

**Figure 11.10** "People Issues Are Complex: Managing Them Doesn't Have to Be," Declares Hewitt Associates

People issues are complex. Managing them doesn't have to be. **Hewitt**

Outsourcing ■ HR Technology ■ Organizational Change ■ Talent & Reward Strategies ■ Retirement ■ Health Care

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challenge of employee complexity in its advertising (Figure 11.10). Charles O'Reilly and Jeffrey Pfeffer conducted in-depth research on why some companies can succeed over long periods of time in highly competitive industries without having the usual sources of competitive advantage such as barriers to entry or proprietary technology. They concluded that these firms did not succeed by winning the war for talent (although these firms were hiring extremely carefully for fit) "but by fully using the talent and unlocking the motivation of the people" they already had in their organizations.<sup>53</sup>

## The Role of Labor Unions

Labor unions and service excellence are sometimes seen as incompatible. The power of organized labor is widely cited as an excuse for not adopting new approaches in both service and manufacturing businesses. "We'd never get it past the unions," managers say, wringing their hands and muttering darkly about restrictive work practices. Unions are often portrayed as villains in the press, especially when high-profile strikes inconvenience millions. Many managers seem to be rather antagonistic toward unions.

Jeffrey Pfeffer has observed wryly that "the subject of unions and collective bargaining is . . . one that causes otherwise sensible people to lose their objectivity."<sup>54</sup> He urges a pragmatic approach to this issue, emphasizing that "the effects of unions depend very much on what *management* does." The higher wages, lower turnover, clearly established grievance procedures, and improved working conditions often found in highly unionized organizations can yield positive benefits in a well-managed service organization.

Contrary to the negative view presented above, many of the world's most successful service businesses are, in fact, highly unionized—Southwest Airlines is one example. The presence of unions in a service company is not an automatic barrier to high performance and innovation, unless there is a long history of mistrust, acrimonious relationships, and confrontation. However, management consultation and negotiation with union representatives are essential if employees are to accept new ideas (conditions that are equally valid in nonunionized firms). The challenge is to work jointly with unions, to reduce conflict and to create a climate for service.<sup>55</sup>

## SERVICE LEADERSHIP AND CULTURE

So far, we have discussed the key strategies that can help to move an organization toward service excellence. However, to truly get there, we need a strong service culture that is continuously reinforced and developed by management to achieve alignment with the firm's strategy.<sup>56</sup> *Charismatic leadership*, also called *transformational leadership*, fundamentally changes the values, goals, and aspirations of the front line to be consistent with that of the firm. With this kind of leadership, staff are more likely to perform their best and, above and beyond the call of duty, because it is consistent with their own values, beliefs, and attitudes.<sup>57</sup>

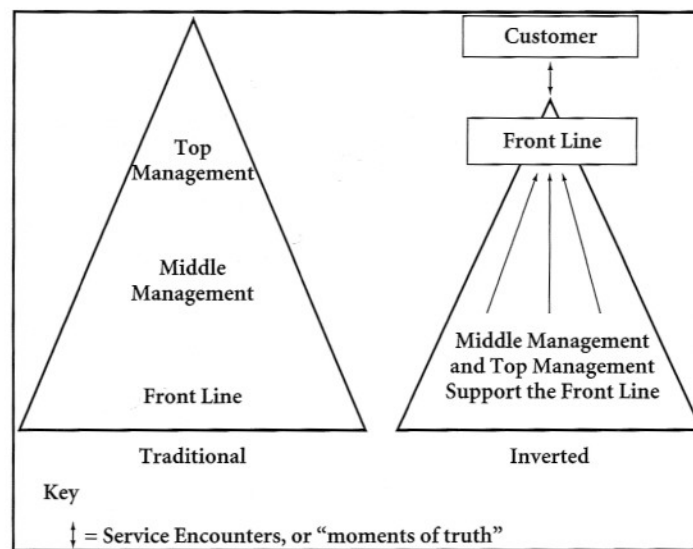
Leonard Berry advocates a value-driven leadership that inspires and guides service providers. Leadership should bring out the passion for serving. It should also tap the creativity of service providers, nourish their energy and commitment, and give them a fulfilled working life. Some of the core values Berry found in excellent service firms included excellence, innovation, joy, teamwork, respect, integrity, and social profit.<sup>58</sup> These values are part of the firm's culture. A *service culture* can be defined as

- Shared perceptions of *what* is important in an organization, and
- Shared values and beliefs of *why* those things are important.<sup>59</sup>

Employees rely heavily on their perceptions of what is important by noting what the company and their leaders do, not so much what they say. Employees gain their understanding of what is important through the daily experiences they have with the firm's human resource, operations, and marketing practices and procedures.

A strong service culture is one in which the entire organization focuses on the front line, understanding that it is the lifeline of the business. The organization understands that today's as well as tomorrow's revenues are driven largely by what happens at the service encounter. Figure 11.11 shows the inverted pyramid, which highlights the importance of the front line, and that the role of top management and

**Figure 11.11**  
The Traditional  
Organizational  
Pyramid versus The  
Inverted Pyramid with  
a Customer and  
Frontline Focus



middle management is to support the front line in their task of delivering service excellence to their customers.

In firms with a passion for service, top management shows by their actions that what happens at the front line is crucially important to them, by being informed and actively involved. They achieve this by regularly talking to and working with front-line staff and customers. Many actually spend significant amounts of time at the front line, serving customers. For example, Disney World's management spends two weeks every year in front-line staff jobs such as sweeping streets, selling ice cream, or working as ride attendants, to gain a better appreciation and understanding of what really happens on the ground.<sup>60</sup>

Service leaders are interested not only in the big picture, they focus on the details of service, they see opportunities in nuances that competitors might consider trivial, and they believe that the way the firm handles little things sets the tone for how it handles everything else.

## Internal Marketing

In addition to having strong leadership that focuses on the front line, it takes a strong communications effort to shape the culture and get the message to the troops. Service leaders use multiple tools to build their service culture, ranging from internal marketing and training to core principles, and to company events and celebrations.

Internal communications from senior managers to their employees play a vital role in maintaining and nurturing a corporate culture founded on specific service values. Well-planned internal marketing efforts are especially necessary in large service businesses that operate in widely dispersed sites, sometimes around the world. Even when employees are working far from the head office in the home country, they still need to be kept informed of new policies, changes in service features, and new quality initiatives. Communications may also be needed to nurture team spirit and support common corporate goals across national frontiers. Consider the challenge of maintaining a unified sense of purpose at the overseas offices of companies such as Citibank, Air Canada, Marriott, or Starbucks, where people from different cultures who speak different languages must work together to create consistent levels of service.

Effective internal communications can help ensure efficient and satisfactory service delivery, achieve productive and harmonious working relationships, and build employee trust, respect, and loyalty. Commonly used media include internal newsletters and magazines, videotapes, private corporate television networks such as those owned by FedEx and Merrill Lynch, intranets (private networks of web sites

## BEST PRACTICE IN ACTION 11.6

### RITZ-CARLTON'S GOLD STANDARDS

#### THREE STEPS OF SERVICE

- 1  
A warm and sincere greeting.  
Use the guest name, if  
and when possible.
- 2  
Anticipation and  
compliance with guest needs.
- 3  
Fond farewell. Give them  
a warm good-bye and use their  
names, if and when possible.

*"We Are  
Ladies and  
Gentlemen  
Serving  
Ladies and  
Gentlemen"*

#### THE EMPLOYEE PROMISE

*At The Ritz-Carlton, our  
Ladies and Gentlemen are the  
most important resource in our  
service commitment to our guests.*

*By applying the principles of  
trust, honesty, respect, integrity  
and commitment, we nurture  
and maximize talent to the  
benefit of each individual  
and the company.*

*The Ritz-Carlton fosters a work  
environment where diversity is  
valued, quality of life is enhanced,  
individual aspirations are fulfilled,  
and The Ritz-Carlton mystique  
is strengthened.*



#### CREDO

The Ritz-Carlton Hotel is a  
place where the genuine care  
and comfort of our guests is  
our highest mission.

We pledge to provide the finest  
personal service and facilities  
for our guests who will always  
enjoy a warm, relaxed yet  
refined ambience.

The Ritz-Carlton experience  
enlivens the senses, instills  
well-being, and fulfills even  
the unexpressed wishes  
and needs of our guests.

#### THE RITZ-CARLTON® BASICS

1. The Credo is the principal belief of our Company. It must be known, owned and energized by all.
2. Our Motto is: "We Are Ladies and Gentlemen serving Ladies and Gentlemen." As service professionals, we treat our guests and each other with respect and dignity.
3. The Three Steps of Service are the foundation of Ritz-Carlton hospitality. These steps must be used in every interaction to ensure satisfaction, retention and loyalty.
4. The Employee Promise is the basis for our Ritz-Carlton work environment. It will be honored by all employees.
5. All employees will successfully complete annual Training Certification for their position.
6. Company objectives are communicated to all employees. It is everyone's responsibility to support them.

7. To create pride and joy in the workplace, all employees have the right to be involved in the planning of the work that affects them.
8. Each employee will continuously identify defects (M.R. B.I.V.) throughout the Hotel.
9. It is the responsibility of each employee to create a work environment of teamwork and lateral service so that the needs of our guests and each other are met.
10. Each employee is empowered. For example, when a guest has a problem or needs something special, you should break away from your regular duties to address and resolve the issue.
11. Uncompromising levels of cleanliness are the responsibility of every employee.
12. To provide the finest personal service for our guests, each employee is responsible for identifying and recording individual guest preferences.

13. Never lose a guest. Instant guest pacification is the responsibility of each employee. Whoever receives a complaint will own it, resolve it to the guest's satisfaction and record it.
14. "Smile - We are on stage." Always maintain positive eye contact. Use the proper vocabulary with our guests and each other. (Use words like - "Good Morning," "Certainly," "I'll be happy to" and "My pleasure.")
15. Be an ambassador of your Hotel in and outside of the workplace. Always speak positively. Communicate any concerns to the appropriate person.
16. Escort guests rather than pointing out directions to another area of the Hotel.
17. Use Ritz-Carlton telephone etiquette. Answer within three rings with a "smile." Use the guest's name when possible. When necessary, ask the caller "May I place you on hold?"

Do not screen calls. Eliminate call transfers whenever possible. Adhere to voice mail standards.

18. Take pride in and care of your personal appearance. Everyone is responsible for conveying a professional image by adhering to Ritz-Carlton clothing and grooming standards.
19. Think safety first. Each employee is responsible for creating a safe, secure and accident free environment for all guests and each other. Be aware of all fire and safety emergency procedures and report any security risks immediately.
20. Protecting the assets of a Ritz-Carlton hotel is the responsibility of every employee. Conserve energy, properly maintain our Hotels and protect the environment.

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and email that are inaccessible to the general public), face-to-face briefings, and promotional campaigns using displays, prizes, and recognition programs.

For example, Ritz-Carlton translated the key product and service requirements of its customers into the Ritz-Carlton Gold Standards, which include a credo, motto, three steps of service, and 20 "Ritz-Carlton Basics" (see Best Practice in Action 11.6). Tim Kirkpatrick, director of training and development of Ritz-Carlton's Boston Common Hotel, said, "The Gold Standards are part of our uniform, just like your name tag. But remember, it's just a laminated card until you put it into action."<sup>61</sup> To reinforce these standards, every morning briefing includes a discussion of one of the standards. The aim of rotating these discussions is to keep the Ritz-Carlton philosophy at the center of its employees' minds.

Another great example of a firm with a strong culture is Southwest Airlines, which uses continuously new and creative ways to strengthen its culture. Southwest's Culture Committee members are zealots when it comes to the continuation of Southwest's family feel. The committee represents everyone from flight attendants and reservationists to top executives; as one participant observed: "The Culture Committee is not made up of Big Shots; it is a committee of Big Hearts." Culture Committee members are not out to gain power. They use the power of the



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