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## **Using Human Resource Management (HRM) Practices to Improve Productivity in the Canadian Tourism Sector**

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## ***Introduction***

The Tourism Human Resource Centre of Excellence (THRCE) has recently stressed that in order to remain competitive, firms in tourism industries must focus on increasing productivity. Human Resource Management (HRM) practices can play a pivotal role in improving individual productivity and subsequent organizational effectiveness. The purpose of this paper is three-fold: to identify HRM concepts that could improve productivity; to provide recommendations for organizations in the tourism sector; and to identify gaps in the literature along with opportunities for future research.

Measuring productivity from a HRM perspective is extremely difficult and has proven to be a limitation within the Tourism sector. Given that the outcomes are not tangible, both academics and practitioners have struggled with measuring their effectiveness. For example, how do you measure employee performance when performance is gauged by subsequent customer satisfaction and loyalty? Given such complexities, our review will focus on factors that have been shown to contribute to productivity, and that are applicable within the Tourism sector.

In the sections that follow, we first provide a brief summary of past conceptualizations of productivity in the service sector. We then discuss the difficulty in measuring productivity from an HRM perspective. Antecedents of productivity from the HRM literature, including the role of strategic HRM practices, are also discussed. Our paper then proposes practical recommendations for the Tourism sector, based on findings from the literature. Potential avenues for future research are also discussed.

## ***Background***

Research surrounding the topic of productivity in the service sector has been largely neglected (Filitrault, Harvey, & Chebat; 1996). Over the last century, great advances have been made within the field in terms of developing relevant and useful business constructs pertaining to human resources strategies for businesses at large. Such models have been revolutionary in projecting businesses forward into an age of innovation and strategy. However, even within the HRM field, the extent to which concepts have been clearly defined is minimal as it is relatively in its early stages of development. In reviewing various research, Christensen Hughes (2008, p.273) states that the HRM field is "quite 'young' in the extent to which concepts have been clearly defined and theorizing has occurred...and the types of research methodologies that have been employed". As such, the concept of "productivity" within HRM has been difficult to define and measure, especially in highly diversified firms (Cascio, 1992). For example, the general definition of productivity has been accepted to be the ratio between input costs to outputs value, although there are many associated implications dependent on the characteristics of the specified business. Overall, there has been much ambiguity in specifically defining and measuring 'productivity'.

In relation to productivity in the service sector, Gronroos and Ojasalo (2004) state that productivity of an organization is related to how effectively input resources in a process (manufacturing process, service process) are transformed into economic results for the service provider and value for its customers. Within the manufacturing sector, a more traditional productivity concept has evolved based on the assumptions that consumption and production of physical goods are separate processes and that customers do not participate in the production process (Gronroos, 2007). Therefore, HRM practices and measurements related to impacting productivity levels in manufacturing will differ from those within the service sector. Recently researchers have made efforts to develop relevant HRM constructs relevant to the concept of productivity within the manufacturing sector, whereas researchers within the service sector, specifically the hospitality and tourism sector have just begun considering relevant HRM concepts, theories and methodologies (Christensen Hughes, 2008).

## ***Measuring Productivity in the Tourism Sector***

Characteristics of the tourism sector that may present particular difficulties for the management of human resources include the intangibility, heterogeneity, and perishability of the service encounter (Lashley, 1997). As stated previously, defining and measuring productivity in a valid and reliable manner in the service sector is difficult at best. It has also been suggested that measurement of productivity in the service sector can be 'ambiguous and inadequate' (Gummesson, 1998, p. 4; see also The New Zealand Tourism Research Institute, 2007). HRM practitioners would typically suggest measuring proxies

for productivity, for example, job performance. However, given the complexities of conceptualizing job performance in the tourism sector, and in the service sector more broadly, measuring job performance is particularly difficult in this context.

There are decades of research on measuring job performance (for a review, see Latham & Mann, 2006). However, in the tourism sector, a significant component of an employee's performance is how satisfied and loyal the customer is. The performance measurement research suggests having multiple sources rate the performance of an employee, often referred to as 360 degree feedback (Borman, 1997; Bracken, Timmreck & Church, 2001). These multiple sources could include superiors, subordinates, and peers. However, given that the quality of the interaction with the customer is a large portion of the employee's performance, the ideal measure of an employee's performance in this sector would be to obtain a performance rating from each customer. Recent research by The New Zealand Tourism Research Institute (NZTRI, 2007) examining managers and employees' perspectives on productivity in the Food and Beverage sector confirms this reasoning. Specifically, The NZTRI found that the majority of managers rated elements of service quality, such as customer satisfaction and loyalty/return visitation as being more important in assessing productivity than financial measures, such as 'meeting budgets, costs and balancing, and revenue/sales per person' (p. 6). Managers viewed using 'comment cards, tips, and unsolicited remarks' from customers as key indicators of productivity.

The HRM literature also states that a measure of job performance should be valid, reliable, practical and free from bias (Thorndike, 1949). Having job performance measured through customer ratings is neither practical nor free from bias. Having job performance measured solely by supervisors or peers does not take into account the customer perspective, and thus cannot be considered to be valid. Customer ratings should be collected where possible to provide a more holistic view of the employee's performance, but used only for feedback and developmental purposes. Since we cannot assure their freedom from bias, and given the impracticality of this approach, they should not be used for administrative decisions. Providing employees with feedback from other sources, even if only used for developmental purposes can improve their job performance (Latham & Mann, 2006). While some organizations are attempting to collect measures of employee performance from customers (for example, comment cards in hotel rooms, mystery shoppers, etc.), more focus should be placed on this form of evaluation.

***Recommendation 1: Organizations in the tourism sector should focus on collecting measures of employee performance from customers. This feedback should be provided to the employee and used for developmental purposes.***

This type of multi-source feedback is only effective if the organizational culture is such that it values feedback and the appraisal process. In keeping with the principle attributed to the late Mason Hare, "that which gets measured gets done" (Latham & Mann, 2006), it is imperative that the organizations actually place value on the customer ratings. One way for organizations to show their commitment is to implement a balanced scorecard (Kaplan & Norton, 1997).

***Recommendation 2: To create a culture where customer satisfaction and loyalty are key components of an individual's job performance, a balanced scorecard should be implemented.***

Not to complicate matters further, but examining exactly which dimensions of job performance should be measured in the Tourism sector warrants discussion. Job performance is a multi-dimensional construct (Motowidlo & Van Scotter, 1994; Rotundo & Sackett, 2002). Measuring task performance in all positions is a given (what one's job requirements are), however, in the tourism sector, the dimension of Organizational Citizenship Behaviour (OCB), a term used synonymously with contextual performance (Conway, 1999) may play a very important role. OCB is defined as "individual behaviour that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization" (Organ, 1988, p.4). OCB has also been defined

as behaviours that are not in-role, not part of the job description and not explicitly rewarded (e.g., Van Dyne, Graham & Dienesch, 1994).

Several conceptualizations of OCB have been made including, helping behaviour or altruism (Organ, 1988), sportsmanship (Organ, 1990), organizational loyalty (Borman & Motowidlo, 1993; Graham, 1991; George & Brief, 1992; George & Jones, 1997), organizational compliance (Borman & Motowidlo, 1993; Graham, 1991; Smith et al., 1983; Van Scotter & Motowidlo, 1996), individual initiative (Borman & Motowidlo, 1993; George & Brief, 1992; George & Jones, 1997; Moorman & Blakely, 1995; Organ, 1988; Van Scotter & Motowidlo, 1996), and civic virtue (George & Brief, 1992; Graham, 1991; Organ, 1988, 1990). However, another very critical thing to consider when examining OCB, is the intended beneficiaries of the OCB (Lee & Allen, 2002). For example, is the OCB directed towards a coworker (e.g. helping behaviour) or towards the organization (e.g. loyalty)? OCB has been conceptualized in the HRM literature as being one of two types of behaviors, namely those that are of benefit to other individuals within the organization, and those that are of benefit to the organization, both of which have been shown to be linked to organizational effectiveness (Podsakoff et al., 2000).

**Recommendation 3: To improve individual productivity and organizational effectiveness, organizations should not only look at task performance, but also value and encourage their employees to exhibit high levels of OCBs.**

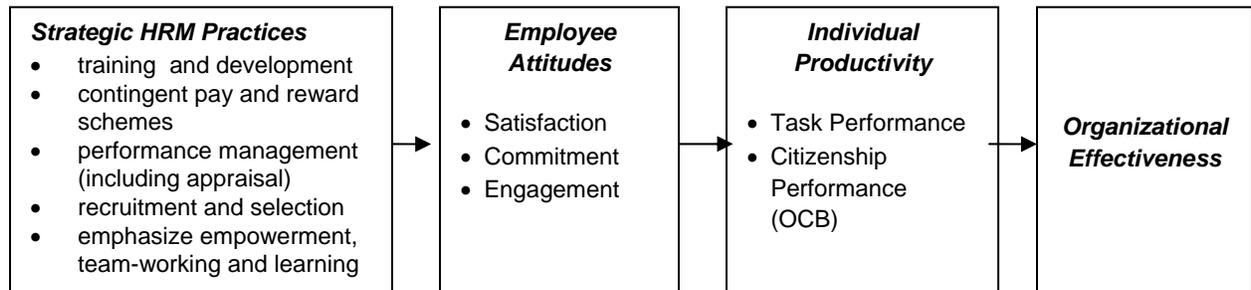
In the tourism sector, it is possible that yet another dimension of OCB exists, OCBs directed towards the customer. Employees may engage in extra-role behaviours that they are not necessarily required to do, but perform to enhance the satisfaction and loyalty of the customers. This is clearly a factor that would contribute to productivity in the tourism sector. This will be discussed in the opportunities for future research.

Given the complexities discussed thus far in conceptualizing and measuring productivity in the Tourism sector, perhaps we should also focus on some of the factors that have been shown to contribute to productivity at the individual level and to overall organizational effectiveness.

**Contributors to Individual Productivity and Overall Organizational Effectiveness**

This section will elaborate on the factors in the HRM literature that have been shown to be contributors to individual productivity and overall organizational effectiveness. This model, entirely based on previous research, proposes that Strategic HRM practices lead to positive employee attitudes such as satisfaction, commitment and engagement. These attitudes have been shown to result in higher levels of individual productivity, measured by multiple dimensions of job performance, namely task and OCB. Improvements to organizational effectiveness will result from increases in individual productivity. A graphical depiction of the model is presented in Figure 1.

**Figure 1: Contributors to Individual Productivity and Overall Organizational Effectiveness**



## **Human Resource Management: A Strategic Approach**

Strategic HRM practices play a pivotal role in attracting, creating and retaining more productive employees. Strategic human resource management has been defined as “the process of linking HR practices to business strategy” (Ulrich, 1997, p. 189); “organizational systems designed to achieve sustainable competitive advantage through people” (Snell, Youndt, & Wright, 1996, p. 62); and “a process by which organizations seek to link the human, social, and intellectual capital of their members to the strategic needs of the firm” (Bamberger and Meshoulam, 2000, p. 6).

Further, strategic Human Resource Management suggests that the better the fit or alignment between an organization’s overall strategic direction; its size, technology and structure; its environment, and its HRM practices, the more successful the organization will be (Alcazar et al., 2005). “To have a significant, positive impact on firm performance, HR practices must be aligned with the organization’s overall business strategy” (Bamberger & Meshoulam, 2000, p. 175).

Related to strategic HRM is the concept of Universal HRM. Drawing on the “high-involvement” (Appleby & Mavin, 2000; Lawler, 1986), “high performance work systems” (Applebaum, Bailey, Berg, & Kalleberg, 2000; Applebaum & Batt, 1994; Huselid, 1995), and “organizational commitment” literatures (March & Simon, 1958; Grusky, 1966; Mowday, Koberg, & McArthur, 1984), Christensen Hughes (2008, p. 281), noted that “Universal HRM positions HRM as a strategic endeavour, but focuses on achieving competitive advantage through the use of ‘best practices’ leading to the development of a highly committed, competent and motivated workforce.”

How then can HR practices enhance organizational performance? In her review of the literature, Christensen Hughes (2008) cited several possible explanations. For example, Bamberger and Meshoulam (2000, p. 170) proposed a three-pronged mechanism by which the effect of these techniques (i.e., high-involvement, high performance work systems, and organizational commitment) on organizational performance is theorized to occur as well as the types of HR practices that would contribute to this mechanism. First is the “human capital base”, which is a collection of human resources available to the organization, such as employees’ skills, knowledge, and potential. The organization’s recruitment, selection, training, and development processes are proposed to directly affect the human capital base. Second is the organization’s ability to motivate their human resources, which is affected by various processes including reward and work systems (Beer et al., 1985). The final base is employee contribution. Job design, involvement strategies etc. are suggested to affect the extent to which employees have the opportunity to contribute.

Likewise, (Guest, 1997) proposed a model in which three intervening variables would moderate the effect of HR practices on performance. First, he proposed that skill and ability (quality) would be affected by selection, socialization, training and development, and quality of improvement programs. Second, effort/motivation (commitment) would be affected by single status, job security, internal promotion, and individualized reward systems. Finally, he suggested that role of structure and perception (flexibility) would be affected by communication, employee involvement, team working, job design, as well as flexible job descriptions.

Others have also argued that effective and innovative HR practices tap the motivation and commitment of employees. For example, MacDuffie (1995, p. 1999) wrote:

*“Innovative human resource practices are likely to contribute to improved economic performance only when three conditions are met: when employees possess knowledge and skills that managers lack; when employees are motivated to apply this skill and knowledge through discretionary effort; and when the firm’s business or production strategy can only be achieved when employees contribute such discretionary effort. I will argue that all three conditions must be met for HR practice to contribute to performance.”*

Over the past two decades, various researchers have provided “best practice” lists (see for example Applebaum et al., 2000; Boxall, 2003; Enz & Siguaw, 2000a, 2000b; Huang, 2001; Pfeffer, 1995). Probably the best known list is Pfeffer and Veiga’s (1999) list of seven HR practices of successful organizations. The first in his list is “employment security”, which means that employees are not made to feel redundant in the face of economic downturns or poor strategic decisions on the part of senior management over which they have no control. Second is “selective hiring”, which requires the organization looks for people with the critical attributes, skills, and cultural fit it needs. Third is the implementation of “self-managed teams,” which are critical to high-performance management systems. Self-managed teams allow for the removal of layers of hierarchy, substitute peer-based control for hierarchal control of work, and allow employees to pool their ideas to produce better and more creative solutions to work problems. Forth is the notion of high compensation contingent on organizational performance, or individual or team performance, or individual skill. The fifth practice emphasizes the importance of training to motive employees and provide them with the knowledge, skills and abilities need to perform required tasks. The sixth practice is the “reduction of status differences”. Pfeffer argues that in order for organization to perform at high levels, they should tap into the ideas, skills, and effort of their people, which they are not able to do if status differences exists. The final practice is “sharing information”. Sharing information is crucial to high performing work systems because it conveys managements trust in employees. Moreover, people cannot effectively contribute to organizational performance if they do not have the necessary information, or the skills and training needed to interpret and use that information.

Given the array of best HR practices lists available in the literature, Boselie et al. conducted a review of “every [104 articles] empirical research article into the linkages between HRM and performance published in pre-eminent international refereed journals between 1994 and 2003” (Boselie et al., 2005, p. 67) in order to determine whether a unified list of best HR practices exists. Although no unified list emerged, Boselie et al. concluded that “training and development, contingent pay and reward schemes, performance management (including appraisal) and careful recruitment and selection” (p. 73) were the most commonly listed essential HR activities.

In short, the universal approach proposes that organizations should have a strong and highly motivated human capital base, whereby employee are given the opportunity to make a positive contribution to organizational performance. According to Bamberger and Meshoulam (2000, p. 175), what most distinguishes UHRM from SHRM is that “researchers adopting a universalistic perspective...claimed that all organizations, regardless of size, industry, or business strategy, should adopt these so-called “best practices”.

Firmly linking HR best practices to bottom-line performance, Becker et al (2001), in their bi-annual survey of the HR practices & outcomes in US publicly held companies, found that companies that were most likely to report having implemented a variety of high-performance HRM practices also demonstrated better “bottom-line” outcome measures such as market value to book value and sales per employee, along with lower turnover rates. Guthrie (2001) also found that, in New Zealand, employee retention and high-involvement human resource practices were strongly associated with company performance. Likewise, The NZTRI (2007) found that managers believe that investing in people and skills is crucial to productivity improvement. Specifically, they found that effective hiring, training, and retention practices were perceived to have a major positive impact on employee productivity. Management capability, employee autonomy, employee satisfaction and internal communication among staff were also identified as being particularly important in positively influencing productivity.

The tourism sector faces significant challenges that are unique to its industry. For example, the sector is often characterized by low pay, difficult working conditions, poor communication between management and employees, and many clandestine jobs (Bolwell & Weinz, 2008). Given this situation, there needs to be an even bigger focus on attracting, selecting and retaining skilled, high performing employees that provide a high quality encounter for the customers. However, management in this industry tends to be fixed on reducing labour costs which can further exacerbate the problem. For example, the NZTRI (2007) suggested that “concentrating on the reduction of labour costs as a percentage of sales may achieve short term productivity targets but can also jeopardise long-term viability due the erosion of service standards” (p. 5). Further, the seasonality and unsocial hours in the Tourism

sector lead to part-time and casual work, and therefore work insecurity, lack of time for training, high turnover, poorer career structures and a weaker staff commitment to the enterprise and industry (Bolwell & Weinz, 2008). In addition, while large multinationals are increasing their share of the sector, much of the industry (up to 80 per cent in 2005) is still made up of small and medium-sized enterprises that lack the facilities, money and skills to train and retain good staff (Bolwell & Weinz, 2008).

Perhaps in no other sector it is more important to realize the pivotal role that HR practices can play (Christensen Hughes, 2008). Within the Canadian tourism sector, there are firms that have been identified as having effectively implemented such “best practices”. Those firms include Starwood Hotels & Resorts, Earl’s, Delta Hotels, the Marriott, McDonald’s and Keg Restaurants (50 Best Employers in Canada, see [http://was7.hewitt.com/bestemployers/canada/pages/the\\_list\\_2009.htm](http://was7.hewitt.com/bestemployers/canada/pages/the_list_2009.htm)). In addition, an Action Statement on Tourism Policy issued at the High-level OECD Committee meeting on Tourism (October, 2008) suggested that a key recommendation for tourism is to increase the entrepreneurial/management capacity of firms through appropriate support and training programs. Recommendations made at several recent conferences also suggest better access to training, improved working conditions and recognition of acquired skills for tourism employees (e.g. Guerin, 2003; Bolwell & Weinz, 2008).

***Recommendation 4: Tourism organizations should effectively implement universal, high performance, HRM practices such as training and development, contingent pay and reward schemes, performance management (including appraisal), careful recruitment and selection and have cultures that emphasize empowerment, team-working and learning. These organizations will have higher levels of productivity than those that do not.***

Especially because the industry is people-oriented, developing and retaining staff with strong skills is critical to business success (Bolwell & Weinz, 2008). “If customers are treated poorly in a hotel, restaurant or in a tour group, they are unlikely to return and will also tell their friends of bad experiences” (Bolwell & Weinz, 2008; p. 8). The ILO has recently published a guide based on the recommendations of tripartite meetings (see Bolwell & Weinz, 2008). This guide outlines in detail the importance of a human resource development program to the tourism sector.

### ***Employee Attitudes***

While the research on the relationship between job satisfaction, commitment and job performance is well established (Judge, Thoresen, Bono & Patton, 2001), engagement is a relatively new concept in our literature.

In recent years, there has been a growing recognition among management scholars and practitioners that full utilization of human capital requires more than just high levels of physical employee effort: it requires employees who are fully psychologically and emotionally engaged in their work. Employee engagement has thus emerged as an important concept in the strategic management of human resources. Although highly engaged employees can provide competitive advantage to employers in general, engagement is vital in the service sector, in which the provision of services and the customer experience are inextricably linked to the effort, attentiveness and commitment of front-line employees.

Engagement has been defined in a variety of ways in the academic literature. Khan (1990) defined engagement as the degree to which an individual exerts physical, cognitive and emotional energy and attention to his or her role as an employee, coupling his or her self with his or her work role. Engagement represents an instance in which an individual feels “attentive, absorbed, or involved” (Khan, 1990, p. 398) in his or her work. A disengaged person, by contrast, feels “uninvolved, detached, or distracted” (Khan, 1990, p. 398) from their work, decoupling his or her private self from the work role. Similarly, Schaufeli, Salanova, González-Romá and Bakker (2002) defined engagement as a “positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (p. 74). Towers-Perrin (2003) defined engagement as “employees’ willingness and ability to contribute to company success ... the extent to which employees put discretionary effort into their work, in the form of extra time, brainpower and energy” (p. 2). Integrating the various existing definitions of engagement, Gibbons (2007) defined employee engagement as “a heightened emotional and intellectual connection that an employee has for

his/her job, organization, manager, or coworkers that, in turn, influences him/her to apply additional discretionary effort to his/her work” (p. 5).

The nascent engagement literature has been largely focused on definitional issues. Nonetheless, a growing body of research has demonstrated clear benefits to high levels of employee engagement in terms of employee performance, customer service, and employee retention (Gibbons, 2007). The Corporate Leadership Council’s (2004) study of more than 50,000 employees from 59 international companies found that high-engagement employees had overall performance scores that were 20 percentage points higher than those of low-engagement employees and were 87% less likely to voluntarily leave their employer. Harter, Schmidt and Hayes (2002) conducted a meta-analysis of data from 7,939 business units from 36 companies representing a range of sectors and found that employee engagement was significantly related to increased customer satisfaction, productivity, profits and employee safety and negatively related to employee turnover. Although the effect sizes were moderate, they were nontrivial. Saks (2006) found engagement in one’s job and organization to be significantly related to increased job satisfaction and organizational citizenship behaviour and decreased intentions to quit.

Given the range of outcomes that can be affected by highly engaged employees, engagement has great potential as a high-impact target of human resource management practices. This appears to be particularly true in the case of service sector firms, in which customer satisfaction is highly contingent on employee efforts. With specific respect to service businesses, Mohr and Bitner (1995) found that customers’ perceptions of employees’ efforts were positively associated with customer satisfaction with service transactions. More recently, Salanova, Agut, and Peiró (2005) found a strong positive relationship between engagement and a positive service culture, characterized by employee effort and competence in delivering quality service. Furthermore, they found significant positive relationships between service climate and employee performance and customer loyalty. Although more research is needed to validate the nature of the relationship between employee engagement levels and customers’ perceived service quality, the extant research suggests that engagement is a promising avenue for inquiry.

Despite mounting evidence of the benefits of a highly engaged workforce, the proportions of workers who report being highly engaged appear to be relatively low. Towers and Perrin (2003) reported that 20% of the Canadian workers whom they surveyed reported high levels of engagement, while 63% reported moderate levels of engagement. This varied among economic sectors, however, from a high of 54% of non-profit sector workers reporting high levels of engagement to a low of 8% for transportation-sector workers.

***Recommendation 5: Organizations in the tourism sector should measure employee engagement levels on an ongoing basis and should determine the organization-specific drivers of engagement.***

Engagement, job satisfaction and commitment, amongst many other factors have been shown to lead to higher levels of task performance. However, what factors contribute to an employee engaging in OCBs is not an easy question to answer. The research has presented some consistent predictors (Podsakoff et al., 2000). For example, organizational characteristics, such as flexibility, contribute to higher levels of OCB. The more flexible an organization is, the more decision making freedom and low levels of formalization they provide to their employees, the more likely their employees are to engage in OCB (Podsakoff et al., 2000). Employees with a leader who articulates a vision and supports his/her employees are also more likely to engage in OCB. Even job characteristics such as task feedback and autonomy contribute to OCB (Podsakoff et al., 2000). In addition, organizations should ensure they are selecting the right employee for the job given that individual differences are also a significant contributor to OCB. For example, perceptions of fairness, commitment, and conscientiousness are positively and consistently related to OCB (Podsakoff et al., 2000).

**Recommendation 6: To increase OCBs, organizations should: a) be flexible, offer decision making freedom and low levels of formalization; b) have a leader who articulates a vision and supports his/her employees; c) create jobs that provide feedback and allow for autonomy; and, d) ensure they are selecting the right employee for the job.**

Increased individual levels of task performance and OCBs will result in higher levels of organizational effectiveness, thus improving productivity. However, there are still many gaps in the literature, and opportunities for future research on improving productivity specifically in the tourism sector, as discussed below.

### **Using HRM Practices to Improve Productivity: A Framework for Future Research**

We have outlined in this paper some of the challenges associated with the measurement of productivity in the service sector and some important contributions that can be made by the field of HRM to the improvement of productivity in service firms. In this final section, we suggest some contributions that HRM can make to the pursuit of increased service productivity. Through our review several themes emerged; themes that set the agenda for future research examining productivity from a HR perspective.

Firstly, research should investigate more systematically the linkages between various HR activities and the service productivity models found in the service management and marketing literature. With this in mind, the field of HRM has the opportunity to influence the efficiency of the service process by using current HRM constructs and concepts and tailoring them to suit the characteristics in the service sector.

The service productivity models (for example Granroos & Ojasalo, 2004) suggest a number of contributions that HRM theory and practice could make in the improvement of service productivity. First, with respect to service provider inputs, service-sector organizations must create an environment in which employees have the skills and the tools to provide effective service. The recruitment, selection, orientation and training of employees as service providers are essential to the creation of a high-quality service climate. The role of organizational rewards (i.e., compensation, benefits and incentives) in inducing a service climate also merits research attention. As we have noted above, the actual provision of quality service to customers is dependent not only on the human resource systems in place, but also on the level of dedication and commitment of service employees. See Addendum 1 for a detailed review of this research opportunity.

- **Research Opportunity 1: The tourism sector would benefit from an integrative review of the service productivity models found in the service management and marketing literature, while incorporating relevant HRM practices.**

Secondly, research should empirically examine whether employees may engage in extra-role behaviours (and what these are in particular) that enhance the satisfaction and loyalty of the customers. In other words, is there a third dimension of OCB directed toward the customer, and what are its specific antecedents?

- **Research Opportunity 2: Both the tourism sector and the mainstream Organizational Behaviour (OB) literature would benefit from examining a third dimension of OCB, extra-role behaviours with customers as the intended beneficiaries.**

With respect to engagement, future research should examine reliable benchmarks of the levels of engagement that are evident in the service sector in Canada. In addition, research should investigate the unique antecedents of engagement in the service sector, as well as the consequences of high engagement for service firms, their employees and their customers.

- **Research Opportunity 3: The tourism sector and the service industry more broadly, would benefit from research examining benchmarks of the levels of engagement evident in the service sector in Canada. In addition, the main stream OB literature would also benefit from examining the antecedents and consequences of engagement specifically in the service sector.**

In addition, while there is a solid decade of research on multi-source evaluations of performance, there is a paucity of research in the performance appraisal literature that examines the customer as the rating source.

- **Research Opportunity 4: Both the tourism sector and the main stream HR literature would benefit from examining customer ratings, their validity and reliability, and their impact on subsequent employee performance**

Lastly, the development of case studies examining organizations in the tourism sector that employ high-performance HRM practices would be beneficial to both researchers and policy makers. These case studies could examine the success and failure specific HRM practices, their consequences and impact on bottom-line results.

- **Research Opportunity 5: Organizations in the tourism sector would benefit from having examples of high-performance HRM practices from the industry.**

These valuable avenues for future research would help us better understand productivity in the tourism sector.

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# ADDENDUM 1: Service Measurements Related to Productivity

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As economies have developed and shifted to become more service-based, so too has the practise of marketing research, evolving from an early focus almost exclusively on product marketing, to a more balanced focus on the marketing of products and services. In the tourism literature, service marketing is a particularly rich field of study, and while the concept of productivity has not been actively investigated, indirectly the measurements of service “inputs” and their relationship to “outputs” such as customer satisfaction, loyalty and purchase intentions are indeed related to productivity. Thus, it is worth exploring the services marketing literature to identify measurements related to productivity. Relevant measures from three periods of services investigation are considered: (i) the earliest studies of service quality; (ii) the later modeling of customer lifetime value; and, (iii) the more recent research on e-service and self-service technology.

## 1. Service Quality Models

It was during the 1980s that the services marketing literature exploded, with the introduction of models to measure service quality (SQ) and customer satisfaction, applied in a range of service industries from retail to banking (Parasuraman, Zeithaml and Berry, 1988, 1991; Cronin and Taylor, 1992). The most well known of these models is the SERVQUAL model (Parasuraman *et al.*, 1988, 1991), which measures the gaps between customer expectations of service and customer perceptions of service performance, and continues to be a popular measure of SQ (Carrillat, Jaramillo and Mulki, 2007). Parasuraman *et al.* (1988) based the SERVQUAL model on the measurement of 22 items that correspond to five dimensions of service: reliability, assurance, tangibles, empathy and responsiveness (known as RATER).

An alternative model is the SERVPERF model (Cronin and Taylor, 1992), which adapts the same five RATER dimensions of service to directly capture customer perceptions of performance (without measuring expectations, or Parasuraman’s “gap”). In an application of their SERVPERF model, Cronin and Taylor (1992) empirically identify service quality as an antecedent of customer satisfaction, which in turn has a significant effect on purchase intentions. In productivity terms, the 22 RATER variables can be considered as a set of inputs, with the dependent measures of satisfaction and purchase intentions as outputs.

### SERVQUAL Model Dimensions and Measurements (Parasuraman *et al.*, 1991)

Dimensions	Measurement Items	
Reliability	<ul style="list-style-type: none"> <li>● Keeps promises</li> <li>● Provides services it promises</li> <li>● Error-free</li> </ul>	<ul style="list-style-type: none"> <li>● Shows sincere interest in solving problems</li> <li>● Performs the service right the first time</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>● Instills confidence</li> <li>● Safety in transactions</li> </ul>	<ul style="list-style-type: none"> <li>● Consistently courteous</li> <li>● Knowledgeable</li> </ul>
Tangibles	<ul style="list-style-type: none"> <li>● Modern-looking equipment</li> <li>● Visually appealing physical facilities</li> </ul>	<ul style="list-style-type: none"> <li>● Neat-appearing employees</li> <li>● Appealing materials (i.e. pamphlets)</li> </ul>
Empathy	<ul style="list-style-type: none"> <li>● Individual attention</li> <li>● Convenient hours</li> <li>● Personal attention</li> </ul>	<ul style="list-style-type: none"> <li>● Best interests at heart</li> <li>● Understanding</li> </ul>
Responsiveness	<ul style="list-style-type: none"> <li>● Prompt service</li> <li>● Willing to help</li> </ul>	<ul style="list-style-type: none"> <li>● Never too busy to respond</li> <li>● Tell you exactly when services will be performed</li> </ul>

## **2. Customer Lifetime Value Models**

As an extension of SQ, later models began to incorporate measures related to accountability, customer equity and customer value (Berger and Nasr, 1998). Customer lifetime value (CLV) became the focus of market researchers' efforts to determine the economic worth of a customer. CLV is defined as the net value of customer revenues overtime, in excess of the total costs to attract, sell and service the customer (Kotler and Armstrong, 1996). General mathematical formulations have been developed to calculate the net present value of gross contribution margins per customer, often using complex probabilities to forecast revenue streams and retention rates (Berger and Nasr, 1998).

While CLV models provide some insight to the measurement of service output, the link back to human resource management is frequently lacking. Yet, if customer satisfaction is an indicator of employee efforts which generate future sales, then the firm is more profitable if it rewards employees based on customer satisfaction (Hauser, Simester and Wernerfelt, 1994). In practice, employee reward systems have been developed based on measures of customer satisfaction. Hauser *et al.* (1994) developed a model to bring together the interests of the firm, the employee and the customer, and proposed a method of employee incentives based on customer satisfaction levels. Others have modeled this relationship between employee satisfaction and customer satisfaction with models such as the "return on quality" model (Rust, Zahorik and Keiningham, 1996) and the "service profit chain" (Heskett, Jones, Loveman, Sasser and Schlesinger, 1994).

In summary, modeling of service improvements affect on profitability can inform the development of tourism productivity measures.

## **3. E-Service and Self-Service Technology**

The widespread adaptation of technology in tourism has dramatically altered the customer-server interface, enabling a range of electronically-driven transactions not only at the pre-travel search and booking stages (i.e. online marketing and reservation systems), but also at the travel departure and arrival stages (i.e. self-service check-in airport and accommodation systems). The study of self-service technologies (SST) is relatively new, and seems to have pushed service marketing research back to the initial phase of measuring service quality and customer satisfaction. In a review of SST literature, Beatson, Lee and Coote (2007) found that most of the research-to-date focused on the role of SSTs in improving SQ, or, was focused on behavioural interests such as consumer intentions and motivations. Productivity has occasionally been a consideration, specifically in terms of the impact of reducing staff and hours of operation on outputs (Curran, Meuter and Surprenant, 2003).

SSTs bring forward a long-standing debate in services marketing of satisfaction versus productivity that is not common in the production of goods. For example, high-quality goods production can be achieved through automated standardization, leading to increased customer satisfaction. For services, automation and standardization may in fact reduce customer satisfaction, thereby negating any efficiency gains in productivity. Likewise, increases in customer satisfaction gained through service customization may also negatively impact productivity due to relatively higher input costs. New research is required in order to better measure and understand the relationship between SSTs and productivity.

***Recommendation: Proven measures of SQ and CLV should be incorporated in the evaluation of productivity in tourism, relevant not only to traditional service interactions, but also to the current environment of SSTs. These measures must be integrated within tourism organizations in order to link back to human resource management practices, and to link forward to productivity-related outcomes.***

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