

# **HUMAN RESOURCE MANAGEMENT'S CONTRIBUTION TO THE IMPLEMENTATION OF STRATEGIES FOR CUSTOMER SATISFACTION: THE CASE OF 3 STAR HOTELS IN SRI LANKA**

K.A.S.Dhammika

*Faculty of Commerce and Management Studies, University of Kelaniya, Kelaniya,  
Sri Lanka,*

[kasdhammika@yahoo.com](mailto:kasdhammika@yahoo.com)

## **ABSTRACT**

Customer satisfaction (CS) has been the focal point in all most all marketing management strategies in business organizations. Further, this emphasis on CS has penetrated into the other functional areas of organizations redirecting their activities towards customer satisfaction. Human resource management (HRM) plays a significant role in achieving CS, specially in service organizations like hotels, banks etc. it has made HRM required a particular set of strategies for creating CS in these service organization. However, few studies have been carried out to investigate adequately the HRM strategies for CS and assess their contribution for CS in organizations.

The present study examined the HRM strategies of selected three star hotels and the level of CS in their customers. Further, it assessed the contribution of HR strategies for customer satisfaction the sample organizations. A random sample of 50 managers whose population stands around 280 and two hundred employees out of nearly around 1200, were drawn for data collection. The HR strategies profile developed by the research and Customer satisfaction Questionnaire (CSQ) were utilized for data collection. The factor analysis and multiple regressions were applied for data analysis in relation to hypotheses testing. It was revealed that HRM contribute significantly to CS in hotel industry, further, it was found that strategies such as customer oriented value system, Empowerment, behavior based employee evaluation, and performance based rewards systems are prominent in enhancing CS in three star hotels in Sri Lanka.

*Key words: Human resource management, strategic HRM, and customer satisfaction.*

## **INTRODUCTION**

The contribution of Human Resource Management (HRM) for the effective implementation of marketing strategies has been central in the research of marketing. This is highly evidence in literature of customer satisfaction which is a core issue in the field of marketing management. Wernerfelt (1984) stressed that for the effective implementation of all types of strategies requires the possession of resources that are valuable, rare and difficult to imitate. It is no doubt that this includes the necessity of human resources so that the effective implementation of marketing strategies especially strategies for customer satisfaction is highly required. This study assesses the contribution of human resource management in effective implementation of customer

satisfaction strategies in three star hotels in Sri Lanka. The selection of hotel industry for this study is done deliberately since the customer satisfaction has direct implication for the success of this sector.

This paper begins with brief overview on the relevant literature on customer satisfaction, strategies for customer satisfaction, HRM, and the contribution of HRM for customer satisfaction. Then it conceptualizes the possible variables and their relationship and formulates hypotheses so that it can be empirically examined the relationship between variables. The paper then discusses the finding of the study and draws the conclusions based on the empirical analysis of the study.

## HUMAN RESOURCE MANAGEMENT

Human resource management (HRM) involves all management decision and practices that directly affect or influence the people or human resource, who works for the organization (Fisher et al., 1997). The main function of human resource management involves, HR planning, acquiring HR, building individuals and organizational performance, rewarding employees, and maintaining human resources. However, HRM has faced many changes over the past decades, making changes in both aspects and way of managing human resource of organizations. Agrawal (2003) pointed out that in an era of heightened competition alone has made it required that human resource management can no longer be content with simply executing a standard set of practices. There is a need constantly to develop and implement new and improve HR practices so as to remain competitive in the market.

A new branch of HRM has emerged as a way of addressing this challenging issue, known as strategic human resource management (SHRM). The role of SHRM is to see that human resource issues are taken into account when an organization develops its business strategy and that strategy then drives the development of human resource practices within the firm. It seems that all SHRM activities resemble around four major activities: (1) **integration** of HR within the strategic planning process, (2) **partnership** between HR and other members of the organization, (3) **linkage** of HR activities business activities and core cultural values of the organization and (4) **restructuring** the HR department (Fombrun, Itchy and Devanna, 1982).

It is interesting to note that it is under the function of integration that HR managers have to align HR practices of the organizations with customers' expectation known as customization of HR services. One of the objectives of integration with the customer group is to win customers for life which has direct implications for organizational success. HR manager has to formulate a set of strategies for his HR functions so as to meeting the customer expectations leading to their satisfaction. This is more relevant for service organizations like hotels and banks, since employees of these organizations have to make a physical contact with customers in serving for their requirements. Under this proposition, it is important to explore empirically how significant HR strategies are for making customers satisfied with the service,

## CUSTOMER SATISFACTION

The concept of customer satisfaction stands central in the most of marketing theories and practices. Since early 1970s the volume of customer satisfaction research has been

impressive. Many researchers conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations (Sheau Fen and Meilian, 2008). Generally, there are two general conceptualization of customer satisfaction, namely transaction specific satisfaction and cumulative satisfaction. Transaction specific satisfaction is a customer's evaluation of his or her experience and relation to a particular service counter (Cronin and Taylor, 1992) and cumulative satisfaction refers to the customer's overall evaluation of consumption experience to date (Johnson, Anderson, and Fornell, 1995). It is the cumulative customer satisfaction the study used as the basis for assessing respondents' satisfaction.

Organizations today have found the important of keeping their customer satisfied with their products and services in fast-paced and increasingly competitive business environment. This can be attributed to the fact that many researchers have pointed out the relationship of customer satisfaction with many organizational outcomes interested by the management. Among the possible outcomes of customer satisfaction are customer loyalty and profitability (Hallowell, 1996), better business performance (Fornell, 1992), market share and customer retention (Patterson and Spreng, 1997) and survival of the firm (Sheau Fen and Meilian, 2008).

What make the customers of a firm satisfied with their product or service? Numerous studies have been carried out to identify the possible antecedents of customer satisfaction. Service quality has received relatively many attentions of researchers over the past years as one of the major determinant of customer satisfaction specially in service industry. This higher attention lies in the interest of researchers to explore the construct of customer satisfaction through a multi disciplinary perspective rather through single disciplinary perspective. The exploration of customer satisfaction with service quality brings three disciplines together, namely marketing, HRM and total quality management (TQM).

Bitner, Booms and Mohr (1994) define service quality as the customer overall impression of the relatively inferiority or superiority of the organization and its services. This definitions itself depicts the fact that customer satisfaction is highly correlated with customer satisfaction in service organizations. The level of inferiority or superiority of the service as perceived by the customer will determine the degree of satisfaction of the customer with that service. It is the characteristics or attributes associated with the service that are perceived by the customer in assessing the superiority or inferiority of the service.

### **ROLE OF HRM IN CUSTOMER SATISFACTION**

The contribution of human resource practice to customer satisfaction has been amenable to many researches both in the field of Human resource management and marketing. Some researchers have pointed out organizational requisites for customer satisfaction. They claim that customer satisfaction can be achieved only when the firms design necessary structure, processes, cultivating customer-oriented values and developing customer- oriented workforce (Deshpande, Farley and Webster, 1993; Slater and Narver, 1995). It is evident from the findings of these studies that the nature of the workforce or human resource of the organization is one of the determinants of customer satisfaction of

the firms. But the question arises in this regard is whether all types of employees in the organizations matter in customer satisfaction. Kelly (1992) argued that customer contact employees with customer oriented values and beliefs are of significant for the organizations customer focus and customer satisfactions. So it is clear that the behavior of the employees who has direct contact with the customer is of importance in this regards.

What are the aspects of human resource of the organization that are making their customer satisfied with the products or services of them? Researchers have identified number of factors relating to human resources of the organization associated with customer satisfaction. Rosemary (2002) listed out human resource factors for customer satisfaction such as ongoing investment in training, employee security, high relative pay and performance management system. Other than these human resource functions, attributes such a values and beliefs (Kelly, 1992), employee behavior (Morrison, E.W., 1996) have been stressed.

The role of the human resource manager in improving and sustaining customer satisfaction is paramount important. The implementation of human resource strategies specially deigned for employee-customer linkage improves the service effectiveness resulting in customer satisfaction (Pauh ea al. 2002). The HR strategies for customer satisfaction are some HR functions identified as having special implication on customer satisfaction.

Among these HR strategies, compensation is standing as cornerstones. American quality foundation (1992) reported that more and more companies in U.S., Japan, Germany, and Canada have incorporated customer satisfaction criterion into their senior management compensation system. Few researchers have brought up the implication of compensation on customer satisfaction (Phillips et al., 1990: Mercer, 1992). The point to be concerned here is how the compensation system brings implication on customer satisfaction. Hauser et al. (1994) argued that customer oriented compensation focuses the effort of both employees and managers from short term sales to long term sales resulting high concerned for customer satisfaction.

Motivating employees is another area of HRM that records implication on customer satisfaction. Deming (1986) pointed out that it is the firm's responsibility to design an incentive system that result in consistency between the firm's and employees' objectives so that when acting in their own best interest, the employees take actions that also benefit the firm. The employees should be motivated in such a way that they focus not only on mere performance but also on customer satisfaction.

Training and development stands significant in the endeavor for satisfied customer base for an organization. Special attention is given here to change the attitudes and values of employees for high customer oriented behavior. Siguaw, Brown and Widing (1994) argued that an important aspect of implementing customer oriented strategies is to influence employees especially the salespersons to adopt chosen orientation in their selling efforts. The customer oriented-attitudes and values prompt a sort of behavior in the employees which is valued by the customer to a greater extent resulting in customer satisfaction (Badovick and Beatty, 1987).

Employee empowerment is another dimension of HRM contributing to the improvement of customer satisfaction. Empowering employee can be defined as the process of enabling employees by giving them the power and the autonomy to exercise control over job-

related situation and decisions (Conger and Kanungo, 1998). Bowen and Lawler (1992) pointed out several advantages that employee empowerment bring to servicing customer such as faster response to customer needs and problems, more-satisfied employees, enthusiastic and warm customer interaction, and innovative ideas. Further, empowered employees are also more likely to exhibit customer oriented behavior because they become more flexible and adoptive in the face of changing customer needs (Scott and Bruce, 1994). Therefore, it is no doubt that the empowered employees may act or do their duties in such a way that it leads to higher customer satisfaction than the underpowered employees in organization.

Evaluation of employees is a core task in Human resource management. A particular type of employee evaluations termed as behavior-based employee evaluation bears much implication on customer satisfaction (Hartline et al., 2000). Behavior-based evaluation is not only evaluate the performance of employee but also the behavior of those employees to judge whether they exhibit behaviors for long term durability. Much research has been carried out to assess the impact of behavior-based employee evaluations. They have come up with number of positive aspects related to employees such as employee competence (Cravens Et al.1993), confidence (Gist and Mitchell, 1992), job satisfaction, (Oliver and Anderson, 1994) and adoptability (Scott and Bruce, 1994). Zeithmal, Berry and Paraguayan (1988) argued that behavior-based evaluation encourage employee performance that is consistence with customer expectation resulting in customer satisfaction.

Organizational socialization is another area where HR managers can contribute to the customer satisfaction efforts of organizations. Organizational socialization is defined as a process by which person acquires the social knowledge and organizational skills necessary to assume an organizational role (Van Maanen and Schein, 1979). This will improve the knowledge and skills in employee resulting in developed social interaction between the members within the organizations and with outsiders. Hartine and Ferrell, 1993) claimed that organizational socialization is a critical component in the dissemination of a customer oriented strategy to customer contact employees. it is clear that HRM can assist in improving the customer satisfaction by effectively handling the socialization of employees specially the customer contact employees of the organization.

One of the outcomes of an effective HRM is to generate and sustain a committed workforce both towards the organization and the job. Hiltrop (1996) is consistent with the view that HR practices of an organization have a significant influence in making employees committed to exhibit the kind of attitudes and behavior that are needed to support and implement the competitive strategies of the organization. It is a well accepted proposition in management literature that it is the change of attitudes and behaviors of employees that leads to customer satisfaction of organizations specially in service organizations.

It is clear from the literature review that HRM can make a effective contribution to the enhancement of customer satisfaction of the customers of organizations. The areas and the ways that Human resource management can make a contribution to the customer satisfaction can be summarized as shown in the following table.

HR Area	Highlights
Empowerment of Employees	Empowered employees often feel more confident in their ability to contribute to the firm's success, a result that fosters creative thinking and problem solving (Kelly Longfellow and Malehorn, 1996). Bowen and Lawler (1992) pointed out several advantages that empowerment bring to the firm. Among these advantages are faster response to customer needs and problem, more satisfied employee, enthusiastic warm customer relations, innovative ways of ideas, and loyal customers.
Behavior Based Evaluation	Behavior based evaluation is particularly suited to customer contact employees in that their performance in serving customer needs is directly related to customer oriented behavior. Employee behavior can become an important in service settings, because service customers often weight the service process heavily in their quality evaluation (Parasurama, Zeithaml and Berry, 1985).
Shared Customer-Oriented Values	Shared values among a firm's employees can facilitate greatly the implementation of customer satisfying strategies and enhance firm's performance (Badovick and Beatty, 1987).
Work Group Socialization	By instilling confidence in employees and using effective role models, work group socialization can enhance the dissemination of customer-oriented strategy and value to customer contact employees (Jones, 1986).
Organizational Commitment	Commitment causes employees to believe more strongly in the goals and values of the organization. As a result, employees who are committed to the organization are more likely to buy into the value system and exert effort towards achieving organizational goals (Kelly, 1992, Streets 1977).
Performance Based Reward System	A common theme from employees at the best service provider is that management provides feed back, recognition and rewards for excellent service delivery. it is also important for employees to view their compensation as fair, equity (Kam and Brooks, 1998)

## RESEARCH METHOD

### Sample

The researcher selected hotel sector for the study because of two reasons. First, it offers ample opportunity to contact and convenient way to collect data pertaining to the variables under study. Secondly, the degree of customer satisfaction can be accurately measured since the satisfaction is the immediately resulted by the service of the hotels. Further the section of the hotel sector can be further justified by the fact that the behavior of the employees which is largely under the pursuit of HRM matter to a greater extent to the customer satisfaction in the hotel sector.

Fifty three star hotels registered as the tourist board located in the Western Province were selected as the sample frame. 50 Managers of the sampled hotels and 200 customers were randomly selected for the purpose of data collection. Managers were asked about their emphasis on customer oriented behaviors of their employees and the strategies implemented for this purpose. Costumers were asked about their satisfaction with the service of the sample organizations and their perception about the employees' behavior.

### **Data Collection**

The 35 itemed customer satisfaction profile adopted by Whitely (1991) was used to assess the level of satisfaction of the sampled customer? This instrument is based on Likert's five scales anchored with 1 (Not at all) to 5 (To a great extent). A translated version of the profile was given to each customer and it was distributed and collected through the managers responsible for customer affair of the sampled hotels.

The researcher developed a questionnaire to assess the perceived contribution of human resource management strategies for customer satisfaction. The questionnaire was based on the five point Likerts scale ranging form mostly agree (Scaled 5) to mostly disagree (Scaled 1). It was distributed among the managers responsible for human resource management of the sample organizations. The questionnaire was distributed and collected in presence of the researcher to ensure that the respondents can get any ambiguity of it cleared.

### **Data analysis**

First, Confirmatory Factor Analysis with t-test was used to assess the perceived significance of each human resource strategies for customer satisfaction. The resulting factor loading values indicate the perceived contribution of each HRM practices on customer satisfaction while accompanying t values indicate the congruent validity of the respective factor loading.

At the second stage, Multiple Regression was applied to assess the effect of each HRM practices for customer satisfaction. Again, the coefficient values were accompanied with t values as a indication of validity.

### **The Result**

The result of the Confirmatory Factor Analysis is shown in the following tables. The factor loadings and t values for each HRM practices indicate the perceived significance of each variable for the customer satisfaction of the selected organization. The table was arranged form higher values to lower values.

**Table I**  
**The Results of the Confirmatory Factor Analysis**

HRM Practices	Factor Loading	t-values
Customer oriented value system	.834	8.91
Empowerment	.801	10.3
Behavior Based employee evaluation	.732	11.2
Performance based reward system	.657	6.12
organizational commitment	.601	12.2
Work group socialization	.543	9.16

\* Significant at .01

The multiple regression analysis was used to assess the effect of each HRM practices on customer satisfaction of which the result is depicted in the following table

**Table II**  
**The Coefficient Values of Multiple Regression Analysis**

HRM practices	Coefficient	t-values	R2
Customer oriented value system	.29	8.33	.08
Empowerment	.21	3.30	.04
Behavior Based employee evaluation	.28	8.29	.08
Performance based reward system	.132	1.17	.17
organizational commitment	.004	.97	.00
Work group socialization	.003	.76	.00

\*significant at .01

The above table depicts the coefficient values attached to each HR strategies in multiple regression analysis on customer satisfaction. Two higher values are recorded with the customer oriented value system and behavior based employee evaluation indicating that these two strategies contribute highly for the customer satisfaction. The HRM strategies such as empowerment and organizational commitment have scored low coefficient values indicating less significant effect on customer satisfaction. Anyway, it is evident that all HRM strategies concerned in the study are contributing to enhancement of customer satisfaction of the sample organizations,

### **The Discussion**

The present study is intended to examine the effect of Human Resource management strategies on customer satisfaction in three star hotel industries. It first assessed the set of HR strategies adopted by the three Star hotels and then studied the effect of each strategies on customer satisfaction. It was evident that customer oriented value system and empowerment are the mostly used HR strategies in hotels. ( $F=.834$  &  $.801$   $\alpha=.001$ ). They are preceded by the strategies namely Behavior Based employee evaluation, Performance based reward system, organizational commitment, Work group socialization ( $F=.732$ ,  $.657$ ,  $.601$ ,  $.543$   $\alpha=.001$ ). Being a service industry, it is natural to concentrate more on customer satisfaction since the very success of their industry depends on the degree of their customer satisfaction. So the HR strategies adopted by the sample organizations are centered on shaping employees behavior towards customer concern and getting such performance as employees highly emphasis about customer requirements. This may be the reason for most of HR strategies adopted by the sample organizations are centered on customers of them.

Anyway, it is worth noting here the degree of the effect of each HR strategies on customer satisfaction. According to the regression analysis, the highest impact is brought by the customer oriented value systems of the firms ( $\beta=.29$ ,  $t= 8.33$   $p=.000$ ). This is more rational when the behavior of employees is concerned. It is a well established fact that value system inherited in an individual leads to a particular behavior consistence with

that value system. On the other hand, it is obvious that customer oriented value systems in employees imparted by the HR department is causing for higher customer satisfaction given the customers in service sector are more cautious of the behavior of the employees.

Behavior based employee evaluation and Performance based reward system are next two HR strategies that cause customer satisfaction in sample organizations ( $\beta=.28$ ,  $t= 8.29$   $p=.000$ ,  $\beta=.21$ ,  $t= 3.3$   $p=.000$ ). The Behavior based employee evaluation has led the employees to exhibit a behavior that are directed towards customer care since they know that it is their behavior that mostly matter of their evaluation. Further the reward system mostly based on performance has induced employees to attend the customer needs promptly. No doubt, this may have resulted in higher level of customer satisfaction.

Empowerment recorded a moderate level of impact on customer satisfaction ( $\beta=.132$ ,  $t= 1.17$   $p=.000$ ). Empowerment of employee has increased the responsiveness of them which is one of the concerns by the customer.

Anyway, HR strategies such as organizational commitment and Work group socialization record no significant impact on customer satisfaction. This is evident with the insignificance coefficient values recorded in the regression analysis with them ( $\beta=.004$ ,  $t= .97$   $p=.000$  &  $\beta=.003$ ,  $t= .76$   $p=.000$ ). It is clear that these strategies are meant for increasing the employee satisfaction. Even though, there might be an indirect impact of these HR strategies, it may not record a direct impact on customer satisfaction.

## CONCLUSION

Human resource management has a multifaceted impact on the performance of other functional areas of an organization. In this light, HRM can make a significant contribution for the effective marketing management process of the firm through which customer satisfaction is intended. HR strategies such as Customer oriented value system, Empowerment, Behavior Based employee evaluation, and Performance based reward system make a significant impact on customer satisfaction of three star hotels in the industry. Successful implementation of these HR strategies can enhance a sort of behavior and performance in employees which is resulting in customer satisfaction; however, the HR strategies namely Employee welfare, Work group socialization and Employee retention make no significant impact on customer satisfaction. the understanding of the HRM in the hotel industry by the management can contribute to the sustainable growth in them through enhancing the satisfaction of their customers.

## REFERENCES

1. Agrawal Tanuja, (2003) “ *Innovative Human Resource Practices and Organizational Commitment: An Empirical Investigation*”, International Journal of Human Resource Management, 14:2, March, pp. 175-197
2. Anderson, J.C., Rungtusanatham,M. and Roger G. (1994) “ *Theoretical Model of Total Quality Management*”, Academy of Management Review, Vol.19, No. 3, pp. 472-509.

3. Badovisk G.J and Beatty S.E (1987) “*Shared Organizational Values: Measurement and Impact Upon Strategic Marketing Implementation*”, Journal of Academy of Marketing Science, 15,(Spring), pp.19-26.
4. Conger, J.A and Kanungo R.N. (1988) “ *The Empowerment Process: Integrating Theory and Practice*”, Academy of Management Review, 13 (July), pp. 471-482
5. Deshpande, R.,Farley U.J., and Webster, F.E. (1993) “ *Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A quadrad Analysis*”, Journal of Marketing, 57, (January), pp. 23-27.
6. Deming W.E. (1989) “*Out of Crisis*”, Cambridge, MA:Mit Press.
7. Fisher, C.D., Schoenfeldt, F.L. and Shaw, J.B. (1997) “*Human Resource Management*, 3<sup>rd</sup> edition, All India Publishers, p. 5.
8. Fombru C., Tichy N., and Devanna M. (1982) “*Strategic Human Resource Management: A Role of Human Resource Manager in the Process of Strategy Formulation*”, Human Resource Management Review, winter, pp. 47-61.
9. Gist, M.E. and Mitchell, T.R. (1992) “*Self-Efficacy: A Theoretical Analysis of Its Determinants and Malleability*”, Academy of Management Review, No.17, pp. 183-211.
10. Hartline D.M., Maxham G.J and McKee O.D. (2000) “*Corridors of Influence in the Dissemination of Customer Oriented Strategy to Customer Contact Service Employees*” Journal of Marketing, Vol.64.,(April), pp.35-50
11. Hartine, M.D. and Ferrell, O.C. (1993) “ *Service Quality Implementation: The effect of organizational socialization and managerial actions on customer contact employees behavior*”, Marketing Science Institute Working Paper, No.93, pp. 122
12. Hauser, H., Simester, I.D. and Wernerfelt B. (1994) “*Customer Satisfaction Incentives*”, Marketing Science, Vol.14.,No. 4., pp. 327-349
13. Hiltrop J.M., (1996) “*The Impact of HRM on Organizational Performance: Theory and Practice*”, European Management Journal, 17 (4): pp. 628-637
14. Kam S.M. & Brooks S.M. (1998) “*Touching the Customers by Understanding the Employees*”, the Permanente Journal, Vol.2, No. 2, pp 47-54.
15. Kelly, .W. (1992) “ *Developing Customer Orientation among Service Employees*”, Journal of Academy of Marketing Science, 20, pp. 27-36
16. Morrison E.W.(1996) “ *Organizational Citizenship Behavior as a Critical Link between HRM Practices and Service Quality*”, Human Resource Management, 35 (winter), pp. 493-512
17. Mercer Management Consultancy Inc. (1992) “*Benchmarking the Quality of Utility Customer Service*” Research Report, Lexington, MA
18. Pugh, D.S., Jack, D.J., Wiley, W. and Brook, M.S. (2002) “*Driving Service Effectiveness through Employee-Customer Linkages*”, Academy of Management Executive, Vol.16. No. 4, pp. 73-82.
19. Rosemary B. (2002) “*Managing Customer Services: Human Resource Management Practices, Quit Rates, and Sales Growth*”, Academy of Management Journal, Vol.45, No. 3, pp. 587-597.
20. Slater, S.F. and Narver C.J. (1995) “*Market Oriented and Learning Organization*”, Journal of Marketing, 59 (July), pp.63-74
21. Susan, F. and David G. (1999) “*Rediscovering Satisfaction*”, Journal of Marketing , October, pp. 5-23

22. Wernerfelt B. (1984) "*A Resource Based View of the Firm*", *Strategic Management Journal*, Vol.5, No. 2., pp. 171-180.
23. Whitley R.C. (1991) "*The Customer Driven Company*", *Readings*, Mass: Addison-Wesley, pp. 221-225.