Chapter 8: Internal Service

The purpose of this particular chapter is to investigate specific issues concerning the internal service which is applied to service companies in our research sample. The main areas of interest are their internal marketing and their preferred management styles.

Thereafter, the effects on motivation and service performance of employees will be investigated. Finally, the manager’s application of control and training measurements will be discussed.

8.1 Internal Marketing

This section aims to analyze elements of internal marketing applied in the selected service companies. In the theoretical foundation of this thesis it has argued that internal marketing is concerned with regarding employees as internal customers, implying that the role of employees is equally important as the role of external customers.

It is therefore interpreted that one prerequisite for internal marketing is a strong interest in the employees showed by the service managers. Keeping in mind that customer satisfaction is one of the central goals of any service company, it appears necessary to satisfy the employees as well.

Investigations concerning the degree of employee satisfaction will provide information about the estimated level of internal marketing. It can thereby assumed that it exist a positive correlation between employee satisfaction and a successful handling of internal marketing.
In our empirical study of internal marketing the first issue of interest is the management's attitude towards their subordinates. Every manager in all of the six branches regards their subordinates as their most important asset.

The important role of employees is mostly stressed in the hotel, restaurant, and tour operator business, but also service branches which have been characterized by being more technical based, for example telecommunication companies and banks, feel the importance of their human resources.

This indicates that in all service companies of our sample the prerequisite for successful internal marketing is fulfilled. The second issue of interest in the context of internal marketing is the level of employee satisfaction.

The managers were asked to evaluate the level of satisfaction of their subordinates 97 percent of the responding managers are convinced that their subordinates are satisfied with their work.

To understand and satisfy internal customer (employees) internals marketing plays a vital role which is important for service managers to spend strong efforts in order to fulfill this goal.

In this particular case the car rental manager seems to spend too little attention to his human resources. One possible explanation is that the car rental business depends highly on the technical equipment, which could lead to an underestimation of their service employees.

All in all it can be said with one minor exception, that all service managers of our sample fulfill the prerequisite of successful internal marketing.
8.2 Management Styles

Having analyzed the issues of internal marketing in our research sample it is now of interest to investigate the applied management style.

In our theoretical foundation a distinction of different decision making processes has been presented: Authority, consultative, and group decision. Authority decision style corresponds to a rather result oriented management style, whereas consultative and group decision styles refer to a more process oriented management style.

The authority decision style is characterized with an extensive vertical distance between management and its subordinates, an insignificant exchange of information between management and its subordinates, which is primarily based on formal communication, and finally a preference for making decisions themselves without encompassing employees' opinion.

Opposed to this, the consultative and group decision style can be identified with a relatively small vertical distance between management and its subordinates.

Both styles focus on an intense exchange of information, which is primarily based on personal contacts, and furthermore subordinates' opinions and thoughts are considered.

In the consultative decision making style the manager has the final decision, whereas the group decision making style motivates employees to participate actively in the actual decision making.

The letter requires a high degree of information exchange among employees in order to function effectively.

Approximately three quarters of all respondents perceive the vertical distance between them and their subordinates as being rather small. Significant, all hotel managers estimated the distance as low, whereas only half of the bank managers have the same perception concerning the distance.
The low distance seen by hotel managers can be low hierarchical structures which enable a close contact between managers and employees on all levels.

In contrast, banks are characterized by having a relatively large organizational size with many hierarchical levels, which in return make a close cooperation difficult and enlarge the vertical distance.

The next issue of interest is the amount of information exchanged between management and subordinates. In general, 97 per cent of service managers evaluated the information exchange as being high.

To the question whether the information exchange takes place a more personal basis, 85 per cent of all service managers agreed. The numbers indicate that the vast majority of the service managers exchange information with their subordinates on a personal basis.

On the other hand, it reveals that managers which do not exchange information on a personal basis seem to have a rather formal communication pattern primarily based on written material.

Finally it is of interest to investigate the degree of exchanged information among employees.

72 per cent of all service managers assess an intense communication among their subordinates. Among those who do not feel a strong information flow among subordinates are a significant number of restaurants, banks, and tour operator companies.

As one prerequisite for a group decision making style is not fulfilled it can be concluded that in those companies group decisions are difficult to pursue.

In banks there is a tendency to pursue a rather authority decision style which corresponds to a more result oriented management style. This is rooted in the high hierarchical distance and formal communication patterns and only a limited exchange of information both between management and subordinates and among employees.
Potential problems concerning this management and decision making style are to be seen in a lack of flexibility to adjust to employee's needs and requirements.

Due to the missing interaction both management and subordinates it is questionable whether bank managers receive valuable inputs by their customer contact personnel.

Characteristic for this management style is that it is only the top management that makes decisions, but lacks valuable feedback by employees on lower organizational levels.

The majority of service managers in the transport and restaurant branch seem to prefer a rather consultative management style, by emphasizing the close cooperation between management and employees.

Due to the close cooperation between the different hierarchical levels within the organization their management style is rather process oriented. Doing this enables the managers to get feedback and inspirations which in return can be utilized for further service improvements.

Significant for the hotel, tour operator and grocery chain management is a tendency of pursuing a rather group decision making style. The intense exchange of information and close personal contact enable an effective cooperation.

Thereby new ideas from managers and subordinates are gathered in order to enhance the service delivery process.

8.3 Motivation and Performance

Having identified different management styles among the service companies of our sample, it is now of interest to analyze the impact of a specific management style on employee's motivation.

It has been argued that self management and responsibility have a significant role on the employee's level of motivation and job satisfaction which in return have an impact on the
external value delivered to customers. By asking the managers to evaluate whether their employees work hard for satisfying the customers and the level of employee satisfaction conclusions can be drawn upon the effects of a particular management style.

Concerning the level of motivation 87 percent of the responding service managers believe that all employees are doing their best to satisfy the customers.

Mostly expressed is this opinion among hotels, restaurants and telecommunication. In those branches there is a relatively short distance between management and subordinates which enables them to monitor the employee's performance themselves.

The close contact and interaction seems to motivate employees to conduct their jobs as expected. Also bank managers evaluate their employees to perform adequately in order to satisfy customers.

In this case the high hierarchical distance seems to have no negative influence on the motivation of service employees. One possible explanation is the high educational level of bank clerks compared to the other service branches in our research sample.

On the other hand there are managers who partly view their subordinates as not being motivated enough to satisfy their customers.

This perceived lack of motivation might be the result of the low level of job satisfaction as described earlier. In this context it appears a positive correlation between job satisfaction and motivation of service personnel.

As well 33 percent of the responding tour operators are not convinced that their employees are working hard to satisfy the customers. The lack of motivation cannot be explained by job satisfaction because the level of job satisfaction is estimated to be high. One potential reason for this perceived lack of motivation is the relatively high distance between management and service employees.
The explanation is twofold. On the one hand the high physical distance restricts the manager’s ability to evaluate the motivation level of subordinates correctly.

On the other hand it is possible that there is negative correlation between the physical distance and employee’s motivation and performance.

All in all it can be said that the very majority of service managers evaluate the level of motivation and performance of employees as being satisfactory.

Moreover, taking the management style into account the empirical analysis reveals that no significant correlation can be found between management style and the employee's motivation to satisfy the customers.

But it is important to keep in mind that the empirical survey is solely based on the manager's point of view which is not to be seen as an objective measurement.

8.4 Control and Training

Having analyzed the manager's perception concuring employee's level of motivation and satisfaction it is now of interest to investigate whether managers have the ability to control subordinate's performance.

Because the role of front line employees is crucial when customers evaluate a service encounter, thus having an impact on the service quality, it is necessary for managers to monitor their employee's service delivery performance.

Examining whether managers control the performance of employees will enable us to evaluate the validity of manager's perceptions concerning employee's motivation levels.

Only when control procedures are prevailing managers are able to assess the employee's performance and motivation adequately. Moreover, when it turns out that the service delivery is
unsatisfactory the management has the choice to provide training programs to their service employees and thereby enhance the on time quality service delivery.

The survey shows the majority of service companies (82 per cent) control the performance of their employees.

All managers in banks, restaurants, and tour operating companies emphasize their ability to control the service delivery performance of their employees. In this context it is believed that the performance control relates to economic numbers, for example sold contracts, correct billing, or gross margins.

On the other hand the majority of hotels state that they do not constantly measure the employee's performance. It appears that the performance measurement is extremely difficult in these particular branches. Here the difficulties for evaluating quality in the service context become apparent.

All those companies which state that they measure the performance, banks, restaurants, and tour operators, provide training programs to their employees.

However, it is interesting to observe that some companies which do not measure the performance of their employees also provide training programs. It is believed that the close cooperation between management and subordinates substitutes objective control mechanisms, and the manager seems to be able to assess the need for service improvements.