

# **The impact of tangible rewards on empowerment in the hotel sector**

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## **ABSTRACT**

The need to empower employees to respond in a timely and innovative manner to customer's requests and problems has been acknowledged as a source of competitive advantage by service managers. Hence, researchers and practitioners have proposed that empowered behaviour should be rewarded. However, research on the impact of tangible rewards on intrinsically motivated behaviour, such as empowered or discretionary behaviour, indicates that tangible rewards may not be effective. In light of the high financial and social costs of administering reward systems, it is important that service managers understand how tangible rewards impact on the behaviour of service employees.

This paper presents the findings of an exploratory study of the impact of tangible reward systems on employee empowerment and the discretionary behaviour of service employees. In-depth interviews, conducted with human resource managers in three five-star hotels, indicated that while management is keen to empower their employees to deal with guest's need and problems, they are uncertain about how to use rewards to encourage creative discretionary behaviour. Focus groups with staff from four departments of one major hotel indicated that the employees do feel empowered to satisfy guests, however while tangible rewards are appreciated, it is the praise and recognition received from guests, supervisors and peers that motivates them to 'go the extra mile'. Further, analysis of the focus group discussions indicated that managers who are rewarded and recognised are more likely to reward and recognise the efforts of their subordinates.

## **INTRODUCTION**

Many hotels have sought to gain a competitive advantage by empowering their employees to make timely decisions at the point of service (Bowen & Lawler 1995; Fulford & Enz 1995; Spreitzer 1995; Thompson 1989). Empowered employees are expected to use some level of discretion and creativity to arrive at innovative and satisfying solutions (Kelley 1993). In the hotel sector, various rewards are used to encourage high levels of customer service. However, little is known on how these rewards impact upon empowered or creative discretionary behaviour.

Research on the impact of rewards on behaviour is conflicting. There are two main schools of thought, namely, the cognitively-oriented school and the behaviourally-oriented school (Eisenberger & Cameron 1996). Cognitively-oriented researchers have found that rewards may have a *negative* impact on

important dimensions of empowerment and discretionary behaviour including self-determination, self-efficacy, and creativity (Amabile 1982; Deci & Ryan 1980). Conversely, behaviourists purport that a *positive* relationship exists between rewards and desirable behaviour (Skinner 1958).

The organisation may use a range of *extrinsic* rewards that emanate from sources external to the employee including both tangible (monetary and symbolic) and intangible (praise and positive feedback) rewards. In contrast, *intrinsic* rewards are inherent within the task, and thus are 'discovered' when an employee interacts with and masters their environment (Cziksztentmihalyi 1978). As management only really has any control over tangible rewards, this study is focused on monetary and symbolic rewards.

Reward systems are both costly and time-consuming to administer and implement, and thus managers need to carefully consider the consequences of using tangible rewards (Kohn 1993). Hence, this study was conducted to investigate the impact of rewards on empowerment, and to determine whether rewards can be used effectively to encourage service employees to exercise creative discretion during the service encounter. Thus, the research problem for this study is:

*What impact do tangible rewards have on service employees' perceptions of psychological empowerment and likelihood of exercising creative discretionary behaviour during the service encounter?*

This paper provides a theoretical framework for the study and presents the findings of preliminary discussions that were conducted with management and employees in the hotel sector. The research aims to measure employee' perceptions of empowerment, their discretionary behaviour, and their attitude towards rewards (figure 1).

**Figure 1. A model of the impact of tangible rewards on psychological empowerment and discretionary behaviour**



## PSYCHOLOGICAL EMPOWERMENT

In the organisational literature, empowerment has primarily been viewed as a *managerial technique* whereby managers delegate authority, power and responsibility to subordinates (Bowen & Lawler 1995; Conger & Kanungo 1988; Fulford & Enz 1995; Kanter 1988). However, sharing of power and delegating authority does not automatically mean that employees perceive themselves to be empowered (Conger & Kanungo 1988; Kelley 1993). Indeed, in the psychology literature, the underlying dimensions of empowerment, namely, power and control are considered to be *internal motivational states*.

Psychological empowerment has been defined by Thomas and Velthouse (1990) to be intrinsic motivation. Deci and Ryan (1980) proposed that intrinsic motivation arises from perceptions of self-efficacy and self-determination. Employee's perceptions of empowerment are proposed to be manifested by four cognitions, namely, self-determination, self-efficacy, meaning, and impact (Spreitzer 1996; Thomas & Velthouse 1990).

First, *self determination* refers to the employee's feeling of having autonomy in their job and involves a sense of choice in initiating and regulating work behaviours and processes (Deci, Connell & Ryan 1989; Fulford & Enz 1995). Hence, the self-determined employee views himself or herself to be a causal agent in which they originate and personally control their own behaviour, rather than being directed by external forces (deCharms 1968; Deci, Nezlek & Sheinman 1981; Deci & Ryan 1980). Second, *self efficacy* is a belief that one is capable of performing the task effectively (Conger & Kanungo 1988; Gist 1987). People will be motivated to engage in an activity, provided that: they believe that they have the necessary cognitive resources to successfully perform the task; there are alternative courses of action available to them; and they expect that they can perform the task efficaciously (Deci & Ryan 1980). Hence, employee empowerment or enablement '...implies creating conditions for heightened motivation for task accomplishment through the development of a strong sense of personal efficacy' (Conger & Kanungo 1988, p. 474).

Third, *meaning* refers to the congruence or fit between a person's own beliefs, values, goals and behaviours and the objectives of the task or activity one is performing (Hackman & Oldham 1980). Empowered employees consider their work to be important and care about what they do in their job (Spreitzer 1996). Finally, *impact* is the extent to which an employee believes that they can make a difference by influencing strategic, administrative and operating outcomes within an organisation (Spreitzer 1995; Thomas & Velthouse 1990). Impact or influence is also inextricably linked to perceptions of self-determination and self-efficacy (Ashforth 1989; Fulford & Enz 1995).

Hence, for this study, *psychological empowerment* was defined as the service employee's perception of being self-determined and self-efficacious when interacting with customers, having a meaningful job, and being able to have some impact on customer satisfaction and organisational outcomes.

## **CUSTOMER-DIRECTED DISCRETIONARY BEHAVIOUR**

Within the context of the service encounter, empowerment means allowing front-line employees to be innovative and creative in making decisions that affect customer service and satisfaction (Brymer 1991; Zemke & Schaaf 1989). Discretionary behaviour involves selecting or developing alternative means for performing a task and thus, arriving at effective solutions to service problems (Kelley, Longfellow & Malehorn 1996; Runco 1991; Woodman, Sawyer & Griffin 1993). Kelley (1993) has identified three types of discretionary behaviour that may occur during a service encounter: routine, creative and deviant discretion (box C in figure 1).

*Routine behaviour* during the service encounter involves selecting a solution or response to a customer request or problem from an established and available list of alternatives (Kelley 1993). This approach tends to lead to satisfactory rather than optimal solutions. In contrast, *creative discretion* involves the development of alternative solutions or responses to customer problems or requests (Amabile 1988; Johnson 1981). While the response may not be formally prescribed by the organisation, it is in line with organisational objectives, and thus viewed favourably by management (Kelley 1993). Conversely, a service employee is deemed to be exercising *deviant discretion* when they arrive at novel solutions that make the customer happy, but are not in line with organisational objectives, and thus viewed unfavourably by management (Kelley 1993; Thompson 1989; Zeithaml, Berry & Parasuraman 1988).

## **THE IMPACT OF REWARDS ON EMPOWERED OR DISCRETIONARY BEHAVIOUR**

In some service organisations, employees are encouraged and rewarded for being 'empowered', that is taking initiative and exercising their discretion (Schlesinger & Heskett 1991). However, there are divergent opinions on the impact of rewards on behaviour. Indeed, there are two main schools of thought on the impact of rewards. First, *behaviourally-oriented* researchers argue that rewards are positive reinforcers that strengthen desired behaviours and increase intrinsic motivation (Harackiewicz, Manderlink & Sansone 1984; McCullers 1978; Rosenfield, Folger & Adelman 1980; Skinner 1958).

Conversely, *cognitively-oriented* researchers argue that much of a person's behaviour cannot be explained by the desire to attain goals or rewards, but rather a desire to be involved in and complete the activity itself (Csikszentmihalyi 1978; Deci 1978). Hence, extrinsic rewards may cause a shift in the locus of causality from internal to external, and thus have a detrimental effect on intrinsic task motivation (Cameron & Pierce 1994; Deci & Porac 1978; Deci & Ryan 1980; Deci, Sheinman, Schwartz & Ryan 1981; Lepper & Greene 1978; Morgan 1984).

Moreover, the possibility of a reward may encourage the use of deviant rather than creative discretion, at the expense of broader organisational objectives (Kelley 1993). Indeed, deviant behaviour may be associated with external constraints, whereas compliant behaviour may be associated with minimal justification (Lepper & Greene 1978). Moreover, reward systems that reward low levels of *divergent thinking* may serve to encourage routine rather than creative discretionary behaviour (Eisenberger & Cameron 1996).

In summary, the literature reveals that tangible rewards may have either a negative, neutral or positive impact on employee behaviour. However, the impact of reward systems on psychological empowerment and customer-directed discretionary behaviours within the services context has not been examined.

## **RESEARCH METHODOLOGY**

The first stage of the exploratory phase of this study involved conducting one-hour, in-depth interviews with the human resource managers of three five-star hotels. The main purpose for interviewing management was to determine the extent to which they seek to empower their employees, and to identify the types of rewards used in their hotel. The managers were also asked to consider how effective these rewards were, and how they impacted upon employee empowerment.

The second stage of the exploratory phase involved conducting four focus group discussions with staff from four different sections or departments within one of the five-star hotels. Groups of five to eight staff from housekeeping, food and beverage, reception and reservations, and the sales and marketing department were involved in the discussions. One aim of the focus group discussions was to determine the extent to which staff in each department perceived themselves to be empowered when serving guests. Employees were also asked to identify and explain the various rewards used in the hotel and discuss their attitudes towards those rewards. In particular, they were asked to discuss how rewards influence their service behaviours.

Finally, the focus groups were used to explore pre-validated scales for measuring empowerment and discretionary behaviour in other contexts, to determine the relevance of those scales to the hotel sector, and to identify any modifications that may be required to reflect this research context. Spreitzer's (1995) scale for measuring psychological empowerment comprising the four key dimensions of empowerment (self-determination, self-efficacy, meaning, and impact) and Kelley's (1993) scale comprising routine, creative and deviant behaviour were explored.

## **RESULTS AND DISCUSSION**

**Interviews with management.** The interviews with the human resource managers revealed that hotel managers do seek to empower their employees within limits. All managers expressed the need for staff to be able to respond

to guest' requests and problems in a timely, innovative and cost-effective manner. However, they also discussed the need to limit the discretionary power of employees so that they would not go outside what is deemed reasonable in compensating a guest. Interestingly no set limits were set, rather it was determined that staff would know when to refer a matter to management, and when they could deal with the matter themselves.

While each of the three hotels had various rewards in place, managers did not seem at all sure how effective these rewards were, nor how they were perceived by their staff. In two of the three hotels, established rewards, such as 'employee of the month' appeared to have unofficially lapsed. In both cases, the stated reason was that the reward was based on staff being nominated by their departments and no nominations had been received. Indeed, it was apparent from the discussions that while management considered rewards to be important, the time and effort required to administer the reward meant that they became a low priority during busy periods.

**Focus groups with staff.** As discussed above, focus groups were conducted with staff from four different departments in one five-star hotel. Contrary to what was expected, staff from these four departments expressed very similar opinions on rewards and empowerment. Indeed, all of the groups indicated that they felt empowered when serving guests or clients. Likewise, all groups indicated that while monetary and symbolic rewards were 'nice', it is the satisfaction that they get from making a guest happy and 'doing a good job' that makes their jobs rewarding.

The discussions revealed that many employees were not aware of the full range of rewards being used by their hotel. Further, it appeared that some of the rewards held less relevance for some staff than others. For example, while housekeeping was most aware of a reward scheme that involved staff being given a small monetary reward ('max money') for outstanding service or coming in on their days off to help out, they were not sure whether the hotel's 'employee of the month' reward was still operating, and as they 'never won it anyway' it appeared to be quite irrelevant to them. Conversely, sales and management stated that, while eligible, they never received 'max money', and thus rewards for reaching sales targets were more motivating for them.

Regardless of the apparent confusion about the various rewards used by the hotel, all staff clearly indicated that appreciation shown by guests, and praise received from fellow workmates and supervisors was a more satisfying and motivating reward than any monetary or symbolic reward being offered by the hotel. Indeed one housekeeper who had been employed by the hotel for over ten years stated that the very best reward she had ever received was a comment from her supervisor, who upon inspecting a room that she had cleaned pronounced, 'Dianne, that is the best-made bed I have ever seen'. Another example was a sales executive, who stated that an email she had received from another team member congratulating her on her success with a contract and expressing appreciation for her hard work was more meaningful to her than the bonus she had received as a result of sealing the contract.

Nevertheless, monetary and symbolic rewards were seen by hotel employees to be the 'icing on the cake', and appeared to serve as an important mechanism for prompting managers to recognise and reward the efforts of their staff. However, it was the praise and appreciation that was conveyed with the tangible reward that was valued by employees, rather than the monetary or symbolic value of the reward. Finally, an interesting issue that was raised by the groups was that managers and supervisors who themselves were rewarded were more likely to reward those in their charge.

Finally, the focus group participants were asked to discuss the items in Spreitzer's (1995) and Kelley's (1993) scales for psychological empowerment and discretionary behaviour, respectively. The items appeared to be appropriate with only minor changes to the scales being required; the main change being to replace the term 'customer' with 'guest' to reflect the terminology used in the hotel sector.

## **LIMITATIONS AND FURTHER RESEARCH**

This stage of the study provided a better understanding of the research problem and research issues. However, the preliminary discussions were confined to three five-star hotels in Brisbane and the Sunshine Coast of Australia. The findings of this stage will be combined with the findings of the literature review to develop an instrument to measure perceptions of empowerment, discretionary behaviours, and attitudes toward reward systems of hotel employees on a nation-wide basis.

## **CONCLUSION**

In conclusion, a review of the literature reveals that employee empowerment as a means of gaining a competitive advantage has been adopted by the hotel sector. However, specific measures of employee empowerment or discretionary within the services sector have yet to be established. Further, in the light of conflicting viewpoints concerning the impact of rewards on behaviour, an investigation of the impact of tangible rewards on the service employees' perceptions of empowerment and their propensity to exercise their discretion in a creative manner during a service encounter is required. This paper presented the findings of a preliminary investigation into this research problem.

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