

# Human Resource Management in Service Organisations

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**Abstract**— Human resource management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business. Currently HRM has unprecedented level of growth. Traditionally small business organizations and traditional organizations rarely followed the human resource management approach. Liberalization of economy and the multinational company's growth lead to the formal growth of the human resource management division in most of the organization. Constant growth of service industries in the last two decades provided opportunity for the growth of the professional employment service organizations. Apart from organizations' department professional service organization are facilitating organizations to take care of their activities. This paper is attempted to analyze the new challenges witnessed in the service industry with regard to human resource management. It also analyses how effectively utilize human resources effectively and two important issues were discussed. It also discussed the employee's expectations in the service industry.

**Keywords**— Human resource management, empowerment, training, development, team work.

## I. INTRODUCTION

Human resource management (HRM) consists of all the activities in an organization involving the acquisition and utilization of human resources. Human resource management is a collection of complex tasks involving employee related matters such as employee relations, health benefits, workers' compensation claims, payroll, payroll tax compliance, unemployment insurance claims, and more. Good human resource management must meet the needs and rights of employees and at the same time recognize the demands of the community, minorities, governmental concerns, and other parts of society. The HRM department has staff responsibilities for providing technical advice on compliance with equal employment opportunity and other employment-related laws; hiring, firing, training, and the like; and maintaining services such as record keeping and benefit plan development. The most important activities of HRM are human resources planning, recruiting and selecting, training and developing, utilizing and rewarding employees.

The human resource function in each organization is unique to that organization and may exhibit great variety from one organization to another. What follows is a group of activities most likely to be found within the domain of human resources departments in many organizations.

Apart from organizations Human resource department, many independent organizations providing professional employment services to the organizations. Professional

Employment Service organizations (PEO) would take over all responsibilities of the organization. Not only would the PEO enable employers to focus on their core responsibilities, but also offer businesses valuable expertise. The client company can therefore fully shift focus to the operational and revenue-producing side of operations.

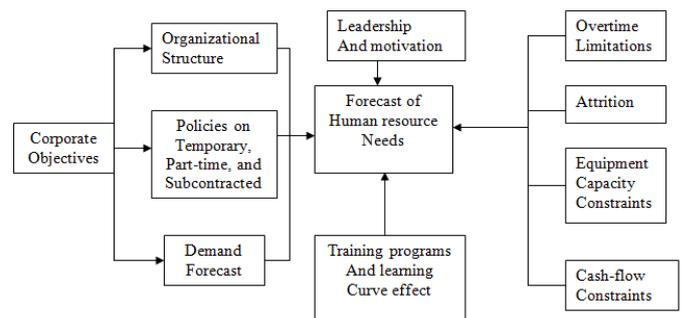
one of the reasons for the efficiency of PEO human resource management services is the nature of the PEO's relationship with the client company. A professional employer organization generally enters into a co-employment relationship with the client company, whereby it assumes the client company's responsibilities, leaving the company to concentrate on its core tasks. Small and medium-sized businesses can feel the advantages of hiring a PEO more, as they are the ones generally struggling with setting apart their resources for maintaining a HR department. So human resource services are carried out by the organization as well as organization pointed clients. This paper is attempted to document different dimensions of human resource management services in the globalised era in the service organizations.

### Human Resources Planning

Human Resources planning such planning must be part of the firm's strategic plan, intermediate plan, and operating plan. In large service firms, human resources planning are similar to that of manufacturing firms. In small service firms or small units such as a Burger King outlet, human resources planning are very short range.

It is apparent, then, that in services, human resources planning vary from long-range planning for large, stable companies to short-range crisis planning for thousands of small companies employing low-skilled and low-paid workers. Human resource needs must take into account corporate objectives and policies, new hires, training and development, turnover, promotion, new job, and attrition. These factors are

### Factors in Human Resource Needs



#### a) Recruiting and selecting

Recruiting means identifying and attracting people who could fill positions within the firm and then securing them as applicants. The starting point for recruiting is to prepare a good job description for the position and a specification of skills and abilities the candidate should have. Recruiting managers, professional people, and many white-collar workers for services is similar to that for manufacturing management. In services, however, many white-collar workers are engaged in serving the customer, often while the customer is waiting or is in contact with the employee.

#### b) Employee selection

Employee selection should be based on clearly established criteria for performance of the job. The application form should be designed to uncover the applicant's skills and abilities for job performance. Other selection techniques include testing, interviews, references, and probationary periods of employment.

Service work often requires certification or licenses to be held by the applicant. A certification means that a person has passed required course work (as in a teaching certificate) and, in some cases, is also permitted by city or state law to practice in public.

#### c) Training and development

Training is a systematic method for changing an employee's behavior to prepare the employee for a job or upgrade the employee's performance on the job. Development is person-oriented. It is the preparation of a person for broader responsibilities and higher level positions within the company.

Training and development programs can vary significantly from firm to firm, as well as by type or size of service organization. Some firms pay only modest attention to T&D. Personal service firms generally hire specialists who are already trained, certified, or licensed and provide little further training other than in the procedures and services of the company. If unskilled entry-level people are hired, as in both small and large retailing stores and chains, the new employee is usually trained on the job by another employee.

Technological developments and cost considerations are likely to change the form and nature of training in the future. Computer-based learning systems such as interactive videodisc/CD training programs are becoming more popular as the computer technology advances and prices of hardware decline. Similarly, advances in telecommunications combined with computer technology are making other forms of training possible and economical.

Another trend in organizational training and development is self-directed learning (SDL). Self directed learning can be defined as a process in which "individuals take the initiative, with or without the help of others, in diagnosing their learning needs, formulating learning goals, identifying human and material resources for learning, choosing and implementing appropriate learning strategies, and evaluating learning outcomes" [1].

In addition to following an organized procedure for training, successful training and development systems should take certain points into consideration.

1. Focus on the particular skills that make the service distinctive.
2. Treat all employees as potential career employees.
3. Spend time and money generously on training.
4. Retrain on a regular basis.
5. Provide training at various levels of skill, regardless of the employee's current position.
6. Be line-driven  
Teach the organization's vision and Values also important to get maximum outcome.

Employees learn what is expected of them in a job from sources other than training programs; they learn from observing the behavior of other employees and management. Social learning theory says that learning and behavior depend on continuous cognitive and behavioral interaction of a person with the environment. Social learning may be illustrated by "socialization" of a new employee.

Cognitive learning theory hypothesizes that people can recognize relationships between signs in the environment and their own goals.

#### Utilizing Human Resources

Utilizing workers means arranging their work to make them both productive and motivated. The factors that determine the effectiveness of human resources utilization are the following:

- Job structure and work that provide an opportunity for "stretch" performance
- Participation in decisions that have a direct effect on the person's job
- Open communications and equitable scheduling of assignments
- Competent supervision and organizational flexibility
- Economic and noneconomic rewards that recognize achievement and equity
- Opportunity for growth
- A culture that encourages caring for both customer and worker needs.

#### Rewarding Employees

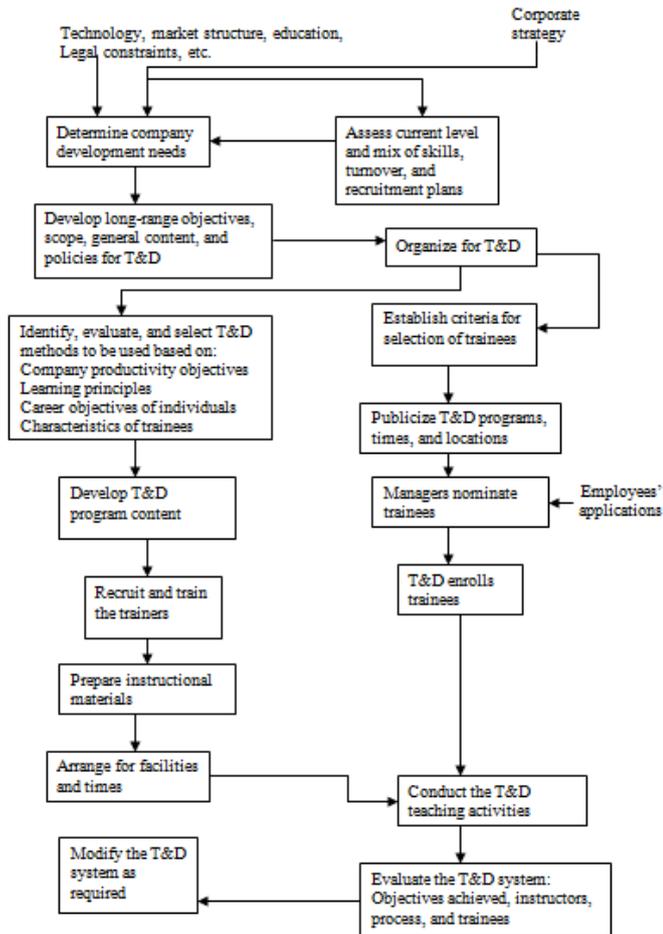
In many service organizations, the discretionary content of an employee's job may be large compared with the prescribed content. This is one of the reasons that developing a compensation plan and achieving perceived equity are so difficult in many service organizations.

Another problem for many service organizations is the low wages they offer relative to those in manufacturing. This makes it difficult to recruit, reward, and hold employees. Thus, the standard principles of wage and salary administration in services must be expanded to include an array of low-cost benefits that provide employee satisfactions. Further, candidates who are selected must be those to whom these benefits appeal. Methods for compensating employees in order to attract and retain them may include the following:

1. Develop a public image of the company such that employees have pride in working for the firm.
2. Provide flextime working conditions

3. Reward employees for participating in suggestions that can make their work more productive.
4. Structure jobs so that employees have control over their work and responsibilities that challenge them.
5. Provide first-class facilities.
6. Reduce the cost of employment for the worker.
7. Compensate by salary or commission.
8. Design the service so that the customer does more of the work.

*Forecast of Environmental Change*



*New Challenges*

The decade of 1990s witnessed many changes in the workplace; probably the most talked about is the massive downsizing may large companies were engaged in to cut costs and become more competitive. Downsizing was, of course, not the only change we witnessed in the 1990s. A Business Week Special Report on the new world of work had this to say about the changes. The changes are Mobility, Empowerment, Teams, Cross-training, Virtual offices, Telecommuting, Reengineering, Restructuring, Outsourcing, and Contingency. If the buzzwords don't sound familiar, they should: They are changing your life. The last decade, perhaps more than any other time since the advent of mass production, has witnessed a profound redefinition of the way we work.

Apart from the above in this paper two issues were discussed with analysis. They are Empowerment and Team work

*Empowerment*

“Empowerment is the process of giving employees the power to make decisions about their work.” In other words, empowerment is the process through which management shares its decision-making power with employees who do not have such authority in traditional organizations [3].

Empowerment and teamwork are relatively new management practices initiated by the quality movement that started in the 1980s. Another important factor for the emergence of empowerment as a favored approach is the advancement in information technology and reduction in communication costs that made information widely available and affordable in many organizations.

Empowerment may be at individual and or team level. An individual service provider may have the authority to do whatever is reasonably necessary to solve a customer's problem and in general satisfy customers.

Empowerment may also be a team level when a group of employees is authorized to change operational environment. Team based management approach, employee teams are empowered to take responsibility for such things as:

- Setting their work schedules (within certain limits determined by management)
- Making work assignments within the team
- Providing backup in the event of absences
- Identifying resources they need to do their jobs as a team and requesting additional training, equipment, or management assistance.

*Main Advantages and Disadvantages of Empowerment [4]*

*Advantages of empowerment*

1. Quicker online responses to customer needs.
2. Quicker online responses to dissatisfied customers during service recovery.
3. Employees feel better about their jobs and themselves.
4. Employees will interact with customers with more warmth and enthusiasm.
5. Empowered employees can be a great source of service ideas.
6. Great word-of-mouth advertising and customer retention.

*Disadvantages of empowerment*

1. A greater dollar investment in selection and training.
2. Higher labor costs.
3. Slower or inconsistent service delivery.
4. Violations of “fair play”.
5. Giveaways and bad decisions.

*Teamwork*

Teamwork is another management practice that gained prominence during the 1980s, and it is predicted that it will be the dominant form of work in the future. Five factors can be identified that motivated the emergence of teams and popularity of teamwork: (1) global competition has increased the need to reduce the time required to design and develop

new products; (2) today’s employees are better educated and informed and hence are able to contribute more meaningful input into the development of new products as well as routine work; (3) success of teamwork at other companies convinced skeptical managers about the effectiveness of teams; (4) when combined with empowerment, teamwork leads to more job satisfaction and a feeling of ownership, which in turn leads to higher productivity and creativity from employees; and (5) downsizing strategies in many organizations eliminated supervisors and middle managers and delegated many of their duties to self-managed teams [5].

There are many different types of service employees. In this section, four categories are examined to help determine how best to utilize, motivate, and compensate different employees. The classifications are: (1) private-profit, not-for-profit, and government workers; (2) full-time versus contingent workers; (3) blue-collar versus white-collar workers; and (4) professional service employees versus consumer service employees.

*Private-profit, not-for-profit, and government employees*

Private, profit-driven service firms cover the gamut of compensation and organizational complexity. Not-for-profit organizations vary from the Salvation Army to the Ford Foundation. Government agencies are mainly information processors, although there are some exceptions (such as the National Park Service).

*Full-time versus contingent workers*

Large, centralized service organizations tend to follow traditional patterns by employing full-time career employees. Large, decentralized service companies such as food chains, retail consumer goods firms, and financial firms tend to fulfill human resource.

*White-collar versus blue-collar workers*

The terms white collar and blue collar have generally differentiated between office workers and factory workers. In services, however, there are many people engaged in the productive or conversion process who cannot be clearly put into one of these classes.

*Professional Service Employees versus Consumer Service Employees [6]*

Another way to look at different types of service employees is by their background and the level of service provided. A professional service employee, for example, refers to doctors, lawyers, accountants, consultants, and other highly skilled customized service providers.

transactions			
Type of operating personnel	Semiskilled	Low-skilled	Professional
Type of middle management	None	Professionally trained	Professional
Entry-level skills	None to certified	Semiskilled	Professional
Training and development	On-the-job	On-the-job and company T&D	Advanced T&D and on-the-job.
Customer contact	High	Low to none	High
Quality control	High	Medium to high	High
Customer loyalty	To the high quality provider	To the concept and the best price	To the firm
Working facilities	Small	Large office buildings, small local offices	Luxurious office buildings
Compensation	Low or commission	Low to medium	High

The following are some important components of a company culture.

Shared Cultures	Example
Important shared understandings	The company will support you if you are acting in the customer’s interest with reasonable costs to the company.
Shared things	Most employees eat in the company cafeteria.
Shared sayings	We live up to our commitments to employees and the community.
Shared doings	We all pitch in together to solve a customer’s major problem.
Shared feelings	If you are not willing to cooperate by going the extra mile, you do not fit in here.

*Employer Expectations*

Employers should expect that this stress will occur, be able to recognize stress-related problems, and take steps to compensate for stress incurred by high-contact service-related jobs. More specifically, in order to preserve the value of their human resources, managers of service firms should provide:

1. Opportunity for positive reinforcement for a job well done.
2. Periods of reduced stress.
3. Avenues to alleviate stress.

*Organizational Structure for the Service Firm*

An organization’s structure can be defined along the following dimensions:

- Standardization – the degree to which procedures have been established for regular activities.
- Formalization – written rules and regulations
- Specialization – division of labor
- Centralization – the degree to which authority is concentrated at the top
- Configuration – span of management, number of levels of management, number of supervisors to non-supervisor.
- Flexibility – the ability of the organization to restructure itself to adapt to external (environmental) changes.

The following principles on structure from organizational theory, based on studies of manufacturing firms are considered: [7]

Types of service	Small, custom service	Large, mass service	Professional service
Examples	Beauty parlors, interior decorators, restaurants, travel agencies	Telephone, financial (credit card, banks), TV, fast food.	Law firms, accounting firms, brokerage firms, real estate firms
Geographic dispersion	Single or multiple local sites	Central headquarters, local sites	Local, regional, national, international
Transaction or service rate	Low	High	Low
Value of	Moderate to low	Low	High

1. As task complexity increases, the span of control decreases.
2. As the complexity of technology increases the number of people responding to the CEO increases.
3. As the complexity of technology increases, the number of levels of management increases.
4. As organizations increase in size, their organizational structure becomes more complex.

## II. SUMMARY

These contradictions of traditional organizational theory support the contention that to succeed in a service industry, one must "turn the organization chart upside down."

Peter Drucker, a well-known management expert, further suggested that large businesses of every type will follow the lead of services in drastically reducing their levels of management and their numbers of managers and giving more autonomy to the front-line worker. He predicted that the typical business of the twenty-first century is more likely to resemble a hospital, a university, or a symphony orchestra than the manufacturing companies of today. Considering the widespread use of teams and empowerment of employees, his predictions seem to have turned out to be true [8]

Most services are labor-intensive. Further, service personnel tend to have more contacts and interactions with customers. The management of personnel who employ such discretionary responsibilities on a continuous basis requires different emphases than managing factory or back-office personnel. Therefore, although some HRM activities (payroll, fringe benefits, and so on) may be the same for all types of employees, the selection, training and development, utilization, and reward of high-contact service personnel requires special treatment.

Recently, international and domestic competition has forced companies to reduce labor costs by downsizing.

Technology also has provided some relief. Finding and utilizing lower-cost labor sources have provided more. This has led to a great expansion in the number of contingency workers, such as part-time, temporary, and subcontracted workers. Corporate downsizing has been identified as one of the reasons for the expanding use of teams and empowerment of employees in U.S. companies. Another reason is the quality movement and the desire to provide superior quality goods and services to customers.

The organizational structure of a service firm must be designed to support a service culture that provides a high level of service quality. Many times, this means decentralization of authority, fewer levels of management, and more flexibility than traditional bureaucratic organizations.

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