PART II
THEORETICAL FOUNDATION
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Chapter 3: Internal Service

Internal service is the first level of Service value chain. Researcher interprets the behavior of employees in service organizations which lead to understand the decision making processes, communication, empowerment and motivation.

Hence, internal service is concerned with the service company's employees. The starting point is taken in the assumption that the effective functioning of the personnel of service organizations is one of the main prerequisites for its external performance.

To understand the concepts of dealing with the human resources and internal processes of a service organization this has an impact on the service delivery. As a point of departure, the internal marketing concept has been chosen because it provides valuable insights to the role of employees and theories will be discussed dealing with internal operations which support the performance of service employees.

3.1 Internal Marketing

The first link of the Service value chain focuses on employee satisfaction as the driving force for providing value to external customers. In the level of service marketing and management, this basic assumption has been elaborated upon.

The current outcome is a perspective labeled internal marketing. By satisfying the needs of employee, service companies enhance their ability to satisfying the needs of external customers. The provision of internal services is crucial to the overall performance of service companies.

Internal marketing can be seen as one way to achieve external performance by improving internal operations. But quality of external service encounter (customer) is influenced by internal service encounters (employee), which is the interaction between internal customers. If internal encounters are unsatisfied, then external customer may end up not happy & complaining.
Various research studies have focused entirely on internal processes, operations, and activities of employees which include human resource management, training development, and improvement of employee’s motivation through enhanced communication, empowerment, and involvement. The validity of the parameters determining external customer satisfaction has also been identified for internal customers.

- Recover - employee responses to service delivery,
- Adaptability - employee responses to needs and requests,
- Spontaneity - unprompted and unsolicited employee behaviors.

It emphasizes that successful service companies have achieved their position by turning their strategic service vision inward, meaning that employees receive the same attention as customers. Even when the external customer is in the center, internal marketing is seen as a tool to ensure employee participation and involvement.

It summarizes the parameters of internal marketing by identifying five types of activities. First, they create the internal and external interface. It is stressed that the human factor has a crucial effect on a customer's experience when dealing with a service organization.

The interpersonal behavior of the front-line staff, their knowledge and competence, their responsiveness and willingness to help is obviously important from the customer's perspective.

Second, the application of an internal marketing mix to customers is seen as another part of internal marketing activities. A traditional marketing strategy may not be applicable to a employees; because, in contrast to external customers, they do not have a purchase choice which in turn has an important impact on the marketing strategy.

Addition, internal marketing mix may fail because the internal product or the external strategy could be unwanted by employees. The marketing mix framework is considered to be too narrow.
and insufficient for complex organizational structures; thus, this approach will most likely fail in practice.

Third, the functional responsibility of internal marketing is discussed. In the literature there is no consensus regarding which department has the responsibility for internal marketing. Some argue that it is a discipline of the marketing department; others perceive it as a function of human resource management.

As internal marketing refers to the whole organization this discussion seems redundant. Every manager and every subordinate in each department, business unit or profit center has the responsibility of executing the concept, and taking part in a circle of continuous improvement.

The fourth element belonging to the internal marketing concept is the empowerment and involvement of personnel. Empowerment refers to the organizational circumstances which enable employees to work effectively.

This includes transparency about the organization's performance, provision of rewards, provision of support development possibilities, and to give employees responsibility. Many managers fear concerning employee empowerment, that the subordinates might get too much responsibility, and thereby reducing their own level of relevance and power. It is reported that mainly in established bureaucratic organizations reluctance against delegation prevails.

Staff roles form the final parameter of internal marketing. One aspect is the provision of training programs to employees. These training initiatives intend to improve the inter-employee communication as well as communication between different departments or working groups.

The effect is questionable; because sporadic meetings are not likely to change employee's behavior or attitude. It is therefore suggested to implement an environment which enables a continuous process of enhanced communication rather than single training arrangements. The continuous improvement of processes and communication is very much in the literature dealing with Total Quality Management (TQM).
The last two arguments for internal marketing, employee involvement and the role of the staff are seen as crucial areas for internal service, and will therefore receive special attention. By analyzing the background of employee’s involvement and the role of the critical points will be examined.

3.2 Employee Involvement

In order to ensure a high employee commitment, researchers suggest increasing the level of employee involvement.

- First, employee participation in the decision making process without the intention to quantify their impact on the final decision.
- Second, employee’s intention to have an impact on decision making process and then take the final decision.
- Finally, employees’ ability to link participation and control in decision making processes.

Managers are supposed to make decisions. This is certainly true for companies producing goods and for companies providing services. In general, one can distinguish between two main streams of theories concerning decision making.

The first one of interest is the classical decision theory. This theory assumes that everything is certain implying that the manager knows all alternatives and consequences his decision has. This theory has been criticized for being hypothetical, static, and unrealistic.

The second theory is the behavioral decision making style. This theory explains decision making processes in an uncertain world. Managers make decisions with respect to their individual perception of situations and have only limited information available.

The key difference between the classical theory where the manager makes an optimum decision and the behavioral decision theory where the manager tends to make a satisfying decision is the presence of cognitive limitations and their impacts on our perception of the problem. Cognitive limitations explain the manager's limited ability to recognize problems and solutions.
When it comes to decision making, three different approaches are possible. First, the manager makes an individual decision. He gathers information on his own and then makes the decision based on this information. This style reflects an authority management style, and the manager's power and position within the organization.

The second way to make decisions is based on a more consultative style. Here the manager seeks to get information from their subordinates. They can be front-line employees who have intense contact with customers or back-office employees who possess supportive tasks.

The manager discusses problems with the employees and receives additional information concerning the problem, and perhaps also proposals to help solving the problem. But the main characteristic of the consultative decision making style is that the manager makes the final decision himself.

The manager receives input from other employees; but, does not making the final decision. Instead, a discussion between the manager and other employees takes place which results in group consensus.

The first one is that the manager makes the decision solely based on the information available to him at that time. The other variant implies that the manager obtains information from employees and then decides on the problem solution. Employees are not directly involved in the gathering of alternatives.

The first variant is that the manager gets information and alternative ideas for solving the problem from different employees, thereafter, making the final decision himself. The key factor is that those employees are not brought together, indicating that no discussion or joined alternative gathering takes place among the manager and subordinates.

The second variant of the consultative decision is that the manager initiates a discussion between employees concerning a problem. Suggestions and ideas are obtained collectively, but the manager makes the final decision by reflecting on the discussion.
For different problem attributes, there are different ways to obtain suitable solutions. The drawback of the authority decision is that only a limited amount of information is accessible.

Due to a distance from the real problems which occur during production or with customer relations, it can be a disadvantage for the organization, when the manager decides individually. This can provoke misunderstanding between the manager and employees and can thereby create employee resistance because they have not been involved in decision making process.

The main drawback of the authority decision is the advantage of the group decision. When people are involved in a decision making process, they can identify with the solution. As a result they tend to support and execute the decision in their work place.

In order for the employee to be able to get involved in some of the everyday decisions it is important that the managing staffs of service companies are aware of the way they manage their organization.

Today it is not sufficient for the managers to manage in the older and more "traditional" way. The traditional management style builds upon disciplines like planning, organizing, directing, coordinating, and controlling.

If managers of today's service companies want to have success, they need to execute the management disciplines in a much broader perspective. They need to focus much more on the "modern" management disciplines like empowering, coaching, caring, vision of the company.

However, it is important to understand the modern management disciplines are supplementary to the more traditional management disciplines, and therefore not a substitute.

This change in focus concerning the management disciplines is in agreement with the change we have seen concerning the organizations orientation.

The past trend has been for companies, to become very result. This implies that the managers of today's service companies need to be concerned with the more “softer" element of the organization.
### 3.2.1 Empowerment

Having examined different managerial decision making styles where employees are partly involved, it is of interest to investigate methods which encourage personnel to take part in decision making processes. One method is found to be of crucial relevance which relates to the empowerment of employees.

In service companies, empowerment corresponds to both providing front-line personnel with their own responsibility when handling the customer and encouraging employees to exercise initiative in firm as it is a motivation factor.

Empowerment is a question of balance: Giving employees control over their own work processes without losing the over them. This twofold aspect requires limitations to empowerment which is the real challenge when providing employees with self management and authority.

One prerequisite for empowerment is the information which is shared between employees and management which enables to understand the organization's performance, and giving them the authority to make decisions influence organizational result.

When decentralizing making employees have to share information which is a prerequisite for controlling their own word processes. Thereby it is stressed that participation increases both satisfaction and employee productivity.

They do not focus solely on the freedom to make decisions, but emphasize a shared vision throughout the organization. It is not only the top management that is concerned with the organization vision.

Employees also share the idea. What used to be an exclusive task for the top management thereby becomes a task for the lower levels of the organizations.

It proposes that the employee empowerment grid which demonstrates the different related stages concerning decision-making authority over job content and context.
All jobs have two dimensions: Content and context. The job content includes tasks and prescription necessary to execute a job. Job context refers to the organizational overall mission and vision, as well as the organizational setting and structure, and how the particular job is carried out. Decision making processes are divided into five stages:

1) Understand the problem,
2) Discovering alternative solutions,
3) Evaluation,
4) Select the best choice and,
5) Finally, implementing and
6) Follow-up on the impact of that choice.
The figure above illustrates five different combinations of empowerment where employees are involved in decision making processes in the job content/context dimensions.

The involvement of employees in making processes requires an exchange of information among all participants. To make valuable decisions it is necessary obtain as much information as possible concerning possible outcomes of a decision and potential alternatives.

Thus, the level of empowerment and provided information depends on two aspects. First, the dimension (content/context) the employee is involved in decision making process and second, the service business. It summarizes the advantages of empowerment as follows:

a) On the spot respond to customer needs during service deliver
b) On the spot respond to dissatisfied customers during service recover
c) Employees will interact with customers with warm and enthusiasm
d) Empowered employees can become a source of service ideas
e) Word of mouth publicity and customer retention.

The model above suggests that motivation has its source in being energized, directed, and persistent. Employees are energized by needs. They are directed by the pursuit of goals which yield rewards that gratify needs, and they are persistent in behaviors that regularly yield rewards which gratify their needs.

3.3 The Role of Staff

As the second important aspect of internal marketing, the role of the staff has been identified. Roles are important determinants of managerial performance for managers throughout the service organization.

Roles are the responsibilities, behaviors, or performance accomplishments expected of a person in a particular position. "Formal roles" are prescribed, and list task, requirements, and responsibility.

Very soon after a person begins a new job, "informal roles" which may differ from formal roles, evolve to suit social and personal preferences. Leaders are responsible for putting in place,
systems that ensure people are competent for continuous improvement of responsibilities. These include systems for selection, placement, education, coaching and ongoing development.

One evident example of a changed set of roles is the change in focus with regard to management style, where today's leaders are expected to handle disciplines like coaching, empowering, and caring as the more traditional roles like planning, organizing, coordinating, and controlling.

The roles are closely related to communication, especially in an organizational context between management and staff, but also among employees.

Roles are defined as a set of activities expected of a person holding a particular office or position in a group or organization.

Every employee needs to know the role expectation the superior manager has concerning him. This is important in order to satisfy the superior by executing tasks well, but when the employee has not received enough information about both his task and role, he can hardly live up to the superior's expectations.

This conflict is termed role ambiguity. In order to avoid these kinds of misunderstanding, it is necessary to communicate the role expectations one has. There can also occur another kind of conflict which refers to the inability of fulfilling the expected role.

Role conflicts can have different causes are five basic types of role conflicts.

a) First, intrasender conflict. This refers to role expectations which cannot be fulfilled.

b) Second, interceder role conflict. The expectation is understood, but different opinions are prevailing between sender and receiver.

c) Third, person role conflict which is rooted in a conflicting value difference.

d) Finally, inter role conflict where role expectations of two or more persons are in conflict.
3.4 Sub conclusion

Chapter three is concerned with the internal service of service companies. First of all the managers of service companies have to pay a great amount of attention to their employees, in order for the companies to survive in the fierce competition that they are facing in the service industry.

They have to recognize that one way to achieve good service is by having effective, productive, and satisfied employees within the organization and especially in customer contact positions.

The managers have treat their employees in the same way as their external customers, as internal satisfaction is a prerequisite for external performance. The managers of service companies have to encompass the various processes into the overall strategic vision, which implies that they have to turn the strategic vision inward.

Moreover, they need to equally emphasize both processes within the organization and the overall result of the service operations. They have to keep in mind that the processes are the means to the end, and that they must not be neglected.

In order to ensure a high employee commitment it is suggested to increase the level of employee involvement. Employees feel much more satisfied with their work if they get a change to influence some of the various everyday decisions, or if they get a sufficient amount of information.

They most important job for managers of service organizations is to empower and coach the employees instead of just doing all the work themselves.

In service companies, empowerment corresponds to providing front-line personnel with their own responsibility when handling customers, and also encouragement and rewarding employees to exercise initiative and motivation factor.

However, for service companies, empowerment is a question of balance. Giving employees control over their own work processes without losing the control over them; hence, the real challenge is to provide the employees with self management and authority.
If one of the overall goals of a service organization is to provide their customers with high quality services, then it is of utmost importance for the managers to build the provision of quality service into the organization's rewards system.

The employees need to know exactly what expectation from them is, and which activities are the most valuable ones.

In regard to the reward system, the managers of service companies would benefit from utilizing the full range of available rewards, instead of just making use of payments. A salary is just one way to motivate people, but on the other hand esteem and respect are as well important determinants of a person's performance and should therefore not be underestimated.

The following proclamations are to be seen as Success Factors which are considered as critical in the context of internal service.

**Success Factor 1:**
Service companies need to apply effective internal marketing both with respect to management's perception of subordinates and inter-employee relations.

**Success Factor 2:**
Applying the appropriate management and decision making styles enable service companies to motivate employees and thereby enhance the service performance and the overall level of employee satisfaction.

**Success Factor 3:**
The empowerment of employees increases their efforts to satisfy customers, and therewith provides service companies, with opportunity to improve their service delivery process.