Growth Path of Chinese Tourism Corporation Based On Enterprise Competence Theory: A Comparative Study

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Abstract. Since the competition is becoming increasingly fierce among tourism corporations, there is a crucial problem about how to cultivate core competence in different stage. In this research, we study to find out the answer based on enterprise growth theory, and aim to work out the three main dimensions to construct a theoretical model establishing a standard of describing the growth path for companies. After reviewing the literature, we analyze and choose those crucial factors to be the dimensions of the competitive edge 3D modeling, and take a comparative study of two limited-service hotel chain cases (Home Inn and Jin Jiang Inn) to apply the theory, and then sketch the two hotel chains' growing stages and pathway and conclude findings and implications.

Keywords: Enterprise Competence Theory, Growth Path, Comparative Study, Case Study, Limited-service Hotel, Home Inn, Jin Jiang Inn

1. Introduction

Large quantity of limited-service hotel is leading to serious competition, so there is a crucial problem about how to cultivate core competence for limited-service hotel chains. Meanwhile, many Chinese scholars are working on core competitiveness of limited-service hotel. But as we know, there is no "core competitiveness" in Western textbook. It's a translation misunderstanding between Chinese and English, and the right phrase is "core competence". We did a literature review to find out that study on increasing limited-service hotel

chains' competitive edge and growing path from improving enterprise competence was rarely seen. We study to find out the answer based on enterprise growth theory. There are five sects of analysis on Enterprise Competence Theory present. They are resource-based view, core competence view, knowledge-based view, dynamic capability view and value-created view.

Resource-based theory's view is that strategy-related resources with value, rareness, inimitability and no-substitutability are the origin of enterprise competitive advantage, which composes the foundation of enterprise competition strategy, combined with enterprise competence (Penrose, 1959; Wernerfelt, 1984; Barney, 1986, 1991). Core competence theory insists that core competence is dynamic capacity that derives from accumulation and cultivation of knowledge inside enterprise, which varies along with the process of knowledge development and utilization scientifically. This dynamic competence is pivotal for enterprise to acquire and preserve sustainable competitive advantage. By mean of internal environment analysis and identification, fostering enterprise core competence, and based on which to formulate and implement competition strategies, enterprises could obtain competitive advantage (Gu qifeng, Ding huiping, 2009). Knowledge-based view takes the point of that enterprise competitive competence consists of knowledge possessed by itself, within which the most important factor is inimitable recessive knowledge and related cognitive learning. It is vital to update knowledge for keeping competitive edge. If a company wants to draw up new competition strategies, the approach would be constructed around knowledge (Gu qifeng, Ding huiping, 2009). Dynamic capability view puts forward that competence should be updated by enterprises themselves to integrate, build and reconfigure resources inside and outside enterprises, in order to adapt to the changing market circumstances (Teece, Pisano, Shuen,1997). Although there is dispute on dynamic capability theory, the dynamic research tendency in enterprise competence has leading edge to become an irreversible tide (Gu qifeng, Ding huiping, 2009). For value-created view, the value of company origins from guest and it could be promoted by improving guest value. Enterprise competence is the basis to satisfy guests and realize guests' value, in the process of value creating, which could be strengthened. The capability of company of producing value lies in that enterprise value movement could match its resources (He lin, Ding huiping, 2009).

In this research, we aim to find out three main dimensions to construct a theoretical model for analyzing the path of enhancing limited-service hotel

chains' core competence and we chose two hotel chains in order to make a comparative study.

2. Method and Methodology

The research findings of five-sect above, we find three pivotal factors that influence enterprise competence, which are resources, knowledge and capability and circumstance. We tried to construct a 3D theoretical model based on resources, knowledge and capability and circumstance, to illustrate the pathway of enterprise growth and the condition of competence accumulation in corresponding stage. In this case, the enterprise is limited-service hotel chain, and we take Home Inn to be our case to illustrate the theory. And the analysis framework is under structuralism paradigm.

3. A Model Based on Enterprise Competence

Set up a 3-dimension coordinate system, and X-axis, Y-axis and Z-axis denote as knowledge and capability, resources and circumstance respectively, extending from the origin is 1, 2, 3, …… 9. And for intensity 1 means weak, 9 means strong, while 5 is middle. When the figure is done, we could calculate 729 little cubes. Each cube stands for enterprise competition level which knowledge and capability (K), resources (R) and circumstance (C) synthesize optionally and disproportionately.
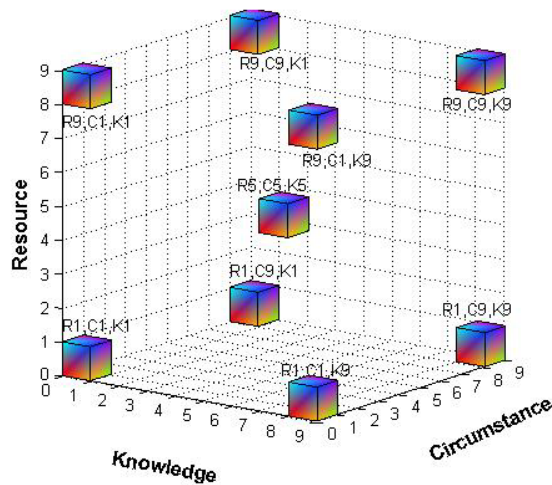

Fig. 1.   3D model diagram for enterprise growth

In Figure 1, we can find 9 special cubes. (R1, C1, K1) is Quit type, which means that companies owns few resources related to strategic target with worst external circumstance and deficiency of learning capability and knowledge. They would be defeated inevitably due to lack of competitive advantage. While in the opposite end, it's (R9, C9, K9) which is defined as Ideal type. At this position the company could achieve guests and self value effectively and hence the perfect competition edge. (R5, C5, K5) is Middle type, in which, three dimensions are moderate. (R1, C1, K9) is Fast-learned type, in which Enterprises are small and creative that learns fast in knowledge and capability, but without strategic resources in bad developing environment. In this situation, if enterprises could use their own knowledge and ability to produce or find new guests demand, they still have a chance to achieve Ideal model gradually. (R1, C9, K1) is Good-luck type. Enterprises at this cube are lack of internal resources, knowledge and capability in growth, but still could be successful temporally by living in special external environment or confronting favorable policy privilege. The initial success would be a flash in the pan, if only they take initiative to update knowledge, cultivate capability and acquire strategic resources for ongoing growth. (R1, C9, K9) is Opportunity-capability type, for which enterprises possess optimum external circumstance and maximum knowledge and capability, but resources related to strategic target is deficient. If this kind of enterprises resolve similar issues through merge and acquisition to obtain strategic resources, competition advantage belongs to enterprises would be lifting to Ideal type cube (R9, C9, K9). (R9, C1, K1) is Resources-oriented type. It is the underpinning that competition strength takes shape, but this situation won't last long. (R9, C9, K1) is Resources-adapted type. Matching the dynamic market changes effectively can be successful at certain level, and an enterprise could move close to Ideal cube constantly, on condition of improving knowledge and capability on resources usage. (R9, C1, K9) is defined as Resources-capability type. Sustained competitive edge would be realized since resources and its utilizing skills and capability are combined together, and when a market is mature, such enterprise would have the ability to combine internal and external factors together to make better use of external opportunity to close to Ideal cube.

The theoretical model establishes a standard to illustrate the corporate growth route which also reveals business competitive advantage. For corporations, they could find their positions in the 3D model, then realize the distance from Ideal type and take action to make up. It is important to focus on the competitive advantage of enterprises is in flux, which changes have been happening in the

dynamic environment. So most enterprises scatter among the 9 special cubes, and it occurs to be extremely unlikely moving to the 9 particular cubes. It seems that same enterprise at different stage has different position in the model over time, and then the competitive advantage varies immediately.

4. Application of 3D Model for Enterprise Growth: A Comparative Study of Home Inn and Jin Jiang Inn

4.1 A Brief Review of Home Inn's and Jin Jiang Inn Development

4.1.1 A Brief Review of Home Inn's

Home Inn succeeded for the favorable external environment and strong consumer demand with capital support. In 2001, a brand "Tang's Inn" was started in Beijing, and the next year changed to Home Inn as the corporate name. In June 2002, Home Inn & Hospitality Chain started its journey with a core brand "Home Inn", and the co-founders were Ctrip and Beijing Tourism Group.

Correct strategy, privileged policy and corporate competence promote Home Inn expanding scale quickly. In 2002, there were 4 chain hotels, and increased to 13 hotels in 2003. As the extensive operating was confirmed, the number of hotels got to 78 in 2005, with net profit of 20,933,000 Yuan RMB. In 2004, Home Inn started a hospitality college to foster qualified employees. China claimed to strive to develop limited-service hotel in 2005 brought great chance for Home Inn.

Home Inn tried best to prepare IPO in NASDAQ. And the corporation went through CEO transition which got the IPO thing moving directly. In 26th October 2006, Home Inn Group succeeded in IPO with stock code HMIN. In 2007, Home Inn completed the first acquisition at a price of 340 million Yuan RMB to win 100% share of stock equity of Top Star Hotel chain.

After IPO, Home Inn began a multi-brand strategy. After the acquisition of Top Star, corporate name was changed to Home Inn Group and Yihe Hotel, a mid-range business brand was launched in 2008. And in 2011, Motel 168 was merged by Home Inn. In September the same year, the thousandth hotel of "Home Inn" opened to be a memorable moment of finishing the thousand-hotel distribution all over China.

4.1.2 A brief review of Jin Jiang Inn development

Jin Jiang International Hotels (Group) CO., LTD is one of the kernel businesses

in Jin Jiang International Group, which sets foot in star-rated hotel operation and management, budget hotel operation and franchising, as well as restaurants, transportation, logistics and travel agency business, etc., and located in Shanghai. Among so many hotels such as landmark, luxury, and commercial type, this Hotel Group owns one major brand which was Jin Jiang Inn at that time.

Jin Jiang Inn, founded in 1996, is one of the first movers in the PRC budget hotel industry. Jin Jiang Inns are fitting the budget inbound travelers, and offering comfortable accommodation to the PRC business travelers at affordable prices. From 1996 to 2003, hotel expansion was slow and then the forestalling advantage faded away. After the conduction of merge and restructuring with Xinya Group, strength of the new Jin Jiang Group increased considerable. And at the end of 2006, Jin Jiang Group was successfully listed in Hong Kong with 2.4 billion fundraising which is used for Jin Jiang Inn expansion. The Group currently operates or has under development in aggregate over 400 Inns, covering many major cities in the PRC.

4.2 Comparison Analysis on Competitive Advantage of Home Inn and Jinjiang Inn

4.2.1 Comparison based on circumstance

Jinjiang Inns founded in 1996, and led Chinese budget hotel industry then because it was the only chained operated in limited-service hotel. At that time, Chinese economy had been increasing year by year, but residences' consumption concept was not mature enough. Although with the basis of financial resources, material resources, relationship resources, brand resources from Jinjiang International, Jinjiang Inns started to develop in the Yangtze River Delta region at the initial stage, because of the existing external environment and relatively high economic developing level.

In the contrast, Home Inns caught up good opportunity about budget hotel industry, and developed fast since the very beginning. Domestic tourists boomed due to holiday economy rising. Abundant mid-range travelers on business soared to look for clean and affordable hotels, which made strong demand couldn't be satisfied. Ji Qi discovered the commercial opportunity subtly and hence the Home Inn. On spatial distribution, it aimed at such core cities as Beijing and Shanghai firstly, then expanded to the advanced surrounding cities, and building up north-China and East-China areas center on Beijing and Shanghai. In terms of administrative system, tourism has been

beneficial from the two-day weekend since Mar. 1995, and in 1999 Chinese Golden Week Holiday System started, which stimulated the demand for hotel rooms that was cheap, hygienic, convenient and comfortable.

4.2.2 Comparison based on knowledge and capability

In order to regulate partners, Home Inn gave up management contract and market alliance with alternative forgone. Reasonable talent structure, refer to electronic business, hospitality management and chain-store operation, is entrust by venture capital providers. What's more, founders of Home Inn have rich experience in financing and IPO, and build good relationship with venture capital providers. The stockholders, such as Beijing Tourism Group and Ctrip, are well-known and rich in assets. Home Inn takes unique type of operation with special character: chain-store locates in traffic convenient and life facilities well-equipped place in developed cities; make best use of service network in mature community; the hardware fit is comfortable, safe and hygienic; and the average room rate is below 200 Yuan RMB. They set up a distribution center to purchase for franchisee so as to cost lesser, and level of standardization could be ensured. Chain-store operation brings mouth-to-mouth effect, and makes the brand believable. The CRS of Home Inn brings about customer allocation among sub-branches, which will strengthen bonds with each other. Competitive service is safeguard for a developing system of franchise. Headquarter of Home Inn provides professional after-sales service that needs various departments cooperate and coordinate, so that the self developing organization will be good at adjusting to external environment. Human resources deployment is unique in practice. For years' effort Home Inn accumulates implicit knowledge that is hard to be imitated such as refined corporate conventions, accurate market positioning. Unified logo, regulation, management and marketing have produced an inherent brand.

Jinjiang group has a long history, and has strong ability on ensuring the quality of their service, but Jinjiang Inns does not have clear market positioning, lack of the ability on brand identity, only subject to the strategic deployment of Jinjiang group. Although Jinjiang Inns has good quality assurance ability；the brand operation ability, enterprise ability, enterprise development strategic planning ability are insufficient. Generally speaking, Jinjiang Inns earns less from knowledge and ability elements in competitive advantage than Home Inns.

4.2.3 Comparison based on resources

Home Inn established Hospitality Management College itself for cloning its

successful practice to employees. Foundation of Regular Customers Discount Card club (RCDC) offers a chance to communizes with guests to strengthen relationship between guests and hotel for guest's loyalty. In 2006, Home Inn succeeded going to public in NASDAQ. Furthermore, Home Inn started a central customer system to reinforce the ability on order acquisition. Through splendid branding design and propaganda, brand awareness improves better than before. Under the excellent management of Home Inns manager team, human resources and customer resources, financial resources, information resources, brand resources and technology resources of Home Inns has been rapidly accumulating.

Table 1.   Comparison on competitive advantage of Home Inn and Jinjiang Inn

Brand name	Home Inns	Jinjiang Inns
Environment	Fast economics development Huge market demand	Not mature market
Knowledge and ability	Customer relationship management ability Quality assurance ability Human resource management ability Cost control ability Brand planning ability	Quality assurance ability Weakness on market positioning and strategic planning ability
Resource	Human resources Customer resources Financial resources Information resources Brand resources Technology resources	Brand resource Information resources Technology resources Financial resources Relationship resources

Likewise, Jinjiang Inns has splendid brand resource, information resources, technology resources, financial resources, and relationship resources, which support Jinjiang Inns' development. But the Group chose another way of possessing more hotel real estate other than operating budget hotel seemed constrained the whole planning and developing strategy in budget hotel. And as to restriction of the hard review procedure, expansion rate was confined.

4.3 Comparative Analysis on Growth Path of Home Inn and Jinjiang Inn

At the beginning, Home Inn was at the (R1, C9, K1) Good-luck type, in the three-dimensional model of competitive advantage; along with the growing of the enterprise, its competitive advantage came through the (R1, C9, K9)

Opportunity-capability type, and fast move to (R9, C9, K9) Ideal type.

The external environment of Jinjiang Inns is constantly optimized; it moved from (R9, C1, K1) Resources-oriented type at the very beginning, to (R9, C9, K1) Resources-adapted type. Strategic resources and market demand was effective matched, adapting to the changing market demand, Jinjiang Inns has win a certain level of success.

With the increasing of the number of budget Hotels, the growth of alternative products, market competition is increasing, they may have the threat to turn to (R9, C1,K9) Resources-capability type and (R9, C1,K1) Resources-oriented type.

Table 2.　Growth path of Home Inn and Jinjiang Inn

Brand name	Home Inns	Jinjiang Inns
Growth path	(R1,C9,K1)Good-luck type —(R1, C9,K9)Opportunity-capability type —(R9, C9,K9)Ideal type	(R9,C1,K1)Resources-oriented type —(R9, C9,K1)Resources-adapted type,
Future threat	(R9, C1,K9) Resources-capability type	(R9, C1,K1) Resources-oriented type

5. Issues and Solutions

5.1 Issues in Development of Limited-service Hotel Concluded from Above

In application of our theory, we got some information about the two hotel companies' bewildered issues in development and expansion. Under the overall success of Home Inn and Jin Jiang Inn, there are many problems revealed.

5.1.1 Lack of market segmentation leading to ambiguous image

Home Inn share a view of none segmentation in limited-service hotel industry, as to Yihe Hotel they defined it as commercial type but traditional budget hotel. The multi-brand strategy brought about other problems. Consumer confusion on brand affected the identification of the brands and couldn't relate the new brands such as Yihe and Motel 168 to Home Inn. And this kind of situation existed in Jin Jiang Inn. Because the new brand Magnotel was designed to fit commercial travelers and the Xin Jin Jiang Business & Travel Hotel was Three-Star Hotel designed for accommodating foreigners. All above phenomena would be leading to ambiguous CIS which tourists could not recognize and

remember the brands. It conveyed information that not unique characteristic contained in brand concept and the pricing order was in chaos with strong subjective tendency.

5.1.2 *Non-rationality investment leading to more loss in profit*

From 2000 to 2009, limited-hotel chain of China step into a high-speed expansion stage with 71.4% increase in scale of hotel rooms annually. In last quarter of 2007, Home Inn lost 24,800 thousand Yuan RMB in commercial exchange as four times as that of the corresponding period of 2006, and gobble up the profits of corporation. It seemed that the loss is growing with the expansion of scale and becoming a common phenomenon.

5.1.3 *Inequity of sub-branches distribution generating fierce competition*

In overall view, the budget hotel industry appears to be an uneven distribution status by concentrating in the East of China. It just started the limited-service hotel in the massive west region, with tourism planning and development. Due to the high profit earned in the East of China, limited-service hotel chain corporations paid more attention to first-tier cities, and neglected developing in secondary cities. But the present developing trend indicates that in near future secondary cities will have more potential than the first-tier in tourists increasing. And market saturation and fierce competition brings them an investment transition to the lesser-developed cities.

5.2 Solutions

The whole industry should abandon the old idea of not having market segment in budget hotel business. And furthering subsection of market positioning such as business affairs, sightseeing, family trips and vacation, etc. should be considered, while the system of different consumption levels should be set up. Then we can discuss the differentiated competitive tactics in brand and hotel operation. Differentiation needs of each segment are very clear, for instance, the YHA locates for the young travelers and backpackers while the commercial hotel offers accommodation and business center for WIFI, printing and fax. What the hotel chains need to do is positioning customer group's need, establish a relationship and increase their loyalty to a brand.

As to the brand identity, a whole CIS establishment is essential. And also it is urgent to start a systematic brand design and build overall brand image with

distinguished features on each brand and respective market segment. Once the brand system is clear and distinguished, the image confusion people had would be clear. Adding tangible elements into the intangible service, such as bright color, interior decoration and featured clothing, which will reveal the corporation culture and implications.

Limited-service hotel chain has to try to improve the internal management and cost control ability to lift service added value. Developing at the middle and high-end market would be an action which should be taken immediately. Avoiding fierce competition in first-tier cities, Home Inn may find a way to boost profit through sub-branch extension of spatial network distribution to secondary cities.

Human resources are the most important productive factor for budget hotel and they are almost all-round staff. The present hospitality education is programmed for Star-rated hotels, so the jobs of professional training for new staff in limited-service hotel are on their own. This would explain why Home Inn, a hotel chain, would like to start its own training school. Multi-skill staff needs to be trained and career planning needs to be made in order to have a better future in the long run.

6. Conclusion

The initiation of Jin Jiang Inn and Home Inn is rooting in the integration of resources, opportunities, privilege policy, and market circumstance but not contingency. So we can't identify where a corporation is in the 3D Model Diagram simply. For the success and temporal competence of corporation in one development stage might caused by multi-factors. Corporate competence, as the environment around it, is in flux, and it is a relative concept to other companies. Whenever a corporation succeeds for one period, but once the competent is changing better and stronger while market is evolving, the former successful one without changing could be the defeated in the next competition.

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