

AN EMPOWERMENT APPROACH TO MANAGING SERVICE EMPLOYEES

Service personnel play a very important role in the success and profitability of the company and can be an important source of differentiation as well as competitive advantage. It is a challenge for service companies to differentiate from other similar companies since they tend to offer the same bundle of benefits. Service employees and the way they deal with customers are harder to duplicate as compared to other service features, which means they can be used to distinguish one company from another. A number of studies have shown that employee satisfaction and customer satisfaction are clearly related to each other. Therefore, service companies should employ effective human resources policies, which would result in high satisfaction of employees. Frontline staff are also crucial for creating customer satisfaction and delivering service excellence. Thus, in the context of services, human resources management should be linked to marketing management in order to meet the customers' needs as well as the company's objectives. Moreover, the way the personnel is managed and the extent of empowerment are often key factors for the overall success of marketing strategy.

Keywords: control model, production-line, involvement model, empowerment, suggestion involvement, job involvement, high involvement

The Concept of Empowerment

The formulation of a marketing strategy in service companies requires a broader approach to the factors affecting customer satisfaction with the emphasis put on the role of service staff in creating a unique service experience and meeting the company's objectives². Service personnel usually perform very many tasks and are expected to achieve both operational and marketing goals. They have to be fast and efficient and delight customers at the same time. Additionally, they are involved in selling, cross-selling and up-selling, as well as the company's promotional activities. Since the first-line employees perform different functions which include representing the company, creating service quality, improving productivity, and making sales, they are vital for business success. For this reason, managers should focus on the front line and support them in their tasks of delivering services [Lovell, Wirtz, 2011]. Moreover, they need to empower service staff to make their own decisions, encourage them to show more initiative and be more involved in the service performance in order to meet customers' needs.

There are different approaches to understanding of the concept of empowerment. Some researchers put the emphasis on the organization's internal structural changes necessary to delegate the power to the employees, some focus on the organizational culture, which is favorable for the process of introducing new ideas, while some concentrate on the subjective feelings of employees with regard to the activities carried out by the management. Many authors distinguish two aspects of empowerment: the structural empowerment, which refers to the internal changes related to the process of delegating power and control to subordinates and the mental empowerment, focused on individual employees, their motivation and the readiness of managers to delegate the power to the first line

personnel [Szytycz, 2009]. There are also definitions linking the two approaches as well as those which characterize empowerment in a general way. According to K. Blanchard, empowerment is a process of unleashing the power of employees – their knowledge, experience, and motivation – and directing this power towards the achievement of goals with the stress put on introducing the culture of empowerment within the organization in order to increase the competitiveness of the company [Blanchard, 2009].

The shift from hierarchical culture towards empowerment culture requires a change in the attitude of management and an organizational climate favorable to triggering the encouragement of employees to involve, to use their knowledge, experience, and motivation to resolve problems [Blanchard, 2009]. The introduction of empowerment culture involves building confidence and responsibility among employees, which requires sharing the knowledge and providing information necessary for making decisions. It is also important to define a vision statement motivating employees and enabling them to take a proper course of action, establish clear rules for the decision-making process, introduce a new assessment systems for employees, and carry out intensive training. Furthermore, the existing organizational hierarchy should be replaced by units and groups able to make their own decisions [Blanchard, Carlos, Randolph, 1996]. Despite incurring the costs associated with the introduction of the empowerment culture, it should be taken into account that organizational culture is a vital strategic asset which enables the company to differentiate from competitors. Thus, empowerment culture can be an important factor in building competitive advantage in the market.

The Benefits and Costs of Empowerment

The results of numerous studies show that companies benefit measurably from applying the concept of empowerment. Employees who have more responsibility achieve sales targets more frequently and have better scores than those who have not been rewarded for making their own decisions and showing initiative [Lawler III, 1995]. The

² The extended marketing mix suggested for services is composed of 7 Ps, including the traditional 4 Ps, as well as people crucial for service delivery, process, and physical environment. The concept of 7 Ps was developed by B.H. Booms and M.J Bitner, *Marketing Strategies and Organization Structures for Service Firms*, in I.H.

research carried out on the groups of engineers employed in the development department of the enterprise proves the positive correlation between the application of the empowerment concept and financial results [Silver, 1999]. Additionally, personnel who are empowered to make their own decisions react more quickly to customers' responses and are able to adjust the market offering to customers' individual needs and preferences [Melhem, 2004]. As a consequence of the greater involvement of employees, they tend to be more satisfied [Yip, 2000, Randolph et al, 2004], which results in better quality of the delivered services and higher customer satisfaction and loyalty [Heskett et al, 1997, Graham, Sparks, 2000]. In service companies the staff often have direct contact with customers, so customer satisfaction depends on the quickness and accuracy of the employees' decisions [Yagil, 2002].

Despite the numerous benefits, the application of the empowerment approach requires incurring greater costs and is associated with higher risk. Selecting the right personnel, designing appropriate motivation system adapted to the needs of service staff, and extended training aimed at providing knowledge on the product, sales techniques, and customer service as well as the development of numerous skills (such as team work, the ability to solve problems and make independent decisions) involve accurate planning and bearing considerable costs. There is also a risk that the service quality may differ between companies which adopted the empowerment approach, since personnel authorized to make their own decisions perform service and react to customers' needs in various ways. Moreover, in such companies the service delivery process may be extended and employees can make mistakes while making decisions based on their own judgment. On the other hand, customers may feel discomfort, because, in their opinion, some of them were treated preferentially while others were inadequately served. [Hoffmann et al, 2009].

When making decision concerning the adoption of the empowerment approach, it is necessary to take into account the character of the service product, the specificity of the service delivery process, the needs and preferences of customers, the ability to monitor and control employees, and potential benefits and costs associated with the implementation of this method of management. Furthermore, it is important to consider the results of the researches carried out, which indicate that empowerment is beneficial for companies offering individualized services, aimed at developing and enhancing relationship with customers, with organizational culture favorable to the involvement of service employees in the decision-making process and team-oriented staff focused on self-development [Bowen, Lawler III, 1992].

The Scope of Empowerment

Managing employees involves decisions regarding the degree of the empowerment of the frontline employees. Service companies can adopt one of two main approaches to managing people in a company: the production-line approach or empowerment. The production-line approach to managing people is based on the control model, whereas empowerment is based on the involvement model. Empowerment can take place on several levels: suggestion involvement, job involvement, and high involvement.

Production-line is based on the control model of the organization design and management in which the roles in a company are clearly defined and the decision-making process is centralized. This model assumes that service operations may be more efficient when tasks are simplified

and employees perform them following specified procedures. The employees are not empowered and cannot make their own decisions. Only the managers can take action and solve customers' problems. Additionally, it is recommended to replace people with equipment and systems, since they are believed to be more reliable and easier to control. The production-line approach gives the company control over the interactions with customers and ensures a uniformity of customer service and the firm's other operations [Levitt, 1972, 1976].

Suggestion involvement empowers employees to make suggestions for service improvements, but does not allow them to implement their own ideas and solutions. The proposals presented by the service staff are evaluated by management who make decisions regarding possible changes. Managers actively support involvement of employees by organizing brain storming sessions, during which personnel from different departments are invited to discuss various ways of improving service quality. The companies in which the potential of workforce to generate new ideas is appreciated tend to have more motivated staff than those where personnel have no impact on the service performance [Lawler, 1988].

Job involvement approach is focused more on employees who have more freedom and are encouraged to use their skills; however, higher level decisions remain in the responsibility of the management. In the companies that use this approach the emphasis is put on the group work, which is perceived as an opportunity to improve the service delivery process. Personnel can use their skills in order to make service improvements, have more impact on service performance and the selection and assessment of performed tasks. Moreover, employees get feedback from the managers, their own colleagues and customers. This way of management results in better motivation and greater involvement of service staff and stronger relationship with the company [Lawler, 1988].

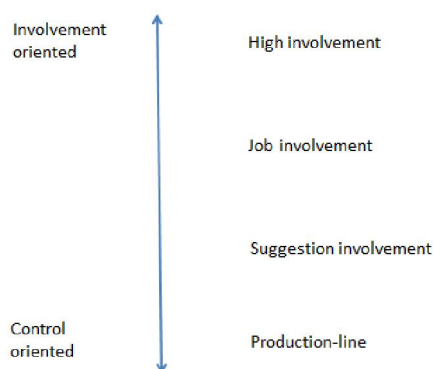
High involvement is concerned with giving extensive training to people in order to develop their various skills and involve them in the decision-making process. Service staff is expected to show initiative, respond quickly to customers' needs, be cooperative, and make independent decisions. Therefore, problem-solving skills and teamwork are an important part of the training. Employees have an impact on the motivation system and participate in decisions concerning awarded salaries and bonuses. They often become the company's shareholders, which enables them to decide on issues vital for the firm. This approach results in employees showing strong commitment and becoming highly motivated and personally involved. [Lawler, 1988].

The Case of Ritz-Carlton³

Empowerment tends to be the most effective in service organizations which specialize in delivering unique market offerings and individualized services provided by professional and highly motivated service staff. The Ritz-Carlton, a chain of luxury hotels and resorts renowned for their outstanding customer service, has adopted the empowerment culture. The numerous rewards to Ritz-Carlton, granted to the best hotels in the world, as well as the opinions from satisfied and loyal guests are undeniable proof of the company's high service quality. More than 90 percent of Ritz-Carlton customers return, and 95 percent report that they had a truly memorable experience.

³ www.ritzcarlton.com, accessed January 2013.

Figure 1 Levels of Empowerment



Source: D.E. Bowen, E.E. Lawler III, *The Empowerment of Service Workers: What, Why, How, and When*, Sloan Management Review 33, Spring 1992, pp. 32-39.

The occupancy rate amounts to 70 percent exceeding by nine points the industry average. Service personnel also appear to be satisfied with their work and the adopted organizational culture, which is expressed by a very low employee turnover – less than 25 percent a year compared to 85 percent of the industry average¹. The company motto “We are Ladies and Gentlemen Serving Ladies and Gentlemen” reflects the atmosphere prevailing in the hotels and the organizational culture, in which customers as well as employees are highly appreciated.

Achieving high levels of customer satisfaction and loyalty was possible due to the adopted values, the suitable personnel strategy and the culture of empowerment, which enabled employees to make independent decisions. Given the key role of the service personnel in creating the unique and unforgettable experience for Ritz-Carlton guests, a proper selection and training of staff play a very important role in the strategy. As soon as they are accepted, employees participate in a two-day orientation program, during which they become familiar with 12 Ritz-Carlton Service Values. Every day, they have a start-of-shift 15-minute meeting called “the lineup” to remind them of the service values. The principal value refers to the necessity of building and enhancing the relationships with customers. For this reason, all efforts of the hotel staff are directed at meeting the customers’ needs. The employees are empowered to make independent decisions and use their own judgment and intuition to solve customers’ problems. The personnel’s ability to deal with unexpected situations, pampering their guests and meet their unexpressed wishes provide the basis for the evaluation of the service staff’s performance. Employees are empowered to spend up to \$2000 to redress a guest’s grievance without consulting managers. Practically, the most important task of the service personnel is to assure that guests have the unique and unforgettable experience during their stay at any of the Ritz-Carlton hotels. Among the proofs of the excellence of the service are numerous testimonies of guests charmed with the professionalism and commitment of the service staff and their ability to meet their most sophisticated wishes.

In Ritz-Carlton Atlanta, one of the travelers arrived at the hotel late at night, tired and suffering from a cold. Meeting the guest at the door, the service staff greeted her by name, and, noticing her condition, escorted her directly to her

room. To her surprise, she found fresh flowers, two boxes of cough drops and a personally addressed card awaiting her. In Ritz-Carlton San Francisco, one of the guests mentioned how his wife liked the Spaghetti Bolognese served in the hotel in Paris. Making efforts to please visitors, the chef obtained the recipe and prepared the meal in the same manner as in Paris. In Ritz-Carlton Moscow, service staff checking the guests list noticed that a Japanese traveler’s birthday occurred during her stay at hotel. On the day, a birthday cake was prepared as well as a birthday card with wishes in Japanese. Such stories are presented on the Ritz-Carlton website in the section entitled “The Stories That Stay With You” and read aloud during the meetings with the hotel personnel to discuss examples of extraordinary customer service.

Summary

Since service employees play a very important role in the service delivery process and have considerable impact on customer satisfaction, personnel strategy should be an essential component of marketing strategy. This requires cooperation between marketing managers and human resources managers. When designing marketing strategy, it is necessary to take into account proper selection of employees, training adopted to the needs of service staff, and a system of motivation, monitoring, and control, which enables employees to deliver high quality services. The service delivery process depends on the extent of independence and autonomy that the staff have in making decisions. The decision regarding the empowerment of the service staff, sharing information on the company’s results and involving the personnel in the decision-making process depends on the model of management adopted by the company.

There are two models of organization design and management: the control model and the involvement model. The production-line approach to managing people is based on the control model, whereas empowerment is based on the involvement model, in which employees play a crucial role in satisfying the customers’ needs. First-line staff are encouraged to show initiative and solve the customers’ problems and rewarded for doing so. Employees are asked to make suggestions for service improvements and flexibly interact with customers. Empowered employees respond more quickly to customers’ needs, feel better about their jobs, become more involved in work, perform their tasks with greater enthusiasm, and come up with ideas about how to best serve customers. Empowering service personnel

¹ Data taken from the case study: *Ritz-Carlton: Creating Customer Intimacy* in: P. Kotler, G. Armstrong, *Principles of Marketing*, Pearson, 2010, pp.562-563.

brings many benefits; however, it also creates costs including a greater investment in staff selection and training, higher labor costs, and the potential threat of inconsistent service delivery and making bad decisions.

Due to the role of service personnel in delivering service excellence and their impact on customer satisfaction, the empowerment approach is particularly important in service companies. Yet, empowerment can take place on several levels depending on various conditions. Suggestion involvement allows personnel to only make suggestions on service improvements; job involvement gives them opportunity to use their skills to improve the service delivery process; whereas high involvement is concerned with involving employees in the decision-making process. The decision regarding the extent of empowering service personnel requires consideration of the service characteristics, the service delivery process, the customers'

needs, the employees' skills, organizational culture, as well as the costs and benefits of empowerment.

Companies offering high quality and personalized services aimed at providing a unique and memorable experience for customers are recommended to introduce the empowerment culture and create a friendly and warm climate within the organization. Since the relations with service staff play a very significant role in the service experience, the empowerment approach can be used as an important source of competitive advantage. In the analyzed case of Ritz-Carlton, the outstanding and exceptional customer service stems from the empowerment culture adopted by the chain. The remarkable results of the implemented strategy include: very high satisfaction and loyalty of customers, higher occupancy rate and much lower employee turnover.

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