NO REPRODUCTION OR QUOTATION WITHOUT PERMISSION
Conceptualising Service Culture

Robert Davis
Associate Professor, Department of Management and Marketing, Faculty of Creative Industries and Business, r.davis@unitec.ac.nz, Phone: ++(649) 815 4321, Postal Address: Unitec Institute of Technology, Private Bag 92025, Auckland, New Zealand.

Neil Gautam
Research Assistant, Department of Management and Marketing, Faculty of Creative Industries and Business, neil.gautam@gmail.com, Unitec Institute of Technology, Department of Management and Marketing, Private Bag 92025, Auckland, New Zealand.

Abstract
The aim of this paper is to develop a conceptual model of service culture based on the proposition that service culture has four core areas of value creation; (1) Recruiting, training and rewarding, (2) Developing a service mindset in product focused organisations, (3) Creating a learning service organisation by harnessing employee and customer knowledge and, (4) Keeping a service focus as the organisation grows and evolves (Ostrom et al, 2010). Our conceptual model proposes that firm and consumer value is created through the interactions between; training, rewards, co-creation, climate, transformation and, service orientation and encounters. Managerial and future research directions are discussed.

Introduction
Service culture plays a key role in the creation of value for both the firm and customer. Despite the importance of service culture, there are no existing conceptual models that are generalisable to different service contexts. This is a significant gap in our understanding about how to create and nurture service value. As Ostrom et al, (2010) argues service culture is a fundamental part of the value creation for both service organisation and their customers. Underlying service culture are interrelated processes that shape human resources such as recruiting, training and rewarding. Service culture drives a service mindset in product and service focused organisations. Furthermore, it helps to define how the organisation learns and evolves from both employees as well as customer knowledge. Therefore, because of the dearth of thinking and empirical data to start to theorise service culture, we develop a conceptual model that, in the future, will drive further model development using structure equation modelling and qualitative data collection across different contexts and national cultural orientations. The main focus of this paper is on the discussion and presentation of this conceptual model. The paper concludes with managerial and future research directions.

Conceptual Model
Table 1 defines the main constructs and their definitions in our conceptual model. Figure 1 and Table 2 specifies our conceptual model and hypotheses. Our model begins with the concept of service training, which refers to incidences in which employees in an organisation receive training in personal skills with the aim of enhancing their ability and willingness to deliver valued services to customers (Ostrom et al, 2010; Lytle & Timmerman, 2006; Chen 2005, p.22). Service training is an essential component of quality improvement in service-centred organizations. According to Dietz, Pugh and Wiley (2004, pp. 89), providing ‘joint training sessions’ to employees in departments and sub departments allows an organization create standardization in service delivery, especially when the service environment is determined by organization policies. We argue that training will impact an organisations service orientation (Lytle and Timmerman, 2006) (H1).
## Table 2. Construct Definitions

<table>
<thead>
<tr>
<th>Construct</th>
<th>Definitions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Orientation</td>
<td>Organisation wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service giving behaviours that create and deliver service excellence (Lytle, Hom &amp; Mokwa, 1998).</td>
<td>Existing research tends to measure and examine the construct service orientation, without serious regard for its conceptualization and measurement as an element of organizational culture (Lytle and Timmerman, 2006).</td>
</tr>
<tr>
<td>Service Training</td>
<td>Service training refers to incidences in which employees in an organisation receive training in personal skills with the aim of enhancing their ability and willingness to deliver quality services to customers (Lytle &amp; Timmerman, 2006).</td>
<td>Service training is an essential component of quality improvement in service-centred organizations. According to Dietz, Pugh and Wiley (2004, pp. 89), providing ‘joint training sessions’ to employees in departments and sub departments allows an organization create standardization in service delivery, especially when the service environment is determined by organization policies.</td>
</tr>
<tr>
<td>Service Rewards</td>
<td>Service rewards denote an avenue through which an organisations management provides incentives and rewards to their employees for their quality service delivery (Lytle &amp; Timmerman, 2006).</td>
<td>Effective supervisors in a service-oriented organization encourage and influence the service outcomes and behaviour of the employees in an organization by setting the targets for frontline subordinates, empowering them, inspiring them, and most importantly rewarding outstanding service delivery (Hui et al 2007, p. 157).</td>
</tr>
<tr>
<td>Service Climate</td>
<td>The service climate of an organisation is the shared perception of employees concerning policies, practices, procedures and behaviours, which get rewarded and supported with respect to customer service and service quality (Schneider, White &amp; Paul, 1998).</td>
<td>Service climate focuses on service employee effort and competency on delivering a quality service (Schneider, White and Paul, 1998).</td>
</tr>
<tr>
<td>Service Encounters</td>
<td>Managing all instances in which an employee interacts with customers in the provision of service (Lewis &amp; Entwistle, 1990).</td>
<td>Service encounters have an impact on employee motivation, performance, job satisfaction, rewards, tenure and promotion, therefore service based organisations need to manage service encounters effectively for the benefit of customers and employees to achieve overall organizational goals (Lewis and Entwistle 1990, p. 43).</td>
</tr>
<tr>
<td>Service Transformation</td>
<td>The handling of service encounters needs to be continually transformed to encourage new ways of serving customers. Service transformation denotes the process of sustaining high quality service delivery for and among all service employees in a way that perpetually fosters a positive service climate (Liao &amp; Chuang, 2007).</td>
<td>Service transformation is geared at ‘sustaining high-quality service delivery for and among all service employees in a way that fosters a perpetually ‘positive service climate’ (Liao and Chuang 2007, p. 1009).</td>
</tr>
<tr>
<td>Service Co-Creation</td>
<td>Harnessing customer and employee knowledge to co-create value and service innovation (Vargo &amp; Lusch, 2008a; Ostrom et al, 2010).</td>
<td>Service co-creation consists of intimate relationships involving clients and service providers sharing their risks, resources and rewards. Co-creating value in service delivery involves clients and service providers being embedded in numerous networks of partners, suppliers and many other stakeholders (Ostrom et al 2010, p. 18).</td>
</tr>
<tr>
<td>Service Value</td>
<td>Value for customers means that after they have been assisted by a self-service or full-service process they feel better off than before (Gronroos, 2006; Vargo &amp; Lusch, 2008b)</td>
<td>The participation of customers in the process of creating value in service delivery, wherein the engrained service culture of an organization needs to stimulate innovative value creation in all service encounters to both the service recipients and service providers.</td>
</tr>
</tbody>
</table>
Service rewards impact service orientation as well as service climate (H3 and H5). Service rewards are the way organisations provide incentives and rewards to employees for value they create from a customer as well as other stakeholder perspective (Lytle & Timmerman, 2006).

Effective supervisors in a service-oriented organization encourage and influence the service outcomes and behaviours of the employees in an organization by setting the targets for frontline subordinates, empowering them, inspiring them, and most importantly rewarding outstanding service delivery (Hui et al 2007, p. 157). We propose that if service employees are rewarded properly then this will impact not only service giving behaviours (orientation) but effort and competency (climate). The co-creation of service harnesses customer and employee knowledge to co-create value through service innovation (Vargo & Lusch, 2008a; Ostrom et al, 2010). Service co-creation consists of intimate relationships involving clients and service providers sharing their risks, resources and rewards. Co-creating value in service delivery involves clients and service providers being embedded in numerous networks of partners, suppliers and many other stakeholders (Ostrom et al 2010, p. 18). We argue that co-creation impacts service climate suggesting that this duality (employee and customer) fosters shared perceptions, effort and competency and mutual respect of customer service and service quality (Schneider, White & Paul, 1998) (H4).

Service transformation argues that the way in which service encounters are performed is supported by continual transformation to encourage new ways of serving customers. Service transformation denotes the process of sustaining high quality service delivery for and among all service employees in a way that perpetually fosters a positive service climate (Liao & Chuang, 2007). Service transformation is geared at ‘sustaining high-quality service delivery for and among all service employees in a way that fosters a perpetually ‘positive service
Therefore, we posit that service transformation impacts service climate (H₅).

**Table 2. Hypotheses and Structural Equations**

<table>
<thead>
<tr>
<th>Hypothesis (H)</th>
<th>Description</th>
<th>Equation</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>H 1</td>
<td>Service Training has a significant impact on service orientation.</td>
<td>( Y₅ = \beta_5, 1 \ Y₁ + \varepsilon₁ )</td>
<td>Chen (2005, p.22) Mouawad and Kleiner (1996)</td>
</tr>
<tr>
<td>H 2</td>
<td>Service Rewards has a significant impact on service orientation.</td>
<td>( Y₅ = \beta_5, 2 \ Y₂ + \varepsilon₂ )</td>
<td>Ostrom et al. (2010)</td>
</tr>
<tr>
<td>H 3</td>
<td>Service Rewards has a significant impact on service climate.</td>
<td>( Y₆ = \beta_6, 2 \ Y₂ + \varepsilon₃ )</td>
<td>Schneider et al. (1998, p.151) Ostrom et al. (2010), Lytle and Timmerman (2006, p.138)</td>
</tr>
<tr>
<td>H 4</td>
<td>Service Co-creation has a positive impact on service climate.</td>
<td>( Y₆ = \beta_6, 3 \ Y₃ + \varepsilon₄ )</td>
<td>Lewis and Entwistle (1990, p. 43)</td>
</tr>
<tr>
<td>H 5</td>
<td>Service Transformation has a significant impact on positive service climate.</td>
<td>( Y₆ = \beta_6, 4 \ Y₄ + \varepsilon₅ )</td>
<td>Liao and Chuang (2007, p. 1009)</td>
</tr>
<tr>
<td>H 6</td>
<td>Service Orientation has a significant impact on service encounters.</td>
<td>( Y₇ = \beta_7, 5 \ Y₅ + \varepsilon₆ )</td>
<td>Ostrom et al. (2010)</td>
</tr>
<tr>
<td>H 7</td>
<td>Service Climate directly impacts service encounters.</td>
<td>( Y₇ = \beta_7, 6 \ Y₆ + \varepsilon₇ )</td>
<td>Ostrom et al. (2010)</td>
</tr>
<tr>
<td>H 8</td>
<td>Service Encounters have a significant impact on Service Value.</td>
<td>( Y₈ = \beta_8, 7 \ Y₇ + \varepsilon₇ )</td>
<td>Hotamisli and Baytok (2008).</td>
</tr>
</tbody>
</table>
Service orientation is defined as the organisation wide functional embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service giving behaviours that create and deliver service excellence (Lytle, Hom & Mokwa, 1998). However, we have found that existing research tends to measure and examine the construct service orientation, without serious regard for its conceptualization and measurement as an element of organizational culture (Lytle and Timmerman, 2006). We argue that through the focus on reward and training, orientation will have a significant impact on all the interactions and relationships between service processes and customers in the provision of service ($H_6$). From a similar perspective, service climate relates to the shared perception of employees concerning policies, practices, procedures and behaviours, which get rewarded and supported with respect to customer service and service value (Schneider, White & Paul, 1998). Service climate focuses on service employee effort and competency on delivering a quality service (Schneider, White and Paul, 1998). We argue, like orientation, service climate impacts service encounters across all organisation touch points ($H_7$). Finally, service orientation and value, defined as the customers functional and symbolic perceptions of the value of the service encounter (Gronroos, 2006; Vargo & Lusch, 2008b) across all channels of interaction with customers (Hotamisli and Baytok, 2008).

Managerial Implications

Our model argues that for managers, service training is an important input to service orientation. Simply put, if an organisation fails to embrace service giving and delivery excellence then we posit that little attention has been given to enhancing the capability and willingness of employees to deliver quality services to customers. Combined with training, employees may not be incentivized and rewarded for actual delivery according to service orientation standards. Managers should set clear targets and empower and reward employees for delivering to these standards. It is also suggest that customers also be trained and rewarded for their co-creation of the service innovation and transformation. This may help standards to be customer oriented. Our conceptual model also suggests to managers that service is in a constant state of change. Look to customer and employee co-creation to drive this flux. Establish ways in which service processes can change and reinforce to both employees and customers, how value is changing. The promise and meaning of change could be encapsulated in the service brand and its equity (Davis, Buchanan-Oliver and Brodie, 2000). Finally: service orientation and climate. By focusing on service culture, managers place the encounter with customers as the primary driver of value. An encounter driven by both the internal perceptions and functional processes of service.

Future Research

Future research is directed by 3 cores areas. The first direction will be to collect more qualitative data to further develop this model. As there is no existing conceptual model of service culture which is generalizable to different contexts, further exploratory work is required. Secondly, there is a need to start to test, using structural equation modelling, alternative and competing models. For both our qualitative and quantitative work, projects have already been implemented in New Zealand and Iran to test the model in different cultural contexts. We also aim to further test the model in the context computer mediated and non-computer mediated service environments.
References


level analysis’, *Journal of Occupational and Organizational Psychology*, vol. 80, no. 1, pp. 151 – 172.
Schneider, B, Macey, W, Lee, W and Young, S 2009, ‘Organizational Service Climate Drivers of the American Customer Satisfaction Index (ACSI) and Financial and Market Value Performance’ *Journal of Service Research*, vol. 12, no. 1, pp. 3 - 14.