

# ORGANIZATIONAL CHANGES AND JOB SATISFACTION IN THE HOSPITALITY INDUSTRY IN SERBIA

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## **Abstract:**

It is very important to investigate what factors influence a high level of the service customer orientation of hotels employees under the conditions of the transition and a high rate of the unemployment. One of the conclusions of the research is that management of the hotels in Serbia don't fully recognize the potentials of the knowledge of employees as a possible competitive advantage during organizational changes in a high competitive global environment. Since job satisfaction is one the most important factor which influences readiness for organizational changes of employees we investigate in the study the relationships between job satisfaction, perceptions of organizational customer climate, cultural dimensions and employees customer orientation among front-line employees in the hotel industry in a non-Western country in the transition. Data for the current study were collected through the use of a survey instruments completed by front-line employees in several hotels in the north province of Serbia –Vojvodina. This part of Serbia is one of the most developed part of Serbia and tourism industry is one of the important factors of the economic development of the region.

*Key words:* organizational changes, cultural dimensions, job satisfaction, customer focus, organizational service orientation, knowledge management.

*Jel Classification:* D63

## **INTRODUCTION**

The current world economic crisis and conditions have heightened awareness of the need for change. Organizations, voluntarily or involuntarily, are being challenged to change in order to survive and develop. Hence, managers' have to think and focus on what is truly important for a successful organizational change. In the service sector, the

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human-centered approach in management processes is one of the most important factor which may help in delivering the long-term sustainable results. The success of organizational change and development efforts is positively correlated with the extent to which these efforts activate an individual's internal resources (Jawahar, Stone, and Cooper 1992). In Serbian hospitality industry employees have more skills and abilities than organizations are using. If organizations want more from their people (for example, a successful organizational change toward higher quality of service delivering) they have to give more of what it is that employees value. Many organizational changes occur based on dealing with changes in the responsibilities of workers, their tasks and with the re-structuring of workplaces. According to the participative theorists, the overall objective of any organization is to achieve a satisfactory integration between the needs and desires of its stakeholders – the members of the organization and of all persons functionally related to it (Lorsch and Trooboff 1989).

In the last two decades many South East European countries has undergone changes from a centrally planned economy to a market based economy. During socialist times the service sector was not perceived as an important one. Service sector was viewed as being non-productive, and as such was not recognized as a factor which might contribute seriously to the economic development. Shifting towards a market based economy has brought changes in the approach towards services. Services play a dominant role in all developed Member States of the European Union. In those economies the service sector created over 70% of working places and produced more than 70% of value added. During the first decade of the transition (1990-2000) the employment share of services in the transitional countries has increased and young people in these countries became aware of the importance of the service sector.

In Serbian and other transition economies the employment capacity of the service sector was of great importance since the restructuring processes in the industry sector left hundreds of people unemployed. Most of them try to find new working places in the service sector. For example, the number of people in Vojvodina younger then 40, which have the bachelor degree in tourism and hospitality, is over 1000. But, the development of the hospitality infrastructure did not follow this fast growing interest for the education in the tourism and hospitality sector. This situation caused many problems, because a great percent of these young people are not in the situation to obtain some of the manager positions in the tourism and hospitality sector, for which they are qualified. Even in the case when some of them work in the tourism and hospitality sector they are overeducated for the most of their work tasks. One of the main problem is how to motivate these employees within the current competitive environment in order to use their knowledge to produce high quality of services (Hallin and Marnburg 2008). Many service-oriented organizations introduce organizational changes strategies that are designed to increase customer satisfaction and loyalty as two of the most important tasks during organizational changes, Managing the human part of the organization becomes a major challenge in handling organizational change processes as it involves values, preferences, and attitudes toward a particular activity. There are three types of tasks that every employee engages in on a daily basis:

- Routine tasks: These are predictable and have a low delay tolerance, meaning they need to be, or should be, done at the time they are encountered.

- Troubleshooting/Problem-solving tasks: These are unpredictable and have a low delay tolerance.
- Project tasks: These are predictable and have a high delay tolerance.

When the routine task level increases, there is a reverse effect resulting in decreased levels of employee motivation, engagement and job satisfaction. Research with the 5,000 samples bears out, this effect is true for 91% of the world's population: 83% prefer project tasks, 14% prefer troubleshooting tasks and only 8% prefer routine tasks as their first and most dominant preference. The surprising and statistically significant findings showed that as employees were provided increased levels of project tasks, thus reducing the routine and/or troubleshooting tasks, there was an increase in correlation to the level of transformational and transactional leadership exhibited by the employee (Buckingham and Coffman 1999). For employees to have the opportunity to participate in organizational change, appear to be factors that help improve health and sustainability for both employees and organizations (Göransson 2009). The successful implementation of organizational changes toward a higher service quality is partly based on the service orientation of employees, customer organizational climate and job satisfaction of the tourism and hospitality organizations.

Service orientation of employees (or customer orientation) is defined as the set of behaviors and beliefs that places a priority on customers' interests and continuously creates superior customer value. Links between customer orientation and external customer satisfaction have been studied in many papers and it was found that front-line employees customer orientation was positively associated with external customers propensity to leave. González and Garazo (2006) investigated a structural relationships between organizational service orientation (climate), contact employee job satisfaction and citizenship behavior. Kim, Leong, and Lee (2005), investigated the effect of service orientation on job satisfaction, organizational commitment, and intention of leaving in a casual dining chain restaurant. Spinelli and Canavos (2000) suggest that the most-satisfied employees respond best to the needs of individual guests, which increases the overall level of satisfaction of the guests.

In this paper we investigate the following hypothesis:

**H1.** The relationship between job satisfaction and employee customer orientation is moderated by organizational customer orientation.

**H2.** The relationship between organizational customer orientation and employee customer orientation is fully mediated by employee job satisfaction.

Employees in Eastern European countries are in the process of the transition from planed to market economy but they are also in the transition of their cultural values (Hofstede 2001), which we take into consideration in the discussion of the obtained results.

It is essential to recognize that large-scale organizational improvement does not occur in a vacuum or sterile environment. It occurs in human systems, organizations, which already have beliefs, assumptions, expectations, norms, and values, both idiosyncratic to individual members of those organizations and shared. Organizational culture embraces such organizational needs as common language, shared concepts, defined organizational boundaries, methods for selecting members for the organization, methods of allocating authority, power, status, and resources, norms for handling intimacy and interpersonal relationships, criteria for rewards and punishments, and ways of coping with unpredictable and stressful events (Schein 1999). This shared culture helps to create solidarity and meaning and inspire commitment and productivity.

It is also important for a successful organizational changes that organizational culture is to some extent in accordance to national culture. A person can learn to adapt to processes and priorities, and a person can be persuaded to follow the exemplar behaviors of leaders in an organization. But if these priorities and leadership traits go against the deeply held national cultural values of employees, corporate values (processes and practices) will be undermined. What is appropriate in one national setting is wholly offensive in another. What is rational in one national setting is wholly irrational in another. And, corporate culture never trumps national culture (from ITAP webinar where Dr. Geert Hofstede discussed “Integrating Corporate Practices and National Cultural Values”).

## **HOFSTEDE CULTURAL DIMENSIONS**

Gert Hofstede established a culture model to analyze the different cultures in different places, which is developed based on four fundamental issues in human societies, exploring how national cultures differ and reveals the unexamined rules by which people in different cultures thinking, feel, and act in business, family, schools and organization. Many research results in the field of management are based on Hofstede's ideas on cultural dimensions (Hofstede 2001).

Hofstede's cultural dimensions originally posited four cultural dimensions: Power Distance (PDI), Uncertainty Avoidance (UAI), Individualism (IND), and Masculinity (MAS). These dimensions, as pertaining to people outside IBM, have been proven reliable by correlating them with those of other researchers.

Power distance is defined by Hofstede as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally". The level of power distance cultural dimension has some organizational implications (which means “in most of the organizations”). Power distance low: less centralization, flatter organization pyramids (examples: Australia, Denmark, Sweden). Power distance high: member of the organization being subordinates much easier accept the power of decision making of their superiors, tall organization pyramids, more supervisory (examples: Mexico, Venezuela, India).

Uncertainty avoidance is the extent to the members in the organizational society feel threatened by and try to avoid future uncertainly situations. By Hofstede "masculinity pertains to societies in which social gender roles are clearly distinct; femininity pertains to societies in which social gender roles overlap". In a masculine society (Hofstede gives the United Kingdom as an example) there is a division of labor where the more assertive tasks are given to men. There is a stress on academic success, competition and achievement in careers.

In a feminine society such as France (according to Hofstede) there is a stress on relationships, compromise, life skills and social performance. The last 10-15 years have seen enormous changes - a “feminization” process - to the behavior of Western democracies. It has been said that the emergence of developing countries is as much about feminization as it is about harder business and economic realities. Organizational implications of femininity and masculinity cultural dimensions are the following: Femininity high: gender roles minimized, more women in more qualified jobs, soft, yielding, intuitive skills rewarded, life quality important (examples: Thailand, Scandinavia). Masculinity high: gender roles clearly differentiated, fewer women in

more qualified jobs, aggressiveness, competitiveness, decisiveness rewarded, stress on careers (examples: Japan, Italy, Mexico).

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty." Organizational implications of individualism and collectivism cultural dimensions are the following: Collectivism high: organization as family, organization defends employee interests, practices based on loyalty, sense of duty, group participation (examples: Venezuela, Taiwan, Greece). Individualism high: organizations more impersonal, practices encourage individual initiative, task prevails over relationships (examples: USA, Britain, Netherlands).

## **JOB SATISFACTION**

Job satisfaction refers to an employees general affective evaluation of his or her job. Spector defines the concept more simply as "how people feel about their jobs and different aspects of their jobs" (1997, 2). He also considers it as a "related constellation of attitudes about various aspects or facets of the job" (Spector 1997, 2). Why should organizations be concerned about their employees level of job satisfaction? Employee satisfaction increases employee retention (Arnett, Laverie, and McLane 2002; Press 2002) which is very important for hotel organizations, since they are characterized by a high level of the fluctuation of employees. Press reported the results from three hospital studies evaluating the effects of employee satisfaction on retention. The findings of the study indicated a significant relationship between employee satisfaction and retention. Retaining employees can play a critical role in an organization's financial health because replacing employees can cost 150 percent or more of an employee's annual salary (Bliss 2001).

Job satisfaction in the hotel industry may results in an increase in many forms of positive employee behavior: commitment to providing the guest with good service, cooperation with other employees, and a commitment to the organization. These activities and beliefs contribute to the hotels ability to deliver a high level of service that encourages customer loyalty. An increase in employee satisfaction may motivate workers to be more engaged and, as a result, to take actions that result in increased guest satisfaction and profitability which is important for success of sustainability and organizational changes in hospitality industry.

## **CUSTOMER ORIENTATION**

One of the dimensions of the service orientation is customer focus of employees. Dienhart et al. (1992) defined customer focus as the ability of the employees to enjoy their jobs when interacting with the customer, achieving customer satisfaction, and receiving respect from guests. There were positive relationships between customer focus and the employees' favorable perceptions of job involvement, and job satisfaction (Dienhart et al. 1992).

## METHOD

### Sample

The sample is of the size N=140. In the sample 45% of employees are younger than 30, 37,7,% are between 30 and 40, and 17,3 % are older the 40. The percent of male employees is 45,5 and the percent of female employees is 54,5. Approximately 70% of employees have bachelor degree in tourism and hospitality. Hence, the level of the education of employees from the sample is very high. Some of the employees finished their master studies, had experience in some internationally recognized hotels in Western countries and were acknowledged about the importance of customer orientation of employees.

### Questionnaires

Using the adapted instrument developed by Kim, Leong, and Lee (2005), respondents in the current study were asked to respond to items designed to measure customer orientation (focus), job satisfaction and service organizational climate. Items for *service organizational climate* are: my manager encourages me to provide excellent service, my manager expects us to always follow procedures, our service procedures make it easy for me to give excellent services, the training I received prepared me to provide excellent service and the employees at my restaurant provide excellent service. Items for *customer focus* are: interacting customers is enjoyable, it is important to me that the customer is satisfied. The *job satisfaction scale* was comprised of five items: I consider my job pleasant, I feel fairly-well satisfied with my present job, I definitely like my work, my job is pretty interesting, and I find real enjoyment in my work. We use Likert-type scale (from 1-strongly disagree, to 5-strongly agree). In order to examine the reliability of the scales used in this study, Cronbach's alpha-coefficients were calculated. All Cronbach's alpha-coefficients in this paper are over 0.70 which is an acceptable level of reliability.

Hofstede computation of the cultural values indices (details can be found in Mojic 2003) are based on the following questions (by the Hofstede formulas indices are computed on the level of the sample and not on the individual level):

1. **The power distance index (PDI)**, based on the mean scores for the questions: are employees afraid to express disagreement with their manager?; how do the subordinates' perception of their boss's actual decision-making style?; how do the subordinates' preference for their boss's decision-making style?
2. **The uncertainty index (UAI)**, based on the mean scores of the answers to the questions about: rule orientation, which means the degree of agreement with company rules by employees; employment stability, which means the percentage of employees expressing their intent to stay with the company for a long-term career; the degrees of the job stress.
3. **The individuality index (IDV)**, based on the answers related to the following six work goals: personal time, which means whether you have sufficient time for your personal or family life when you leave job; freedom, which means whether there you have considerable freedom to adopt your own approach to the job; challenge, which means whether you have the challenging works to do; use of skills, which means whether you use the skills and abilities on the job fully;

physical conditions, which mean whether you have good physical working conditions; training, which are the opportunities to improve your skills.

4. **The masculinity index** (MAS), based on the answers to the following questions: is it possible to get the higher earnings; is it possible to get a recognition: is it possible to get the higher level job; when you have the challenging work, whether you can get a personal sense of accomplishment; if you are a manager, what relationship you will keep with your superior; how important is to you to work with people who cooperate well with one another; how important is to you to live in the place which is desirable to you and your family, how important is for you to have the security to work for your company as long as you want to.

## RESULTS

In order to test hypothesis H1 and H2 we use the following standard methods related to moderating and mediating variables (Milin and Hadzic 2011). A moderator is an independent variable that affects the strength and/or direction of the association between another independent variable and an outcome variable. The moderator interacts with the independent variable of interest so that the association of independent variables with the outcome variable is stronger or weaker at different levels of the moderator variable. In other words, the association of the independent variable with the outcome variable “depends on” the value (or level) of the moderator variable (Cohen and Cohen 1983).

Mediators are usually investigated when the relationship between the independent variable and the outcome variable is statistically significant. If this relationship is strong, the researcher is likely to be interested in finding a mediator that explains how or why the independent variable predicts the outcome. A mediator effect exists if the following conditions are met: (a) variations in the independent variable predict variations in the mediator variable, (b) variations in the mediator variable predict variations in the outcome variable, and (c) when the associations in (a) and (b) are controlled in the model, the direct relationship between the independent variable and the outcome variable becomes nonsignificant (Baron and Kenny 1986).

In the next text the following notations will be used:

- OS denotes the service organizational climate,
- CF denotes the customer focus,
- JS denotes job satisfaction.

In order to test H1 we divided our sample on two subsamples. The first one consists of employees with OS less than 4,24 and the second one consists of employees with OS greater than 4,25 (mean value of OS). The correlation between JS and CF in the subsample of employees with OS greater than 4,25 is 0,173 and is nonsignificantly different from zero (the level of the significance is 0,215). The correlation between JS and CF in the subsample of employees with OS less than 4,25 is 0,601 and is significantly different from zero (the level of the significance is less than 0,001).

In the regression model 1 we regressed customer orientation as the dependent variable and service organizational climate as the independent variable. In the model 2 variable JS is added in the model as the second independent variable. The following results are obtained.

**Table 1.** Regression analysis-model 1

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	4,014	,233		17,209	,000
OS	,186	,053	,315	3,487	,001

**Table 2.** Regression analysis-model 2

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	3,799	,223		17,064	,000
OS	,077	,056	,130	1,378	,171
JS	,170	,040	,404	4,268	,000

Sine the correlations between JS and CF, and JS and OS are significantly different from zero and adding JS in the regression equation produce nonsignificant influence of the variable OS on the variable CF, we proved that JS fully mediate the relationship between CF and OS.

Our investigation show that cultural indices are  $PDI \approx 53$ ,  $IDV \approx 87$ ,  $UAI \approx 58$ ,  $MAS \approx 52$ .

## DISCUSSION

We have proved that the organizational service climate is a moderator of the correlation between job satisfaction and customer orientation satisfaction of employees. By interviewing the employees in the organizations under investigation it became clear that they feel that some aspects of the service organizational climate (as the help of the supervisor even in the case when such help is not necessary and expectation to always follow procedures) induce the effect of a pressure on the level of the work autonomy. Job autonomy has been defined quite generally in different contexts. Ganster (1989) suggests that it is the degree to which the job provides substantial freedom, independence and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.

Students of tourism, which finished Serbian universities, have a high level of knowledge about, for example: the SERVQUAL model, the necessity for an individual approach to consumer needs and are trained in communicational skills. By interviewing the employees we concluded that one of the main reasons for they choose of the jobs in the hospitality sector was the chance to enjoy during the interaction with consumers and an expectation of a high level of the autonomy. The work in the hospitality sector is characterized as a service sector with a high level of emotional labor. Emotional labor is defined as the effort involved in performing emotional regulation for the purpose of complying with the interpersonal demands required in order to perform a job in an organization. Whether the impacts of emotional labor are generally positive or negative, direct or indirect may depend on a number of factors, which can include

service workers' personal characteristics, autonomy at work, and emotional exhaustion connected with the job role (Grandey 2000; Wharton 1993). Employees in our subsample with higher OS reported also a low level of self-perceived authority which may be one of the causes for the nonsignificant correlation between job satisfaction and customer orientation satisfaction.

Self-perceived authority in service people can be understood as the degree of decision-making autonomy a service employee believes he or she has when it comes to dealing with customer issues. The concept of self-perceived authority is connected to the concept of empowerment, which has been discussed in the service literature (Spreitzer 1996). Self-perceived authority in service people can be understood as the degree of decision-making autonomy a service employee believes he or she has when it comes to dealing with customer issues. Psychological empowerment is defined as increased task motivation manifested in employees' cognitions about their work role. These cognitions are said to encompass meaning or the fit between an individual's values and his/her work role; competence, or belief in one's ability to perform the job; self-determination, or a sense of autonomy on the job; and impact, or a sense of having an influence over job outcomes. The employees in the sample are well educated during their study (which includes some practical work in hotels in Greece and England). Since the rate of unemployment in Serbia is very high many of former students with the bachelor degree in tourism management (three years of the studies) can not find managers position in the hotel industry and work as the frontline employees.

Hence, some aspects of the service organization climate may produce by employees a low level of self-perceived authority. The concept of self-perceived authority is closely-related to, but distinct from, formal or "objective" authority given to an employee by his or her supervisor. The employees behavior is based on his or her own perception and evaluation of "formal authorization", rather than on the formal authority itself. It is the degree of authority *used by the employee* that ultimately determines customer orientation. The fact that JS fully mediate the relationship between OS and CF proves the importance of high level of the variable JS for a high level of customer focus.

In many European countries which are under the transition top management belongs to the cohort of older employees. Which were educated during the socialist period. This is also the case in the organizations under investigations. In the period before ten years the organizational structures of most organizations were based on the strong hierarchy. This situation can be explained partially by the Hofstede cultural dimensions (Hofstede 2001).

Recent investigations (Nedeljkovic 2009) show radical changes of the power distance and collectivity indexes of the cohort of people younger than 40 in Serbia. Hence, it is important to adjust organizational culture and national culture values during organizational changes.

The Hofstede power distance index and collectivity index in the former Yugoslavia and Serbia was very high (Hofstede, 2001): former Yugoslavia: power distance PD-76, uncertainty avoidance UA-88, individuality IND-27, masculinity MAS-21, Serbia: PD-86, UA-92, IND-25, MAS-43. Hence, at that time Serbian culture was characterized by high power distance (PD), high uncertainty avoidance (UA), low individuality (IND) and low masculinity (MAS). As we mentioned before our investigation show that PDI  $\approx$  53, IDV  $\approx$  87, UAI  $\approx$  58, MAS  $\approx$  52. May be that young people in Serbia, which work in the hospitality sector, expect much more autonomy during the work not

only because they are well educated but, at least in some extent, due to the lower PD and UAI. Hence, too much standardization related to the service quality and strict control of the working process by supervisor is, in some sense, unacceptable for employees which are well educated. Such an service organizational climate may influence nonsignificant correlation between job satisfaction and customer focus in the sample where OS is greater than 4,25.

An organizational climate which would take into account a low level of PD and a high level of ID by a high level of autonomy of employees and a high level of their participation in the problem solving process may increase the readiness for organizational changes in the hospitality industry in Serbia.

## CONCLUSION

It should be understood that cultural context and any organizational change effort mutually influence and reinforce each other and this interaction might produce also unexpected consequences. Acknowledging this can provide most realistic basis for implementation of different kinds of change efforts, since the complexity related to this phenomenon is at least acknowledged, even though one might never be able to control or directly manipulate the process. It is very important for the success of the hospitality organizations that employees believe they are as important to organization as the customer and their significance as an internal customer is institutionalized into organizational practices. These practices have to include work autonomy of workers as much as it is possible especially in the case of the well educated employees. In (Ahearne, Mathieu, and Rapp 2005) the authors indicated that employees with low levels of product/industry knowledge and low experience benefit the most from leadership behaviors that are empowering, whereas high-knowledge and experienced employees reap no clear benefit. It is also important to investigate temporarily the level of workers job satisfaction in order to match their needs for promotion, salary level, good relationship with supervisor and the work autonomy in dealing with customers.

The fact that a high percent of employees in the hotel industry in Vojvodina are well educated and aware of the importance of customer focus during the study, can help to the management of the hotels. Management of the hotels in Serbia don't fully recognize the potentials of the knowledge of employees as a possible competitive advantage in a high competitive global environment. If the management of the hotels respect and enhance the autonomy of the employees this style of leadership can help hotels to gain a competitive advantage on the tourism market. Hotels have to be viewed as "knowledge-enabling organizations where managers and employees share information and experiences to create new insights and skills" (Gjelsvik 2002, 33). Managers have to facilitate and support knowledge development instead of controlling and measuring it (Hallin and Marnburg 2008, 370). The residual benefits of building a staff of leaders, not just strong followers, hold the key to regaining strong global industrial position through long-term organizational success.

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