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27 April 2022

### **The Healing Power of Trust**

In today's globalised world, more and more hotel firms are expanding their business overseas. Yet success in the international arena may not translate into success at home, warn Dr Alice H. Y. Hon and Mr Emmanuel Gamor of the School of Hotel and Tourism Management (SHTM) at The Hong Kong Polytechnic University. With skilled managers from overseas paid 10 times more than local employees, frontline and service-oriented hotel workers are feeling increasingly disillusioned. With service standards falling, how can multinational hotel corporations build harmony between their local and overseas employees? The answer lies in trust, say the researchers, whose study offers timely and important insights for the Chinese hospitality industry.

The last four decades of globalisation have seen radical changes in the organisational management and human resource composition of hotel firms in China. To compete in the international service market, firms are increasingly filling key strategic positions with skilled workers from abroad. "In the modern hospitality industry, multinational hotel corporations rely on expatriate managers to succeed", say the researchers.

To attract, motivate and retain these valuable employees from overseas, it is standard practice to set their wages to the market conditions in their home country. Their salaries can be an astounding 10 times higher than those of local workers, whose pay is calculated according to local labour market conditions. Unsurprisingly, note the authors, this can lead to "perceived injustice among employees," especially given that compensation goes beyond money—it can represent an employee's worth, status and power.

The problem of disgruntled local employees is not trivial, and multinational hospitality corporations should not underestimate the extent to which this might threaten their own survival. Local employees who resent their expatriate superiors and the organisation are less satisfied, motivated and committed. They may engage in "deviant behaviours, service sabotage, or antisocial behaviours affecting service quality", report the researchers. Faced with this problem, multinational hotel companies must find ways to mitigate the negative effects of the compensation gap on local employees' work-related outcomes.

In multicultural environments with a vast chasm in pay grades between local and overseas employees, it can be challenging to develop and maintain local employees' trust in their expatriate superiors – and even in the organisation as a whole. Companies must satisfy the salary expectations of highly skilled expatriate managers while addressing any potential bitterness felt by local employees. Successfully fostering trust can reduce the negative outcomes associated with a sense of inequity. High levels of trust "can positively influence several work outcomes, such as job performance, organisational citizenship behaviour, and productiveness", say the authors.

Referring to well-established theories of the different forms of trust, the researchers surmised that trust in expatriate supervisors and the

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organisation can be knowledge-driven or emotion-driven. Knowledge-driven “cognitive trust” is based on a track record of competence, reliability and fair treatment, and might allow local employees to see beyond the pay gap. The researchers reasoned that instilling cognitive trust “gives the impression that expatriate managers have the competency, key knowledge, and ability to work at a high level, and so it is right that they receive more compensation than local employees”.

Emotion-driven “affective trust” is born from an interpersonal connectedness, through which local employees feel cared for by their expatriate managers. Affective trust in expatriate managers can be formed via friendly interactions and expressions of personal concern in local employees’ well-being, which “weakens uncertainty and increases psychological safety among employees”, explain the authors. Recognising the potential for these two dimensions of trust to curtail the negative effects resulting from compensation gaps, the researchers set out to define their influence on various work-related outcomes.

To capture real-world experiences and attitudes, the authors approached team members of multinational hotel corporations in Xian, China. They included 286 front-line or low-level local employees and 32 of their expatriate supervisors, who were middle- or upper-level managers. Most of the local employees interviewed had been supervised by an expatriate manager for 1 to 5 years. The expatriate supervisors were primarily from Hong Kong or Taiwan, Europe, and North America, and 68.1% of them had lived in China for at least 6 years.

The local employees completed a comprehensive questionnaire that measured their perceptions of the compensation gap between local and expatriate employees, as well as their cognitive and affective trust in their expatriate superiors, their satisfaction with their expatriate supervisors, general work satisfaction, and commitment to their organisation.

As well as collecting these valuable data from local employees, the authors asked the expatriate supervisors to give scores for the local employees’ altruism, by reporting their willingness to offer help in the workplace. A sample item was “This individual is inclined to help me find solutions to work-related problems”.

The next step was to conduct a thorough statistical analysis of the interview data to measure the precise connections between compensation, work attitudes and trust among local and expatriate employees.

As expected, when the local employees perceived the compensation gap to be larger, they were more dissatisfied with their expatriate supervisors and less willing to help them. They were also less satisfied with their jobs and – most strikingly – less committed to their organisations. This, report the researchers, confirms the previous finding that “the compensation gap is one of the main contributors to counterproductive work outcomes among employees in the hospitality industry”. Interestingly, however, local employees’ resentment was mostly directed towards the organisation, rather than towards their expatriate managers.

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“This may cause local employees to leave organizations with a greater perceived unjust compensation gap”, warn the authors, “contributing to high labour turnover in the hospitality industry”. This finding underlines the urgent need for multinational hospitality corporations to generate a sense of fairness that counteracts the negative effects of substantial pay gaps. One possibility is the introduction of non-financial perks for local employees, such as additional training and insurance.

The researchers also found that stronger cognitive trust weakened the negative effect of a wide compensation gap on the local employees’ job satisfaction and organisational commitment. Clearly, multinational hotel corporations need to develop strategies to boost local employees’ faith in the abilities of expatriate managers. “Management must ensure that expatriates maintain high levels of competence, reliability, skills, professionalism, and honesty”, say the authors, “by enforcing checks and balances through staff feedback and evaluation”.

Affective trust also moderated the negative effects of a compensation gap. Local employees who felt more cared for by their expatriate managers reported greater satisfaction and showed more altruistic behaviour. “The management of multinational hotel corporations should encourage expatriates to show a genuinely welcoming, kind, and caring attitude towards the local employees they supervise”, suggest the researchers. “Expatriates should remind subordinates of their roles, celebrate their achievements, and show how much they care about them”. This will help to foster affective trust and mitigate local employees’ sense of injustice.

In the modern hospitality industry, multinational hotel firms rely on expatriate managers to succeed. The findings of this novel study offer profound insights for Chinese hotel firms operating overseas, which must find effective ways to legitimise the pay gap between local workers and their expatriate superiors. This could come in the form of trust-building policies, especially those that capitalise on the distinct effects of cognitive and affective trust. Strategies for instilling cognitive trust can enhance task-related work outcomes, while promoting affective trust can improve personal work outcomes. “Trust should be considered carefully in strategic planning and academic inquiry,” conclude the researchers. This will become ever more important as China’s hospitality firms continue to expand overseas.

**Hon, Alice H.Y. and Gamor, Emmanuel (2021).** When My Pay is Lower than My Expatriate Colleagues: Where Do the Hospitality Managers Go from Here? *International Journal of Hospitality Management*, Vol. 95, 102953.

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