

# Chapter 8

## Managing and Engaging Employees in Service Organizations

### STUDY OBJECTIVES

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Having completed this chapter, readers should be able to:

1. understand the role of *people* in the service organization;
2. be able to recognize the importance of human resource management and practices associated with it;
3. understand the impact of internal service quality on external service quality and firms' key indicators; and
4. be familiar with the benefits of having committed and engaged people in the company.

### OUTLINE

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- ▶ Introduction
- ▶ Setting the benchmark
- ▶ Organizational psychology
- ▶ What is human resource management (HRM)?
- ▶ HRM in a service context
- ▶ Why is HRM important?
  - ▶ Emotional labor
  - ▶ The internal work environment
    - Organizational culture and service culture
    - Organizational climate and service climate
- ▶ Empowerment as an effective HRM practice
  - ▶ Theory X and Theory Y
  - ▶ Empowerment in place/practice

## INTRODUCTION

Successful businesses require many interrelated parts working harmoniously to achieve business goals. Most businesses require investment in land, property, equipment, furnishings, fixtures, and the like. But in service businesses, there is another important *asset*—people! In many ways, people and people management practices are metaphorically what internal health means to humans—healthier blood and a healthy body allows a person to be in the best position to face the *external* world. This is so important because the most significant definer of the hospitality and tourism industries is the inherent focus on people-to-people transactions and the myriad of challenges associated with managing individuals (Grönroos, 2000; Lovelock & Wirtz, 2010; Schneider & White, 2004). People and their individual interactions are paramount to the provision of quality service outcomes (Bitner et al., 1994; Mattila & Enz, 2002). Because of the labor-intensive character of the industry, and the involvement of people in delivering the service *product*, the hospitality and tourism industries are known as *people industries* requiring *people skills* from its workers. In fact, service workers are expected to be hospitable, exhibit positive attitudes toward the customer, and work cohesively as a team.

It should be apparent now that people and service are inextricably linked. Employees in a service firm frequently represent the *front-line* (see Chapter 5) in the relationship between the firm and the customer—and in many cases (see Chapter 2), service production and consumption occurs simultaneously between the provider and customer, making the role of the employee, and therefore their attitude and suitability to the job, that much more important. Indeed, unlike a manufacturing organization, in service organizations there are “flimsy and permeable” (Schneider & Bowen, 1993, p. 40) boundaries between the firm and their customers. This creates a circumstance where there is psychological and physical closeness between the firm and the customer—and one that brings on a range of challenges!

There are many analogies one can use to emphasize the importance of the front-line worker in service organizations. For example, in a battlefield, the difference between victory and defeat can often be attributable to the quality of the troops, how well they are trained, how motivated they are, and how committed they are to the outcome. Although far less violent (hopefully!), it is the people in a service organization (the right ones selected, and then trained, motivated, and retained), combined with a sound strategy, standards, the right equipment and good leaders, which create a winning organization!

One of the challenges inherent in managing the tourism and hospitality workforce is that employment in these sectors is often characterized by absenteeism, high turnover of staff, low commitment levels, low job satisfaction, and high job stress, thereby making the management of these organizations particularly challenging. Hospitality work is regarded as a low-status occupation in some countries, often a means to an end for some, or as an occupation that employs people with minimal education or training. Indeed, many students do not see hospitality as a career path, but rather convenient work they can undertake while they are studying toward their *real job*. Long and irregular working hours, split shifts, seasonality, low wages, poor industry image, the lack of career paths, and high *casualization* (e.g., part-time workers) of the workforce are additional characteristics of this industry. It is hard to believe that these employees, working under the conditions referred to above, are expected to deliver high-quality service encounters and excellent service to customers and colleagues.

Despite the challenges—it can be done! Great service organizations position people and people management processes central in their strategies and actions. In doing so, employees are likely to respond positively and be more inclined to deliver excellent service. If this is achieved, it gives the organization an immutable competitive advantage.