

Tangible and intangible rewards in service industries: problems and prospects

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Abstract

Willingness and readiness of people to do their jobs are among the key factors of a successful enterprise. In XXI century intellectual human labour is gaining unprecedented value and is being developed actively. The demand for intellectual labour calls forth an increasing number of jobs and professions that require an extensive preparation, a large number of working places, high level of integration of joint human efforts, growth of social welfare. These trends are becoming ever more pervasive and are spreading widely in service industries, and that explains the rapid development of the latter when compared to the traditional areas of human activity. In its turn, it heightens the need for staff in service companies, supported by significant personnel turnover and a certain shortage of skilled professionals. These circumstances determine the need for developing a new concept of fostering staff motivation at the enterprises in the sphere of services. In order to reach the stated purpose while conducting our research into tourism and hospitality industry, as well as retail chains, we have examined the problems that arise in the process of staff motivation, and studied the foreign practice of motivating staff in hotels. The obtained analysis results enabled us to work out practical recommendations on improvement of the mechanism of tangible and intangible rewards in service companies, which are based on external and internal motivational factors. Additional attention in the article is paid to the statement that financial incentives should be based on key performance indicators (KPI). We give a detailed consideration to the classification of internal motivation incentives of the staff according to the terms of their realization, and give a schematic representation of the performance dynamics of the internal motivation model in service businesses.

Keywords: Staff turnover, staff motivation, service industries, internal incentives, management.

JEL Classification: J 320, O 150, M 120.

1. Introduction

In every country, service industries represents the level of civilization on the nation, so that the higher the level of services is, the more civilized the country is considered. And it is service industries that make the largest part of the national economy in more economically developed countries (over 60%).

The rapid development of the service sphere, and its gaining of the status of one of the key sectors of the economy calls forth the need for an increasing number of personnel, which in its turn causes significant staff turnover. This trend is clearly observed in respect of the low-wage employees, and the demand for them is growing exponentially.

Staff turnover negatively affects the work of service companies, it is an obstacle to team formation and, consequently, to fostering of the corporate spirit, and this invariably entails a lowering of the overall performance indicators. In addition, the turnover impedes the raising of the staff competence and professionalism level, as well as makes it difficult to get payback of investment in retraining. All this reduces the possibilities of high-quality workforce training: it is provided mainly in the workplace. Although the profession of service sector specialist is gaining popularity among the younger generation, recruiters note the obvious shortage of personnel that complies with the requirements laid down in service companies.

Multiple reasons explain for staff turnover – starting from disruptive enterprise management style and

ending with selection of non-professional applicants to fill in the vacant positions. However, there is no doubt that the path to the effective management of employees lies through understanding of their motivation. Knowing of the factors that stimulate employees and motivate them to their activities should be of the principal consideration while building the effective labour motivation system.

All this said, the investigation of the problems and prospects of use of tangible and non-tangible motivation tools in service companies is of particular relevance today and requires additional in-depth research.

2. Theoretical and conceptual aspects

The questions of staff motivation are studied by scientists and practitioners from the point of view of theoretical justification of the need for various means of boosting the zeal of employees. An important contribution to the development of the research area was made by such well-known international and Ukrainian scientists as I. Ansoff (1989), J. Cole (2004), M. Meskon, M. Albert and F. Khedouri (2004), L. Balabanova and O. Stelmashenko (2010), M. Shulha (2008) et al.

In numerous works, the Ukrainian researchers, for example N. Alekseeva and I. Prykhodko (2012), A. Dolzhanskyi (2010), Z. Zhyvko (2010), N. Izyumtseva and H. Myronchuk (2012), A. Nemchenko, H. Yurchenko and I. Zhyrova (2011) study the mechanisms of establishing interconnections between motivation and work performance through the use of motivational factors and formation of a motivational environment in companies, which stimulates employees to develop their abilities, improve the psychological climate in the team and raise their performance indicators.

Such authors as M. Vedernikov (2013), O. Hryvkiivska (2010), A. Hubenko (2010), T. Kovalenko (2010), O. Kovalchuk and O. Sytnik (2013), A. Mohsin, J. F. B. Lengler and R. L. Aguzzoli (2015), Branham Leigh (2005) are engaged in research of global experience in the development of motivational systems and their evaluation.

However, in spite of a significant number of studies, as well as the currently existing achievements, problems associated with the formation of a practical mechanism of managing staff motivation in services companies have no definite solution. Just the same way, there is no accepted formula for motivation, which would explain the behaviour of an employee, regardless of the circumstances. The methods for managing motivational process call for understanding of the basics of control, with due regard paid to their stochastic ambiguous nature.

3. Purpose of the study

Through the analysis of companies that represent tourism and hospitality industry, as well as retail chains, the author strives to explore the problems that came up in the process of motivation, to examine the motivational programmes for the personnel in service industries in the different countries, and then, by using the obtained results, to work out practical recommendations of how to overcome the difficulties and create a new concept of building motivation by personnel in the sphere of services.

4. Results of the study

The problems that came up in the process of motivation in service industries

First of all, it seems appropriate to mention the problems that exist at the macrolevel and hamper the introduction of any incentive schemes for employees of service industries. These problems seem to be inherent to the countries with national economies under transformation. So, these problems are:

1. Lack of clear standards for requirements to personnel in service companies, as well as lack of qualification standards.
2. Fragmentation and lack of a single standard list of professions related to the service sector.
3. Scarcity of differentiated methods of specialist training for work in the service sector.
4. Lack of standards of educational programmes and a common approach to assessment of service quality and service technologies.
5. Underdevelopment of the labour market.
6. Low level of professional culture of the staff.
7. High staff turnover.

Of special note is one of the key problems in the sector of services of any type and orientation. It lies in the fact that the greatest difficulties are related to the motivation of staff employed in so-

called "non-prestigious" service sector jobs (cleaners of the premises, maids, nurses, technicians, repairmen, etc.).

The problems are explained by unattractiveness, not prestigious of the professions that form the very basis of the infrastructure of the service-rendering process; low wages; poor working conditions, and others. Ever more people in modern society are no longer satisfied with "any" work. People want the work process to give them an opportunity for self-development, self-affirmation and self-realization, they want to feel the importance and necessity of the performed work (Dwivedula and Bredillet, 2010). More and more often employees try to evaluate the innovation potential of the job, its creative constituent, which plays a significant part in self-identification of a personality (Hrynko, 2010).

At the level of a separate enterprise, there are other problems, which hinder the effective implementation of modern concepts of motivation:

- lack of a clearly defined policy and specifically worded objectives in work with the staff;
- fragmentation in personnel management and planning;
- lack of integrated educational framework;
- insufficient competence of HR personnel;
- low degree of realization of the whole complex of staffing social goals.

Of course, there are much more problems at each level; besides, in each individual case they are quite particular and depend on both objective and subjective factors.

Low level of motivation, imperfect programmes and systems of stimulation of employees are one of the most crucial factors, which causes a significant personnel turnover in service companies.

The annual research conducted by BenchmarkPro that analyses information about 30,000 organizations around the world testifies that the average personnel turnover in the services sector is more than twice as high as that in the industrial sector (see. Fig. 1, 2).

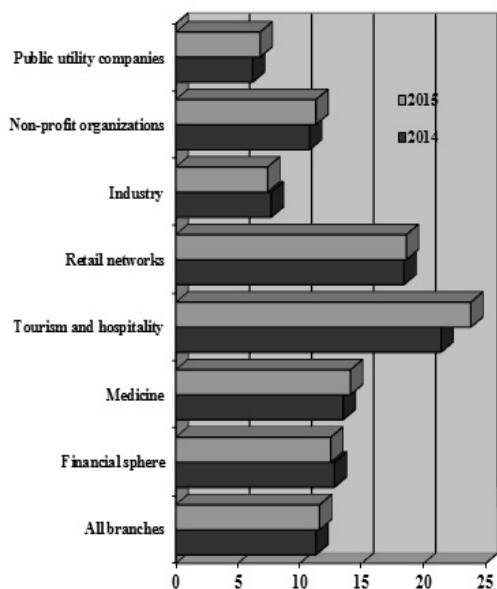


Figure 1 - Voluntary discharge (CompData Surveys)

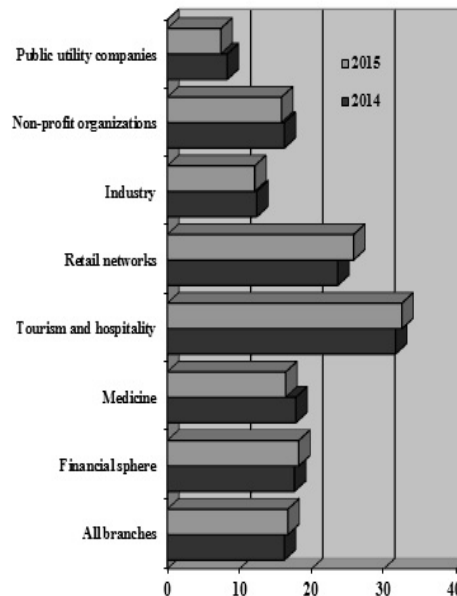


Figure 2 - General personnel turnover (CompData Surveys)

As is clearly shown in Fig. 1 and 2, the first place for turnover among service industries holds the industry of tourism and hospitality, and the second one – retail networks.

High staff turnover in the tourism and hospitality industry has brought about the crisis of productivity, which costs to the sector \$ 272 million per year. According to expert data, 1% increase in labour productivity can provide an additional \$ 1.43 billion of revenue in the year. At the same time, labour productivity in the tourism and hospitality industry per employee makes \$ 21,600 per year, in retail networks – \$ 46,000, and in the industrial sector – \$ 52,000 (Brien et al., 2015).

Antal International company experts in the course of their studies found out that employees of the tourism and hospitality industry leave their positions in search of more interesting work in 67% of cases, and in 65% of cases in search of a better work / life balance (Eisele et al., 2013).

In this context, of considerable interest is the gradation of the reasons of dismissals from hotel positions, established by Kelly Services, Inc., the world leader in providing solutions for personnel, as a result of their study of more than 4000 hotels in the USA and Europe (see Fig. 3).

So, in the first place - lack of career development, on the second - the difficulty with management and management of the hotel circuit and the third - too many standards and requirements for operation. This material component is only in seventh place.

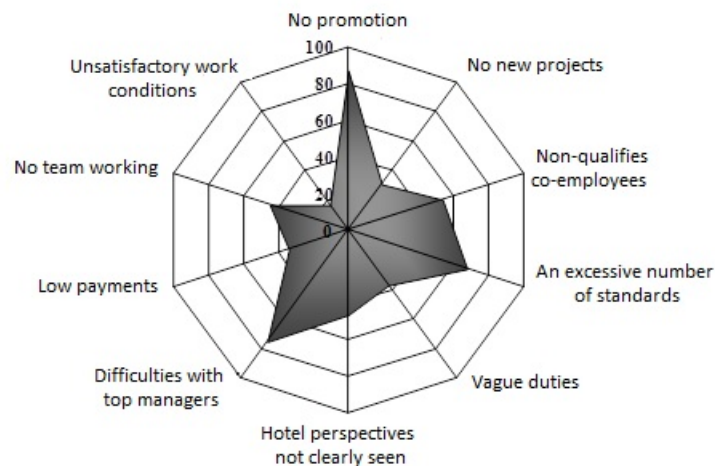


Figure 3 - Rating of the reasons of dismissals from hotel positions (% of the sample) (Kelly Services)

The generalization of the results of various investigations and surveys has enabled the author to formalize the reasons that account for the hospitality industry employees being not loyal to their work, and that led to their leave (the reasons are enumerated in a free list without regard to priority). Accordingly, these very reasons are the prime guidelines of motivational mechanism, which will allow its adjusting according to the needs, wishes and aspirations of the staff.

1. A significant level of bureaucracy or inadmissible tolerance in the company. There are often quite an excessive number of formulated rules that employees do not understand and do not accept. Once an employee disagrees overtly with these rules and gets disappointed with them, it is the direct reason for his rejection of further cooperation.

2. Lack of transparency. Employees should have the possibility to share their thoughts, concerns and suggestions with the company management.

3. Lack of accountability / responsibility. Good employees want to be responsible for their projects, for the results of their activities and, what is more important, they do not mind being guilty and suffer due punishment, in case of mistakes. Also, they do not object to the control of the management, they are ready to discuss conclusions and comments and listen to advices.

4. The lack of vision and prospects of the enterprise development. Employees need to see and understand where the company is moving, what is their future.

5. Inattention to the talents of employees, lack of appropriate projects that can ignite a passion for work. The head which has a team of talented employees and does not make use of their potential will soon be deprived of this opportunity. It is well known that talented people are driven by not money, but the opportunity to become a part of something huge, and when having such an opportunity, they can increase the cost and competitiveness of the enterprise many times.

6. Lack of discussion on career development. It is very important to conduct a dialogue face to face with an employee about his career path. When management takes part in the debate and demonstrates that there is space for promotion, employees tend to be more loyal to their work.

7. Irregular analysis of performance or its total lack. It entails irregular evaluation of quality and effectiveness of personal efforts, which consequently has a negative impact on remuneration, both material and moral.

In order to work out specific recommendations for overcoming the difficulties and forming a new concept of building motivation in this area, the next stage seems to be to explore the usual practice of motivating personnel in the tourism and hospitality industry.

World experience of personnel motivation in service industries (evidence for hotels)

Table 1 Provides an overview of motivational programmes for staff that are used in hotels around the world.

Table 1 - Motivational programmes for hotel staff

Country	The content of the motivational programme
USA	<ul style="list-style-type: none"> • discount card for hotel services; • payment of newly-employed workers and junior staff is at the level of the minimum wage, but there is an opportunity to earn an increase of 20 to 40 cents per hour due to the additional actions (Association International Hotels and Restaurants Associations); • high productivity entails a salary increase of up to 60% per year, depending on the personnel policy of each hotel; • hourly workers are entitled to receive quarterly bonuses if their performance exceeds the planned expectations; • middle and high managers are offered reduced-price medical care.
China	<ul style="list-style-type: none"> • employment contracts are concluded for a period of 3 to 5 years; • there is a possibility of promotion to senior manager in 6 years; • one extra payment of the salary every year; • two free medical examinations a year; • annual guided tour organized by the hotel for the best employees; • rewards such as extra credit programme for the outstanding employees; • regular training programmes aimed at improving skills and creating a sense of community in the team.
India	<ul style="list-style-type: none"> • a good salary; • promotion and growth; • an annual bonus; • employee discount cards; • partial payment for medical services; • on the results of the award; • discounts on medical care and life insurance; • competitions and team building exercises to bring together employees and encourage interaction. • at least 22 days of vacation.
England	<ul style="list-style-type: none"> • bonuses according to the performance; • discounts on medical care and life insurance; • competitions and team building exercise for bringing employees and encouraging interaction; • at least 22 days of vacation.

As is shown in Table 1, about 80% of motivational programmes for hotel staff in all the countries employ financial incentives, which, in fact, are external motivational factors. When comparing the

information contained in Table 1 and shown in Figure 3, it is easy to see the non-conformity of motivational programmes and expectations of the employees.

Practical recommendations for the formation of a new concept of building personnel motivation in service industries

In general, one can observe that external stimuli (material component) are used to compensate for repetitive tasks or those tasks that require additional motivation. Various studies have shown that money as an incentive works effectively on the short distance, and when a person reaches a certain level of comfort, the quality of his work deteriorates gradually. People work better when they feel an emotional or personal connection with the work, and when their aspirations and target settings coincide with the aims and objectives of the enterprise. These factors increase their motivation much better than money (Tabassi et al., 2012).

Of course, we do not suggest rejecting material incentives, but it seems that its role should be reconsidered, and compilation of monetary compensation programmes should take into account current market trends, aims of the personnel and the latest achievements of scientific thought. Besides, due attention must be paid to gender segregation of labour in service industries.

Thus the author holds that the programme of material motivation should be based on proven key performance indicators (KPI) of the enterprise, the choice of which, in turn, should be carried out with compliance with SMART principles.

KPI is an efficient tool that helps to coordinate harmonize the values of workers and the enterprise. KPI represent benchmarks for evaluating employees and, on the other hand, enables the employees to monitor the compliance with their own aims and achievement of goals (Mohsin et al., 2015). When developing a system of incentives based on the KPI, first of all it is necessary to identify the key performance indicators of the company and, on that basis, to formulate strategic goals and objectives with their subsequent transfer to the staff level.

Though a list and immediate content of the tangible rewards for staff accompanies each goal statement, for certain tasks it is difficult to determine and establish an objective and adequate remuneration for a particular employee. Therefore, there is no doubt that such objectives as "involvement of employees" or "fostering of future leadership qualities" require an additional, internal motivation.

On the evidence of retail networks, the correlation of KPI of a company and indicators of material staff stimulation is shown in Fig. 4.

Considering the system of non-material incentives in the modern concept of motivation for enterprises of tourism and hospitality industry and retailers, we note that, according to the author, it must be based on self-determination theory, which features three variable predictors – autonomy, competence and cohesion with the company. These variables allow employees to form internal incentives to work, to increase efficiency and to develop a wish to remain in the company for a long time, as well as to participate in its development. According to this theory, instead of being a source of motivation, the manager must help employees to find their own internal motivation.

Internal incentives suggest certain relieve of financial burden on the company, when compared with external incentives, which include bonuses, commissions, salary increase, etc. Expenses on these stimuli may exceed their feedback and lead to a yield decrease. Empirical observations and calculations show that job satisfaction in the service sector is but slightly correlated with material rewards.

Thus, basing on these results we can offer the quadrant of motivation types for tourism and hospitality companies and retail networks (Fig. 5).

If the employee likes what he is doing, then the combination of autonomy, competence (skills), or cohesion with the work and achievements of the company will encourage him to be active, and the efficiency and productivity of his work will be a result of his activity.

According to a survey carried out among the employees of Park Inn hotel network in 2014, the first place among the internal motivators shared recognition and growth opportunities (see Fig. 6).

The greatest effect is, of course, gives a combination of internal motivators, which excites the feelings that lead to effective customer service and efficient behaviour of employees.

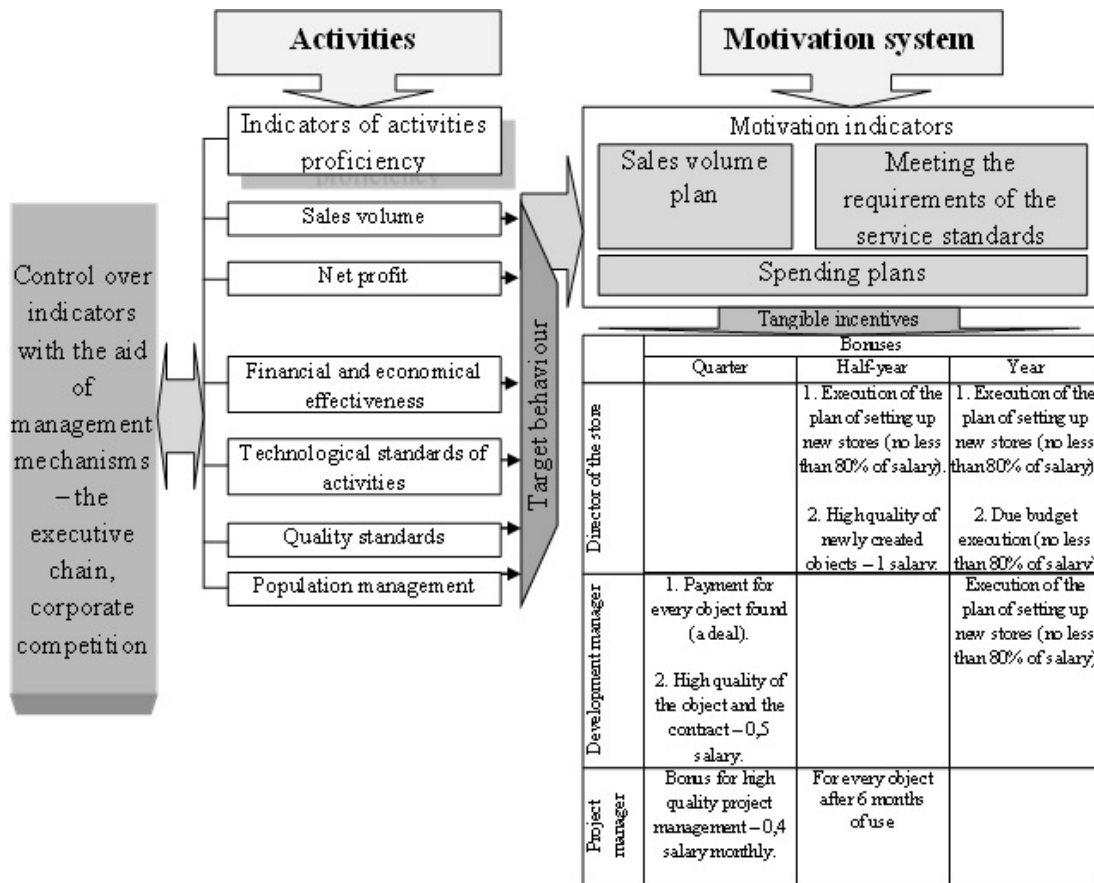


Figure 4 - Correlation of KPI of a company and indicators of material staff stimulation (Retail)

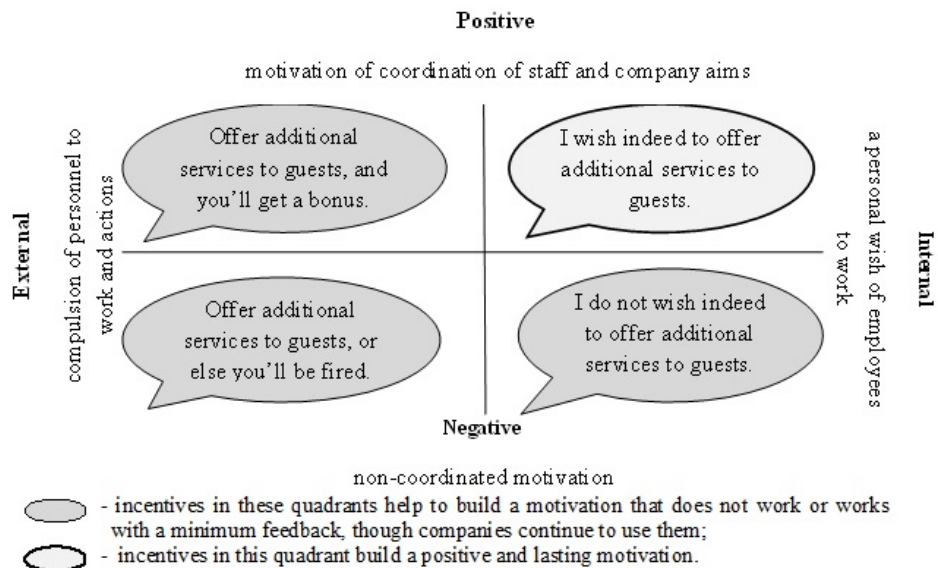


Figure 5 - Quadrant of incentives and motivations for tourism and hospitality companies and retail networks

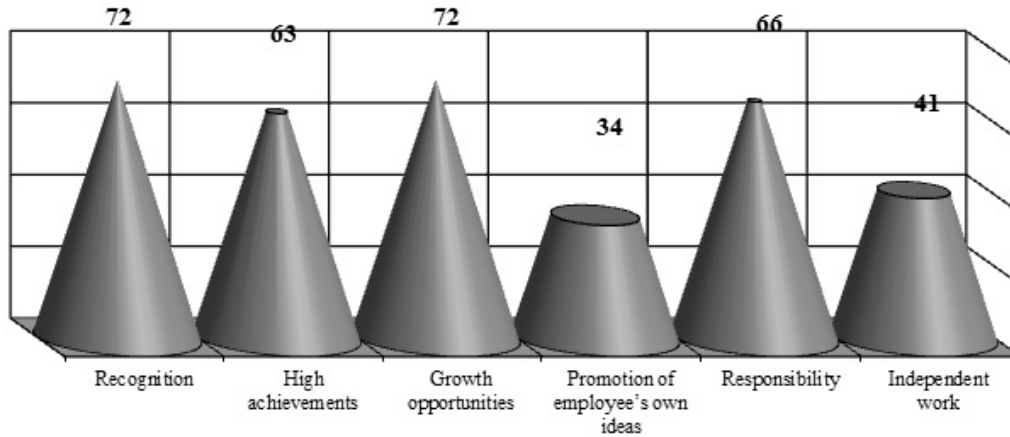


Figure 6 - Popularity of internal incentives in Park Inn hotel network (% of the sample) (Sampaio et al., 2014).

Basing on the concepts of self-determination theory, we suggest expanding variable predictors to service businesses, by adding self-efficacy, strength, emotions, mood, values, interest, utility, choice, persistence and effort to their number.

In this case, the model of internal motivation for service companies, in particular for those who work in the tourism and hospitality industry and trade, will look and work as follows (see Fig. 7).

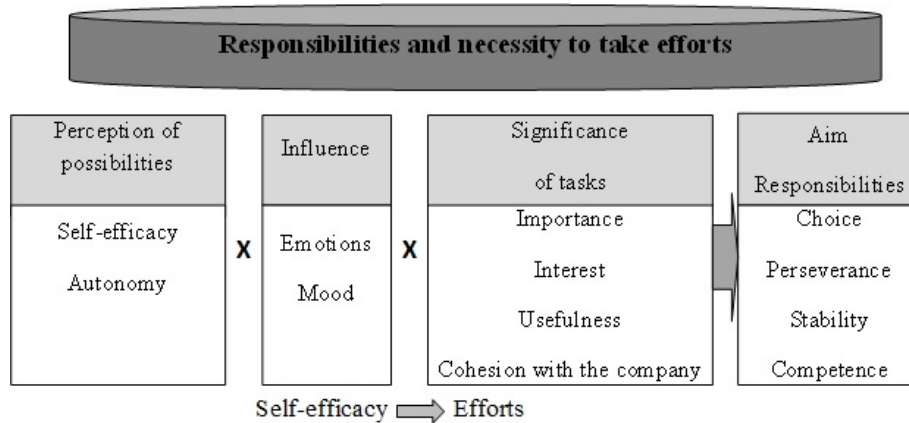


Figure 7 - Dynamics of performance of internal motivation model for service companies

This model demonstrates that a certain type of behaviour has a very different effect on the efficiency of the enterprise, achieved in various ways, and employers should take these differences into account in order to reduce turnover.

In addition, in order to effectively use internal incentives of employees as motivational factors, it would be reasonable for businesses to differentiate them, depending on the timing of implementation (see Table 2).

Table 2 - Classification of internal incentives as to terms of their implementation

Short-term incentives – “quick victories”	Long-term incentives – “long victories”
Competitions: <ul style="list-style-type: none"> • competitions between teams of employees/shifts/crews for goal achievement, e. g., the largest number of clients fin a week, the least number of complaints, the quickest service etc.; • rewards, e.g., gift cards, cinema tickets, free lunch etc. 	Offers for proficiency enhancement and change of profile E. g., training courses. They help employees to feel that their part in the company is not just doing everyday routine work. With the aid of the studies they can build their careers and increase their value for the company.
Social recognition:	Development of talents

<p>E. g., most effective worker of the month. The reward can take the form of a poster with a photo on a corporate stand, congratulations of a team gathering – bestowing a certificate, expressing gratitude.</p>	<ul style="list-style-type: none"> • structured education, theoretical and practical training for coping with new tasks; • creation of a reserve for switching employees to other tasks, when needed; in its turn, it makes them feel incorporated into the functioning of the company and performing of new tasks; • the personnel is conscious of the meaning of the performed tasks and commissions; • employees that are qualified for various jobs are aware of their possibilities of career promotion, which inspires them and lets them understand the sense of their work and work of the whole enterprise.
<p>Internal notices on vacant positions on the informational stand</p> <p>Such notices gives employees a possibility to consider different roles in the company that they might play, to shape their own sensations and aspirations, which encourages them to work harder and perfect themselves.</p>	<p>Flexibility that allows working in a series of company areas</p> <ul style="list-style-type: none"> - a possibility to work in various environments, with various clients and in the various areas; - skills improving, which makes the employees quick to adapt to the various groups of clients and their requests; - flexible work conditions, including proximity to home, university, school, if they are interested in studying new areas.
<p>Team building</p> <ul style="list-style-type: none"> - common monthly lunches; - New Year and Christmas parties; - monthly teambuilding events, such as picnics, film viewings, visits to clubs; - participation in group meetings etc. 	

Conclusions

The most complicated situation with personnel and their motivation in service industries is observed in the tourism and hospitality industry, as well as in retail networks.

Identification of the problems that arise in the process of motivation in service industries, helped to clarify the basic requirements for the modern concept of tangible and intangible rewards for work in service companies. A detailed analysis is given to the problems and factors causing the highest level of staff turnover, as a result of imperfect motivation programmes in the companies within tourism and hospitality industry, as well as in retail chains. A study of the positive experience of staff motivation in different hotels around the world was performed.

Basing on the findings, the article provides practical recommendations that help to overcome the difficulties and create a new concept of building motivation in this area. Special attention is paid to the motivational programmes of material incentives; particular emphasis is placed on internal motivation factors, their classification and model of their implementation are offered.

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