes indicate an observed linkage between the listed resource and the brand asset; white boxes indicate no observed linkage between the listed resource and the brand asset.

The results indicate that Marriott continued to demonstrate three capabilities (i.e. Brand Equity reviews, defining the resources and capabilities 'gap', and obtaining and gaining control of necessary resources and capabilities it required to strategically manage its Brand Equity) it employed during the entry stage as well as a new capability to leverage the six resources with their strategic management of Brand Equity during the establishment stage. These capabilities are as follows: firstly, Marriott continued to conduct Brand Equity reviews to evaluate the effectiveness of its existing pool of resources and capabilities to strategically manage its Brand Equity under the dynamic competitive and environmental conditions across the gateway and second-tier cities in China. Secondly, Marriott continued to use its Brand Equity

reviews to define the deficiencies between its existing and necessary resources and capabilities in the different cities, serving different customer segments across China. These reviews continued to identify the human capital and stakeholder groups that were strategically aligned with Marriott's desired market position. Thirdly, Marriott continued to deploy, acquire and develop resources to strategically manage its Brand Equity in the different cities, serving different customer segments across China throughout the establishment stage. Lastly, the new capability indicated that Marriott continued to invest in marketing campaigns to promote its brand promises to the various domestic consumer segments and major stakeholders (i.e. governments, hotel developers, employees and suppliers) and to develop new localised resources and capabilities (including the deployment of its human capital across China) to maintain and develop its Brand Equity during the establishment stage.

6.6 Results Chapter Summary

This chapter provided an analysis of the results obtained from personal interviews and secondary data collected in this research. Then it provided an account of how the identified resources and capabilities employed by Marriott were associated with the five individual brand assets and how Marriott leveraged these resources to create new resource combinations to strategically manage its Brand Equity during its different stages of operation in China. This chapter concluded with a summary of Marriott's ability to learn and adapt to successfully compete in a dynamic emerging market like China. The following chapter will provide a discussion of Marriott's strategic management of Brand Equity in China, through which it will specifically address the research question posed in Chapter Three.

7.1 Introduction

The focus of this chapter is to present an overview of the research findings. As such, the objectives of this chapter are three-fold: Firstly, it provides a discussion of the research findings by answering the specific research question posed in Chapter Three. Secondly, this chapter presents the contribution to knowledge of this research research area and the implications of the research question addressed in this research. Finally, this chapter concludes with the limitations and future research direction of this research.

7.2 The Research Question: *What are the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets?*

The research question was investigated through an extensive review of primary and secondary data pertaining to the development and the strategic management of Brand Equity of a single case study. The secondary data research was analysed in order to formulate the set of questions used in the semi-structures interview process.

7.3 Discussion of the Research Findings

7.3.1 Antecedent Resources Associated with the Strategic Management of Brand Equity in Emerging Markets

The findings of this research identified eight resources that were associated with the strategic management of Brand Equity in an emerging market. Table 7.1 (over page)

summaries these eight resources into tangible and intangible resources according to the RBV of the firm.

Table 7.1 Summary of the Antecedent Resources Associated with the Strategic Management of Brand Equity in Emerging Markets

Tangible Resources	Intangible Resources
• Financial Capital.	• International Brand Reputation.
• Functional Business Areas.	• Human Capital.
• Internal Systems and Programs.	• Compatible Goodwill.
• Foreign Direct Investments (FDIs).	• Domestic Stakeholder Relationships.

The roles that the four tangible resources identified in Table 7.1 play in the strategic management of Brand Equity in an emerging market are as follows: 'Financial Capital' requires the organisation to explicitly define the desired market position that it wishes to attain in an emerging market, and to sufficiently fund the associated organisational activities to achieve and develop that position over time. For example, organisations must allocate sufficient financial capital to fund market research, acquire the necessary resources, and to implement strategies to establish, maintain and protect their Brand Equity. The 'Business Functions' resource requires the organisation to actively build and maintain relationships between key business functional areas within the organisation (i.e. Human Resources, Finance, Procurement and Distribution, and Research and Development) to gain 'buy-in' and commitment to support and contribute to the attainment of the organisation's desired market position. For example, the organisation must be able to effectively negotiate over the notion of cost and profit when determining pricing strategy with the Finance function, or to plan the required training and development programs for domestic workforce in an emerging market with the Human Resource function. The 'Internal Operating Systems and Programs' resource requires the organisation to establish knowledge of

its internal operating systems and programs (i.e. 'what functions control what systems/programs?'). Furthermore, they need to have an understanding of how internal operating systems and programs support the desired market position in an emerging market. For example, an existing customer loyalty program may need to be adjusted to accommodate cultural differences in an emerging market, or current financial reporting systems may be inadequate for more complex accounting requirements in an emerging market. The 'FDIs' resource requires the organisation to have well-defined perspectives of the capacity required (i.e. physical and reputational resources) to deliver its brand promises to attain the desired market position in an emerging market. For example, FDIs must provide the organisation with scope and scale that align with its current and future strategic direction. Furthermore, the FDIs must also be consistent with the organisation's quality standards to maintain its desired market position.

The roles that the four intangible resources identified in Table 7.1 play in the strategic management of Brand Equity in an emerging market are as follows: The 'International Brand Reputation' resource requires the organisation to develop and implement brand strategies to introduce, educate, reinforce and deliver upon the existing international brand reputation to the extent it supports the desired market position in an emerging market. For example, if FDI is used as an entry strategy into an emerging market, the organisation must implement strategies to introduce its brand (i.e. reputation and promises) to the domestic customers and major stakeholders. Furthermore, internal marketing strategy is required to instil the organisation's existing organisational culture to the domestic workforce to ensure the organisation's promises are delivered and maintained. The 'Human Capital' resource requires the

organisation to continually audit its human capital and to take strategic measures to overcome any deficiency as it related to achieving the desired market position in an emerging market. For example, one of the major challenges faced by multinational organisations in emerging markets is skills shortage: to fulfil brand promises in an emerging market, the organisation must ensure targeted training and development programs to up-skill the domestic workforce that can effectively be delivered across markets. The 'Compatible Goodwill' resource requires the organisation to ascertain the strategic fit that exists between a potential acquisition and its desired market position. For example, when acquiring an established domestic business, the organisation needs to consider beyond the tangible attributes of the business. Tangible attributes such as current financial position, location and the physical scope and scale capacity of the business are important determinants of an acquisition. However, intangible attributes such as the expectations from existing customers and employees, human capital, organisational culture and major supplier relationships must also align with the organisation's strategic fit to attain its desired market position. The 'Domestic Stakeholder Relationships' resource requires the organisation to identify the various stakeholders it deals with in each emerging market it operates in and to 'map out' their salient and strategic interests in the organisation's desired market position. For example, the organisation seeks different outcomes with its various stakeholders (i.e. domestic governments, consumer groups and financial institutions) to attain desired market position in emerging markets. Thus, it must give appropriate priorities in attending to relationships with them to gain reciprocal behaviour and to use its stakeholders' multiple perspectives as a resource to establish and develop desired market position.

7.3.2 Antecedent Capabilities Associated with the Strategic Management of Brand Equity in an Emerging Market

The findings identify five critical capabilities necessary to strategically manage Brand Equity in an emerging market. The first is the capability to effectively define the desired market position for the organisation in an emerging market (and by extension, communicate this position throughout the organisation). This capability requires the organisation to allocate sufficient financial capital to conduct market research to establish the organisation's current brand position amongst the array of competitors and to identify new market opportunities stemming from domestic governments' market development. Furthermore, the dynamic social and demographical trends together with the growing/changing consumer segments must also be captured as part of the overall market research in defining the organisation's desired market position. Once the desired market position has been explicitly defined, it must be effectively communicated throughout the organisation to gain 'buy-in' from all relevant business functional areas.

The second is the capability to continually conduct effective 'Brand Equity audits'. This capability requires the organisation to allocate sufficient financial capital to conduct continual Brand Equity audits to define its extant resources and capabilities and how each of these resources and capabilities is aligned with the strategic management of Brand Equity. The Brand Equity audits must also identify the role each business functional area plays and how these roles together with the internal systems and programs are leveraged to attain the desired market position. To effectively conduct Brand Equity audits, the organisation may require external auditors to assist in identifying and understanding the evolutionary perspectives of

resources and capabilities and how they may be relevant at home, but can be obsolete in the dynamic market and political environments in emerging markets.

The third is the capability to accurately define the 'gap' between the organisation's extant and necessary resources and capabilities to attain the desired market position. This capability requires the organisation to allocate sufficient financial capital to review and establish the variance between the extant and necessary resources and capabilities based on the Brand Equity audits and the desired market position. Thus, this will specifically identify any excess and/or deficiency within the current pool of resources and capabilities associated with the strategic management of Brand Equity to attain the desired market position.

The fourth is the capability to develop, acquire and gain control of any necessary resources and capabilities to attain the desired market position. This capability requires the organisation to allocate sufficient financial capital to implement strategies to obtain the necessary resources and capabilities that have been defined as deficient and to reduce or redeploy all excess resources and capabilities to business functional areas or markets where they are required to attain the desired market position. Strategies may include acquisitions of compatible domestic businesses, goodwill and human capital in an emerging market and the development of new products/services, as well as training and development programs to up- skill workforce.

The fifth is the capability to establish and develop the desired market position in the emerging market. This capability requires the organisation to allocate sufficient

financial capital to implement Brand Equity strategies to establish and to continually develop its desired market position amid the dynamic and competitive environment in the emerging markets. Strategies may include specific marketing campaigns to introduce and educate the domestic consumers and potential employees. The deployment of human capital and the integration of organisation internal systems and programs also play an important role in both the entry and establishment stages in the strategic management of Brand Equity. Furthermore, with increased competition and a dynamic market environment, the organisation needs to ensure that its salient stakeholders (i.e. domestic government officials, developers and financial institutions) are strategically managed to gain cooperation and assistance to establish and develop its desired market position in the emerging markets.

This section presented the eight antecedent resources identified in the findings and the role each plays in the strategic management of Brand Equity in an emerging market. The section also presented the five antecedent capabilities that were necessary to leverage these eight resources to attain a desired market position. The next section will provide a discussion of four specific implications for theory arising from the findings of this research.

7.4 Implications for Theory

7.4.1 Relative Importance of Resources

The findings demonstrate that some of the resources associated with the strategic management of Brand Equity were relatively more important than others across the five brand assets. For example, the 'Financial Capital' resource was linked to all five of the Brand Equity assets, whereas, the 'Internal Operating Systems and Programs'

resources was initially linked to only two of the brand assets (see Table 6.6 and 6.12). This suggests that to strategically manage Brand Equity both effectively and efficiently, organisations need to understand how specific resources are linked to each of the five brand assets: failure to understand these relationships will likely result in an inefficient allocation of resources to brand assets and reduce the effectiveness in achieving the desired market position. This finding provides a finer-grained understanding of the role that resources play (i.e. their relative importance) in the attainment of desired organisational outcomes. Some resources are critical to all of the desired organisational outcomes, whilst others are only relevant to a few of them. In this case, the desired organisational outcomes were leveraged by the five brand assets; however, other organisational outcomes can also be leveraged by whatever variables a specific context requires. Given the call by strategic management scholars to improve our understanding of potentially useful resources classifications (see Fahy 2000), the findings here may provide a basis for further exploration of resource typologies based on strategic relevance.

7.4.2 The Impact of Time on the Relative Importance of Resources

The findings demonstrated that the relative importance of the resources (as they related to the five brand assets) changed as time progressed. Table 7.2 (over page) illustrates the change in the relative importance of the resources as Marriott progressed from its initial entry into China (1997-2000), through to its establishment in fifteen major cities across the country (2001-2012) as it became a major player in the market.

Table 7.2 The Relative Importance of Resources Over Time

Entry Stage (1997-2000)						
Resources	Brand Awareness	Brand Association	Perceived Quality	Brand Loyalty	Other Proprietary Brand Assets	Relative Importance to Brand Equity
Financial Capital.	■	■	■	■	■	Critical.
Functional Business Areas.	■	■	■	■	■	Critical.
Internal Systems & Programs.				■	■	Important.
FDIs.	■	■	■	■	■	Critical.
International Brand Reputation.	■	■	■	■	■	Critical.
Human Capital.	■	■	■	■	■	Critical.
Compatible Goodwill.	■	■	■	■	■	Critical.
Domestic Stakeholder Relationships.	■	■	■	■		Important.
Establishment Stage (2001-2012)						
Resources	Brand Awareness	Brand Association	Perceived Quality	Brand Loyalty	Other Proprietary Brand Assets	Relative Importance to Brand Equity
Financial Capital.	■	■	■	■	■	Critical.
Functional Business Areas.	■	■	■	■	■	Critical.
Internal Systems & Programs.	■	■	■	■	■	Critical.
FDIs.						
International Brand Reputation.	■	■	■	■	■	Critical.
Human Capital.	■	■	■	■	■	Critical.
Compatible Goodwill.						
Domestic Stakeholder Relationships.	■	■	■	■	■	Critical.

*Grey boxes indicate an observed linkage between the listed resource and the brand asset; white boxes indicate no observed linkage between the listed resource and the brand asset.

Table 7.2 illustrates that during the initial entry stage, eight resources were relevant to strategically managing the five brand assets, with six linked to all five brand assets (i.e. critical to the strategic management of Brand Equity), and two linked to two or more brand assets (i.e. important to the strategic management of Brand Equity). Table 7.2 also demonstrates, however, that as time progressed (in terms of Marriott's continued establishment in China), the ratio changed somewhat: only six of the

original eight resources were linked to the five brand assets – and all six were considered 'critical' to the strategic management of Brand Equity. This finding is consistent with the tenets of the Product Life Cycle (PLC) model, which suggests that as organisations progress through operational cycles, they need to adapt their chosen strategy (and by extension, their store and use of resources) to suit the prevailing environmental dynamic (see Anderson & Zeithaml 1984; Karakaya & Kerin 2007; Vernon 1966). The findings in this research are necessarily limited to Marriott's entry and establishment into the Chinese market, which may be equated with the PLC's 'Introduction' and 'Growth' stages: there may be potential for the PLC, therefore, to act as an organising framework for future research into the strategic management of Brand Equity for the international business context.

7.4.3 Compatible Goodwill as a Resource

The concept of goodwill is commonly used by accountants and analysts in business to measure the asset value of a brand name (Ehrbar 1998). When one organisation acquires another, the existence of goodwill (i.e. advertising and research and development) has the fundamental property of an investment, as they can affect the future value of the organisation (Mueller & Supina 2002).

The findings of this research suggest that when an organisation wishes to expand their operations into an emerging market, but possess limited-to-zero levels of Brand Equity in that emerging market, there is an opportunity for it to circumvent the issue in the short term by purchasing compatible goodwill. Compatible goodwill represents any FDI whose existing reputation and/or capabilities are commensurate with the desired market position of the internationalising organisation. It is incumbent on the

organisation, therefore, to determine what potential FDI targets are available for purchase in a foreign country, and more importantly, the degree to which specific FDI targets are a 'strategic fit' with the organisation's desired market position. For example, it may be the case that a premium Western hotel chain wishes to expand its operations into an emerging market, and that upon inspection there are numerous domestic hotels available for purchase. In such cases, the organisation needs to ensure that the extant reputation/capabilities/properties of the potential domestic hotels are consistent with the desired market position that it wants to attain. Failure to ascertain the strategic fit of potential FDI, that is its compatible goodwill, will necessarily imperil the organisation's ability to target appropriate FDIs in the first instance, and require the organisation to allocate greater resources than planned to reposition the incompatible FDI resource post-purchase. It is important to note that the impact of purchasing compatible goodwill to the strategic management of Brand Equity is greatest when the organisation has limited-to-zero Brand Equity in the emerging market. As the organisation is able to establish itself in the emerging market, the impact of the FDI target's reputation becomes less critical. It is also important to note that the compatible goodwill would seem to operate as a 'scaffold' upon which the organisation can establish its own Brand Equity (and desired market position) in the emerging market, that is, the compatible goodwill would ultimately be subsumed into the organisation's desired Brand Equity position.
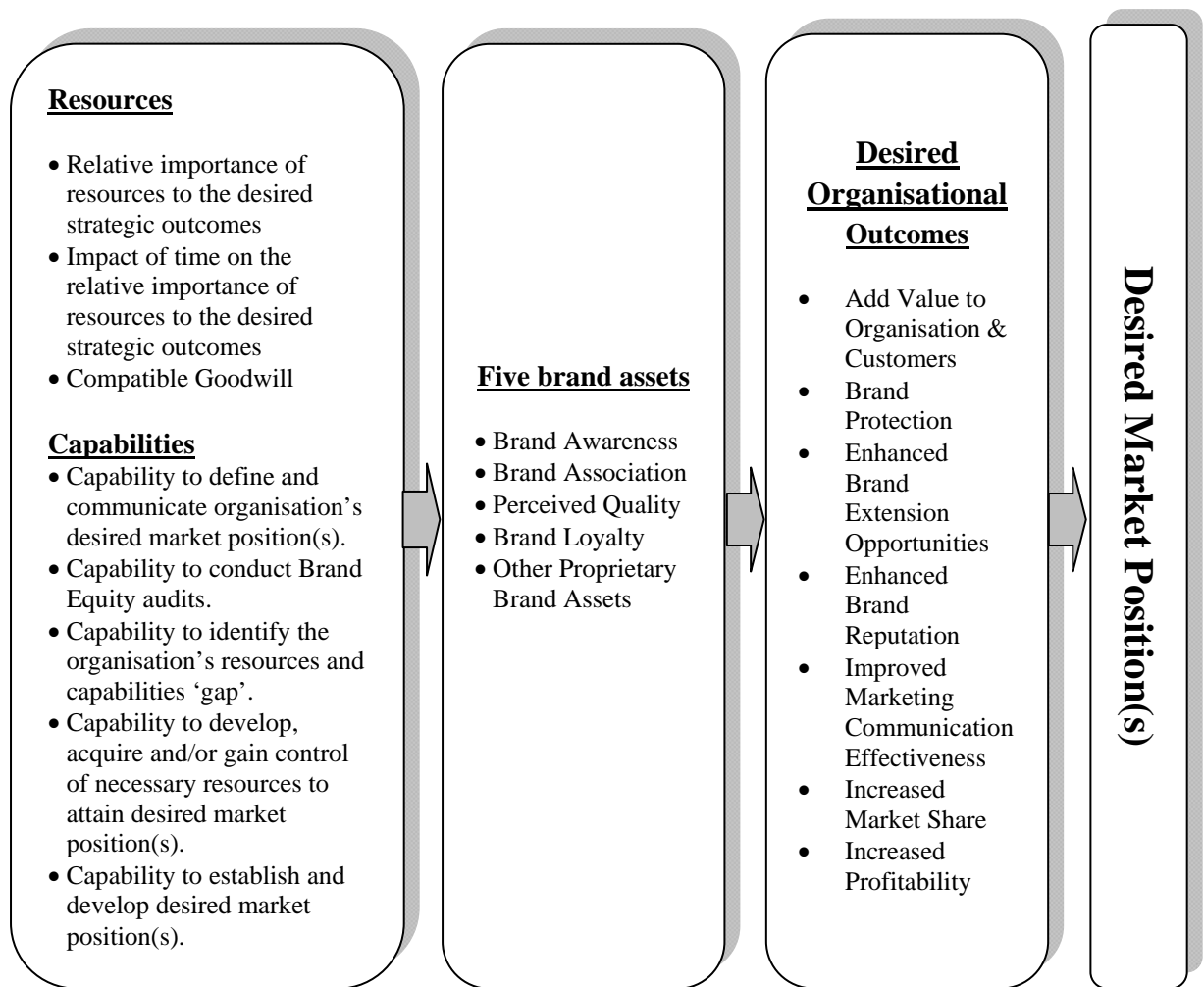
7.4.4 The Capabilities Associated with the Strategic Management of Brand Equity in Emerging Markets

The findings of this research have identified five specific capabilities that appear critical in the strategic management of Brand Equity in an emerging market. The five

critical capabilities are as follows: Firstly, organisations must have the capability to explicitly define a desired market position in an emerging market and to effectively communicate this position throughout the entire organisation (in order to gain a shared vision). Secondly, organisations must have the capability to conduct Brand Equity audits to define the organisation's current store of resources/capabilities, and to identify the resources/capabilities required for the continued development of their desired market position. Thirdly, organisations must have the capability to accurately define the 'gap' that exists between the organisation's current store of resources/capabilities and the resources/capabilities it requires to attain the desired market position in the future. Fourthly, organisations must have the capability to address the observed deficiencies and excess of resources/capabilities to attain the desired market position in the future. Lastly, organisations must have the capability to establish, protect and develop their desired market position over time.

This section presented the four implications arising from the findings of this research as they relate to the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets. Figure 7.1 (over page) illustrates how these four implications contribute to the theoretical component that has been largely missing in the strategic management of Brand Equity research.

Figure 7.1 Proposed Model for the Strategic Management of Brand Equity

Resources			

Resources

- Relative importance of resources to the desired strategic outcomes
- Impact of time on the relative importance of resources to the desired strategic outcomes
- Compatible Goodwill

Capabilities
- Capability to define and communicate organisation's desired market position(s).
- Capability to conduct Brand Equity audits.
- Capability to identify the organisation's resources and capabilities 'gap'.
- Capability to develop, acquire and/or gain control of necessary resources to attain desired market position(s).
- Capability to establish and develop desired market position(s).

Five brand assets

- Brand Awareness
- Brand Association
- Perceived Quality
- Brand Loyalty
- Other Proprietary Brand Assets

Desired Organisational Outcomes

- Add Value to Organisation & Customers
- Brand Protection
- Enhanced Brand Extension Opportunities
- Enhanced Brand Reputation
- Improved Marketing Communication Effectiveness
- Increased Market Share
- Increased Profitability

Desired Market Position(s)

7.5 Implications for Managerial Practices

7.5.1 The Role of RBV in the Strategic Management of Brand Equity

The RBV framework, whilst traditionally applied to explain how organisations attain a competitive advantage through resource heterogeneity and immobility at the Corporate and Business levels (see Barney 1991; Gibbert 2006; Penrose 1959; Wernerfelt 1984), can also play an important role in the strategic management of Brand Equity (i.e. at the tactical level of management). It would appear, then, that competence in applying the tenets of RBV is not solely limited to an organisation's senior management – it may also be valuable for middle-management (including

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marketing professionals) to be sufficiently adept in understanding and applying the RBV framework as a lens to strategically manage Brand Equity issues across all of the markets that they serve.

7.5.2 Brand Equity Audits

This research suggests that it is incumbent upon the organisation to continually measure the relative position that it holds in the market it serves. That is, the organisation must take measures to ascertain the perceptions of the salient stakeholder groups (as they relate to the organisation); understand how any changes in the general and task environments are specifically relevant to the desired market position, and; gauge the store of existing resources and capabilities under its control and their ongoing relevance to the five brand assets. Such a program will require significant levels of financial capital to operate effectively, and may necessitate the use of external auditors (at least sporadically) to provide an impartial third-party perspective on the data collected and the relevance of the current/desired market position going forward.

7.5.3 To Establish and Maintain Internal Linkages with Functional Areas of the Organisation

The strategic management of Brand Equity involves a mix of interrelated responsibilities that must be defined, communicated and coordinated across the functional business areas within an organisation (e.g. the Marketing, Human Resource Management, Accounting, Procurement departments etc.) that engage in an ongoing dialogue regarding the desired market position. Organisations must ensure that each functional business area understands its impact on the management of the five brand assets that underpin an organisation's overall Brand Equity. It is critical for

the organisation to develop an effective internal marketing strategy to establish and maintain strong linkages between all business functional areas. Therefore, it is imperative for the marketing department to act as a communication conduit between all of the other business functional areas. Robust linkages between business functional areas and senior management are an important antecedent that generates commitment with clear sense of purpose that is required in the strategic management of Brand Equity.

7.5.4 To Establish and Maintain External Linkages with key Stakeholders of the Organisation

The strategic management of Brand Equity requires the organisation to accurately ascertain the array of salient stakeholder groups that reside in the emerging market. It is incumbent upon the organisation to not simply assume that the stakeholder groups in the emerging market will be motivated by the same issues that may or may not be present in other foreign country contexts, nor assume the manner of their reactions to organisational actions. It is therefore necessary for the organisation to undertake the required market research to define the salient stakeholder groups that exist in the emerging market context, and in doing so, accurately define their (ongoing) perceptions of the organisation, their expectations of the organisation's behaviour and contributions to the domestic economy and local communities. The findings of this research demonstrate that the strategic management of Brand Equity requires the organisation to forge authentic relationships with external stakeholder groups, and to interact with these groups in such a way that they perceive the organisation's contribution to the economy positively, and are willing to support its ongoing presence in the emerging market.

7.6 Limitations and Future Research

The findings of this research need to be assessed in relation to the limitations of the chosen method. This research was conducted as a single embedded case study of Marriot's entry into the emerging market of China. By utilising historical secondary data to reconstruct Marriot's entry into China, and primary interview data to discover the perceptions and behaviour of Marriot's senior management, this research sought to penetrate the linkages between strategic behaviour and the theory of Brand Equity. There are limitations, however, with both of these approaches that require some discussion. The historical data gathering process, for example, may be characterised by contextual misinterpretation of the critical events of the period, especially where the researcher is unable to directly ascertain the motivations of the actors involved (Andrew 1985; Breisach 1994; King 1983). The use of semi-structured interviews also posed methodological difficulties, as they may be time consuming, and therefore, reduces the respondent's willingness to participate (Denzin and Lincoln 2005). In addition, the validity of the interview process may be affected by poor interviewer recall and interviewer bias.

These methodological limitations were dealt with in this research as follows: The historical data gathering process was employed solely to create a time line of events upon which the semi-structured interview questions were framed. As such, the historical data gathering process sought to provide an accurate reflection of the critical incidents that occurred throughout Marriot's entry into China. The motivations of senior management involved in the critical incidents surrounding the Marriot's entry into China were then sought through the semi-structured interview technique described in Chapter Four. Consistent with the recommendations of

Andrew (1985) and Breisach (1994), this research method provided each participant the opportunity to comment upon the specific incidents relevant to their involvement, to discuss the motivational forces that culminated in their actions, and to provide additional contextual information pertaining to the incident otherwise unavailable to the researcher.

With respect to the limitations inherent in the use of semi-structured interviews, the following steps were taken. Access to the respondents was organised two months in advance of the initial interview process, and these relationships were maintained across the four years of the research process. Each participant was sent a copy of the interview questionnaires in advance of the multiple-meetings, allowing each participant to review his or her documentation of the events and therefore better inform their response. The response to this method of recruitment was the granting of access to key individuals involved in Marriot's entry into China between 1997 and 2012. With regard to the problem of poor interview recall, the use of a digital voice recorder and subsequent transcriptions provided an accurate record for later analysis. The issues surrounding the problem of interviewer bias were also reduced with the use of a semi-structured interview schedule.

With regard to the generalisability of the research, the use of an embedded single case study method suggests that the implications of the research must be considered somewhat specific to Marriott's particular experience at entering into China. Marriott is a multinational accommodation and related services provider based in the US, and had experience of international business operations prior to their entry into China. Generalising the findings of this research onto differing organisational types,

industries and foreign country contexts, therefore, may be problematic. Whilst the generalisability of the research findings (as they relate to Marriott's experience) may not be readily applicable to other contexts, the transferability of the theory developed (i.e. the antecedent resources and capabilities identified in Figure 7.1) may prove a useful guide to organisations that seek to strategically manage their Brand Equity across national borders. It is a recommendation of this research that additional research be undertaken into three key areas: firstly, the extent to which the findings presented here are applicable to organisations in different industry settings and different emerging markets. Secondly, the impact that different stages of an organisation's operating cycle (e.g. the stages of the PLC, or Uppsala Stages Model) may have on the strategic management of Brand Equity. This research was able to broadly analyse an organisation's entry and establishment in an emerging market, but was unable to consider, *inter alia,* other stages such as 'decline' and 'divestment'. Thirdly, there is an opportunity to explore the concept of 'Compatible Goodwill' in terms of its composition and a finer-grained understanding of the role it plays in the strategic management of Brand Equity.

7.7 Discussion Chapter Summary

The aim of this research was to investigate the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets. This research employed a qualitative research method by conducting a quasi-longitudinal single-embedded case study focussed on Marriott's entry into China from 1997 to 2012. The findings of this research identified eight resources that were important to the strategic management of Brand Equity in an emerging market context. It also found that the relative importance of the eight resources to the five brand assets

changed over time. The theoretical contributions of this research include the recognition of 'Compatible Goodwill' as a strategic resource, and the identification of five critical capabilities that enable an organisation to define, establish and continually develop their desired market position in an emerging market.

Appendix A:

Case Study Protocol

Appendix A: Case Study Protocol

1. Proposed Title of the Research Project.

The Strategic Management of Brand Equity in Emerging Markets

2. Research Objective.

1) To generate an historical time line of events and critical incidents relating to Marriott's entry into China.

2) To determine the antecedent resources and capabilities that Marriott required to enter into China.

3. Significance of the Phenomena of Interest.

The extant theory of Brand Equity does not prescribe the antecedent resources and capabilities required to strategically manage it across international markets. Such knowledge is especially important given the significant and positive relationship between Brand Equity and desirable organisational outcomes. An opportunity exists to identify and better understand the strategic management of the antecedent resources and capabilities of Brand Equity across international markets. The research is perhaps even more significant given Marriott as a leading global hospitality company expanding into an emergent market (China) with limited Brand Awareness and no prior physical present.

4. Research Question.

In order to achieve the research objectives set in this thesis, the following research question will be posed by the researcher.

Research Question: What are the antecedent resources and capabilities associated with the strategic management of Brand Equity in emerging markets?

In order to allow the researcher to answer the research question, a series of 'semi structured' interview questionnaires will be devised for the participants. The series of interview questionnaires will be similar in that they will ask the same generic sets of questions dealing with the nature of the participant's involvement with Marriott's entry into China over time. However, the interview questionnaires will be specific in that there will be an emphasis on the critical incidents particular to their involvement. Broadly, there are two main areas of inquiry:

1. General information concerning the senior management that have been involved with Marriott's entry into China; and,

2. Specific questions related to the antecedent resources and capabilities of Brand Equity and its strategic management in China.

Copies of the interview questionnaires are attached.

5. Selection of the Research Respondents.

The identification of Marriott senior management to approach will be ascertained through Marriott website and local directory.

6. Recruitment of the Research Participants.

Each of the interviewees will be initially approached by email, where the purpose of the research was made clear to them (i.e. their role in Marriott entry into China). In the email (a preamble is attached), the participant will be asked whether they would agree to take part in the research project. Upon their agreement, the participant will be informed that a 'consent' and 'information' form would be sent to them detailing the project and the nature of their direct involvement. The 'consent' form will clearly state the time and location of the interview (as would have been determined as part of the initial email communication); the 'information' sheet will provide the participant with the specific questions to be asked of them, as well as the specific 'critical incidents' to be commented upon. The participants will be informed that the interview is to be recorded onto audiotape, and that these tapes are to be held in secure storage for a period of five years.

7. DATA COLLECTION AND MANAGEMENT TECHNIQUES.

Both past and present senior managers of Marriott are to be approached to ascertain their role in Marriott entry into China 1997-2012. The respondents will be asked to comment, where possible, on their involvement of the entry of Marriott into China, as well as provide a rationale for their actions at critical junctures in time (i.e. historical incidents as identified by secondary data analysis). The informants will not be asked to comment on the actions of others during the interview process, only their own particular involvement and perspective. This information will be gathered through the use of semi-structured face-to-face interviews, recorded onto audiotape. An example of such an interview questionnaire is attached.

Upon meeting the respondent, the investigator will request the consent form prior to the commencement of the interview process, and ask whether the respondent is happy to answer the research questions posed. Where possible, the interviews will be conducted at the participants' workplaces. Where this is not possible, arrangements will be made to locate the interview in a time and place convenient to the respondent. Further permission will be requested to audiotape the interview to ensure that the respondent is at ease with the recording process. It will also be made clear how the information they provide will be stored, and that any papers generated from the research would be sent to them for prior approval before publication.

8. Data analysis Technique.

The data gathered during the interview process will be imported into the NVivo (version eight) software program, where concepts pertinent to the research question (and their interrelationships) will be coded for further analysis. The coding of the interview data will facilitate the researcher in distilling the important actions and policy rationales were undertaken by the key actors, and assist in the integration of said actions and policy rationales into the historical context within which they were made.

Appendix B:

Information Sheet/Interview Questions

Appendix B: Information Sheet

[Name]
[Title]
[Address 1]
[Address 2]
[City, Area code]

[Date]

Dear [name],

We would like to invite your participation in the research project titled **"The Strategic Management of Brand Equity in Emerging Markets"**.

What is the background to and purpose of the study?
This research is being undertaken to fulfil the requirements for my Doctor of Philosophy under the auspices of the School of Management at the University of Tasmania, Australia. The research will be conducted by myself and overseen by Dr Rob Hecker and Dr Mark Wickham as chief investigators.

The purpose of the research is to examine what specific resources and capabilities a Western brand high quality service provider needs to develop in order to enter 'open door' China and what specific resources and capabilities a Western brand high quality service provider needs to develop in order to compete in 'open door' China. An overview of our areas of interest is provided in the attachment.

What would my participation in the study involve?
Your contribution to the research would involve participation in an initial interview of approximately 40-60 minutes duration. This would be conducted at a place and time of convenience as nominated by yourself. In the interview you will be asked a range of questions regarding your knowledge, perception and understanding of various aspects of the overall strategies and activities at the [INSERT HOTEL NAME]. Specifically, these questions focus on strategic resources and capabilities required by [INSERT HOTEL NAME] to effectively compete in 'open-door' China.

Subsequent contact may be requested to clarify or further explore themes raised in the initial interview. This would again take place at a time convenient to you and would take the form of an email enquiry.

Interviews will be audio recorded and transcribed. Please note that you will have the opportunity to view your interview transcript to ensure it complies with your recollections. . You can also be provided with a summary report of overall findings of the study if desired.

Can I withdraw my participation?
Participation in the study is entirely voluntary and you can withdraw yourself and any data you have supplied at any time should you wish. You may also decline to answer any question. Prior to involvement you will be provided with a consent form, which you will be asked to sign prior to involvement. You will be provided with a copy of the statement of informed consent to retain for your records.

What will be done with the data collected?
All information provided will be securely stored against access by persons other than the research team for a period of at least five (5) years from the date of the first publication (this includes publication of the thesis). At the end of that five-year period all data provided by study participants will be destroyed: paper records will be shredded and electronic records deleted.

The hotel with which you are associated will be identifiable by name in the thesis and other research output. Please note that you will be identifiable in the thesis and other research output by your official position and title, and so should carefully consider your responses and, if you feel necessary, carefully peruse your transcript for information you do not wish to be included. You will also have the opportunity to edit or withdraw any information related to your hotel prior to inclusion in any subsequent publication.

Ethics approval and contacts
This study has been approved by the Tasmanian Social Sciences Human Research Ethics Committee. I f you have concerns or complaints about the conduct of this study you should contact the Executive Officer of the HREC (Tasmania) Network on +613 6226 7479 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants. You will need to quote HREC project number: H10993.

If you have any other questions about the research project, please direct them to Dr Rob Hecker at the contact details provided below.

………………………   …………………………
Dr Rob Hecker   Mr Tommy Wong
School of Management   School of Management
University of Tasmania   University of Tasmania
Ph: +613 6226 1774   Ph: +613 6224 2849
Fax: +613 6226 2808   Fax: +613 6226 2808
Email: Rob.Hecker@utas.edu.au   Email: Tommy.Wong@utas.edu.au

<u>**Appendix B: Interview Questionnaires for**</u>
<u>**Competitor Organisations in Shanghai**</u>

1. Please describe the Chinese hotel industry's development since the 1990s.

2. Of all the changes that occurred in the Chinese hotel industry, which do you believe had the greatest impact on international competition entering the market?

3. Please describe the nature of competition that has developed between domestic Chinese hotel operators and those international competitors that have entered the market since the "Open Door" policy.

4. What do you believe the main competitive pressures that exist in China's Hotel industry today? What resources and capabilities you believe are critical in the Hotel industry in China today?

<u>Appendix B: Interview Questionnaires for</u>
<u>Marriott Senior Executives in Shanghai 2009</u>

1. Please describe Marriot's core business activities in the Hotel industry.

2. How would you describe Marriot's brand in China? What core attributes do you believe it possesses?

3. What challenges did Marriot face when it first entered China?

4. How did Marriot address these challenges during its entry phrase into China?

5. What advantages did Marriot's existing brand name provide with during its entry phrase into China?

6. What limitations did Marriot experience during its entry phase into China?

7. What resources did Marriot seek to acquire in order to overcome these limitations?

8. What do you believe are the effects (both positive and negative) arising from last year's Beijing Olympic?

Appendix B: Interview Questionnaires for
Marriott Senior Executives in Shanghai 2010

1. Please describe Marriot's core business activities in the Chinese hotel industry.

2. Please identify and describe Marriot's major competitors in the Chinese hotel industry.

3. What advantages do you perceive Marriot has over their competitors in the Chinese hotel industry? What resources do you believe are underpinned these advantages?

4. What disadvantages you perceive Marriot has against their competitors in the Chinese hotel industry? What resources do you believe are underpinned the competitors advantage against Marriot?

5. What strategies did Marriot implement in order to protect their advantages in the Chinese market?

6. What strategies did Marriot implement in order to overcome the disadvantages they experienced in the Chinese market?

7. What do you believe are the effects (both positive and negative) arising from the World Expo in Shanghai this year?

Appendix B: Interview Questionnaires for
Marriott Senior Executives in Shanghai 2011

1. Please describe how Marriot managed its relationship with the Chinese government.

2. What other major stakeholder groups did Marriot feel it needed to establish relationships with?

3. What advantages did Marriot have in managing its relationships with stakeholder groups? What resources do you believe underpinned the management of these relationships?

4. What disadvantages did Marriot have in managing its relationships with stakeholder groups? What resources do you believe Marriot lacked in this regard?

5. What strategies of Marriot implement in order to protect and develop their stakeholder relationships?

6. What do you believe are the effects (both positive and negative) arising from last year's World Expo in Shanghai?

Appendix B: Interview Questionnaires for
Marriott Senior Executives in Shanghai 2012

1. What strategies did Marriot implement to develop and protect its brand in China? What resources do you believe underpinned the implementation of these strategies?

2. What do you believe are the most challenging issues faced by Marriott in China in the next five years?

3. How transferable do you believe Marriott's experience in China is across other markets?

4. What resources and capabilities do you believe Marriott requires to continue to expand across the different tier cities in China?

Appendix C:

Tree Nodes

1. Brand Awareness
    1.1 Tangible Resources
        1.1.1. Entry Stage
        1.1.2. Establishment Stage
    1.2 Intangible Resources
        1.2.1. Entry Stage
        1.2.2. Establishment Stage
    1.3 Capabilities
        1.3.1. Entry Stage
        1.3.2. Establishment Stage

2. Brand Association
    2.1. Tangible Resources
        2.1.1. Entry Stage
        2.1.2. Establishment Stage
    2.2. Intangible Resources
        2.2.1. Entry Stage
        2.2.2. Establishment Stage
    2.3. Capabilities
        2.3.1. Entry Stage
        2.3.2. Establishment Stage

3. Perceived Quality
    3.1. Tangible Resources
        3.1.1. Entry Stage
        3.1.2. Establishment Stage
    3.2. Intangible Resources
        3.2.1. Entry Stage
        3.2.2. Establishment Stage
    3.3. Capabilities
        3.3.1. Entry Stage
        3.3.2. Establishment Stage

4. Brand Loyalty
    4.1. Tangible Resources
        4.1.1. Entry Stage
        4.1.2. Establishment Stage
    4.2. Intangible Resources
        4.2.1. Entry Stage
        4.2.2. Establishment Stage
    4.3. Capabilities
        4.3.1. Entry Stage
        4.3.2. Establishment Stage

5. Other Proprietary Brand Assets
      5.1. Tangible Resources
            5.1.1. Entry Stage
            5.1.2. Establishment Stage
      5.2. Intangible Resources
            5.2.1. Entry Stage
            5.2.2. Establishment Stage
      5.3. Capabilities
            5.3.1. Entry Stage
            5.3.2. Establishment Stage

Appendix D:

Research Memo

Appendix D: Research Memo

Research Memo (8) Interview (October/2009 M Shanghai-2)			
Interesting Thoughts	Insights	Key Themes	Themes to Pursue
1. More domestic managers are in senior management positions.	1. More domestic managers with good English language skills are being promoted to top management positions - more local GMs than before.	1. The growth of hotel guest segments, as more rural visitors coming to the city on organised shopping tours.	1. How do brands build Brand Awareness with the new growing domestic segments?
2. The newly appointed Human Resources Director from Singapore has very different perceptions and objectives than his local colleagues.	2. It is difficult to empower local associates due to local work ethics and culture differences.	2. Training and development strategy and policy.	2. How do brands build Brand Loyalty with their associates?
3. Hotels are changing their brands more frequently than before.	3. Rich hotel developers are using new hotel development to bring traffic to their surrounding business and shopping complex. The hotel is not the core business of their investment.	3. Hotel owners are demanding higher returns on investment and traffic. They are prepared to withdraw contract prior to its expiry from non-performing brand.	3. How do brands build Brand Loyalty with their owners/developers?