



CHAPTER 11

Managing People for *Service* ADVANTAGE



Overview of Chapter 11



- **Service Employees Are Extremely Important**
- **Frontline Work Is Difficult and Stressful**
- **Cycles of Failure, Mediocrity, and Success**
- **Human Resources Management – How To Get It Right?**
- **Service Leadership and Culture**



***Service Employees Are
Extremely Important***

Importance of Service Personnel



- **Help maintain firm's positioning. They are:**
 - **A core part of the product**
 - **The service firm**
 - **The brand**
- **Frontline is an important driver of customer loyalty**
 - **Anticipate customer needs**
 - **Customize service delivery**
 - **Build personalized relationships**
- **Key driver of productivity of frontline operation**
- **Generate sales, cross-sales and up-sales**

Front Line in Low-Contact Services



- **Many routine transactions are now conducted without involving front-line staff, e.g.,**
 - **ATMs (Automated Teller Machines)**
 - **IVR (Interactive Voice Response) systems**
 - **Websites for reservations/ordering, payment etc.**
- **Though technology and self-service interface is becoming a key engine for service delivery, front-line employees remain crucially important**
- **“Moments of truth” affect customer’s views of the service firm**



***Frontline Work Is
Difficult and Stressful***

Boundary Spanning and Role Stress



- **Boundary spanners link inside of organization to outside world and often experience role stress from multiple roles they have to perform**
- **3 main causes of role stress:**
 - **Organization vs. Client: Dilemma whether to follow company rules or to satisfy customer demands**
 - **This conflict is especially acute in organizations that are not customer oriented**
 - **Person vs. Role: Conflicts between what jobs require and employee's own personality and beliefs**
 - **Client vs. Client: Conflicts between customers that demand service staff intervention**

Emotional Labor



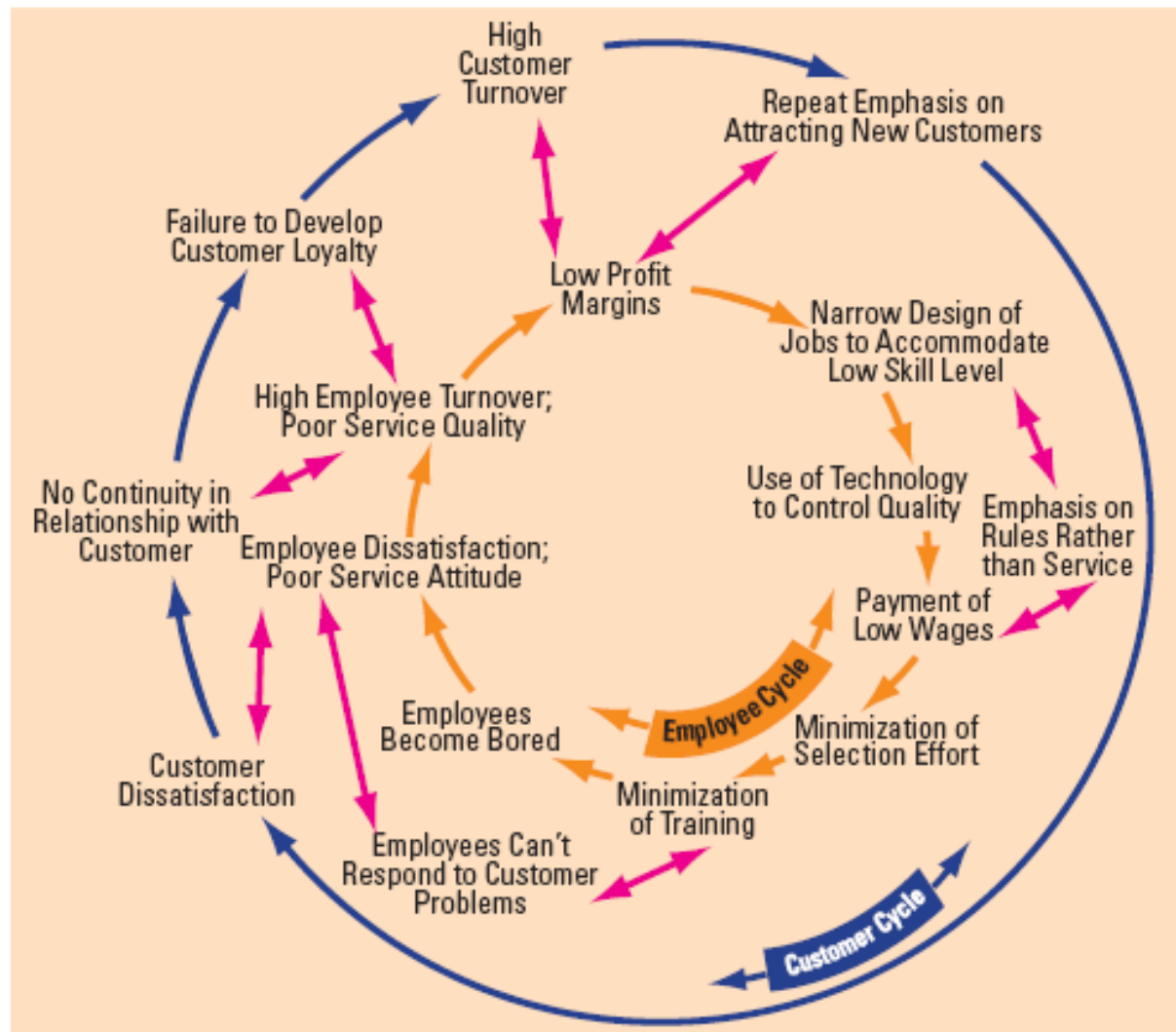
- **“The act of expressing socially desired emotions during service transactions” (Hochschild, The Managed Heart)**
- **Occurs when there is gap between what employees feel inside, and emotions that management requires them to display to customers**
- **Performing emotional labor in response to society’s or management’s display rules can be stressful**
- **Good HR practice emphasizes selective recruitment, training, counseling, strategies to alleviate stress**



Cycles of Failure, Mediocrity and Success

Cycle of Failure (1)

(Fig 11.6)



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Cycle of Failure (2)

(Fig. 11.6)



- **The employee cycle of failure**

- **Narrow job design for low skill levels**

- **Emphasis on rules rather than service**

- **Use of technology to control quality**

- **Bored employees who lack ability to respond to customer problems**

- **Dissatisfied with poor service attitude**

- **Low service quality**

- **High employee turnover**

Cycle of Failure (3)

(Fig. 11.6)



- **The customer cycle of failure**

- Repeated emphasis on attracting new customers

- Customers dissatisfied with employee performance

- Customers always served by new faces

- Fast customer turnover

- Ongoing search for new customers to maintain sales volume

Cycle of Failure (4)

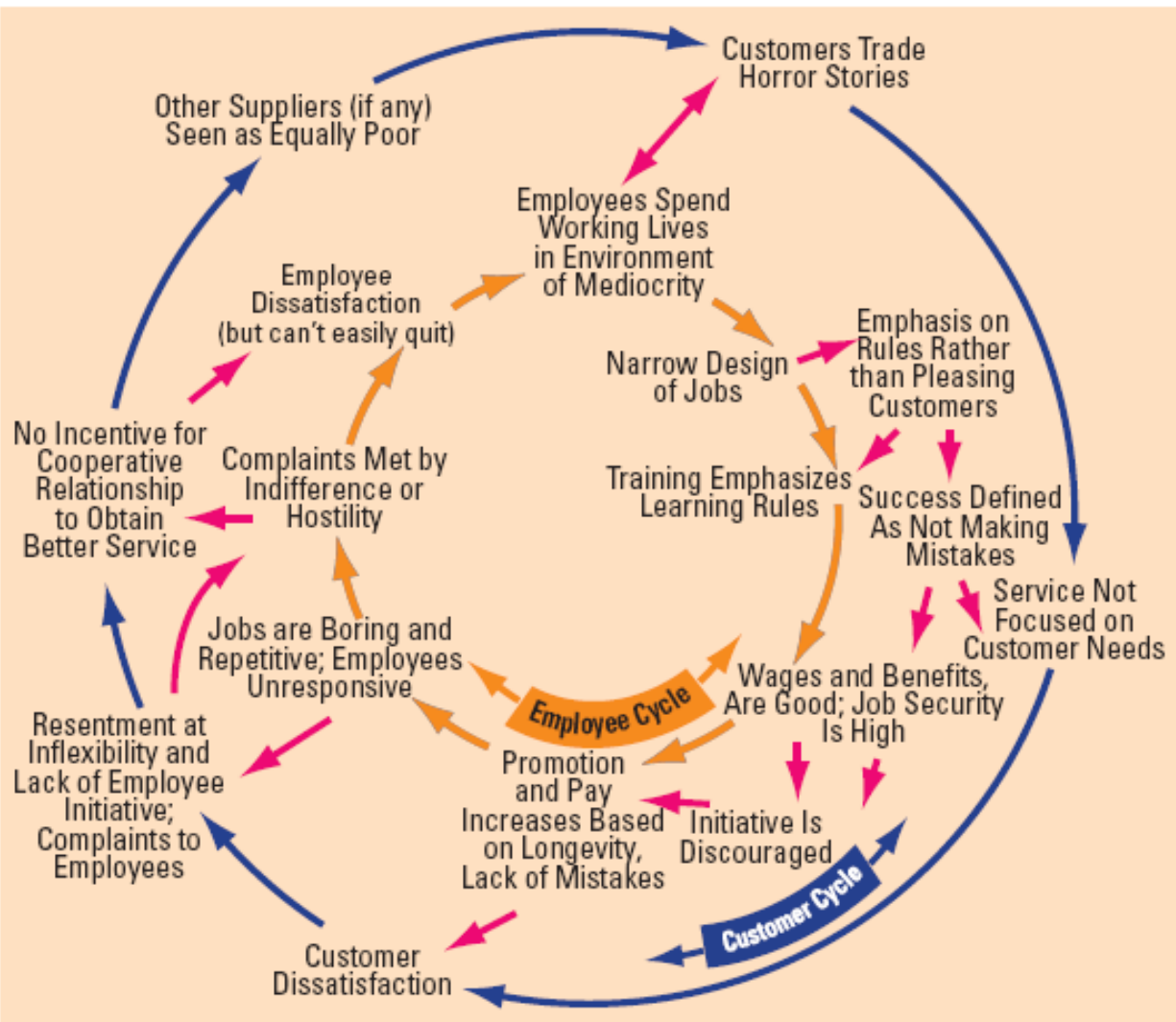
(Fig. 11.6)



- **Costs of short-sighted policies are ignored**
 - **Constant expense of recruiting, hiring, training**
 - **Lower productivity of inexperienced new workers**
 - **Higher costs of winning new customers to replace those lost—more need for advertising and promotional discounts**
 - **Loss of revenue stream from dissatisfied customers who go elsewhere**
 - **Loss of potential customers who are turned off by negative word-of-mouth**

Cycle Of Mediocrity (1)

(Fig. 11.8)



SOURCE

Christopher Lovelock (1995). *Managing services: The human factor*. In W.J. Glynn and J.G. Barnes. *Understanding Service Management* (p. 228). Chichester, O K John Wiley.

Cycle Of Mediocrity (2)

(Fig. 11.8)



- **Most commonly found in large, bureaucratic organizations**
- **Service delivery is oriented towards**
 - **Standardized service**
 - **Operational efficiencies**
 - **Promotions based on long service**
 - **Successful performance measured by absence of mistakes**
 - **Rule-based training**
 - **Little freedom in narrow and repetitive jobs**



Cycle of Mediocrity (3)

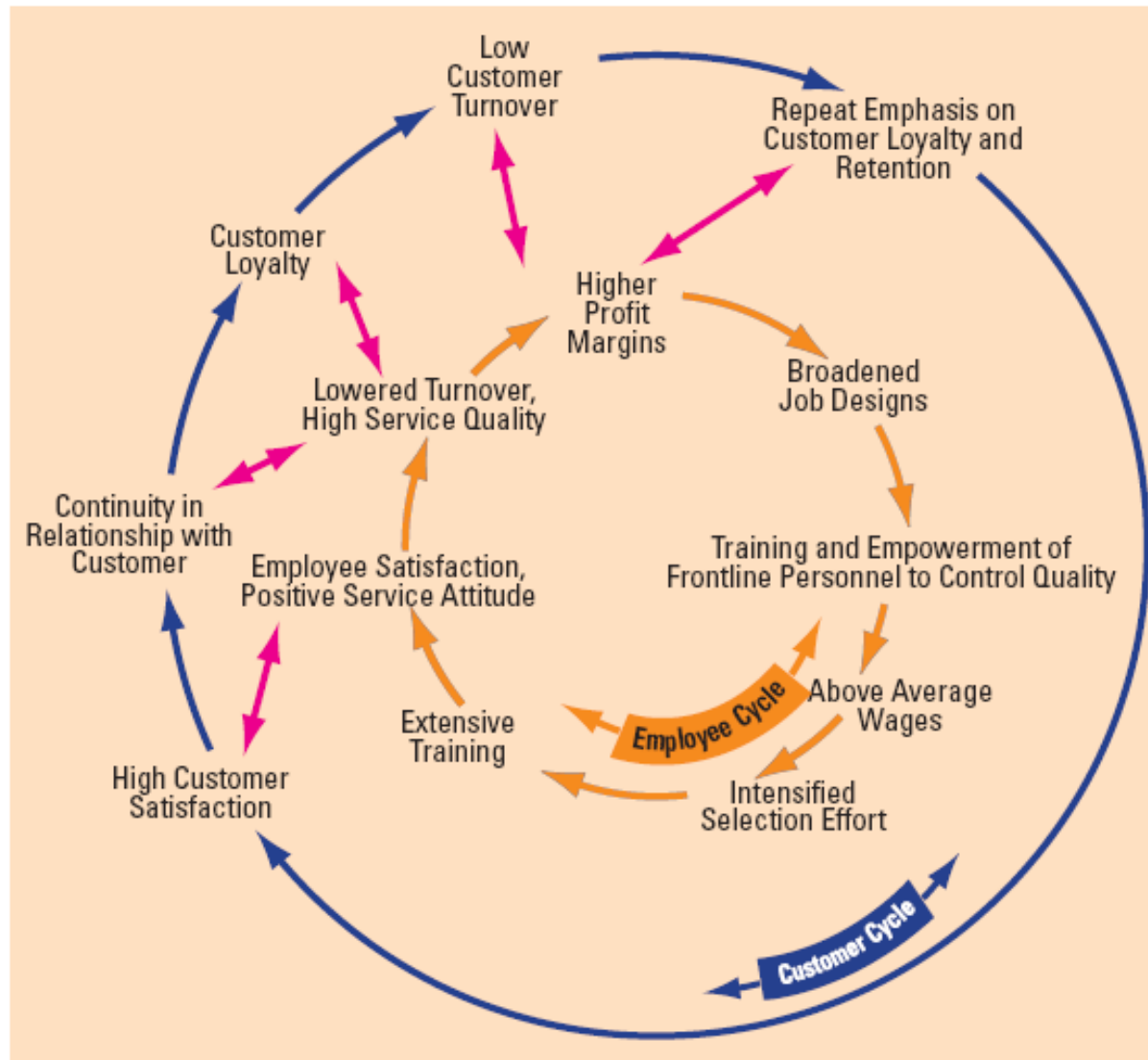
(Fig. 11.8)



- **Customers find organizations frustrating to deal with**
- **Little incentive for customers to cooperate with organizations to achieve better service**
- **Complaints are often made to already unhappy employees**
- **Customers often stay because of lack of choice**

Cycle of Success (1)

(Fig. 11.9)



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Cycle of Success (2)

(Fig. 11.9)



- **Longer-term view of financial performance; firm seeks to prosper by investing in people**
- **Attractive pay and benefits attract better job applicants**
- **More focused recruitment, intensive training, and higher wages make it more likely that employees are:**
 - **Happier in their work**
 - **Provide higher quality, customer-pleasing service**

Cycle of Success (3)

(Fig. 11.9)

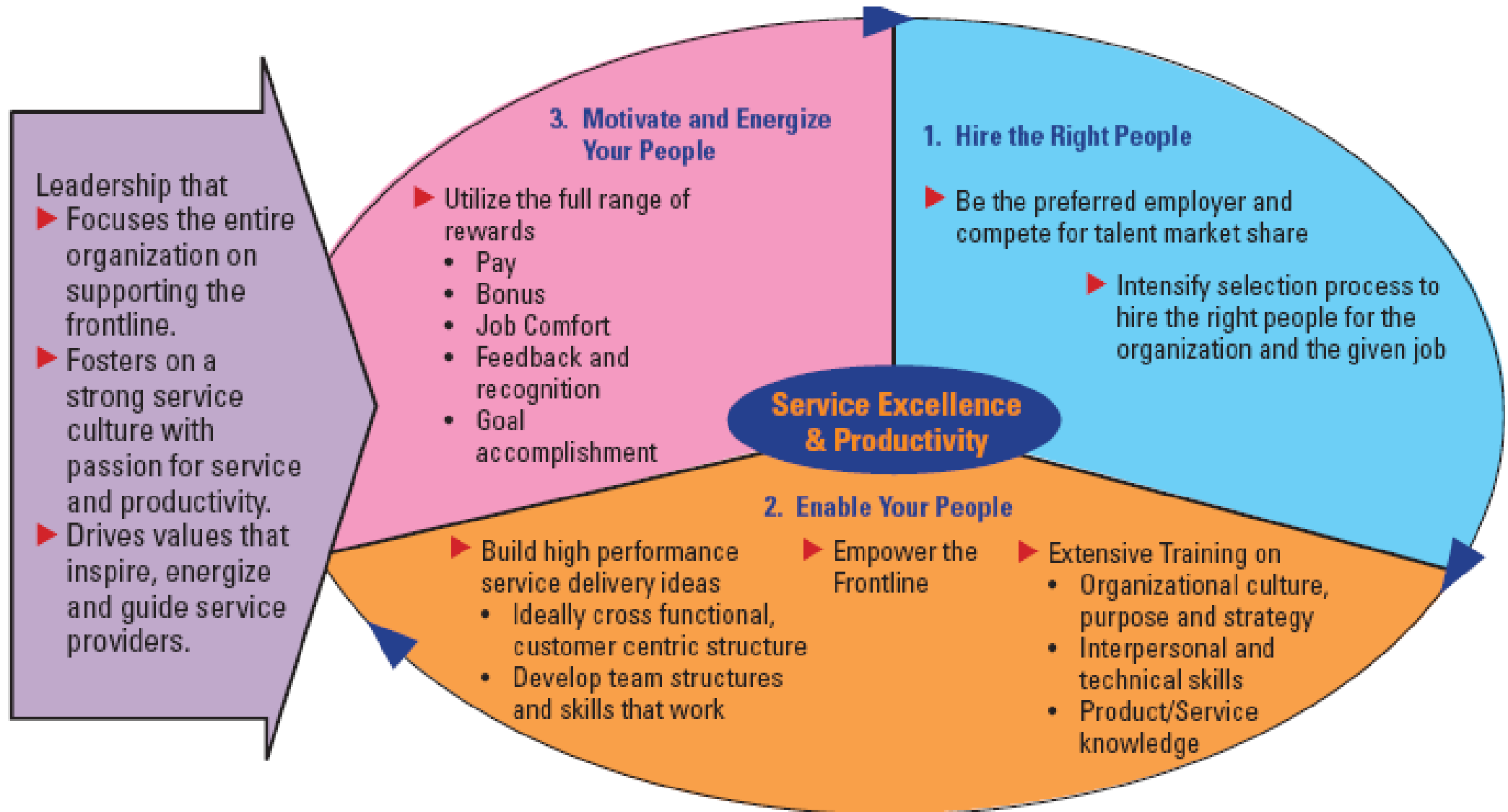


- **Broadened job descriptions with empowerment practices enable front-line staff to control quality, facilitate service recovery**
- **Regular customers more likely to remain loyal because:**
 - ➔ **Appreciate continuity in service relationships**
 - ➔ **Have higher satisfaction due to higher quality**



***Human Resource
Management – How to
Get It Right?***

The Service Talent Cycle for Service Firms (Fig. 11.11)



Hire the Right People



“The old saying ‘People are your most important asset’ is wrong. The RIGHT people are your most important asset.”

Jim Collins

Hiring the Right People (1)



- **Be the Preferred Employer**

- **Create a large pool: “Compete for Talent Market Share”**

- **What determines a firm’s applicant pool?**

- **Positive image in the community as place to work**
 - **Quality of its services**
 - **The firm’s perceived status**

- **Select the right people**

- **There is no perfect employee**

- **Different jobs are best filled by people with different skills, styles or personalities**
 - **Hire candidates that fit firm’s core values and culture**
 - **Focus on recruiting naturally warm personalities for customer-contact jobs**

Tools to Identify the Best Candidates (1)



● Observe behavior

- Hire based on observed behavior, not words you hear
- Best predictor of future behavior is past behavior
- Hire those with service excellence awards and complimentary letters

● Conduct personality tests

- Willingness to treat co-workers and customers with courtesy, consideration and tact
- Perceptiveness regarding customer needs
- Ability to communicate accurately and pleasantly



Tools to Identify the Best Candidates (2)



- **Employ multiple, structured interviews**
 - Use structured interviews built around job requirements
 - Use more than one interviewer to reduce “similar to me” biases
- **Give applicants a realistic preview of the job**
 - Chance for candidates to “try on the job”
 - Assess how candidates respond to job realities
 - Allow candidates to self select themselves out of the job

Train Service Employees Actively



Service employees need to learn:

- **Organizational culture, purpose and strategy**

- **Get emotional commitment to core strategy and core values**

- **Get managers to teach “why”, “what” and “how” of job**

- **Interpersonal and technical skills**

- **Both are necessary but neither alone is enough for performing a job well**

- **Product/service knowledge**

- **Staff’s product knowledge is a key aspect of service quality**

- **Staff must explain product features and help consumers make the right choice**

Is Empowerment Always Appropriate?



Empowerment is most appropriate when:

- Firm's business strategy is based on personalized, customized service and competitive differentiation
- Emphasis on extended relationships rather than short-term transactions
- Use of complex and non-routine technologies
- Service failures are non-routine and cannot be designed out of the system
- Business environment is unpredictable, consisting of surprises
- Managers are comfortable letting employees work independently for benefit of firm and customers
- Employees seek to deepen skills, like working with others, and have good interpersonal and group process skills

Levels of Employee Involvement



- **Suggestion involvement**

- Employee make recommendation through formalized programs

- **Job involvement**

- Jobs redesigned

- Employees retrained, supervisors reoriented to facilitate performance

- **High involvement**

- Information is shared

- Employees skilled in teamwork, problem solving etc.

- Participate in management decisions

- Profit sharing and stock ownership



Build High-Performance Service Delivery Teams



- **Many services require cross-functional coordination for excellent service delivery**
- **Teams, training and empowerment go hand-in-hand**
- **Creating Successful Service Delivery Teams**
 - **Emphasis on cooperation, listening, coaching and encouraging one another**
 - **Understand how to air differences, tell hard truths, ask tough questions**
 - **Management needs to set up a structure to steer teams towards success**

Motivate And Energize The Frontline



Use full range of available rewards effectively, including:

- **Job content**

- **People are motivated and satisfied knowing they are doing a good job**

- **Feedback and recognition**

- **People derive a sense of identity and belonging to an organization from feedback and recognition**

- **Goal achievement**

- **Specific, difficult but attainable and accepted goals are strong motivators**



Service Leadership and Culture

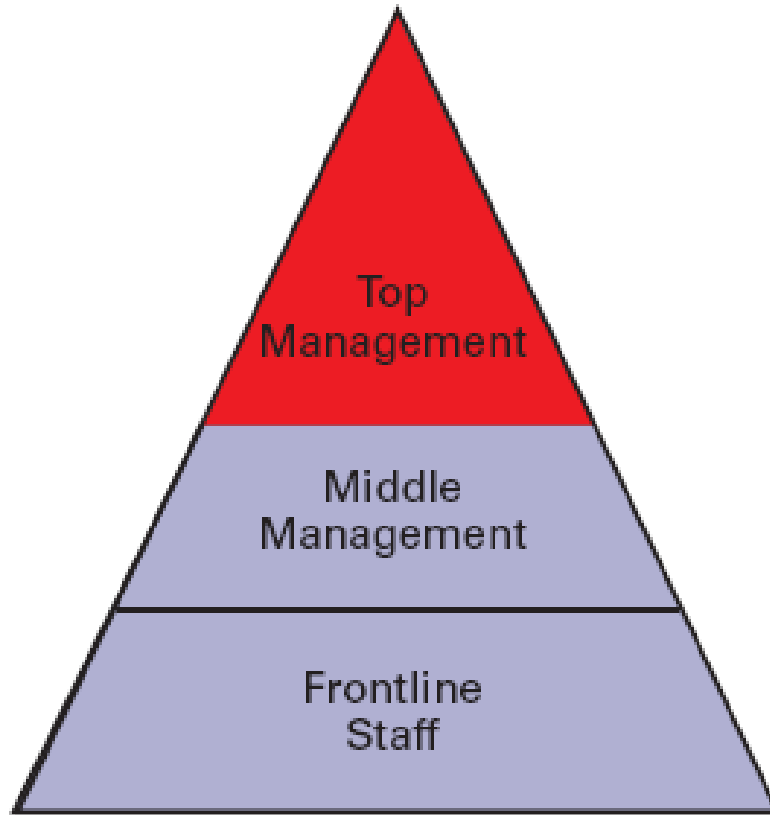
Service Leadership and Culture



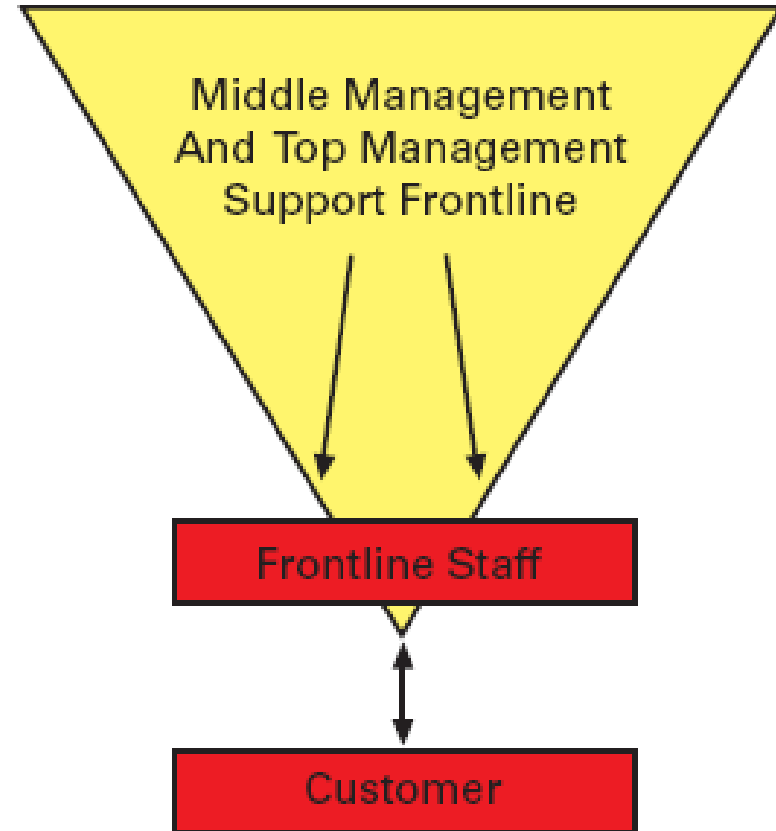
- **Charismatic/transformational leadership:**
 - Change front line's values, goals to be consistent with firm
 - Motivate staff to perform their best
- **Service culture can be defined as:**
 - Shared perceptions of what is important
 - Shared values and beliefs of why they are important
- **A strong service culture focuses the entire organization on the frontline and top management is informed and actively involved**



The Inverted Organizational Pyramid (Fig. 11.24)



Traditional Organizational Pyramid



Inverted Pyramid with a Customer and Frontline Focus

Legend:  = Service encounters, or "Moments of Truth"

Summary of Chapter 11 - Managing People for Service Advantage (1)



- **Service employees are extremely important to firm's success**
 - ➔ **Help maintain firm's positioning**
 - ➔ **Source of customer loyalty**
 - ➔ **Drive productivity of frontline operation**
 - ➔ **Generate sales**
 - ➔ **Low-contact situations are the “moments of truth” in the occasional encounter**

Summary of Chapter 11 - Managing People for Service Advantage (2)



- **Front-line work is difficult and stressful; employees are boundary spanners, undergo emotional labor, face a variety of conflicts**
 - ➔ **Person/role conflict**
 - ➔ **Organization/client conflict**
 - ➔ **Interclient conflict**
- **Understand cycles of failure, mediocrity, and success**

Summary of Chapter 11 - Managing People for Service Advantage (3)



- **Know how to get HRM aspect right**
 - Hire the right people
 - Identify the best candidate
 - Train service employees actively
 - Empower the front-line
 - Build high-performance service delivery teams
 - Motivate and energize people
- **Understand role of service culture and service leadership in sustaining service excellence**