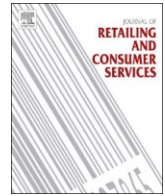




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## Service failure and problems: Internal marketing solutions for facing the future

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## ABSTRACT

The issues of elderly consumers remain under researched despite a rapidly aging population in most countries across the globe. We examine the service failure and complexity of problems of a nursing home for seniors and seek to contribute to the field of research in terms of exploring internal marketing solutions based on two theoretical frameworks- Service Profit Chain and the Relational Third Place theory. We aim to provide insights about why elderly people are not treated as consumers. Besides, based on comprehensive review of literature and analysis of an important case situation, we develop a new framework called Complex Organizational Problems and Solutions (COPS) by generalizing the insights we gained through the study. We find that internal marketing practices help improve employee satisfaction and service quality, which in turn leads to satisfied consumers.

## 1. Introduction

Understanding the psychology of elderly consumers is imperative due to the increase in the aging population (Sudbury and Simcock, 2009). Researchers have attempted to study the consumer behavior and consumption pattern of elderly consumers in the recent years (Kohijoki and Marjanen, 2013; Roschk et al., 2013; Omar et al., 2014). With the rapid increase in old age care homes, service quality issue has become very important. As a service provision, care homes for the elderly present unique challenges for managers as well as employees. In a context with highly demanding, yet vulnerable customers needing care for medical conditions, coupled with strict governmental oversight over operational issues, designing, planning and delivering, maintaining proper service quality is a major challenge for care home managers. Core service failure leads to greater increases in negative responses for satisfaction, emotional, and behavioral responses than supplementary service failure (Walton and Hume, 2012).

Predictably, one of the most critical issues in such situations relates to staffing since caring for old people requires employees, such as nurses and other customer-facing staff to show high levels of empathy, concern and sacrifice. It goes without saying that treating old people who are often very vulnerable both physically and psychologically demands extraordinary levels of care, patience and mental toughness.

On the other hand, the low-skilled nature of the job makes it difficult for the management to provide any extra benefits or incentives for its employees. Hence, such situations inevitably lead to higher levels of employee dissatisfaction and turnover. To compound the problem further, strict governmental regulations regarding conditions of employment and employee retrenchment combined with the difficulty in recruiting new staff due to the low wages, ties the hands of the management from taking actions against delinquent staff members. The combination of these micro and macro factors lead to a situation where there are highly dissatisfied, demotivated employees on the one side and a helpless management on the other side, trying their level best to provide higher levels of service quality. In fact as Sheridan et al. (1992) explained, elderly care homes can be caught in a vicious cycle of ineffective staff and ineffective management leading to total collapse of the care home operation.

In this paper we present the case study of a care home in France that illustrates the situation explained above. We examine the vicious circle of ineffectiveness and the resultant internal problems with reference to the theoretical as well as real life factors. We illustrate the challenges faced by the management in an effort to provide good quality service such as combat high employee absenteeism and turnover, motivate staff with low morale, and discourage delinquent employee behavior. Hence, the purpose of this paper is to identify

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factors that contribute to managerial difficulties in the context of elderly care homes, using the case study of an elderly care home in France, which clearly demonstrates an example of an extremely challenging environment as well as analyses of said challenges faced by the management. We aim to contribute to the literature by identifying and exploring the different dimensions of real life situation that involves both micro and macro factors. This will allow the provision of creative managerial recommendations to improve the quality of the service provided. The study adopts two frameworks: i) Heskett and Schlesinger (1994) framework of Service Profit Chain and ii) Rosenbaum (2006)'s Relational Third Place theory; to bind together our observations to develop the central theme of our study. We attempt to theorize the cause-effect linkage between the stumbling blocks, brand image and service quality by extending the above-mentioned works. In the ensuing sections we look at the literature relevant to this study and then present the key issues related to service quality at care homes.

## 2. Review of literature

Management commitment to internal marketing affects employee work attitude (To et al., 2015). As Anderson et al. (2003) contends, nursing homes are complex adaptive systems with the constant evolution of the relationships between management, employees and patients. Similarly, Rosenbaum (2006) introduced the 'relational third place theory' -based on the consumers' physical, social and emotional needs. This theory suggests that some consumers rely upon third places to satisfy not only their consumption needs but also their needs for companionship and emotional support. These supportive needs are prevalent in older-aged consumers, who often experience events that diminish relationships. Companionship and emotional needs arise at old age homes because consumers want to prevent enduring negative symptoms that are associated with social and emotional loneliness, respectively (Rosenbaum, 2006). In this context, this study looks at the problems related to maintaining service quality in an old-age home with a specific focus on the interaction between the consumers and staff. We first look at the studies that emphasize the critical role of employees in achieving high level of service quality in old age homes and then consider issues related to employee stress and bind them together with the service profit chain framework and the relational third place theory.

### 2.1. Studies on quality management in old age homes

The aging population in developed countries has contributed to significant growth in the nursing homes (Barak, 2009). Besides, increasing level of privatization within the healthcare sector transforms the status of senior residents at the nursing homes as sovereign consumers (Allen et al., 2014). Benet et al. (1993) explore the intersection of topics which have been singled out for ethical consideration in marketing- marketing to the elderly and marketing of health care services and found that the psychological characteristics does not indicate that the elderly of today are particularly *vulnerable*.

Everyday life within senior care homes (nursing homes) has been a topic of media news in the western world over recent years. Media reports have highlighted several issues that have specific implications for service quality, mal-administration, physical and mental abuse of older residents in senior care nursing homes (Stone et al., 2011). Castle (2006) discusses that even from a nurse's aid's perspective there is generally not a strong culture promoting resident safety in elderly people homes. Despite this attention, the overwhelming belief is that older consumers' voices are often muted within the care homes (Allen et al., 2014). Interestingly, so far few studies have attempted to understand what it means to be a consumer within such an institution (Stone, 2009; Ahearne et al., 2005; Allen et al., 2014).

The tremendous increase in the older population has made quality

care a key issue for nursing homes. Several studies have dealt with the issues of managing service quality in old age homes (e.g., Sherman, 1989; Beach, 1993; Chen et al., 2005). These studies often provide prescriptive models for achieving quality care in elderly homes. For instance, Nicholas (1999) suggests adoption of Total Quality Management (TQM) and Continuous Quality Management (CQM) approaches for adequate assessment and monitoring of nursing homes. However, TQM have been proven to be more successful only when coupled with higher levels of management flexibility in terms of bureaucratic operational practices (Shortell et al., 1995). Chen et al. (2005) on the other hand emphasizes on CRM (Customer Relationship Management) approached and define CRM in the nursing home as resident-centered management. They found that improved nursing home quality is based upon assessment and evaluation of individual residents physical, mental, family conditions, etc. in order to plan and perform service care. In the same vein, Dimitriades and Stevens (2008) note that nursing homes should consider organization characteristics, such as culture, structure and human resources. The nursing staff should be well trained and should respond immediately to resident's needs. Supporting this view, Wang (2013) asserts that management must be sure that the nursing staff is informed of what is expected of them in order for them to readily and effectively accommodate residents' needs. Most of these prescriptive studies strongly emphasize the role of employees in achieving quality care. Killett et al. (2013) divide the quality of care provided to the elderly into four factors: infrastructure, management and procedures, staffing, resident population characteristics and culture.

### 2.2. Employee stress in old age homes

It is well acknowledged that employees (nurses and their supporting staff in particular) in care homes face difficult and stressful working conditions. The high level of demand often has a negative impact on the mental and physical health of the caregivers, reducing their sleep, leisure time, and social lives (Kesselring et al., 2001). A study conducted by Åström et al. (2002), show that about 76% of workers in old age care homes faced some level of physical violence in their work life. It appears that powerlessness, sadness, anger and feelings of insufficiency were the most dominant feelings among staff because of the impatient residents (consumers) in old age care homes. Studies report that such problems lead to situations of burnout and maternal rejection, which in turn leads to disengagement of the care workers and increase in violence (Isaksson et al., 2008). A large meta-analysis study conducted by Needham et al. (2005) across several countries showed that aggressive behavior by patients on caregivers leads to feelings of anger, fear or anxiety, post-traumatic stress disorder symptoms, guilt, self-blame, and shame. The high level of stress in healthcare professionals creates a higher probability of substance abuse, which poses as a threat to patients and staff, including the individual who is abusing (Beckstead, 2005). According to Nathan et al. (2010), mistreatment of elderly consumers in nursing homes is mainly because of poor work environment. In addition, low staff-patient ratio and high staff turnover can cause lack of quality healthcare and thus a higher risk of elder abuse (Gibbs and Mosqueda, 2004). Additionally, research shows that turnover creates a cost of over five percent in hiring, training, and productivity, in healthcare facilities (Waldman et al., 2004). Heponiemi et al. (2008) noted that a perceived lack of structure in the healthcare environment can increase the levels of conflict, and reduce job satisfaction and commitment, which may lead to increased turnover. Thus, in old age homes, management has to balance the needs for delivering superior quality service with the difficult proposition of motivating employees in a highly stressful working context.

### 2.3. The french context

In France, the tradition is for elderly parents to live with their

**Table 1**

Evolution of senior citizens over 65 in France (approx. number of people). Source: INSEE (Institut national de la statistique et des études Economiques), France.

	1950	1970	1990	2000	2010
65–74	2,400,000	2,600,000	2,600,000	2,800,000	2,800,000
75–84	1,000,000	1,100,000	1,300,000	1,500,000	1,800,000
Over 85	500,000	600,000	800,000	1,000,000	900,000

children, until they pass away. Unfortunately, this tradition is slowly disappearing in France like in most of the countries. As national and international mobility has increased, less and less individuals spend their lives in their hometowns, close to their parents. In addition, the number of women entering the workplace has also increased significantly over the years. These three factors have led to the current situation, in which we see increasing amount of seniors who can no longer live alone, living in public or private care institutions. As the population continued to age (see Table 1), there was a boom in demand for the nursing home sector. Although the French are legally obligated to care for their parents, there has been a rise in nursing homes or *résidence pour retraités/seniors* (Justlanded. 2014).

### 3. Method

This study presents results from a case study conducted through interviewing the director and residents at a nursing home responsible for servicing elderly people as consumers in France. The study seeks to highlight the challenges of running a nursing home for older consumers including recruitment of service-friendly staff. We have kept the name of the organization anonymous to safeguard its identity. We blend the two issues of satisfaction of employees as well as consumers together by using a Service Profit Chain model developed by Heskett and Schlesinger (1994). According to this model, the service quality delivered by a service provider is the consequence of a chain of cause-effect relationships. This ‘service profit chain’ starts with high levels of internal service quality developed through superior job design, employee selection, rewards and recognition as well as tools for service customers. This then leads to employee satisfaction, employee retention, employee productivity that in turn leads to external service value as perceived by the customers. This virtuous cycle then leads to customer satisfaction, customer loyalty and then on to superior profitability. Heskett and Schlesinger (1994) model has been applied to several contexts including retail banking (Loveman, 1998), retailing (Silvestro and Cross, 2000). In the ensuing case study, we explore the trials and tribulations of the management in setting up the service profit chain in the context of an old age home.

Besides, we seek to contribute to the literature by providing a set of generalized propositions and introducing a framework called COPS (Complex Organizational Problems and Solutions) to offer better service to consumers in such nursing homes, healthcare institutions and related service industries across the world.

### 4. CODE —A mid-size old age home

CODE nursing home was registered as “Abilité à l’aide social”, which means that those individuals who are unable to afford nursing home services will be sent to CODE through the regional government and the cost for them would also be borne by the government. On one hand, this gives these needy individuals strong public institutional support (for instance, thereby enabling the program to achieve subsidies for renewal). However, on the other hand, it also means that the state has partial control over the price of the room and investments incurred by the nursing home. CODE is located in a suburb of northeast of France, which accounts for a population of about 350,000, and 87 nursing homes. CODE consists of a senior apartment residence, with 47 studios

and 42 small size rooms, including two couple rooms. There were 48 full-time residents averaging 84 years of age; 21% of them were male. The staff includes 30 people, including 28 female and two male members.

#### 4.1. Challenge for management

Although CODE is financially supported by the regional government, the residents were not satisfied with the service quality of the staff members especially nurses and nurse aid. This situation is nothing but the failure of staff members and management in conceptualizing this old-age nursing home, as a place for gathering and home, as per the Relational Third place theory of Rosenbaum (2006). Consequently, a new director was appointed for turning around the CODE and to create a service-friendly organization. After a detailed study, the management reached the conclusion that the organization was at a crossroads, facing crucial questions about its future, requiring urgent decisions. The organization never reached a balanced financial situation, and consistently lost money every fiscal year. In addition, the organization had been suffering from high employee turnover, a high rate of absenteeism, and low employee morale. The residents were not satisfied and they had many complaints against the staff members. All these factors contributed to the tarnished image of the nursing home. Additionally, allegations of mistreatment had an adverse impact on the firm. Consequently, management decided that it was imperative to undertake organizational restructuring to ensure better internal service quality through methods such as superior job design, employee rewards, recognition etc. as envisaged in the Service Profit Chain framework as discussed earlier.

#### 4.2. Brand image and demand crunch

In France, over the preceding years, the demand for nursing home accommodation increased. The lack of infrastructure and the constantly aging population of the country had a simple outcome—most, if not all, nursing homes have long waiting lists of senior citizens seeking entry (Paul et al., 2011). Despite the extremely high demand for nursing homes due to the consumer needs CODE did not achieve a 100% fulfillment rate. This resulted in CODE not achieving economies of scale in their operations. The importance of marketing is often overlooked by healthcare professionals, as this is not their area of expertise, despite the fact that whether or not marketing is directed toward profit.

The purpose of satisfying consumer needs remains the ultimate goal of any firm or entity seeking to promote social well-being (Faherty, 1985). Rosenbaum (2006) however in his framework, links consumer needs with Place (conceptualizing place for practical, gathering and home purposes) and merges the social psychological and health perspectives into marketing highlighting the need for social (to prevent loneliness through companionship) and emotional support (to prevent emotional loneliness through emotional support). CODE management quickly recognized that the reputation of the nursing home was a key factor in the success of the business. CODE suffered from the perception of not being a serious and trustworthy institution. Even among its residents, they had a poor image. Since the residents (consumers) were the main external stakeholders of the nursing home, it was imperative to rebuild a feeling of trust. The management faced the challenge to turnaround the organization and implement strategies in line with the principles of the ‘Service Profit Chain’ framework.

The bond with the families of residents also needed to be rebuilt, as they were normally the decision-makers regarding the choice of the nursing home. Two types of families had to be taken into consideration: that of existing customers who already had someone in CODE, and potential customers. In order to gain their trust, CODE, under the new management, chose to implement a transparent policy at the nursing home, sharing its financial quarterly results with resident's families.

They also focused on transparency, mutual trust, and open communication policies. This led them to share the organization's strategy, explaining that the nursing home wanted to accord them the status of consumers, as well as partners. As for potential customers, an open door policy was required to facilitate direct communication. This open door policy, led to a massive rise in "potential resident visits" from 180 in 2004 to 450 in 2012.

The resident doctors, who regularly visited their patients, also had an important role to play in the new communication plan. Family doctors hold a central position in French society, as they normally treat families for 20–25 years, or even more; as a result they have a huge influence in the decision-making process when people have to choose a specialist, hospital, private clinic, or a nursing home (Paul et al., 2011). Thus, CODE adopted a strategy to create strong relationships with the doctors currently treating their residents.

#### 4.3. Managing employees

In most nursing homes, in France, recruitment process was handled entirely by the nursing home directors. They published appointment advertisements, gathered and filtered the applications, and made hiring decisions. One of the first steps to improve the quality at CODE was to refine the recruitment practices. Incidentally this is in line with the first step in Heskett and Schlesinger's (1994) 'Service Profit Chain' framework.

##### 4.3.1. The cleaning staff

Employees in this category were normally the easiest to find, as legally this job had no educational requirements. However, the new management changed this practice and decided to hire only qualified employees, with a Life Auxiliary diploma. It was also decided that most cleaning staff should do an internship first and that these employees must live close to the facilities. This is nothing but the implementation of second principle (superior employee selection) of the seminal 'Service Profit Chain' framework.

##### 4.3.2. The nurse aid

The second category of employees is the nurse aid staff. Legally, these recruits are required to have an "Aide soignant" diploma. This made it challenging to recruit employees in this category; mainly because the number of applicants was very limited, and instead of waiting for applicants, the director had to publish job advertisements for them through the public employment institution. There was a shortage of such employees in the job market. Besides, CODE had to face yet another constraint—the wages offered by them were below the market average. In the context of this category of staff, the new management decided to give priority to younger staff, who would be more flexible and adaptable to the structure, and would be better suited for the exhausting work of serving the residents, and treating them as consumers. This is in line with the first step in the 'Service Profit Chain' model – superior job design.

##### 4.3.3. The nurses

Like many other developed countries, France was facing a shortage of nurses. Schnelle et al. (2004) discovered in their US study that higher staffed elderly care homes perform significantly better than those with a lower nurse-to-patient ratio. Further, the gerontology sector was less attractive than other areas of medical employment for young nurses. Thus, the organization adopted the same strategy for selecting nursing staff, as mentioned for the nurse aid staff, focusing on recruiting younger people.

##### 4.3.4. The kitchen staff

Since the previous cook had been laid off, CODE needed to replace the cook. This was probably the most difficult recruitment situation faced. It took almost six months to find a replacement, and in the

meantime, they used temporary staff. This proved to be a costly exercise. The main difficulty in recruitment for cooking staff was not only the general shortage of cooks in France but also the limited attractiveness of the position as a part-time job. They finally recruited a cook through the association network.

Beyond the usual recruitments, the nursing home also had regular human resource related problems, such as providing replacements for those on sick leave. The healthcare job market was difficult, and was struggling with a competitive talent war over employees. In order to avoid losing more time and equip the organization to respond quickly to unexpected staff shortages, they used the services of a temporary work agency that specialized in the healthcare sector.

#### 4.4. Internal problems as a stumbling block for internal marketing

Internal marketing refers to "selling the firm to its employees" (Joseph, 1996). It is the process in which the satisfied employees provide high-quality services, which in turn result into greater performance in an organization. The implementation of marketing mix elements, segmentation, and marketing research can be implemented for internal marketing purposes, in order to increase employee satisfaction and performance (Rafiq and Ahmed, 1993, 2000). In turn, this process will improve the consumer's view of the firm (Greene et al., 1994).

The CODE nursing home faced three main issues, which can be classified as internal problems: i) the high level of staff absenteeism, ii) employee turnover, and iii) the problems caused by a few trouble-making employees including sick leave. These three internal problems in turn, created stumbling block for internal marketing and service quality. This can be analyzed in terms of the tenets of Relational Third Place theory of Rosenbaum (2006). Thus it was seen that CODE management and staff could not rise up to the expectation of their consumers and could not meet their needs, particularly the Social (for instance, prevent loneliness through companionship) and Emotional needs (for instance, prevent emotional loneliness through emotional support) highlighted in the Relational Third Place theory. In the case of dissident employees who were found to be either low in productivity or showing dysfunctional work behavior, the new management decided to take stern action rather than showing any leniency which could, in turn, impact other workers. Hence, dissident employees were dismissed, even though (within the French regulatory system) it was a difficult legal process. However, adopting stern action toward dysfunctional employees gave the message to all employees who were less than productive. This being an extreme step is not in tandem with cause-effect theory of 'service profit chain'.

##### 4.4.1. Problems related to Absenteeism

According to Geiger-Brown et al. (2004), nursing homes must provide service on a '24-h a day, seven days a week' basis, and the need for qualified caregivers continues to increase as the senior citizen population also increases. Due to the demanding work schedules among healthcare workers both patient well-being and workers' health are at risk. Nursing assistants are responsible for physical tasks, such as lifting patients (Collins and Owen, 1996; Gonge et al., 2001). These demanding schedules and the difficult nature of jobs have proven to influence healthcare workers' physical health (Harrington et al., 2001; Poissonnet and Veron, 2000; Simpson and Severson, 2000; Van Der Hulst, 2003). Furthermore, Proctor et al. (1996) found that mental health can also take a toll due to long work hours and the accumulation of work days.

Due to these physical and mental ailments, staff absenteeism has become a major financial problem. Darr and Johns (2008) and Riggio (2009) indicate that staff members are absent due to workplace strain and need to replenish their system in order to recover from negative symptoms. They also point out that there is a difference between voluntary absence and involuntary absence, as voluntary absences are



under the individual's control while involuntary absences are outside of the individual's control.

According to Banks et al. (2012), another reason for absenteeism is inequity. Adams (1965) proposes in his equity theory that employees tend to compare what they invest in their work with the rewards they receive with their fellow workers' work and rewards. This theory proposes that inequity has to do with employee motivation. People strive for justice and fairness at the workplace. Regardless of the reasons for absenteeism, its consequences signify tremendous cost to organizations. Therefore, managers must find the means to maintain the work environment as stress free as possible for employee satisfaction and motivation.

In the healthcare sector, employee replacement is critical, as service must be provided 24 h a day, seven days a week, 365 days a year. CODE nursing home faced challenges such as a high rate of employee turnover and absenteeism. After launching the war against the 'dissidents', they had to handle the high turnover rate and absenteeism. A few employees used to take leave without permission, and were often absent for at least a day or two each week. This created problems, which in turn, remained a stumbling block in the management's plan to meet consumers' social and emotional needs as highlighted in the Relational Third place theory. In the French work law framework, even with a good reason (medical issues, for instance), if an employee is missing from work without permission, he should not be paid for those missing days. This legal framework had been put in place precisely to counter the situation that the nursing home was facing. CODE management decided to implement an action plan in order to counter-strike this high degree of absenteeism, source of employee frustration, and provision of poor service to the nursing home residents. This action plan was based on three decisions: rebuild a replacement system accepted by everybody, communicate strongly about the consequences of absenteeism, and finally introduce more flexibility with regard to the paid leaves.

Building a fair replacement system became a priority for this nursing home. This necessitated a change in the previous system. The management consequently chose to rely more on temporary, contingent workers, apprentices or those putting in extra hours rather than change the attending staff schedules. According to the new system, if an employee had to come back for the evening shift, for instance, after working for the morning shift, it would be on extra hours (involving double pay) and on a volunteer basis. Fortunately, at this moment, a change in the French fiscal law change gave management the financial means to give more extra hours. The employees reacted positively to this new system and became more respectful to the management.

In addition, the director clearly communicated to the staff about absenteeism. They displayed the monthly absenteeism figures before all the employees and the high cost that it involved for the organization. The purpose was to provide them with an overview of the impact of such irresponsible behavior on the functioning of the organization, and to generate awareness about the need for tackling the issue. Finally, management offered maximum flexibility to the employees regarding their paid leaves. The adoption of this smooth approach in dealing with the tricky problem had the desired effect, and not only increased mutual self-respect among the employees, but also significantly reduced absenteeism.

#### 4.4.2. Employee turnover and wage rate

Another issue encountered by this nursing home was high employee turnover rate and the difficulty in retention of good employees. After investigations, they identified that the compensation system was the obvious source of the problem. This is important, as research shows that wages are the most important aspect of job satisfaction, followed by benefits (Sparks et al., 2005). As a result, some staff members even created problems at the workplace, requesting increases in their wages. Finally, they offered a monthly raise of 150 Euros (for nurse aid) in

order to better match the market average. Besides, the headquarters launched a performance-based reward system, to provide a better system for the employees.

#### 4.4.3. Lack of motivation and inadequate service quality

According to Ryan and Deci (2000), motivation implies being moved to do something. Work motivation has to do with the attitudes that move individual behavior toward work (Lee and Wilkins, 2011). In order to motivate workers, compensation is inevitable. Mozes et al. (2011) state that extrinsic motivation refers to economic incentives. Lee and Wilkins (2011) explain that these are bonuses in wages, progress in position or a retirement plan. Deci and Ryan (1985) further explain that extrinsic motivation may also avoid punishment. These include subjective vitality (positive feelings of being alive and energetic), which are normally associated with lower levels of stress and employee well-being (Kasser and Ryan, 1999). Intrinsic motivations refer to employee aspirations and values. These are "autonomy and self-determination, the desire for justice and reciprocity, or the desire to work for a common purpose" (Darrington and Howell, 2011). In 2001, Scanlon pointed out that nurse's aides will continue to be in demand, but are continuing to decline as few of the younger generation are entering the profession (Scanlon, 2001).

Employees were expecting certain rewards such as (i) improved wages and benefits, (ii) development of additional training and opportunities for career advancement, and (iii) additional employee supports. Motivating employees and involving them at the workplace was difficult for CODE management. Often, the employees did not provide timely healthcare service to patients. According to management, several elements could explain this. Firstly, nurses were not satisfied with their job. Secondly, most staff members felt that the probability of advancement in the form of a promotion was low. Further, incentives offered within the organization were not sufficiently attractive to retain employees.

In the case of both the employees and the patients of the elderly care home, stakeholder value must be defined. The value of the service provided to patients is evidently necessary. Perhaps less evident, however, is the value that the position provides to the employee, as this will have an effect on their job satisfaction, and impact the service provided to patients. Payne et al. (2005) discuss the importance of providing value to stakeholders in order to improve relationship marketing. They outline the process as first defining the value proposition for each stakeholder, i.e., noting what is important to both patients and employees. For example, healthcare employees' ideas for empowerment needs to be taken into account and has a positive impact on the overall effectiveness of the organization (Laschinger et al., 2001). Next, management must select what value elements will be provided to the stakeholders, and in which way said elements will be marketed to the stakeholders. Lastly, patient and employee value must be measured, to ensure that the important elements are received, as desired.

The management decided to put in place measures to enhance the motivation and employee engagement levels, realizing that their approach was not service-oriented, mainly due to a lack of employee personal involvement. The action plan comprised the following elements: i) provision of further training and bonus to counter the fact that the financial reward system was limited, ii) purchase of new tools and investment in better equipment and furniture in order to enhance the working ambience, iii) issuance of specific missions to each employee (both to increase their engagement levels and also their motivation). This can be considered as an action on the basis of the third principle — rewards and recognition (see methods section) of the 'service-profit chain model'.

#### 4.4.4. An unstable work atmosphere

Despite this new action plan bringing improvements on the human resources front, one contentious issue still remained: the low employee

morale. The management had already laid off the “dissidents”, who caused tension. Unfortunately, some of the retained employees were still fighting each other. The arrival of a new employee or the arrival of a difficult resident also threatened the stability of the workplace atmosphere. Additionally, nurse aids were extremely money-minded and envious of status accorded to the nurses who were better qualified than them, which fostered further tensions between employees of different job categories.

## 5. Insights and propositions

Our study amply illustrates the challenges faced by management in running an elderly care home. Some of the factors contributing to the challenges faced in running a care home were: (i) the nature of the work carried out by the employees which makes it very difficult to motivate the staff, (ii) the nature of the care required by the elderly customers who are very vulnerable, yet highly demanding and requires constant care and attention, (iii) the demand-supply situation for care home workers, with challenges in recruitment, and (iv) governmental policies which though aimed at securing a good deal for the elderly, often hampers the management's flexibility in dealing with day to day challenges. These are in line with the [Heskett and Schlesinger \(1994\)](#) Service Profit Chain model. Often the combined effect of these factors lead to serious internal problems and has a larger impact on the overall brand image and quality perception of the elderly customers as well as the families who send their elderly relatives to these homes. Care homes can easily get embroiled in a vicious cycle that makes any intervention extremely difficult. An important insight from the case study is the unique nature of the problems because of the peculiarities in the customer demand as well as the peculiarities in the nature of the job carried out by employees. It is also important to note that these problems are strongly interconnected and solving one problem alone will not be adequate to break the vicious cycle. Hence:

**Proposition 1:** *Nursing homes and public healthcare organizations face a combination of specific internal and external problems that can have a combined negative effect on the overall quality and satisfaction level of its customers. Core service failures lead to a vicious cycle that can leave the reputation of those service industries permanently damaged.*

The remedial steps taken by the management showed a holistic orientation with the realization of how actions taken today may generate profit for the future. Specifically, action taken by the management to deal with delinquent employees without any attempt at negotiating with them showed the resolve of the management and provided an unambiguous message about the priorities of the care home. Similarly in dealing with absenteeism, the management genuinely tried to address this issue by considering the point of view of the employees. What was evident was a strategy that relied on analysis and less on a prescriptive approach. As [Bamford and Forrester \(2003\)](#) contends, organizational change that seems to be less dependent on detailed plans and projections than on reaching an actual understanding of the complexity of the issues involved and identifying the range of possible options always tend to succeed. According to [Dellve and Wikstrom \(2009\)](#), in complex psychosocial situations such as healthcare organizations, leaders could either adopt procedural norms of transparency, democracy and a general sense of fair play or a strategy that involves adhering to the organizational political play (consequential norms). However, it is seen in this instance that a constant leadership strategy underpinned by procedural norms and fair play has been used throughout. This enhances the legitimacy of the management and further provides a foundation for future actions. Hence:

**Proposition 2:** *In highly complex organizational environments with a slew of internal factors influencing the day to day*

*functioning, a strong leadership is very important to ensure success.*

Caring for the residents in a nursing home is a 24-h service, which requires availability of staff at all times. However, many nurses and especially nurse aides do not find gerontology very appealing this situation is further enhanced by low wages. This fact, therefore, causes a shortage of nurses and nurse aides. The hardships that they endure on the job cause much absenteeism and staff turnover. There is also the feeling of inequity among staff. These issues have to be considered with a combination of compassion and firmness. While genuine employee grievances have to be prioritized for solution, dysfunctional employee behavior needs to be dealt with in a firm manner and in a consistent way. In the long run this will help in improving morale and encourage employees to contribute positively. As demonstrated in this case study, once the management showed resolve in tackling difficult employee issues, many of the intransigent issues got resolved swiftly. Further, a firm and consistent approach is perceived as ethical and purposive by employees. Employee's perception of ethically based decisions that are both transparent and consistent is the main source of employee satisfaction and contentment. Thus, the leadership needs to develop ethical solutions in order to tackle internal problems. As was demonstrated in the new leader's strategy to deal with absenteeism, there was a combination of firmness as well as compassion and the overall solution was both ethical and transparent. This was demonstrated even more strongly in the implementation of the solution.

A contented staff, which includes efficient and caring nurses and nurse aides, will contribute to excellent healthcare facilities where elderly consumers and their relatives will feel satisfied. Satisfied customers would imply a successful facility with a waiting list for future elderly consumers. Thus, we develop our next proposition for future research as follows.

**Proposition 3:** *Internal marketing solutions through effective management of employees ensure higher level of service quality. While the management should not give any leeway to delinquent employees, it is also important to show empathy to employees who are working in a high-pressure situation. This helps in meeting the social and emotional needs of consumers.*

We summarize the propositions in [Fig. 1](#).

## 6. Theoretical and managerial implications

We find that challenges arising out of internal problems and human resource management have an adverse effect on service quality, brand image and customer satisfaction. The case study shows how these problems may be tackled through firm but fair leadership that used a judicious combination of incentives and tough measures. These incentives include: better wages and benefits, continued education for development through additional training and advancement, as well as employee support. Here, we argue for these benefits in all service industries, in particular healthcare organizations, based on the third principle of the Service Profit Chain model (Rewards and Recognition) to ensure employee satisfaction and productivity. The theoretical framework – Complex Organizational Problems and Solutions (COPS) and present it in [Fig. 2](#). The model summarizes our main observations and highlights the link between internal problems, service quality and brand image and suggest ethical and internal marketing solutions. Future researchers can use and extend our framework and propositions as a testable model and hypothesis.

Managers need to understand the following fundamental theoretical issues and their implications in service industries with a long-term outlook.

- i) Internal problems arising out of human resource management is inherent in public healthcare organizations.

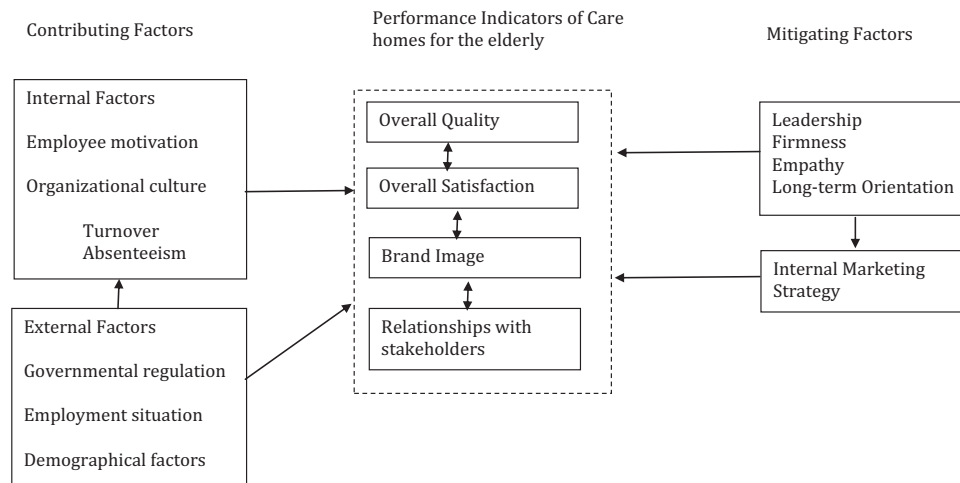


Fig. 1. Summary of propositions.

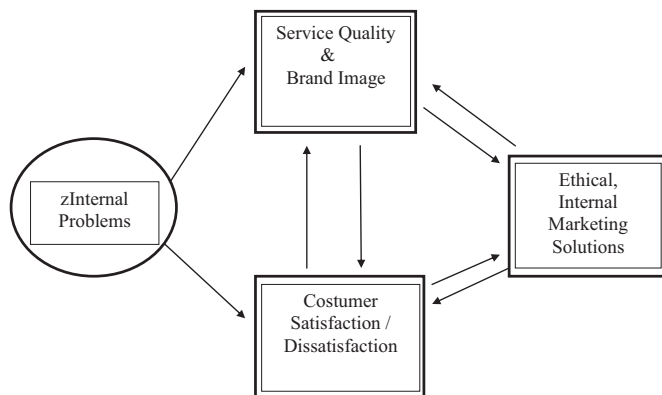


Fig. 2. Complex Organizational Problems and Solutions (COPS): theoretical framework.

- ii) Internal problems have an adverse effect on service quality, brand image and consumer satisfaction.
- iii) Ethical and internal marketing solutions can resolve the problems to a large extent.

## 7. Conclusion

Given the above-mentioned problems, resolutions, and developments at the nursing home, some significant improvements have been noticed in the functioning work atmosphere, and employee behavior at the nursing home. The mission of a care home is to provide the best and most relevant service to the old and dependent residents. In order to succeed, these organizations have to fit their strategy to the medico-socio trends. Hence we conclude that accepting the genuine concerns and working out mutually acceptable solutions will go a long way in creating a positive atmosphere in such organizations. Besides, this study reveals that contrary to the general understanding the lifestyle and comfort of life for older people in care home is a function of internal marketing as well as service quality. Last, but not least, this study provides us insights on how internal marketing practices and employee satisfaction facilitates service quality.

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