

Strategic Services Marketing
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Lecture - 52

Motivating and empowering service employees

Hello everyone. In this session, now let's explore the process of motivating and empowering service employees to deliver exceptional customer services. Why it is important to have your employees motivated in service industry specifically? Employee motivation is crucial in the service industry due to its direct impact on customer satisfaction, loyalty, and business success. Motivated employees are more likely to go above and beyond to meet customer needs resulting in enhanced service quality and memorable experiences. Service businesses rely heavily on the human element to deliver intangible services, making motivated and enthusiastic employees as invaluable assets in creating value and differentiation. Now let's understand what impact a motivated employee can have on customer satisfaction and loyalty.

The first impact is in terms of enhanced service quality. Motivated employees are more likely to demonstrate enthusiasm, attentiveness, and proactivity in serving customers. These people, or frontline staff for that matter, strive to deliver high-quality service experiences by going the extra mile to meet customer needs and exceed their expectations. Second impact is through positive interactions.

Motivated employees are more engaged and empathetic in their interactions with customers, leading to positive emotional connections. They are attentive listeners, problem solvers, and effective communicators, enhancing the overall service experience. Third impact is because of increased customer engagement. Motivated employees create memorable experiences that resonate with customers, leading to increased satisfaction and loyalty. They inspire trust and confidence in customers, fostering long-term relationships and repeat business.

Another impact is because of personalized services that they offer. Motivated employees take a proactive approach to understand individual customer preferences and tailor their services accordingly. These employees anticipate customer needs and provide personalized recommendations, enhancing the perceived value of the service for the customer. Another impact is through service recovery system. Motivated employees are better equipped to handle service failures or complaints with professionalism and empathy.

They demonstrate resilience and problem-solving skills in resolving those issues, turning negative experiences into opportunities to strengthen customer loyalty. Another impact is because of positive word of mouth. Satisfied customers are more likely to share their positive experiences with others, leading to word of mouth referrals and recommendations for the firm. Motivated employees contribute to positive word of mouth by creating memorable and shareable moments that leave a lasting impression on customers. Another impact is through customer loyalty and advocacy.

Motivated employees play a pivotal role in building customer loyalty and advocacy by consistently delivering exceptional service experiences. Satisfied and loyal customers are more likely to continue doing the business with the organization and advocate for the brand, contributing to long-term business success. By understanding the impact of motivated employees on customer satisfaction and loyalty, service providers can prioritize employee motivation as a key driver of business performance and competitive advantage in the service industry. Now let's understand what are the different factors that influence employee motivations, specifically in services. The first factor here is recognition.

Acknowledgement and appreciation of employee's contributions and achievements is important. Public recognition awards and praise from managers and peers can actually boost morale and motivation for that particular employee. Second factor is having reward systems. This involves having tangible incentives such as bonuses, salary increases or performance-based commissions as well. This can also include non-monetary rewards like gift cards, extra time off or even company perks can also motivate particular employee.

Third factor that can influence employee motivation is autonomy. Autonomy means empowering employees with the freedom and flexibility to make decisions and take ownership of their work. Autonomy fosters a sense of trust, responsibility and empowerment, motivating employees to perform at their best. Another factor is career

growth opportunities given to the employee. Firms can provide opportunities for advancement, skill development and career progression as well.

One can offer clear pathways for promotion, training programs and mentorship opportunities that inspire employees to invest in their personal and professional growth. Another factor here is offering positive work environment, which means creating a supportive and inclusive work culture where employees feel valued, respected and heard. One can go for creating opportunities for collaboration, teamwork and social connections that foster a sense of belonging and motivation among employees. Another factor here is to have meaningful work given to your employees. This means aligning employees' roles and responsibilities with their values, interests and sense of purpose.

This also means connecting employees to the organization's mission, vision and goals that inspires intrinsic motivation and a sense of fulfillment. Another factor is having proper feedback and recognition system in place. This means providing regular feedback, constructive criticism and performance evaluations. One can go for offering timely recognition of achievements and opportunities for improvement that can motivate employees to continuously strive for excellence. Another factor is going for work-life balance.

This means supporting employees' wellbeing by offering flexible work arrangements, remote work options and even some wellness programs. The key here is to balance work and personal life that promotes employee satisfaction, engagement and overall motivation. Another factor is leadership and support. Effective leadership leads by example, which can communicate openly and support employees' growth and development. Managers who listen, mentor and advocate for their team members can actually build trust and inspire loyalty among the employee or the team.

Another factor here is having challenging and meaningful tasks given to your employees. This means assigning tasks and projects that are challenging, stimulating and align with employees' skills and interests. This also creates opportunities for growth, learning and mastery that motivate employees to stretch their capabilities and achieve their full potential in an organization. Understanding and addressing these factors can help organizations or service providers create a motivating work environment that empowers employees to perform at their best and contribute to organizational success. Now let's move to the next concept, as we say that it empowers.

So what is empowerment? So what is Empowerment and how it fosters employee engagement and ownership? Empowerment is the process of enabling employees to take initiative, make decisions and take ownership of their work and outcomes. It involves providing employees with the authority, resources and support needed to act autonomously and effectively in their roles. So as we are talking about three factors authority, responsibility and support, let's understand these key elements in detail. The first element here is authority. This means granting employees the authority to make decisions and take action with their areas of responsibility.

Second key element is responsibility. Here firms can hold employees accountable for their decisions and outcomes that fosters a sense of ownership and accountability. Third key element here is offering support. Firms can provide employees with the resources, training and guidance needed to succeed in their empowered roles. Now let's understand what are the benefits of empowering service employees or frontline staff.

The first benefit here is increased motivation. Empowered employees are more motivated and enthusiastic about their work. Leading to higher levels of productivity and job satisfaction. Second benefit is in terms of improved problem solving approach. Empowerment encourages creativity, innovation and critical thinking, enabling employees to find solutions to challenges more effectively.

Third benefit here is enhanced collaboration. Empowered employees collaborate more effectively with colleagues, sharing their ideas, knowledge and best practices to achieve common goals. The fourth benefit is faster decision making process. Empowerment decentralizes decision making, enabling faster responses to customer needs and market changes. And finally empowerment also means having greater adaptability.

Empowered employees are more adaptable and resilient in the face of change, embracing new opportunities and challenges with confidence. Now let's understand how to build a culture of empowerment in a service firm. So there are three crucial factors. First is leadership support. Leaders play a crucial role in fostering empowerment by advocating for it, modeling empowered behavior and providing guidance and support.

The second crucial element is clear communication. Transparent communication of goals, expectations and values helps employees understand their role in the organization and empowers them to contribute effectively. And the third element here is training and

development. This means providing employees with the necessary skills, knowledge and resource that empowers them to take new challenges and excel in their roles. Now let's have a look at some examples from service industries wherein these service organizations are empowering their employees through different programs and activities.

The first one here is Starbucks Coffee. Starbucks implemented the Lean In program which encourages employees to take ownership of their stores, operations and customer experiences. This particular Lean In program has wide impact, positive impact obviously on stores performance. Employees are empowered to make decisions related to customer service, product offerings and store layout. This initiative has led to increased employee engagement with the baristas feeling more invested in the success of their own stores.

Then employees report higher job satisfaction and a sense of pride in their work, resulting in improved customer experiences and loyalty. Another service firm that we are looking at is Zappos. Zappos operate on a philosophy of holacracy where employees are empowered to self-manage and make decisions without traditional hierarchy. So, how this holacracy is different from traditional hierarchy? As you can see in this image traditional hierarchy pushes us to focus on rank, professional development and procedures right. Whereas, holacracy allows function based organization with focus on tasks as hand namely your own product or your own process that you are responsible for.

Let's have a look at this how Zappos kind of you know is running with no job titles in this era that talks about their specific culture or program called as holacracy. Have a look at this video. I don't have a title. I work on the holacracy project. Research tells us that as a city doubles in size the productivity of its citizens increase by 15%.

And unfortunately the opposite tends to be true for companies. So holacracy is our new organizational system to make Zappos run more like a city. Our CEO Tony Hsieh ratified the holacracy constitution about eight months ago for the company.

Here is the legit one. Right there. We are asking managers to distribute authority to their teams right and to get rid of their titles which is an incredible ask first of all. But we are also asking team members to step up and take ownership over their work in a way that maybe they haven't before. The idea is that when you distribute authority and you make sure that people take ownership over their work and you are not busy overseeing the work of other people that it frees up capacity so that you can do all of those projects that you have had on your to do list for months and months but you just haven't had the bandwidth

to do. People need to understand the system, the rules, like what we are moving into. As the director of the department I struggled in the beginning with really finding my place within the system and understanding how is this going to work, where do I fit in, what is my job now in this process.

I thought I was providing this environment already that they had the freedom to do these things but seeing in reality that that wasn't as clear as I thought it was to them. The growth and the leaps and bounds that they took as a team was amazing. Thanks for calling Zappos.com, this is Stephanie, how can I help you? What a lot of people have picked up on is the no managers headline which is true and false. The true part of it is there will be no more titles.

So if you think about it, managers are really responsible for two separate things. One is being the technical advisor for their work and the other is sort of the people management or people development. And we all know of a manager that's been promoted because they are a great individual contributor but may not necessarily be a great people person or people developer. So in Holacracy what we can do is we can split those two roles apart or decouple those two roles. Each one of these circles will have something called a lead link and the lead links major accountability is resource distribution.

Setting priorities, metrics for that circle, so that still exists. It just kind of takes that people management piece out of there. The people people circle is putting together a group of folks who are really passionate about professional development. These people people could not have been the former manager of that person. So you know you're getting somebody new to help you and professionally develop you.

I think it's really interesting. I like the idea of it and it just sounds like it's going to be really cool. Once you get used to the system you get to the point where you want everything to run through the system. And so when you interact with different areas that aren't in the system things become then frustrating on the other side. We've had reorganizations that have taken place in ten minutes in the middle of a meeting where an entire team has moved from one side of the company to another because it better aligns with the purpose of that part of the team. Yeah it's a big risk, yeah but there's huge reward.

The opportunity to become a more innovative, more agile company, one that doesn't suffer from the problems of bureaucracy and politics and is more open to change is a risk that

we're willing to take. It is radical, the idea that you should self organize. There are a lot of things that we don't have the answer to. We are working on big puzzles like compensation and progression. Again we feel hopeful that we'll be able to figure it out but we still have yet to see how the story unfolds.

So what is the positive impact of this Holacracy program at Zappos? Employees have the autonomy to innovate and experiment with new ideas, products and services. This approach fosters a culture of ownership, accountability and creativity leading to improved employee engagement and job satisfaction. Zappos has earned a reputation for exceptional customer service driven by empowered employees who are passionate about delivering memorable experiences. Another case that we are looking at is the Ritz-Carlton hotel chain again. Ritz-Carlton empowers employees through its gold standards program which outline the principles of service excellence and give employees the autonomy to make decisions to meet guest needs.

So let's understand how Ritz-Carlton is empowering their employees through this engaging video. Hi Shep Hyken here, customer service and experience expert. Today I'm going to discuss some empowerment lessons from the Ritz-Carlton hotel chain. Now if you've been following my work you know I'm a huge fan of the Ritz-Carlton. I was recently on a Zoom presentation with Horst Schulz, the first president and co-founder of the Ritz-Carlton chain.

When Horst speaks I listen and I take lots of notes. Now one of the questions he was asked had to do with empowerment, specifically about the \$2,000 the ladies and gentlemen, which is what Ritz-Carlton calls its employees, are allowed to spend to ensure a guest has a great experience. Now that reminded me of an experience I once had at a Ritz-Carlton. The housekeeping staff had left dirty towels in my room from the previous guest and I let the housekeeper know. She was so apologetic and promised me it would be taken care of. Now I thought to myself, is this worthy of using any of that \$2,000 budget on me? Well when I returned to the room after dinner there was a short note from the housekeeper and a piece of chocolate candy, which is probably less than a dollar as far as cost goes.

No it wasn't anything close to \$2,000 but it was absolutely appropriate. The note would have been enough but the chocolate sweetened the experience. Horst shared a better story. He talked about teaching people what they're empowered to do. Now a guest at one of the Ritz-Carlton hotels had accidentally left his laptop in the room when he checked out.

Then he flew to Hawaii and he called the hotel panicking because he'd lost his computer that he needed for his meeting and he needed it right away. Well the housekeeper who found it did what she believed was necessary to take care of this guest. She took the very next flight to Hawaii, returned the laptop to the guest and returned on the next flight back to the mainland, US. Well Horst admits that this was, and to use exact words, crazy but he also said it was what she was taught to do.

Now did she get in trouble? Of course not. Was she told what to do next time? You bet. No it wasn't necessary to get on a plane to return the computer but Horst loved this story and wanted every member of the Ritz-Carlton team throughout the world to hear it. This is how you teach people what they can do. Now my take on empowerment is simple. You hire good people with a good sense of judgment and you train them to do their job.

You want people to take some risks. You want your employees to understand that there's a line that they shouldn't cross but you want them to get close to that line if necessary to take care of the customer. You want them to know that you trust them. When they do something different that's great, congratulate them and share it with the team. If they cross that line, congratulate them for using their initiative and teach them what to do the next time.

Share that with the team as well. Done the right way, you'll be creating an empowered team of people who are comfortable with making good decisions and taking care of their customers. So what is the positive impact at Ritz-Carlton of these empowering exercises? First, employees are empowered to take ownership of the guest experience, leading to personalized and exceptional service. Secondly, this empowerment culture has resulted in high levels of employee engagement, pride and loyalty. Third, Ritz-Carlton is consistently recognized for its outstanding customer service and has earned numerous awards for employee satisfaction and retention.

Another firm here is Google. Google encourages employees to spend 20% of their time on projects of their choosing, fostering a culture of innovation and autonomy. Let's understand Google's 20% time policy and how it is unleashing innovation at this giant company. Have a look at this video. In modern business where Innovation often stands as the Cardinal difference between success and mediocrity Google's 20% time policy emerges as a striking emblem of corporate creativity. The policy, allowing employees to allocate a fifth of their work time to personal projects, is more than an unconventional practice.

It reflects Google's belief in human potential and testament to the synergy between autonomy and innovation. Google's 20% time policy is more than a numerical fraction, it symbolizes a corporate culture founded on trust, imagination, and audacity. This policy is not a mere opportunity for employees to diversify their work routine, it's a statement that Google believes in its people, it tells them, we trust you to explore, dream, and create. This nurturing of creative curiosity goes beyond enhancing products, it elevates people, birth of renowned innovations. When the story of Google's 20% time policy is told, the creation of Gmail stands tall as a beacon of what's possible.

An employee, freed from the rigidity of assigned tasks, found the inspiration to redefine email communication. Gmail wasn't merely a new product but a shift in how we connect, communicate, and organize our lives. Similarly, Google News emerged from this crucible of freedom. In the interconnected world where information moves with the speed of thought, Google News brought coherence and accessibility.

It's not just about reading news, it's about understanding our world. AdSense was born from someone's creative spark during their 20% time. This was not simply a business tool but an alignment of interest, culture, and commerce, forming bridges between businesses and consumers. Yet, the path of innovation is rarely without its turns and twists. The 20% time policy also faced challenges. With freedom comes the responsibility to guide and manage, and not every idea born from this liberty was destined for greatness.

Some critics argued that without a stringent structure, employees might lose direction. The real lesson, perhaps, lies in understanding that innovation isn't about flawless success. It's about learning, growing, and daring to fail. Google's willingness to embrace these challenges is a lesson in resilience and faith in human potential. The enduring impact of Google's 20% time policy is neither in the products created nor the revenue generated.

Its profound influence lies in the belief that creativity is not a resource to be managed but a fire to be kindled. Employees, treated not just as assets but as thinkers and dreamers, feel a deeper connection to their work. This sense of ownership, empowerment, and alignment with the company's vision is intangible yet palpable. It's the heartbeat of a culture where barriers are seen as challenges and creativity is a shared journey. Google's 20% time policy is an enlightening case study of corporate creativity and human potential.

It paints a vivid picture of a world where work is not just a means to an end but a canvas

for expression, exploration, and connection. In embracing the messy, beautiful, and often unpredictable creation process, Google has innovated products and nurtured minds. The real triumph of the 20% time policy is not in code or algorithms but in the human spirit, inspired to explore without boundaries. As we navigate the ever-evolving landscape of technology and business, Google's 20% time policy remains a gentle reminder that the future is not just something we predict but something we have the freedom to create. So what is the positive impact of this 20% time policy at Google? First, employees have the freedom to pursue their passions and explore new ideas, leading to groundbreaking innovations and products.

Secondly, this empowerment culture has led to high levels of employee satisfaction, creativity, and retention. Google's innovative culture has fueled its success as a leading technology company, with employees feeling empowered to drive change and make a difference. These examples demonstrate how empowerment initiatives can positively impact employee engagement, ownership, and organizational success in service organizations. Now let's understand there are some challenges in motivating and empowering service employees and how to handle these challenges.

The first challenge here is resistance to change. Employees may resist changes in processes, procedures, or even organizational culture that accompany empowerment initiatives. So what is the solution here? First, communicate the reasons for change and the benefits of empowerment to employees, emphasizing how it aligns with their interests and aspirations. Secondly, involve employees in the change process by seeking their input, addressing concerns, and soliciting feedback to build buy-in and ownership of this particular change. Second challenge is with respect to lack of resources or support. Employees may feel demotivated and disempowered if they lack the necessary resources, tools, or support to perform their jobs effectively.

So what is the solution here? First, ensure that employees have access to the resources, training, and support they need to succeed in their roles. Advocate for additional resources or support from management to address specific needs or challenges faced by employees. Third challenge is with respect to communication barriers. Communication breakdowns, misinterpretations, or language barriers can hinder effective communication between employees and management. So what is the solution here? First, establish clear and open communication channels that facilitate dialogue, feedback, and information sharing between employees and management.

Secondly, provide training on effective communication skills and cultural sensitivity to

overcome language barriers and promote understanding. Another challenge is with respect to lack of trust. Employees may lack trust in management or feel skeptical about the organization's commitment to empowerment initiatives. The solution here is, first, build trust through transparency, integrity, and consistency in leadership actions and decisions. Secondly, demonstrate genuine care and concern for employees' well-being and success fostering a supportive and trusting relationship.

Another challenge can be with respect to resistance from middle management. Middle managers may feel threatened by the empowerment initiatives that decentralize decision-making authority or challenge traditional hierarchies. What is the solution here? First, provide training and support to middle managers to help them transition to a coaching and facilitative role that empowers employees. Secondly, align incentives and performance metrics to reinforce and reward behaviors that support empowerment and employee development. Another challenge is of course cultural resistance. Organization culture may be resistant to change, particularly if it is deeply rooted in hierarchy, control, or bureaucracy.

The solution here is to involve employees in the change process by seeking their input, addressing concerns, and soliciting feedback to build buy-in and ownership. By addressing these common challenges proactively and effectively, service providers can overcome barriers to motivating and empowering service employees, fostering a culture of engagement, ownership, and success. Now let's understand some best practices for motivating and empowering service employees. The first best practice here is aligning organizational goals with employee objectives. Ensure that employees understand how their individual roles and contributions align with the organization's mission, vision, and strategic objectives.

Secondly, establish clear expectations and goals that are meaningful and relevant to employees, demonstrating how their work contributes to the overall success of the organization or service provider. Then foster a sense of purpose and connection to the organization's mission that inspire employees to take ownership of their roles and contribute towards achieving shared goals. The second best practice deals with providing regular feedback and recognition. This involves implementing a culture of continuous feedback where managers provide timely and constructive feedback to employees on their performance, progress, and areas for improvement. One can recognize and celebrate employees' achievements, milestones, and contributions through both formal and informal recognition programs.

This means also to personalize recognition efforts to acknowledge individual preferences and strengths, making employees feel valued and appreciated for their unique contributions. Third best practice is having to go with investing in employee development and growth. Here firm can provide opportunities for employee development and growth through training programs, workshops, seminars, and educational resources. Firms or service providers can offer career advancement opportunities, mentorship programs, and stretch assignments to support employees' professional growth and aspirations. Firms can also encourage a culture of lifelong learning and skill development that empowers employees to acquire new knowledge and competencies that enhance their effectiveness and job satisfaction.

By implementing these best practices, service providers can create a supportive and empowering work environment where service employees feel motivated, engaged, and invested in their roles, leading to enhanced performance, customer satisfaction, and organizational success. In this session, we explored the process of motivating and empowering service employees so that they can give their best. Thank you.