

# Leadership, Internal Marketing and Service Delivery

## The moderating effect of hotel seasonality

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### Abstract

In service organizations, it is important for contact employees to show attitudes and behaviors that contribute to a quality service. The service-profit chain (Heskett et al., 1997) was developed from an analysis of service organizations with the aim of linking operational resource investments to marketing, operational, and financial outcomes.

Service firms' managers must understand the antecedents of contact-consumer employees' service delivery and invest on programs oriented towards improving their employees' service delivery. According to this, the aim of the current study is to examine the effects of leadership and internal marketing on the customer-contact employees' service delivery. In addition, we also examine the moderating effect of hotel seasonality on the organizational service practices-service delivery relationship. These effects have not been sufficiently investigated.

We obtained the collaboration of hotel managers and customer-contact employees (receptionists) from 149 hotels. In each hotel, the receptionist gave us data on the organizational service practices and the employee's service delivery. The data obtained enabled us to examine the posed relationships.

**Keywords:** Leadership, internal marketing, service delivery, service industries, hotels.

### Introduction

Given today's highly competitive environment, organizations are constantly looking for new ways in which to maximize employees' work efforts. This is particularly important in the service sector, where workers are decisive players in determining customer satisfaction (Stamper & Van Dyne, 2003), specially frontline or customer-contact employees.

Customer –contact employees have received considerable attention from both academics and practitioners. As boundary spanners, these employees' attitudes and behaviors toward customers have been argued to significantly influence how customers experience the service (Bowen & Schneider 1985; Grönroos 1990; Hartline & Ferrel 1996; Kelley & Hoffman 1997; Schneider *et al.*, 1992). As suggested by the “service-profit chain” (Heskett *et al.*, 1994, 1997), to provide employees with good work conditions will probably lead to having employees able to provide customers with an

excellent service experience. Customers will appreciate the level of service received and will show loyalty behaviors, such as maintaining the relationship and favorable word of mouth communication; at the same time, these behaviors will positively contribute to increasing the company's market share and profitability. Moreover, the employees' behaviors toward customers during service encounters may show a "behaviors differentiation" (Bacon & Pugh, 2004:65) with the ability to positively influence perceived service quality. Therefore, to acknowledge the relevance of these employees in the provision of service to customers is no exaggeration (Clark *et al.*, 2009).

One of the most important issues a service organization faces is how to motivate customer-contact employees to deliver high quality service. Thus, we analyze the contact-customer employee behavior named "service delivery" (SDB), a dimension of service-oriented Organizational Citizenship Behavior (OCB). OCB has only recently been of increasing interest in the field of services marketing (Bell & Menguc, 2002; Ravichandran *et al.*, 2007; Yoon & Suh, 2003). According to Morrison (1996: 499), "Previous investigations into organizational citizenship behaviors have paid little attention... to the specific organizational practices which can drive citizenship behavior" This is the case with the organizational practices and policies integrated in the "organizational service orientation" construct (Lytle *et al.*, 1998).

Due to the relevance of fostering SDB among customer-contact employees, this study tries to identify some organizational practices that encourage employees to perform effectively this role. Indeed, the main purpose of this investigation is to analyze how several organizational practices, which are important due to their relationship with organizational service orientation (Lee *et al.*, 2001; Lytle *et al.*, 1998), influence SDB. Based on a literature review, three specific practices were selected to be included on the study: servant leadership, service training and service rewards. Generally, the construct "internal marketing" includes these last two practices.

Moreover, as a significant percentage of our region's hotels can be characterized as beach hotels, a second objective of this investigation is to examine whether the hotel's seasonal nature moderates the relationship between the organizational practices considered and the employees' service delivery behavior.

In order to achieve these objectives, the study is structured as follows. First, we review the theoretical literature on servant leadership, internal marketing, service delivery and seasonality. Based on the literature review, several hypotheses are posed and, later, empirically tested using dyadic data, from both managers and reception staff of 129 hotels. The study ends by indicating its principal conclusions and its managerial implications.

## **Conceptual framework and hypotheses**

As boundary spanners, customer-contact employees spend most of their time with customers. In service organizations, employees in direct contact with customers represent the company and produce and deliver the service.

### **Customer-contact employees' service delivery**

Recently, there has been an increased interest in studying organizational citizenship behaviors (Podsakoff *et al.*, 2000) and other related constructs. Among the organizational citizenship behaviors, Bettencourt *et al.* (2001) identify "service delivery". Service delivery behavior (SDB) involves carrying out tasks conscientiously and responsibly; showing a positive attitude; using company resources responsibly; and trying to keep promises made to customers. SDB will influence quality service, as the latter will depend on the responsibility, competence and attitude of contact

employees, and their obedience to the rules and instructions of their managers (Bettencourt & Brown, 1997).

### **Customer-contact employees' leadership, internal marketing and service delivery**

Organizational service orientation is defined as the set of organizational activities designed to create and deliver an excellent service (Schneider *et al.*, 1992; Lytle *et al.*, 1998). By means of a confirmatory factor analysis of data from the financial sector, Lytle *et al.* (1998) obtained four basic dimensions on service orientation: (1) servant leadership, (2) internal marketing; (3) service encounter and (4) service system. Employing the same scale in the hotel sector, Lee *et al.* (2001) confirmed these four dimensions. This investigation is centered in the first two dimensions.

The impact of organizational service practices on the customer-contact employees' service delivery can be explained through Bagozzi's (1992) attitude theory. This theory proposes that the cognitive assessment of service committed practices precedes the employees' affective reactions; and these affective reactions will, in turn, influence their behaviors. Several investigators (Babakus *et al.*, 2003; Hartline & Ferrell, 1996) show that organizational support practices, training, rewards, and empowerment are significant antecedents of "frontline" employees' satisfaction and customer service.

#### ***Servant leadership***

The relevance for organizations of leadership is obvious from the amount of academic and practical studies that exist on the topic (Clark *et al.*, 2009). Leadership implies influencing individuals and groups in order to achieve the established goals.

One way in which service organizations' managers can influence SDB is by demonstrating their commitment to service quality (Babakus *et al.* 2003; Hartline & Ferrell, 1996). Servant leadership refers to leaders that set service standards by their own behavior and managerial style (Lytle *et al.* 1998). Servant leadership can be considered a form of participative leadership, as it is related to query and delegation (Bass 1981). Employees that work with participative leaders are prone to show more involvement, commitment and loyalty than employees that work under managerial leaders. Bandura (1986:47) suggested that "modeling" was "one of the most powerful means of transmitting values, attitudes, and patterns of thoughts and behavior". Followers can acquire both cognitive skills and patterns of behaviors by observing the performance of others. Thus, managers may induce employees to follow their behavior by acting as good role models. Thus,

*H<sub>1</sub>: Servant leadership will have a positive effect on contact-customer SDB.*

#### ***Service-oriented training***

Service training is designed with the purpose of getting employees to know what they do and why they do it in order to achieve a higher level of customer service. Service training is usually employed to develop several competences, which are related both with the task and with interpersonal abilities (Agut *et al.*, 2003; Rust *et al.* 1996). Training can also be used to acquire and improve knowledge and abilities, teamwork, increase quality, innovation and productivity (Schneider *et al.*, 2003). Training increases the motivation, knowledge and capacities needed to contribute to the organization's goals. According to Lam *et al.* (2001), hotels should focus efforts on training and development for employees to improve their promotional prospects. Consequently,

*H<sub>2</sub>: Service-oriented training will have a positive effect on contact-customer SDB.*

### ***Service-oriented rewards***

Rewards represent all that the employee values and that a company can offer as compensation for his/her contribution (Henderson, 2003). Rewards generally involve several financial and non-financial compensations; however, non-financial rewards are being employed more and more to motivate employees, due to the nature of the hotel sector, intensive in work, and the increasing pressure for cost control.

Service researchers (Bowen & Schneider 1985; Hartline & Ferrel 1996) have emphasized the relevance of aligning rewards with organizational performance; therefore, to ensure quality, they advise organizations to reward employees based on their contribution to service delivery improvement. Babakus *et al.* (2003) argue that when management tries to establish a strong service climate, rewards for the delivery of an excellent service must be implemented. This practice will be perceived by the employees as a management's commitment with service, and this will produce a positive response from them. Thus,

*H<sub>3</sub>: Service rewards will have a positive effect on contact-customer SDB.*

### **Moderating role of seasonality**

Seasonality has been expressed as one of the most predominant characteristics in tourism, which requires extraordinary resources in terms of training and retention of staff. In a seasonal hotel, jobs are non-permanent and end at a specific time, typically when the seasonal peak is over. Thus, employees have shorter time for training and less time and opportunities to form close relationships with colleagues and superiors. Seasonal employees may also have different motivations and expectations. Consequently, leadership and internal marketing will play a different role for seasonal employees than for non seasonal ones (Matzler & Renzl, 2007).

There are two possible explanations for why temporal employees display lower levels of service delivery: (1) what they receive from the organization, and (2) these employees have other demands and interests in their life, what causes for them to minimize their involvement. Human-capital theory suggests that organizations invest in employees, particularly in training, when they can expect an ongoing return on their investment. According to Stamper and Van Dyne (2003), temporary workers may not have strong loyalty since such employees often see their jobs as short-term commitments.

As in seasonal hotels, regardless of the resources assigned to employees to carry out the different tasks, employees will have fewer incentives to develop SDB due to their job insecurity, we propose the following hypothesis:

*H<sub>4</sub>: Hotel seasonality moderates the relationship between organizational service practices and customer-contact employees' service delivery. Specifically, in seasonal hotels the relationship between SDB and (1) servant leadership, (2) service training and (3) service rewards will be weaker than that in non-seasonal hotels.*

## **Empirical analysis**

Hotels are an ideal setting to test the model, as close interactions between managers and customer-contact employees happen there; thus, leadership style and organizational practices will influence the employee's attitudes and behaviors (Clark *et al.*, 2009).

### **Sample**

The sample frame consisted of all 5-, 4-, 3-, and 2-star hotels located in our country, listed in the Hotel Guide. 255 hotels met these two requirements. The research team personally contacted the managements of all hotels and they invited them to participate. Closed hotels for season (33), unwillingness to cooperate (54), and questionnaires non completed (19), resulted in a total set of 149 hotels, giving a response rate of 58%.

A preliminary analysis of 149 hotels shows that 24% are superior hotels and 15% are affiliated to a chain. The average size was 57 rooms. The "rooms per employee" ratio was 2.94.

### **Data collection**

Since the hotel receptionist is the person who usually has the first and many times the only contact with customer, hotel receptionists were approached. The employees have the following profile. Most respondents were female (64%) and younger than 35 years of age (65%). With regard to length of service, 17% of the employees had been working in the hotel for less than a year, 44% between one and three years and 39% for more than three years. Almost half of all respondents had a formation in associate degree and college of further education (48%).

### **Measures**

Given their character of latent variables, servant leadership, formation, rewards, and SDB were measured through multi-item Likert-type scales of seven points, one meaning "strongly disagree" and seven meaning "strongly agree". All measures used were drawn from prior studies in the related literatures.

*Servant leadership*, *formation*, and *rewards* were assessed through their own scales from the SERV\*OR scale developed by Lytle *et al.* (1998). After removing some items, servant leadership has 4 items; formation has 3 items, and rewards have 3 items. *Employee service delivery* was assessed through a 3-item scale adapted from Bettencourt *et al.* (2001).

In the current study, several demographic characteristics of the customer-contact employees (age, gender, education/training and length of service in the firm) have been statistically controlled. According to Karatepea *et al.* (2006), there are two reasons for including demographic variables in the analysis. First, they can link to with the dependent variable; specifically, age, gender, education, and organizational tenure have been examined as antecedents of job satisfaction (Brown & Peterson, 1993). Second, examining demographic variables as antecedents of job satisfaction provides a rigorous test of the hypothesized relationships. The demographic characteristics used as control variables were measured by means of dichotomous variables. However, due to the relationship that exists between employee age, formation, and organizational tenure, we only include in the regression models two demographic characteristics: gender and age.

### **Analysis of data**

In order to ensure correct usage of the scales, we carried out a two-stage process:

first, an individual analysis of the constructs was carried out; and second, a joint analysis was carried out to verify their reliability and validity.

In the first stage, in order to refine the scales, the Cronbach  $\alpha$  value of all constructs is calculated using SPSS 15.0. The Cronbach alpha values obtained are the following: servant leadership (.80); service training (.92); service rewards (.94) and service delivery (.75). All scales exceed the traditional criteria for the Cronbach  $\alpha$  value, so we are also confident of the reliability of our measures. In the second stage, a joint analysis of all the constructs is carried out. In order to do so, a measurement model of all the constructs is subjected to confirmatory factor analysis, by the method of robust maximum likelihood estimation, using EQS. After removing some items, the goodness of fit is acceptable with a chi-square of 99.113 with 59 degrees of freedom. The other overall fit indices are also indicative of a good fit of the model to the data (see Table I).

Table I: Final measurement items

Constructs/items*	Average variance extracted	Composite reliability
Service leadership	0.56	0.89
Service training	0.81	0.93
Service rewards	0.74	0.89
Service delivery	0.51	0.75

NOTE: Goodness-of-fit statistics: Chi-squared 99.113(59 d.f.)  $p < 0.001$ ; CFI=.964; TLI =.953; RMSEA=.065

(\*) All standardised loadings are significant ( $p < .01$ )

### Results and test of hypotheses

As one of the objectives of this study is to examine the moderating effect of seasonality on the relationships between organizational practices and customer-contact employees' service delivery, hierarchical regression was employed to test the hypotheses. First the basic model was analyzed and then the interactions derived from the moderating effects considered were incorporated.

We used regression model 2 to test the hypotheses (Table II), as none of the moderating effects incorporated in model 3 is significant. Thus, this result reveals that the moderating effects of hotel seasonality on the organizational practices-ESD relationships are not significant. Model 2 explains 20% of the variance (corrected  $R^2$ ). The results of the model indicate that age is the only demographic characteristic of the customer-contact employees that significantly influence their SDE. Our finding then supports that employees with more than 45 years (indirectly, more tenure and less formation) tend to deliver a poorer service (standardized  $B = -.187$ ,  $p < .05$ ). There are no studies, that the authors know, that have examined, in the hospitality industry, the effect of the frontline employees' demographic characteristics on ESD. Most investigations that have analysed the impact of demographic variables have done so on job satisfaction (Karatepea *et al.*, 2006; Lam *et al.*, 2001; Sarker *et al.*, 2003).

We estimated the effect of organizational practices and organizational practices X hotel seasonality on ESD. The results show that servant leadership and organizational formation have a significant positive effect on the customer-contact ESD. Servant leadership has the more positive and significant effect (standardized  $B = .321$ ,  $p < .001$ ). Organizational formation also has a positive and significant effect (standardized  $B = .254$ ,  $p < .01$ ). These results give support to hypotheses H1 and H2. However, hypothesis H3 regarding service-oriented rewards and ESD, cannot be supported.

Table II. Regression models

	Model 1	Model 2	Model 3
B <sub>0</sub>	5.723	5.771	5.763
Gender	-.184	-.214	-.205
Age2	-.058	-.111	-.113
Age3	-.504	-.690 <sup>b</sup>	-.678 <sup>b</sup>
Training		.245 <sup>b</sup>	.218 <sup>b</sup>
Rewards		-.080	-.076
Servant leadership		.310 <sup>a</sup>	.309 <sup>a</sup>
TrainingXseasonality			.095
RewardsXseasonality			.003
Servant leadershipXseasonality			.047
R <sup>2</sup>	.022	.234	.167
Adjusted R <sup>2</sup>	.002	.201	.149
F	1.976	7.211 <sup>a</sup>	6.220 <sup>c</sup>

NOTE: Significant at level <sup>a</sup>p < .001; <sup>b</sup>p < .01; <sup>c</sup>p < .05

A novel result is having verified that organizational practices such as servant leadership and service-oriented formation influence ESD, as well as having established that hotel seasonality does not moderate the relationship between those organizational practices and ESD. So, if managers take steps to increase ESD, they must increase the servant leadership and service-oriented formation, both in beach hotels and in the rest of the hotels.

### Discussion and managerial implications

This study analyses the influence of some organizational service practices on the service delivery of customer-contact employees. We tested our hypotheses in a field study of service employees in the hotel industry. Based on the marketing and hospitality literatures, our study examines the effects of servant leadership, service-oriented formation and rewards on customer-contact employee service delivery. By measuring the perceptions of employees, our study captures a critical element where management initiative translates into employees' actions.

Because the environment of the hospitality industry is characterized by competitiveness and diversity, reinforcing the service delivery by employees constitutes a key component of maintaining a high level of customer service. Implementation of an effort to reinforce employee service delivery requires a multi-faceted approach.

Our results underscore a major theme in the hotel industry: organizational practices directed toward enhancing the hotel's service quality. Employees' service delivery is critical constructs for managers of hotel firms because they affect the service's quality. An increase in frontline personnel service delivery will undoubtedly have a carry over effect on perceived service quality.

This study suggests that managers must constantly work to influence employees, so that they adopt the manager's customer orientation and commitment to serving customers well. We suggest that hotel managers can exert this needed influence in at least two ways. First, increasing service-oriented training can increase employee service delivery. It might behave hoteliers to devote greater effort to service-oriented formation. In an internal marketing perspective, hotel managers need to do a great effort at training

their contact-customer employees, before expecting them to deliver superior services to customers.

Second, it is equally important to develop a leadership style as servant. The effect achieved on service delivery is greater through servant leadership than through the rest of variables. Our results leave little doubt that leadership style has a role in translating management's service-quality commitment to employees' job activities. It is important to have leaders who help, show interest in knowing employees' ideas and opinions, and use internal marketing to implant a vision of service among the contact employees. These organizational practices create probably a favorable attitude in the employee, which contributes to service delivery.

Contrary to hypothesis 3, service-oriented rewards do not influence employee service delivery. While rewards are an important motivator of employees' behaviors, its lack of significance in our study can be due to a poor measure of this variable. Moreover, although rewards are an essential means for organizations to generate and strengthen the employees' positive behaviors, non-managerial positions in the hotel sector are characterized by inappropriate rewards, low job security, work overload.

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