

## **4 Marketing mix elements: (P)eople: Delimitation and integrative approach with SCM**

### **Introduction**

The growing contribution of services as an integral element of the value offered to customers has highlighted the great importance of managing the remaining 3 Ps in the services marketing mix of services. In recognition of their staff's importance, companies often focus on the management of frontline staff in order to achieve the levels of service that their customers expect. The provision of high-quality services however presupposes appropriate planning and management of a business's relations with its employees, among each other as well as with the staff of their strategic partners in the supply chain, who they will come in contact with. The ultimate goal concerning the management of a business's human resources must be the integration of all operations, both internal and external.

### **Learning goals**

After reading this chapter, you will be able to answer the following questions:

- What are the particular features of services?
- Why are human resources very important in the provision of high-quality services?
- What are the challenges that employees must face when dealing with customers?
- What are the appropriate strategies in the effective management of staff employed in the provision of services?
- Why is good cooperation vital among those involved in both the internal and external supply chain of a business, in terms of the provision of high-quality services?

### **Structure**

- 4.1 Main Features of services (the 4 "I"s)
- 4.2 Classification of services
- 4.3 The importance of human resources in the provision of high-quality services
- 4.4 Challenges faced by frontline employees
- 4.5 Human resource management in the provision of high-quality services
- 4.6 Supplementary foundations for the effective provision of high-value services
- 4.7 Human resource management within the services supply chain context

#### 4.1 Main features of services (the 4 “I”s)

Products are classified as either **material** (e.g. furniture, biscuits) or **intangible** goods (e.g. services, ideas). A relatively thorough and detailed definition and analysis of services has been given in Chapter 2. This analysis makes it easier to understand the four **special characteristics of services** which differentiates them from material goods, due to the fact that their main part cannot be discerned using one of the human senses. Thus, the four distinctive features of services are as follows (Wilson et al., 2016; Mudie & Pirrie, 2006; Zeithaml et al., 2018; Hoffman & Bateson, 2010; Verma, 2012; Avlonitis et al., 2015; Limberopoulos & Pantouvakis, 2008):

##### 4.1.1 Intangibility

This refers to the main feature that differentiates services from material goods, i.e. the absence of physical features that would allow us to perceive them based on our sensory abilities. While it is possible to evaluate a fruit or vegetable macroscopically using our senses – sight, touch, smell or even hearing (e.g. the crack a watermelon makes which tells us how ripe it is) – before putting it into our shopping cart, we are not always given the same opportunity to assess the services we will receive from lawyers and accountants, who we expect to help us meet our legal/financial obligations. For this reason, customers – individual consumers or companies – try to gauge an idea of the quality of alternative service providers based on various quality indicators that can be categorized as follows: (a) people (personnel), (b) procedures (the way the services are provided), and (c) physical evidence (place/space), i.e. the three additional Ps involved in services (People, Processes, Physical evidence). A detailed analysis is made of these in the present and in the next two Chapters. The above implies that marketing communication is very complex; a significant part of it relies on word-of-mouth.

Due to their inherent intangibility, it is clearly more difficult to demonstrate or promote services in such a way that the prospective customer will be able to understand the various dimensions of their quality, which, *inter alia*, explains the much greater loyalty/devotion of the customers of service providers in contrast to the devotion shown toward material goods. The intangibility factor makes it even more difficult to estimate the total service costs for each customer, which, in practice, varies much more than for material goods. It is therefore more difficult to determine an appropriate pricing policy for services. Another challenge that service companies face is the great difficulty of legally securing exclusive provision of specific services, since it is very easy for competitors to copy and create very close variations.

##### 4.1.2 Indivisibility

Unlike material goods, services are produced and consumed at the same time. In order to produce – i.e. provide – a service, it is vital to have a good level of cooperation between the providers and the actual users (customers) of the service. In many cases, the end result depends on other customers’ interactions. For example, learning a foreign language requires collaboration between tutors (and not just the general staff of a tutoring business) and students, but the interaction of other classmates can contribute either positively (they compete with each other in a friendly way) or negatively (they have different levels/goals). The indivisibility factor of a service

emphasizes an inability to provide it on a large scale, due to the limited ability of the provider to produce it at a certain time, before it is needed. For example, a successful music band can offer a certain number of performances, but not at the same time in two different places, even if there were such a demand. Service providers face the same problem in achieving economies of scale when their customers are geographically dispersed. In many cases, however, e.g. banks which have branches to serve customers in different areas, support services may be concentrated in one place in order to achieve the benefits of economies of scale.

Indivisibility also implies a significant differentiation in the configuration of the spatial element of a service compared with the production space for material goods; in most cases, the presence of the customer is required for a service, which is not the case for material goods. A postal services company will configure the transaction space with its customers quite differently to that of a company that produces marmalade. Of course, the postal company will configure its mail processing area in a different manner to that of a marmalade processing plant, since there is a different kind of customer interaction involved. The indivisibility factor often makes it inevitable for there to be interaction with customers during the provision of the service. For example, travelers' experience on a flight can be significantly affected by the divergent behaviors of some passengers, which is probably impossible for the airline to anticipate before the flight takes off, in order to take precautionary measures to avoid unpleasant situations. In other cases, however, companies can group customers in a way that significantly reduces unwanted interactions; in a football match, for example, spectators from opposing teams are placed in distinctly different areas of the stadium.

#### 4.1.3 Inhomogeneity – Heterogeneity

The simultaneous production and consumption of services results in, *inter alia*, the significant impossibility of developing and implementing a quality control system equal to that of the production of material goods. It is therefore inevitable that there will be a much greater variation in the quality of services compared to the quality one would expect for material products; service quality depends very much on the availability of the provider's employees, as well as some sort of cooperation between frontline employees and customers. The end result is also directly affected by environmental conditions which are beyond the control of the provider, e.g. an emergency power outage or internet disconnection at a bank branch will result in an inability to serve customers, who will in turn be dissatisfied. The perceived quality of a service is a function of many factors, particularly the possibility of harmonious cooperation between the provider's employee and the customer, as well as the interaction of other customers in the production process. For example, the quality of the service offered by shop assistants in a clothing store depends on their willingness to serve customers, the cooperation shown by customers to explain their needs and facilitate the assistant, and the existence of a small or large queue of other (impatient) customers waiting to be served.

The challenges of heterogeneity are even more acute in the case of companies that maintain a chain of branches (e.g. banks, fast food restaurants), even more so in regions (e.g. countries) with a different culture, and those that collaborate with a wide network of partner stores under franchise agreements. Heterogeneity makes the need for higher education and continuous training of staff even more imperative,

particularly for frontline staff, to ensure that high-value services are consistently being provided to customers. Businesses are also becoming increasingly aware of the importance of new technologies in tackling inhomogeneity, especially concerning internet and ICTs. For example, most banks offer a wide variety of services through their websites, where customers can deal with a variety of transactions on their own. New technologies also allow for the standardization of services with employee-customer contact.

#### ***4.1.4 Consumability/Perishability – Inability to be stored***

Unlike material goods, services cannot be stored in order to be sold at a later date. For example, an accounting firm that knows there will be increased demand for services in the last month before the deadline for filing tax returns is not able to create ready-to-use tax returns on the (electronic) shelf during the less busy period, as such transactions are highly personalized. Since services cannot be stored, most companies in the service sector will have much higher production capacity than would be needed if demand were relatively stable. Taking a restaurant as an example, this may result in the restaurant being in the awkward position of disappointing potential customers on a Saturday night due to overcrowding, whereas almost every other day, it will be utilizing a smaller part of its total capacity.

Since services cannot be stored, various tactics must be used in order to strike a balance between demand and the fullest possible utilization of a company's capacity. Normalization of demand is achieved, albeit partially, through tempting offers during periods of low demand, as is the case in the UK, where pubs offer some drinks and meals at very low prices in January to stimulate some demand after a peak period before and during the Christmas/New Year holidays. Similarly, airlines and hotels make extensive use of "yield management" to maximize their production capacity. For example, they charge a higher price to customers who need a higher level of service (e.g. business class passengers, who plan a last-minute trip and want a more comfortable seat) and a lower price for customers who require less service (e.g. students who plan their trip 2–3 months in advance and don't mind sitting in less comfortable seats as long as they pay less). Companies often charge higher prices at busy periods and lower prices when demand is low.

## **4.2 Classification of services**

The classification of services is based on various criteria (Wirtz & Lovelock, 2016, 2018; Limberopoulos & Pantouvakis, 2008; Haksever & Render, 2013). It should first be noted that a very large part of the service sector is provided by public services. Public service providers cover the whole range, from local (e.g. municipal water/sewerage services, regional irrigation networks) to national level (public health system, education, road and telecommunications networks, national defense, public order, etc.). Thus, an important distinction of services lies in their ownership status, i.e. whether they are publicly or privately owned. Another important criterion concerns whether they are for- or non-profit. Almost all public services are non-profit, aiming to provide services of public interest for the good of all citizens. Private companies are nearly all for-profit, but a significant number of them may also be non-profit, e.g. "Smile of the Child", "Arcturus" etc.

The customers of a service company may be other companies. Examples of this are a (private) company that provides cleaning services for large buildings may undertake office cleaning work for another similar company, and the (state) meteorological service which informs airports about weather changes. Services are also distinguished on the basis of the customer's position in the service supply chain. Thus, customers can be internal, i.e. employees who receive services internally from other departments in order to add value to their own work; and external, i.e. end customers who will benefit from the service.

Another criterion concerns the degree of contact between frontline staff and customers, where services are gradually extended from low to high contact. Low-contact services require limited, even zero, contact with the company's employees, such as telecommunications and electricity services. New ICTs allow service providers' customers to handle a very large part of a transaction themselves, and to complete it on their own, i.e. "contactless", via websites and phone applications made available to them by the company. However, the importance of even a few customer interactions with company staff should be emphasized; if customers are not satisfied with the service, they are very likely to look for another more competitive service provider in the future. At the other end of the spectrum, some services are high-contact: customers come into lifelong contact with frontline staff and remain on site until the transaction is completed, e.g. hairdressers, beauty salons, gyms, etc.

Services can also be classified by the "input" processed by the "production" system, i.e. customers, their material assets and personal information (Wirtz & Lovelock, 2016, 2018; Haksever & Render, 2013). Customers may receive both tangible and intangible services. For example, hair salon and beauty parlour clients receive services that improve their physical condition, i.e. their body, but they can also attend a concert or take part in an educational program run by the same business; in this case they undergo intangible treatment, to help improve their mental and emotional state. Material assets, such as their car which needs maintenance work, or sending an envelope by post, are subject to tangible processing. Customer data is subject to intangible processing: for example, it may relate to legal assistance in drafting a trade agreement, the submission of an investment plan to a government-funded program, etc.

An important difference between services – particularly tangible ones – which concern people on the one hand and ownership/personal data on the other lies in the mandatory physical presence of people during the provision of the service. The service procedure must be planned appropriately so that customers and frontline staff are located in the same place at the same time; important care must also be taken to resolve issues related to security and customers' peace of mind. Processing ownership data does not require customers' physical presence (or it requires only a small contribution) in the overall delivery of the service. This feature of services offers greater flexibility in the design of production processes, particularly the possibility of exploiting the potential benefits of achieving economies of scale by standardizing and automating a significant part of them.

#### **4.3 The importance of human resources in the provision of high-quality services**

The role of the company's employees is crucial in providing high-value services (Avlonitis et al., 2015; Hoffman & Bateson, 2010; Wirtz & Lovelock, 2016, 2018;

Wilson et al., 2016; Zeithaml et al., 2018; Verma, 2012). A service delivery system is made up of three main components (Avlonitis et al., 2015):

- *Logistics equipment*, e.g. in the provision of bank services, which require chairs, desks, air-conditioning, information systems, security systems to guard transactions, etc.
- *Planning and implementation of the procedures used*, e.g. the specific steps that must be taken each time to complete a cash deposit into a bank customer's account, or for a house loan.
- *Employees who «produce» the «product»*, i.e. the people who will provide the service. The main classification of service sector employees is based on their direct interaction with customers:
  - *Frontline (front-desk) employees*, who come into direct contact with customers while they are being served, e.g. bank clerks, investment consultants, etc.
  - *Support services (back-office) employees*, who don't interact directly with customers, but without whom the completion of a service is not possible, e.g. the maintenance and support staff of a bank's information system.

The logistics systems used and the service delivery procedures followed are easily copied by a company's competitors, but the manner in which employees are served by a company's employees is something that, to a very large extent, cannot be standardized or replicated by the competition.

The importance of human resources is also highlighted by an evaluation based on the competitive advantage of service provider companies. It is very difficult for a business differentiate itself by the lowest – most basic – services it offers, and the design and implementation of service delivery processes; the main burden in gaining and maintaining a competitive edge lies mainly in the quality of customer service during the provision of the service. For example, most fast-food restaurants or hairdressers in a specific area provide similar services and follow almost the same procedures as their competitors. The main source of difference lies in the abilities, skills, composure, empathy and, the general willingness of frontline employees to make customers happy, and offer them a unique moment of truth.

#### **4.3.1 Human resources and the service-profit chain**

The critical role of service employees in customer satisfaction, which may have positive effects in improving the company's revenues and profits, lies in the service-profit chain (Heskett et al., 1994; Hoffman & Bateson, 2010; Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Verma, 2012; Bruhn & Georgi, 2006). According to the service marketing triangle, the success of a company's customer service depends on how it performs its external marketing (the company's interaction with customers), internal marketing (the company's interaction with employees), and interactive marketing (employees' interaction with customers). Many researchers argue that customer satisfaction, and consequently turnover and business profits, are highly correlated to employee satisfaction and a customer-centric culture. Some will go so far as to argue that it is impossible for a service provider to have satisfied customers if the people it employs are not satisfied. Therefore, a crucial element for a

successful service-profit chain is the appropriate configuration of a business's internal environment, in order to offer a high-value internal service that will contribute to a high perceived value of the benefits that employees receive.

It is generally considered that employee satisfaction contributes positively to their loyalty to and remaining with the company, as well as to their own productivity, which has a direct impact on both the offered and perceived value of the services provided to (external) customers. A highly perceived external value is the cornerstone of customer satisfaction and loyalty, therefore contributing to the business's longevity. However, perceived value and customer satisfaction also depend on other factors, such as how the (physical) environment is designed, how the service delivery process is created, and how it is implemented (presented in detail in later Chapters). Therefore, it should be noted that customer satisfaction and employee satisfaction are interdependent, and companies that have high levels of both employee and customer satisfaction are laying strong foundations for success (Figure 4.1).

From the above mentioned, it is obvious that it is the human factor that essentially differentiates the marketing of services from that of material goods (McDonald, 2011; Wilson et al., 2016; Zeithaml et al., 2018). Even when companies fully understand their customers' needs and create appropriate service delivery procedures that will meet customers' expectations, the employees' role in the actual delivery of the service is crucial. For example, a vague outline of employees' roles and responsibilities, insufficient education and training, and/or a lack of motivation on their part are very likely to result in poor quality services which give rise to customer dissatisfaction. Moreover, the cost of a quality failure, i.e. the costs borne from an unacceptably low level of quality of a product/service, increases dramatically in the case of external failure compared to internal failure.

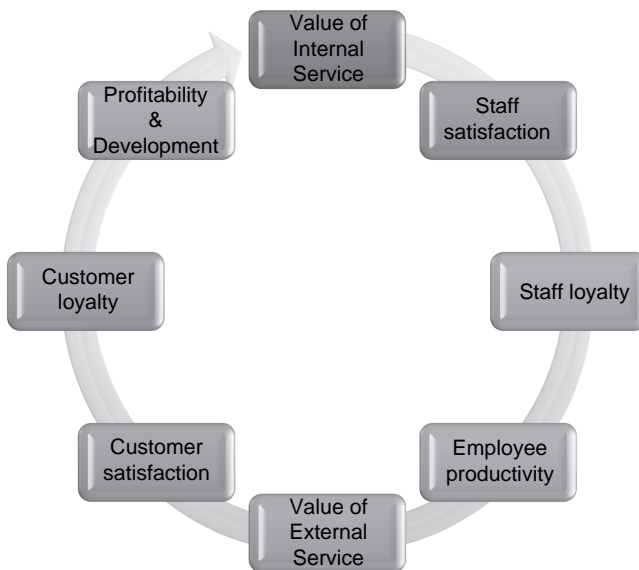


Figure 4.1 Service-profit chain.

Source: Adapted from Heskett et al. (1994).

In the provision of services, the customer, as their co-producer, immediately senses quality (external) failure, and the cost of correcting this is very high; in some cases, it is not even possible to do so, e.g. poor photographic coverage of a wedding. In contrast to material products, the production process is usually not visible to the customer and the company has the ability, albeit belatedly, to conduct a final product quality check before a product is delivered to the customer. This is why most quality failures in material products are not visible to the customer (internal failure); consequently, the cost of dealing with them is much lower compared to when this happens with a service. As a result, quality failures cost a business much more than quality failures in material goods; this highlights the crucial role of employees in customer service.

#### ***4.3.2 Impact of human resources on the dimensions of the perceived service***

As previously mentioned, the concept of quality is multidimensional. A business's human resources affect all five dimensions of the perceived service:

- 1 *Reliability*: The ability of the company to accurately deliver the promised service whenever the customer requests it depends on the many and various services exclusively offered by the frontline staff. In many cases however, the assistance coming from support staff (e.g. those responsible for the maintenance/management of the information system) is extremely important in providing services in the way that the company has committed itself to supply them to the customer.
- 2 *Response*: The willingness of the frontline staff to respond immediately to the customer's wishes plays a catalytic role in the timely provision of services at the very moment when the customer needs them. In some cases, customers may not explicitly express their desire for the provision of a support service, e.g. when trying to evaluate/select a kitchen appliance (e.g. coffee maker, mixer, etc.). The employee's willingness to take the initiative and ask customers directly if they need any help may have the effect of increasing the customers' overall satisfaction.
- 3 *Security*: Frontline employees play a key role in communicating to customers the credibility of the company, instilling confidence about the services they can provide. Customers may already know of the business, e.g. from previous transactions or referrals from trusted individuals; however, the reliability and trust that they gain when they receive services from frontline employees always remain to be confirmed each and every time they use those services.
- 4 *Personalization*: Customers perceive a higher value in the service provided when they feel that the company's staff have listened to them willingly and attentively, and have made every effort to tailor the service to their individual needs and desires.
- 5 *Material assets*: The appearance (dress, cleanliness, etc.) of the employees should be harmonized with other "tangibles", e.g. the decor, printed materials, etc., in order to communicate the message to the customers about the effort of the company as a whole in providing high-quality services.

#### ***4.3.3 Reasons of the staff's critical importance in the services sector***

The critical role of employees, especially frontline staff, in terms of the profitability and development of a company/organization, now becomes clear. The following ideas



play a vital role (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Verma, 2012):

- The frontline employee is often associated with the service itself, in the sense that the employee is the sole creator-producer of the service. Examples of this are services offered by an accountant, the caretaker of an elderly person, the cleaner of a building, a civil engineer, teacher, etc. Therefore, enriching and improving the skills and working conditions of frontline employees is an absolute must for a company that wants to improve the value it offers to customers.
- Frontline employees are the company's representatives, a kind of "ambassador" in the eyes of the customers, as they are the people that customers come in contact with first, and they are the ones that create the value of the services being provided by the company. Even when the service is provided collectively by a group of employees, as is the case, for example, with the medical care that patients receive in a private clinic, each employee (doctor, nurse, administrative staff) represents the business itself in the eyes of the patient, who is the "customer" of such a service. The misguided action of just one employee is enough to damage the perceived level of the overall customer (patient) satisfaction to a very significant degree, which may even countervail the overall effort of all the other employees.
- Frontline employees are marketers: they undertake to implement the marketing strategy of the company, with the ultimate goal of creating and maintaining long-term mutually beneficial partnerships with customers. Frontline employees are the first to hear about any changes concerning customers' expectations, and provide valuable information on segmentation and targeting of market segments. They also shape the "product", based on the individual needs of each customer; they implement a critical part of the integrated marketing communication of the company; they are often responsible for determining the final price of the service offered; they also work with the company's staff and its partners in the supply chain in the distribution of the service.
- They are highly influential in the perceived satisfaction of the customers, and consequently their loyalty. Customers who are dissatisfied with a service are unlikely to return to the business. If they test the services of a competitor and are satisfied with them, then they are most likely to stay with the competitor; the intangible nature of services makes it very difficult to benchmark potential alternatives. Turnover and profitability depend directly on the performance of human resources, particularly customer contact.
- Frontline staff are an integral part of the brand in the customers' eyes: in their minds, the company is identified by the employees who serve them.

#### ***4.3.4 Categories of human resources based on customer contact and participation in the implementation of the marketing mix***

Judd (2003) categorized the human resources of services and the influence that these human resources have on the customer into four broad groups based on their degree of involvement in the design and implementation of the traditional marketing mix, and their degree of contact with the customer (McDonald et al., 2011).

*Contractors* are those who come in direct contact with customers. They are responsible for the design, and the immediate implementation in particular, of the

traditional marketing mix; this includes the sales workforce and the technical support staff that customers directly turn to concerning any issue they may have. Educating and continuously training this staff, empowering and motivating them appropriately, are essential conditions for a better understanding of customers' needs and desires, and providing satisfactory services.

*Modifiers* come in direct contact with customers, but their involvement in the traditional marketing mix is limited; examples of modifiers are hotel/restaurant receptionists, law firm secretaries, and tellers in a public service. Despite their small contribution to shaping the service that customers receive, their direct contact with customers can play a decisive role in the perceived value of the overall service: their failures can degrade the result of the overall effort made by other employees of the company/organization. Therefore, it is essential for this group of human resources to receive appropriate training and development of emotional skills such as empathy, composure, willingness to serve, *inter alia*.

*Influencers* do not have direct contact with customers, but their involvement in the implementation of the marketing mix is crucial. Examples of influencers are restaurant chefs, car mechanics, cellphone technicians that do not receive the faulty phone directly from the customer, etc. They obviously have a huge and direct impact on the perceived value of the services provided, which is why a business should enable them to get in touch with customers on a regular basis in order to make such employees understand the key role that they play in customer satisfaction. A business should seek out, hire, train and motivate people with special technical expertise that wish to develop their skills on a continual basis, so that they can make the most of the capabilities provided by the internal business environment in order to offer the highest possible value to each customer.

The final employee category – the “*isolateds*” – don't usually come in direct contact with customers, and their contribution in the implementation of the business marketing mix is very indirect. Examples of this group are restaurant managers and the accounting department staff in a beauty salon. In essence, the services that these employees offer are necessary inputs for the provision of the services offered by frontline employees. Therefore, it is very important that the business constantly informs the isolateds about the needs of both the external (final) and internal (contact staff) customers, as well as the overall marketing strategy. Failure on the part of the isolateds may have a significantly smaller impact in terms of customer satisfaction, compared to a failure of frontline staff, but each mistake will clearly have a negative effect on the results of the efforts of all those involved in the business (Figure 4.2).

#### **4.4 Challenges faced by frontline employees**

Frontline employees face certain challenges in the performance of their duties, as they are considered the link between the company and its customers. Due to the direct contact they have with customers during the creation of the service, they must cope with specific sources of conflict, as well as with the difficulty of evaluating the offsets between efficiency and effectiveness.

##### **4.4.1 Frontline employees as boundary spanners**

Frontline employees act as boundary linkers connecting the business's interior, i.e. back-office functions, with the business's customers (Wirtz & Lovelock, 2016, 2018,

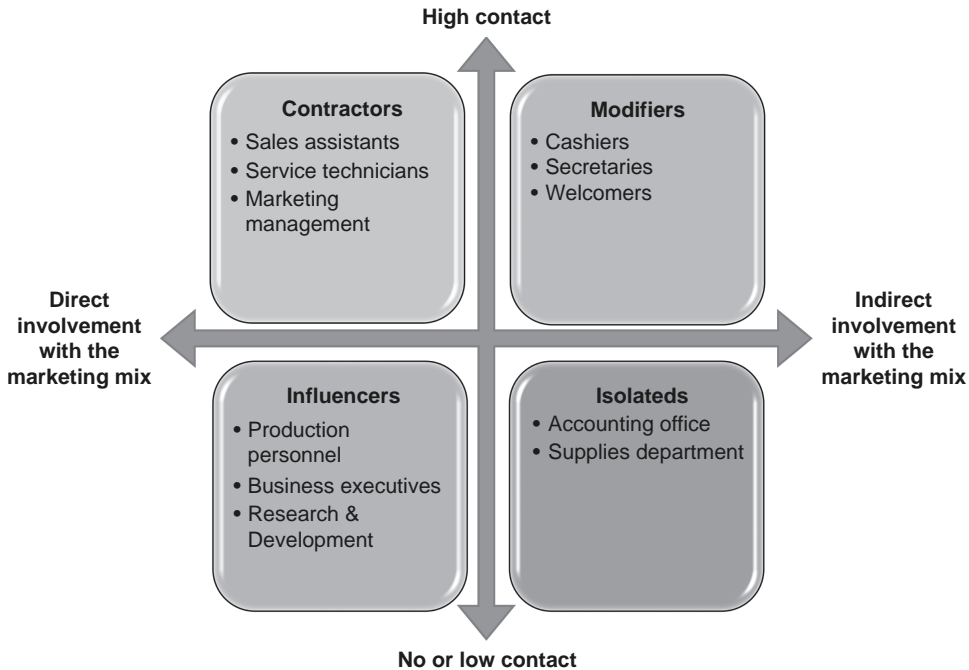


Figure 4.2 Employees' role based on contact with customers and participation in the marketing mix.

Wilson et al., 2016, Zeithaml et al., 2018). This means that frontline employees play a crucial role in collecting, processing and transferring the required information between the external (customers) and internal (support functions) environment of the business, and vice versa.

The role of frontline employees and the corresponding skills and abilities they must possess vary from one industry/company to another. At one end, there are the relatively low-skilled employees, such as waiters at a fast-food restaurant, salespeople at a clothing store, telephone assistants at a telecommunications call center, cashiers at retail stores and so on. Their remuneration is also relatively low, as is the corresponding education and training they usually receive. At the other end of the spectrum are the highly educated and skilled employees, such as civil engineers, accountants, lawyers, professors, doctors, etc. who are usually remunerated respectively, and who, either voluntarily or at the instigation of the business, are constantly kept up to date about interesting developments in their field.

Regardless of their role and qualifications, all frontline employees, beyond the necessary relevant mental and physical skills and abilities needed, should possess highly developed emotional skills and continually seek to improve them, as the performance of their duties is essentially defined by emotional features. This means that regardless of their mental disposition and the attitude of customers toward them, frontline employees are obliged to smile, be friendly and look willing to serve. It is not enough for a salesperson in a clothing store simply to be willing to serve a customer

immediately, to listen to customers' needs and preferences, and to offer them the best possible options to meet their needs/wishes. At the very same time, regardless of how the salesperson is feeling, s/he should be smiling, maintain constant eye contact with the customer and create a warm, friendly, pleasant atmosphere. In many cases, this emotional work will have to be performed under duress, such as when serving a relatively antagonistic customer, or someone who is dissatisfied with the behavior of another employee, or even another customer in the store. The conflict and stress that contact staff experience can be quite intense, since it is very important that this essentially emotional work is done spontaneously and not pretentiously.

Thus, businesses must ensure that they are providing their employees with appropriate support, in order to enable them to offer competitive services and effectively execute the task they have been assigned (Wilson et al., 2016, Zeithaml et al., 2018), which can be done in the following ways:

- Selecting employees who already have a satisfactory level of qualifications for the provision of work with an emotional involvement. Traits such as empathy, composure, kindness, patience, sociability, etc. are highly regarded in this sense. Some companies find this out by asking prospective employees to work for a day or two in real conditions to see how they react in different situations.
- Training in the management of emotional work. Many companies train their employees to manage anger issues that may arise from the vindictive resentful behavior of some customers. A significant portion of frontline employees communicate with customers and provide services over the phone, so training should also include elements of optimal communication without seeing the customer.
- Configuring the workplace so that a pleasant natural work environment is created with proper lighting and air conditioning, providing spaces where employees can take a short break, ergonomically designed offices, etc. This is becoming more and more important, as new ICT applications are constantly increasing the percentage of frontline staff who communicate with customers remotely from their office. Thus, companies are often tempted to reduce their operating costs by reducing the space and equipment available in the places where contact staff work.
- Designing and implementing procedures that support and motivate employees to talk openly with each other about their unpleasant work-related experiences. The benefits of this are many: employees are relieved of the stress and anxiety they experience as a result of such incidents, especially when they discover that their colleagues have had similar experiences; they realize they are not alone, and are not necessarily responsible for these events. Solidarity also develops between employees, while they also discuss various useful practices to deal effectively and painlessly with these unpleasant situations.
- Providing short breaks to frontline staff after an incident with a high-demand customer, by letting them switch roles with other colleagues. In supermarkets, for example, cashiers could be assigned the task of restacking shelves to relieve the pressure of having more direct contact with customers.
- Transferring the most difficult customer cases to managers who have more experience and a greater share of the responsibility in the business, in order to alleviate the pressure on frontline employees.
- Finally, it is very useful for managers (directors, executives, etc.) to have similar experiences of emotional work situations faced by frontline employees, in order to

better understand the real conditions of frontline staff's work environment and to manage staff more effectively.

#### 4.4.2 Sources of conflict

Frontline employees often face conflicts due to their particular role; the conflicts arise from having direct customer contact (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Hoffman & Bateson, 2010; Avlonitis, et al., 2015). They will negatively affect employee satisfaction to a great degree, at the same time undermining their ability and willingness to serve customers. Sources of conflict can be classified into the following main categories:

- *Business-customer conflicts (organic)*: In many cases, frontline employees experience negative emotions due to their role as the connecting link between management and customers. Businesses specify the various services they provide to their customers, and they follow a specific pricing policy. Quite often, however, customers directly or indirectly ask frontline employees to offer something other than what the company's management has specified for the service. For example, the management of a hair salon may have stipulated that hair dyeing is an independent service from hairstyling and that the customer will have to be charged extra if she wishes to have her hair styled after having it dyed. The hairdresser, however, will feel particularly uncomfortable allowing a client, who did not ask for the extra hairdressing service, to leave the store with wet/unstyled hair, especially when the tips that the customer leaves and her future visits to the same hairdresser will all depend on her overall experience.

It should be highlighted that the management is interested on the one hand in the optimal satisfaction of their customers' needs, and on the other in being able to serve a minimum number of customers, e.g. per hour, to balance efficiency with effectiveness. For example, employees of customer service call centers should look for appropriate ways to satisfy customers at the same time as answering a minimum number of calls per hour.

- *Person-role conflicts*: Frontline employees often feel that they do not receive the necessary support from the business when dealing with unpleasant situations concerning customers. In many cases, the principle of "the customer is always right, even when the customer is wrong" makes the employee feel the need to defend him/herself and apologize for situations for which s/he is not guilty. The pressure, stress and offense caused to a frontline employee's personality and basic principles motivate that employee to behave in ways that are not compatible with the role of a service provider. These conflicts become more intense among low-skilled/unskilled employees (a sales assistant in a clothing store), compared to highly qualified ones (a doctor at a private clinic).
- *Conflicts between customers*: Frontline staff are almost always serving many customers, either in turn (e.g. in a shop, a hair salon) or simultaneously (e.g. in a gym, an airline flight, etc.). The simultaneous presence of two or more customers in the service area may raise a conflict of interest. The hairdresser's desire to take more care of a particular customer by meeting some of her special requirements (e.g. a particular style) may provide higher value to that client, but it may cause dissatisfaction to a man who wants a relatively quick basic haircut and has to wait

longer to get that service. Accordingly, people who participate in a fitness program (e.g. aerobics) may have different preferences and needs, with the result that some people want a more intense program than others or are more focused on training certain parts of the body (e.g. the trunk, legs etc.). These conflicts are usually more intense and more difficult to handle for low-skilled frontline employees (e.g. the secretary in a law firm) than those with higher qualifications (e.g. the associate lawyer in the firm).

Businesses need to be aware of and deal with conflicts that frontline employees face in a timely manner in order to avoid negative consequences. One of the most significant conflicts is the increased rate of employee turnover in the company. Replacing employees with new ones entails high costs that cannot be accurately estimated; these include recruitment, training, familiarization with the service system(s), integration into the service team, alignment with the culture and principles of the business, developing personal relationships with customers, etc. Such conflicts lead to reduced employee satisfaction; based on the service-profit chain, this implies a lower external service value, reduced customer satisfaction and loyalty, and therefore reduced revenues and profits for the company.

Organic conflicts stem mainly from business failures in the design and implementation of service delivery processes for meeting customer expectations. In many cases, this is due to exaggerated promises communicated to customers, which it turns out cannot be adequately satisfied. But there will always be some customers who insist on those promises being kept, and will be unhappy if they aren't fulfilled. Thus, only promises for services that the company actually has the capabilities to provide should be conveyed to customers.

The effective management of role conflicts presupposes the existence of frontline employees who have innate abilities for emotional work, such as composure, empathy, etc. However, little importance is given to these skills in staff selection and recruitment, particularly concerning employees who work at lower levels, which is usually accompanied by low pay and development prospects. As a result, the conditions created contribute to the low perceived appreciation of the employees' role, both by themselves and by customers. It is also very important for companies to design and implement procedures that will encourage employees to report their conflicts to the management. Great attention should be given to these remarks in order to find appropriate solutions to them in a timely manner, which may include reviewing service delivery procedures, and redefining the role of liaison officers where appropriate. The management's role is vital in the elimination of such conflicts, which should show, in practice, and under every circumstance, its commitment to ensuring a supportive and productive environment for its employees.

Conflicts between customers can effectively be avoided, particularly by creating customer groups – in terms of expected services – which are as homogeneous as possible. For example, a language learning tutorial should divide students into groups with a similar background, desire to learn and learning abilities, in order to limit potentially negative situations due to participants' conflicting aspirations.

#### ***4.4.3 Balancing between efficiency and effectiveness***

Frontline employees are required on the one hand to provide high-value services to their customers, and on the other to serve as many people as possible within a

specific time frame. For example, a chartered accountant should conduct thorough audits, be polite and cooperative with each client; on the other hand, she must handle as many cases as possible in a day/week. The same is true of a salesman in a clothing store: he must serve every customer to the best of his abilities by listening attentively and providing useful information courteously and willingly, at the very same time that he does not leave other customers waiting too long before they are also served.

It follows from the above that frontline employees constantly face daily battles when trying to balance efficiency (number of customers served) with effectiveness (customer satisfaction) (Wilson et al., 2016; Zeithaml et al., 2018). The difficulty of standardizing delivery procedures and service specifications, specifically for most tangible goods, often results in high-stress levels and exhaustion among frontline staff. The most constructive way to balance effectiveness with efficiency is by providing strong internal support, mainly by the managers of frontline employees, in conjunction with the use of new ICT methods.

As already pointed out, the value of a service depends to a large extent on frontline employees, as they are the link in the chain that connects the internal (support functions) with the external (customers) business parts. Ongoing developments in many technological areas, particularly ICT, are constantly improving the ways in which frontline employees and those involved in support functions are collaborating. For example, when a customer calls a telecommunications company to report a problem with their phone connection, the employee has access to the entire record of that customer's discussion with other service staff, in order to better understand the customer's problems, deal with them and propose the most effective solutions. The employee can also directly contact a colleague in another department, or even the manager, in order to give the customer an appropriate answer. Managers also have the ability to evaluate in real time the efforts of frontline staff, so as to help guide them better in finding a balance between efficiency and effectiveness. In any case, it should be a common belief among all employees in the business that gaining a competitive advantage presupposes and highlights the painstaking collective efforts at all levels, even in the finer details. It is therefore necessary to develop a strong team spirit and solidarity within the company, and by extension, of the supply chain.

#### **4.5 Human resource management in the provision of high-value services**

The design and implementation of an appropriate strategy mix is a necessary condition in the formulation of appropriate staff conditions, especially for frontline employees, which will help the business provide high-value services to its customers (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Hoffman & Bateson, 2010; Rao, 2011; Verma, 2012; Haksever & Render, 2013). These strategies essentially relate to the internal marketing of the services marketing triangle, i.e. the relationships and interactions between the company's management and its staff. These strategies can be classified according to the main functions which allow the management to effectively contribute to the human resources' efforts and abilities to fulfill the services promised to clients, namely: selection and staffing, training and strengthening, provision of support systems and incentives, evaluation and rewarding, and staff retention (Figure 4.3).



Figure 4.3 Cycle of strategies for human resource management in the provision of high-value services.

#### 4.5.1 Selection and staffing

Frontline staff take the lead in delivering the promised customer service. Hiring the right employees is perhaps a cornerstone on which all the company's subsequent actions will be based, so that they can meet their customers' needs and desires (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Hoffman & Bateson, 2010; Rao, 2011; Verma, 2012). In some organizations/companies, e.g. clinics and law firms, great importance is usually placed on the recruitment of qualified and deserving employees. In others, however, e.g. a summer-operating restaurant or hotel placement, little attention may be paid to staff selection, which may inevitably have disappointing results. Recruiting the appropriate staff requires successful implementation of the following sub-actions:

- *Human resource planning*: Staffing services with the appropriate human resources and planning this effectively are the main objectives of a service business in order to develop and maintain its competitive edge. The roles should be well defined, and the number of staff needed correctly determined, in order to fill them with the most suitable employees.
- *Competing for the best employees*: The company must stake out its market share for capable employees, as it respectively does for its share of the consumer market. It should therefore segment the market for potential employees and target the



departments that are most attractive for the company. It will then have to formulate its differentiation strategy by planning the employment positions, appropriate pay levels, etc.; finally, it must place itself in a desirable position in the conceptual map that the best potential candidates have of the company.

- *The business as a preferred employer:* Businesses should seek to gain the reputation of being the kind of employer that every employee would like to work for. Companies that achieve this offer a variety of benefits to their employees, such as very good initial and in-service training, internal support in the performance of their duties, continuous career and development opportunities, fair and satisfactory remuneration based on their performance, among other benefits. Value services, which facilitate employees in their daily lives and allow them to focus on the optimal satisfaction of their customers, take various forms, such as privileged access to additional medical services compared to those provided by a National Health System, part-funding of nurseries and/or summer camps for those with young children, fully equipped leisure centers, flexible working hours, adequate car parking, etc. In essence, such “extras” reflect the philosophy that when an employee feels cared for, the management will “pass on” that care in the form of optimal customer service. Employees in the services sector often interact a lot with each other, so the reputation of a company is also positively affected by the high level of its current employees. Prospective employees are much better informed than in the past, taking advantage of the many opportunities available to them on the internet to obtain information about prospective employers (companies); companies that are looking to hire new staff may be a preferred employer in the minds of some employees. Companies offering services should therefore pay special attention to their public image, particularly their reputation as employers that offer an attractive work package to their future employees.
- *Selection and recruitment of staff based on abilities and innate trends for provision of services:* Selection and recruitment of frontline staff should focus on two main categories of criteria - technical knowledge, and innate tendencies for keeping up a good mood and friendly personality while on the job. First and foremost, staff must have developed the appropriate knowledge and skills to constitute a strong link in providing customers with the promised services. The company will therefore try to single out the candidates with the best qualifications, training, previous service, support skills and knowledge (e.g. use of specialized software), evidenced by diplomas, certificates and degrees. As has repeatedly been emphasized however, the provision of services is intertwined with the emotional work of frontline staff; it is therefore crucial that the selection and recruitment of employees be based on criteria concerning their innate tendency to socialize and serve other people, based on their sociability, empathy, helpfulness, and patience, among other skills.

In view of the above, it is clear that the appropriate frontline staff should meet both technical and interpersonal requirements. Businesses need to determine as accurately as possible the qualifications required of prospective employees in order to attract the most suitable staff through job advertisements. It is also very important that these advertisements display critical elements of the brand and how it is differentiated from the competition, in order to facilitate candidates in their assessment of whether they fit into the business environment.

In many cases, for the most complete evaluation of prospective employees, in addition to traditional methods, companies ask candidates to work in real conditions for a day or two, or to participate in a role-play which simulates the real situations of their future workplace. The benefits are twofold, for both the company and the prospective employees, who will be able to have a better picture of their potential role in the business, so that they can decide if the position is right for them. Some companies also adopt multiple structured interviews to ensure a more careful evaluation of candidates and to limit the effect of potential interviewer bias, so as to avoid selecting individuals with a similar profile to that of the interviewer. Personality tests are often used, which greatly facilitate in the evaluation of candidates regarding the skills they possess, such as a willingness to work with other employees, understanding customers' needs, ease of communication, etc.

#### ***4.5.2 Training and strengthening of frontline staff***

##### *Frontline staff training*

Frontline staff training constitutes yet another cornerstone in the provision of high-value services to customers (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Hoffman & Bateson, 2010; Rao, 2011; Verma, 2012). Training can be organized and implemented by the company itself, but it is often outsourced to specialized training and staff recruitment companies. Training is costly and works cumulatively; it should therefore be an integral part of fitting in with and contributing to the optimal holistic management of human resources, its ultimate goal being to satisfy and retain the most capable employees. Training starts with the recruitment of employees, but their continuous training and retraining is a requisite for maintaining and improving a company's competitive edge.

The main objectives involved in staff training include the following:

- Acquisition of a holistic picture of a company's service delivery processes, i.e. complete knowledge of how the internal supply chain is structured and operates, as well as its links with external partners.
- Creation and improvement of a positive attitude among employees regarding the strategies followed by the company, which derive from the business's service culture.
- Development and improvement of employees' skills. There are three main types of competencies that interest service providers: technical skills; interactive skills related to the provision of services, willingly, skillfully and with understanding (e.g. appropriate communication, patient listening, interpersonal skills, etc.); and social skills related to the creation and strengthening of personal relationships with customers, and adapting that relationship to each individual customer's needs.

Therefore, training concerns three main fields: business knowledge, technical skills and interactive/social (interpersonal/emotional) skills. Every new employee should be informed about the company's products/services, and fully understand how the company operates. Employees need to know the different operational parts of the business, the collaboration processes between the different groups, the business strategies used and the business culture in general. This knowledge is vital for a better

understanding of the demarcation of their role within the company, making the best use of their interpersonal and technical abilities and skills, as members of a wider team. It also contributes to the better adoption and implementation of the business strategy and culture by the prospective employee.

Frontline staff are also trained in issues of a technical nature which are related to the services provided by the company in general, particularly those they will contribute to. For example, representatives of pharmaceutical companies need to be very familiar with the products they are responsible for, at the same time as having a very good theoretical background so as to be able to communicate effectively with doctors and pharmacists (in the case of non-prescription drugs, such as analgesics, cough/cold medication, ophthalmological treatments, etc.). They should also be well versed in the information system and its related software, and any form of infrastructure and technology available to the company to achieve the objectives of their mission.

Gaps in employees' technical training trigger a series of chain reactions that result in failure to provide the promised service. Employees with low self-esteem may feel that they are not well prepared to perform their role, which usually results in the provision of services below customers' expectations. Customers become frustrated and express their dissatisfaction with employees by further exacerbating their bad emotional state of mind. Employees with limited or no job satisfaction resign at a high rate, which means increasing training costs per employee; this may have the effect of the company making further reductions in training costs, in a desperate attempt to save as much damage as possible to its profitability, or at least to limit the losses.

At the same time, however, due to the emotional nature of frontline employees' work, companies often implement training programs to improve their employees' interactive and social skills. These programs aim to teach employees various techniques: how to elicit customers' real wishes more effectively, how to deal with dissatisfied customers in a better way, how to present potential alternatives to customers to meet their needs, etc. Interpersonal skills training utilizes a variety of techniques, such as short-term employment in the company's technical support and complaints departments, so that employees can gain insights into the effects of failing to meet the customers' expectations, as experienced by the customers themselves. A very useful technique is role-playing, where employees play the role of the customer in order to gain greater customer empathy. Behavior modeling aims to classify potential customer behaviors and to develop and implement effective ways of successfully dealing with each customer category, which will lead to mutual benefits for both customers and employees, and consequently for the business.

### *Strengthening employees*

A differentiating feature of services is the difficulty of standardizing their "production" processes. Although in many cases, e.g. bank transactions such as cash deposits and withdrawals, it is largely possible to standardize customer service procedures, it is also quite common for frontline employees to have to deal quickly and effectively with unpredictable situations. Empowerment, i.e. the delegation of power to frontline employees to act whenever necessary in order to meet customers' needs as efficiently and effectively as possible, is a key element in addressing the high uncertainty that characterizes services (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Hoffman & Bateson, 2010; Rao, 2011; Verma, 2012).

In practice, giving frontline staff the green light to take the initiative to act is not enough to achieve the desired result. The employees themselves should be willing to take the initiative instead of just following strictly defined procedures. Their effectiveness and willingness to act increases significantly when they are trained appropriately, continuously improving their respective skills. It is also very important to have a corresponding reward plan that is clearly not limited to just monetary gains but also includes various forms of moral satisfaction. Employees should be constantly kept up to date about the company's goals and desirable performance indicators, including the creation of excellent working relationships with all the other operational departments of the company, so as to enable the implementation of flexible solutions proposed by frontline employees.

Potential business benefits deriving from empowering employees take many forms. First of all, the possibility of a quick response in unpredictable situations increases for cases of special-needs customers, as there is no need for time-consuming decisions and getting approvals from various company departments/managers. The same applies when some customers are highly dissatisfied with the company's services and demand the immediate settlement of what they perceive as their very fair requests. Providing personalized solutions, especially in a short period of time, very often increases customer satisfaction immensely, and consequently their potential commitment to the business. Loyal customers not only constitute a consistent customer base but are also the company's best ambassadors through word-of-mouth advertising and referrals among their close circles.

The benefits, however, are not limited to the company's external customers; instead, they are extended to the internal ones, i.e. the frontline employees themselves. Empowered employees clearly feel greater job satisfaction, they behave in a warmer and friendlier manner toward customers, and they show an increased willingness to contribute to the achievement of the business's goals. They are also a valuable think-tank full of new ideas that can help improve the company's current services; frontline employees share and further elaborate their ideas among their colleagues and the employees of the other operational departments of the company. In addition, they are more likely to respond positively to service failures and to implement service recovery strategies more effectively and willingly.

The extent to which the company will enjoy the aforementioned benefits of empowerment depends on several factors. Generally speaking, the greater the uncertainty and variability of the requested services, the greater the potential benefits of empowering employees for the business, since it becomes difficult to define standard procedures for a huge variety of personalized needs, at the same time as an increased likelihood of highly dissatisfied customers. The results of this empowerment also reflect a function of an employee's willingness to take the initiative and consequently abandon the security offered by adherence to the specifications set by the management.

Implementation of the strengthening process presupposes the correct evaluation of the relevant offsets due to inherent costs. The above analysis makes clear that not all employees are receptive to empowerment. The recruitment and training of frontline staff who will make effective use of this empowerment, i.e. those with high qualifications and skills, implies a certain increase in salary costs and continuous staff training. Due to the relative scarcity of suitable staff and the difficulty of securing such staff for the provision of services that involve high seasonality (e.g. tourism activities), a company may face difficulties in fulfilling the flexibility of its capacity. Empowerment may also greatly

increase variation in the quality of services provided, both between employees and by the same employee among the customers s/he serves. Increasing the time a frontline employee spends serving a customer may cause dissatisfaction to other customers waiting to be served, who may become even more dissatisfied if they feel that they have received inferior services over previous customers.

Bowen and Lawler (1992) believe that the degree of employee empowerment is the product of four elements: permission to make decisions, staying informed about the business's performance, awareness of performance-based rewards, and having the appropriate knowledge that will facilitate their understanding and contribution to the business's performance. They distinguish three levels of empowerment: The first and most basic form of empowerment refers to employees' level of *suggestion involvement* concerning the service delivery processes based on their experiences. However, the decision to implement these proposals is the management's responsibility. At the other end of the spectrum is *high involvement*, where frontline staff are trained to manage their own selves. This requires intensive training in areas such as teamwork, problem solving and operations management. Employees also make the majority of decisions about the distribution of rewards. In between these two levels is *job involvement*, which gives employees the opportunity to significantly redefine their role within the company. This usually involves the development of teamwork, giving employees greater freedom to make decisions, and providing them with high levels of feedback from the management, other employees, and the customers. However, higher-level decisions and the distribution of rewards remain within the jurisdiction of the administration.

#### *Development of a collective work spirit*

Throughout this work, and particularly in this Chapter, it has been repeatedly emphasized that in the modern highly competitive business environment, effective and efficient satisfaction of customers' needs can be achieved only through optimal coordination of the functions and processes of all those involved, both internally within the company and externally among their strategic partners in the supply chain. Developing and promoting a collective spirit of collaboration in customer services is an essential ingredient for business success (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018; Rao, 2011; Verma, 2012; Bruhn & Georgi, 2006). In many cases, companies promote collaboration between frontline employees in a variety of ways, such as setting up customer service teams, so that customers can get in touch with more than one employee. This helps to relieve the pressure that an employee may feel, strengthen solidarity between employees, transfer employees' experiences and mutual training and, consequently, achieve higher goals. In order to reinforce the idea of collaboration in teamwork, most bonuses related to the achievement of performance goals usually apply to the whole team, and not to each individual employee.

However, in addition to highlighting the paramount importance of cooperation between frontline staff, it is essential to develop and strengthen in every legitimate way the collective spirit of mutual assistance and support between frontline staff and other staff in the various support departments. Every support staff member must know who the final customers are, their needs and desires, and how their (the frontline staff's) contribution plays a crucial role in effectively meeting those needs. A good understanding of the end results of the company's support departments on the part of the

employees is an essential component of the collective effort; understanding that the distance between successful and mediocre service is very small will make a big difference in the difficult mission of frontline employees. Setting collective goals at a company or branch level makes it clear to all staff that success and failure affect everyone and are both proportionally allocated.

Many companies ensure that employees who have little or no customer contact work with frontline employees on some days, in order to see the kind of work they do and help them with their work, and vice versa. This technique is very effective as all employees gain unique experiences that contribute to a fuller understanding of the provision of high-value services in the supply chain; if a link in the chain is “broken”, the end result, i.e. the service offered, will be disappointing. Each operational department in the company has its own priorities and the achievement of its objectives entails making sacrifices in order to fulfill the objectives of other departments, which may explain the often competitive climate that prevails between the various operational departments.

As an example, we can take the marketing department which would like to have more flexibility in their provision of customer service, and have employees dedicate all their creativity to each customer, so as to increase customer satisfaction, and therefore sales revenues. In the customer service department, more flexibility means more difficulty in planning the operations: the level of uncertainty it must deal with increases, and a greater burden is placed on the frontline staff. The accounting department will be skeptical about the marketing department’s requirements, as greater flexibility is usually achieved by increasing production capacity, which leads to increased costs for staff, infrastructure, operating costs, etc. And finally, the personnel department will need to look for ways to provide additional staff at certain times (hours, days) in order to achieve the required work flexibility.

The development and promotion of teamwork is also achieved by building inter-operational teams, where customer service is outsourced to a team of employees from different parts of the business, usually involving relatively complex projects. Interdepartmental groups are also established to plan and implement structural changes to existing service processes or to develop new services.

Developing and promoting a collective spirit of cooperation among company employees is not an easy task, and it presupposes many obstacles and difficulties to overcome. This collective spirit cannot be based solely on the selection of employees with innate interpersonal and technical skills and abilities. The company should, on the one hand, take care of the relevant training of the employees and, on the other hand, make clear the commitment of senior management to this goal, as a living example of teamwork on a daily basis on every occasion.

#### ***4.5.3 Securing support systems for provision of services***

The effectiveness of the work performed by frontline employees also presupposes the establishment and successful implementation of support systems that focus on providing customers with high-value service (Wilson et al., 2016; Zeithaml et al., 2018; Rao, 2011). From the discussion so far, it is clear that the company should develop and implement appropriate internal procedures which will facilitate frontline staff in their difficult mission. For example, the head technician in charge of computer repairs at a large electronics chain, who comes in direct contact with customers, can inform

them when the requested service will be completed. The technician needs access to all the relevant necessary equipment, a good information system in order to know when spare parts are available for the completion of the provided services, and any support functions that will supply him/her with the materials they require in a timely and reliable manner. The same applies to teachers in a private language learning center: in order to provide a high level of teaching services, they need to have good access to appropriate secretarial support, access to educational aids (e.g. computer, projector, e-learning platform, etc.), spacious well-equipped classrooms, etc.

Traditional administrative systems where procedures are established by senior management and imposed downstream may be appropriate for achieving internal objectives such as economies of scale, commitment to delivery and meeting the needs of certain employees. However, they cannot respond to a highly dynamic competitive environment where processes must be geared toward meeting the ever-increasing needs and expectations of the customers. It is thus obvious that the kind of management systems and organizational structures that are needed must encourage and support the active participation of employees in the design of procedures and the identification of the required support systems. Thus, frontline employees need two forms of support: technical and procedural. The technical support refers to tools, machines, information systems, information material, etc. which facilitates frontline employees' mission. For example, a hotelier is facilitated by access to a fully updated booking system, the availability of maps and other material of touristic interest, comfortable seats in the reception area, etc. Procedural support involves support services, such as having secretarial services and paramedical staff in a microbiology laboratory.

In any case, there are no established procedures concerning how to deliver a service; a special feature that differentiates them from the production processes of industrial products is that they cannot be copied or applied easily in different business environments. Even if a company manages to design and implement an optimal process to deliver a competitive service, it can become obsolete at any moment due to the rapid changes taking place in the wider business environment. Therefore, redesigning service delivery processes is a never-ending task. It usually requires significant investment in new equipment and technologies. Technological developments in information and communication technology are often turbulent, such that an integral part of ensuring competitive services is the provision of frontline staff with appropriate equipment and an easy-to-use multi-functional information system that can be constantly adapted to any new requirements that its role may call for.

#### ***4.5.4 Evaluation and rewarding***

##### *Evaluation*

The smooth operation of the company's internal supply chain should be continuously monitored by evaluating the effectiveness of the internal and external processes involved in the delivery of its services. Given the importance of human resources, evaluating the effectiveness of service companies focuses on employee performance. However, evaluating employee performance in the services sector is clearly more difficult, compared to that of the production of material goods (Sherwood, 1994; Haksever & Render, 2013; Hoffman & Bateson, 2010; Mudie & Pirrie, 2006; Rao, 2011).

In many cases, the end service that the customer receives is a component of the individual services provided by the different employees; hence, it is particularly difficult to assess the contribution of each component. The various services provided to each customer are often quite different from each other, which makes it impossible to standardize their value. A special feature of services is the participation of the customers themselves in their provision, so the final result will depend to a large extent on the willingness and readiness of the customer to cooperate appropriately with frontline staff. Subsequently, the consequences of potential service failures are usually perceived in their full extent after a significant period of time, as some preparation may be required on the part of the customer when they decide to change service provider. The production flow involved in services also varies much more than for material goods, due to the indivisibility factor. A restaurant, for example, requires a minimum number of employees to operate, whether it serves one customer or 20, so its performance will be at a higher level when it is serving at peak business hours compared to less busy times.

The difficulty of assessing the performance of service workers depends, *inter alia*, on the discreet nature of the role and the degree to which a material product is involved in the service. A greater level of discreteness makes it more difficult to evaluate service employees in the performance of their duties. For example, a footwear sales assistant doesn't usually need specialized training and this role is not considered to require high qualifications. However, this kind of work does actually involve high levels of discretion in its execution, making it particularly difficult to evaluate the employee's performance. On the other hand, a computer technician clearly needs higher qualifications to perform the role effectively, but more standardized procedures are followed. It is therefore easier to estimate the technician's performance through, for example, the number of completed repair/maintenance jobs that s/he performs per day. The greater the involvement of a material product in the customer service process, the easier it is to evaluate employee performance: it is clearly easier to evaluate the performance of a café barista than it is to evaluate the secretary of a law firm.

There are two main ways to evaluate an employee's contribution to the services provided. The first is by conducting both formal and informal systematic evaluations by the management of the company in order to evaluate employee performance, discrepancies between employees, the reasons for failures on their part, and to identify the issues that need improvement. Another way is to get customers to evaluate employees' performance and grade the satisfaction they received from their service. Employees should receive feedback on their evaluation from both the management and the customers. This contributes to the improvement of the services provided; moreover, when employees are evaluated with positive comments by customers, they may be rewarded for this, and their motivation may increase.

### *Rewards and provision of motivation*

Rewarding and motivating employees plays a catalytic role in their performance and retention in the company (Wirtz & Lovelock, 2016, 2018; Bruhn & Georgi, 2006; Wilson et al., 2016; Zeithaml et al., 2018; Rao, 2011). But employees often feel that they are not fairly rewarded for their efforts because companies usually focus on quantitative evaluation criteria, paying less attention to the quality of services, as it is clearly more difficult to evaluate. But even the best employees are at some point likely



to become burnt out and will look for another job if they find that the quality of their work is not recognized or rewarded. This is why some companies directly link employee rewards with perceived customer satisfaction regarding the services that customers receive.

Competitive and fair remuneration, consisting of a salary, allowances, company shares, etc. is often considered sufficient to motivate and reward employees' efforts, while employees consider that a fair reward for the work they offer to the company is a basic condition for staying in that company; providing incentives is therefore not an essential requirement of the job. A reward that exceeds the perceived fair pay may have significant short-term effects in incentivizing employees, but it does not make guarantee the desired duration of this motivation. For this reason, it is useful to provide incentives based on rewards, which employees can receive over and over again. In general, the system should be designed to reward the best employees and promote their excellence. In any case, however, this system should be accepted by employees as fair, consistent and transparent; thus, the contribution of the staff themselves in determining it is very valuable.

Wirtz and Lovelock (2016, 2018) suggest three important foundations for the provision of effective incentives to company employees:

- **The objective of the task.** Employees often feel that when the work they do is interesting and exciting, it motivates them to offer the best of themselves. Work of this sort features a high level of discretion provided to employees during the execution of the project, a level of complexity about it, structured tasks with integrated deliverables, making a significant impact on the lives of others and the ease with which immediate and clear feedback on the employee's performance can be provided.
- **Feedback and recognition.** All people feel better when they belong to a team and their contribution to the well-being of their team is recognized. A very important source of employees' daily motivation is being continuously recognized for the contribution they make in achieving the goals of the group they belong to, whether these groups are small (e.g. the service team) or large (the whole company). Therefore, it is a good idea to continuously provide feedback to employees about the evaluations they receive from customers, colleagues and their superiors, and to reward them on a group or individual basis. Rewards should be given in recognition for successfully handling difficult situations that could not be foreseen during employees' training/retraining periods.
- **Achievement of goals.** Most employees experience great satisfaction when they achieve clearly defined goals, even if they are difficult to achieve. These goals should form the basis of performance rewards (bonuses), with feedback and recognition. They should also be communicated to and accepted by all employees. In fact, the reward should be offered very soon after the employee achieves the relevant goal, so as not to lose a part of its value.

#### ***4.5.5 Keeping the best employees***

The last important component in the effective management of human resources is the retention of the most capable employees (Hoffman & Bateson, 2010; Wilson et al., 2016; Zeithaml et al., 2018; Wirtz & Lovelock, 2016, 2018; Danyi, 2008; Mudie &

Pirrie, 2006; Rao, 2011). The truth is that employee mobility from one company to another depends on factors that lie beyond the direct control of a company, such as the culture (e.g. in England there is more labor mobility than in Greece or Japan), the current supply and demand of the labor market, employees' skills and abilities (the higher the skills levels, the more harmful to the company employee mobility becomes), the field of activity, etc. However, the most efficient companies will take great care to retain the best employees, by attracting and hiring the most suitable ones, i.e. those that fit the corporate culture, with the corresponding technical and interpersonal skills. The contribution of education and continuous training in this respect is immense. In many cases, companies invest a lot of resources in attracting, training and empowering customer contact employees, but they often make the mistake of taking those employees for granted. Retaining the most capable frontline employees cannot be guaranteed solely on good pay and goal achievement bonuses.

It is considered very important by employees for the message to get across to their superiors and top management that they are considered an integral and vital part of the business, and that the planning of the business is based on them, i.e. their integration into the company's vision. This implies that the management must convey its vision and long-term goals clearly and effortlessly, showing the employees that the achievement of those goals depends on the special contribution of human resources. Therefore, the company should use marketing tools and apply marketing principles to meet the needs of its employees, just like it does with the needs of its customers.

Conflicts faced by frontline workers are often stated as significant reasons for their intention to change work environment. It is therefore very useful for companies to define employees' roles as clearly as possible in order to avoid and limit the occurrence of conflicts. Ways to immediately identify and successfully manage conflicts, as well as discover their sources, should be sought.

Cross-training contributes to a better understanding of the interdependence of the various business departments, the limitations and priorities of other operational departments, the consolidation and improvement of work relations with colleagues in other departments, and the enrichment of employees' roles. A powerful incentive for retaining the most capable employees is having strong prospects for development within the company, which are linked to clear well-defined pre-determined criteria, in harmony with the corporate culture.

## **4.6 Supplementary foundations for the effective provision of high-value services**

### **4.6.1 *The service culture***

Employees' effectiveness in providing services is greatly influenced, among other things, by the corporate culture, i.e. the common values, rules, traditions, goals and beliefs of the people who make up the business and guide their behavior (Wilson et al., 2016; Zeithaml et al., 2018; Wirtz & Lovelock, 2016, 2018; Hoffman & Bateson, 2010; Verma, 2012; Rao, 2011). Successful service providers have a customer-centric, service-oriented corporate culture. This means that all employees have adopted the ultimate goal of providing a high level of service as a way of life, both internally, i.e. with other employees in the company, and externally, i.e. with the company's end customers.

One reason that makes customer-centric service culture necessary is the great heterogeneity observed in services compared to material goods. No matter how complete and thorough employees' training is, they are always likely to cope with unforeseen situations which they will have to resolve. The service culture makes it easier to set more specific job specifications, which means that the service provided is less likely to deviate from the desired range.

Another reason why a customer-centric service culture is so important is the substantial inability of the company's management to directly and effectively control all employees who come into contact with customers during the provision of services. A customer-centric corporate service culture can greatly ensure that the services provided are compatible with the expected behavior of employees toward customers. A strong customer-centric corporate culture is easy for new employees to assimilate and implement, at the same time allowing the facilitation of the coordination and co-operation of the company's existing employees.

A necessary condition for the development of a customer-centric corporate culture is *service leadership*, i.e. the daily application on an every-case basis of the principles laid down by the company's heads/leaders. Employees do not recognize nor do they adopt the values and principles stipulated by the company's management; they accept those that are confirmed through the company's actions. Therefore, as with almost every aspect of management, managers are the first that must apply those principles and values in their daily lives, if they want their employees to adopt them too.

The development of a customer-centric culture requires continuous, methodical and coordinated efforts at all business levels and operations. The transition from a traditional, function-oriented to a customer-centric culture requires the adoption and day-to-day implementation of a variety of simple, basic practices rather than a small number of groundbreaking changes. In fact, it is not enough to just develop a customer-centric culture to ensure that high-value services are provided to end customers; painstaking efforts must be made to maintain it on a daily basis by identifying and dealing with malpractices. Developing and maintaining a customer-centric culture becomes even more difficult in international companies who must transmit and implement it in different cultural environments.

#### ***4.6.2 Focus of the entire business on the front line***

The customer-centric approach to service delivery supports the reversal of the service marketing triangle so that the customer and frontline staff are in the top position, and the management is at the bottom (Wirtz & Lovelock, 2016, 2018; Wilson et al., 2016; Zeithaml et al., 2018). In this way, emphasis is placed on that end of the supply chain where the customers are located, and those who offer them high-value services, i.e. the frontline staff. The emphasis on customers and frontline staff is evidenced by the fact that customer satisfaction and loyalty are very strong indicators of a company's sustainability (turnover) and profitability. However, according to the profit-service chain, customer satisfaction and loyalty can only come from satisfied dedicated employees, particularly the frontline staff that customers come into contact with.

This view is in line with the fundamental principle of supply chain management where the whole supply chain is oriented toward meeting customers' needs; it is therefore the customers who essentially set the rules for the operation of the supply chain. Concerning the management of the supply chain, much greater importance is

given to the retailers' operations, as this is the link that the customer comes into contact with; therefore, the cost of any external errors is clearly higher than the internal failures occurring in the upstream links of the supply chain. Similarly, the inverted service triangle focuses on frontline employees who should be given every possible support by all operational departments, and most importantly by management, so that they can meet customers' needs effectively and efficiently.

#### **4.7 Human resource management within services supply chain context**

Businesses usually emphasize how frontline staff offer customers high-value services. However, the value of the services provided depends not only on the capabilities of the frontline staff but also on their cooperation and interaction with the rest of the company's staff (internal supply chain), as well as the contact staff of the strategic partners of the company in the external supply chain. For example, the hotel receptionist is the first person hotel customers come in contact with; the perceived value of the customer service here depends on those first moments that they will experience during their communication with the receptionist. However, the total value of their hotel stay depends on more than that, e.g. the cleaning services, the breakfast quality, and whatever else is offered by the support staff of the company. Any problems that go beyond the immediate responsibilities of the frontline staff, such as the hotel's on-site restaurant service or the partner company's information system, can cause significant customer dissatisfaction should things go wrong. Coordination and good cooperation are therefore essential among all the employees of the company and its partners' contact staff in the supply chain.

The importance of supply chain management increases when the end result depends on the contribution of the business associates. For example, a travel agency promises its customers unique experiences by organizing a complete excursion to various touristic destinations. The end result of its customer satisfaction, however, does not depend solely on the services offered by its internal supply chain (support teams and liaison officers); it will also depend, above all, on its strategic partners in the external supply chain. In other words, overall customer satisfaction depends on the components of the services received from the collaborating service providers, such as the airline that customers traveled with, the hotels where they stayed, the guides they toured the sights with, the restaurants where they had lunch, the sights they visited, etc. Any failure in even one of these links in the chain of the participants' experiences is enough to cancel the efforts made by everyone else, including the travel agency.

As has already been mentioned many times so far, in today's highly competitive environment, companies usually have to focus on the core activities and processes that give them their competitive advantage, and outsource support functions in part, or even entirely, to third parties. For example, a telecommunications service provider is more likely to work with other companies to find new customers, provide technical support, send printed materials (e.g. service contracts), provide lifelong customer service (e.g. for the payment of bills), etc. Therefore, all developments in the business environment will lead to an increasing interdependence on service companies from their strategic partners in their supply chain. Consequently, as happens in the industrial sector, so it is in the case of the services sector, especially for large companies: supply chains rather than individual companies are competing against each other.

It therefore becomes clear that, particularly for service companies where a significant part of the overall customer experience depends on the input of external

partners, it is necessary to appoint a supply chain manager. This manager should be entrusted with the responsibility of achieving the best possible coordination and synchronization of the internal operations and procedures of the company, together with those of the main stakeholders in its supply chain. Among other things, it is necessary to have a common, collaborative demand forecast on which to base collective planning, which will ensure the best possible satisfaction of customers' needs.

Due to the inherent high uncertainty of the conditions that affect the quality of the services provided, the head of the company's supply chain should plan alternative programs to deal with unforeseen circumstances, in close cooperation with the supply chain partners. If, for example, weather conditions or a lack of safety measures on a mountain path do not allow the implementation of a specific excursion that was scheduled to take place, alternative activities should be provided that will compensate the participants in a pleasant way.

From the above, it is clear that all staff, particularly frontline employees, should be in a direct position to cooperate extremely well internally as well as with the staff of the collaborating bodies in their supply chain. Ultimately, what matters to the customer is the overall satisfaction gained from working with the business. The customer is not at all interested in how this was made possible; the customer is not interested in the details of the company's internal and external supply chains. Customers also consider that in the case of a negative experience due to a mistake made by any employee while providing the service, to either the company or its associates, the company they trusted is responsible and accountable for it; it is the company that selected the specific employees and collaborating partners of the supply chain, and therefore, they are ultimately to blame.

#### ***4.7.1 Marketing Manager and Logistics Manager: friends or foes?***

There is no business today in which the Marketing Manager and the Logistics Manager do not coexist. Together, they are responsible for two of the most critical business functions: the operation that creates, maintains and seeks to increase demand, and the one which satisfies it. There is also no company in which the daily tasks of these two managers do not overlap; this also entails that there is no company where these two managers do not come into conflict with each other, which creates problems in the effective satisfaction of customers' orders and requirements, and in the operation of the company in general.

Thus, we must ask ourselves the question: "Why is this happening?" The answer could be found in two places (among others). By investigating their functions, these two executives set different goals: one wants to increase profits, the other wants to reduce operating expenses. Therefore, to achieve the above objectives, the Marketing and Logistics managers must operate differently. The former seek opportunities, collaborations, etc. in the external business environment, while the latter focuses on how the internal processes of the company are organized and operate.

The company's management often receives complaints from these two managers, who consider that they work very hard with their efforts going unrecognized. In practice, of course, both are right. On the one hand, it takes a lot of effort in today's highly competitive environment to achieve a sale, gain a new customer or even maintain an existing customer base. On the other hand, each and every logistics employee knows very well how much effort is required to execute an order successfully, and to achieve the required level of service and response, as set by the company.

But there is one thing that complicates this conundrum: nowadays it is easier to assess the performance of the marketing manager, just by calculating the sales achieved, and comparing them with the original goals. On the other hand, determining the contribution of the logistics manager in the reduction of total costs is a difficult and arduous task that requires know-how, tools, systems and access to appropriate data.

It is of course a known fact that the success of a business depends on the daily cooperation of these two executives, to achieve the goals that the company has set. Case studies lead to the same cycle: “Successful marketing leads to increased sales, which automatically requires an efficient logistics system”. At the same time, however, “an effective logistics system can be considered one of the most important marketing tools”.

#### ***4.7.2 New trends in the cognitive and scientific objectives of supply chain executives***

Effective management of modern supply chains requires that the executives of each sector have specialized knowledge and skills in specific scientific and cognitive subjects.

Given the increasing use of systems and technological solutions throughout the supply chain, it is important for logistics executives to be aware of new technologies. Understanding how a company, for example, uses information systems for warehouse/inventory management and integrated Enterprise Resource Planning (ERP) systems leads to more efficient use and full exploitation being made of their potential. Knowledge of new technologies, such as 3D printing, drones, the Internet-of-Things (IoT), robotics and automation, cloud computing, etc. will also make a significant impact on the adoption of a new form of supply chain in the near future.

The workforce is becoming more and more global and multicultural, with production capacity and mobility being its main features. The growth of companies into international markets is the main feature of the new economy. In this kind of economic and technological evolution, it is very important for logistics executives to develop leadership skills so that they can operate in an international business environment. It is therefore essential that executives understand the basic principles, benefits and challenges of world trade.

Understanding and recognizing the importance of managing supply chain processes is a necessary skill for today’s logistics executives. The knowledge that today’s executives are expected to have enables them to gain a complete picture of the supply chain through the design of inter-company business processes, allowing them to fully comprehend that what business all boils down to is, quite simply, customer satisfaction. The customer is always the main target when designing a supply chain strategy. Streamlining and optimizing the entire supply chain can also reduce overall costs.

A supply chain executive must also be able to effectively design and manage various logistics projects. The skills that the management of a project must possess are the ability to appropriately plan resources and tasks, budgets and schedules, as well as manage the risks that practice and experience have proven over time to be part of the daily life of logistics executives.

Finally, great emphasis must be placed on the cognitive goals of communication and negotiation that these executives must have. Good communication with customers, partners and team members is considered (and not unjustly) as one of the most critical success factors of logistics executives. Negotiating skills are also essential for achieving optimal results.