Size Does Matter: Training and Service Quality in Small to Medium Australian Regional Hospitality Firms

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ABSTRACT

There is little doubt that small and medium sized enterprises (SMEs) dominate the Australian tourism and hospitality sector, providing significant economic benefits to regional economies. Yet, despite this importance, relatively little is known about the nature and determinants of training in SME hospitality firms in regional Australia. An examination of four SME restaurant enterprises in Northern New South Wales revealed that organisational size is likely to influence the drive of firm managers and/or owners as it relates to the adoption of formal training strategies. Interestingly, it was found that these small stand alone establishments rather than large resort based establishments engaged in more formalised training approaches, appearing to contradict earlier findings about small to medium organisations in the industry in Australia and overseas.

Keywords: Human resource management and organisational performance, learning and development, skills shortages, performance management.

The hospitality sector is an extremely important part of the Australian economy. With sector employment growth of 13.9% in the five years to 2005 (Department of Employment and Workplace Relations 2005), hospitality firms provide an ever increasing range of services to both visitors and residents. With an anticipated annual growth rate to 2015 of 4.3% of inbound tourism and 0.5% increase in domestic tourism, the importance of this industry to communities is only set to increase (Department of Industry Tourism and Resources 2006). Small to medium sized (SMEs) hospitality firms will play a crucial role in meeting this increasing demand, in that the competitiveness of destinations often depends upon a viable community of such firms (Dewhurst, Dewhurst & Livesey, 2006). The requirement of these firms to deliver high-quality service, results in an ongoing need to recruit, instruct and maintain a highly trained cohort of staff. However, very little research has endeavoured to investigate the extent, nature and determinants of training in these types of hospitality firms, particularly in regional Australia. In examining four SME restaurants in Northern New South Wales, this paper aims to better understand the variety of practices and attitudes towards training within such firms.
In order to maintain and improve the quality of service, it is often argued that firms require a suite of human resource management (HRM) practices such as ongoing staff training and strategic career development planning (Van der Wagen 2005). For example, Keiser (1988) affirms that it is those firms that provide competitively superior service which achieve better business results in terms of profit, growth, market share, return of investment, asset turnover, and customer retention. Given the importance of front-line employees within the customer service interaction, Schneider (1994, p.64) suggests that ‘without customer focused HRM, inappropriate people may be hired, training might fail to provide people with the kinds of knowledge, skills and abilities required, supervision might be too loose or too tight and rewards might be dispensed for the wrong kinds of activities’. Similarly, Gronroos highlights the people element in delivering ongoing service quality: ‘Employees ought to act as consultants, who are prepared to do their duty when the customer needs them and in a way the customer wants. The firm which manages best to do this strengthens its customer relationships and achieves the best profitability’ (2000, p. 377). As such, it is widely considered that investment in high quality HRM practices has a significant impact on operational and business performance, especially training.

Training, one aspect of HRM, is a key business technique that impacts on service quality delivery, customer satisfaction, sales growth and profitability. Training aims to increase the experience of staff, ensuring they do things the right way, guarantees standards and systems of work, attains timeliness and reliability, increases communication and stimulates staff while helping deliver the economic bottom line (Delahaye 2005). These, and a range of additional training benefits, have already been established by both international and Australian studies (DiPietro, Murphy, Rivera & Muller 2007; Pollit 2006, Davies, Taylor & Savery 2001; Haynes & Frier 2000). Yet, despite the importance of this function, training has been identified as largely an ad hoc process in the broader hospitality sector in Australia (Davies, Taylor & Savery 2001; Department of Education, Science and Training 2005). The lack of importance given to training practices, may be linked in part to the sizeable number of small to
medium enterprises (SMEs) that dominate the hospitality industry within Australia; many of whom do not have the economies of scale to provide their own formal training.

SMALL BUSINESS AND THE AUSTRALIAN HOSPITALITY SECTOR

In the past two decades, rapid growth has been achieved within the tourism and hospitality industry in Australia. In 2000-2001, the industry contributed 4.7 percent to Australia’s GDP (or $31.8 billion), accounting for 6 percent to Australia’s total employment (Australian Bureau of Statistics 2006). Further analysis of hospitality-related firms found that 188,102 persons were working in cafe and restaurant services in Australia (year ending June 2004). Cafe and restaurant services are dominated by a large casual, or on-call, work force, accounting for just over half (53.4% or 100,460 persons) of all employment (Australian Bureau of Statistics 2005). Permanent full-time employees accounted for just over a quarter (25.4% or 47,740 persons) of all employment, while permanent part-time employees accounted for 13.7% (25,824 persons). Females comprised just over half (53.7% or 100,926 persons) of all employment in the broader Australian hospitality sector. Most females (61.6% of total female employment) worked as casuals. Males also occupied more casual positions (43.9% of total male employment), however, they also were more likely to occupy full-time positions (34.3%) than females (17.7%). Approximately 45 per cent of all employees in the cafes and restaurants sector are aged between 18 and 25 years old (Australian Bureau of Statistics 2005).

The Australian tourism and hospitality industry is made up of 95 per of cent small, family owned and operated businesses (House of Representatives 2007). Whilst small firms offer a range of advantages to the economy, several of which were proposed by Scott and Gibson (1991, p.10); it has been found in previous studies that in smaller firms, the areas of accounting, finance, production, and marketing all take precedence over personnel management and other HRM-related processes (McEvoy 1984, Lafferty 1998). Although most hospitality organisations train employees to behave appropriately with customers (Gilbert, Guerrier & Guy 1998), the hospitality industry in particular has a poor reputation for training (Maxwell, Watson & Quail 2004; Pratten 2003), although Poulston (2008) argues that this
assertion is not well supported empirically. Previous hospitality studies have discovered that managers may be reluctant to invest in training in case staff subsequently leave (Davies, Taylor & Savery 2001; Jameson 2000; Loe, Ferrell & Mansfield 2000), or because their time is already fully occupied with recruitment and selection (Poulston 2008). Due to such opinions and time restrictions placed on small hospitality proprietors, researchers have not found it easy to examine the nature, extent and attitudes toward training processes accurately. As such, very little study has been done on training strategies and their link to service quality in the restaurant sector, particularly in an Australian regional context. This article aims to address this gap in the literature.

**METHODOLOGY**

The overall aim of this study was to identify the nature, extent and attitudes toward training processes within outstanding SMEs in the Australian hospitality industry, namely restaurants. It was deemed that the case study approach would be most appropriate in order to elicit more in-depth information regarding the issues under consideration, as research cases offer a unique tool to build theory by examining phenomena not suited to traditional statistical approaches (Stake 1995). A total of six case restaurants (four of which are examined in this paper), were selected from the 2005/06 Northern/New England Visa International Awards for Excellence finalists and winners list, an event administered by Restaurant and Catering NSW/ACT (RCNSW/ACT). For comparative purposes, the remaining two cases (large, resort-based restaurants) will be referred to briefly in the latter part of this paper. Drawing on the lessons learned by leading SME hospitality firms, the selection of these particular cases was made to recognise innovative training solutions, in an effort to assist organisations with similar challenges.

A semi-structured interviewing technique was utilised by the researchers, with each respondent (in all cases, the owner) being interviewed individually. It was deemed that the owner would be the most appropriate interviewee, in order to elicit more in-depth information about training and service quality. A number of the interviews were conducted within the restaurant setting. This setting allowed for the
observation of some staff whilst the interview was taking place, which may have assisted the impact of the interviewee’s responses as the topics being covered were able to be visually aligned with the environment. In addition to interviewing, management documents were examined, providing a possible means of overcoming the subjective nature of the data collected during the interview (Haynes & Fryer 2000). The questions used in the face to face interviews were developed to identify not only the process and methods of staff training within each organisation but to also achieve an understanding of each interviewee’s attitude and perception of the importance of training their employees, the method deemed best to achieve this training, and the effect they believed training has on the overall success of their organisation. Two data collection tactics were employed in this study. First, handwritten notes taken by the researchers during the 60 minute discussion assisted in describing the context and the flow of each interview. Second, audio of each conversation was also captured via a digital recording device. The analysis of the audio transcription, and corresponding notes, was conducted manually, with emphasis provided to particular patterns, themes, concerns or responses posed repeatedly by the respondents. Once completed, interpretations of the results were cross-checked by the researchers to ensure validity of the interpretation.

KEY FINDINGS

Importance of staff training

The importance of training was identified by case respondents as a way in which to achieve professionalism, improve service quality levels and consistency, service reliability, staff communication and to stimulate staff:

...Every single person that works here at (Restaurant name) is trained in a big way. 
Training brings success! (Restaurant A).

...We want to be on the top of the ladder. Training helps us do that (Restaurant B).
Three major training motivations become apparent from the answers of the respondents to this study: to increase the levels of service quality or professionalism the restaurant presents to the public; to tailor the service type to the specific firm; and that there are multiple beneficiaries from the use of staff training, especially staff members. These outcomes appear consistent with previous findings on hospitality training benefits (House of Representatives 2007; Department of Education, Science and Training 2005; Eaglen, Lashley & Thomas 2000).

All four case participants revealed they had no formal training qualifications, meaning qualifications either accredited by the Vocational Education Training Advisory Board (VETAB) or from an endorsed organisation such as a University. Despite this acknowledgement, in all cases, the owner played a central role in training development and administration (further details provided in Table 1). Respondents, having identified their firms as small owner-operated restaurants, recognised natural aptitude, industry experience, trial and error, and their perceptions of industry standard training practices as the basis for their training ‘qualifications’. Also discussed by one respondent (Restaurant C), was the need to ‘train’ their customers. Aside from a reduction in labour costs, by implementing a 100 per cent bookings only policy, the respondent felt that they were better able to plan and prepare for a quality service encounter, having identified intended demand levels:

...Basically we've trained our guests to book. If they don’t book, you may end up understaffed and give a bad quality of service. You know you are not going to get anything over and above. Without this policy, what you end up with is a restaurant that may lack that quality of service, because they cannot service their clients properly, they may run out of food, because they may not be able to cope. It might be alright for a pub-style food offering, but you just can’t do it well if you don’t know they’re coming (Restaurant B).
**Staff training methods**

Identified by respondents as a critical ‘point of difference’ between participating firms, was the selection of staff. Restaurant A made a special point of not employing junior (young) staff (primarily for the purpose of their hourly wage advantage), choosing to emphasise experience and professionalism in order to maintain a higher level service experience. All participants in this research identified their training methods as being formalised, which is defined as something recognised by the Vocational Education Training Advisory Board (VETAB), even though some aspects of their training regimes were more informal in their delivery (ie; informal methods of on-the-job training such as a senior mentoring a junior, or a buddy system, were frequently used in most restaurants in the study).

Restaurant A, a medium stand alone restaurant was seen to take a very formal approach in the communication of their training components. For example, employees are required to work through a training procedures manual, as evidenced by the following statement:

> ...Our new staff come in and complete two induction shifts, but they must learn many systems before they commence. For example, they must know the menu before they start. Customers couldn’t care less if it is your 1st or 2nd night. You have to be switched on from the outset (Restaurant A).

Similarly, new staff at Restaurant D were required to complete an exam on what they have read in their training manual. The rationale provided by the respondent for this undertaking was that ‘some things need to be learnt by writing them down for consistency’. The same medium sized restaurant also demonstrated an understanding of the positive effects of training on staff development and motivation by regularly asking staff ‘what can we do to help you learn the information in the manual?’.

Some participants (for example, Restaurant A) identified the content of their staff manuals covered service procedures in extreme detail, including phone messages and reservations
scripts, plate handling, presentation, door approach, clean up procedures, polishing of cutlery, and restocking of restaurant items. This content was described by a number of the participants but only two restaurants made a copy of their manual available to the researchers (Restaurants A and C). Another manual (Restaurant C), was a little less detailed but covered service expectations, uniform, service procedures, instructions for alcohol, coffee and cocktail service; key abbreviations for docket writing, and menu descriptions for staff. This manual was far more descriptive and portrayed the emotion, atmosphere and ‘flavour’ expected by the staff in the restaurant, when viewed against the guide from Restaurant A.

...We try to make the service at the (Restaurant name) of the highest quality without being pretentious, servile or stuffy. Service must be polite, friendly and well-informed, while sloppy or uncaring service will not be tolerated. Staff must have adequate professional skills and also be adept in the area of personal relations. A sense of well-being is engendered in the customer if the waiter has the required skills, presentation, attitudes and disposition. The service is as important as the food and wine in making an enjoyable dining experience (Restaurant C).

...The section waiter is effectively the manager of their section. As such, they are responsible for the smooth delivery of service to the tables in their section and for the communication of special needs of particular tables to the other staff and of problems to the maitre d’ (Restaurant A).

Of the remaining cases, although their staff training practices were established and in operation, the manuals to support their training methods were still in ‘varying stages of development’. Table 1 outlines the major methods of staff training utilised by the case restaurants. From this listing, and subsequent analysis, it would appear that smaller
organisational size had a significant effect on the adoption of formal training strategies, such as the establishment and use of a formal training manual, a finding which appears to contradict earlier findings about small to medium organisations in the industry in Australia and overseas (see for example Becton & Graetz 2001, Price 1994).

**Frequency of training**

The case restaurants all expressed a strong desire to establish larger training budgets, whilst seeking to put more effort into their staff training programs. This is despite of a number of respondents revealing that there had been a slight decline in their training programs and budgets in the preceding 12 months. Training in these restaurants was conducted in a low key manner, utilising constant on the job evaluation and the discussion of relevant issues with individual staff members. Generally, staff members received introductory training when they first begin work at most establishments and, for the most part, this ends their in-house training. Further, there seemed to be no quarterly, half yearly or annual training updates, little in the way of feedback to improve the restaurant’s service procedures, or formal encouragement and response to staff requests for skills and knowledge updates.

**Service Quality and the identification of training needs**

All interviewees identified the primary driver of training; need identification, as being largely derived from performance assessment. Some interesting examples of performance assessment emerged. One respondent lived on site and ordered room service and dined in the restaurant regularly. This was done in addition to evaluating restaurant standards questionnaires filled in by guests. However, this form of assessment was dispelled by Restaurant D, who argued it was useless trying to assess the service in the restaurant by dining there himself, because he naturally received the ‘best service’ and therefore could not accurately assess the service from
the viewpoint of the customer. For this reason, he chose to use ‘secret shoppers’ to identify
the quality of service offered by his restaurant’s staff.

How the success of any training carried out by the restaurants was measured was also covered in the
interview. Identified indicators of successful training programs included visual improvements, pre-set
standards being met, the smooth running of daily operations and resultant customer satisfaction being
achieved, staff efficiency advancement with positive budget outcomes, improved skill levels, staff and
guest feedback, guest questionnaires, and through the restaurant winning awards and becoming well
known with very good reviews.

ANALYSIS AND IMPLICATIONS

This study, although containing views of a limited range of case respondents from a small
geographical area, demonstrates the nature, extent and opinions toward training activities within small
to medium Australian regional hospitality firms. As such, this paper can help guide regionally-based
restaurants in developing suitable training programs for their managers and staff, as they strive to
deliver sustainable perceived service quality.

The analysis of training-related tools discussed in this paper can inform owner/managers and
restaurants directors as to the importance of their human resource practices, particularly in the area of
staff recruitment, retention and development. Firstly, it appears that restaurant size played an
important role when adopting sophisticated training strategies and policies. When viewed against
larger, resort-based restaurants in the region (two of which were analysed as part of a wider study), it
was found that small to medium restaurant proprietors, passionate about both the quality of their
cuisine and the importance of the service in the overall dining experience, were more likely to instil
aspects of service through a formalised training program. This is somewhat surprising, given the larger
resource base (including financial capital) frequently available to resort based restaurants. This finding
may be seen to contradict earlier findings about small to medium organisations in the industry in Australia and overseas (Becton & Graetz 2001, Price 1994). Yet, despite the perceptions of many of the respondents that much of their training offerings were of a ‘formalised’ nature, it is obvious to the researchers that large portions of this training effort continue to be offered in an ad hoc and organisation specific manner.

Many of the respondents were quick to highlight the ‘special’ nature of the relationship between their service training procedures, with their restaurant layout, organisation-specific policies and management objectives. This may indicate an inclination by case respondents toward the provision of internal training programs, as opposed to industry-based curriculum. This viewpoint is best illustrated by the following comments:

...I wouldn’t want an external organisation setting the policies for my restaurant. I would however, have an external organisation work with us, given our list of priorities we have deemed ideal for the running of (Restaurant name). Like cost control, if that was their speciality, than that’s great...let’s do that, for sure! (Restaurant A).

...The bigger resort style operations need a company to come in, with a portfolio (or so to speak) of what exactly needs to happen, from arrival of guests right through. We understand why this is necessary, but because we are such a small business, we’re specialised (Restaurant B).

Whilst training front line staff with skills specific to an organisation is particularly important, there needs to be an awareness of an overall correctness of skills being imparted, according to industry standards, in order to avoid the training of incorrect skills and methods. This is best described by Demming (cited in Walton 1986, p. 68), noting that many workers often learn their jobs from other untrained employees, ‘who can’t do their jobs because no one tells them how’. All firms, be them large or small, must recognise that they are part of an industry that is an important contributor to the
socio-economic betterment of the nation. If restaurants were to view themselves as insular, independent micro-entities, then career paths within the broader industry will continue to remain unappealing, particularly to young workers. Ensuring that career pathways are readily available will allow workers to gather credentials across a range of employers (House of Representatives 2007).

In closing, restaurants, like any service business, need to conform to perceived standards of service quality. Quality results from the comparison of customer’s expectations of the service with their perceptions of the actual service performance as they experience it (Lockwood 1995). Service organisations can therefore achieve a strong reputation for quality service only when they consistently meet or exceed customer service expectations (Kandampully 2002). In presenting a selection of explicit training activities (designed to pay attention to the customer) employed by outstanding regional Australia restaurants, this paper offers hospitality firms a snapshot into a number of specific key factors that affect customers’ perceptions of service quality.
REFERENCES


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<table>
<thead>
<tr>
<th>Restaurant</th>
<th>A.</th>
<th>B.</th>
<th>C.</th>
<th>D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of staff manual</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Depth detail of manual</td>
<td>Very detailed</td>
<td>Not Available</td>
<td>Quite detailed</td>
<td>Very detailed</td>
</tr>
<tr>
<td>Other training tools</td>
<td>Wine knowledge; wineries come in and show staff how to marry foods and wines - on the job feedback</td>
<td>On job feedback</td>
<td>Restaurant product knowledge questions - on the job feedback</td>
<td>Written exam on manual - on the job buddy system, -external barista training</td>
</tr>
<tr>
<td>Level of direct control of interviewee (as observed from interview)</td>
<td>Very controlled, although has FOH manager, owner is usually in the kitchen, high control over systems in place.</td>
<td>Extremely controlled. Restaurant won’t open unless both owners are there.</td>
<td>Medium control, has restaurant manager.</td>
<td>Medium control, 2 directors/ managers and supervisors but 1 manager always on duty.</td>
</tr>
<tr>
<td>Training administrator</td>
<td>Mostly owner trained, with participation from senior staff members, small amount of external training also.</td>
<td>All training carried out by 2 owners of the business.</td>
<td>Owner of the restaurant carries out most of the training with the assistance of the head waitress.</td>
<td>The two business directors, restaurant supervisors, senior members of staff carry out all he training.</td>
</tr>
<tr>
<td>Size of business</td>
<td>Medium</td>
<td>Small</td>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>Business type</td>
<td>Stand alone</td>
<td>Stand alone</td>
<td>Stand alone</td>
<td>Stand alone</td>
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1Business size as classified for this study: Small, less than ten employees; Medium, 10-20 employees.