

# Managing people

## Introduction

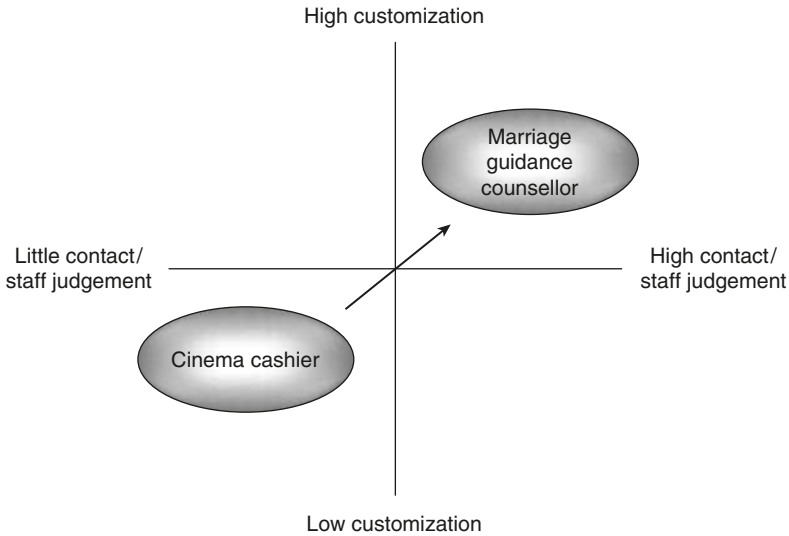
People who deliver the service are of key importance to both the customers they serve and the employer they represent. To the customer they are in fact part of the product. Their ability and willingness to satisfy, their manner and appearance, all play a part in determining how satisfied the customer is with the service encounter. To the employer, those delivering the service can make or break the organization. On the one hand, they may be the only way that a service brand differentiates itself. On the other hand, they can also be the reason why people do not come back.

In many organizations everything that the front-line employees do is stage managed. They have little discretion or flexibility in the way they offer the service, rather they are restricted to implementing a strict set of rules and procedures. This leaves the jobs deskilled and the workers demotivated.<sup>1</sup> In other organizations front-line employees can be given too much flexibility and responsibility without the commensurate training or rewards.<sup>2</sup>

## 7.1 Customer contact staff

It has been suggested that, in services, future business success will depend on the level of emotional capital available to an organization.<sup>3</sup> The term *emotional capital* refers to the human resource available and in using the word capital, Lashley advocates human resource be regarded as an *asset* of the business.

Of course, not all services sector employees interact with customers, but those who do heavily influence the customer's service experience. They do this in three ways: they offer cues to the customer to help them assess an otherwise ambiguous situation; they create first impressions; and they create the cognitive framework that shapes the way in which the service is interpreted and evaluated.<sup>4</sup> Staff that interact with customers are often referred to as either customer contact staff or front-line staff.



**Figure 7.1** The importance of front-line staff

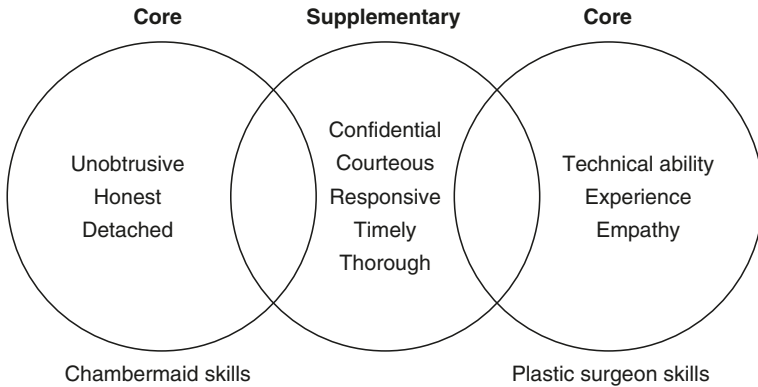
Source: Adapted from Lovelock (1996)<sup>5</sup>

Not every front-line employee plays an equally important role in the delivery of service. Lovelock<sup>5</sup> suggests that the two most significant variables in this respect are the degree to which the service offering is customized and the extent to which customer contact staff exercise judgement in meeting an individual customer's needs (Figure 7.1). The bottom-left quadrant of the figure is where the service is standardized and front-line employees are not empowered to exercise their judgement, front-line staff play a relatively minor role in the service experience, e.g. a ticket cashier at the cinema. On the other hand, front-line staff are very important to service operations in the top-right quadrant. These services are characterized by a high degree of customization and customer contact staff exercising their judgement in the desire to fulfil customer expectations, e.g. a marriage guidance counsellor. The degree of importance attached to front-line employees in these situations will depend on the specific service being offered.

Front-line personnel are not a homogeneous group. The hotel chambermaid and the plastic surgeon are both front-line employees in that they both deal directly with customers. Some of the skills that are required are common to both jobs. These core skills have become common requirements of all front-line staff regardless of the specific service that they provide (Figure 7.2).

In addition to these essentials, most industries also require some supplementary skills. Front-line staff will only provide a quality service if they possess all the qualities required, both core and supplementary. Historically, those who provided services that required a lot of technical ability got away without the core skills. If a doctor was rude, or kept patients waiting, no one complained. No one accused him of providing a poor service. His position allowed him to behave in this manner. Now, though, even those in the professional services are expected to possess core service skills.

Front-line staff act as another element of communication. They help portray the desired image of the company. If the intended image is one of sophistication then do



**Figure 7.2** Core/supplementary skills

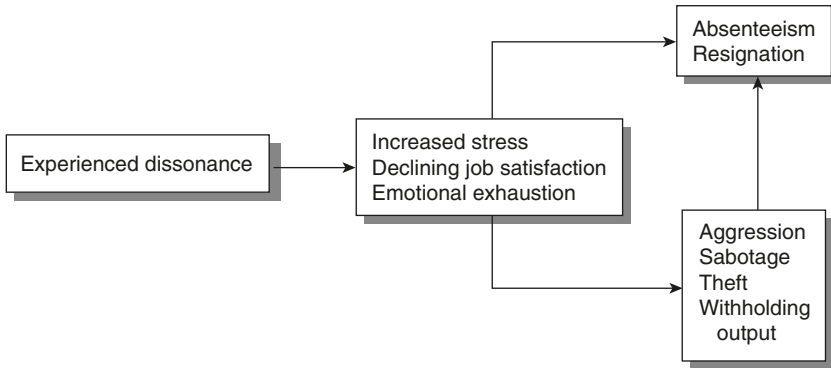
not employ people who chew gum and bite their nails. If it is important that customers empathize with staff then ensure that service personnel are segmented by their personalities so that they meet the customers' requirements. In a department store the total pool of shop assistants should be segmented so that, for example, those serving in the children's department are patient and fun-loving, while those serving in the china department are careful and light of foot.

## 7.2 Emotional labour

The concept of empathizing with customers, and the impact that displaying this type of emotion might have on front-line staff, was catapulted centre stage by Hochschild<sup>6</sup> in her seminal book *The Managed Heart*. Two types of displayed emotion are often required: these are referred to as surface acting and deep acting. The former, as the name suggests, requires service workers to appear pleasant and empathetic regardless of how they feel. The latter requires the person to 'bow from the heart', so that in addition to expressing desired emotions, they are also expected to actually feel/experience these emotions. Deep acting is management's response to the growing scepticism of customers towards the surface acting, 'have a nice day' approach.

Why does management actively encourage emotional labour? Well because it believes there is a link between this and the company's sales performance. Front-line workers, however, remain sceptical.<sup>7</sup> Indeed management policies can often leave front-line workers subjected to customer abuse,<sup>8</sup> ground staff working for certain low-cost airlines being a case in point. These employees have to attempt to mitigate the dissatisfaction, and the better they are at this, the less management are likely to tackle the causes of the violence they experience.

It has been recognized that if the employee's true emotional feelings are dissonant with what has to be expressed, this leads to stress, declining job satisfaction, and emotional exhaustion.<sup>9</sup> Consider the call centre worker, employed to carry out repetitive tasks in an intensive environment where his or her output can be measured. Some consider this type of work to be the modern-day equivalent of the Dickensian workhouses.<sup>10</sup>



**Figure 7.3** Employee response to experienced dissonance

How do employees respond to this stress? Their responses may be neither of the relatively benign outcomes of absenteeism and attrition. Instead, it could lead to the behaviours discussed in Hogans<sup>11</sup> organizational delinquency concept: aggression, sabotage, theft or withholding output. They identified four personality factors that would determine whether an individual would respond ‘antisocially’ to feelings of dissonance. These were – hostility to rules, impulsiveness, sense of alienation and social insensitivity. Consequently, if management perceives a high level of dissonance among staff, it would do well to attempt to weed out these personality types in future selection procedures, while at the same time considering ways in which they could redesign the work to help reduce the feelings of dissonance.

Ashforth,<sup>12</sup> building on social identity theory, has suggested that the greater the worker’s identification with the service role, the greater his or her willingness to comply with management’s emotional display rules. If instead the individual identifies himself in terms of other social groups there is a higher likelihood he will experience emotional dissonance. One can think of the contrast between the student working in a call centre and the budding director working on the set of the latest Hollywood blockbuster.

It is not solely social identity theory that determines the worker’s emotional response. People who find it difficult to distance themselves are more at risk of emotional knocks in their work environment. So high involvement (deep acting) may not always be good. Wharton<sup>13</sup> discovered that, contrary to received opinion, women are no more likely than men to suffer negative consequences from the performance of emotional labour. In another gender study, Hochschild<sup>14</sup> found that in jobs where emotional labour was the main human capital sold by the worker to the employer – estimated to be around one-third of all jobs in the USA – 50% of all female employment could be classed as such.

## 7.3 Empowerment

Hence the perceived benefit of emotional labour is the improvement in customers’ service experience and satisfaction, and consequently diminished levels of dissatisfaction and complaints. An associated concept is the one of empowerment, although

empowerment is presumed to deliver the dual benefits of enhanced customer satisfaction, *and* increased employee commitment. True empowerment is where front-line/customer contact staff have responsibility to deliver customer satisfaction *and* the authority to customize the service offering in order to do so. Therefore front-line staff have to manage the quality/productivity trade-off.

Empowerment of employees may be easier when they have few rules to follow, i.e. the service delivery process is customized. However, many organizations choose to standardize their operation to help control costs and quality levels. In some organizations it may even be appropriate to standardize the whole operation. For instance, McDonald's instructs its counter staff on tray assembly – cold drinks first, then hot, and always put the tray within easy reach of the customer.

However, even in organizations where service delivery is almost entirely standardized the empowerment of front-line employees can help. It can, for instance, provide quicker response times to customer complaints. The employee will not have to find a supervisor who can handle the complaint, and then attempt to explain the cause for the dissatisfaction. Instead the employee can make his or her own decision on the spot about the best way to recover the situation.

Quick response times to customer complaints is a restrictive use of the concept of empowerment. In this context, it plays no part in service delivery. Instead it is placed in a purely reactive role within the service recovery arena.

In those industries where service delivery is to some extent customized, there are even greater opportunities for empowerment. Here the employee can be given the flexibility and authority to meet the customers' needs. They are placed in a proactive role where they anticipate problems and correct them during service delivery.

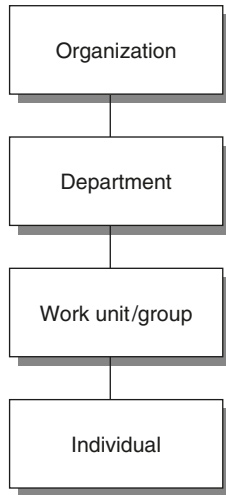
In addition to the extent to which service delivery is customized, research would suggest that empowerment is also most prevalent in companies that have abandoned the traditional top-down, control-orientated management model for a high-involvement or high-performance approach. Such companies are characterized by the extent to which information, knowledge, power and rewards are distributed throughout the organization. Bowen and Lawler<sup>15</sup> state that empowerment is:

$$\text{Empowerment} = \text{power} \times \text{information} \times \text{knowledge} \times \text{rewards}$$

Since the formula requires individual components to be multiplied together, if any of the four elements is zero, then empowerment will be zero. The equation reminds management to avoid the common error of giving employees more power without the necessary support to exercise that power. They also note that these pay-offs from empowerment must be set against the resource implications of increased costs for selection and training, higher labour costs, slower service and less consistency in service delivery.

The main benefits of empowerment are:

- Quicker response times to customer needs
- Quicker response times to complaints
- Employees feel better about their jobs and themselves
- Employees interact with customers with more warmth and enthusiasm
- Empowered employees can be a good source of ideas for service development
- Great word-of-mouth advertising and customer retention.



**Figure 7.4** Levels of empowerment

Empowerment is not an all-or-nothing concept.<sup>16</sup> It has been suggested rather that it is a continuum ranging from total control to total empowerment. The lowest level being ‘suggestion involvement’, where employees make recommendations which are not binding on management. The next level is ‘job involvement’, whereby jobs are redesigned to allow employees scope to use a variety of skills to complete an identifiable task. The highest level entails the distribution throughout the organization of power, information, knowledge, and rewards.

Others believe that managers merely use the rhetoric of empowerment to secure control over their staff.<sup>17</sup> There is certainly a growing scepticism for the concept and an uncomfortable contradiction between emotional labour and empowerment with many managerial techniques aimed at driving customer focus (empowerment) being very good at prescribing and controlling the (emotional) labour process. One commentator has proposed that the increasing uncertainty and fruitless reality of work means that some of the lower Maslow<sup>18</sup> levels are not being met, consequently reducing the probability of empowerment through the higher-order levels.<sup>19</sup> He discusses empowerment for both the individual and the organization. In doing so he is amongst the first to conceptualize the idea of empowerment beyond that of the level of the individual.

At this higher level, work-unit or team performance has been shown to be positively related to the extent of empowerment within the unit. An organizational climate that embraces empowerment policies and practices, e.g. information-sharing, clarity regarding goals, encouragement of autonomous action etc., leads to enhanced work-unit performance.<sup>20</sup>

### 7.3.1 Organizational climate and culture

So for the empowerment model to work both Taylor’s<sup>21</sup> ‘command and control’ style of management and Weber’s<sup>22</sup> rule-ridden organization have to be abandoned.

Instead, management's job becomes the management of emotion. However, as emotion is more organizationally managed, the less it feels truly emotional.<sup>23</sup>

Instead management must build a culture and climate for the organization that elicits the type of emotional behaviours relevant for their service environment. If management is seen trying to 'control' the organizational culture, issues of trust arise.<sup>24</sup> Likewise, organizational climate – being the shared perceptions of what an organization expects, supports, rewards – should support and reward empowered behaviours.

So if management are to leave the development of an appropriate culture to emerge from the staff themselves, and are not to be seen trying to 'control' the culture, they need to ensure that they recruit people with the right values.

### 7.3.2 Job design

There are two aspects of job design that should be considered in any attempt to empower front-line employees – one is *job enlargement*, the other is *job enrichment*. When people are asked to think of ways that jobs could be enriched they invariably mention things that are really only job enlargements. Enlarging a job means giving the employee more tasks to perform. Herzberg<sup>25</sup> refers to this as 'horizontal job loading', and makes suggestions for ways in which a job may instead be enriched. However, just as not all employees want to be empowered, they do not all want to be enriched. The chequered history of job-enrichment programmes would suggest that the extent to which employees want their jobs to be enriched, depends on the nature of their motivations.

Other aspects of job design that should be considered by those in the organization entrusted with personnel matters are:

- Job specification
- Training and development
- Working conditions
- Appraisal systems
- Promotion prospects
- Salary and benefits.

## 7.4 Recruitment

In the same way that customers need to build a relationship with the company before they develop loyalty, employees need to form a similar attachment before they become committed. This relationship often begins long before individuals become employees.

Many prospective employees will have been exposed to the external communications of the hiring organization even before they consider working for it (see Chapter 10). They may even be a lapsed or current user of the service. This all plays a part in an individual's decision to work for a particular company.

The company gets another chance to create a favourable impression in its recruitment and selection process. All too often the employer regards this process as a one-sided affair, believing that the onus falls entirely on applicants to make the company want them. This is a somewhat shortsighted approach.

The company wants the best possible recruits. To ensure that it gets them, the company must be prepared to 'tell and sell'. Recruitment communications should contain the following:

- A clear description of the job specification, including job title, reporting structure and main areas of responsibility.
- A statement of any definite requirements, e.g. academic qualifications, years of experience, height (police force).
- Reasons why individuals should consider joining the company.
- A description of the company's culture and mission.

Obviously it is not necessary, or desirable, to include all of these in every piece of communication. For example, many of the large accountancy firms produce glossy recruitment brochures that meet the latter two requirements, and neatly perform the telling and selling functions. On the other hand, specific job advertisements placed in the media may choose instead to focus on the first two requirements. By doing so, they may be able to contain advertising costs.

Recruitment communication is most effective when it attracts the right number of the right type of applicants. The company is wasting time if it ends up interviewing applicants who do not meet the company's job specification. Therefore, recruitment communications should seek to tempt appropriate individuals to apply, but at the same time deter unsuitable applicants.

### **7.4.1 The pre-employment relationship: selection**

The importance of selection in the service industry can be summed up in three statements made by Schneider and Schechter.<sup>26</sup>

- 1 The climate and culture of an organization is a function of the people who are employed there.
- 2 Most service organizations require interdependent employee behaviour, and therefore everyone operating in the system must be performing well. Individual excellence will not compensate for poor performers.
- 3 The best predictor of future behaviour is past behaviour.

A cornerstone of the selection process is the face-to-face interview. This again is a two-way process. It enables the company to present a picture of what it stands for, and what the job entails. It should also give the applicant the opportunity to elaborate on his or her application. The power in the relationship at this time tends to lie with the company. It decides on the interview timing, the format, and the techniques and procedures that will be adopted.

To get the best out of this interchange the organization ought to be testing relevant skills. This means that in addition to the obvious technical skill requirements, the organization should have considered what personal qualities are necessary to do the job successfully. Obviously not all service jobs require identical skills. However,



William George<sup>27</sup> suggests that interpersonal competence and a service orientation are two basic skills that all service personnel should possess.

In the 1960s and 1970s, role-playing scenarios were used to assess these basic skills. However, many applicants found them relatively easy to manipulate, and the assessment of the scenarios was open to wide variations in interpretation.

In an attempt to overcome these weaknesses, some larger organizations in the UK have adopted quantitatively based techniques. These are intended to reduce what Woods and McAuley refer to as 'the halo and the devil-horn effect' of the qualitative scenarios.<sup>28</sup> Psychometric testing is one such technique. In many cases, this test takes a similar form to the traditional IQ tests. The applicant answers a series of multiple-choice questions within a tight time frame. Historically, these tests only managed to remove one of the weaknesses of the behaviouralists' approach – the results were not open to the same level of interpretation as before. Individuals are scored using conventional statistical measurement techniques, i.e. the tests are constructed so that they produce a normal distribution. Individuals are then compared in terms of how they scored on each characteristic relative to the mean. However, the crudeness of some of the early tests meant that the bright applicants who were aware of the skills that the company was looking for could see how to answer the questions in such a way that they would achieve high scores on the appropriate skills.

Nowadays, these tests have become much more sophisticated in design. Applicants attempting to manipulate the test become confused and disorientated by the apparent sameness of many of the questions. For organizations employing large numbers or who have large numbers of candidates, tests can be an appealing option, in that by operating cut-off points the number of candidates can be significantly reduced.

Table 7.1 contains the output from one individual's psychometric tests. The questions that were asked were designed to capture the 31 personality attributes in the left-hand column. Each of the attributes were scored on a 10-point rating scale. So, for example, this individual scored maximum points on the attributes such as Caring, Data rational, Conceptual and Achieving.

Any self-report method like psychometric testing is suspect when the characteristics relate to interactions, because they depend not only on the respondent's honesty (which is usually quite high) but on their self-awareness and understanding of their impact on other people. Studies of emotional intelligence suggest that this is best measured through interview, 360-degree feedback and observation rather than self-report. For this reason the service sector should therefore be careful about using such tests as a screen or for final selection.

Whatever methods are chosen to assess the applicant's suitability, the company must develop a selection system that hires people with the right attitude. Kiger<sup>29</sup> refers to this as 'psychological hardiness', meaning the recruit is optimistic by nature, flexible and has the ability to listen. What the organization is looking for are those individuals whose innate personality and emotional expression matches that which the company seeks to promote. This is becoming increasingly important in service sector recruitment given that customers are becoming far more sophisticated in their 'spotting' of employees with managed hearts. What it needs are 'winners at the front-line not just warm bodies'.<sup>30</sup>

**Table 7.1** Psychometric testing variables

Personal attribute	Score	
Persuasive	9	****
Controlling	6	****
Independent	7	****
Outgoing	8	****
Affiliative	5	****
Socially confident	8	****
Modest	3	****
Democratic	5	****
Caring	10	****
Practical	6	****
Data rational	10	****
Artistic	9	****
Behavioural	9	****
Traditional	5	****
Change oriented	9	****
Conceptual	10	****
Innovative	9	****
Forward planning	9	****
Detail conscious	5	****
Conscientious	9	****
Relaxed	5	****
Worrying	7	****
Tough minded	3	****
Emotional control	6	****
Optimistic	7	****
Critical	6	****
Active	8	****
Competitive	9	****
Achieving	10	****
Decisive	7	****
Social desirability	7	****

This individual displayed the personality suitable for senior level management

## 7.5 Orientation and socialization

Hopefully, the outcome of the recruitment and selection process will be new recruits who are *willing* to perform the tasks that are required of them. The willingness which they bring to the company may well have to be strengthened and moulded.

While the new recruit to a supermarket checkout operator's position will probably have some image of what it is like to sit at an EPOS (electronic point of sale) checkout desk, the image that he or she has will be based on his or her own limited experience as a customer. As a customer, the individual may have had a different perspective. They may have expected it to be quite a sociable job. A former checkout

operator describing her job on Channel 4 Television said, 'You never see their faces. All you see are their hands. They might just as well be gorillas.'<sup>31</sup>

Front-line staff are expected to conform to certain role models in the provision of service. This can sometimes mean performing everyday tasks in a slightly different manner because that is what the company wants. An employee may have to shake hands more vigorously, talk more animatedly, or make more eye contact than they otherwise would. Trainers have to work on inhibiting and inducing certain feelings. The overworked nurse is expected to be calm and patient. The swimming pool attendant is not supposed to become irate with the squeals of noisy school children, but remain detached and vigilant.

Naturally, different emotions will be relevant to different service industries. Management must consider what the salient emotional expressions are before it begins to train recruits. If the business is debt collection, then front-line employees will be expected to be nasty to debtors, whereas flight attendants are expected to be pleasant to passengers.<sup>32</sup>

A company strengthens and moulds the recruit's willingness by training. In addition to shaping their willingness, in many cases the training may also serve the purpose of developing their *ability* to do the job. Training programmes that seek to orientate and socialize recruits to an organization have been shown to be more effective in building commitment and productivity than those which do not. The quicker this happens after the employee joins a company the better.

In addition to providing new members of staff with the necessary tools for their jobs, enlightened employers will seek to use the training forum as an opportunity to get its recruits fully 'on board'. It does this by practising 'rites of passage',<sup>33</sup> otherwise known as orientation and socialization. All companies will not adopt identical approaches to this process. After all, the purpose of the transition is to shape the recruit in such a way that he or she handles customers effectively. As Rohlen<sup>34</sup> says, 'What is OK to be practised by the US Army, is not quite so relevant for a high street bank.'

## 7.6 Orientation

Orientation is the process by which the organization helps the new recruit understand the company and its culture. It is particularly important for those service organizations whose front-line employees meet customers at arm's length from any supervision, back up, or control. In these cases it is vital that the employee has been imbued with the company's values. Most orientation programmes ask the recruit to be a receptive, yet passive, audience for this communication. However, since the desired outcome is for recruits to feel enthused about the prospect of working for the company, it is sometimes necessary to work on building receptivity first.

Senior management involvement in this process usually goes down well. But whatever the chosen route for orientation, the programme should seek to leave recruits with an understanding of the purpose and mission of the company. The organization then has more chance of everyone pulling in the same direction.

Orientation should also seek to communicate any folklore that the company has which demonstrates the culture of the organization. The folklore can be related to a previous employee who made an outstanding contribution to the company's

fortunes, or it can be about particular service encounters where the company went to extraordinary lengths to deliver outstanding service.

The contribution that such stories make to orientation is twofold. First, people are more likely to remember the values and goals of the company if they are illuminated with actual situations. Second, these myths and heroes create the impression of a private and elite society that the recruit is privileged to join. Remember, in a service organization, orientation should clearly communicate to recruits the central importance of the customer.

### 7.6.1 Socialization

Now that the recruit understands the culture and workings of the organization, he or she must be initiated into the workings of its cultural setting. Orientation has told them what to expect in this context, socialization is the process by which they begin to experience it.

Management may build socialization by feeding to recruits the thought that a lot will be expected of them as employees of the company. If the employee does not feel that he or she is living up to expectations he or she will begin to feel guilty. In this case the process of socialization has become internalized in the employee, and management no longer has to rely on coercion to ensure motivation.

Another socialization technique is to make recruits publicly acknowledge these rites of passage. In many communist countries public declarations of commitment were often demanded. It then became more difficult to betray the Party. Similarly, high-pressure selling organizations such as Amway adopt socialization techniques that deliver religious fervour and devotion in the recruits.<sup>35</sup>

Some companies socialize their employees by giving them hands-on dirty work experience. They get management to take part in the service encounter, e.g. McDonald's gets all its new managers to serve customers on the shop floor. Indeed, it asks its advertising agency and all other service agencies that it uses to do the same. The purpose of these role-adoptive scenarios is to give these employees and those in supporting roles a greater understanding of the business.

An area of current controversy in the socialization process is the extent to which individuals have to conform to corporate culture. Schein<sup>36</sup> has developed three basic behavioural responses to socialization:

- Rebellion – rejection of all that is expected
- Creative individualism – acceptance of all crucial behavioural norms
- Conformity – acceptance of everything.

Of course, the response of most employees will fall somewhere between the first and the second categories, or the second and the third. The first and third categories are generally regarded as socialization failures. The middle category is most desirable, but it is a difficult position for an employee to maintain consistently.

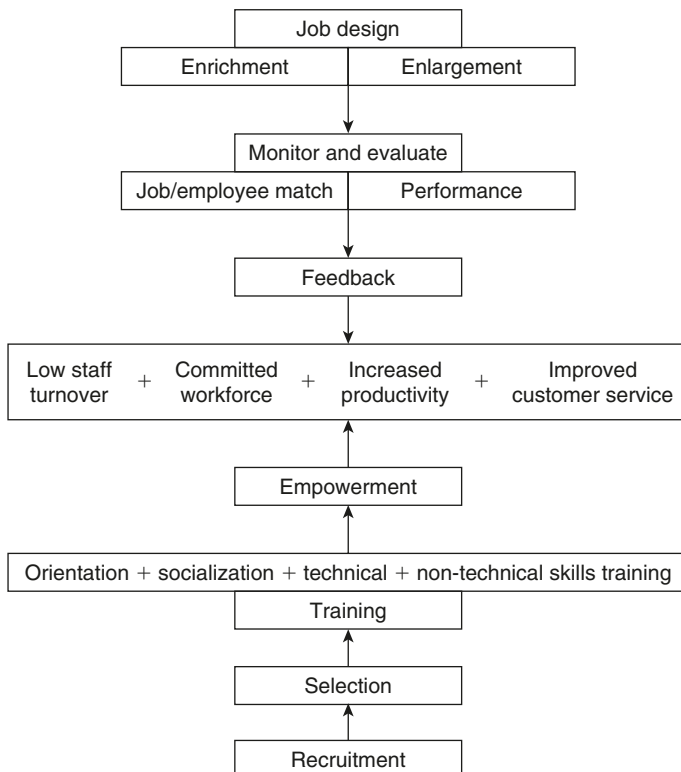
The degree to which management seeks conformity depends on the industry in which it operates. If, for example, individuality and innovation are important values (as in hairdressing) then the organization should not seek to make these employees conform.

Individuals who are best placed to work in positions that require individuality and innovation are those who are *intrinsically* motivated.<sup>37</sup> That means that they prefer complexity, novelty, challenge and the opportunity to master a skill in their employment. Conversely, an individual who is *extrinsically* motivated seeks job simplicity and predictability. Such individuals lack initiative. To perform their job they need to be told what to do, and then require continual supervision while doing it. Jobs of this nature are few and far between. Even jobs that on the surface would appear to suit this type of person, e.g. postman, or clerical assistant, normally benefit from someone who can use their intelligence. The postman who recognizes that a letter is wrongly addressed and delivers it to the correct one is performing a better service for his or her customers.

## 7.7 Gaining commitment from employees

### 7.7.1 Encouraging motivation

The orientation and socialization processes are designed to foster commitment to the organization on the part of the employee. It is one thing establishing this feeling in new recruits, but once these initiations are over and they are left alone to perform their new role, what will foster commitment are factors like job design (see previous section), role/employee congruity and appropriate feedback.



**Figure 7.5** Building a committed workforce

To maintain the commitment, the relationship must be carefully nurtured and groomed. Motivation that was built on orientation and socialization programmes during the introductory training may have become quite depleted from everyday bashing at the front-line. So what should the organization do to retain its good staff? And what must it do to keep them committed and motivated?

Organizations can deal with this issue in a variety of ways. Whatever they decide to do, two principles should guide them:

- 1 Keep the importance of the delivery of quality service and customer satisfaction visible.
- 2 Top management involvement in the delivery of these goals should also be visible. Not only in terms of what they say, but also in terms of what they do.

A whole variety of techniques designed to foster employee commitment have been proposed.<sup>38</sup> The organization can practise rites of renewal, which seeks to fine-tune the system using the latest organizational development techniques – quality circles, management by objectives (MBO), team building, to name but a few. However, there is substantial cynicism about their effectiveness. Many regard them as a series of gimmicks designed to make management feel good about the fact that they are doing something. This game will often act as a smokescreen leaving the real issues undisturbed. Herzberg<sup>39</sup> believes that the only way to motivate employees is to give them challenging work. He lists the following factors as contributing to motivation:

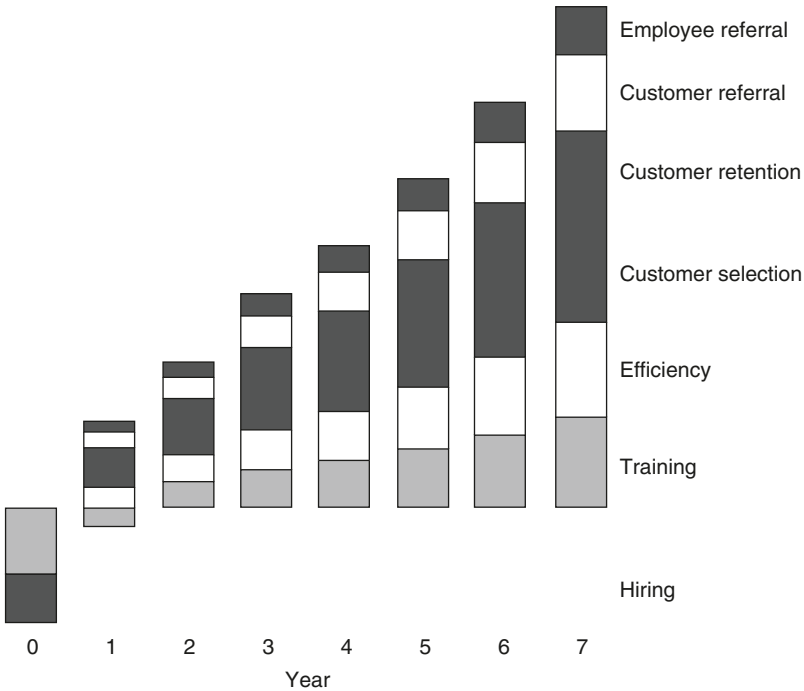
- Achievement
- Recognition for achievement
- The work itself
- Responsibility
- Growth or advancement.

All the other techniques are at best offering only short-term motivations.

### **7.7.2 Loyal employees**

Fostering commitment can lead to several economic benefits for the organization. Bain and Company have developed a generic model of the benefits that can be associated with employee loyalty.<sup>40</sup> Their model is the result of a ten-year study across a range of industries (Figure 7.6).

In much the same way that loyal customers are more profitable to organizations, loyal employees can create value because recruitment and training costs are reduced. Indeed, Cardy,<sup>41</sup> in proposing the concept of employee equity, suggests that organizations that consider the lifetime value of an employee are much more likely to experience high levels of retained and loyal staff. These employees tend to work more efficiently and effectively. Their experience makes them better at finding, recruiting and retaining customers. Finally, long-term employees are often a good source of both customer and employee referrals. The relative importance of Bain's seven indicators will vary from industry to industry. Indeed, in some industries not all seven will be present.



**Figure 7.6** Why long-term employees create value

Source: Bain & Co

It has been suggested that an easy first step to improving the loyalty of employees is to conduct an employee/job satisfaction survey.<sup>42</sup> Furthermore, satisfaction, be it that of an employee or a customer, is the result of an individual's perceptions of their experience exceeding their expectations of it. Consequently, the measurement of employee job satisfaction can be conducted along similar lines to that of customer satisfaction (see Chapter 12 for further discussion). Disney conducts an annual employee survey designed to monitor employee morale and satisfaction.<sup>43</sup> It believes that there are three reasons why employees would work harder/continue to provide excellent customer service. They are pay, recognition and additional involvement. So as an organization it is constantly looking for ways to demonstrate to employees how much they are valued. They have service recognition awards, peer recognition awards, attendance awards, milestones for years of service etc.

The employee's contribution to service delivery should be evaluated in two ways:

- 1 Through employees themselves being given a voice: this is part of the internal marketing concept – if the organization is treating its staff like customers then it must find out their attitudes towards the current organizational practice.
- 2 Through the customer's evaluation of the service that he or she received.

Employees should ideally be evaluated and remunerated in terms of their contribution to customer satisfaction (evaluate effectiveness rather than efficiency). This follows the

principle of 'what gets measured gets done'. If employees know that they are being evaluated in terms of customer satisfaction, then they are more likely to be motivated to provide this satisfaction.

### 7.7.3 Feedback

Performance monitoring and evaluation should be concerned with the achievement of customer satisfaction. Employees who help to create this satisfaction must know how they fared. The results of the evaluation should be fed back to employees.

In doing so, the organization would hope to improve its performance, and thereby to satisfy more customers. The appraisal of employees can be carried out on a regular or irregular basis. The appraisals can be tied to a review of pay, but they need not all be. Employees will, of course, expect to be remunerated for their efforts, and a performance appraisal is a good time for this to be discussed. It will be most appropriate in those circumstances where pay is related to performance. However, the organization would be foolish to encourage employees to believe that their performance will only be discussed when their pay is up for review.

One feedback mechanism that is growing in influence is that which encourages 'service wisdom'. Employees are venerated for successfully handling situations that were not covered in their service manuals or training sessions. The Holiday Inn's 'employee of the month' scheme or American Express's annual Great Performance Award are examples of this. In exceptional cases, the service encounters that gave rise to the award may become part of the company's folklore.

The feedback process should not be entirely one-way from management to employees. Instead it should be a three-way process between the employee's internal/external customers, his subordinates, and management. Unfortunately this is still only practised by the most enlightened of companies. Most employers still behave as if the employees belong to them. They feel that the employees owe the organization something for being given the privilege of working there, and do not see that they might owe the employees more than their salaries in return for their labour.

## 7.8 Staff dissatisfaction

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Scratch the surface of many service organizations where much of the front-line employees' work has been routinized or dehumanized and you will find in many cases the employees are unhappy with the organization.<sup>44</sup> Why should they attempt to make customers happy when they are not happy themselves?

In transactional analysis these individuals have adopted what Harris,<sup>45</sup> describes as an 'I'm not OK' position. The organization has made them feel 'Not OK', and they take it out on the customers – 'You will not be OK either'. If the service providers are to improve the interaction of these staff with customers, then they have to make them feel, 'I'm OK, the organization's OK, you're OK, and I'd like to help you'. But before the organization can remove the dissatisfaction, it has to be understood. So what makes employees dissatisfied with their jobs?



Many factors have been found to contribute to this problem. These are:

- Role ambiguity
- Role conflict
- Role overload
- Employee/job mismatch
- Performance measured on quantity not quality
- Lack of empowerment
- Lack of a common purpose
- Lack of management commitment.

### 7.8.1 Role ambiguity

Employees do not understand what management or customers expect of them (see Chapter 2). This situation is improved with role clarity; clearly communicate what individuals must do, and tell them how they are doing. However, telling the individual what you want him or her to do is not enough. It is the employer's responsibility to give the employee the ability to perform the job. This can be achieved by training, leaving him or her a competent and confident performer.

### 7.8.2 Role conflict

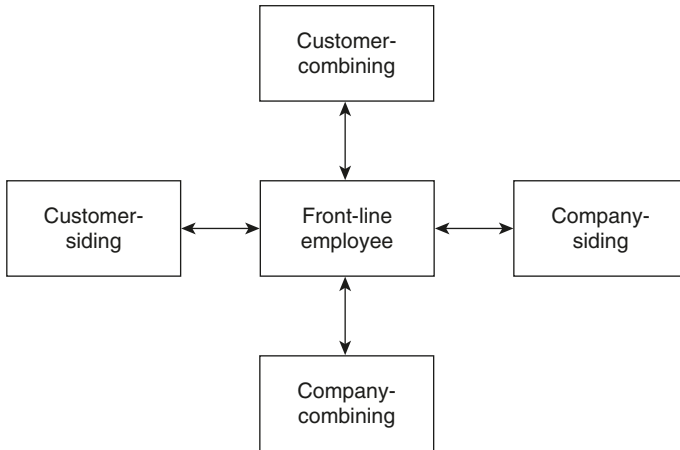
Two or more incompatible sets of pressures impact on the employee's behaviour. This is more likely to arise in situations where the employee is in what Boas Shamir describes as a subordinate service role.<sup>46</sup> In these situations the provider of the service has no more expertise or ability to deliver the service than the ordinary man in the street. The majority of service encounters that take place in fact do so with the employee in this position. Think of the jobs performed by the receptionist in a hotel, the shop assistant, the waiter and the bus conductor. We all feel that we could do them, and this makes us more critical of the service that is delivered.

There are four basic sources of role conflict (Figure 7.7):

- **Customer-siding conflict:** the employee wants to do more for the customer than the organization allows (provide a child's portion at a reduced price).
- **Company-siding conflict:** the employee takes the side of the organization believing that the customer is acting in an unjustified or selfish manner, i.e. refusing to admit late theatre-goers during the performance.
- **Company-combining conflict:** the organization expects the employee to satisfy demanding customers and do lots of paperwork and administration besides.
- **Customer-combining conflict:** separate groups of customers have different requirements for the service, e.g. some customers may regard the main job of their coach tour guide to be one of information provision, other members of the party may instead believe that this person is there primarily to keep the tour on time.

So what can the organization do to minimize role conflict?

- Design jobs whose scope is pitched at the abilities of the proficient employee
- If need be, prioritize the multitude of tasks that the employee is expected to fulfil



**Figure 7.7** Sources of role conflict

- Define these tasks in terms of customers' expectations
- Ensure that performance is measured on those tasks that have been given priority; these should be customer-focused tasks
- Train employees in time management.

### 7.8.3 Role overload

The name describes the problem! No matter how diligently individuals work they can never do all that is asked of them. They are always behind – causing frustration and dissatisfaction with their performance.

This is most likely to occur where jobs have been badly designed. However, even where the initial job design was excellent, circumstances can change. It may be that the level, or pattern, of demand for the service has changed. If instead of handling equal customer traffic throughout the day, a workforce is faced with periods of relative inactivity followed by periods of intense activity, role overload may result.

Workloads and patterns of demand should be continually monitored and evaluated to reduce the risk of role overload.

### 7.8.4 Employee/job mismatch

Not every individual performing a front-line service role is an appropriate person for the job. In some cases this is the result of a poor recruitment and selection process. In others, the organization does not really care. It is known that many service companies experiencing high turnover rates among contact staff tend to recruit new staff expediently with little regard for their ability.<sup>47</sup> This is shortsighted, because these individuals probably do not really care much about customer satisfaction. Whatever the job, management should consider the qualities that are necessary to do the job. It should then adopt a selection process that tests for these qualities.

### **7.8.5 Performance measured on quantity not quality**

It can be disheartening for a front-line employee to discover that they work for a company that is more interested in employee efficiency than employee effectiveness, the number of customers that they have dealt with being of more importance than the degree to which these customers were satisfied (see Chapter 10).

### **7.8.6 Lack of empowerment**

Employees who have little flexibility or discretion in the way that they handle customers' demands can find their jobs frustrating. They can be likened to circus animals who slavishly respond to appropriate triggers, with set routines (see previous section).

### **7.8.7 Lack of a common purpose**

Frequently the individual employee that greets the customer feels quite isolated in that position. He can believe that he carries out his job without the full backing either of the other employees in the back office or indeed of the company's management.

What is needed is for the company to have a common purpose and for everyone employed in it to pull in the same direction with the intention of achieving the common goal. One way of doing this is to make customer satisfaction the stated goal, and to make everyone in the company treat the other members of staff that they interact with as if they were customers. They should be encouraged to provide a standard of service to these employees that they would wish to receive themselves.

### **7.8.8 Lack of management commitment**

It is one thing for management to develop a common purpose, and to communicate this mission to all its employees, but it cannot expect this alone to motivate the staff. If employees feel that management say one thing to them and then do another themselves, they are likely to become disenfranchised. As Abraham Lincoln said, 'actions speak louder than words'.<sup>48</sup> So, for example, if part of the stated mission is to improve customer satisfaction, then management should be seen to treat customer complaints seriously.

### **7.8.9 Role tension**

Any of the dissatisfactions discussed above can lead to role tension in the employee. This tension will affect the level of commitment that the individual is willing to make. For an organization to realize the full potential of its employees, it must attempt to build a committed workforce. In a recent study it was found that job tension reduces job satisfaction, which in turn leads to higher rates of absenteeism and turnover.<sup>49</sup>

The greater the tension that employees feel, the less committed to their employers they become. The organization will suffer this lack of commitment, even if it is not to blame for the tension, e.g. discourteous customers can easily make the front-line

employee tense. If such an incident is reported to management, which then takes little notice or does not want to get involved, the level of tension will rise. A management that practises internal marketing is now faced with the conflicting interests of these two groups of customers.

## 7.9 Staff turnover

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One way that a dissatisfied employee can deal with his or her dissatisfaction is to leave the organization. There are many companies that accept high rates of turnover as a fact of life in the provision of service. In the 1980s counter staff turnover at McDonald's was 150% and at Burger King it was 250%.<sup>50</sup> Unfortunately, the acceptance of this creates a vicious circle (Figure 7.8).

In such circumstances, management considers that investing in selection and training is a waste of resource. Since employees are likely to leave soon, there is little point in developing their skills; after all, training them just makes it easier for them to find another job. An employer who thinks in this way fails to see that lack of investment in selection and training probably contribute to the high rates of turnover in the first place.

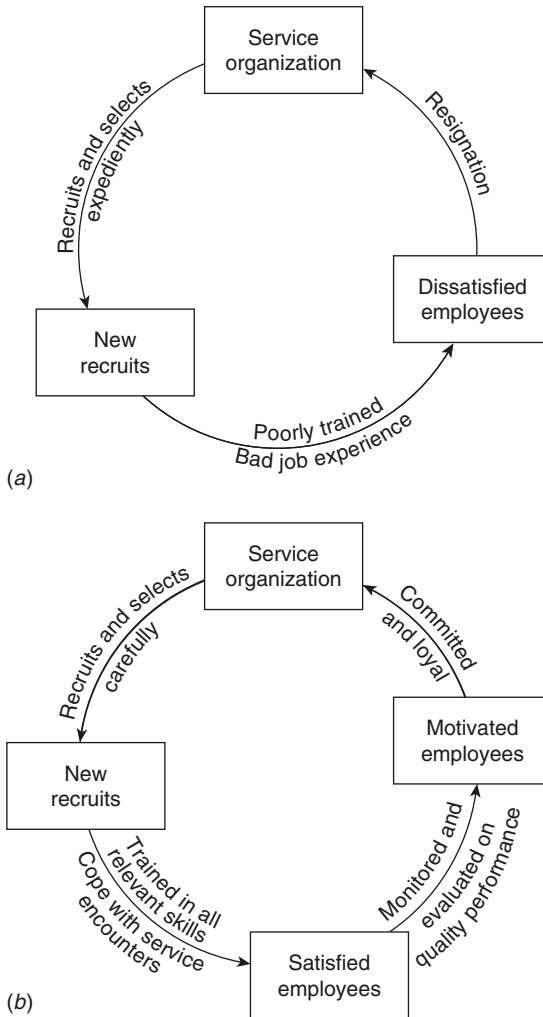
Traditional view = training is an overhead and is costly  
Enlightened view = training does not cost

Companies should try to avoid high levels of staff turnover for several reasons. In the first place, the management of these companies tends to be less effective. It spends most of its time trying to fire-fight the current operation, instead of thinking about the future. For companies listed on the stock exchange, this can often result in adverse city comment with a consequent fall in the share price, and therefore value of the company. Curtailed expansion will also mean that the good people who have stayed until now begin to look elsewhere.

Companies with high levels of attrition usually provide poor customer service, because the employees providing the service will not have been doing so for long, they will often have little training, or understanding of the company's values or product. Their apparent lack of confidence in what they are doing often results in lower sales.

High staff turnover also results in extra costs for the company. It has to spend more on recruitment, administration and some basic training. Estimates suggest that separation, replacement and training costs are 1.5 to 2.5 times the annual salary for the person who resigns from their job.<sup>51</sup> In addition, there is a cost implication from the productivity losses that are experienced before new staff are up to speed.

However, while high levels of staff turnover should be avoided, the company should not set as its personnel goal, no staff turnover at all. For one thing, an organization that experiences no attrition goes stale. Fresh blood can bring new thinking and energy to take a company forward. Without this injection the organization can become complacent, and fixed in its view of how things should be done, resisting the challenge of change. Companies whose management has been in place for some time often resist until it is too late. Consider other creatures who once populated this planet, but through a lack of evolution are now extinct.



**Figure 7.8** The vicious/virtuous cycle of high turnover

Another reason why some attrition should be encouraged is that no matter how expert an organization's selection process is, the odd misfit will manage to slip through the net. In these cases it is always better for the company to let the individual go rather than expend precious resources trying to keep him or her on board in pursuit of a zero staff turnover rate.

So the benefits to the company of building a workforce with low levels of turnover are increased commitment from staff, which in turn leads to increased productivity and better customer service. Organization commitment has been shown to be related to personal variables such as gender and marital status, i.e., personality traits that the company cannot influence. However, it is primarily related to variables that are under the control of the company. For example, the longer an employee has been with an organization, the more committed to it he or she will be. Conversely, the

more that employees experience tension and dissatisfaction with their career progression, the less committed they become.

## 7.10 Internal marketing

There are two possible solutions to excess staff turnover. One focuses on the individual employee, the other deals more with the organization's role. These routes are not proposed as either/or options. To experience the benefits of low turnover the company must tackle the issue from both directions. Taken together, the two routes represent what is known as *internal marketing*.<sup>52</sup> The practice of internal marketing means using the traditional tools of marketing-segmentation, NPD (new product development), market research, promotion, etc. on potential and current employees.

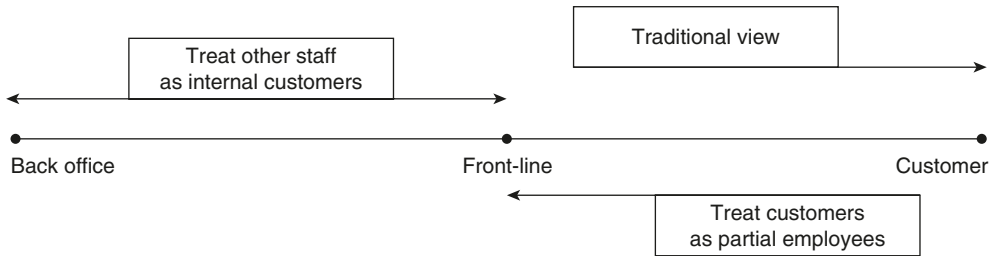
So far our discussion has focused on front-line staff since they are most visible in the delivery of quality service. However, for the organization to operate effectively *all* employees must be pulling in the same direction. There is little sense in selecting and developing excellent front-line staff if they are not supported by those in the back office. While the customer does not see these employees it does not mean that they play an insignificant part in the delivery of a quality service.

All employees who are in the back office should treat the other members of the organization that they deal with as internal customers. Whether they provide direct support to front-line staff, as in the RAC's command control room, for example, which feeds information to its recovery vehicles, or direct support to other back-office staff, as in the accounts department of an hotel, they should behave towards these individuals in the same way that they would if they were external customers. Everyone in the organization must share the responsibility for delivering customer satisfaction.

The traditional interaction between customer and front-line employee can also be extended (Figure 7.9). Given the inseparability of production and consumption in most service encounters, customers actually become involved in the production of the service. Their behaviour (as well as that of employees) affects the outcome. Service organizations would do well to treat their customers as *partial* employees, adopting the same disciplines that we have discussed in this chapter for dealing with employees. The organization should select its customers, and then train them for the service encounter. This training can be given impersonally, e.g. through the company's external communications. They can be used to inform customers of what is expected of them in the service encounter. This tuition can also be given in person, e.g. the health club manager who takes his or her customers round the club and shows them how to use the facilities.

Central to the idea of internal marketing is the concept of the 'internal customer'.<sup>53</sup> This leads to the suggestion that employees should be treated as (internal) customers and that the organization has to consider issues of internal service quality which in turn will impact on internal service retention.<sup>54</sup>

Adopting internal marketing practices was predicted to have a positive impact on business performance. However, the supporting evidence is weak (at best) and some would suggest that internal marketing is merely another cynical tool used by management to control service employees: 'For the employee, as internal customer, it is simply a matter of control and more control. Unlike the "caring" resolve of external



**Figure 7.9** Expanding the roles of employee and customer

marketing, internal marketing's instrumental view of the internal customer as a means to an end affords little concern for care and much desire for control.<sup>55</sup>

## Summary

The employees who deliver service are of fundamental importance to both the customer that they serve and the employer for whom they work. In many cases, the source of customer dissatisfaction is in fact, the service employee. The employees in turn, deliver less than acceptable service because they are dissatisfied with the way that their employer treats them. There are many factors that can contribute to this dissatisfaction – those related to their role, to their lack of empowerment, or to the way that management runs the company.

The existence of these problems leads to a lack of motivation and commitment, and often results in a high turnover rate. Management can do several things which should help to reduce the likelihood of these arising. These include recruiting and selecting appropriate employees who match the job specification, training them in both the technical and non-technical skills necessary for the job, developing relevant orientation and socialization programmes, empowering those at the front line and compensating them in some way for the extra responsibility, and monitoring and evaluating their performance in terms of the quality of service that they provide not the quantity. The results should be fed back to employees to aid their development and thereby improve the service.

Finally, while the focus of this is the front-line employee, the same principles should also be adopted for all service employees. Those who do not have to face the customer themselves should be encouraged to regard other employees as their customers, treating them in the same way that they would expect customers to be treated.

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