

CEO servant leadership and strategic service differentiation: The role of high-performance work systems and innovativeness

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ABSTRACT

We develop and test a moderated mediation model in which CEO servant leadership is anticipated to be a positive for the adoption of service differentiation as a strategic choice. Using a sample of 34 Spanish hotels, two complementary methods of data analysis, ordinary least squares (OLS) and fuzzy-set qualitative comparative analysis (fs/QCA), yielded robust support for our hypotheses. As expected, OLS analysis revealed that hotel CEO servant leadership had a positive indirect effect, via high performance work systems (HPWS), on service differentiation. Moreover, the indirect effect was stronger in hotels with a culture supportive of innovativeness. Fs/QCA revealed that CEO servant leadership was sufficient to account for successful implementation of strategic service differentiation; HPWS combined with a culture of innovativeness was also associated with service differentiation. Our findings provide valuable guidance concerning the conditions that are likely to foster the successful implementation of service differentiation in the hotel sector.

1. Introduction

The contemporary hospitality industry is dynamic and subject to many challenges that are ongoing threats to the sustainability of businesses (Chon & Zoltan, 2019); new services must be created to address these challenges and sustain a competitive advantage (Senbeto & Hon, 2020). In the highly competitive hotel sector where many offerings are perceived as similar, CEOs must make basic choices about how to compete, an issue referred to business-level strategic choice (Porter, 1985). One alternative is cost leadership wherein businesses endeavor to offer the essential aspects of a product or service at the lowest cost. An alternative strategic choice is differentiation, where the aim is to add valued aspects to the offering, often to justify a higher price (Porter, 1985). For example, hotel CEOs may elect to use quality and nature of the services provided as the basis for differentiation (Malleret, 2006; Martin & Horne, 1992). Indeed, differentiation based on service is generally regarded as promising strategic choice in the hospitality industry (Chon & Zoltan, 2019). Nonetheless, the aspiration to compete using service differentiation does not ensure successful execution. As

such, it is crucial to identify and understand the factors likely to influence its effective implementation. In this research, we develop and test a model that assesses the *combined influence* of servant leadership (Eva, Robin, Sendjaya, van Dierendonck, & Liden, 2019), high performance work systems (HPWS; Jiang, Lepak, Hu, & Baer, 2012; Kloutsinotis & Mihail, 2020a, 2020b) and a culture of innovativeness (Dhar, 2015; Hartnell, Ou, Kinicki, Choi, & Karam, 2019) on the successful execution of service differentiation in the hotel sector.

A core proposition of our model (see Fig. 1) is that hotel CEOs who practice servant leadership (Eva et al., 2019) will gravitate to and be a positive for the successful use of service differentiation. Consistent with this expectation, Eva, Sendjaya, Prajogo, Cavanagh, and Robin (2018) argued, for example, that servant leaders are a good match to differentiation because their selfless approach is likely to foster the high levels of employee trust and creativity required for its use. Indeed, servant leaders are motivated to serve the needs of others ahead of themselves, reflected by their focus on followers' needs, interests and goals that builds trust in the organization (Karatepe, Ozturk, & Kim, 2019); their care and concern extends the broader community as well (Chon &

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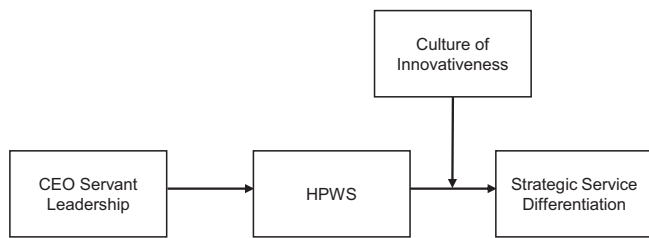


Fig. 1. Conceptual model. Notes: HPWS = High Performance Work System

Zoltan, 2019; Eva et al., 2019; Greenleaf, 1977; Karatepe et al., 2019). Even so, in comparison, these leaders are viewed as a poor option for cost leadership because their emphasis on employee empowerment and collaboration is contrary to the high level of control typically needed to rein in costs (Eva et al., 2018). In any case, our test of the possible ties between CEO servant leadership and service differentiation adds to the literature in which the role of transformational leadership has received the most attention with regard to innovation (e.g., O'Regan & Ghobadian, 2006) and strategic thinking (e.g., Alowais, 2019; Kazmi, Naaranoja, & Kytölä, 2016; Menguc, Auh, & Shih, 2007). The examination of servant leadership is especially of interest here because its mechanisms (e.g., focus on followers' development and on creating value for the broader community; Karatepe et al., 2019) differ considerably from the more leader-centric transformational approach, in which the primary emphasis is on the achievement of organizational goals (Nassif, Hackett, & Wang, 2020).

Beyond leadership, successful service differentiation requires specific employee skills and competencies (Homburg, Fassnacht, & Guenther, 2003; Knight, Moen, & Madsen, 2020; Solnet, Baum, Robinson, & Lockstone-Binney, 2016; van Esch, Wei, & Chiang, 2016). It is likely that these can be fostered by the use of HPWS, i.e., bundles of mutually reinforcing practices that foster employees' ability, motivation, and opportunity (AMO) to perform (e.g., Appelbaum, Bailey, Berg, & Kalleberg, 2000; Jiang et al., 2012; Mihail & Kloutsiniotis, 2016; Kloutsiniotis & Mihail, 2020a, 2020b; Úbeda-García, Claver-Cortés, Marco-Lajara, Zaragoza-Sáez, & García-Lillo, 2018) differentiated customer service (Hong, Jiang, Liao, & Sturman, 2017; Sun & Pan, 2011). HPWS are also important to our model because their use is well aligned with the values of servant leaders who prioritize followers' personal and professional development (Liden, Wayne, Liao, & Meuser, 2014; van Dierendonck, Stam, Boersma, DeWindt, & Alkema, 2014). Thus, we expect HPWS to mediate the positive relationship between CEO servant leadership and service differentiation (see Fig. 1). Our inclusion of HPWS adds to the limited literature concerning the role of this construct and its associated boundary conditions in tourism and hospitality contexts (Kloutsiniotis & Mihail, 2020b).

Finally, processes tied to the influence of group norms, including a supportive climate (Huang, Li, Qiu, Yim, & Wan, 2016; Linuesa-Langreo, Ruiz-Palomino, & Elche-Hortelano, 2017), have also been implicated in the successful delivery of quality differentiated service. Because successful service differentiation requires the anticipation and execution of services that are unique (Martinez-Ros & Orfila-Sintes, 2009), a culture of innovativeness should support the development of competencies (i.e., empathy, creativity) that underlie differentiated service offerings. Thus, we contend that ensuring differentiated service requires employee resilience and effort to generate new ideas and work processes (Senbeto & Hon, 2020) supported by a culture of innovativeness. As we will detail, we expect a culture of innovativeness to moderate the positive indirect effect of servant leadership on strategic service differentiation, via HPWS (see Fig. 1). That is, the benefits associated with building employees AMO should be strengthened in strong (versus weak) innovative cultures, to ultimately enhance their contribution to differentiated service offerings.

In all, the firm-level model we develop and test adds to the servant

leadership literature which is dominated by individual and group-level research (Chon & Zoltan, 2019; Eva et al., 2019). In being the first to examine the potential positive link between CEO servant leadership and the successful use of service differentiation as a strategic choice, our model integrates previously unrelated streams of research concerning CEO servant leadership and HPWS (Alafshat & Tanova, 2019) and in turn, their link to the service differentiation (Sun & Pan, 2011) that is crucial to competitiveness in the hospitality industry (Chon & Zoltan, 2019). By *simultaneously* examining these variables in a unified model, their relative influence can be assessed to address how (e.g., through HPWS) and when (e.g., strong culture of innovativeness) servant leadership is likely to be a positive for differentiated service. As such, our findings will be a guide to hotel managers at all levels as it will help identify the internal conditions required to support the offering of quality, differentiated services. Moreover, at the public policy level, our findings will inform the initiatives and activities that may be needed to enhance the competitiveness of hotels in targeted local areas and regions.

2. Theoretical framework and hypotheses

2.1. Hotel CEO servant leadership and strategic service differentiation

As top leaders are primarily responsible for formulating business level strategy (Porter, 1985) it is not surprising that leadership style has been implicated in matters of strategic choice. For example, transformational leadership (Bass & Riggio, 2006) has often been linked to strategy (e.g., Alowais, 2019; Kazmi et al., 2016; Menguc et al., 2007). Transformational leaders are charismatic; they articulate a vision, model how to realize it, and urge followers to challenge the status quo, while offering personal support. This primarily leader-centric approach, in which the achievement of organizational goals is prominent (Nassif et al., 2020) differs substantially from the other-centric focus of servant leadership. Even so, servant leadership could be especially well suited to differentiation (Eva et al., 2018) as the selfless other-focus of servant leaders could foster the employee trust required to enhance creativity and innovation (Yoshida, Sendjaya, Hirst, & Cooper, 2014), without fear of undue criticism. Moreover, servant leadership per se has been highlighted as being especially appropriate to the hospitality sector (e.g. Chon & Zoltan, 2019; Safavi & Bouzari, 2020). Indeed, Eva et al. (2018, Table 3) reported that top-leader servant leadership was positively associated with the use of differentiation as a generic strategy. Unlike the Eva et al. (2018) study which was not confined to CEOs or to the hospitality industry, and addressed differentiation as a generic strategy, our firm-level study assesses the relationship between *CEO servant leadership* and *differentiation based on service*, which is crucial to competitiveness in the hotel sector (Chon & Zoltan, 2019; Table IV).

In expecting a positive association between hotel CEO servant leadership and the successful execution of service-based differentiation we also build on Eva et al. (2018) by suggesting that beyond being well suited to the use of differentiation, servant leaders are likely to *gravitate* to it as a strategic choice from the outset. This is because, beyond the relevance of power sharing themes emphasized by others (Eva et al., 2018; Ruiz-Palomino, Hernández-Perlines, Jiménez-Estévez, & Gutiérrez-Broncano, 2019), service differentiation aligns with the aspirations that servant leaders are likely to have for their employees and customers, two of their most important, proximal stakeholders. Specifically, for the employee stakeholder group, the emphasis CEO servant leaders typically have on their career development is congruent with the need for specialized human capital required to offer differentiated customer service (Hong et al., 2017; Moreira, Kuk, Guimaraes, & Albuquerque, 2020; Sun & Pan, 2011). Moreover, servant leadership is good match for differentiation from a customer stakeholder perspective because it is likely that servant leader hotel CEOs will aspire, *beyond price considerations* per se, to provide high quality differentiated service, "...a set of meaningful differences to distinguish the company's offering from

competitors' offerings" (Kotler, 1997:282) that make for the special, innovative, memorable experiences that hotel customers look for (Chon & Zoltan, 2019). Indeed, although customers take price into account in their decision to book accommodations, they also consider the variety and quality of services offered as well as the image of the hotel (Orfila-Sintes & Mattsson, 2009).

Empirical evidence in support of our expectation, in addition to Eva et al. (2018), comes from Ruiz-Palomino et al. (2019) who reported hotel CEO servant leadership was positively associated with firm-level support for innovation, as mediated by participative decision making and employee voice. Also consistent with our expectation, Linuesa-Langreo et al. (2017) found servant leadership among hotel department supervisors to be positively associated with both service climate and service quality. In all,

H1. Hotel CEO servant leadership is positively related to the successful execution of strategic service differentiation.

2.2. HPWS as a mediator of CEO servant leadership and strategic service differentiation

The nature of business-level strategic choice has important implications for each functional area of the business, including human resources (HR) (Jackson, Schuler, & Rivero, 1989) because function-based tactical and operational plans should be developed to support the overall strategy. For example, under cost leadership, areas of emphasis would typically include hiring the fewest employees possible, who would then be assigned to standardized jobs requiring little training and discretion, all to ensure availability of a large labor pool to minimize costs. In comparison, differentiated service typically requires careful selection, training, job design, and compensation geared to obtaining the specialized human capital required (Hong et al., 2017). Having already argued that servant leaders will gravitate toward service differentiation as a strategic choice, we now also suggest that their interest in followers' personal and professional development (van Dierendonck et al., 2014) to enable them to flourish (Girolito, Liden, van Dierendonck, & Cheung, 2020; Liden et al., 2014), will have important implications for HR practice at their hotels. Specifically, we contend that servant leader CEOs as shapers of firm policies and procedures (Hiebl, 2014; Nishii, Gotte, & Raver, 2007), are likely to prompt the use of a full range of HR practices to, for example, build an empowered resilient staff (Karatepe et al., 2019; Senbeto & Hon, 2020), such that a positive association between servant leadership and HPWS is anticipated.

HPWS are sets of innovative human-resources initiatives (e.g., selective hiring, extensive training, promote from within, performance contingent rewards, and empowerment) intended to enhance the skills and effort of employees to help achieve strategic priorities (Jiang et al., 2012; Liao, Toya, Lepak, & Hong, 2009; Wright et al., 2001), including building customer perceptions of service innovativeness and engagement (Omar, Kassim, Alam, & Zainol, 2021). Although some potential dark sides associated with the use of HPWS have been noted (e.g. increased workloads, employee strain and time pressure; Behraves, Tanova, & Abubakar, 2020), HPWS have typically been linked to increases in psychological capital (i.e., self-efficacy, optimism, hope, resilience; Abubakar, Foroutan, & Megdadi, 2019), productivity (Kloutsiniotis & Mihail, 2020b) and, in turn, improved organizational performance (Abubakar et al., 2019; Jiang et al., 2012; Kloutsiniotis & Mihail, 2020a). As a *full-range* system of HR practices, HPWS are thought to be a strategic positive as reflected by the AMO framework (Jiang et al., 2012; Úbeda-García et al., 2018). For example, dedicated efforts to find the right people to fill jobs, combined with extensive formal training increase the probability that employees will be the *abilities* required to perform well. *Motivation* is enhanced by using incentives that are clearly tied to performance, opportunities for upward mobility, and an emphasis on employment security. Finally, clear job descriptions and participative decision-making help ensure employees to have the

opportunity to meaningfully contribute in ways that further organizational goals. Finally, the well-documented impact of each *individual* AMO component is likely enhanced by their *system-based* interaction (e.g., Liao et al., 2009). In all, as a group, the use of HPWS is consistent with the aspirations of servant leaders to develop their employees to their full potential (Girolito et al., 2020; Liden et al., 2014; van Dierendonck et al., 2014) and are likely to build trust in the organization to foster service recovery performance (Karatepe et al., 2019). Finally, it is notable that our view that CEO servant leadership should be positively linked with HPWS is an extension of previous research, in which these constructs were modeled as being unrelated (Alafeshat & Tanova, 2019). Thus,

H2. Hotel CEO servant leadership is positively associated with the use of HPWS.

Enhancements in employees AMO are associated with employees who are engaged, committed, productive (Abubakar et al., 2019; Kloutsiniotis & Mihail, 2020a; Kloutsiniotis & Mihail, 2020b) and less likely to quit (Behraves et al., 2020). Of direct relevance to the hotel industry and to the potential for successful service differentiation, HPWS associate positively with increases in service-oriented organizational citizenship behavior (OCB) (Kloutsiniotis & Mihail, 2020a) which is a likely key contributor to service differentiation. Moreover, importantly for our purposes, in addition to being well aligned with the values of servant leaders, HPWS foster the development of the human capital required for offer differentiated service (Hong et al., 2017; Sun & Pan, 2011). More broadly, the full range of HPWS and their synergistic effect have the potential to support organizational goals by helping to acquire, develop, and maintain the human capital required to support strategic choice (Crook, Todd, Combs, Woehr, & Ketchen, 2011). Successful implementation of strategic service differentiation for example, requires specialized human capital with the intangibles needed to handle labor-intensive customer interactions (Hong et al., 2017). Importantly, employee competencies and motivation are directly implicated in service innovation (Moreira et al., 2020) which provides the basis for offering differentiated services (Omar et al., 2021). Employees play an active role in generating new ideas for service and service delivery, as their frequent interaction with customers places them in a privileged position to identify service-related needs, required improvements, and problem resolution (Senbeto & Hon, 2020). Thus, the selective hiring component of HPWS should be helpful here, providing organizations with employees who have the underlying ability (e.g., empathy, creativity) to provide differentiated service. Other aspects of HPWS, including employee participation and voice, implicated as contributors to a culture supportive of firm-level innovation (e.g., Ruiz-Palomino et al., 2019), address motivation and opportunity. Also, evidence tied to social exchange theory (Blau, 1964) supports that idea that the fair treatment employees receive under HPWS fosters positive attitudes toward both the job and the organization (e.g., Bartram, Karimi, Leggat, & Stanton, 2014; Sun & Pan, 2011; Zhang & Morris, 2014), including feelings of obligation among employees to fulfill the work roles expected of them (Sun, Aryee, & Law, 2007; Sun & Pan, 2011). This increases the probability that service-related ideas will be executed as intended; employees with positive attitudes are more likely to successfully anticipate customers' needs and how to satisfy them (Kim & Ok, 2010; Lee & Kim, 2012), which is vital in the hotel business (cf. Kuo, 2009). Relatedly, social exchange processes have been implicated in relation to the positive influence of servant leadership as well (Wu, Tse, Fu, Kwan, & Liu, 2013; Zou, Tian, & Liu, 2015). Thus, in addition to the empowerment and collaboration typically fostered by servant leaders as likely positives for successful firm-level generic differentiation (Eva et al., 2018) and innovation (Ruiz-Palomino et al., 2019), we view the role of employees' skills and competencies as similarly essential (Solnet et al., 2016; van Esch et al., 2016).

In linking employees' AMO to the aims of a given strategic choice, resource-based theory (Barney & Clark, 2007) suggests that human capital can be a source of competitive advantage to the extent that it is

rare, valuable, and difficult to either imitate or substitute. HPWS could be helpful here because, for example, they have the potential to both develop individual competencies and foster employee interactions that generate *firm-level* tacit knowledge crucial to performance (Lado & Wilson, 1994), including service innovation (Moreira et al., 2020). In line with this view, various aspects of knowledge management, including knowledge acquisition and knowledge sharing, mediate the relationship between HPWS and aspects of organizational performance, including new product development (Chen & Huang, 2009) and customer satisfaction (Jyoti & Rani, 2017). Thus, fostering of knowledge management through HPWS can result in new, valued ways of doing things that improve the delivery of products and services (Scotti, Harmon, & Behson, 2007) foundational to service differentiation as a strategic choice. Consistent with this perspective, HPWS are positively associated with hotel employees' self-reported innovative behaviors (Dhar, 2015). Relatedly, in finding evidence for a positive link between HPWS and service differentiation at hotels in China, Sun and Pan (2011) argued that these practices encourage the employee discretion and flexibility required to meet changing customer needs. Thus, in all,

H3. HPWS are positively related to strategic service differentiation.

H1, that servant leadership is a positive for strategic service differentiation, viewed in concert with H2 and H3 as detailed above, provides the basis for a mediation-based hypothesis. Specifically, since several aspects of servant leadership are well aligned with the adoption of HPWS (H2), and HPWS are likely to enhance employees' AMO, including the firm-based knowledge required to execute differentiated service (H3), it follows that HPWS should mediate the servant leadership-strategic service differentiation relationship. In effect, the leader sets the tone (is the agitator) regarding the nature of the strategic choice, and HPWS evolve to foster both the individual-level AMO and firm-level knowledge required for successful implementation of service differentiation. These expectations align with arguments made earlier, that CEO leadership is likely to influence firm outcomes (Hambrick & Mason, 1984), via the shaping of internal organizational functions (Nishii et al., 2007) including HR practices and procedures (Hiebl, 2014). Thus,

H4. HPWS mediate the relationship between hotel CEO servant leadership and strategic service differentiation.

2.3. *The moderating role of a culture of innovativeness: strengthening the indirect effect of CEO servant leadership on hotel service differentiation via HPWS*

Another aim of our study, consistent with the calls of others (e.g., Úbeda-García et al., 2018; van Esch et al., 2016), is to help unlock the "black box" that has characterized the functioning of HPWS, by examining the degree to which a culture of innovation (Ruiz-Palomino et al., 2019; Santos-Vijande, González-Mieres, & López-Sánchez, 2013) strengthens the anticipated positive link between HPWS and service differentiation. It is important to consider the impact of culture (Hartnell et al., 2019) because it reflects the shared perceptions or assumptions among employees concerning the types of behavior that are valued in the organization. As such, unlike leadership where the source of influence is tied to an individual, culture reflects normative-based effects. Thus, the degree to which HPWS, and ultimately servant leadership, are effective in promoting service differentiation could be influenced by a strong innovative culture in which employees perceive an openness to new ideas and experimentation (Katrinli, Atabay, Gunnay, Guneri, & Aktan, 2009), as well as policies, procedures, and financial support that encourage innovation (Hult, Hurley, & Knight, 2004; Tuominen, Rajala, & Molle, 2004). Thus, a culture of innovation is an aspect of the business context (Colakoglu, Hong, & Lepak, 2010; Hong et al., 2017; Martín-Tapia, Aragón-Correa, & Guthrie, 2009; Ruiz-Palomino et al., 2019), that could strengthen the positive impact of CEO servant leadership, via

HPWS. Together with a culture of innovativeness that emphasizes the need to quickly adapt to changing customer demands, HPWS should encourage that individual hotel employees adopt skills, be motivated and use the opportunity to offer innovations at several levels (e.g., in products and services, in processes, in management and organization issues, in marketing) to enhance service innovation (Moreira et al., 2020) and ultimately create and maintain a competitive advantage that offers unique value to customers (cf. Labanauskaitė, Fiore, & Stašys, 2020). It is the implementation of creative ideas and/or the valuing of innovation that makes it more likely that service strategies will be developed that capture the attention of customers in a unique and differentiated manner (Omar et al., 2021). Consistent with our expectation, Dhar (2015) found, among hotel employees in India, that innovation climate moderated in the relationship between organizational commitment and employees' self-reported innovative services behaviors, while Huang et al. (2016) reported that service climate mediated the relationship between servant leadership and ratings of hotel profitability. In all, CEO servant leadership is more likely to positively influence strategic service differentiation through HPWS, when the culture of innovativeness is strong versus weak. Therefore, we propose the following hypothesis,

H5. The mediated positive relationship, via HPWS, between CEO servant leadership and strategic service differentiation, will be enhanced in hotels with a strong, as opposed to weak, culture of innovativeness.

3. Materials and methods

A questionnaire was distributed to HR managers in the competitive Spanish hospitality industry (World Economic Forum, 2019), where service differentiation is central to success (Elche, Ruiz-Palomino, & Linuesa-Langreo, 2020). HR managers were used as key informants because they had close contact with the hotel CEO, meaning they had many opportunities to observe leadership style. HR managers are a common source of data for research purposes, including both performance-related variables (Guest, Michie, Conway, & Shehan, 2003; Koonmee, Singhapakdi, Virakul, & Lee, 2010; Sun et al., 2007; Wall & Wood, 2005) and CEO leadership styles (e.g., Huang et al., 2016). These managers are commonly charged with the task of designing HR practices that help shape organizational culture so that it supports the strategic choices of the business (McAfee, Glassman, & Honeycutt, 2002). In all, in line with earlier research (e.g., Chan, Shaffer, & Snape, 2004; Huang et al., 2016), HR managers were viewed as the appropriate source for our data as they are crucial organizational participants likely to provide better data than other less knowledgeable sources (Huselid & Becker, 2000).

Prior to distributing the questionnaires, Brislin's (1980) back-translation procedure was used to translate the English-based measures into Spanish and back again, to ensure semantic equivalence. Next, the questionnaire was pilot tested in a focus group with 5 HR managers and 5 academic experts, who viewed it as clear such that no changes were required.

A cover letter assured our respondents of total confidentiality. To minimize social desirability bias, the letter emphasized that there were no right or wrong answers (Podsakoff, MacKenzie, & Podsakoff, 2012). Also, to minimize the potential influence of common method variance (CMV) (Conway & Lance, 2010; Podsakoff et al., 2012), a cover story was used to psychologically separate the predictors from the dependent variable so that there was no obvious relationship among them. Several individual and organizational variables were also added to serve as distracters.

The snowballing technique (where contacts of contacts are targeted) was used to build the sample. Six HR managers from large hotels (with a minimum of 3 stars and 60 workers) were initially contacted, who were asked to invite other colleagues (HR managers) to participate. These six initial contacts were duly informed that only colleagues of large hotels,

with a minimum of 3 stars and 60 employees, could be invited to participate. Ultimately, 34 valid questionnaires were received, all representing large hotels (three, four or five stars) with established HR departments. The descriptive analysis (see Table 1) reveals that the hotels surveyed were well established in the industry (88% were in the industry for more than 10 years) and most had between 60 and 100 employees and less than 250 rooms (61.76% and 67.65%, respectively).

Given the nature of our sampling technique, we tested for the existence of non-response bias in the data. To do this, we followed Armstrong and Overton (1977) in assuming that late respondents are more similar to non-respondents than early participants; we then compared the first and last quartiles of submissions received for the degree of similarity. Independent sample *t*-tests did not reveal any significant differences among the study variables; CEO servant leadership (mean difference = -0.07, *p* = 0.87), HPWS (mean difference = 0.18, *p* = 0.62), culture of innovativeness (mean difference = -0.22, *p* = 0.54) and strategic service differentiation (mean difference = 0.25, *p* = 0.47). These findings are consistent with the view that non-response bias is not a serious concern in our data (Collier & Bienstock, 2007).

3.1. Measures

All the central constructs were measured using a seven-point Likert response format (1 = “strongly disagree,” 7 = “strongly agree”). The items used appear in the Appendix.

Hotel CEO servant leadership. The Winston and Fields (2015) ten-item scale was used (e.g., “my leader treats me as if I were a member of his/her family”); $\alpha = 0.96$.

HPWS. The Sun et al. (2007) 27-item scale was used to assess eight HR practices. Two items, one from selective staffing (very extensive efforts are made in selection), and the other involving training (employees in customer contact jobs will normally go through training programs every few years) were dropped as they had very low corrected item-total correlations (below 0.1) and their inclusion negatively impacted the reliability of the overall measure. The remaining 25-items reflected selective staffing (3 items, $\alpha = 0.89$), extensive training (3 items, $\alpha = 0.89$), internal mobility (5 items, $\alpha = 0.81$), employment security (2 items, $\alpha = 0.95$), use of clear job descriptions (3 items, $\alpha = 0.93$), results-oriented appraisal (3 items, $\alpha = 0.79$), use of incentive rewards (2 items, $\alpha = 0.81$), and the degree to which participation was encouraged (4 items, $\alpha = 0.90$). Since HPWS operate as a system, a single additive index was created to reflect the extent to which HPWS were used at the hotel; $\alpha = 0.88$.

Culture of innovativeness. The Covin and Miller (2014) three-item scale assessed the degree to which the hotel had a culture supportive of innovation (e.g., “my hotel favors a strong emphasis on R&D and product innovations”; “my hotel emphasizes introducing significant changes in product or service lines”); $\alpha = 0.90$.

Strategic service differentiation. We adapted Sun and Pan’s (2011) five-item scale to assess the extent to which the hotel engaged in service differentiation. The items reflected, for example, the use of diverse,

Table 1
Profile of sample hotels.

Variable	Frequency	Percentage (%)	
Size (number of employees)	60–100 employees	21	61.76%
	101–250 employees	7	20.59%
	> 250 employees	6	17.65%
Hotel size (number of rooms)	< 50 rooms	5	14.71%
	50–149 rooms	13	38.24%
	150–249 rooms	5	14.70%
	>249 rooms	11	32.35%
Hotel tenure (years)	< 10 years	4	11.76%
	10–20 years	24	70.59%
	> 20 years	6	17.65%

specialized, and new service offerings as well as rapid response to market changes; $\alpha = 0.82$.

3.2. Data analysis

The psychometric properties of our targeted constructs were analyzed using SPSS v. 24 (IBM Corp, 2016) and AMOS v. 22 (using maximum likelihood estimation) (Arbuckle, 2013). Two methods, ordinary least squares regression-based path analysis using PROCESS v. 3.1. (a macro for SPSS) (Hayes, 2017), and fuzzy-set qualitative comparative analysis (fs/QCA) v. 3.0 (Ragin & Davey, 2016), were used to test our hypotheses. As explained below, they have complementary strengths.

First, the hypotheses were tested by conducting bias-corrected bootstrap analyses (5000 subsamples as recommended) via the Hayes (2017) PROCESS macros. Bootstrapping treats the original sample as the population, and resamples with replacement, observations from the sample to generate population value estimates (Hayes, 2017). To test our hypotheses, we relied on PROCESS Model 14 that allows the evaluation of moderated mediation models of the kind depicted in Fig. 1 and, therefore, allows to test all our hypotheses (H1–H5). For our mediation hypothesis (H4), indirect effects were estimated (Holland, Shore, & Cortina, 2017) and for the moderated mediation hypothesis (H5), the Hayes (2015) and Preacher, Rucker, and Hayes’ (2007) recommendations were followed. Second, in line with recent recommendations to complement the use of quantitative approaches with qualitative analytical techniques to provide a better understanding of research problems (Olya, Van Niekerk, Taheri, & Gannon, 2020), fuzzy-set qualitative comparative analysis (fs/QCA) was conducted using fs/QCA v. 3.0 (Ragin & Davey, 2016). Designed especially for studying social phenomena with small samples of 12 or more (Fainshmidt, Witt, Aguilera, & Verbeke, 2020; Valaei, Rezaei, Ho, & Okumus, 2019), this analytical approach is rooted in set theory and Boolean logic (Ragin, 2008) and its use can be helpful in addressing research issues in the hospitality and tourism sectors (Valaei et al., 2019). It overcomes the problems associated with a small sample size by maximizing the number of comparisons between observations (Rihoux, 2006; Ragin & Rihoux, 2004). It also provides a qualitative model to complement the quantitative findings by modeling asymmetric complexity and relationships, which are more common than symmetric associations (Woodside, 2013). Compared to other methods of analyses such as regression, fs/QCA provides different solutions to the problem under study (Valaei et al., 2019), mainly by identifying combinations of necessary and sufficient explanatory conditions, properly (Schneider & Wagemann, 2012).

4. Results

4.1. Preliminary analysis

All the targeted variables had acceptable reliability (see Table 2), with Cronbach’s α well above 0.70 (Hair, Black, Babin, Anderson, & Tatham, 2006). As for convergent validity, average variance extracted (AVE) exceeded the 0.50 cut-off (Hair et al., 2006) in all cases. Also, in support of discriminant validity, AVE for each variable was greater than the variance each shared with the remaining variables (Fornell & Larcker, 1981). Moreover, multicollinearity was not a problem in the data, which makes it less likely that the data offer spurious results (cf. Tu, Kelleth, & Clerehugh, Gilthorpe, 2005). Specifically, the variance inflation factors ranged between 1.48 and 2.83 (see Fig. 2), well below the most restrictive threshold of 3.3 (Diamantopoulos & Sigauw, 2006). Moreover, none of the condition indices exceeded 20 and none of the variance-decomposition proportions exceeded 50% (Belsley, Kuh, & Welsch, 2004).

As the data were collected on a single occasion from a single source, the possibility that the relationships observed may have been artificially

Table 2
Descriptive statistics, correlation matrix, reliability estimates, and convergent and discriminant validity.

	Descriptive statistics, reliability and convergent validity				Correlation matrix and discriminant validity						
	Mean	SD	AVE	Cronbach's alpha	1	2	3	4	5	6	
1. CEO servant leadership	5.87	1.18	0.75	0.96	0.87						
2. High perf. work system	4.82	1.00	0.55	0.88	0.64	0.74					
3. Strategic service differ.	5.38	0.84	0.58	0.82	0.34	0.64	0.76				
4. Culture of innovativeness	4.69	1.29	0.82	0.90	0.43	0.78	0.35	0.90			
5. Hotel size	75.85	70.49	–	–	–0.09	0.10	0.20	0.08	–		
6. Hotel tenure	28.48	18.23	–	–	–0.27	–0.06	0.00	–0.02	0.31	–	

Notes: Bold values in the matrix are square roots of AVE values, while the off-diagonal elements are correlations among the variables.

$p < 0.05$, correlations of 0.34 (two-tailed).

$p < 0.01$, correlations of 0.42. (two-tailed).

Hotel Size (number of employees) and Hotel Tenure (number of years in the industry) were originally included as controls but were dropped from the analyses as they had no meaningful effect.

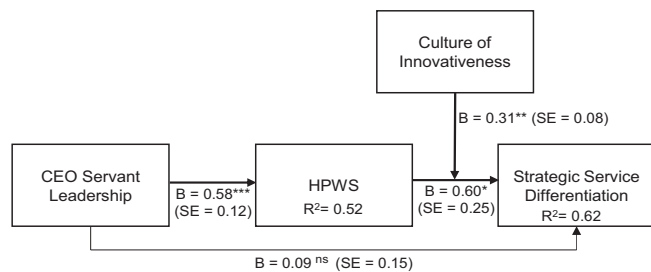


Fig. 2. Results for the moderated mediation model. **Notes:** HPWS = High Performance Work System; ns = not significant; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

inflated by CMV (Podsakoff et al., 2012) was evaluated. First, if the data were strongly impacted by CMV, this would be reflected in exploratory factor analysis by a dominating single factor. Harman’s (1976) single-factor test, to address this, revealed that the first factor accounted for only 45% of the variance, and that nine factors, all with eigenvalues exceeding one, were required to account for 90% of the total variance. Another method of assessing CMV, applied by Eva et al. (2018), involves examining the magnitude of correlation between a theoretically unrelated variable (a marker) and the constructs of interest. As with the single-factor test, the marker approach (Lindell & Whitney, 2001) suggested that CMV was not a problem. Specifically, seasonality of the business, the marker variable used, was not related to any of the central constructs; all the correlations that were significant remained so after the second smallest correlation between the marker variable and the study variables ($r_m = 0.02$) was partialled out from the uncorrected correlations. Finally, CMV is less likely to be an issue in complex models such as ours that include an interaction (Podsakoff et al., 2012) as this type of effect is unlikely to be reflected in the cognitive maps of respondents (Chang, van Witteloostuijn, & Eden, 2010). Overall, there was little reason to believe that CMV artificially inflated the magnitude of the relationships we observed.

An AMOS-based confirmatory factor analysis (CFA) also supported the construct validity of our measures, which is among the strongest sources of evidence available to counter CMV concerns (Conway & Lance, 2010). Because sample size was small, the CFA was accomplished using randomly chosen parcels of items as indicators (e.g., Landis, Beal, & Tesluk, 2000) for variables involving more than five items. Chi-square difference tests indicated that the intended four-factor model was better fit than any of the competing representations, i.e., three-factors (which combined a culture of innovativeness and strategic service differentiation into one construct; $\Delta\chi^2 = 59.1$, $\Delta df = 3$, $p < 0.01$), two-factors (which combined culture of innovativeness, strategic service differentiation and CEO servant leadership into a single construct; $\Delta\chi^2 = 153.2$, $\Delta df = 5$, $p < 0.01$), and a single factor (which collapsed all four of the

targeted constructs into one; $\Delta\chi^2 = 157.1$, $\Delta df = 6$, $p < 0.01$). Thus, as intended, CEO servant leadership, HPWS, a culture of innovativeness, and strategic service differentiation all represented distinct constructs.

4.2. Hypothesis testing using bootstrapping

As shown in Table 3 and Fig. 2, contrary to H1, hotel CEO servant leadership was not directly related to strategic service differentiation ($B = 0.09$, $SE = 0.15$, non-significant). H2 of a positive direct association between CEO servant leadership and HPWS ($B = 0.58$, $SE = 0.12$, $p < 0.001$) was supported, as was H3, of a positive link between HPWS and hotel strategic service differentiation ($B = 0.60$, $SE = 0.25$, $p < 0.05$, H3). Since H2 and H3 were supported, the evaluation of H4, that CEO servant leadership could influence hotel strategic service differentiation indirectly, through HPWS, was evaluated. In support of H4, bias-corrected bootstrapping (with 5000 repetitions) revealed an indirect effect (0.35 , $SE = 0.19$, 95% $CI = 0.03, 0.85$, Table 3).

To examine H5, that the indirect effect of CEO servant leadership through HPWS would be moderated by a culture of innovativeness, a five-step process (Hayes, 2015, 2017; Preacher et al., 2007) was followed. Support for the model would indicate that the direct effect of the HPWS mediator on strategic service differentiation is strengthened by a culture of innovativeness.

Two of the five conditions required for moderated mediation (Hayes, 2015, 2017; Preacher et al., 2007) were met earlier; both CEO servant leadership and HPWS were significantly related to service differentiation (i.e., H2 and H3, respectively). The third condition requires that the interaction term involving HPWS and a culture of innovativeness be significant. Our analysis of the mean-centered variables (Aiken & West, 1991) was supportive ($B = 0.31$, $SE = 0.08$, $p < 0.01$, Table 3). Simple slope analysis revealed that when the culture of innovativeness was strong at the hotel (+1 SD), CEO servant leadership was linked to significantly higher levels of service differentiation ($B = 1.09$, $SE = 0.27$, $p < 0.001$, Fig. 3); when the culture was not supportive (–1 SD), servant leadership was unrelated to service differentiation ($B = 0.20$, $SE = 0.29$, non-significant, Fig. 3). To interpret the interaction, high versus low innovativeness culture regression lines (+1 and –1 SD from the mean) were plotted (Dawson, 2014). They show that the positive relationship between servant leadership and service differentiation is stronger (the slope is more pronounced) when the culture of innovativeness is strong versus when it is weak (Fig. 3). The fourth required condition, that the indirect effect of CEO servant leadership on hotel strategic service differentiation via HPWS differs at distinct levels of the moderator (i.e., a culture of innovativeness), was also met (Table 4). Specifically, the relationship between servant leadership and strategic differentiation increases at higher levels of a culture of innovativeness; it is not significant at –1 SD ($B = 0.06$; 95% $CI = -0.35, 0.60$), but is significant at both the mean ($B = 0.34$, $p < 0.05$) and at +1 SD ($B = 0.64$, $p < 0.05$). Finally, the fifth condition, that the 95% CI associated with the index of moderated mediation excludes zero, was supported (index = 0.18, $SE =$

Table 3
Regression results using bootstrapping.

Variable	HPWS (R ² = 0.52)			Strategic service differentiation (R ² = 0.62)		
	B	SE	t	B	SE	t
Constant	-3.37***	0.74	-4.56	4.53***	0.93	4.88
CEO servant leadership	0.58***	0.12	4.67	0.09	0.15	0.63
HPWS				0.60*	0.25	2.34
Culture of innovativeness				-0.12	0.14	-0.93
HPWS x culture of innovativeness				0.31**	0.08	3.16
Indirect effect	Bootstrapping effect 0.35			SE 0.19	95% BCA CI (LL, UL) 0.03	0.85

Notes: Unstandardized regression coefficients; Bootstrap sample size = 5000; BCA CI = Bias-corrected and accelerated confidence interval; LL = lower limit; UL = upper limit. *p < 0.05. ** p < 0.01. *** p < 0.001. HPWS = High Performance Work System.

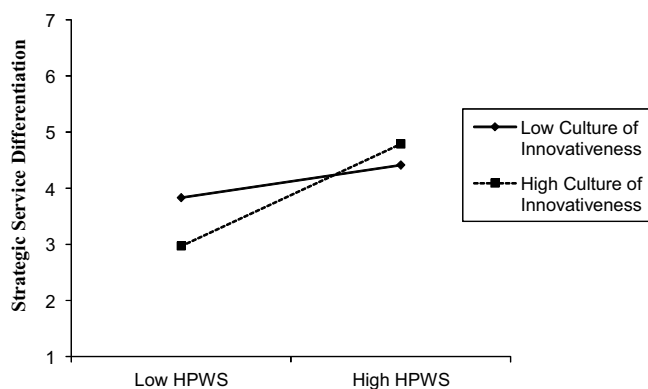


Fig. 3. Interacting effects of a culture of innovativeness with HPWS on hotel strategic service differentiation. **Notes:** HPWS = High Performance Work System. Results of the simple slope analysis (Aiken and West, 1991): (+1SD) B= 1.09, SE=0.27, p < .001, (-1SD) B=0.20, SE=0.29, non-significant. SE= standard error.

Table 4
Results for the conditional indirect effect via high performance work system.

	B	SE	95% BCA CI (LL, UL)	
<i>Moderator: culture of innovativeness</i>				
-1SD (-1.59)	0.06	0.24	-0.35	0.60
Mean (0)	0.34	0.20	0.03	0.85
+1SD (1.59)	0.64	0.22	0.28	1.18
	Index of moderation mediation	SE	95% BCA CI (LL, UL)	
	0.18	0.06	0.07	0.33

Notes: Bootstrap sample size: 5000. BCA CI = Bias-corrected and accelerated confidence interval; LL = lower limit; UL = upper limit. The indirect effect is significant at p < 0.05 when the corresponding BCA 95% confidence interval (lower and upper levels) does not contain zero (Hayes, 2017; Preacher et al., 2007).

0.06, CI = 0.07, 0.33; Table 4). As all five conditions were met (Preacher et al., 2007), H5 was supported; the indirect effect of CEO servant leadership on service differentiation, via HPWS, varies with the level of cultural innovativeness at the hotel.

It is notable that the full moderated mediation model accounts for approximately a 62% of the variance in strategic service differentiation at the hotel. This is a significant increase compared with a mediation-only model (R² mediation model = 0.36; ΔR² = 26%). Thus, the size of moderated mediation effect (f² = [R² included - R² excluded]/[1- R²

included]; f² = 0.68) is large (Cohen, 1988).

4.3. Hypothesis testing using Fs/QCA

Since the use of fsQCA requires the use of single-item variables, the Likert-scale based variable averages were transformed into fuzzy-set responses by assigning values between 0 and 1 to them. A direct method for transforming the variables into calibrated sets was used where 1 indicated full membership, 0 indicated full non-membership and 0.5 indicated neither (Ragin, 2008). Since we used a seven-point-format scale response format, we followed Miquel-Romero, Frasquet, and Molla-Descals (2020) and established three anchors, in which ratings of six indicated full membership, two reflected full non-membership, and four signified neither. These transformations enabled the calibration, using fsQCA software, of all the average scores associated with the multi-item variables.

The fsQCA-based results show that CEO servant leadership by itself was sufficient for successful strategic service differentiation to occur (see Table 5). As for the complete set of sufficient causal conditions, the intermediate solution applied as recommended (Ragin, 2008), revealed up to two causal configurations (see Table 6). First, CEO servant leadership was a sufficient condition, by itself. Second, HPWS combined with a culture of innovativeness also produced service differentiation. Table 6 also shows that the combination of both causal conditions (servant leadership and HPWS, together with cultural innovativeness) display adequate overall consistency and coverage values for sufficiency, well above their respective critical thresholds of 0.75 and 0.60 (Ragin, 2000). The solution coverage, analogous in interpretation to R-squared (Woodside, 2013), revealed that the two configurations together account for 98% of the hotels that report the successful use of strategic service differentiation. However, an examination of the raw and unique coverage indicators for each solution shows that the share of the outcome explained (raw coverage, Ragin, 2006, or unique coverage, Schneider & Wagemann, 2010) by CEO servant leadership is greater than that accounted for by the interactions of HPWS and a culture of innovativeness (0.924200 > 0.792072, 0.1846310 > 0.0525033,

Table 5
Analysis of necessary causal conditions for predicting strategic service differentiation.

Causal conditions	Consistency	Coverage
CEO servant leadership	0.924200	0.890154
~ CEO servant leadership	0.134910	0.937198
High performance work system	0.852225	0.977273
~ High performance work system	0.293115	0.945067
Culture of innovativeness	0.852921	0.966509
~ Culture of innovativeness	0.283380	0.945476

Notes: ~ = negated (Non-existence of the causal condition). Values in bold exceed the consistency and coverage thresholds of 0.90 and 0.75, respectively (Ragin, 2000).

Table 6

Fs/QCA results (truth table): sufficient configurations for predicting strategic service differentiation.

	Raw coverage	Unique coverage	Consistency
Outcome: strategic service differentiation			
CEO servant leadership	0.924200	0.1846310	0.8901540
HPWS * culture of innovativeness	0.792072	0.0525033	0.9882860
Solution coverage: 0.976704			
Solution consistency: 0.889487			

Notes: The intermediate solution is shown, as recommended (Ragin, 2008). HPWS = High Performance Work System. The asterisk (*) indicates “and” in Boolean or fuzzy-set logic.

Cut-off criteria for solution coverage and consistency are 0.75 and 0.60 respectively (Ragin, 2000).

Table 6). In all, these findings align with the bootstrapping analyses in that they suggest that hotel CEO servant leadership is required for strategic service differentiation to occur, as it fosters the use of HPWS to provide the human capital required for differentiated service, especially in hotels with a culture of innovativeness.

5. Discussion

The creation and delivery of innovative services aligned with service differentiation as a business-level strategic choice (Porter, 1985) is crucial to ongoing competitiveness in the hotel industry (Chon & Zoltan, 2019). As such, it is essential to understand the variables associated with its adoption and successful execution. Building on existing research suggesting that top-level servant leaders may be well suited to the use of differentiation (Eva et al., 2018), we develop and test a model in which CEO servant leaders are seen as being likely to gravitate toward the use of service differentiation, by adopting HPWS at the functional level, and with the help of a culture of innovativeness. We found that HPWS fully mediated the positive relationship between CEO servant leadership and service differentiation; in turn, the positive association between HPWS and service differentiation was moderated by a culture of innovativeness. These findings add to the leadership, HPWS and strategy literatures by identifying how (i.e., through HPWS) and when (i.e., support for a culture of innovativeness) hotel CEO servant leadership is likely to be associated with the successful implementation of service differentiation.

5.1. Theoretical contributions

We add to the small number of firm-level studies in the servant leadership literature, which is dominated by individual or group level investigations (Chon & Zoltan, 2019; Eva et al., 2019). To this point, for example, firm-level research has positively linked CEO servant leadership to return on investment in the technology sector (Peterson, Galvin, & Lange, 2012), and to various other ratings of business performance (Huang et al., 2016) and innovation (Ruiz-Palomino et al., 2019) in the hotel industry. Our demonstration of a positive link between hotel CEO servant leadership and the successful execution of service differentiation as a strategic choice is consistent with upper echelons theory (Hambrick & Mason, 1984) that organizations reflect their CEO. Relative to literature that emphasizes the role of transformational leadership in relation to strategic choice (e.g., Alowais, 2019; Kazmi et al., 2016; Menguc et al., 2007) our findings are interesting because they demonstrate that service differentiation can be brought about by other-centric leadership, as opposed to the transformational approach which emphasizes the importance of meeting organizational goals (Nassif et al., 2020).

It is notable, that in using upper echelons (Hambrick & Mason, 1984) as a starting point, we highlighted the role of CEOs in influencing strategic choice. In comparison, Eva et al. (2018) emphasized the importance of the extent to which top-leader servant leadership was a fit to the

existing strategy and organizational structure of the business (e.g., Shenhar, 2001). As noted earlier, consistent with our findings, Eva et al. (2018) reported a positive relationship between top-leader servant leadership and differentiation as a generic strategic choice. Nonetheless, Eva et al. (2018) also found, contrary to expectations, that differentiation failed *strengthen* the otherwise positive relationship between servant leadership and several aspects of overall organizational performance. Moreover, servant leadership, combined with *less use* of differentiation and lower centralization, strengthened the positive association between top-leader servant leadership and performance. Relatedly, the positive ties between servant leadership and performance were *weakened* when cost leadership and formalization were used. These complex findings, involving both strategic choice and organizational structure, highlight the need for additional firm-level research. Indeed, for example, direct comparisons of our findings to Eva et al. (2018) may be inappropriate, because, as noted earlier, their sample was not confined to CEOs or to the hospitality industry, and they examined differentiation as a generic strategy, not targeted to service per se. Finally, although we did not assess *overall* performance, it is reasonable to expect service differentiation to be a positive for hotels given its importance in the sector (e.g., Chon & Zoltan, 2019). For example, in hotel-based research, Sun and Pan (2011) found service differentiation as rated by top/general managers to be indirectly related, through HPWS, to increased sales revenue. In general, there is a need to further our understanding of the connections between the various antecedents (e.g., service-related OCBs; Hsiao, Lee, & Chen, 2015; Kloutsiniotis & Mihail, 2020a) and outcomes (e.g., customer loyalty; Allen & Helms, 2006) associated with the successful implementation of service differentiation (Sun & Pan, 2011).

In suggesting a positive association between hotel CEO servant leadership and HPWS, we extend previous research in which these constructs were portrayed as being unrelated (e.g., Alafeshat & Tanova, 2019). Further, in showing that HPWS fully mediate the relationship between CEO servant leadership and service differentiation, we help place the role of this HR construct in the tourism and hospitality sector in which the antecedents of HPWS have received little attention (Kloutsiniotis & Mihail, 2020a, 2020b). Relatedly, it is notable that the adoption of HPWS has been linked to other CEO leadership approaches as well, including authentic leadership (Karam, Gardner, Gullifor, Tribble, & Li, 2017) and transformational leadership (Pereira & Gomes, 2012). As a group, these findings are interesting because they indicate that both leader-centric and other-centric approaches to leadership associate positively with the use of HPWS.

As HPWS fully mediated the relationship between CEO servant leadership and the successful implementation of service differentiation, the importance of employees' AMO (Appelbaum et al., 2000; Jiang et al., 2012; Mihail & Kloutsiniotis, 2016; Kloutsiniotis & Mihail, 2020a, Kloutsiniotis & Mihail, 2020b) is highlighted (Sun & Pan, 2011). As such, we add to research that addresses how servant leadership fosters positive outcomes. Our findings are also consistent with resource-based theory (Barney & Clark, 2007) that links employees' AMO to strategic choice by providing the human capital required to generate firm-level tacit knowledge as a source of competitive advantage (Lado & Wilson, 1994). Future research could address, in a service differentiation context, the contributions made by each individual AMO component to knowledge management (Mustafa, Richards, & Ramos, 2013), and to the strengthening of the exchange-based relationship between employees and the organization (Dhar, 2015; Sun & Pan, 2011), including role expansion (Beltran-Martín, Bou-llusar, Roca-Puig, & Escrig-Tema, 2017; Wang, Baba, Hackett, & Hong, 2019).

Finally, that a culture of innovativeness moderated the positive relationship between CEO servant leadership and strategic service differentiation, through HPWS, makes a notable contribution to the literature, where there is a need to identify moderators of the relationship between these HR practices and various aspects of organizational performance (Kloutsiniotis & Mihail, 2020b). Trust in the employer (Alfes, Shantz, & Truss, 2012), a trusting climate (Kloutsiniotis & Mihail, 2018)

and organizational commitment (Sun & Pan, 2011), are among the other few moderators that have been found to strengthen the positive impact of HPWS on the employees' task performance, the service quality of the hotel, and hotel sales revenue, respectively. The role of a culture of innovativeness aligns well with meta-analytic finding that cultural variables account for variance in organizational outcomes, including those related to innovation, even after leadership and HPWS are accounted for (Hartnell et al., 2019). Our discovery, specific to service differentiation in the hotel industry is consistent with the idea that a supportive climate (Linuesa-Langreo et al., 2017), likely fostered by the participative decision making and employee voice, tied to servant leadership (Ruiz-Palomino et al., 2019), is crucial to the development, sharing, and implementation of service-related novel ideas. Our finding also adds to the well-established service innovation literature (Moreira et al., 2020) by demonstrating how a culture of innovativeness combines with micro level factors (i.e., CEO servant leadership, HPWS) to foster service differentiation. It also addresses the issue of *when* servant leadership is especially likely to enhance service differentiation.

5.2. Practical implications

Our findings highlight the practical value of providing servant leadership training to CEOs as this leadership style is positively linked to the successful provision of differentiated service, a competitive advantage in the hotel industry (Huang et al., 2016; Tsaaur & Tang, 2013). The *Greenleaf Center for Servant Leadership*, through wiki collaborative websites offers online courses which are a valuable option in this regard.

HR leadership should ensure that CEOs are fully aware of the importance of HPWS implementation in their hotels. In demonstrating the mediating role of HPWS between hotel CEO servant leadership and service differentiation, our findings suggest the need to attend to the full range of employees' AMO in relation to the provision of differentiated service. Indeed, each individual AMO component is related to valued outcomes (e.g., skills, effort, discretion, Jiang et al., 2012), through which the potential of the hotel staff can be fully harnessed to offer unique, valued services. The importance of selective hiring, extensive training, job security and career development, performance-based rewards, and employee participation, are all highlighted in this study, such that policy makers should use this information to encourage the design of regional/local tourism efforts (training, awareness campaigns, technological or monetary resources) that help CEOs fully implement HPWS in their hotels.

Finally, the moderating role of a culture of innovativeness has practical implications tied to many of the issues discussed earlier. Specifically, matters such as leadership, strategy, structure, as well as policies and procedures, including HPWS, all have implications for the extent to which employees have shared beliefs concerning organizational goals (Schein, 2017). Fostering a culture optimally supportive of organizational values requires that all these components be aligned to send consistent messages. Our findings illustrate the positives of such alignment, as leadership, HPWS, and a culture of innovativeness combined to account for 62% of the variance in successful implementation of strategic service differentiation.

From a policy perspective, understanding and acting on the interplay of CEO servant leadership, HPWS and a culture of innovativeness as implied by our findings can help improve the competitiveness of the tourism and hotel industry in a region or local area. In this sense, our findings can serve to encourage institutions to design strategies aimed at training hotel entrepreneurs and managers in the practice of servant leadership, as the strong community focus of this leadership approach can facilitate social relationships and collaboration with other agents (Zoghbi-Manrique-de-Lara & Ruiz-Palomino, 2019) to ultimately facilitate long-term competitiveness and economic growth of the tourism sector in targeted areas or regions (Moyle, Moyle, & Burgers, 2020).

The relationships we tested and the associated underlying processes (e.g., fostering a culture of innovative, differentiated service, staffed by

capable, flexible, and motivated employees) are likely to be of continued importance given the myriad of new challenges the tourism and hotel industry faces due to the Covid-19 pandemic (Sebastian, 2020). In retail environments, for example, employees and managers are already struggling with basic issues, such as how to deal with customers who refuse to comply with local and regional laws requiring that masks be used (Terlep, 2020). Front-line employees must have both the willingness and capabilities to respond in an innovative, appropriate manner in these situations.

Finally, another contemporary issue of increasing concern to tourists is green performance (Osti & Goffi, 2021; Tuan, 2020), wherein the practice of servant leadership has been implicated (Luu, 2020; Ying, Faraz, Ahmed, & Raza, 2020). Thus, CEO servant leadership, enhanced levels of employees' AMO fostered by HPWS, combined with a culture of innovativeness, could result in greater openness to eco-initiatives that contribute to distinctive hotel service configurations. This could help hotels offer unique, innovative value to the customers to increase brand loyalty (Omar et al., 2021) and strengthen area and/or regional competitiveness relative to competing destinations (cf. Labanauskaitė et al., 2020).

5.3. Limitations and future research directions

As in any single investigation, there are design limitations associated with our study that are suggestive of future research beyond the areas we addressed earlier. For example, like Eva et al. (2018), our data were collected on a single occasion from a single source. As such, there is the potential for CMV to artificially inflate the relationships observed. Nonetheless, the CMV threat was assessed in multiple ways and none of them suggested it was a problem in our data. Also, in relation to one of the relationships we studied, it is notable that the positive association Sun and Pan (2011) found between HPWS and service differentiation at hotels in China was based on *separate* sources, i.e., HR managers and top/general managers, respectively. Even so, it is of interest to replicate our findings using, for example, evaluations of our major variables from operations managers outside of HR, and from non-managerial staff. Employees' perceptions of HPWS could be compared, for example, to those of managers and to objective data (Kloutsiniotis & Mihail, 2020a). Also, it is of obvious value to obtain customer perceptions of the degree to which the service provided is unique and valued.

As in related studies (e.g., Eva et al., 2018; Sun & Pan, 2011), the cross-sectional design we used limits our ability to make causal inferences. Nonetheless, as a supplement to bootstrapping, our use of fsQCA grounded in complexity theory is helpful here, as it is designed to identify multiple configurations of *causal* conditions (Ragin, 2008), which allows to overcome the shortcoming of other traditional techniques (i.e., regression) that assume that causal conditions are independent variables that influence the outcome variable in an additive and linear manner (Valaei et al., 2019). Moreover, our use of fsQCA – that evaluates how all antecedent conditions interact interdependently to show combinations of conditions that explain the focal outcome – revealed findings that roughly correspond with those obtained by using ordinary least squares regression-based path analysis, an analytical tool focused on understanding the net effects of *individual antecedents* on an outcome. Thus, our findings are robust as they held across analytical approaches (Leischnig, Henneberg, & Thornton, 2016). It is also notable that the risk of spurious results was limited (Park, Fiss, & El Sawy, 2020) in that our use of fsQCA was predicated on strong theory underlying our proposed model. This also helps protect against the problems that could arise from multicollinearity (e.g., *p*-values that shift from significant to non-significant; Ho, Plewa, & Lu, 2016) though it was not a concern in our data.

In our desire to sample the hotel industry in Spain, our sample was small. Even so, our use of fsQCA was helpful in this regard, as it is designed for the analysis of small samples (Fainshmidt et al., 2020; Valaei et al., 2019). Nonetheless, the focus on a single cultural and

occupational context (i.e., hotels in Spain) may limit the generalizability of our findings. Future cross-cultural or -occupational studies would enhance our knowledge on how destination managers can help hotel CEOs to successfully differentiate its service. Future efforts to expand our findings to other countries should also address the sampling issue (i.e., collection of a larger sample of hotels). Finally, because the effect of servant leadership might vary across cultures (Eva et al., 2019), future research could address the possible role of differences in national culture (e.g., power distance) in the functioning of servant leadership and its impact on the hotel.

In explaining the process underlying the positive impact of CEO servant leadership on hotel's service differentiation we focused on the role of HPWS as a mediator but we did not directly measure how HPWS impacts valued employee outcomes at the individual level (e.g., skills and competencies, customer orientation and involvement, networks of relationships with customers) that are required for successful service innovation (Moreira et al., 2020; Singh, Akbani, & Dhir, 2020) and service differentiation to flourish (Knight et al., 2020; Solnet et al., 2016; van Esch et al., 2016). For example, employee creative performance, that has been found to be positively impacted by the practice of servant leadership and by the implementation of HPWS in organizations (cf. Karatepe et al., 2019) should foster innovative service offerings (Moreira et al., 2020; Senbeto & Hon, 2020) and contribute to enhanced levels of service differentiation. Thus, there is the opportunity for future research to address in greater detail *how* HPWS and a culture of innovativeness interact to enhance individual-level outcomes to provide a deeper account of our moderated mediation findings. The research opportunities in this regard and for additional firm-level research concerning servant leadership and strategic choice are plentiful.

6. Conclusions

Servant leadership is a virtue-rooted approach to leadership grounded in serving the needs of subordinates, the organization, and the broader community. In contrast to existing literature dominated by individual and group-level research (Chon & Zoltan, 2019; Eva et al., 2019), our firm-level study demonstrates that hotel CEO servant leadership can foster service differentiation as a strategic choice through the implementation of HPWS. In adopting HPWS to enhance employees' ability, motivation, and opportunity to perform, CEO servant leaders honor their aspirations to develop employees to their full potential. Moreover, the positive indirect effect of CEO servant leadership on the hotel service differentiation via HPWS is enhanced in strong (versus weak) cultures of innovativeness, that encourage employees to offer new ideas that are foundational to service differentiation. In all, our findings integrate previously unrelated streams of research concerning servant leadership and HPWS, and their ties to service differentiation vital to competitiveness in the hospitality industry.

Credit author statement

Ruiz-Palomino, Pablo: Conceptualization, Methodology, Software, Writing-Original draft preparation, Writing-Reviewing, Questionnaire Design, Supervision. **Gutiérrez-Broncano, Santiago:** Data curation, Questionnaire Design, Writing-Reviewing, Investigation. **Jiménez-Estévez, Pedro:** Data curation, Visualization, Investigation, Data collection, Writing-Reviewing. **Hernández-Perlines, Felipe:** Writing-Reviewing, Questionnaire Design, Investigation, Visualization.

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Appendix. Measures

CEO Servant Leadership (Winston & Fields, 2015).

Please, rate your level of agreement (1 = "strongly disagree", 7 = "strongly agree") about the extent to which the following statements describe your CEO or general manager in your hotel.

My CEO...

- _____ Practices what he/she preaches.
- _____ Serves people without regard to their nationality, gender, or race.
- _____ Sees serving as a mission of responsibility to others.
- _____ Genuinely interested in employees as people.
- _____ Understands that serving others is most important.
- _____ Willing to make sacrifices to help others.
- _____ Seeks to instill trust rather than fear or insecurity.
- _____ Is always honest.
- _____ Is driven by a sense of higher calling.
- _____ Promotes values that transcend self-interest and material success.

High Performance Work Systems (HPWS) (Sun et al., 2007).

Please, rate your level of agreement (1 = "strongly disagree", 7 = "strongly agree") about the extent to which your hotel employ the following practices or work systems to manage employees.

Selective Staffing

- _____ Great effort is taken to select the right person.
- _____ Long-term employee potential is emphasized.
- _____ Considerable importance is placed on the staffing process.
- _____ Very extensive efforts are made in selection (dropped, low corrected item-total correlation values).

Extensive Training

- _____ Extensive training programs are provided for individuals in customer contact or front-line jobs.
- _____ Employees in customer contact jobs will normally go through training programs every few years (dropped, low corrected item-total correlation values).
- _____ There are formal training programs to teach new hires the skills they need to perform their job.
- _____ Formal training programs are offered to employees in order to increase their promotability in this hotel.

Internal Mobility

- _____ Employees have few opportunities for upward mobility (reverse coded).
- _____ Employees do not have any future in this hotel (reverse coded).
- _____ Promotion in this hotel is based on seniority (reverse coded).
- _____ Employees have clear career paths in this hotel.
- _____ Employees in customer contact jobs who desire promotion have more than one potential position they could be promoted to.

Employment Security

- _____ Employees in this job can be expected to stay with this hotel for as long as they wish.
- _____ Job security is almost guaranteed to employees in this job.

Clear Job Description

- _____ The duties in this job are clearly defined.
- _____ This job has an up-to-date description.
- _____ The job description for a position accurately describes all of the duties performed by individual employees.

Results-Oriented Appraisal

_____. Performance is more often measured with objective quantifiable results.

_____. Performance appraisals are based on objective quantifiable results.

_____. Employee appraisals emphasize long term and group-based achievement.

Incentive Reward

_____. Individuals in this job receive bonuses based on the profit of the hotel.

_____. Close tie or matching of pay to individual/group performance.

Participation

_____. Employees in this job are often asked by their supervisor to participate in decisions.

_____. Individuals in this job are allowed to make decisions.

_____. Employees are provided the opportunity to suggest improvements in.

the way things are done.

_____. Supervisors keep open communications with employees in this job.

Strategic Service Differentiation (Sun & Pan, 2011).

Please, rate your level of agreement (1 = “strongly disagree”, 7 = “strongly agree”) about the extent to which the following statements describe the ability of your hotel to compete with other hotels.

_____. Our hotel provides customers with specialized services different from those provided by other hotels.

_____. Our hotel keeps developing new services.

_____. Our hotel switches quickly between services to respond to fluctuations in market demand.

_____. Our hotel develops new techniques and methods to enhance services.

_____. The characteristics of our services differ a great deal from one another.

Culture of Innovativeness (Adapted from Covin & Miller, 2014).

Please, rate your level of agreement (1 = “strongly disagree”, 7 = “strongly agree”) about the extent to which the following statements describe the culture of your hotel.

_____. My hotel favors a strong emphasis on R&D and product innovations.

_____. During the last 5 years my hotel has emphasized entering new businesses and marketing new services.

_____. My hotel emphasizes introducing significant changes in product or service lines.

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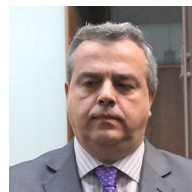
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