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Impact of Employee Management on Hospitality Innovation Success

Michael C. Ottenbacher
University of Guelph, null@uoguelph.ca

Michael Howley
University of Surrey, null@surrey.ac.uk

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Abstract
The author report on a survey of 185 hospitality manager to examine which employee management practices are associated with success in hospitality innovations. The result suggest that successful new hospitality projects are guided by a strategic human resource management approach, have higher level of training, implement behavior- bared evaluation of their front-line staff and empower their employees.

Impact of employee management on hospitality innovation success

by Michael Ottenbacher and Michael Howley

The authors report on a survey of 185 hospitality managers to examine which employee management practices are associated with success in hospitality innovations. The results suggest that successful new hospitality projects are guided by a strategic human resource management approach, have higher levels of training, implement behavior-based evaluation of their front-line staff, and empower their employees.

Hospitality managers are challenged by the ever-increasing pace of change. It is generally recognized that the ability to successfully innovate is an effective strategic response to the changes in the turbulent business environment. Innovation activities serve several objectives.[1] The most noticeable and least risky is to provide support to the existing business portfolio. This is, in general, a short-term aim which is often the result of incremental improvements or revisions to existing products or services.

In addition to the short-term objective, innovation attempts also focus on expanding the existing product range of the organization by creating new product generations for existing markets, or through the further extension of existing service lines to new markets.

The third objective of innovation is the continuous rejuvenation and alignment of the firm's competence base to its future product-market requirements. The final objective is the creation of break-through products and services that change the rules of the competition. This is quite difficult to achieve in the hospitality industry because hospitality firms often have the same hardware, and they can only distinguish their services through their employees.

As a consequence, service employees are enormously critical to the success of the organization they represent. They cannot only produce a service advantage or unique facet, but they also directly impact customers' satisfaction.[2] Service firms should be customer oriented because having a customer focus produces better service quality.[3] Furthermore, employees are responsible for personifying and implementing a customer-oriented strategy because customers often judge

a hospitality firm largely on the service received from employees.[4] It is, therefore, important that hospitality managers understand how they can encourage employees to implement a customer oriented approach.

Because of an intangible nature, the simultaneous production and consumption of services, and the importance of human factors in service delivery, employees play a more important role in service innovation than in product innovation.[5] The attitudes and behaviors of service employees can significantly influence customers' perceptions of service; therefore, service organizations must find ways in which they can effectively manage employees' attitudes and behaviors so that they deliver high quality services.[6] The human element in services means that service quality depends heavily on human resource strategies,[7] in other words, tools for how management can effectively manage its employees.

Total approach necessary

Previous research into service innovation shows that success or failure is not the result of managing one or two activities very well. Instead, it is the result of a more comprehensive approach that manages a large number of aspects competently and in a balanced manner.[8] Basically, it is the proficiency of the market-oriented development process and the focus on the synergy between the requirements of the new service and the resources of the firm that help determine the success of a new service.

In addition, the attractiveness of the marketplace and the ability to launch innovations that respond to the demands of the market help determine financial success for the firm. Product advantage has been identified as the number one success factor in product development. In services, however, while the service product is important, it is not considered to be the key success factor. Instead, it is the perceived quality of the interaction with the customer that is of more relevance for new services.[9] The expertise and enthusiasm of frontline staff is a particularly crucial aspect, as it has a direct effect on customers' perception of service quality.

Pilot interviews conducted for this study with hospitality managers indicated that the most critical aspect in hospitality innovation is employees. The relevance of employees in new service development (NSD) efforts has been alluded to in previous service innovation studies, but not to such an extent. Korczynski[10] argues that service management should leave behind the old production line approach and concentrate on the

modern application of systematic human resource management. Such a modern application involves careful selection of employees, employee training, empowerment, low formalization, behavior-based evaluation, and a strategic approach to human resource management. This study will test the importance of these elements within hospitality innovation.

Human resources valued

The organizational strategy literature has moved toward the resource-based theory of competitive advantage, emphasizing the internal resources of an organization and viewing human resources as a source of value.[11] Competitive advantage through employees is becoming more important because other sources of competitive advantage are easier to access, and, therefore, easier to copy.[12] Effective, internally homogenous and innovative human resource management activities can be a competitive advantage through employees and, for this reason, to enhance their competitive position, service firms should develop outstanding human resource practices.[13]

At least three aspects of human resource management elicit desired employee behavior as follows: appraisal, selection, training, and staff development.[14] Other studies found that highly selective staffing and training were positively linked to organizational performance.[15] Service quality problems are often caused through insufficient hiring and selection procedures because management often hires employees with skill deficiencies.[16]

A customer oriented strategy is in general personified and implemented through service employees. Therefore, it is important to understand how managers can encourage employees to carry out a customer-oriented strategy. Hartline et al.[17] suggest three aspects that management can control in order to support a customer-oriented strategy: formalization, empowerment, and behavior-based evaluation. Behavior-based evaluation is when employee performance is related to customer-oriented behaviors (e.g. friendliness) rather than specific work-related outcomes (e.g. quota). Empowerment of employees in the service industry is not only advisable, but almost unavoidable,[18] because employees need flexibility to adapt their behaviors to the demands of each service encounter.[19] Low formalization also suggests that work should not be controlled by strict rules and procedures in order to give employees the ability to respond to customer needs. Research[20] showed that employees' adaptability in the service sector is a key aspect that affects positive performance.

German hotels surveyed

The literature review revealed six factors linked to successful new hospitality innovations: strategic human resource management (SHRM), selective staffing, training of employees, behavior-based evaluation, empowerment, and formalization. A total of 33 items to measure these factors were developed, based on a review of the appropriate literature.

A questionnaire was then sent to 480 German hotels listed in the 2000 Hotel Guide from the German Hotel and Restaurant Association. One criterion for inclusion in the study was that the organization had developed new hospitality services over the past three years. As in other success studies in NSD,[21] hotels were contacted by telephone to identify potential respondents. The questionnaire was prepared in English and then translated into German, using the parallel-translation/double translation method.[22] The appropriateness of the questionnaire was confirmed through the evaluation of academics knowledgeable about NSD and pretests with hospitality managers in Germany. Completed questionnaires were received from 185 hospitality managers, representing a response rate of 38.5 percent.

The sample of 185 new hotel service projects were split into two groups: successful and less successful new hotel service developments, based on the mean aggregate scores of the measures that examined NSD performance. The literature suggests a cut-off point of 3.5 on a scale of 1 to 5 when defining successful and less successful projects.[23] The natural break in the data supported a 3.5 cutoff. To provide an overall measure of NSD success, the average score on all 12 performance variables was computed. This study measured NSD performance along the following dimensions: total sales, market share, profitability, improved loyalty, improved image, enhanced profitability and sales of other hotel services, new markets, new customers, cost efficiencies, customer satisfaction, positive employee feedback, and competencies of employees. This procedure resulted in 120 (64.9 percent) NSD projects being classified as successful and 65 (35.1 percent) NSD projects being classified as less successful.

T-tests were conducted to assess significant differences in the mean responses on the 33 questionnaire items of successful and less successful NSD.[24] A significance level of .05 was used for all tests.

HR management is first

The first factor, strategic human resource management (SHRM), can be defined as "the pattern of planned human resource deployments and activities intended to enable an

organization to achieve its goals."[25] The key difference between traditional conceptions of human resource management and SHRM is the extent to which human resource management is integrated with the strategic decision-making processes that direct organizational efforts to cope with the environment.[26]

The results of this study indicate that successful projects are more likely to be developed by hospitality organizations that have human resource practices which are unique and superior to the competition, play a key role in NSD, link to strategic business planning, and are flexible to changing market needs (see Table 1). These human resource management practices and employees are more likely difficult to copy, and therefore, able to attract excellent staff. Furthermore, employees are more likely viewed as a competitive advantage. However, there appear to be no differences between successful and less successful service projects in terms of viewing employees as a cost factor. Overall, the results of the t-test suggest that a strategic human

Table 1: Comparison of successful and less successful projects on SHRM

SHRM	Successful projects		Less successful projects		Difference	
	Mean	SD	Mean	SD	T value	Sig
Ability to attract excellent staff	3.46	1.10	2.82	1.16	3.65	.001
HRM practices and employees are difficult for competitors to duplicate	2.91	1.20	2.40	1.14	2.77	.006
Key role of HRM practices in the development of this service	3.70	1.28	2.90	1.30	3.99	.001
Uniqueness and superiority of HRM practices to competition	3.10	1.04	2.15	1.09	5.76	.001
Strong linking of HRM practices to strategic business planning	3.43	1.07	2.77	1.20	3.82	.001
Flexibility of HRM practices to changing market needs	3.67	1.10	3.27	1.13	2.33	.021
Employees viewed as a competitive advantage	4.50	0.89	4.07	1.21	2.50	.016
Employees not viewed as a cost factor	2.73	1.20	2.45	1.28	1.47	NS

Measured on a five-point scale: 1 = not at all; 5 = very well

resource management approach is important for the success of new hospitality developments.

Selective staffing effective

One of the most effective strategies to ensure that service employees are willing and able to deliver quality service and stay motivated to perform in a customer-oriented way is to focus considerable attention on hiring and recruiting the right service personnel.[27] Service personnel are often at lower levels within an organization, have low qualifications, and earn minimum wages; however, they are enormously important to the success of the organization they represent.[28] Selection of high service orientation employees is a critical aspect for success in the service industry because so much depends on employee/customer interactions.[29]

Table 2: Comparison of successful and less successful projects on selective staffing

Selective staffing	Successful projects		Less successful projects		Difference	
	Mean	SD	Mean	SD	T value	Sig
Carefulness of choosing new staff (1)	4.12	0.88	3.73	1.09	2.40	.018
Spending a lot of time and money selecting employees (2)	3.76	1.07	3.57	0.93	1.20	NS
Importance of selecting the right employees (3)	4.72	0.71	4.45	1.03	1.83	NS
Hiring for attitudes and social skills (4)	3.80	1.02	3.60	0.91	1.29	NS

Measured on a five-point scale: (1) 1= because of labour shortage you take whomever you can get; 5 = you have very extensive selection criteria; (2) 1= little time and money is spent on selecting employees; 5= a lot of time and money is spent on selecting employees; (3) 1= little importance is placed on selecting the right people; 5= great importance is placed on selecting the right people; (4) 1= employees are hired for their job specific skills; 5= employees are hired for attitudes and social skills

The results of the research in Table 2 suggest that of the four dimensions measured, only one displayed significant differences between successful and less successful new hospitality developments. Successful new services are more likely to have more extensive selection criteria. By contrast, there appear to be no differences between successful and less successful innovations in terms of spending a lot of time and money on selecting employees, selecting the right people, and hiring employees for attitudes and social skills. Although the dimension "importance of selecting the right employees" displays no significant differences, it should be

noted that that the level of importance that is placed on employee selection was particularly high. Marketing academics argue that service quality problems are often caused through insufficient hiring and selection procedures.[30] The importance of selective staffing outlined in the literature, especially in the service industry, could not be supported by the results of this study.

Training improves performance

Training of employees includes planned programs to improve the performance of individuals and/or groups of employees. This in turn implies changes in employees' knowledge, skills, attitudes, and/or social behavior.[31] Training of employees is critical in order to enhance front-line expertise[32] and to launch preparation.[33] If a service firm wants to have a competitive advantage through its human resources, it must invest in the necessary training programs to ensure that the workforce has the appropriate skills and abilities not only to meet short-term requirements, but also to anticipate changing job requirements over time.[34]

The results of this study suggest that successful innovation projects take an approach where training is considered to be a high priority for the firm. Systematically structured, interpersonal, and general skills training is provided, and firms are willing to spend a lot of money on it (see Table 3). Although spending a lot

Table 3: Comparison of successful and less successful projects on training

Training	Successful projects		Less successful projects		Difference	
	Mean	SD	Mean	SD	T value	Sig
Training of employees is a high priority	3.89	0.93	3.03	1.12	5.48	.001
Systematically structured training approach was adopted	3.58	1.02	2.77	1.11	4.91	.001
Employees with customer contact received training for interpersonal skills	3.79	1.05	3.02	1.28	4.08	.001
Spent a lot of money on training employees	2.85	1.10	2.40	1.16	2.55	.012
General skills training was provided	4.02	0.92	3.23	1.25	4.31	.001

Measured on a five-point scale: 1 = not at all; 5 = to a great extent

of money on training employees is a significant difference compared with the less successful projects, it should be noted that the extent to which hospitality organizations as a whole spend money on training is not particular high. The above observations suggest that hospitality innovations that have a more successful performance have a higher level of training than NSD.

Can be controlled

A customer-oriented strategy is, in general, personified and implemented through service employees, and, therefore, it is important to understand how managers can encourage employees to perform a customer-oriented strategy.[35] According to Hartline et al.,[36] behavior-based evaluation of front-line employees is the first factor that management can control in order to support a customer-oriented strategy.

Behavior-based evaluation is when front-line employee performance is related to customer-oriented behaviors (e.g., friendliness) rather than specific work-related outcomes (e.g., quota). Customers often evaluate service quality on the behavior of employees[37] or "how the service was carried out," also called the functional quality. Furthermore, behavior-based evaluation encourages employee performance that is consistent with customer expectation of service quality and is

Table 4: Comparison of successful and less successful projects on behavior-based evaluation

Behavior-Based Evaluation	Successful group		Less successful group		Difference	
	Mean	SD	Mean	SD	T value	Sig
Ability to provide courteous service	4.82	0.54	4.53	0.91	2.22	.029
Employees' commitment to customers	4.82	0.46	4.48	0.77	3.09	.003
Ability to resolve customer complaints and problems efficiently	4.64	0.68	4.32	0.93	2.41	.018
Ability to meet customer needs	4.66	0.63	4.43	0.70	2.17	.032
Employees' commitment to the hotel	4.64	0.60	4.35	0.84	2.40	.019
Creativity in dealing with unique situations	4.43	0.65	4.08	1.00	2.47	.016

Measured on a five-point scale: 1 = not at all important; 5 = very important

particularly suited to employees with customer contact.[38]

The research results of this study suggest that successful innovation projects are more likely to evaluate the performance of front-line employees with regard to their ability to provide courteous service, meet customer needs, make a commitment to customers and the hotel, resolve customer complaints and problems efficiently, and deal creatively with unique situations (see Table 4). It should be noted that the extent to which the evaluation of hotel employees is customer oriented was quite high for both successful and less successful projects. Based on these results, it can be concluded that successful hospitality innovation projects have a higher level of behavior-based evaluation of front-line employees than projects that are characterized by lower performance.

Empowerment can be controlled

The second factor that management can control to support a customer-oriented strategy is the empowerment of employees,[39] which in the service industry is not only advisable, but almost unavoidable[40] because employees need flexibility to adapt their behaviors to the demands of each service encounter.[41] Empowerment refers to the process in which managers give employees the power and autonomy to exercise control over job-related situations and decisions.

Empowerment is especially important for heterogeneous services because in these situations employees need flexibility to adapt their behavior to the demands of each service encounter,[42] and, therefore, can more effectively meet customer needs. Bowen and Lawler[43] suggest that empowerment is recommended when service delivery involves managing a relationship as opposed to simply performing a transaction. Reasons for establishing a relationship with customers are to increase loyalty and get ideas about improving the service delivery system or getting new ideas about new services

The results of this study indicate that successful hospitality innovations are more likely to allow employees to use their discretion and judgment in solving problems (see Table 5). Furthermore, management is more likely to transfer responsibilities, provide opportunities for personal initiatives, and trust their employees. This suggests that new hotel service developments that have a more successful performance have a higher level of employee empowerment than NSD with lower performance.

Formalization reduces response

A third factor that management can control to support a customer-oriented strategy in new services is

Table 5: Comparison of successful and less successful projects on empowerment

Empowerment	Successful projects		Less successful projects		Difference	
	Mean	SD	Mean	SD	T value	Sig
Management allows employees to use their discretion	3.71	0.96	3.18	0.87	3.62	.001
Employees are allowed to use their own judgement in solving problems	3.83	0.82	3.33	0.90	3.76	.001
Management encourages and provides opportunities for personal initiatives	4.22	0.75	3.87	0.68	3.18	.002
Managements transfer a lot of responsibilities to employees	4.25	0.67	3.87	0.85	3.31	.001
Management trusts employees	4.46	0.58	4.23	0.70	2.30	.023

Measured on a five-point scale: 1= not at all; 5 = to a great extent

formalization. A highly formalized environment means that decisions and work are controlled by strict rules, standard policies and procedures which reduce the ability of employees to respond to customer needs. In highly formalized jobs, employees execute standardized tasks, which are regulated by strict rules and procedures. This has the advantage of high efficiency, but lacks adaptability to changing conditions.[44] Subsequently, employee creativity is hampered and employees have difficulties in adapting and responding to non-standardized and non-routine tasks.

The results of the research in Table 6 show significant differences between successful and less successful new hotel service developments in regard to formalization on only one of the five dimensions. Successful new services are less likely to allow employees to make their own decisions. Although this is a significant difference, less successful projects had higher levels of allowing employees to make their own decisions, which suggests that in the hospitality sector higher efficiency is more important than adaptability to changing conditions. Based on these results, it can not be supported that hospitality innovations with a low level of control of employees' work will be more successful than projects with high levels of control.

Firms face challenges

In order to gain a better understanding of how successful new hospitality innovations are developed, the human resource strategies of

Table 6: Comparison of successful and less successful projects on formalization

Formalization	Successful projects		Less successful projects		Difference	
	Mean	SD	Mean	SD	T value	Sig
Employees are not constantly checked for rule violations	2.32	1.12	2.25	1.08	0.40	NS
New service is not highly regulated and controlled	3.21	1.09	2.90	1.00	1.84	NS
Employees do not rely on strict rules and procedures	3.11	1.11	2.78	1.06	1.92	NS
New service is not highly standardised	2.93	1.20	2.97	1.19	0.21	NS
Employees are allowed to make their own decisions	1.78	1.00	2.15	1.09	2.27	.024

Measured on a five-point scale: 1 = not at all: 5 = to a great extent

German hotels were examined in this study. The results provide a number of implications for hospitality academics and for hospitality managers involved in innovation projects.

Hospitality firms have to face the challenges of a turbulent market. A strategic weapon to confront the competitive market is the ability to innovate. Innovation is a source for survival and growth, but unfortunately the success rate of innovation projects is low.[45] This study has identified aspects of employee management that can help improve the success rate of hospitality innovations. As demonstrated by the t-tests, hospitality firms should do the following:

- implement strategic human resource management practices, which are linked to the organization's strategic business planning, in order to attract excellent staff
- evaluate front-line employees performance in relation to customer-oriented behaviors, such as their ability to provide courteous service, rather than specific work-related outcomes, such as quotas
- regard employee training as a high priority and not only train for the introduction of new projects but also provide interpersonal and general skills training
- allow employees to use their discretion and judgment to solve problems by transferring responsibilities, providing opportunities for personal initiative, and trusting them.

Four of the six employee management factors were related to success. However, two employee management factors, selective staffing

and formalization, had no significant impact on the success. The insignificance of selective staffing in hospitality innovations might be because of the staff problems in the German hospitality industry at that time. In 2002, the German hospitality sector could not fill 80,000 job openings.[46] The low impact of formalization might be because of the advantages of formalized services, like high efficiency and providing structure in a complex environment. On the other hand, the nature of hospitality services includes low levels of formalization. This means there is a need for high levels of variability and non-routine tasks. Hospitality employees must be very flexible, quick and adaptable to changing conditions and needs before an innovation can be seen as fully integrated.

This research is one of the few empirical studies that provides proof that empowerment is critical for hospitality innovation. Despite the broad support for empowerment, it has practical limits and the effects of empowerment demand further empirical proof.[47] The results of the t-test clearly indicated that hospitality innovations which have higher levels of employee empowerment will be more successful than projects which have low levels of empowerment. The reach results suggest that employee management practices contribute to the success of hospitality innovations.

Although this study has shown the importance of employee management in the development of successful new hospitality services, it does have limitations. The study has been conducted in only one national context, Germany. In addition, the research included only managers' perspectives. Future research should investigate if the findings from this study are applicable to other countries and should explore the views of employees or customers.

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Michael Ottenbacher is an assistant professor in the school of hospitality and tourism management at the University of Guelph and Michael Howley is a lecturer in the school of management at the University of Surrey.