WORKING PAPER SERIES

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The Contingencies Abound

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February 2007

Abstract

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Introduction

In the majority of Western countries, services account for the largest share of gross domestic product and are a major source of employment (Dicken, 1998). A recent estimate states that in the United States, services-producing industries account for at least 67% of the GDP and over 80% of U.S. employment (McCahill & Moyer, 2002; Bureau of Labor Statistics, 2003). As an example, consider the restaurant piece of services in the U.S.: it has $420 billion in sales, accounts for 6.6 percent of economic activity, and has more than eleven and a half million workers (Day, 2003). In addition to customers in the U.S., the customers for whom these services are being produced are becoming increasingly multicultural. The volume of U.S. commercial services exports doubled during the period 1990-2002, totaling $292 billion by the year 2002, and accounting for over 4 million jobs in the U.S. (Bureau of Economic Analysis, 2003; Office of the US Trade Representative, 2003). Even within the domestic market, customers are becoming increasingly diverse: by the year 2050, less than 53% of the U.S. population will be Caucasian; 16% will be Black, 23% will be of Hispanic origin, 10% will be Asian and Pacific Islander, and 1% will be Native American (U.S. Census Bureau, 2001). In fact, after 2030, the Caucasian population will begin to decline in size while the minority ethnic populations will continue to grow at ever-faster rates.

Despite the rapid growth in the diversity of service consumers—both abroad and domestically—theoretical developments regarding this diversity in the service world have lagged far behind those that have characterized the world of manufacturing. With regard to international services, Knight (1999) conducted a review of the literature and concluded that there is an alarming paucity of research on international services management despite the importance of services in the global economy. A large proportion of the research that has been conducted on international services has focused on marketing issues rather than human resource management (HRM) issues. This means that little is known about the cross-cultural

applicability of service HRM theories, which have hitherto been developed and tested almost

exclusively within the West (mostly within the U.S. context). Similarly, there has been little

research on the HRM implications of the growing diversity of service consumers within the U.S.

domestic market. Again, much of the research focuses on the challenges associated with

simultaneously marketing services to a multicultural customer base, with little or no work

focusing on the implications of these challenges for HRM in service firms.

Thus, the purpose of our chapter is to introduce a preliminary discussion of the HRM

implications of both increased internationalization and domestic diversity for service firms. We

begin by presenting a brief synthesis of the services management literature that has been

established to date. Readers will note in the synthesis that a number of contingencies with

regard to HRM practices have already been introduced especially via definitions of what

constitutes service and the role of customers in service production and delivery. We then

discuss the potential cross-cultural applicability of these services management principles

abroad, and when doing so, we focus primarily on the aspects of services management theories

that are laden with Western cultural principles. Next, we discuss parallel challenges faced by

service firms as a result of increased diversity within the domestic marketplace and we conclude

with some thoughts about the necessity to more explicitly explore the contingent nature of HRM

practices.

Services Management, With a Focus on HRM

The world of services marketing is little more than 30 years old, and those of services

operations management (OM) and services HRM are perhaps 25 years old. The three together

are referred to generically as services management. A number of texts have appeared

integrating these three disciplines to gain increased understanding of service quality, especially

the delivery of service quality (see Lovelock, 2002; Zeithaml & Bitner, 2000). In addition there

are several excellent books, targeted on managers that integrate these three approaches

(Berry, 1995, 1997; Heskett, Sasser, & Schlesinger, 1997; Schneider & Bowen, 1995). All of

the books focus on the delivery of service quality; by this we mean that the focus has been more on the delivery of a service than on the attributes of the "core" service itself (e.g., the food at a restaurant, the clothing in a retail store, the safety of the rides at a theme park, and so forth). In addition, much of the services management literature has focused on consumer services rather than professional services such as law, medicine, or even higher education (for an exception see Maister, 1997). Below, we briefly highlight the major contributions from the three disciplines as they relate to HRM in service firms.

Marketing contributions. Marketing scientists have been the most active in pursuing the world of services, followed by operations management scholars and lastly HRM researchers. From marketing we have learned that service delivery and goods production, in the extreme, anchor opposite ends of several continua (see Zeithaml & Bitner, 2000; Schneider & Bowen, 1995): (1) relative intangibility, (2) relative customer participation in production, and (3) relative simultaneity of production and consumption. In brief, services tend to: (1) be less tangible (think of attending a Disney theme park as an extreme example where the service is purely the intangible experience), (2) more frequently involve the customer as a co-producer (think of going to the bank and using your ATM card), and (3) be more likely to be produced and consumed simultaneously (think of going to a concert or a restaurant).

In contrast, goods are more tangible (think of a computer or a car), require less active participation in their production (we do not produce our car or our computer), and less simultaneously produced and consumed (your car may have been made 6 months ago in a far away place). The implications of these characteristics of services for HRM have received very little formal attention (for exceptions see Bowen & Schneider, 1988; Lengnick-Hall, 1996; Mills, Chase, & Margulies, 1983).

In addition to the conceptual work accomplished in understanding service quality, marketing scholars have also been at the forefront of the design of measures for the assessment of customer perceptions of service quality (Parasuraman, Zeithaml, & Berry, 1994),

studying issues surrounding service recovery (Tax & Brown, 2000), and understanding the nature of the customer-firm relationship (Patterson & Ward, 2000). These and other topics are well-covered in Swartz and Iacobucci (2000). But not everyone agrees that services and goods are distinguishable and/or that the distinctions we draw are useful.

However, in an important paper, Bowen and Ford (2000) reviewed the literature to see if there were differences in the *management* of manufacturing and service organizations. That is, they proposed that if the kinds of continua for describing manufacturing and services enumerated earlier do exist then they should be reflected in the ways service organizations, compared to manufacturing organizations, function and are managed. In a very comprehensive review they showed that, among other things, the three continua noted earlier produce real differences in the ways organizations function and are managed. For example, they showed that because in service there is simultaneity in production and consumption, (1) the setting in which these occur is an important part of the total experience (Bitner, 1992), (2) employees are required to manage the customers they serve (Rafaeli, 1989), and (3) employees who are hired should have attributes that will promote customer satisfaction (Frei & McDaniel, 1998). Perhaps most centrally from an HRM vantage point, Bowen and Ford note that the emotional labor (Hocschild, 1979) required of employees in service production and delivery is a qualitative difference with important management implications for selection, training, and performance and stress management. Winsted (2000) for example, found that customers of service organizations expect employees to be civil and congenial as well as competent and that service providers who are proficient in all three are skilled at managing their emotions. She goes on to note that different kinds of service jobs require the management of different emotions; think funeral director versus Playboy bunny. It is the requirement of having to appropriately manage emotions that creates challenges for employees, and those challenges produce the stress that also requires management (Pugh, 2002; Tansik, 1990).

The Bowen and Ford (2000) paper is important because of the attention they pay to the

management implications of the differences between manufacturing and service production, including implications for the training (how to manage customers) and selection (the personal attributes required) of employees, as just noted. In addition, their review concerns itself also with the implications for the service production process itself, the domain of operations management.

Operations Management Contributions. From operations management, a major insight into the world of service production and delivery has been the idea that the presence of the customer makes the world of service production different from the world of goods production (Chase, 1981; Kellogg & Chase, 1995). In the production of goods, standardization, or the elimination of variability in production, is a given, or at least a goal to be achieved. In contrast, in the world of services, variability is something that must be managed since it cannot usually be eliminated, especially in the world of consumer services (Fitzimmons & Fitzimmons, 1994). The variability in service production is attributed to the different kinds of demands different customers make of service providers, thus yielding the very variability that the world of goods production works at eliminating; in the world of service production, the goal is to manage it (McLaughlin, 1996). Sometimes called the "customer contact model" (Chase, 1981), the implications of the variability customers introduce into service operations has received quite a lot of attention (Chase, Aquilano, & Jacobs, 1998). The implications for HRM of the presence of the customer and the variability in demand this presence may introduce have not received much attention at all, something we will discuss in later sections.

OM scholars have also been at the forefront in understanding (1) the importance of demand and capacity tradeoffs (Chase, Aquilano, & Jacobs, 1998), (2) the implications of waiting time in customer satisfaction (Taylor & Fullerton, 2000), and (3) the relationship between service processes and revenues (Schmenner, 1995). Indeed, this last issue has produced interesting models for calculating the likely payoffs in revenues associated with given proposed investments in improving service quality (Rust, Zahorik, & Keiningham, 1995). From an HRM

standpoint, this last point in particular deserves attention: What is the payoff in revenues for investments in such HRM practices as selection, training, and stress management (Schneider & White, 2004)? The models and methods for such utility analyses (Boudreau, 1991) exist but their application to the world of HRM investments in service organizations has been sparse.

HRM Contributions. Perhaps the major contribution HRM has made to understanding service quality and service delivery has been through a focus on those who deliver service. Thus, while marketing has focused on the customer and the attributes of service, and operations management has focused on delivery processes, HRM has logically focused on the human service deliverer. The major work accomplished in this arena is associated with Schneider and his colleagues (Schneider, Parkington, & Buxton, 1980; Schneider & Bowen, 1985; Schneider, White, & Paul, 1998; see Schneider & White, 2004, for a review) who have shown that employee experiences of the service climate in which they work significantly predict customer satisfaction. They and others have shown this "linkage effect" (Wiley, 1996) to be robust across industries as diverse as banks, insurance companies, supermarkets, automobile financing offices, retail, hotels, and restaurants (Heskett, Sasser, & Schlesinger, 1997; Schneider, Bowen, Ehrhart, & Holcombe, 2000).

In this long-term program of research, the facets of organizational life that constitute a service climate for employees have been fairly well-documented: a leadership focus on goals and planning for service, recognition and rewards for service excellence, internal support from others on whom service deliverers depend, adequate tools and equipment to deliver service quality, competent co-workers, and a sense that the service that is delivered is of the highest quality (Lytle, Hom, & Mokwa, 1998; Schneider et al., 1998; Schneider & White, 2004). This being true, the HRM implications are important for all those things in which HRM is involved: leadership, motivation, selection and training, and in general the creation of a climate that promotes effectiveness in service delivery (Schneider & Bowen, 1995).

Indeed, more specifically with regard to HRM practices in service settings, research

suggests the following as "high performance" work practices for service companies (Wright, Gardner, & Moynihan, 2003): a) for *selection and staffing*, the use of structured interviews, promotion opportunities for qualified employees, and formal selection tests; b) for *training*, at least 15 hours of formal training per year per employee; c) for *performance management*, the use of formal performance evaluations, merit-based pay raises, and opportunities to earn bonuses for individual performance; and d) in terms of worker *participation*, inclusion of employees in participation processes such as quality improvement and problem solving groups, and the provision of fair complaint/grievance processes (Wright, Gardner, & Moynihan, 2003). In their study involving a food service company within the U.S., Wright and his colleagues found that business units that employed these "high performance" work practices were characterized by higher employee commitment and higher organizational performance in terms of both service quality and profits. It may be usefully concluded, then, that there is a set of HRM practices and a set of general management practices focused on service quality that link fairly directly to customer satisfaction.

However, there is also some evidence that the very same set of HRM practices may be differentially associated with customer satisfaction depending on the management goals to which employees attribute HRM practices. More specifically, Nishii (2003) found that in departments of a service firm in which employees attributed the goal of HRM practices to service quality (as opposed to other goals such as cost reduction or legal compliance), customers reported higher levels of satisfaction. Her findings suggest that not only is it advantageous for service firms to adopt specific service quality-focused HRM practices, as stated earlier, but they should also engage in communication practices that lead their employees to accurately perceive that the firm's HRM practices are designed with the explicit goal of service quality in mind.

While these kinds of linkage results appear to be robust across setting and industries (Wiley & Brooks, 2000), these findings have yet to yield significant research programs in the

way of contingency models or frameworks that explore service climate antecedents and consequences that would further aid our understanding of the complex management issues confronting service organizations. On the issue of boundary conditions, for example, Gittell (2002) proposed that the stronger the relationships among service providers in interdependent and time-constrained service delivery roles, the more satisfied customers would be. She tested this proposal in a hospital setting with data from care providers and patients and found that provider-provider relationships positively influenced provider-patient relationships that, in turn, positively related to patient satisfaction. Schneider, Salvaggio, and Subirats (2002) hypothesized that the stronger the climate in which employees work the stronger the relationship would be between employee reports and customer satisfaction. On a sample of bank branch employees and customers they showed that when there is a strong climate (employees agree more rather than less on the climate), customers report higher levels of satisfaction and there is less variability in those customer reports. In a conceptual piece that has received considerable attention, Bowen and Lawler (1992) presented the argument that employee empowerment may be useful in the service sector but particularly when the service to be delivered offers increased opportunities for discretion on the part of employees, is a more customized service, and employees have higher skill sets. Hartline and Ferrell (1996) found mixed support for these ideas with empowerment producing some positive (self-efficacy) and some negative (role conflict) consequences; obviously more research is needed.

In the arena of service climate antecedents and consequences, there has also begun to emerge beginnings of potentially useful research programs. For example, Hartline and Ferrell (1996) proposed and found that manager emphasis on service quality has long-term (indirect) consequences for customer satisfaction—what the leader does is not immediately reflected in what the customer experiences. Schneider, Ehrhart, Mayer, and Saltz (2003) have revealed similar findings and, in addition, they showed that service climate is mediated by service provider citizenship behavior in its relationship to customer satisfaction. In a neat twist on the

findings with regard to citizenship behavior, Hui, Lam, and Schaubroeck (2001) showed in a field quasi experiment of bank branches that in branches where good citizens are trained to be service quality leaders, those branches will have higher levels of customer satisfaction. Finally, Schneider, White and Paul (1998) and Rogg, Schmidt, Shull, and Schmitt (2001) have shown that the HRM practices of small businesses (bank branches for Schneider et al. and auto dealerships for Rogg et al.) are mediated by climate in their relationship to customer satisfaction.

Within the general field of HRM itself, however, the implications of being in a service business have not received much attention. Some will argue with this statement, noting that HRM has become far more strategic in the past ten years than it was earlier. While this statement is true, strategic human resources management (SHRM) has focused more on the contributions of HRM to overall organizational goals (organizational performance) than it has on the implications of specific strategic initiatives of a firm for how HRM should be carried out. For example, while there has been some attention to speculating about the specific HRM tactics associated with Porter's (1980) generic organizational strategies (Wright & Snell, 1991), there has been little attempt to link specific service strategies with the HRM practices that would facilitate goal accomplishment. In fact, SHRM has developed with a focus on internal capabilities (the resource-based view of the firm; Wright, Dunford, & Snell, 2001) and not on the external demands on the firm (i.e., in the form of customers) nor on the kind of industry in which the firm operates. By this we mean that SHRM seems to focus more on attempting to identify and unleash the generic internal human capabilities of the firm than on identifying the specific strategic goals of the firm in its industry and the implications of those goals and the industry for the development and implementation of HRM tactics.

Our impression is that the key to understanding the strategic value of HRM for service business performance is to identify contingencies—boundary conditions—that specify the nature or form of the relationships between HRM practices and organizational outcomes like

customer satisfaction. For example, following from operations management one might ask the

question about the HRM implications of the firm being a high customer contact service

business. Earlier we noted that Bowen and Ford (2002) have worked through some of these

implications but their work stands in relative isolation.   Following Bowen and Ford's lead, one

kind of thinking and research might concern the linkage of climate to customer satisfaction as a

function of the degree of customer contact that characterizes firms. Dietz, Pugh, and Wiley

(2003) conducted a study that is the closest we have found to this issue. They found, in a study

of 160 bank branches, that frequency of customer contact moderates the relationship between

climate and customer satisfaction. In their study they operationalized customer contact in terms

of customer reports of the frequency with which they visited the branch, and found that the

relationship between climate and customer satisfaction was significantly stronger in branches

that were characterized as high contact branches. A similar logic to the Dietz et al. approach

might be used to conceptualize the way intangibility might function as a moderator of this

relationship; in other words, that service climate is more important for customer satisfaction

under pure service (intangible) conditions. Of course, involving the customer in production has

implications not only for HRM or employees but for the HRM of customers, too, especially with

regard to training (Bowen, Schneider, & Kim, 2000).

Following from the marketing logic, Schneider (1994) has conceptualized SHRM in

service businesses to be a function of the market segmentation of the firm in terms of their

strategic emphasis. In his view, service firms can segment their market in ways that define

three major strategies: tender loving care (TLC), and/or speed, and/or customization. In the

TLC environment a focus is on pleasing the customer through personal attention and

relationship considerations; speed focuses on quickness and responsiveness; and,

customization focuses on the quality of the service (both the core service and delivery) as

tailored to individual customer needs and expectations. Schneider argues that the more the

HRM tactics of a firm promote (through leadership, training, selection, reward systems,

performance appraisal) accomplishment of the service strategy the more successful the firm will be in terms of customer satisfaction. Chung (1996) has found some support for this hypothesis, and Batt (2000) has also shown similar findings. Batt proposed that firms can segment their markets but that they must do that segmentation in ways that match the skills of employees and the HRM system that shapes the relationship between employees and customers. She studied 350 call centers and showed that as the relationship between callers and service representatives was strategically closer and more important the more likely it was for the organizations to use high involvement work practices.

Lovelock (2000) has been a leading proponent of this kind of cross-disciple thinking to define strategy in service organizations. He has summarized his perspective by noting the cross-implications for each of marketing, OM, and HRM imperatives. For example, he notes that marketing sets the goal and the market, and then OM must design tactics to meet customer expectations for cost, schedule and quality, and also continually reduce costs and improve productivity, while HRM must hire, train, and pay employees in ways that achieve both operational effectiveness and customer satisfaction. The implications for the one on the other are neither well understood nor well studied.

Summary. In a few pages we have tried to provide the reader with a "feel" for services management, especially the role of HRM in services management. But a unique feature of services management is the growing awareness of the dependencies across the various subdisciplines of services management. Of special interest to us was the role of OM and marketing to help begin to define some of the contingencies for HRM practice, i.e., to define the fact that HRM is not generically good or bad, but that it depends. It depends on a number of boundary conditions, particularly the level of intangibility of the service, customer participation in production, and simultaneity in production and consumption, as well as market segmentation and variability in customer demands.

This last boundary condition—variability in customer demands—is a boundary condition

that is posing a more significant challenge to service firms in this era of increased globalization and demographic diversity, and about which the editors have asked that we extend our discussion of the world of HRM in services. The reader will see that we can begin to conceptualize such implications by appeal to concepts not only from the immediate world of HRM practices but principles from other disciplines relevant to service as well. Our approach here will be to borrow concepts from cross-cultural psychology and from the organizational diversity literature to extend the range of ideas that begin to yield some potentially new and interesting insights into service issues in an international and diverse world.

Reinventing HRM in Services: Contingencies Posed by Internationalization

Given the emphasis we have placed on boundary conditions in understanding HRM and service, it is important to recognize that not all services are the same and thus services are not similarly affected by cultural context. The extent to which globalization affects services depends on the processes involved in creating and delivering the service (Lovelock, 1999). There are a variety of types of international services, ranging from services that require contact between service providers and customers (theme parks, retail), to those that do not (e.g., communication services delivered via radio, television or satellite; Clark & Rajaratnam, 1999). Of particular interest in the current paper are high- contact intangible services, as they are both produced for and delivered to customers face-to-face. The question we pose is the degree to which a service firm operating in one country can manage its foreign subsidiaries in ways that mirror the parent country's management style and still deliver quality service. As we will show, the answer is typically "no," although the extent to which a firm's HRM practices need to be adapted to foreign cultural contexts will depend on the degree of cultural distance between the parent and foreign countries.

The extent to which a firm's HRM practices are adapted to foreign cultural contexts will also depend on its stage of international growth (Dowling, Welch, & Schuler, 1999). In the early ethnocentric stage of development, companies offer their products/services only in the domestic

market. As overseas demand for the products/services increases, firms tend to begin to export

them without altering them for foreign consumption. However, as foreign markets become a

more important or substantial contributor to business success and companies enter the multi-

domestic phase of development, they establish foreign subsidiaries and start becoming more

sensitive to cultural differences. In the beginning, companies may focus on transplanting the

ways of headquarters within their foreign locations and may wrongly assume the transferability

of HRM practices without recognizing that their HRM practices reflect assumptions and values

from the home culture. With time, companies recognize that there may be different but equally

or more effective ways to manage the foreign subsidiaries and they no longer expect foreign

subsidiaries to adopt the ways of headquarters. Thus, HRM activities become adapted to each

country's cultural requirements. Ultimately, as companies establish worldwide businesses and

become transnational, they begin striving for some consistency in their ways of managing

employees worldwide in order to satisfy pressures for coordination, efficiency, and/or internal

equity.

Indeed, there has been some discussion around the potential benefits of developing

global HRM practices that are consistent around the world. However, much like our earlier

claim that the market segment for which a firm's services are tailored influences the HRM

practices that will be effective—and that therefore there is no one-size-fits-all solution to HRM in

services—we contend that there is no such thing as a one-size-fits-all global solution to

international HRM for service companies. At most it might be possible to establish worldwide

goals for HRM, but the means through which those HRM objectives are achieved in practice will

largely depend on the cultural context of each subsidiary—again always with the understanding

that the closeness of the subsidiary to the parent culture is an important boundary condition.

In highlighting aspects of services management that are particularly Western-specific,

we focus our discussion on the management and boundary tiers of service firms (Schneider &

Bowen, 1995) as they represent the clearest implications for HRM. With regard to the

management tier, we discuss previous research which suggests that the effectiveness of the

HRM practices introduced by management can be culturally contingent. As for the boundary

tier, where employees meet customers, we focus our discussion on the nature of job design,

particularly with regard to issues involving employee empowerment and autonomy as a means

of delivering quality service (Bowen & Lawler, 1992), as well as the potential negative influence

of role conflict and ambiguity (Bowen & Ford, 2002; Hartline & Ferrell, 1996; Tansik, 1991). The

third tier of service organizations according to Schneider and Bowen (1995) is the customer tier.

It is relevant to our discussion in so far as differential customer demands for services across

cultures necessitate concomitant differences in the HRM strategies required to satisfy them.

Our primary goal is to illustrate the ways in which the science of services management may be

laden with Western assumptions that may not be appropriate in other cultural contexts, and in

doing so, highlight potential areas for future research.

Management Tier

Although little attention has been paid to the influence of globalization on HRM in the

services area, research on international HRM, more generally, has expanded within the last

decade (e.g. Erez & Earley, 1993; Earley & Erez, 1997; Hofstede, 2002; House, Javidan,

Dorfman, & Gupta, in press). This research has illustrated that the content and effectiveness of

HRM practices tend to vary across cultures. This implies that the HRM practices which have

been identified as best practices for services management within the western literature may not

necessarily be as effective in other cultural contexts, although the extent to which this is true will

depend on both the foreign cultural context and the specific HR practices of interest.

Most likely, the overarching notion that service firms will be most effective in motivating

their employees to serve customers well by serving the employees themselves well is a

universally sound guiding principle. However, the HR practices that are associated with high

employee capability and commitment will likely vary. As noted earlier, within the U.S., research

has identified HRM (Wright et al., 2003) and management (Schneider et al., 1998) practices

focused on service quality that appear to be robustly related to customer satisfaction. The

question naturally is whether and to what extent these management and HRM practices would

be consistent with local norms in other cultural contexts, and/or be similarly associated with

enhanced employee commitment and performance in other cultural contexts. Before reviewing

some research which suggests that the answer to both of these questions may often be "no," it

is important to briefly describe the major dimensions of cultural variation.

Based on the pioneering work of Hofstede (1984), there are five dimensions of cultural

variation that have received the most research attention. They include: (1) individualism-

collectivism, which differentiates between cultures in which an individual's personal attributes

and uniqueness are central to identity, from those in which an individual's relationships with and

obligations to others are the focus of identity, respectively (Gelfand, Bhawuk, Nishii, & Bechtold,

2004); (2) power distance, which describes the extent to which ascribed hierarchy and social

status are accepted and expected in society (Carl, Gupta, & Javidan, 2004); (3) uncertainty

avoidance, which refers to the degree to which individuals in a culture experience stress and

anxiety in the face of uncertainty and therefore engage in efforts to enhance predictability within

their environments (De Luque, Javidan, & Aditya, 2004); (4) masculinity/femininity, which refers

to the extent to which the dominant values in society are masculine (e.g., assertiveness,

acquisition of money and things) versus feminine (e.g., nurturing, caring for others), and there is

inequality between the sexes (Emrich, Denmark, & Den Hartog, 2004); and (5) future or long-

term orientation, which describes the extent to which people in a culture live and plan for the

future as opposed to the present (Ashkanasy, Gupta, Mayfield, & Trevor-Roberts, 2004).

Returning now to the question of whether HRM "best practices" might be culture-specific

or universal, we maintain that service-related HRM practices are often not generalizable across

cultures because: (1) the bases for human cognition, emotion, and motivation are culturally

dependent and thus the HRM practices required to effectively guide and motivate employee

behavior will necessarily also be culturally dependent (Aycan, Kanungo, & Sinha, 1999); and (2)

customer expectations and perceptions of service quality can differ across cultures and therefore the HRM practices required to elicit the differential boundary employee behaviors required for delivering quality service will also differ. With regard to customer expectations, ample research within the marketing literature has established that there is no such thing as a culture-general service for contact-based services that require a high degree of contact between boundary employees and customers (e.g., Kim & Jin, 2002; Lee & Ulgado, 1997; Mattila, 1999). The degree of cultural customization that is necessary will increase as a function of the cultural distance between the home and local cultures, the amount of contact required, the complexity of the service involved, and the degree of certainty regarding the service outcome (Riddle, 1992).

The degree of cultural distance between the home and local cultures is important because the relative importance of service quality dimensions is dependent on customers' values and beliefs—which are intricately related to customers' cultural backgrounds. Thus customers from different cultures can be expected to hold different expectations for the same service (e.g., Donthu & Yoo, 1998) and/or attach different weights to different service quality criteria (Liu & Sudharshan, 2000; Mattila, 1999). As a result, they form different perceptions of service quality in the face of the same service stimuli. Recognizing these cultural differences is the first step in defining and being able to provide service quality (Akan, 1995); it provides useful information to service companies in terms of how they should design their HRM practices and direct their employees in different cultural settings (Furrer, Liu & Sudharshan, 2000; Riddle, 1992). As they stand, U.S.-based service management philosophies may only be effective in cultures that share similar cultural characteristics (i.e., are individualistic, low in power distance and uncertainty avoidance, and moderate in masculinity and future orientation). Otherwise, the types of employee behaviors that U.S.-based management practices elicit, such as employee discretion and friendliness, may be a reason for failure in cultural contexts that value, instead, standardized and formal employee behavior.

However, even if the service expectations of customers were the same across

cultures—and research suggests that they often are not—differential HRM practices would often be necessary to satisfy those customer expectations because of cultural differences in human cognition, emotion, motivation, and behavior (Erez & Earley, 1993). To be more specific, in what follows, we take several HRM management practices and discuss research that attests to their culture-bound nature in an effort to show that national culture is an important boundary condition for HRM in service.

Selection. Recent research involving firms from 20 countries showed that the cultural dimension of uncertainty avoidance accounts for considerable variance in selection practices (Ryan, McFarland, Baron, & Page, 1999). Ryan and her colleagues (1999) found that firms in countries that are high in uncertainty avoidance tend to use more selection tests (number and frequency), conduct structured interviews, and audit selection processes to ensure that they are working as planned.

Although recent research suggests that the U.S. is only moderately high on uncertainty avoidance (GLOBE, in press), the selection practices that Ryan and her colleagues found (1999) to be associated with higher uncertainty avoidance are consistent with the selection "best practices" that tend to be adopted in the U.S. (e.g., Wright et al., 2003). These selection practices reflect the American belief that selection tests are critical for predicting future performance and making fair employment decisions, and that hiring decisions should be based on rational calculations of compatibility between an applicant and a specific job (Ramamoorthy & Carroll, 1998). However, in some cultural contexts such as Italy, France, Sweden, and Portugal, selection tests are avoided because their use in selection is perceived as an invasion of privacy and/or as a barrier to the holistic representation of oneself (Aycan & Gelfand, in press; Shackleton & Newell, 1997; Sparrow & Hiltrop, 1994). Some tests, such as personality tests, may need to be adapted before use in other cultural contexts. For example, personality tests may need to be contextualized before use in collectivistic cultures since people's personality traits are context-dependent, rather than context-independent and generalizable

across situations as they are perhaps more likely to be in individualistic cultures (Markus &

Kitayama, 1991).

Indeed, the very idea that one's job-related KSAs (knowledge, skills, and abilities) should

form the basis of employment decisions is more consistent with individualistic ideals than it is of

collectivistic ideals. In individualistic cultures, where people are independent of others and

behavior is based on one's internal traits, a measure of people's internal KSAs may be an

appropriate and valid predictor of future job performance (Gelfand, Bhawuk, Nishii, & Bechtold,

2004). However, in collectivistic cultures where group membership is the central aspect of

one's identity and behavior is based on one's social obligations to and relationships with others,

one's social background, duties, and obligations are central in employment decisions

(Ramamoorthy & Carroll, 1998). In Japan, selection decisions are based on shared university

affiliation, as the belief is that people who are part of a shared social network are more likely to

"fit in" and be loyal to the organization (Wasti, 2000; Yoshimura & Anderson, 1997). Similarly,

staffing decisions in other Confucian countries, which are high in collectivism and power

distance, tend to be based more on one's ascribed status and socio-political connections than

individual merit and credentials (Budhwar & Khatri, 2001). Firms also tend to prefer internal

recruitment and promotions to external recruitment in order to reward employees for their loyalty

to the firm. In addition, they also prefer to hire generalists rather than specialists; thus specific

job descriptions do not play a part in the selection process (Begin, 1997). The preference for

hiring generalists may also account for the use of interpersonal selection criteria rather than

individual, KSA-related criteria. In sum, in some cultural contexts, U.S. service firms may face

local pressures to adapt their selection practices to fit local cultural beliefs.

Training. When it comes to training, it is hard to deny that investments in employee

training are likely to be perceived as "high performance" practices across cultural contexts,

although compared to many other countries such as Japan and Germany, American companies

offer considerably less formal training to their employees (Begin, 1997). A relative lack of

investment in employee training may be related to the U.S. emphasis on external numerical flexibility, or the ability to hire and fire employees at will in order to respond to fluctuations in the marketplace, for if companies do not offer employment security there is little in the way of ensuring that their investments in employee development won't be lost when employees leave the company (Begin, 1997). It may also be true that U.S. companies, operating in an individualistic culture, place more emphasis on individual striving and individual initiative to discover the knowledge and develop the skills required for job performance. Yet to be competitive in other contexts, U.S. firms may need to offer more training and in different formats such as group-based training or apprenticeship programs.

More notable cultural differences may have to do with the content and delivery of training rather than its duration. As for content, there is some research to suggest that self-focused training has a larger impact on trainee self-efficacy and performance than group-focused training in individualistic cultures, but that the opposite is true for individuals in collectivistic cultures (Earley, 1984). While the focus of training is likely to be job-specific and skills-based in individualistic and low uncertainty avoidance contexts, training will likely focus more heavily on organizational rules and policies in high uncertainty avoidance contexts in order to enhance predictability, and on building collective organizational identity in collectivistic cultures (De Luque et al., 2004; Gelfand et al., 2003).

In terms of delivery, there are some differences between high and low power distance cultures. In high power distance cultures, it is important for the instructor to be a rather imposing person with an impressive list of credentials in order to be perceived as credible (Filipczak, 1997). In addition, high-level managers are preferred over external consultants as trainers, and participative and casual training formats tend to be less effective than highly formal and structured ones (Filipczak, 1997; Wright, et al., 2002). Finally, in highly masculine cultures, trainees may respond more positively to a male instructor than to a female instructor (Filipczak, 1997).

Performance Management. With regard to performance management, the largest cultural differences may arise as a function of individualism-collectivism. Within western contexts, performance management practices tend to focus on the individual employee, with pay and incentive systems being tied to individual performance (e.g., Wright, et al., 2003). However, in collectivistic cultures, it is much more common for performance management to be focused on the group rather than the individual. For example, Earley (1993) found that while the performance of individuals in individualistic cultures is higher when they work alone rather than when they work in a group, the opposite was true for individuals in collectivistic cultures. Thus, formal appraisal systems that are focused on individual performance, coupled with individual-focused reward systems, tend not to be used as much in collectivistic contexts (Ramamoorthy & Carroll, 1998; Triandis & Bhawuk, 1997). Furthermore, promotions decisions in collectivistic, high power-distance contexts tend to be based more on seniority than on merit (Ramamoorthy & Carroll, 1998). Imported HR practices that strive to promote employees based on merit regardless of seniority can be met with great opposition in Confucian cultures in which elders would lose face when placed under the supervision of more junior individuals; similarly, those in junior positions might feel that they lack credibility to be in the more senior position (Harrison, McKinnon, Wu, & Chow, 2000).

More fundamentally, the very notion of "effective" performance is culture-bound. In individualistic cultures such as the U.S., evaluation criteria are objective, quantifiable, and observable, and they focus primarily on employee productivity (Harris & Moran, 1996. In contrast, performance evaluation in collectivistic cultures focuses more on social and relational criteria such as awareness of duties and obligations, willingness to work hard for the group, ability to maintain harmonious relationships, and conformity (Aycan & Gelfand, in press; Gelfand et al., 2004). While U.S. laws protect employees from being evaluated on their character traits rather than what they do, in many Asian firms employees are judged on their integrity, loyalty, and morality. In other words, performance appraisal can at times be at odds with the cultural

emphasis that is placed on character appraisal (Gelfand et al., 2004). Individualism-collectivism is not the only cultural dimension with implications for the way that "effective" performance is defined. The masculine emphasis on being assertive, achievement-oriented, and proactive that is common in the U.S., for example, may be less appropriate in feminine cultures.

As for methods of evaluation, 360-degree evaluation methods, which are popular in low power distance and individualistic cultures such as the U.S., tend not to be as effective in high power distance or collectivistic cultures. To begin with, it is inappropriate for subordinates to evaluate their superiors in high power distance cultures, as it undermines the supervisors' authority (Gregersen, Hite, & Black, 1996). In collectivistic cultures, 360 is ineffective because individuals are likely to provide team members with consistently high evaluations as a result of both in-group-bias and a desire to maintain group harmony (Bjorkman & Lu, 1999). Individuals tend to also be inaccurate (and reluctant) judges of their own behavior because of tendencies toward self-effacement biases (Wiersman & Van der Berg, 1991; Markus & Kitayama, 1991). Finally, there is also a tendency to avoid performance appraisals so as not to damage social face and harmony. Rather, there is a tendency in collectivistic cultures to be indirect in nature, as individuals strive to maintain harmony and social face; thus, feedback is usually delivered in indirect, subtle, and non-confrontational ways, thereby making formalized face-to-face feedback sessions unlikely and ineffective (Fletcher & Perry, 2001; Laurent, 1986).

Other methods of performance appraisal, such as management by objectives (MBO) may be similarly less appropriate in other contexts. MBO practices assume that employees have control over their environment and can achieve goals, performance can be objectively measured, and that managers and their subordinates can engage in open dialogue about objectives. Yet the idea of mutually established objectives can be ineffective in high power distance contexts such as France in which managers feel they have little control over the goals they are asked to achieve, and two-way dialogues with the boss seem untenable (Schneider, 2003). In sum, multinational service companies have to caution against relying on the same

performance criteria and methods for performance appraisals that are used in the parent country.

Empowerment/Participation. Worker participation practices may also need to be adapted in order to be culturally appropriate in other contexts. In high power distance cultures, for example, managers adopt a more authoritative role with their subordinates than is true in low power distance cultures such as the U.S. As a result, empowerment practices aimed at shifting responsibility from the manager to the subordinate can undermine the credibility of managers in high PD cultures, who are expected to have all the answers and make decisions on behalf of their subordinates (Mendonca & Kanungo, 1996). In order to be effective, empowerment efforts likely have to be combined with increased feedback from supervisors in order to be effective, as supervisory feedback is a more critical ingredient for effective performance in high as compared to low power distance cultures (Earley & Stubblebine, 1989). More extensive supervisory feedback is also important for the performance of individuals in high uncertainty avoidance cultures, who rely on such feedback to reduce risk and uncertainty (Earley & Stubblebine, 1989). In fact, the constant need for enhancing predictability in high uncertainty avoidance cultures suggests that efforts to increase employee autonomy and formalized annual performance reviews (as compared to constant informal feedback) may both be unrealistic and ineffective methods of managing performance in such cultures.

Leadership. In addition to the challenges associated with these traditional HRM practices, there are also important HRM implications with regard to the role of leadership and rewards (for service excellence) in the creation of a service climate that promotes the delivery of service quality (Schneider & Bowen, 1995). First, with regard to leadership, substantial research has documented the culturally-contingent nature of leadership. In the most comprehensive study on the topic, project GLOBE researchers across 62 countries found that while there are some leadership behaviors and traits that are universally associated with in-/effective leadership, there are also numerous leadership characteristics that are considered

effective in some cultures but ineffective in others (House, Hanges, Javidan, Dorfman, & Gupta, 2004). For example, participative leadership behaviors are associated with effective leadership in cultures such as the US which are low in uncertainty avoidance and power distance, but not in cultures such as Japan that are high in uncertainty avoidance and power distance. In addition, risk taking behaviors and concern for and involvement in the private lives of subordinates are not universally valued as contributing to outstanding leadership (Den Hartog, House, Hanges, Ruiz-Quintanilla, Dorfman, & end GLOBE, 1999). A review of many other such examples is beyond the scope of this chapter; it suffices to say that the types of leadership behaviors that are necessary to create and sustain a positive climate for service and motivate employees toward delivering quality service may also be culturally contingent and therefore worthy of future research.

Rewards. As for rewards, Schneider and his colleagues (Schneider & Bowen, 1995; Schneider et al., 1998) have recognized the important role that rewards and recognition for service excellence play in building a climate for service and ensuring the delivery of service quality. Because rewards and recognition for superior performance can come in many forms, and cultural values are associated with the motivating effects that particular rewards have on individuals (Gomez-Mejia & Welbourne, 1991), service firms should be attentive to the HRM implications of such differences. For example, in individualistic cultures such as the U.S., rewards that recognize individual accomplishment are highly motivating, whether they are monetary or non-monetary. In contrast, in collectivistic cultures like Japan, individual awards can cause disharmony among group members, and thus rewards that satisfy needs for affiliation are more motivating (Erez, 1994). In support of this idea, Money and Graham (1999) found that many of the rewards that are used to recognize star performers in the U.S. (e.g., money, fancy vacations, expensive material objects) are not equally effective in Japan, where group-focused rewards such as offers to take an entire sales team bowling or out to dinner are more motivating. For Japanese salespeople, reinforcements to their sense of shared goals and

values with their group members can be more valuable than monetary rewards, the reverse of which was found for American salespeople.

Summary. In sum, the research reviewed above suggests that in order to be maximally effective abroad, service firms would benefit from adapting the content of their "high performance" work practices to the local culture in which they wish to operate. In reality, some HRM practices may be more likely to be adapted to fit local norms than others. Research by Rosenzweig and Nohria (1994) suggests that the degree to which a subsidiary is dependent on local inputs, is associated with union representation, and is culturally distant from the parent country of the firm, is positively associated with the extent to which a subsidiary's HRM practices are adapted to resemble local HRM practices. In addition, they found that practices that are mandated by local laws, are highly visible, affect a large number of locals, or entail a high degree of interaction with locals face stronger pressures to conform to local HRM practices, while practices that are most likely to raise concerns of internal equity within the company at large (e.g., executive compensation) tend to resemble parent practices (Rosenzweig & Nohria, 1994). Thus, the HR practices that affect boundary workers, particularly the more salient practices that govern the structure of boundary workers' jobs, are especially susceptible to pressures to conform to local norms, particularly in countries typified by strong cultural distance from the parent country. We turn next to a discussion of how cultural context may be related to the structure of boundary workers' jobs.

It is clear from what we have presented that the HRM practices of firms operating in different cultures will require at least adaptation to the culture if they are to be effective. Here, the concept of segmentation may again be useful. That is, Chung (1996) showed that HRM practices adapted to the service segment yielded higher levels of customer satisfaction within the segment; it follows that HRM practices adapted to national cultural norms and values will also likely be more effective. Thus culture may usefully be thought of as a macro-level boundary condition for HRM in service firms.

The Boundary Tier

As discussed above, one of the main means through which organizations deliver quality service is by creating a climate in which employees are encouraged to work towards satisfying customers.   The idea here is that by providing employees with adequate direction through management practices that emphasize service quality, employee discretion to respond to customers in positive ways can be optimized. So, when managers focus their efforts on service quality, and employees are rewarded for delivering quality to customers and are served well internally by others and company resources, then a focus on satisfying customers is legitimated. Under such conditions, service quality can further be enhanced when employees are given the power to make decisions in favor of meeting customer needs and expectations (Bowen & Ford, 2002; Bowen & Lawler, 1992; Schneider & Bowen, 1995).

The potential usefulness of this kind of service climate that empowers boundary workers to try to satisfy customers is predicated on the assumption that such psychological conditions enhance employee capability—that is, that employees feel better about themselves and their jobs, and feel that management is simultaneously looking after their needs when they are empowered (Heskett et al., 1997).   The idea that employee empowerment can lead to positive outcomes is not unique to the service context, as evidenced by the widespread acceptance of the job characteristics model (cf. Griffin & McMahan, 1994) according to which "enriched jobs" (characterized by greater autonomy, variety, task identity and significance, and performance feedback) are associated with positive work outcomes and employee satisfaction. However, employee empowerment and autonomy may be particularly important in the world of intangibles and high customer-contact, where the split-second decisions and behaviors of boundary employees directly influence the quality of the service that is delivered. This is not to say that employee empowerment is *the* key to customer satisfaction; it is *a* key that works well within the western context when it is combined with a management focus on service, appropriate tools and equipment, quality internal service, and a positive overall climate for service.

We focus on the empowerment of boundary employees in this section for the aforementioned reasons and also because this aspect of the boundary tier may have some of the largest cross-cultural implications because it is predicated on the western assumption that the psychological conditions that are created by employee empowerment are intrinsically motivating for boundary employees. However, in non-Anglo samples, job enrichment is not always associated with increased motivation (Adigun & Stepehnson, 1992; Huang & Van de Vliert, 2003) and therefore is not a central HRM practice (Aycan, Kanungo, Mendonca, Yu, Deller, Stahl, & Kurshid, 2000). Instead, extrinsic job factors (Huang & Van de Vliert, 2003) and group-focused job enrichment (Erez, 1994) are more motivating. In collectivistic cultures, increased choice and autonomy are not associated with higher intrinsic motivation; instead, individuals tend to be more intrinsically motivated when choices are made for them by trusted authority figures and in-group members (Iyengar & Lepper, 1999).

Further, because empowerment practices involve the sharing of authority, they are also less acceptable in high power distance cultures in which inequalities in authority and power are not only common but expected. Thus, when leaders relinquish authority to their subordinates, their employees report having less favorable perceptions of their leaders and being less satisfied (Robert, Probst, Martacchio, Drasgow, & Lawler, 2000). In the eyes of the subordinates, leaders are expected to take charge and be in total control, to give orders, and to know what is best. When leaders take actions that contradict these assumptions, they can be discredited in the eyes of their subordinates, leading to dissatisfaction on the part of those subordinates. Moreover, in order for empowerment to be effective, leaders must believe that their employees can act independently of their leadership—something that, again, runs counter to the values and assumptions that are held in high power distance cultures. Thus, U.S. service firms aiming to implement their empowerment practices in high power distance cultures should proceed with caution. They might be more successful if they slowly increase the empowerment of their employees and have leaders actively engage in mentoring/coaching roles to their

employees (Mendonca & Kanungo, 1996).

In addition, the level of employee discretion that is associated with employee empowerment may be a source of anxiety rather than satisfaction or fulfillment in cultures that are high in uncertainty avoidance, in comparison to the beneficial effects of employee discretion in low uncertainty avoidance cultures such as the U.S. In the U.S., increased autonomy, along with increased socio-emotional consideration from supervisors and feedback, but particularly autonomy, has been found to help reduce role ambiguity. Finding ways to reduce this role ambiguity—which is always implicit for workers in boundary roles due to the attempt to meet both organizational and customer needs—is of natural interest because the more ambiguity employees experience, the less satisfied their customers are likely to be (Weatherly & Tansik, 1993). However, increased autonomy may not always help employees to cope with ambiguity. In particular, increased autonomy will likely exacerbate the role ambiguity that is experienced by service employees in high uncertainty avoidance cultures, who are likely to prefer their jobs to be highly structured and governed by explicit rules instead. Thus, in high uncertainty avoidance cultures, service organizations may best rely on well-defined organizational policies and extensive employee training directed at learning those policies, in order to guide the behavior of employees rather than relay on increased autonomy (Kelley, 1993).

Indirect support of this notion is provided in the work of Smith and his colleagues (Smith, Peterson, & Wang, 1996), who found that managers in the UK and the US tend to rely most heavily on their own experience and skills to make decisions and respond to ambiguous situations, while their more uncertainty avoidant counterparts in China are more likely to turn to rules and procedures. Indeed, scholars have suggested that organizations in high uncertainty avoidance cultures tend to be more formalized in general, with a greater number of written policies and rules, decision-making procedures, and employee manuals (Rodrigues & Kaplan, 1998). Thus, increasing the autonomy of service workers' jobs as a means of reducing role ambiguity may be more effective in cultures such as the UK and US than in high uncertainty

avoidance cultures such as those found in East Asia.

Customer perceptions regarding the appropriateness of boundary workers' discretion may also vary across cultures. Hsieh and Hsieh (2001), for example, found that job standardization, or the extent to which service employees follow standard operating procedures to perform their jobs, is positively associated with customer perceptions of service quality in Taiwan, which is high on uncertainty avoidance. These customer preferences are likely to extend to the arena of service recovery, in which customers in high uncertainty avoidance cultures are likely to prefer service recovery efforts that are driven by clearly defined procedures rather than by the discretion of the particular service provider who delivers the service.

Summary. The main point of this section is that the basic assumption that autonomy/empowerment is desirable must be reconsidered in some cultural contexts, and that empowerment practices should be adopted under a contingency approach—not only according to the type of service that is being delivered but also according to the cultural background of the service providers. Next we turn our attention to the HRM implications of increased demographic diversity within the U.S. service market.

Reinventing HRM in Services: Contingencies Posed by Increased Diversity

In some ways, service firms in diverse domestic markets face similar challenges as firms serving international markets, with regard to the need to serve multiple market segments each with its own set of expectations and values. The more diverse a population, the more diverse are the values on which individuals evaluate service experiences. Since customers are more satisfied when they experience services that are congruent with their values (Dominguez & Gelfand, under revision), this means that service firms have to be prepared to either tailor their services to specific customer segments or implement HRM practices that enable them to serve diverse customer markets simultaneously. Because the latter represents more of a departure from traditional modes of managing service firms—and probably also an increasing reality for U.S. service firms—we focus on it here.

There are a number of HRM responses that can help service firms to serve diverse customers more effectively. To begin with, there is research that points to the benefits of building a workforce that is demographically similar to a firm's customer base, thereby suggesting the importance of staffing policies. Smith (1998), for example, found that employee-customer similarity in work attitudes, gender, and life stage is positively associated with the quality of employee-customer relationships. In addition, there is some support for the notion that when employees match their customers in terms of gender and ethnicity, service firms are able to empathize with customer needs more quickly and tailor their services more appropriately than service firms without comparable representations of women and ethnic minorities (Weidenfeller, 1992). In other words, firms with workforces that mirror their customer base appear to be better able to anticipate the needs and expectations of their customers and therefore provide superior service.

Kale and Barnes (1992) draw from social psychological theory to suggest that the reason why employee-customer similarity is beneficial is because it enhances the effectiveness and outcomes of dyadic communication. When the characteristics of the customer match those of the service provider, both parties to the interaction are more likely to agree on the preferred content and style of the interaction. In addition, in cases involving customers of diverse ethnic backgrounds, shared language can obviously play a large role in facilitating communication and effective interaction between the service employee and customer (Cooper & Niles-Jolly, 1994).

For these reasons, a beneficial practice for enhancing customer satisfaction among diverse customers is to institute practices that ensure that women, older workers, and people of color (among other underrepresented groups) are represented in the employee sales force. Service firms might even structure their service delivery systems in ways that allow customers to select a service provider who is similar to them in terms of cultural values or with whom they otherwise feel most comfortable (Riddle, 1992). In addition, organizations will likely benefit form hiring employees with flexible or highly adaptable personalities who possess cultural sensitivity

and awareness—characteristics that may overlap with the "perceiving" dimension of the Myers-Briggs Type Indicator (Kale & Barnes, 1992). A "perceiver" may be better able to serve diverse customers because he or she will try hard to observe and understand the perspective of the customer and adapt his/her behavior accordingly. There is good evidence that personality measures that focus on "service orientation have considerable predictive validity (Frei & McDaniel, 1998). What is not known is the degree to which they may have differential validity as a function of (a) the ethnicity of the boundary worker, (b) the ethnicity of the customers, and/or (c) the fit or match of worker and customer.

In addition to selecting people who are most appropriate for the job, service firms will benefit from investing time and money to first understand the expectations and attitudes of their diverse customers (Smith, 1998), and second, to translate that knowledge to service delivery tactics through employee training. For example, as described by Cooper and Niles-Jolly (1994), a Midwestern bank found success when they used a three step approach to improving the quality of services that they delivered to elderly customers: 1) educate employees about elderly populations (e.g., about lifestyle factors and subgroups of the elderly, how to effectively communicate with the elderly, how to change the servicescape to serve elderly customers better); 2) test employees on their learning; and 3) reward employees for applying their learning. Similar approaches can be taken to train employees about how to interact effectively with other population groups as well, such as training employees on how to overcome barriers to effective cross-sex relationships (Smith, 1998), or training them on how to greet, solicit, assist, and show appreciation to customers from various cultural backgrounds (Cooper & Niles-Jolly, 1994). Finally, firms will also benefit from implementing internal information sharing networks to help employees share the knowledge that they accumulate with regard to responding effectively to diverse markets.

The aforementioned HRM practices are all customer-oriented; they are designed explicitly with the external customer in mind. However, practices aimed at valuing diverse

external customers will only be as effective as the value that is placed on treating diverse

internal customers (i.e., employees) fairly. Many scholars have convincingly argued that merely

increasing the representation of minority workers within a firm's workforce is not enough. In

order to reap the potential benefits of a diverse workforce (i.e., enhanced ability to respond to

diverse customers, increased innovation), the diverse employees must be included in the fabric

of the organization. Put differently, firms must also have positive climates for diversity or

inclusion in which all employees, regardless of background, are able and willing to reach their

full potential and contribute to the organization's success (Cox, 1994).

Thus, a climate for diversity or inclusion may be best thought of as a foundational

requirement for building a climate for service in firms that serve demographically diverse

customers. A number of related conceptualizations of climate for diversity/inclusion have

surfaced, all with a common focus on shared employee perceptions regarding the policies,

practices, and procedures that implicitly and explicitly communicate the extent to which fostering

and maintaining diversity and eliminating discrimination is a priority in the organization (Gelfand,

Nishii, Raver, & Schneider, 2004). In practice, when an organization has a positive climate for

diversity, all employees are integrated into the fabric of the organization and are motivated and

supported to attain their full potential unhindered by their group identities. In the case of service

firms, the assumption is that boundary employees in organizations with positive climates for

diversity will feel more valued and motivated to serve their diverse customers well when

compared to employees in organizations with negative climates for diversity.

In sum, for service firms that are serving diverse customers, there is a need not only to

have a diverse workforce that mirrors the composition of the customer base, but also to develop

a climate in which those diverse employees feel included and valued. Indeed, there is recent

research that suggests that the "value in diversity hypothesis," according to which diversity can

be beneficial for organizations when effectively managed (Cox, Lobel, & McLeod, 1991), may

only hold true in cases where the diverse employees feel included in and valued by the

organization. More specifically, Nishii and her colleagues (Nishii, Mayer, Goldstein & Dotan, 2004) found that racial diversity is positively associated with profits in a service organization, but only in departments in which the racial minorities feel included in the department leader's "in-group" (as measured by their perceptions of the LMX relationships that they share with their department managers). The beneficial effects of employee tenure on departmental customer satisfaction and profits were similarly more pronounced for departments in which more employees felt that they were part of their leader's in-group.

A number of HRM practices have been identified by researchers as being important for building such inclusive climates. They include: 1) intervention by top management/pressure to direct reports to foster diversity; 2) targeted recruitment of employees at all levels; 3) diverse representation at all levels of the organization, including senior management levels; 4) EEO monitoring and the appointment of diversity specialist positions; 5) inclusion of diversity in performance evaluation goals and ratings, and the removal of bias in the evaluation process itself; 6) inclusion of diversity in promotion decisions and criteria as well as upward development programs for all employees; 7) inclusion of diversity in management succession planning; 8) diversity training programs; 9) networks and support groups; 10) work and family policies and flexible cafeteria style benefits programs; and 11) internal advocacy groups; (Cox, 1994; Gelfand et al., 2004; Morrison, 1992; 1993). However, there is no research to date that explicitly links the adoption of these diversity practices to enhanced organizational performance. We believe that the relationship between these diversity HRM practices and customer satisfaction will be particularly strong for high-contact services that involve diverse customers, and as such, this constitutes an important area for future research among service scholars.

Conclusion: Toward a Contingent HRM

We have shown here that HRM is not HRM; HRM has boundary conditions. The editors asked us to suggest what HRM might look like with internationalization and domestic diversity as foci and we have presented the beginnings of a discussion on those topics. What is

interesting, is that by asking us to focus on the world of *service,* the editors implicitly provided us with a macro level boundary condition, that being manufacturing versus service.

In the introduction to the chapter we identified three continua along which service production and manufacturing might differ: tangibility, customer participation in production, and simultaneous production and consumption (sometimes called inseparability; Zeithaml & Bitner, 2000). These then were shown to have potential influence on HRM practices in organizations (Bowen & Ford, 2002); a second level of contingencies. The third contingency we introduced concerned the degree of customer contact service deliverers have with customers (Chase, 1981) and the fourth concerned the specific market segment on which the service business was focused (Schneider, 1995).

Thus, even prior to exploring national cultural issues and domestic diversity issues as contingencies in understanding the HRM practices likely to be effective in a business, there was a host of other boundary conditions to which attention had to be paid. Indeed, the detailed discussion of national cultural facets and the implications of them for management, boundary workers, and customer service delivery revealed just how complex service delivery as a function of HRM practices can be.

Our academic message is a simple one: Extensive theory and research are required for us to understand HRM effectiveness in business and we hope that identification of some of the boundary conditions requiring attention specifically for service businesses will facilitate such efforts. Our message for practitioners is equally simple: Use our listing of boundary conditions as a check-list for maximizing the possibility that HRM practices will fit the situation (tangibility, customer contact, market segment, nature of the domestic customer, and national culture) and be effective in the real world of business.

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