

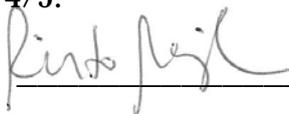
# Exploring organizational service orientation: A preliminary analysis in the retail industry

Marketing  
Master's thesis  
Antti Lehto  
2013

# Exploring Organizational Service Orientation: A Preliminary Analysis in the Retail Industry

Master's Thesis  
Antti Lehto  
Fall 2013  
Marketing

Approved in the Department of Marketing 5th / Dec 20 13 and awarded the grade 4/5.



Risto Rajala, Assistant Professor



Sami Kajalo, Senior University Lecturer

---

**Author** Antti Lehto

---

**Title of thesis** Exploring Organizational Service Orientation: A Preliminary Analysis in the Retail Industry

---

**Degree** Master's Degree

---

**Degree programme** Marketing

---

**Thesis advisor(s)** Risto Rajala, Sami Kajalo

---

**Year of approval** 2013

**Number of pages** 66

**Language** English

---

### **Abstract**

This study explored organizational service orientation and focused on the dimensions, limits and measurability of the construct. A concept-centric literature review was conducted to clarify the borders of the construct, to investigate the dimensions of the construct and to gather tools for comprehensive measurement of the construct. Based on the findings, this study constructed an analytical framework for organizational service orientation and formed a scale that measures it accordingly.

The framework and the scale represent a comprehensive view on the subject avoiding the context restrictions evident in previous research. The theoretical findings implicate that the following dimensions are essential for organizational service orientation: internal characteristics (e.g., service climate and organizational culture), strategy (e.g., service-orientated business strategy and service-oriented strategic choices) and the nature of the services offered (e.g., services in support of the client's actions or in support of the product).

In the empirical section, the framework and the scale were utilized to gather data from the retail sector to examine organizational service orientation. First, the scales were pre-tested during February-March 2013 with a test survey among the members of the Union of special trade (Erikoiskaupanliitto) yielding 39 responses. Second, the actual quantitative data used in this study was collected during October-November 2013 with a web-based questionnaire administered to 1263 operative managers of speciality retail stores in Finland. The survey yielded 152 acceptable responses (response rate 12.02%). An exploratory factor analysis was conducted on the collected data in order to identify the underlying dimensions of organizational service orientation.

The empirical findings of the analysis indicate five acceptable factors in the collected data: service-minded leadership, service capabilities, commitment to serving customers, service recovery and organizational service culture. The results of the analysis differ from the dimensions gathered from previous research, thus providing a ground for further investigations concerning the construct of organizational service orientation.

---

**Keywords** organizational service orientation, strategy, retail industry

---

---

**Tekijä** Antti Lehto

---

**Työn nimi** Exploring Organizational Service Orientation: A Preliminary Analysis in the Retail Industry

---

**Tutkinto** KTM

---

**Koulutusohjelma** Markkinointi

---

**Työn ohjaaja(t)** Risto Rajala Sami Kajalo

---

**Hyväksymisvuosi** 2013

**Sivumäärä** 66

**Kieli** Englanti

---

### **Tiivistelmä**

Tutkimus tarkastelee organisaatioiden palveluorientaatiota ja erityisesti sen rajoja, ulottuvuuksia ja ilmenemistä. Tutkielmassa suoritettiin käsittekeskeinen kirjallisuuskatsaus ilmiön aikaisempaan tutkimukseen, jonka avulla voitiin kartoittaa käsitteen oleellisimpia ulottuvuuksia, tarkentaa käsitteen rajoja ja kerätä työkaluja ilmiön kokonaisvaltaista mittaamista varten. Kerätyn tiedon pohjalta muodostettiin analyttinen viitekehys organisaation palveluorientaatiolle sekä tämän viitekehysten ulottuvuuksia mittaava mittaristo.

Viitekehys ja mittaristo tarjoavat aikaisempaa monitahoisemman näkökulman organisaation palveluorientaatioon. Viitekehys sisältää kolme ulottuvuutta, jotka ovat aikaisemman tutkimuksen perusteella osoittautuneet oleellisiksi osiksi organisaation palveluorientaatiota. Nämä kolme ulottuvuutta ovat sisäisten luonteenpiirteiden ulottuvuus, strateginen ulottuvuus ja tarjottujen palveluiden luonteeseen liittyvä ulottuvuus.

Empiirisessä osiossa viitekehystä ja mittaristoa hyödynnettiin kyselytutkimuksessa, jossa kerättiin aineistoa erikoiskaupan alan esimiehiltä Suomessa. Mittaristo testattiin maaliskuussa 2013 Erikoiskaupanliiton jäsenyrityksille suunnatulla testikyselyllä (vastaajia 39). Itse tutkimuksen kvantitatiivinen aineisto kerättiin loka-marraskuussa 2013 internet-kyselytutkimuksella. Kysely oli osoitettu 1263 erikoiskaupan alan esimiehelle, joista 152 vastasi kyselyyn (vastausprosentti 12,03 %). Kyselystä saadulle aineistolle suoritettiin eksploratiivinen faktorianalyysi, jonka avulla pyrittiin tunnistamaan mahdollisia piileviä tekijöitä organisaation palveluorientaation suhteen.

Empiiriset löydökset paljastivat aineistoista viisi selitysvoimaltaan riittävää tekijää: palvelujohtajuus, organisaation palvelukyvykyys, sitoutuminen asiakaslähtöisyyteen, palveluongelmien ratkaisukyky ja organisaation palvelukulttuuri.

Tutkimus tarjoaa monitahoisien näkökulman organisaation palveluorientaatioon, sekä monipuolisen työkalun sen mittaamiseen. Koska viitekehysten ehdottamat ulottuvuudet poikkeavat osittain empiirisessä osiossa esiintulleista tekijöistä, tämä tutkimus luo myös erinomaisen pohjan jatkotutkimusmahdollisuuksille organisaation palveluorientaation rakenteen, mittaamisen ja vaikutusten suhteen.

---

**Avainsanat** organisaation palveluorientaatio, strategia, erikoiskauppa

---

# Table of Contents

1 INTRODUCTION .....	1
1.1 Background .....	1
1.2 Research Objectives and Research Question .....	5
1.3 Methodology .....	7
1.4 Literature Review Process.....	7
1.5 Empirical Study.....	9
2 ORGANIZATIONAL SERVICE ORIENTATION .....	11
2.1 The Concept of Organizational Service Orientation .....	11
2.1.1 Individual Level Service Orientation.....	11
2.1.2 Customer Orientation (CO) and Market Orientation (MO).....	12
2.1.3 Service Climate .....	13
2.1.4 Service Quality Orientation (SQO).....	13
2.1.5 Service Orientated Architecture (SOA).....	14
2.1.6 Customer Service Orientation (CSO) .....	14
2.2 Perspectives and Measurement of Organizational Service Orientation .....	14
2.2.1 Organizational Service Orientation as Internal Characteristics .....	16
2.2.2 Organizational Service Orientation as Strategy .....	27
2.2.3 Organizational Service Orientation as Nature of the Services in the Offering.....	31
2.3 Summary .....	34
3 ANALYTICAL FRAMEWORK FOR INVESTIGATING ORGANIZATIONAL SERVICE ORIENTATION.....	35
3.1 Analytical Framework.....	35
3.2 Scale for Measuring Organizational Service Orientation.....	36
4 EMPIRICAL ANALYSIS AND FINDINGS .....	39
4.1 Descriptive Statistics .....	39
4.2 Factor Analysis.....	41
4.3 Synthesis of the Results.....	45
5 DISCUSSION AND CONCLUSIONS .....	47
5.1 Theoretical Contributions.....	47
5.2 Managerial Implications.....	47
5.3 Limitations and Further Research .....	48
6 REFERENCES.....	49
Appendix A: Original Items Used in the Analysis of This Study .....	60

**List of Figures**

Figure 1: Offering construct.....2  
Figure 2: Restructuring towards service orientation.....5  
Figure 3: SERV\*OR dimensions and four broader service-related categories.....23  
Figure 4: Important variables of service orientation in the business strategy.....29  
Figure 5: Analytical Framework of dimensions of organizational service orientation.....36

**List of Tables**

Table 1: The different characteristics of SSP and SSC.....33  
Table 2: Mean and standard deviation of the variables.....39  
Table 3: KMO and Bartlett's Test.....41  
Table 4: Factor loadings and interpretation of the factors.....43

# 1 INTRODUCTION

This chapter summarizes the background and context of the study, leading to definition of research objectives and problems. The methodology, scope and the literature review process of the study are then discussed. Eventually, the empirical part of this study is introduced.

## 1.1 Background

*"Everybody is in the service business."* (Levitt, 1972)

This famous provocation by Levitt (1972) seems increasingly relevant as services gain more momentum throughout various industries. This triumph of services roots from two logical origins of structural nature. First, the service sector itself has grown during the past decades. Second, the share of services has grown in sectors not inherently associated with services (e.g. Bowen et al. 1989; Quinn et al. 1990; Wise & Baumgartner 1999). These 'non-service' sectors, such as the manufacturing sector, have traditionally exhibited a low share of services in comparison to share of tangible products. The following three antecedents, as well as repercussions, of these structural changes are in the core of this study: 1) the competitive advantages that services provide, 2) the variety of different ways in which organizations orientate towards services and 3) the ways and challenges of creating and delivering excellent service quality.

### 1) The competitive advantages of services

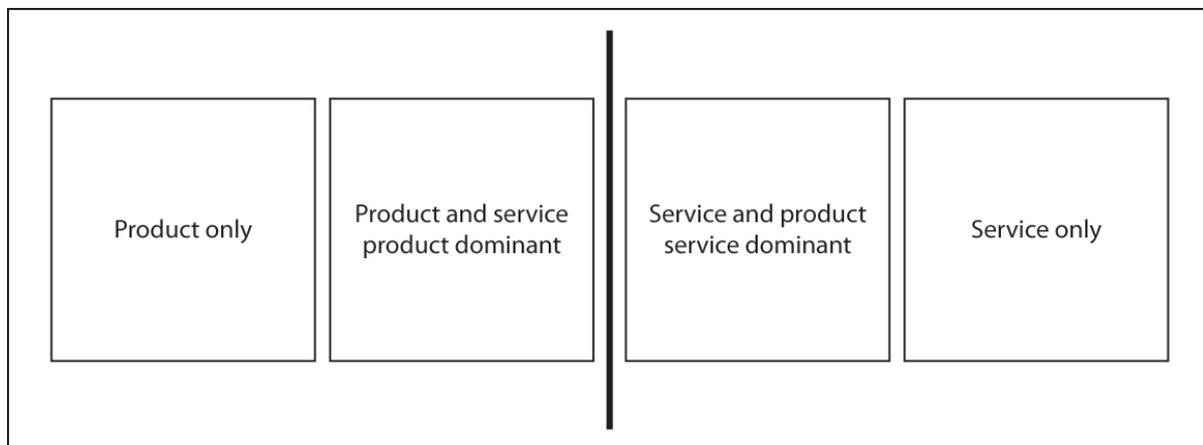
The existing body of marketing literature is occupied by a cohort of studies that examine the link between the services and the performance of the company (e.g. Schneider & Bowen 1995; Rust et al. 1996; Wright et al. 1997; Heskett et al. 1997a; Doyle & Wong 1998). At least to some extent, they all suggest that services offer companies versatile possibilities to pursue. This applies also to sectors other than the service sector itself. Services have for example been discovered to be a more stable source of revenues than tangible products (Potts 1988; Wise & Baumgartner 1999) - a merited feature in the fast changing business environment of today.

Apart from these direct revenue gains, integrating services into the business model generates also noteworthy indirect benefits. Martin & Horne (1992) propose that services provide companies with an excellent way to differentiate themselves from their competitors. Also, Simon (1993) and Windhal et al. (2004) both propose that services help companies to deepen their relationship with the customer because services are usually produced together with the customer and they are inherently made to answer the customer's needs. The third benefit arises from the intangible nature of the services: according to Walker et al. (1999), adding intangible services into the offering to accompany tangible products reduces pricing transparency and hinders price comparison. This seems beneficial in a competitive sense, hence Zeithaml & Bitner (2000) denote that in the current environment it is increasingly difficult for companies to generate higher product turnover. Many scholars, such as Oliva & Kallenberg (2003) and Homburg et al. (2002), underscore that the value

creation in contemporary business is increasingly based on services. Congruently, Nambisan (2001) argues that extending durable products with related services is one of the most prominent ways to gain and maintain a competitive advantage. Thus, products alone seem no longer to be a pivotal source of the competitive advantage and services seem to entail much needed virtues in fast-paced environment. It seems intriguing that, despite the potential related to service-dominant business strategies, many companies struggle to foster service orientation across their organizations.

## 2) Different ways to orientate towards services

Regardless of the above-mentioned benefits that services entail, the very role of services is conceived in a highly varying manner across the different industries and even individual companies. One perspective to this disparity is to categorize companies into either product-orientated or service-orientated organizations (e.g. Kotler 1984, Neu & Brown 2005; Oliva & Kallenberg 2003). For example Kotler (1984) illustrated this division by providing the idea of ‘*offering*’ that divides organizations on the product-services axis (see Figure 1). Kotler’s (1984) construct aptly incorporates the notion of mixing the goods and the services of the offering into a bundle consisting of both of them. In general, there are two extremes: the solely product-fixated and the solely service-fixated providers. In practice, most of the organizations interpose somewhere in the middle. The dividing factor among these companies is the weight given either to services or to products. This dictates which one dominates the offering - services or products.



**Figure 1. Offering construct. The dark line separating the boxes indicates the separation of service-dominant from product-dominant companies.** (Adapted from Kotler 1984)

One current forum for this disparity is among the product-dominated fields. These fields have experienced a rapid increase of the service component (Baines 2009). An illustrative example of this is the manufacturing sector, which has traditionally focused mainly on the production of physical products. Both Goffin (1998) and Homburg et al. (2002) suggest that this shift towards services in the manufacturing sector is driven by the rapid changes in technology, shortening lifecycles of products and the pressures to get the products to the markets even more quickly. These

factors provide manufacturers with challenges to remain competitive, as an innovative product no longer seems to be a sufficient guarantee for success.

As the service aspect is not implicitly built in to these manufacturing companies, they must orientate towards services in a very dynamic and conscious way. This transformational nature provides a fruitful ground to examine service orientation and it is no wonder that there exists a body of literature examining the various opportunities that product-service strategies offer. These opportunities include, for example: financial opportunities (e.g. Mathe & Shapiro 1993), strategic opportunities (e.g. Porter 1985; Mathur 1988; Grönroos 1990a; Evardsson 1990; Anderson & Narus 1995) and marketing opportunities (e.g. Cunningham & Roberts 1974, Lele & Karmarkar 1983, Wagner & LaGarce 1981; McMurrian & Wilson 1996). These opportunities support the notion that services offer aid even for the companies that are not inherently accustomed to services. Although, aside from these opportunities, services can also provide companies with a predicament: how to create them efficiently and with excellent quality?

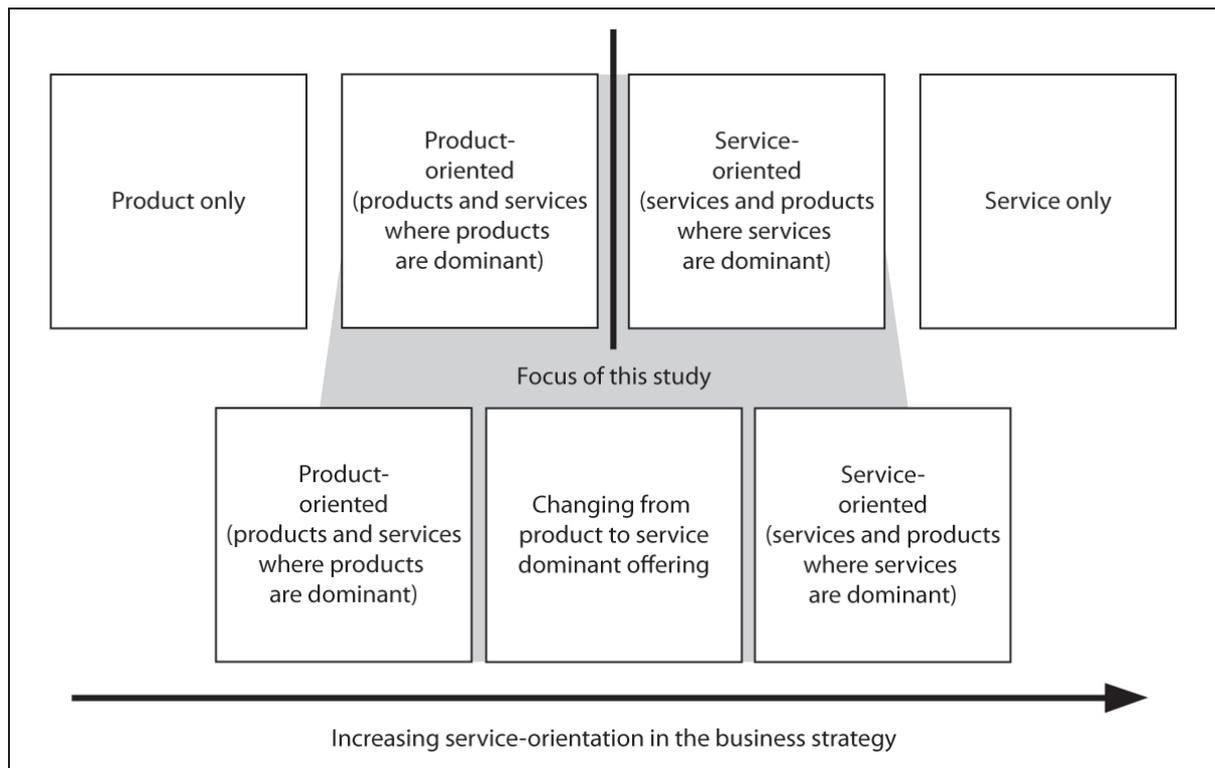
### **3) Orientation towards excellent service quality**

Services *per se*, are not an all-encompassing answer. Instead, what seems to matter is *how* they are used. For example, Kelley (1992) notes that services must be used to differentiate against the competitor's offering in order to increase the consumption value for the customer. This might act as a stimulus for some companies to pursue higher service quality (just to excel their competitor's offer) but the cardinal reason for pursuing higher-level service demands more explanation. Creating excellent services usually requires complex efforts of the whole organization in unison. According to Lytle et al. (1998) the ability of an organization to create and deliver excellent services depends essentially on the existence of this whole organization-wide service orientation. Bowen & Schneider (1988), Schneider & Reichers (1990) and Schneider et al. (1992) propose that an organizational service orientation is the product of enduring organizational policies, practices, and procedures which support, nurture and reward excellent employee service behavior. This organization-wide propensity to excellent services is studied under the concept of organizational service orientation. Organizational service orientation is defined by one of its most initial and recognized researchers Lytle et al. (1998) as an organization-wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service-giving behaviors that create and deliver service excellence.

It is widely acknowledged in the literature that organizations that are able to effectively align themselves with the changes in their environment (i.e. to manage critical relationships between external and internal variables to foster the continual creation of superior customer value) are prone to perform well and achieve competitive advantages (e.g. Porter 1985; Day 1990; Narver & Slater 1990; Jaworski & Kohli 1993). Not surprisingly, numerous companies are starting to pay more attention to their ability to deliver excellent services. To further nourish this ability, some companies even adopt it as an essential part of their business strategy. Thus, concepts like organizational service orientation find their way amidst the company's overall strategy. The research literature provides numerous rationales for preferring especially organizational service orientation as a tool to improve service capability. First of all, organizational service orientation

aptly addresses the issue of decreasing product margins. It also provides an attractive way to create new competitive advantages that are well documented, e.g., by Mathieu (2001), Malleret (2006), Oliva & Kallenberg (2003), Sawhney et al. (2004), Vargo & Lusch (2004) Neu & Brown (2005), Simon (1993) and Baveja et al. (2004). In addition to these tangible benefits, highly service-oriented companies also experience favorable psychological and social benefits that are documented by e.g. Kohli & Jaworski (1990), Jaworski & Kohli (1993), Kelley (1992), Schlesinger & Heskett (1991) and Schneider et al. (1992). The benefits of organizational service orientation reach also the customer interface as both Anderson et al. (1994) and Hallowell (1996) report that a higher level of service orientation in the business strategy enhances customer satisfaction and customer loyalty, leading also to a higher overall profitability.

In spite of its virtues, there are also challenges in implementing the organizational service orientation. These challenges become apparent in the sheer multitude of the organizational factors that literature nominates to be needed for the implementation of a service-orientated strategy. For example, according to Matthyssens & Vandembemt (1998), service orientated business strategy requires implementation of IT systems, performance tracking systems, efficiency improving, equipment, investments in unique skills (e.g. people-oriented commercial technicians, relational marketing skills and project management) and setting-up of culture, organization and human resource management (e.g. flexible, transparent organization, teamwork, empowerment, entrepreneurship, learning). On the other hand, Martin & Horne (1992) discuss the necessity of systematical development of new services whereas Bowen et al. (1989) argue that greater service-orientation of the business strategy is positively associated with inculcating a service-related climate and culture. Further on, the challenges even inflate among the companies with a more product-dominant offering. Especially the restructuring from product-orientation towards service-orientation has been widely noted to impose major strategic hurdles to overcome (e.g. Kotler 1984; Martin & Horne 1992; Belz et al. 1997; Oliva & Kallenberg 2003; Neu & Brown 2005; Brax 2005). An example of this strategic hurdle is illustrated in Figure 2. Typical challenges associated with this strategic hurdle include insufficient motivation of managers to explore service opportunities (Gebauer et al. 2006) and a broad range of different success factors, e.g., organizational structure, culture, processes and measurement systems (Vandermerwe & Rada 1988; Martin & Horne 1992; Oliva & Kallenberg 2003; Sawhney et al. 2004; Neu & Brown 2005; Brax 2005). Therefore it is not surprising that Gebauer (2009 p.80) states that despite substantial research on service orientation, most manufacturing companies are still struggling to formulate and implement service orientation in the business strategy for overcoming the hurdle.



**Figure 2. Restructuring towards service orientation** (Modified from Kotler 1984)

### **The relevance of organizational service orientation**

Organizational service orientation appears to possess a broad sphere of influence, matching well with the current business environment. Homburg et al. (2002) and Walker et al. (2007) proclaim that organizational service orientation plays a crucial role in the company's success. Hallowell et al. (1996) express their encouragement for further research on the subject by claiming that it is critical for organizations to be able to identify, understand and measure what service orientation is and what service practices are requisite in the production and delivery of great service. The numerous benefits, the variety of perspectives, the apparent challenges in implementation and the relevance to current business environment are thus all valid reasons to view organizational service orientation as an intriguing subject for this study.

## **1.2 Research Objectives and Research Question**

### **The research gap**

Based on the review of the previous research literature on organizational service orientation, four research gaps are identified. These gaps provide fruitful areas to examine organizational service orientation in this study. The first gap arises from the boundaries of the concept of organizational service orientation. Organizational service orientation and many closely related constructs, such as customer orientation and market orientation, have numerous overlapping similarities that cause confusion. In this study, the construct of organizational service orientation is confined by examining

it in relation to closely related constructs that emerged during the literature review. This is done to ensure the integrity of the concept and to build a solid base to address the other three research gaps.

The second gap pertains to the fact that in the existing literature organizational service orientation has been defined and measured from multiple different perspectives, which all sturdily emphasize their own contexts. This study is trying to fulfill the essential research gap that stems from the lack of more comprehensive view to define organizational service orientation and a scale to measure it.

The third identified gap is the lack of empirical verification of the dimension of organizational service orientation derived from previous research. This gap provides the focus for the empirical investigation conducted in this study.

Finally, according to the current knowledge, organizational service orientation has not been investigated empirically in Finland. Lytle et al. (1998) encourages to examine organizational service orientation within different industries in different countries. Varying organizational profiles provide rich opportunities for exploring and understanding the nature of service orientation within and across industries.

### **The research objective**

The objective of this study is threefold. First, to form a comprehensive view on organizational service orientation based on existing literature. Second, to compile a scale from already tested tools to measure organizational service orientation comprehensively. Finally, to verify empirically the dimension of organizational service orientation derived from the previous research.

### **Research questions**

The following two main research questions are posed to be answered by this study:

- 1) *What is known about organizational service orientation in the previous research literature?*
- 2) *How can organizational service orientation be measured empirically?*

These questions are further divided into more specific questions addressed in the subsequent chapters of this study. Concerning the first research question, there is a need to clarify the interconnectedness of the concept of organizational service orientation with related concepts. Therefore, further questions for the first research questions are: what are the boundaries of organizational service orientation in regard to the related constructs and what perspectives does the existing literature provide to organizational service orientation? With regard to the second research question, further questions are: how has organizational service orientation been measured in the previous literature and are the perspectives proposed by the previous literature relevant in practice?

## **1.3 Methodology**

### **Research design**

This study conducts a concept-centric literature review to investigate the different perspectives that previous research holds for the construct of organizational service orientation. The closely related constructs are briefly introduced to ensure a clear focus and to avoid any confusion. Alongside, the tools for measuring organizational service orientation are collected. An analytical framework is constructed based on the findings from the concept-centric literature review. Analytical framework includes all the selected perspectives of organizational service orientation suggested by previous research to form a more comprehensive view on the phenomenon. In addition, all respective measurement tools for all the chosen perspectives are compiled to form a comprehensive organizational service orientation scale. In the empirical section, the comprehensive organizational service orientation scale is utilized to test the relevance of the different dimension derived from the perspectives proposed by previous research.

### **Structure of the study**

The first chapter is introductory and describes the background of the subject and introduces the research objectives and questions. In addition, the chapter also presents the methodology, structure and literature review process of this study. In the end of the chapter the empirical section is introduced.

The second chapter starts by examining the construct of organizational service orientation by comparing it to closely related constructs to achieve a more defined understanding of the borders of the concept. Further on, the chapter presents the different perspectives on organizational service orientation that were chosen from the results of the literature review. The tools to measure organizational service orientation from these perspectives are introduced as well.

In the third chapter an analytical framework for this study is constructed. It represents a comprehensive view on organizational service orientation. In addition, a scale is compiled to provide a comprehensive measuring tool for organizational service orientation.

The fourth chapter concerns with the empirical analysis and findings including an introduction of the chosen analysis method (factor analysis) and a report of the data collected.

Chapter five discusses the conclusions of the study and provides a view for possible implications and further research. Chapter six contains the references.

## **1.4 Literature Review Process**

This study is pursuing to pool the most prominent perspectives on organizational service orientation expressed in the past research literature. This goal is approached by conducting a concept centric

literature review. The procedures of Dirks & Ferrin (2002) are used as general guidelines for the literature review. The aim, the scope and the method of the literature review are as follows:

### **The aim of the literature review**

The aim of the literature review is to find, recognize, sort and evaluate all the significant perspectives to organizational service orientation that are distinguishable in the scholarly business and management literature.

### **The scope of the literature review**

The focus is on the articles that are essential, acknowledged, have brought something considerably new to the research or possess a unique aspect to the subject. Studies that address closely related topics or contribute to organizational service orientation research otherwise are excluded. Therefore, some prominent studies were excluded because their theme is already clearly exhibited by another study with more over-all merit or they fall outside of the strict focus of the construct of organizational service orientation.

Several guiding questions, listed below, were used to ensure that the focus of the research remained clear and that the relevant studies were included:

What is the organizational service orientation construct comprised of?

How is the concept defined?

Has the study been pivotal for the development of the research?

Does the study provide a novel and well-justified different perspective?

What are the credentials of the study?

How does organizational service orientation differ from the closely related concepts in the study?

What are the leading examples of organizational service orientation?

What are the main factors and components of organizational service orientation in the study?

Is organizational service orientation measured in the study and how is it measured?

### **The method of literature review**

The method included identifying relevant databases, determining a desired time period and utilizing appropriate search words.

Relevant databases:

Databases available from the library services of the Aalto University School of Business were chosen as widely as possible to achieve comprehension. Databases included Emerald, SDOL, SDOS, Social Sciences Citation Index (Web of Knowledge), ABI Inform, EBSCO Business Source,

Wiley Online Library, Emerald journals, SpringerLink, OECD iLibrary, Univ. of Chicago Press journals, JSTOR - The Scholarly Journal Archive, ScienceDirect / Elsevier, ACM, Association for Computing Machinery, Sage Premier, PsycArticles, EBSCO Academic Search, EBSCO Communication & Mass Media, Google Scholar and Aalto Universitys internal information retrieval systems.

Desired time period:

Time period was unrestricted. The results were found between 1987 and 2010 after the relevant literature started to form.

Appropriate search words:

Databases were searched using multiple relevant search words and phrases such as service orientation, organizational service orientation, strategic orientation, orientation and servitization. The search identified over 4700 studies that were reviewed for consideration. Keywords such as service orientation and organizational service orientation were used to narrow the search results. The set of key search words was also defined and expanded as viable search words emerged from the articles.

## **Results of the literature review**

Examination of the selected databases produced a vast set of articles (over 17 000). After refining the search with appropriate restrictions, the number of articles eventually reduced to 2478. Headings and abstracts of these articles were studied to ensure the relevance of the article and thereby shortening the number of articles to 322. After sorting the articles by relevance, the list was further edited to eliminate any possible dual copies of the same article. After this, 138 research articles in different academic journals and other established publications were selected for a review, analyzed and compared for further discussion and implications. The references in the chosen articles were also crosschecked to ensure that any eligible research would not go missed.

These filtered articles were studied more closely and their substance was compared to the guiding question reducing the number of relevant articles to 98. From these chosen articles the dominant concepts and pivotal discoveries were extracted. The chosen perspectives were the ones that correlated most with the guiding questions and covered most rigorously the theme of the perspective.

## **1.5 Empirical Study**

### **Data collection**

A survey on organizational service orientation among companies in retail industry was conducted for the purposes of this research in Finland in 2013. The scales used in the survey were developed based on the findings from the literature review. The statements were formulated on the basis of prior literature reviewed for this study. Each of the statements was measured on a Likert-type scale

from 1 (strongly disagree) to 5 (strongly agree). In total, 31 statements were used in the study. These statements are presented in Appendix A.

The survey was conducted in two phases. First, a pre-test of the scales was conducted in February-March 2013 in a test survey among the members of the union of special trade (Erikoiskaupan liitto). The number of respondents in the test survey was 39.

Second, the actual set of quantitative data for the analysis was collected through an online survey in October-November 2013 in Finland. The survey comprised of five groups of questions on organizational service orientation. The survey was administered to the operative managers of specialty retail stores in Finland (e.g., sales manager, business unit manager and operative manager in charge of a specific point of sales). The respondents were selected from the ProFinder B2B database (Kohdistamiskone). The sample consists of 1550 potential respondents, of which 1263 people were selected as the target group, as the original set of people contained outdated information of people who had changed their jobs or had invalid contact information. In total, 152 acceptable responses were received, yielding a response rate of 12.03%.

### **Data analysis**

An exploratory factor analysis (EFA) was conducted on the data collected in the survey. Following the guidelines for EFA (Tucker & MacCallum 1993), the first step is to identify the domain and the population of interest. The domain was specified in the objectives of this study, which include a description of the rationale for investigating organizational service orientation and the need for developing a scale to measure it empirically. The empirical analysis is focused on a sample of companies in retail industry, more specifically, specialty retailers. Retail industry provides a rich empirical context of studying service orientation and specialty retailers sector contains a suitable number of organizations to be covered in an industry sector-wide survey. The analysis followed the guidelines for factor analysis as reported in the empirical analysis and findings section.

## **2 ORGANIZATIONAL SERVICE ORIENTATION**

Previous research on marketing has identified various different success factors that companies should pursue to ensure their success. A relatively recent trend in marketing research implicates organizational service orientation as one of the prominent success factors. The focus in organizational service orientation is in the whole organization-wide inherent ability to create and to deliver excellent services. Due to the whole organization-wide nature, it holds an extensive impact potential. The broad scope of influence is also evident in the conceptualization of the phenomenon and previous research appears to be somewhat fragmented, as a variety of different perspectives emphasize their own contexts. In addition, there exist numerous closely related constructs that complicate the recognition and definition of organizational service orientation. This chapter starts by inspecting the borders of the organizational service orientation and afterwards examines the perspectives that previous research posits for organizational service orientation.

### **2.1 The Concept of Organizational Service Orientation**

The concept under study will be delimited in this section to focus on the core idea of organizational service orientation. The reason for this is to ensure the acuity of the concept and to avoid any misconceptions. This is done by examining the relationship between organizational service orientation and the closely related constructs that surfaced in the review of the literature.

#### **2.1.1 Individual Level Service Orientation**

One of the most confining features is the division within the service orientation concept itself. The construct of service orientation can be split into two perspectives according to the desired level of examination. Service orientation can alternatively be viewed as a whole organization-wide construct or as a construct associated with one individual person (Homburg et al. 2002). Although in this study the former perspective is chosen, the individual level perspective is also introduced briefly to avoid any misconception as they are often labeled with the same term 'service orientation'. Individual level service orientation is defined by Hogan et al. (1984, p. 167) to consist of a set of attitudes and behaviors affecting the quality of interaction between organization's employees and customers. Yoon et al. (2007) described the individual service orientation as a set of personal traits of the service provider. These characterizations build considerably on the research of Hogan et al. (1984), as they recognize a set of individual variables such as attitudes and behavioral models, which influence the interaction between the service provider and the customer. The most service-orientated variables discovered by Hogan et al. (1984) were the individual's disposition to be helpful, thoughtful, considerate and cooperative. Moreover, Hogan et al. (1984) measured individual level service orientation with a 92-part Service Orientation Index scale by Hogan et al. (1984). According to Homburg et al. (2002), the Service Orientation Index scale is a valid tool to measure if an individual is more service-orientated than another. The individual perspective and the

Service Orientation Index scale would represent a useful supplementary tool if a universal view of service orientation were desired.

### **2.1.2 Customer Orientation (CO) and Market Orientation (MO)**

Although the literature review provided evidence (e.g. Saura et al. 2005) that there is confusion about the exact conceptualization of customer orientation, the following depiction by Narver & Slater (1990) is endorsed in this study: an organization can be seen as a customer orientated organization if it is strongly committed to its customers, strives to create value for them and understands the needs of its customers well.

The concept of customer orientation is closely associated with the concept of market orientation. Although some studies maintain the terms market orientation and customer orientation as different concepts (e.g. Jones et al. 2003), many authors (e.g. Shapiro 1988; Webster 1988; Deshpandé et al. 1993; Nwankwo 1995; Deshpandé 1999; Hartline et al. 2000; Brady & Cronin 2001) consider market orientation and customer orientation as interchangeable concepts where the term 'market' is a set of an organization's actual and potential customers. These two constructs seem to be more closely related to each other than to service orientation, thus the distinction between service orientation and the two concepts is adequately examined with a single comparison between customer orientation and service orientation.

Customer orientation and service orientation share many structural similarities on the individual level and also on the organizational level. Individual level customer orientation has been defined by Hennig-Thurau (2004, p. 462) to be the extent to which the employee's behavior in person-to-person interactions with a customer meets the customer's needs. Customer orientation has also been depicted as a personality trait, which expresses the service provider's attitude towards satisfying the customer's needs (Brown et al. 2002). Kelley (1992) underlines that an important factor is how much time and effort the service provider is willing to invest to satisfy the customer's needs. Hence, the construct of customer orientation shares similarities with the previously introduced definition of individual level service orientation by Hogan et al. (1984).

Similarities on the organizational level are also apparent. Homburg et al. (2002) noted that if an organization is customer-orientated, it usually actively offers multiple services to numerous customers. It thus fits the definition of service-orientated business strategy where, according to Homburg et al. (2002), the number of services offered, the number of customers targeted and the emphasis on an active service offering are main dimensions of service orientation. Service-orientated business strategy then represents one concrete way to implement customer orientation in practice.

Deshpandé et al. (1993, p. 27) define customer orientation on an organizational level to be a part of an organizational culture, which refers to the set of beliefs that place the customer's interests first with the aim of making the organization profitable in the long run. The definition does not only refer to the relationship between service employee and customer, where the service provider seeks to take in consideration the customer's point of view (Yoon et al. 2007), but also incorporates the customer-based marketing strategy, where the service provider takes the customer's perspective in

consideration when developing the whole business strategy (Webb et al. 2000). From this perspective, the organizational-level customer orientation is fairly similar to the definition of organizational service orientation made by Homburg et al. (2002). Regardless of these similarities, most of the studies that emerged from the literature review regarded these two constructs as separate and distinct concepts. For example, Wu et al. (2008, p. 125) notes that separation of these two constructs is obvious because service orientation doesn't only focus on satisfying customer's needs like customer orientation, but also requires service employees to take the initiative in providing service also in sales or non-sales mission.

Another customer orientation concept derived from a relationship marketing approach is found from the literature reviewed. Hennig-Thurau & Thurau (2003) propose customer orientation of this sort to consist of three dimensions: employee's motivation to serve customers, employee's customer-oriented skills and self-perceived decision-making authority. This concept also differs from the construct of organizational service orientation as it focuses only on narrower aspects of individual traits.

### **2.1.3 Service Climate**

Service climate seems to have a very close relationship with organizational service orientation, but has more often been conceived as a part of it or a platform for it. Service climate is defined by Lytle et al. (1998 p. 457) and Kelley (1992) as the climate where a descriptive set of characteristics (parameters) concerning service delivery and service quality differentiate an organization from others and result in service related behavior of the individuals in the organization. Thus, service climate can be seen as an orientation towards services, which also emphasizes aspects such as human resource practices, managerial priorities and customer orientation that are in close relationship with organizational service orientation. In addition, the role of service climate as a facilitative factor for organizational service orientation is apparent. Studies examining service climate have identified factors like concern for customers and concern for employees (Borucki & Burke 1999) and incorporated dimensions of customer orientation (Schneider et al. 1998; Rogg et al. 2001) or resulted in customer-oriented behaviors by employees (Peccei & Rosenthal 2000). Due to service climate's closeness to organizational service orientation and the facilitative nature of it, Schneider et al. (1998) and Lytle et al. (1998) perceive it as a foundation to build on, when they examine organizational service orientation. Nevertheless, they both conceive it only as a context rather than an identical or explanatory construct for organizational service orientation. So the importance of service climate is acknowledged, but the narrower scope of it suggests viewing it only as a part of the construct of service orientation.

### **2.1.4 Service Quality Orientation (SQO)**

According to Hogan et al. (1984, p. 167), service quality orientation is a set of attitudes and behaviors that affects the quality of the interaction between the staff of any organization and its customers. It is seen in the literature as an individual level disposition consisting of a set of values, beliefs, and perceptions characterized by a desire to provide a high standard of services in order to

satisfy an organization's strategic priorities and customer's needs and demands (Cran 1994; Brown et al. 2002). It also reflects the service provider's level of commitment to the customer (Susskind et al. 2003). Service quality orientation then resembles individual service orientation with slight distinctions, but shares less similarities with the organizational service orientation. The main difference concerning this study is the level of perspective: in this study the viewpoint is the organizational instead of the individual level.

### **2.1.5 Service Orientated Architecture (SOA)**

Service-orientated architecture is a concept used in the information technology domain. Service orientated architecture has multiple definitions (listed by for example Erickson & Siau 2008). It is depicted by Erickson & Siau (2008) as an architectural style whose goal is to achieve loose coupling among interacting software agents. Tremblay (2007) defines SOA as a data architecture (structure) that provides such tools that can operate across data platforms and standards. The domain of use limits this concept out of the focus of this study.

### **2.1.6 Customer Service Orientation (CSO)**

The concept of customer service orientation differs from organizational service orientation as it is focused on employee behavior and entails a psychological interpretation. Customer service orientation is described by Alge et al. (2002) to comprise of interpersonal skills, outgoing personality and of general disposition of operators having positive influence on the operator's performance. Both organizational service orientation and customer service orientation are conceived to have a close relationship with service climate and with each other. For example, Little & Dean (2006) classify customer service orientation as a dimension of service climate, whereas Walker (2007) classifies three service climate dimensions (staff service ethos, staff personal attributes and staff concern for clients) as service orientation.

The difference between organizational service orientation and customer service orientation is visible in the tools that they are measured with. For example, Baydoun et al. (2001) propose instruments for customer service orientation assessment that demonstrate the utility of personality's variables for predicting service behavior. Another method for customer service orientation assessment is the Customer Service Skills Inventory (CSSI) designed by Sanchez & Fraser (1996), which identifies individuals who are likely to succeed in positions that involve working with customers or clients of an organization. Compared to organizational service orientation, these tools exhibit customer service orientation's greater focus on psychological behavior dimensions and on individual level, thus making a clear distinction between these two concepts.

## **2.2 Perspectives and Measurement of Organizational Service Orientation**

In this section the different perspectives and measuring tools for organizational service orientation surfacing from the literature review are introduced. A chronological order is pursued to provide a view to the evolution of the concept.

Service orientation is a relevantly new concept, which has steadily evoked the interest of the business research community as new studies and perspectives keep emerging. The research of service orientation seems to originate from the few last decades of the past millennia. Although it is impossible to point out the exact starting point for the service orientation research, a claim made by Bowen et al. (1989) can be viewed as a prelude for it. Bowen et al. (1989) expressed the need for research that would compare the characteristics of service and manufacturing companies. Bowen et al. (1989) speculated that organizations, which are highly service-orientated possess an ability to implement their competition strategy more successfully than their competitors and have the ability to increase their customer satisfaction. This means that highly service-orientated companies can satisfy the needs of their customers more effectively via specific service orientated processes. Thus, Bowen et al. (1989) denoted that service orientation itself is a prominent and important construct that can provide companies with opportunities to differentiate themselves from competitors and to gain competitive advantages.

In 1993, Schneider & Bowen (1993) continued to create important interconnections for service orientation concept when they concluded that employee's perceptions on service related practices were connected to the service quality perceived by the customers. Thus, the organizational climate that is visible only to the employees has a favorable carryover effect on the customers. It can be stated, that organizations' internal service processes are indeed correlated with the quality of the service that customers experience. Further on, Schneider & Bowen (1993) discovered that this correlation has a reciprocal feature because employees, due to their close encounters with the customers, can identify and anticipate the needs of the customers. The work of Schneider & Bowen (1993) thus verified that there exist factors, processes and reciprocal interactions that affect the service quality perceived by the customer. By manipulating these factors, organizations can produce higher quality services that transmit to customer perception of the services.

Service orientation seems to have a large sphere of influence that results from the complexity of the factors involved, the widespread impact of it and the ample set of benefits it carries. Hence, the research of service orientation seems to narrow down the focus by adopting two different perspectives on the subject. The other perspective views the concept of service orientation from the individual and the other from the organizational level point of view.

Individual level service orientation has been conceived as a set of traits of an individual person (e.g., a customer service employee). According to Lytle et al. (1998 p. 457), this perspective concerns the factors that are linked to an individual's personality and characteristics. Individual level service orientation is depicted by Hogan et al. (1984) as a person's disposition to be helpful, thoughtful, considerate and cooperative. By that definition, individual level service orientation is comprised of attitudes and propensities of an individual employee and it manifests itself through the behavior of that individual.

In this study, the focus is on service orientation of organizational level and therefore service orientation of individual level is only briefly introduced. Nonetheless, individual level service orientation is important to note, as it has a carry-over effect on organizations' over-all service orientation. Service organizations are eventually comprised of individuals, whose attitudes and

behaviors inevitably affect the nature and the quality of the created service. This connection is evident later on in this study as the means to measure service orientation are discussed.

Service orientation on an organizational level depicts how the organization as a whole is able to create and deliver excellent service. As it covers all the levels of an organization, it has numerous dimensions to consider. According to Lytle et al. (1998), the first set of studies that begun to cover the initial perspectives of organizational service orientation can be categorized in the following way:

**Conceptual studies that emphasize the importance of organizational service orientation**

(e.g. Schneider 1980; Roach 1991; Schlesinger & Heskett 1991; Sewell & Brown 1992; Heskett et al. 1994; Gibbs 1995; Lashley 1995; O'Connor & Shewchuck 1995; Schneider & Bowen 1995)

**Studies that describe the nature of organizational climate, using service as the context**

(e.g. Heskett et al. 1990; Schneider & Reichers 1990; Schneider et al. 1992; Schneider & Bowen 1995; Hallowell et al. 1996; Johnson 1996)

**Studies examining the links between service climate and organizational performance**

(e.g. Schneider & Bowen 1993; Schneider & Bowen 1995; Benoy 1996; Hallowell et al. 1996; Johnson 1996)

These fundamental perspectives were necessary in establishing a base for the later studies but they lacked a summative and comprehensive definition of the concept. Moreover, these studies struggled to identify, establish and measure what specific sub-components or elements constitute organizational service orientation. These shortcomings are addressed by the studies of Schneider et al. (1998) and Lytle et al. (1998) that are both linked to the internal characteristics of an organization. Both studies (Schneider et al. 1998 and Lytle et al. 1998) are introduced below as they are considered as important and measurable perspectives on organizational service orientation in this study.

### **2.2.1 Organizational Service Orientation as Internal Characteristics**

Lytle et al. (1998) and Schneider et al. (1998) are both building on studies such as Schneider et al. (1996) and Schneider & Bowen (1993 and 1995) as they accept the internal structure and dynamics of the organization as a context to examine organizational service orientation. From this foundation the organizational service orientation then comprises of internal design characteristics such as organizational structure, culture and climate. Both studies (Schneider et al. 1998 and Lytle et al. 1998) have been published during the same year but the study of Schneider et al. (1998) is introduced first, hence it sets up a suitable contextual foundation for the following and more comprehensive study of Lytle et al. (1998). Before introducing the study of Schneider et al. (1998), the most important internal characteristics concerning this study (climate and service climate) are briefly defined since they are such essential components of both studies.

According to Schneider et al. (1992, p. 705), organizational climate constitutes of the employees' perceptions of the events, practices and procedures as well as their perceptions of the behaviors that are rewarded, supported and expected. Organizational climate is created by thousands of everyday policies, practices and procedures that create the feel, predisposition or orientation of the organization (e.g. Deshpande & Webster 1989; Hofstede et al. 1990; Schneider et al.1992; Schneider & Bowen 1993; Schneider & Bowen 1995; Schneider et al. 1996; Schein 2010). Schneider et al. (2006 p.117) exemplify the definition by stating that a climate of an organization is a summary of the employees' impression on 'how we do things around here', 'what we focus on around here' or 'what we direct our efforts to around here'. According to Schneider et al. (1994), one organization can contain multiple different climates simultaneously. Different simultaneous climates differ in their context, thus a climate viewed in a service context is called service climate (e.g. Schneider 1980; Little & Dean 2006; Schneider et al. 2006; Walker 2007; Steinke 2008). Lytle et al. (1998 p. 457) and Kelley (1992) depict the climate for services as one in which a descriptive set of characteristics (parameters) concerning service delivery and service quality differentiate an organization from others and result in service-related behavior of the individuals in the organization. Therefore, service climate refers to the employees' perceptions of the events, practices and procedures as well as their perceptions of the behaviors that are rewarded, supported and expected in relation to services.

The study of Schneider et al. (1998) pursued to investigate the different foundation issues needed to support employees' work and service quality for establishing a climate for service. Further on, Schneider et al. (1998) investigated the effect of foundation issues on the customer's service experience. Schneider et al. (1998) formed their conclusions by examining time-series data collected from the customers of 134 different bank branches. The results support a model, which entails that foundation issues yield a favorable climate for services and in turn the climate for services is linked to the service experience of the customers. Schneider et al. (1998) conceptualized two sets of foundation issues, which are essential for the formation and existence of service climate. These two sets are presented below with their corresponding theoretical background.

**1) The quality of internal service in an organization.** (Grönroos 1990b; Reynoso & Moores 1995) This foundation issue depicts the quality of service received internally from other departments within the organization.

**2) General facilitative conditions.** (Schoorman & Schneider 1988; Burke et al. 1996). This foundation issue depicts general facilitative conditions that contribute to service climate by removing obstacles of work. These conditions include sound human resources policies (Schneider & Bowen 1993), supervisory behavior (e.g., giving feedback and sharing information) (Schneider & Bowen 1985) and efforts to remove obstacle of work (Schoorman & Schneider 1988; Burke et al.1996).

Schneider et al. (1998) claims that these foundation issues were necessary for service climate to appear but they were not sufficient alone. Schneider et al. (1998) continued, that the climate for services needs also policies and practices that focus attention directly to service quality. Thus, whenever an organization possesses and exhibits these attributes all together, it can be conceived to

orientate actively towards services. Regardless of the fact that organizational service orientation still lacked a formal definition at the time of the actual study of Schneider et al. (1998), the study indicates the core themes of the organizational service orientation concept. An interesting notion concerning the dynamics of organizational service orientation is that in the ensuing cross-lagged analysis Schneider et al. (1998) discovered evidence of a reciprocal relationship between the service climate and customer perceptions of the service quality. That is to say, that as organizational practices have an effect on the quality perceived by the customers, in turn the customer's perceptions have an effect on these organizational practices. Organizational service orientation then has a dynamic and interactive dimension via the service climate it requires.

A significant contribution concerning this study is the scales introduced in the study of Schneider et al. (1998). The scales measure the service climate vital to organizational service orientation and are named in the following way: The Global Service Climate scale, Managerial Practices scale, Customer Feedback scale and Customer Orientation scale. The most comprehensive is the Global Service Climate scale, which offers a comprehensive tool to measure organizations' service climate. The Global Service Climate scale is designed to tap the "molar" aspects of service climate, whereas the three minor scales (Managerial Practices scale, Customer Feedback scale and Customer Orientation scale) are used to identify specific service practices that are subcomponents for the overall service climate. Although all the scales possess similar themes, Schneider et al. (1998) underline that they are not overlapping and are all individual, distinct scales. All the scales are considered in this study as valid and tested indicators of service climate and are therefore adopted to represent the service climate aspect of organizational service orientation. This view is in line with the propositions of Schneider et al. (1998) and Lytle et al. (1998) as they considered service climate to be a valid perception of organizational service orientation. These four scales by Schneider et al. (1998) and their functions are presented next:

**Global Service Climate Scale** provides a summary measure of the company's service climate.

**Customer Orientation Scale** measures how much the company allocates effort and resources in its ability to answer the needs and expectation of its customers.

**Managerial Practices Scale** measures the level of managerial actions that support and reward the delivery of high quality service.

**Customer Feedback Scale** measures the ability of the company to gather and use the feedback from its customers to improve service quality.

Schneider et al. (1998) viewed service climate as an essential element for organizational service orientation, but did not formally define the construct of organizational service orientation. The first formal definition for organizational service orientation found in the reviewed literature was provided by Lytle et al. (1998). The study by Lytle et al. (1998) aimed to conceptualize organizational service orientation as an independent and distinct construct. Service climate acted only as a frame of context. To the credit of Lytle et al. (1998), their definition of organizational service orientation, as well as the SERV\*OR scale introduced in the same study, appeared to be among the most accepted suggestions concerning organizational service orientation found in the

reviewed literature. Thus, the study by Lytle et al. (1998) is an essential part of understanding organizational service orientation and is introduced next in appropriate detail.

To define organizational service orientation, Lytle et al. (1998) urge to consider the very nature of the service itself. The authors note three important points that illustrate the nature of the service: First of all, to be of service literally means to attend to someone's needs. It involves helping, giving, sharing and meeting needs. Second, service is always rendered ultimately to people and/or their property by the following ways:

1. Directly via person-to-person service encounters (e.g., traditional education, haircut, surgery, personal selling, counseling).
2. Directly via person-to-property service encounters (e.g., lawn care, car repair, phone line repair).
3. Indirectly via high-tech service devices (e.g., automated teller machine, automated fueling devices, voice mail, internet).
4. Some combination of these.

Third, service can only be rendered if organizational servants (employees) exist at appropriate points of the service creation chain and are capable (willing and able) of attending to customer's needs (Berry et al. 1994; O'Connor & Shewchuck 1995; Schneider & Bowen 1995).

Lytle et al. (1998) continue that therefore, organizational service orientation emerges when the organizations service climate crafts, nurtures and rewards service practices and behaviors known to meet customer's needs. All these elements are palpable in the formal definition for the organizational service orientation proposed by Lytle et al. (1998):

"Organizational service orientation is an organization-wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service-giving behaviors that create and deliver service excellence."

The definition is firmly affiliated with the organization's intangible aspects, and by that definition, organizational service orientation can be conceived as an organization-wide propensity or predisposition to strive for excellent service. Lytle et al. (1998) state that in practice, this predisposition is exhibited by service-orientated companies when they continuously pursue for service-producing practices such as meeting the customer's needs, sharing, helping, assisting and giving. According to Lytle et al. (1998), a strive for these service-producing practices reflects an organization-wide belief that excellent service is a strategic priority and that the quality of service impacts substantially the value creation, customer satisfaction, competitive advantages and profitability. Lynn et al. (2000 p.282) express also the importance of service climate by stating that organizational service orientation exists when the company's service climate crafts, nurtures and rewards the service practices and behaviors that are known to fulfill the customer's needs.

In addition to defining the concept of organizational service orientation, Lytle et al. (1998) took the concept towards practice and measurability by creating the SERV\*OR scale (Lytle et al. 1998). The SERV\*OR scale is constructed to measure the level of organizational service orientation by identifying the beliefs and conceptions that the members of an organization hold towards the policies, practice and procedures of service creation. This approach chosen for the scale receives support from the previous research such as those by Schneider & Bowen (1993) and Schneider et al. (1992) and Schneider et al. (1996).

The conclusions of Lytle et al. (1998) appear to have fairly robust methodical base. Lytle et al. (1998) structured the scale using a rigorous methodological procedure, which included multiple informants and samples and was conducted in numerous different organizations, states and industries. Lytle et al. (1998) report that the SERV\*OR scale had proven to be a valid and psychometrically sound tool in these procedures as well as in the multiple pretests. According to the authors (Lytle et al. 1998), it is a comprehensive and reliable tool for measuring organizational service orientation universally through different industries and work environments.

The SERV\*OR scale is comprised of 36 questions using Likert type scale for the measurement of ten fundamental elements of service orientation. These ten elements were derived by Lytle et al. (1998) from an extensive theoretical background and from practice by conducting several in-depth interviews with managing practitioners across several industries. The ten elements depict the best service practices espoused to deliver a high level of service quality and customer satisfaction. The ten elements of organizational service orientation and their theoretical background are presented below.

### **1) Servant Leadership**

Servant leaders set service standards by their own behaviors and management styles. They lead by doing. They are actively engaged in helping, assisting and meeting the needs of employees within the work setting. In short, they are serving as a model to all employees. They are serving the servers and inspiring, motivating and enabling them to achieve service excellence (Berry et al. 1994; Heskett et al. 1997a). These managerial service behaviors are a conspicuous way of directing and shaping the service climate through example rather than simply dictating service policy for the organization (Albrecht & Zemke 1985; Heskett 1986; Schlesinger & Heskett 1991). If employees receive excellent service from their own managers, they are more likely to provide excellent service to customers (Heskett et al. 1990; Church 1995; Hallowell et al. 1996).

### **2) Service Vision**

A "top-down" service vision is important and necessary to instill widespread aspirations of providing quality service among organizational members (Albrecht & Zemke 1985; Heskett 1986, 1987; Heskett et al. 1990). These aspirations become the driving force that enables the organization to deliver quality service in the marketplace. Service leaders who consistently communicate a service vision for the organization reinforce the importance of service quality and customer satisfaction in creating superior value for the organization. Their service visions become an

organizational manifesto: a clear pronouncement of service goals and objectives. It underscores important elements of service that must be provided and communicates in terms of results to be produced for customers (Albrecht & Zemke 1985; Heskett 1986, 1987; Heskett et al. 1990). It forms a basis for appropriate organizational service behavior within the organization.

### **3) Customer Treatment**

At its most basic level, service treatment is service quality. The definition, meaning and evaluation of service quality exist in the mind of the customer (Parasuraman et al. 1988; Bitner 1990; Heskett et al. 1990; Chase & Bowen 1991). How customers are treated directly impacts their perceptions of service performance and customer satisfaction (Bitner et al. 1990; Bitner 1990, 1992; Schneider et al. 1992; Berry et al. 1994; Jones & Sasser 1995). Thus, organizations must consistently engage in practices enacting the "golden rule" during service encounters to create positive customer perceptions of service performance, thereby enhancing customer satisfaction, loyalty and organizational profitability (Parasuraman et al. 1988; Bitner et al. 1990; Heskett et al. 1990).

### **4) Employee Empowerment**

Empowered employees have the responsibility and authority to meet customers' needs as quickly and effectively as possible. Empowerment refers to a situation in which the manager gives the employees the discretion to make day-to-day decisions about job-related activities (Conger & Kanungo 1988; Bowen & Lawler 1992). By allowing contact employees to make these decisions, the manager relinquishes control over many aspects of the service delivery process. Empowerment is thought to be necessary because contact employees need the flexibility to make on-the-spot decisions to completely satisfy the customers (Hartline & Ferrell 1996, p. 56). This responsiveness is significantly and positively correlated with customer perceptions of service quality and satisfaction (Albrecht & Zemke 1985; Heskett et al. 1990; Jones & Sasser 1995; Heskett et al. 1997a). Advocates of empowerment claim that employees will 1) be more responsive as service providers, 2) have higher levels of productivity, 3) deal with customer complaints more quickly, 4) be better motivated and 5) provide higher levels of service quality (Lashley 1995).

### **5) Service Failure Prevention and 6) Service Failure Recovery**

At the heart of a service system are practices that 1) function to pro-actively prevent service failures and 2) function to respond effectively to customer complaints or service failures. Service failure prevention and recovery are important determinants of service quality (Berry et al. 1994; Johnston 1994; Kelley & Davis 1994). If an organization fails to prevent and/or resolve customer problems, they have in fact disappointed the customer twice: once for the initial failure and twice for failing to correct what had gone wrong in the first place. When immediate and planned responsiveness to service failure occurs, organizations are able to retain up to 95% of their dissatisfied customers (Albrecht & Zernke 1985). Additionally, these system-driven processes and procedures, when in place, are shown to be closely related to customer perceptions of organizational service passion (Schneider et al. 1992), which is posited to be related to service performance.

## **7) Service Technology**

The utilization of "cutting-edge" technology is critical to creating a service system for the delivery of outstanding service quality (Bowen et al. 1989; Jones & Sasser 1995; O'Connor & Shewchuck 1995; Heskett et al. 1997b). Today, many customer expectations can only hope to be met, much less exceeded, without the assistance of sophisticated and integrated technologies. For example, 1) customer's desires for low prices are often produced by sophisticated purchasing and inventory control systems; 2) customer's desires for personal recognition are often met through the use of comprehensive data base management technologies; 3) customer's desires for 24-hour access are often satisfied through the use of toll-free telephone numbers, automated bank teller machines, television shopping networks, and internet home pages; 4) customer's desires for speedy service are often met through the use of remote electronic headset receivers (fast food), cellular telephones (retail floor personnel), portable remote printers (car rental agencies), stand alone electronic ticketing (airlines), and long distance service (phone cards). An organization's utilization of technology and technology-based systems is arguably one of the most critical ingredients to success as it competes to create and deliver superior customer service value.

## **8) Service Standards Communication**

In order for the service system to work effectively, service standards or benchmarks must be understood by all members of the organization (Heskett 1986; Bowen et al. 1989, Chase & Bowen 1991; Treacy & Wiersema 1993; Hallowell et al. 1996; Benoy 1996). Standards of internal service quality are an important antecedent to customer satisfaction (Berry et al. 1991; O'Connor & Shewchuck 1995; Benoy 1996). Conformance to a set of standards is more likely to be met if those standards are understood by every employee in the organization (Kohli & Jaworski 1990; Berry et al. 1991; Sewell & Brown 1992; Berry et al. 1994). These standards, when communicated to all employees, maximize internal benchmark achievement and minimize service failures. They also strengthen the company's ability to recover from such failures.

## **9) Service Training**

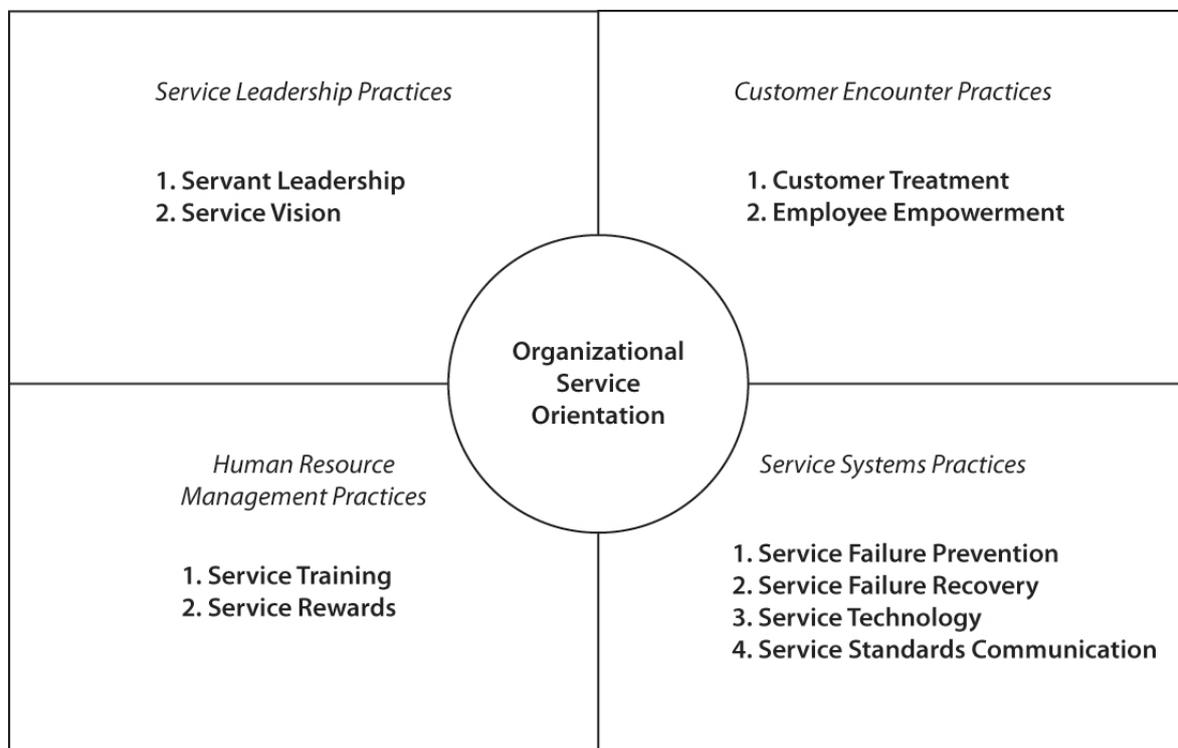
Human resource professionals and scholars have long recognized the importance of human relations skills in employees who are in direct contact with customers (Parkington & Schneider 1979; Albrecht & Zemke 1985; Heskett et al. 1990; Schneider & Bowen 1995; Benoy 1996; Johnson 1996). Factors such as rendering service with a smile, thanking a customer and being courteous are examples of basic skills, which influence customer satisfaction. In fact, when consumers in a national Gallup survey were asked what "quality in services" meant to them, one-third of all respondents, the largest group, cited employee's contact skills such as courtesy, attitude or helpfulness (Benoy 1996). Cutting-edge service providers are allocating substantial resources to improve service employee's skills beyond these simple but important courtesies. Through advanced quality-based team training, problem-solving training, inter-personal skills training and other advanced training employees are trained and empowered to deliver excellent service to customers. Schlesinger & Heskett (1991) suggest that the leading service organizations value investment in

people as much as investments in machines. Specifically, investment in service skills training is essential in enhancing the employees' ability to meet the complex service demands of customers. Moreover, service orientation training programs have been found to be more effective among those employees who already have a strong individual service orientation (Schneider et al.1992; Schneider & Bowen 1995). Therefore, an important pre-requisite to successful service training is the screening and hiring of individuals that are, by nature, somewhat service oriented.

## 10 Service Rewards

An important element of service quality is the link between employee's compensation and service performance (Heskett et al. 1990; Roach 1991; Schlesinger & Heskett 1991; Berry et al. 1994; Schneider & Bowen 1995). Service-related employee behavior is said to result from conspicuous and specific compensation reward practices and programs (O'Connor & Shewchuck 1995; Benoy 1996; Hartline & Ferrell 1996). Recent research finds that employee's rewards and recognition are significantly and strongly related to levels of customer satisfaction (Johnson 1996). Again, the work of Schneider & Bowen (1993) underscore the importance of recognition, reward and compensation to service quality, customer satisfaction and a passion for service.

After establishing these ten dimensions, Lytle et al. (1998) conducted a confirmatory factor analysis that revealed that these ten dimensions could be further categorized into four broad areas of service-related practices (Figure 3). This categorizing receives also support from Lee et al. (1999) as they used SERV\*OR scale in the hospitality industry.



**Figure 3. SERV\*OR dimensions and four broader service-related categories** (Adapted from Lytle et al. 1998)

The four broader service-related categories proposed by Lytle et al. (1998) and their theoretical settings are introduced next:

### **1) Service leadership practices**

This category refers to leadership style and behavior as well as to the communication of the service vision inside the organization. This category includes the service leadership and the service vision dimensions of organizational service orientation.

Theoretical setting: Leadership is a critical and integral ingredient necessary for creating and maintaining effective and positive service orientation (Schneider 1990; Kotter & Heskett 1992; Heskett et al. 1997a). Managers' attitudes and behaviors (knowingly or unknowingly) continuously and directly shape an organization's service climate (Albrecht & Zemke 1985; Bowen & Schneider 1988; Heskett et al. 1990; Berry et al. 1994). Church (1995) found that leadership behaviors of managers in the workplace directly affect service quality and organizational performance at the unit level. Based on this theoretical setting, Lytle et al. (1998) found servant leadership and service vision to be foundational leadership elements within their service orientation model.

### **2) Service encounter practices**

This category refers to employee-customer interaction and to service employee's ability to make necessary decisions in customer service. This category includes the customer treatment and the employee empowerment dimensions of organizational service orientation.

Theoretical setting: Service encounters are employee's interactions with customers. These encounters have been described as moments of truth for an organization to define itself in the mind of its customer (Carlzon 1987). They are important within the service orientation paradigm because often brief encounters with customers form the basis of important customer service quality evaluations (Parasuraman et al. 1988; Rust et al. 1996; Zeithaml & Bitner 2000). Based on this theoretical setting, Lytle et al. (1998) concluded that two important dimensions within their service orientation model are the measures of actual customer treatment practices and measures of employee empowerment.

### **3) Service system practices**

This category refers to service-producing systems and to the use of technology in support of value creation. This category includes the service failure prevention, the service failure recovery, the service standards communication and the service technology dimensions of organizational service orientation.

Theoretical setting: Reliability continues to be at the core of quality service (Treacy & Wiersema 1993; Berry et al. 1994; Chase & Stewart 1994; Rahul 1995; Heskett et al. 1997b). The delivery of consistent service quality depends, in part, on how well the service creation and delivery system is designed and how well it functions. According to e.g. Berry et al. (1994) Treacy & Wiersema (1993) and Sewell & Brown (1992), the poor quality is often a problem due to the system or the design, and not due to the people. Various important service-driven practices and procedures must blend together in a service system to bring about the delivery of service quality for the customer.

When companies continue to make re-occurring and regular mistakes in delivery or when they don't keep promises, customers lose confidence in the company's ability to do what is promised dependably and accurately. Sincere apologies and friendly staff members do not compensate for unreliable service (Berry et al. 1994). Systems, not smiles, deliver continuous service quality (Sewell & Brown 1992). Based on this theoretical setting, Lytle et al. (1998) underline that an organizational service orientation requires service systems that include 1) service failure prevention and recovery practices, 2) service standards communication practices and 3) high levels of service technology adaptation.

#### **4) Human resources management practices**

This category refers to organization's human resources capabilities. This category includes the service training and the service rewards dimensions of organizational service orientation.

Theoretical setting: The importance of human resource management practices and their relationship to service quality has received much attention. The organizational behavior literature, and specifically, human resource management literature has significantly shaped the way in which service orientation is studied (Schneider et al. 1992; O'Connor & Shewchuck 1995; Schneider & Bowen 1995; Benoy 1996; Hallowell et al. 1996; Johnson 1996; Heskett et al. 1997a). In brief, most research purports that an organization's ability to produce external service quality is directly related to issues of internal service quality. These issues are typically studied in terms of the employee's attitudes, personalities, beliefs and behaviors. The findings from these studies suggest that hiring, training and rewarding service-oriented behaviors have a direct and positive influence on service quality and organizational performance. Based on this theoretical setting, Lytle et al. (1998) suggest that organizational service orientation would involve a focus on service-oriented human resource management throughout the organization, especially including measures of service training and service rewards practices.

Richard Lytle lists numerous attributes for the SERV\*OR scale (Lytle et al. 1998; Lynn et al. 2000; Lytle & Timmerman 2006), but the most relevant for this study are the following five. First, it can be used as a research tool to measure organizational service orientation across different industries. The versatility of the SERV\*OR scale is beneficial for this study. Second, the SERV\*OR scale can be focused into a desired target. For example, it can be used on the level of the whole organization or it can be targeted into more specific parts of the organization like department, branch or division. This is done without being tied to a specific hierarchical level since it is written in plain form. SERV\*OR can also be scaled based on the size of the organization, so it can be applied to a sizewise heterogenic sample. The third attribute is that it can also be focused to diagnose and evaluate service practices as they relate to different measures of performance. Performance measures can be correlated with each dimension to better understand the relationship between organizational service orientation and performance. The fourth attribute of the SERV\*OR scale is related specifically to this study. SERV\*OR has already been successfully used in different languages other than English. This increases the validity of the scale if used, for example, in Finnish language. Finally, the SERV\*OR scale has sufficient credibility as it has received support from numerous subsequent studies. It has been used successfully across different industries such as hospitality industry (Gonzalez & Garazo 2006), medical services (Yoon et al. 2007), banking sector

(Lytle et al. 1998; Lynn et al. 2000), retail sector (Lytle et al. 1998) and hotel industry (Lee et al. 1999). The SERV\*OR scale received also qualitative support from the in-depth interviews conducted by Antioco et al. (2008). After interviewing managers for the study, Antioco et al. (2008) stated that the SERV\*OR scale is the sole scale that classifies all the dimensions that surfaced in these interviews.

The SERV\*OR scale is thus considered a valid indicator for organizational service orientation in this study. In addition, a modification for the service leadership dimension of the SERV\*OR scale is presented. Literature review revealed that the service leadership aspect of the SERV\*OR scale has room for improvement. The impetus for improvement originates from the study of Antioco et al. (2008). Antioco et al. (2008) utilized the SERV\*OR scale in their study but preferred the view of Sureschandar et al. (2001) over the original service leadership dimension suggested by Lytle et al. (1998). The rationale was that Antioco et al. (2008) considered the internal communication aspect of service leadership to be a broader construct than Lytle et al. (1998) suggested. Besides, Antioco et al. (2008) noted that the service leadership dimension as suggested by Lytle et al. (1998) did not resonate adequately with the response they received in their in-depth interviews (Antioco et al. 2008). Accordingly, they chose to utilize the scales for top management's commitment to services and visionary leadership of services as suggested by Sureshchandar et al. (2001). According to Antioco et al. (2008), the view of Sureshchandar et al. (2001) is preferable because of the extensive use in previous research, comprehensibility to managers and reported reliability and validity. This study adopts the upgrade for the dimension of service leadership suggested by Antioco et al. (2008). Hence, the surrogate view adopted from the study of Sureschandar et al. (2001) is briefly introduced here for the parts that are relevant for this study. In their study of Total Quality Management (TQM), Sureschandar (2001 p. 382) depicts the service leadership to be a part of leading and espousing a mental, strategic and spiritual change in the organization and simultaneously initiating and accomplishing practical changes and ensuring that there are systems and measures.

Sureschandar (2001) conceives top management commitment and visionary leadership as critical elements of TQM and, via his above definition, also essential to service leadership. The link between these two elements and service business orientation can be explained according to Venkatesh & Davis (2000) by two mechanisms: the normative influence of top management on employees' behaviors and the belief of employees in top management. Millson & Wilemon (2002) support the view as they proclaim that top management's commitment to services and visionary leadership of services motivates and enables employees to further integrate services in the organization. Sureschandar (2001) used the following scale to measure service leadership. The scale is already tested for the purpose as it was used by Antioco et al. (2008) to supplement service leadership dimension of organizational service orientation proposed by Lytle et al. (1998).

The items of Top Management's Commitment to Services scale and Visionary Leadership of Services scale (Sureschandar et al. 2001):

Management is inclined to allocate resources and time for service management efforts.

Management is dynamic when they come down to considering service management.

Management evaluates the effectiveness of personal leadership regarding service management.

As a summary, it can be concluded that one legitimate perspective on organizational service orientation is to view it as a construct that originates from the internal characteristics of the company. These internal characteristics include intangible and socially constructed dimensions such as organizational culture, climate and service climate. From this perspective, organizational service orientation can be measured with reasonable reliability by using the following scales retrieved from the literature review: Global Service Climate scale (Schneider et al. 1998), Customer Orientation Scale (Schneider et al. 1998), Managerial Practices Scale (Schneider et al. 1998) and Customer Feedback Scale (Schneider et al. 1998). The SERV\*OR scale (Lytle et al. 1998) is also adopted as a prominent tool for measuring organizational service orientation, but following the proposition of Antiooco et al. (2008), it is supplemented, regarding the service leadership dimension, with the scales adopted from Sureshchandar et al. (2001). The supplementing scales are Top Management's Commitment to Services scale and Visionary Leadership of Services scale by Sureshchandar et al. (2001).

The perspective on organizational service orientation presented in this chapter covers internal factors of a service-orientated organization. However, organizations operate in the context of their environment and have to successfully cope with the external factors as well. Companies usually possess a strategy to guide their efforts and direction. A strategic element emerged also in the literature review and the following chapter examines this strategic perspective of organizational service orientation.

### **2.2.2 Organizational Service Orientation as Strategy**

Service orientation has been studied towards the end of the last millennia from both the individual perspective (e.g. Hogan et al. 1984; Dale & Wooler 1991; Cran 1994; Hurley 1998; Keillor et al. 1999) and the organizational perspective (e.g. Bowen et al. 1989; Schneider et al. 1992; Webster 1993; Johnson 1996; Lytle et al. 1998). However, research on the organizational level mostly concentrated on internal organizational parameters such as organizational structure, culture and climate. These studies failed to acknowledge company's interaction with its environment. The first to address external factors, both empirically as well as conceptually, were Homburg et al. (2002). The research of Homburg et al. (2002) provides a new and a strategic perspective to organizational service orientation. Due to the pivotal nature and a strong profile in the organizational service orientation literature, the study of Homburg et al. (2002) is conceived in this study as a valid perspective for organizational service orientation. The study of Homburg et al. (2002) was conducted in retail setting and it revealed three dimensions that entail organizational service orientation within the company's strategy. These dimensions are 1) width (the number of services offered), 2) broadness (how many customers these services are offered to) and 3) emphasis (how strongly these services are proactively emphasized). The dimensions are discussed in more detail below.

#### **1) Width of the number of services offered**

Indication: The greater the number of services offered, the greater the service orientation in the company's strategy.

Theoretical foundation: Among strategy literature, the number of services offered is considered as one of the key strategic decisions (Murray 1988; Miller 1987; Aaker 1998). Anderson & Narus (1995, s.76) add that it is essential for managers to analyze their services and, most of all, to decide which service to offer.

## **2) Broadness of the number of the services offered**

Indication: The broader the service offering (how many customers the services are offered to), the greater the service orientation in the company's strategy.

Theoretical foundation: This dimension is also conceived in the strategy literature as a key strategic decision (Hambrick 1983; Miller 1987; Day 1990). In addition, it aligns with Porter's proposition (Porter 1985) that the scope of activity is an essential strategic decision.

## **3) Emphasis on services**

Indication: The greater the emphasis on offering services proactively, the greater the service orientation in the company's strategy.

Theoretical foundation: It is acknowledged by the industrial and retail marketing areas that it is important to actively emphasize services (Morris & Davis 1992). According to Dotson & Patton (1992), particularly in retail, the active emphasizing of services is a crucial factor for a company's service orientation. In addition, Wright et al. (1997) used the active emphasis of services as a dividing variable when assigning companies in different strategic groups. Bowen et al. (1989) stated that the active emphasis of services identifies companies that have clearly recognized that they offer services as well as products.

According to Homburg et al. (2002), all of these dimensions must be represented so that a strategy can be considered to be service-orientated - one dimension alone cannot capture the whole concept. Homburg et al. (2002) also proclaims that conclusions about strategy's service orientation can be made by measuring these three dimensions.

Homburgs et al. (2002) perspective on organizational service orientation as a strategic element is adopted in this study for numerous reasons. First, the perspective is based on an extensive and rigorous analysis as exhibited by Homburg et al. (2002, p. 88-89). Second, it conforms the conceptualization postulated by Walker et al. (1999) where organization's business orientation is affected by the breadth (number of services offered), emphasis (relative number of customers to whom the service is offered) and proactiveness (desired levels of accomplishment) of the offer. Third, there is a qualitative confirmation for this perspective from Antioco et al. (2008) as they denote that conceptualizing service business orientation as consisting of these three dimensions reflects existing business perceptions. Finally, the perspective of Homburg et al. (2002) was widely acknowledged in the literature reviewed and it was first to broaden the perspective of service orientation into the strategic direction. The perspective of Homburg et al. (2002) has also the advantage of being already tested for measurability. Homburg et al. (2002) measured organizational service orientation with the following questions that were derived from the previously introduced three dimensions (width, broadness and emphasis of the offered service):

**1 Do you offer this service or not?**

(including a list of 24 services and scored on a dichotomous scale with 0 = “not offered” and 1 = “offered” for each service).

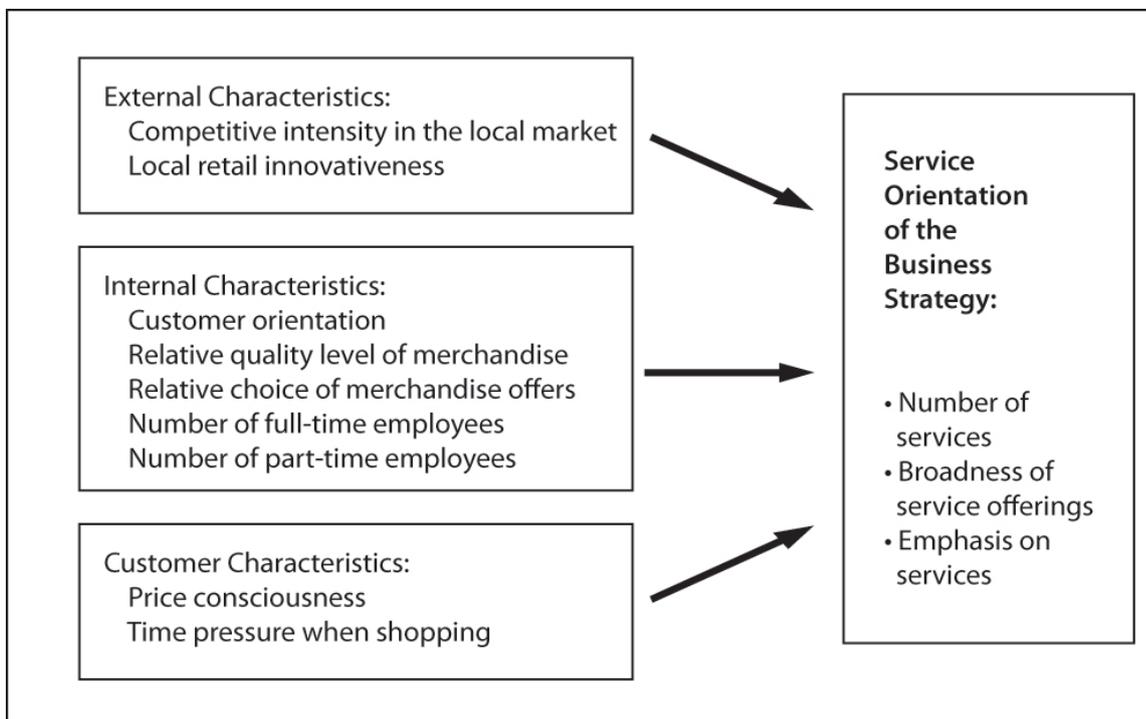
**2 If you offer this service, how many customers do you offer this service to?**

(scored on a five-point Likert scale with 1 = “not at all” and 5 = “to all customers”)

**3 How actively do you emphasize this service to your customers?**

(scored on a five-point Likert scale with 1 = “not at all” and 5 = “very actively”)

Along with the three dimensions presented above, Homburg et al. (2002) explored why there is so much volatility in the practical implementation of organizational service orientation. In order to examine this variance, Homburg et al. (2002) relied on strategy formulation perspective (Ginsberg & Venkatraman 1985), which builds initially on contingency theory (Hambric 1983; Zeithaml et al. 1988). In strategy literature, contingency theory is a tool used to understand organizations strategic nature. One of its salient messages is that in order to understand a business strategy, it is useful to define its antecedents. Amidst the contingency theory, exist numerous antecedents exist, but in the context of service orientation, Homburg et al. (2002 p.89) refine them to three categories based on the solid theoretical support they received. Homburg et al. (2002 p.89) suggest that each of the categories contains a set of variables that are likely to play a key role in determining the level of a service-oriented business strategy. The three categories are introduced below and the framework that identifies the important variables is presented in the subsequent Figure 4:



**Figure 4. Important variables of service orientation in the business strategy** (Modified from Homburg et al. 2002)

Figure 4 depicts the categories of antecedents for service orientation as proposed by Homburg et al. (2002) and their interconnectedness with service orientation of the business strategy:

- 1) Aspects of the external environment that may either enhance or detract the company to be service-oriented (including competitors).
- 2) Internal aspects of the company (including organizational characteristics and resources).
- 3) Characteristics of the customers of the company.

The three dimensions of organizational service orientation (the width, broadness and emphasis of service offering (Homburg et al. 2002)) and the above-presented three categories of variables important to organizational service orientation (characteristics of external, internal and customer aspects) are considered as a valid foundation to examine the service orientation of a company's business strategy in this study.

Although the propositions of Homburg et al. (2002) are essential for understanding the strategic dimensions of organizational service orientation, another perspective emerged from the reviewed literature that supplements especially the measurement side of the strategic dimension. This perspective stems from the research conducted by Beatson et al. (2008) who studied the correlation between strategic service orientation and individual level service orientation. As strategic service orientation was one of the two variables to be studied, Beatson et al. (2008) needed to measure it. For this purpose, Beatson et al. (2008) used a six-question scale that was derived from the items reported by Lytle et al. (1998) and Saura et al. (2005) and also contained items specifically designed for the study. The six questions of the scale pursue to capture the service orientation of the company's strategy by examining the employee's attitude towards quality service as defined by Parasuraman et al. (1998). Beatson et al. (2008) argue that this is proficient, and thus service-orientated strategy affects the creation of service-orientated climate in organization, which on its behalf has impact on the organizations member's attitudes and subsequent behaviors in a manner that facilitates the delivery of high quality services.

The six items to measure service orientation of the business strategy used by Beatson et al. (2008) include the following:

- 1 We are told to make a real effort to satisfy customers' needs.
- 2 We are told to view customer interactions as opportunities to please.
- 3 This company has a reputation for good service.
- 4 This company has a true commitment to customer service.

5 This company views serving customers as a priority.

6 This company emphasizes prompt service.

Beatson et al. (2008) concurs with Homburg et al. (2002) by reporting that service orientation is facilitated by certain organizational practices and routines, which are, according to Homburg et al. (2002), the manifestations of service-orientated business strategy. Beatson et al. (2008) adds that the manifestation of these practices and routines is a sign of the organization being committed to creation of excellent service and seeking to answer the needs of their customers. This emphasizes the importance of communicating the organization's service objectives to all staff involved in the delivery of service to customers.

As a summary, the reviewed literature provided evidence that organizational service orientation has a strategic dimension. Therefore, building on the studies presented in this chapter, it is proposed that the strategic aspect is seen as a valid perspective on organizational service orientation. In this study, the seminal propositions of Homburg et al. (2002) are adopted along with the means to measure it. To further deepen the strategic perspective, a scale measuring strategic service orientation by Beatson et al. (2008) is adopted as well.

### **2.2.3 Organizational Service Orientation as Nature of the Services in the Offering**

The significance of organizational service orientation is recognized when it comes to companies that operate almost purely with service offerings. The case might be different when a company offers services merely as a 'side dish' for tangible products. As all services are not equal in terms of function, appreciation, emphasis or strategic importance, their equal effect on the level of organizational service orientation is also questioned. The differing nature of services is particularly evident when tangible products and intangible services are offered together. The service component has increased its importance within the product-orientated industries, and already over a decade ago, 60% of the durable manufactured products in United States required a service component somewhere along their life cycle (Federal Reserve 2002). This evolution of service component is also apparent in the literature reviewed in this study. Product-orientated fields, such as the manufacturing industry, are shifting towards services in their offerings (e.g. Quinn et al. 1990; Bowen et al. 1991; Gadiesh & Gilbert 1998; Wise & Baumgartner 1999). This transition is studied under the concept of servitization - a term coined by Vandermerwe & Rada (1988) that depicts the process of creating value by adding services to products.

Goffin (1998) and Homburg et al. (2002) suggest that this shift towards services stems from rapid technological changes, diminishing product life cycles and fast time-to-market requirements that pressure many manufacturers in their efforts to remain competitive. According to Antioco et al. (2008), the manufacturing companies are more often developing into total solution providers by increasing the share of services or altering their strategic stature in an attempt to answer these challenges. Arabe (2004) reports that because the markets for industrial services are healthy and

growing, the share of the services is increasing, and Grönroos (1998) proposes that the increase in the share of services has a positive effect on customer satisfaction and the perceived product quality. Nambisan (2001) states straightforwardly that adding services to accompany tangible products is an excellent way to seek competitive advantage inside the manufacturing field.

Organizational service orientation research in highly product-orientated fields, such as manufacturing, was called out by several researchers, e.g. Cespedes (1994), Goffin (1998), Nambisan (2001) and Homburg et al. (2002). One prominent answer came from a conceptual study conducted by Mathieu (2001). Mathieu's study (2001) focused on the nature of service and its impact on the overall offering of a company. Mathieu (2001) divided the services into two groups depending on their distinctive characteristics. The first group comprises of services that support the product (SSP, Services Supporting Product). The second group comprises of services that support the client's action (SSC, Services Supporting Client). These two groups are discussed below.

**SSP (Services Supporting Product)** are identified by Mathieu (2001) as “product services”, i.e., services that are delivered to support the installation, use and brokering of a tangible product. These are services such as product maintenance, installation, inspection, monitoring, repair, recycling and brokering.

**SSC (Services Supporting Client)** are identified by Mathieu (2001) as “services as a product”, i.e., services that a customer may experience without purchasing the tangible product. These are services such as financing, process-oriented training, business-oriented consulting and other management services.

Further on, Mathieu (2001) suggests that to distinguish SSC and SSP from each other, they should be compared regarding the following four dimensions:

- 1) The direct recipient of the service.
- 2) The intensity of the relationship.
- 3) The customization of the service.
- 4) The critical elements of the service marketing mix.

Mathieu (2001, p. 40-41) explains that the first three dimensions have been extensively used in past research on service's classification and the last dimension refers to the expanded marketing mix of services proposed by Booms & Bitner (1981). In this study, only the first three dimensions are adopted due to their sufficient endorsement in the past research: e.g. Hill (1977) and Lovelock (1983) for dimension 1 (the direct recipient of the service), Lovelock (1983) and Frambach et al. (1997) for dimension 2 (the intensity of the relationship) and Lovelock (1983) and Shostack (1987) for dimension 3 (the customization of the service). The differences of SSP and SSC are exhibited in Table 1.

**Table 1. The different characteristics of SSP and SSC** (Modified from Mathieu 2001 p.40)

	SSP	SSC
Direct recipient	Product	Person
Intensity of the relationship	Low	High
Customization	Low	High

As seen in Table 1, typical features for SSC are higher intensity of the relationship and higher level of customization. In addition, they are typically aimed for a person instead of a product. SSC and SSP are thus distinctively different in their function and nature. Concerning organizational service orientation, SSP and SSC differ especially in their desired function and the impact potential they have. For example, Oliva & Kallenberg (2003) and Grönroos (1998) report that manufacturing companies have actively started to offer SSC and SSP and, as a consequence, their relative competitive advantage is diminished when the field is saturated with these services (especially with SSP). Antioco et al. (2008) propose that the diminishing of competitive advantages due to saturation concern especially SSP, which are according to Mathieu (2001) less specific, less customized and less information-intensive compared to SSC. In many cases, SSP have become a minimum standard of service offering. For example, Varadarajan (1985) presents SSP only as product failure preventers rather than keys to success. Anderson et al. (2006) note that SSP are tickets to right rather than tickets to heaven. Overall, SSC seem to exhibit a more active orientation towards services than SSP and they possess more leverage in creating a service-orientated offering. Thus, a company can be considered more service-orientated if it adopts a mindset of more SSC nature instead of SSP nature. Therefore, this study adopts a view that organizational service orientation can be measured with dimensions proposed by Mathieu (2001) that define whether the nature of services in the offering resembles more SSC or SSP. This view is supported by Antioco et al. (2008) who acknowledge SSP and SSC as two different forms of organizational service orientation because they reflect the different predispositions that manufacturing companies hold towards service.

To summarize, it is suggested that the nature of services in the company's offering is a factor that should be considered when evaluating organizational service orientation of the company. The most prominent perspective to surface from the literature reviewed is that of Mathieu's (2001). Mathieu (2001) addressed the nature of services by dividing services into two categories (SSC and SSP) according to their characteristics on the four dimensions presented in Table 1. SSC and SSP, as proposed by Mathieu (2001), are adopted in this study to represent two different kinds of predispositions towards services in organizations - SSC being more service-orientated than SSP. From this perspective, organizational service orientation can be measured by examining the nature of service with three dimensions (direct recipient, intensity of the relationship and customization) adapted from Mathieu's study (2001).

## 2.3 Summary

This study explores the manifestations of organizational service orientation in previous literature by conducting a concept-centric literature review. The literature review revealed three significant dimensions that are in this study considered to represent a comprehensive view on organizational service orientation. These three identified dimensions are the **internal characteristics dimension** (including service climate as depicted by Schneider et al. (1998) and organizational culture and practices as depicted by Lytle et al. (1998)), **strategic dimension** (including strategic choices as depicted by Homburg et al. (2002) and service-orientated business strategy as depicted by Beatson et al. (2008)) and **dimension concerning the nature of services in the company's offering** (including SSP and SSC as depicted by Mathieu (2001)). In addition, these three dimensions are measurable with the scales adopted from the related studies.

# 3 ANALYTICAL FRAMEWORK FOR INVESTIGATING ORGANIZATIONAL SERVICE ORIENTATION

This chapter introduces the analytical framework of this study. It purports a comprehensive view on organizational service orientation that is based on the findings from a concept-centric literature review conducted for this study. In addition, a scale to measure organizational service orientation from comprehensive view is presented.

## 3.1 Analytical Framework

The aim of the analytical framework in this study is to knit together the varying perspectives of organizational service orientation as portrayed in the existing research literature. Intention is to achieve a more comprehensive view on organizational service orientation and to build a basis to measure it more comprehensively. The three perspectives selected from the reviewed literature are proposed to represent three essential dimensions for organizational service orientation. These three essential dimensions are presented next.

### **Dimension 1 - Organizational service orientation as internal characteristics:**

This perspective consists of internal factors such as service climate as depicted by Schneider et al. (1998) and organizational culture and practices as depicted by Lytle et al. (1998) and supplemented with the view of Sureshchandar et al. (2001) on the service leadership aspect.

### **Dimension 2 - Organizational service orientation as strategy**

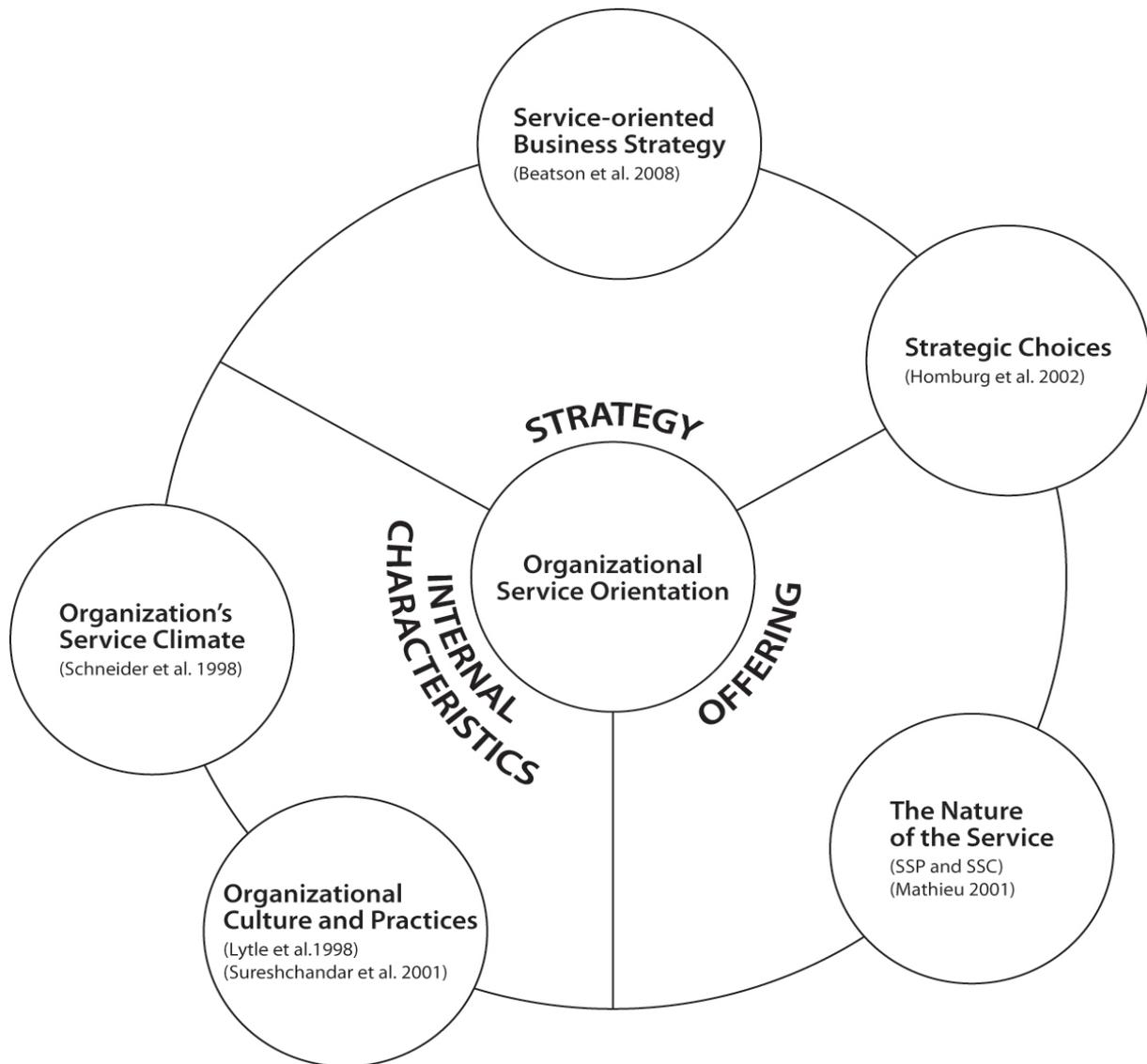
This perspective consists of strategic choices as depicted by Homburg et al. (2002) and service-oriented business strategy as depicted by Beatson et al. (2008).

### **Dimension 3 - Organizational service orientation as the nature of the services in company offering**

This perspective consists of the nature of services as depicted by Mathieu (2001).

These three dimensions are combined to form the analytical framework for this study (see Figure 5). The analytical framework depicts the consistency of organizational service orientation. The core areas around organizational service orientation seem to revolve around the most basic questions of a company: what the resources are (internal characteristics), what direction the company is heading to (strategy) and what the value proposition of the company is (what does the company offer to satisfy the needs of its customers, i.e., what is the offering). The internal characteristics area includes a broad set of factors (such as leadership, practices, behavior, communication etc.) but emphasizes especially the intangible factors that are beneficial to organizational service orientation (such as service climate and organizational culture). The strategic area is tied to a business strategy of the

company, but also shares a link to the offering of the company via the strategic choices concerning the offered services. The service orientation of the company’s offering is also affected by the nature of the offered services. These areas are naturally interconnected in practice, but the relationship between these areas and dimensions would provide a fruitful ground to further examine the nature of organizational service orientation, as this framework is not considering the relationships of these dimensions.



**Figure 5. Analytical Framework of dimensions of organizational service orientation**

### 3.2 Scale for Measuring Organizational Service Orientation

The literature review revealed various tools to measure organizational service orientation from different perspectives. The perspectives adapted to form an analytical framework for this study included a set of scales and items that were used to measure the organizational service orientation in

the context of their respective perspectives. Thus, these measurement tools are already tested in practice. The measurement tools are incorporated in this study to form a comprehensive scale to measure organizational service orientation with a wider range. The measurement tools adopted in this study are presented next.

### **Scales for internal characteristics dimension of organizational service orientation**

Global Service Climate scale (Schneider et al. 1998) measures the service climate of the organization.

Customer Orientation Scale (Schneider et al. 1998) measures the organization's ability to emphasize how the customer's needs are met of in terms of service quality.

Managerial Practices Scale (Schneider et al. 1998) measures the managerial actions that support and reward the creation and the delivery of quality service.

Customer Feedback Scale (Schneider et al. 1998) measures the organization's ability to gather and use the customer feedback to improve service quality.

SERV\*OR scale (Lytle et al. 1998), measures the organizational service orientation via 10 dimensions, of which 9 are used in this study as such and one (service leadership dimension) is supplemented according to proposition made by Antiooco et al. (2008). Service leadership dimension is thus supplemented with Top Management's Commitment to Services scale and Visionary Leadership of Services scale adopted from Sureshchandar et al. (2001).

### **Scales for strategic dimension of organizational service orientation**

A scale by Homburg et al. (2002) measures service orientation in the company's strategy comprising of three dimensions (width, broadness and emphasis of the offered service).

A scale by Beatson et al. (2008) measures service orientation of the company's strategy by examining the employee's attitude towards quality service (as defined by Parasuraman et al. 1998). The scale is mostly derived from the items reported by Lytle et al. (1998) and Saura et al. (2005) with the addition of items specifically designed for the study of Beatson et al. (2008).

### **A scale for the nature of the services dimension of organizational service orientation**

A scale based on the work of Mathieu (2001) measures the nature of the services in the offering by utilizing the concepts of SSC and SSP suggested by Mathieu (2001). SSC and SSP can be compared on four main dimensions: the direct recipient of the service, the intensity of the relationship, the customization of the service and the critical elements of the service marketing mix. SSC are considered more service-orientated in their nature.

### **Items developed specifically for this study**

Three additional items specifically designed for this study are introduced. These items are formulated to grasp the core of the key dimensions of organizational service orientation presented in this study. The items are as follows:

**Our company's over-all climate is excellent for services.** (modified from Lytle et al. 1998 and Schneider et al.1998).

**Services come first in our business.** (modified from Homburg et al. 2002 and Beatson et al. 2008).

**Excellent service is the most important source of competitive advantage for us.** (modified from Homburg et al. 2002 and Beatson et al. 2008).

These scales provide when combined a comprehensive set of tools to measure organizational service orientation. The set is also adjustable to specific purposes. Different dimension can be emphasizes or excluded by selecting an appropriate set of items to use.

## 4 EMPIRICAL ANALYSIS AND FINDINGS

A survey on organizational service orientation among companies in the retail industry was conducted for the purposes of this research. This chapter provides the descriptive statistics of the survey, introduced and the chosen method of analysis and finally displays the results of the analysis.

### 4.1 Descriptive Statistics

The number of employees in the companies ranged from 1 to 3500 with the average of 12 people and a standard deviation of 68. The annual sales turnover ranged from 0 M€ to 7.4 billion € with an average of 17 M€ and a standard deviation of 212 M€. The number of cases used in the analysis was 152. In the analysis, a list-wise deletion of incomplete cases was conducted. As the analysis was conducted on the correlations, it is not of concern that the variables have very different means and standard deviations, which is often the case when variables are measured on different scales. Table 2 illustrates the descriptive statistics of the variables.

**Table 2. Mean and standard deviation of the variables** (Scale 1 to 5, N=152).

Variables	Mean	Std. Deviation
Services come first in our business. (modified from Homburg et al. 2002 and Beatson et al. 2008).	4.439	.5912
Excellent service is the most important source of competitive advantage for us. (modified from Homburg et al. 2002 and Beatson et al. 2008).	4.683	.4821
My manager/salesmanager is very committed to improving the quality of our area's work and service. (Schneider et al.1998, Managerial Practices Scale)	4.151	.7011
Decision making is dynamic when it comes down to considering service management. (Sureshchandar et al. 2001)	3.791	.8028
Management constantly communicates the importance of service. (Lytle 1998, Serv*Or scale - Servant leadership)	4.273	.7784
We are told to make a real effort to satisfy customers' needs. (Beatson 2008, Service-orientated Business Strategy scale)	4.302	.7087
Management provides excellent incentives and rewards at all levels for service quality, not just productivity. (Lytle 1998, Serv*Or scale - Service Rewards)	3.331	1.1382
Managers recognize and appreciate high quality work and service. (Schneider et al. 1998, Managerial Practices scale)	4.273	.7499
How would you rate efforts to measure and track the quality of the work and service in your business? (Schneider et al. 1998, Global Service Climate scale)	3.676	.9026
Every employee receives personal skills training that enhances his/her ability to deliver high quality service. (Lytle 1998, Serv*Or scale - Service Training)	3.432	1.0905

During training sessions we work through exercises to identify and improve attitudes toward customers. (Lytle 1998, Serv*Or scale - Service Training)	4.209	.8207
We are told to view customer interactions as opportunities to please. (Beatson 2008, Service-orientated Business Strategy scale)	3.734	.8646
We are noticeably more friendly and courteous than our competitors. (Lytle 1998, Serv*Or scale - Customer Treatment)	4.029	.8160
This company emphasizes prompt service. (Beatson 2008, Service-orientated Business Strategy scale)	3.993	.8887
We actively listen to our customers. (Lytle 1998, Serv*Or scale - Service Failure Prevention)	3.978	.9515
We handle our external customer feedback in a very constructive manner. (modified from Schneider et al.1998, Customer Feedback Scale)	3.914	.9362
We have an excellent customer complaint handling system for service follow-up. (Lytle 1998, Serv*Or scale - Service Failure Prevention)	3.209	.9591
We provide follow-up service calls to confirm that our services are being provided properly. (Lytle 1998, Serv*Or scale - Service Failure Recovery)	2.899	.9728
How would you rate the job knowledge and skills of employees in your business to deliver superior quality work and service? (Schneider et al., 1998, Global Service Climate scale)	4.237	.7080
Our companys over-all climate is excellent for services. (modified from Lytle et al. 1998 and Schneider et al.1998).	3.914	.8119
The focus of our service processes is laid on customers' needs. (Mathieu, 2001)	4.295	.7268
How would you rate the effectiveness of our communications efforts to customers? (modified from Schneider et al. 1998, Global Service Climate scale)	3.655	.8657
Employees have freedom and authority to act independently in order to provide excellent service. (Lytle 1998, Serv*Or scale - Employee Empowerment)	4.094	.8066
Employees go the "extra mile" for customers. (Lytle 1998 Serv*Or scale - Customer Treatment)	3.820	.7542
Employees care for customers, as they would like to be cared for. (Lytle 1998 Serv*Or scale - Customer Treatment)	3.741	.7156
Employees go out of their way to reduce inconveniences for customers. (Lytle 1998 Serv*Or scale - Customer Treatment)	4.194	.7211
We have established problem-solving groups to enhance our ability to resolve service breakdowns. (Lytle 1998, Serv*Or scale - Service Failure Recovery)	3.568	1.0219
We go out our way to prevent customer problems. (Lytle 1998 Serv*Or scale - Customer Treatment)	3.432	.7899
We are excellent at responding to customer reclamations. (modified from Schneider et al. 1998, Customer Feedback scale)	3.863	.7727
We provide every customer with an explicit service guarantee. (Lytle 1998, Serv*Or scale - Service Failure Recovery)	2.878	1.2480

Table 3 shows a Kaiser-Meyer-Olkin Measure of Sampling Adequacy. This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a preferred minimum. In addition, Table 3 illustrates Bartlett's Test of Sphericity, which tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is a matrix in which all the diagonal elements are 1 and all the off-diagonal elements are 0. Based on the result, the null hypothesis is rejected. Taken together, these tests provide a minimum standard, which should be passed before a factor analysis (or a principal components analysis) is conducted.

**Table 3. KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.883
Bartlett's Test of Sphericity	Approx. Chi-Square	2052,226
	df	465
	Sig.	.000

## 4.2 Factor Analysis

In the present study, the focus of interest is on identifying a set of dimensions underlying organizational service orientation.

The general objective of factor analysis is to represent relationships among sets of interrelated variables in terms of few underlying factors (Malhotra & Birks 2006). Hair et al. (2006, p.104) suggest that factor analysis can be used to examine the underlying patterns or relationships for a large number of variables and to determine whether the information can be condensed or summarized in a smaller set of factors. In other words, factor analysis is a method of data reduction. For example, Malhotra & Birks (2006, p.572) proclaim that factor analysis denotes a class of procedures primarily used for data reduction and summarization. Factor analysis does this by seeking underlying unobservable (latent) variables that are reflected in the observed variables (manifest variables). Factors in the analysis are formed as groups of variables that correlate strongly with each other but weakly with the variables in other groups.

According to Malhotra & Birks (2006, p.572-574), the basic assumption preceding factor analysis is that the underlying factors cause the detectable phenomena, not vice versa. Hair et al. (2006, p.104) further point out that the factors are assumed to represent dimensions within the real-life data that may correspond to concepts that cannot be adequately described by a single measure.

In marketing research, factor analysis has been widely used in, e.g., market segmentation, product research, advertising and pricing studies, comprising attempts to identify underlying consumer

characteristics, habits and mental models (Malhotra & Birks 2006, p. 573). In particular, exploratory factor analysis is a widely used and broadly applied technique in social sciences (Osborne & Costello 2005).

Factor analysis is a technique that requires a large sample size. Malhotra and Birks (2006, p. 575) suggest that the minimum number of cases required for conducting a factor analysis should be at least five times as many observations as the number of variables analyzed. In the present study, 31 variables with 152 cases were analyzed, thereby gaining a subjects-to-variables ratio of 5, which is acceptable for the analysis to have a sufficient explanatory power.

In order to generate a comprehensible factor matrix, the factors were rotated, which allows facets of the dataset to be viewed from different perspectives. There are many different types of rotations that can be done after the initial extraction of factors, including orthogonal rotations, such as Varimax and Equimax, which impose the restriction that the factors cannot be correlated, and oblique rotations, such as Promax, which allow the factors to be correlated with one another. It is also possible to determine the number of factors to be extracted. Given the number of factor analytic techniques and options, it is not surprising that different analysts could reach very different results analyzing the same data set. However, all analysts are looking for simple structure, such that each variable loads highly onto only one factor. Therefore a Varimax rotation method was chosen for this study as the Varimax rotation method minimizes the number of variables with high loadings on a factor, thus enhancing the interpretability of the factors (Malhotra & Birks 2006, pp. 581- 582).

A rotation method identifies factors that are as different from each other as possible, and helps to interpret the factors by putting each variable primarily on one of the factors. However, there is need to decide between an “orthogonal” solution (in which factors are not highly correlated with each other) and an “oblique” solution (where factors are correlated with one another). An orthogonal Varimax solution was selected for this analysis. Varimax rotation redistributes the variance from earlier factors to later ones to achieve a simpler, more theoretically meaningful factor pattern (Hair et al. 2006, p.123). It is an orthogonal method of rotation, i.e., axes are maintained at 90 degrees (Hair et al. 2006), which minimizes the number of variables with high loadings on a factor, and thus adds to the interpretability of the factors (Janssens et al. 2008).

In order to rely on the results of the factor analysis, the appropriateness of the method for analyzing the data was first investigated. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was used together with Bartlett’s test of sphericity (Malhotra & Birks 2006). The Kaiser-Meyer-Olkin measure of sampling adequacy (MSA) compares the magnitudes of the observed correlation coefficients with the magnitudes of the partial correlation coefficients (Malhotra & Birks 2006, p. 577). It received here the value of .883, which is well above the acceptable value of .50 (Hair et al. 2006, p.114-115; Malhotra & Birks 2006). Thus, factor analysis was considered an appropriate technique for analyzing the data. In addition to this, the Bartlett’s test of sphericity reached a significant value ( $p=.000$ ), which indicates that correlations among variables are sufficient.

Factor analysis is usually pursued using either principal component analysis (PCA) (which considers the total variance in data) or common factor analysis (which considers only the common variance in data). As the data did not follow normal distribution, principal components analysis was used as a factor extraction method (Osborne & Costello 2005). The rotated solution with the factor

loadings for each individual variable in the dataset (Table 3) was used to interpret the meaning and to name the identified dimensions of organizational service orientation.

**Table 4 Factor loadings and interpretation of the factors**

<b>Factor 1: Service-minded leadership (management of service organization)</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
During training sessions we work through exercises to identify and improve attitudes toward customers.	.739	.671		
Every employee receives personal skills training that enhance his/her ability to deliver high quality service.	.712	.662		
We are told to make a real effort to satisfy customers' needs.	.708	.586		
How would you rate efforts to measure and track the quality of the work and service in your business?	.676	.761	10.557	.866
Management provides excellent incentives and rewards at all levels for service quality, not just productivity.	.612	.643		
Decision-making is dynamic when it comes down to considering service management.	.578	.674		
Management constantly communicates the importance of service.	.537	.619		
<b>Factor 2: Service capabilities (organization's capacity to serve customers)</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
How would you rate the job knowledge and skills of employees in your business to deliver superior quality work and service?	.774	.706		
Managers recognize and appreciate high quality work and service.	.690	.713		
The focus of our service processes is laid on customers' needs.	.625	.584	2.214	.816
Our company's over-all climate is excellent for services.	.609	.580		
We are noticeably more friendly and courteous than our competitors.	.478	.557		
This company emphasizes prompt service.	.438	.528		
<b>Factor 3: Commitment to serving customers (organization's aim to improve customers' service experience)</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
We provide follow-up service calls to confirm that our services are being provided properly.	.678	.643		
We have an excellent customer complaint handling system for service follow-up.	.621	.647		
How would you rate the effectiveness of our communications efforts to customers?	.514	.427	1.634	.704
We are told to view customer interactions as opportunities to please.	.427	.541		

<b>Factor 4: Service recovery (capacity to solve customers' problems)</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
We are excellent at responding to customer reclamations.	.762	.665		
Employees go out of their way to reduce inconveniences for customers.	.651	.628		
We have established problem-solving groups to enhance our ability to resolve service breakdowns.	.630	.573	1.509	.747
We go out our way to prevent customer problems.	.484	.615		
Managers give personal input and leadership into creating quality service.	.431	.437		
We provide every customer with an explicit service guarantee.	.427	.521		
<b>Factor 5: Organizational service culture (service staff's ability to put themselves in customer's place)</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
Employees go the "extra mile" for customers.	.712	.759		
Employees have freedom and authority to act independently in order to provide excellent service.	.666	.679	1.315	.735
Employees care for customers, as they would like to be cared for.	.644	.667		
<b>Factor 6: Service-oriented business strategy</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
Excellent service is the most important source of competitive advantage for us.	.787	.687	1.144	.678
Services come first in our business.	.745	.662		
<b>Factor 7: Responsiveness to customers' needs</b>	<b>Loading</b>	<b>h<sup>2</sup></b>	<b>Eigenvalue</b>	<b>Cronbach's alpha</b>
We actively listen to our customers.	.603	.630		
We handle our external customer feedback in a very constructive manner.	.592	.729	1.050	.687
My manager/sales manager is very committed to improving the quality of our area's work and service.	.555	.618		
<b>Cumulative variance</b>			<b>62.6 %</b>	

Factor loadings represent correlations between the original variables and the factors, and serve as a key to understanding the nature of a particular factor. Loadings indicate the degree of correspondence between the variable and the factor with higher loadings making the variable representative of the factor (Hair et al. 2006, p. 102). As a rule of thumb, values greater than  $\pm 0.50$  are considered necessary for practical significance, although factor loadings of  $\pm 0.30$ ,  $0.40$  are minimally acceptable (Ibid., 129).

There is a number of different ways to look at the issue of deciding how many factors to include in an exploratory factor analysis. In order to define the number of factors to extract in this study, the latent root criterion, also known as Kaiser criterion or Eigen value criterion (Osborne & Costello

2005; Janssens et al. 2008), was chosen. Following a commonly used setting (Malhotra & Birks 2006) for the Kaiser criterion, all factors with eigenvalues greater than 1.0 were selected for further analysis. Eigenvalue of a factor consists of the sum of squared loadings for a factor, thus representing the amount of variance accounted for by a factor (Hair et al. 2006. p.102). It would have been possible to set a more conservative stopping criterion by requiring each factor to have a higher eigenvalue, but eigenvalues greater than 1 were used in this analysis. Analysis of the data indicated that seven factors had an eigenvalue of 1.00 or higher.

### **4.3 Synthesis of the Results**

The results of the analysis indicated seven factors of which two lack sufficient explanatory power (Cronbach's alfa less than .7). The identified factors with sufficient explanatory power include 1) service-minded leadership (management of service organization), 2) service capabilities (organization's capacity to serve customers), 3) commitment to serving customers (organization's aim to improve customer's service experience), 4) service recovery (capacity to solve customers' problems) and 5) organizational service culture (service staff's ability to put themselves in the customer's place). In addition, the analysis produced two factors ('service-oriented business strategy' and 'responsiveness to customer's needs') that did not meet the suggested limit of .7 concerning Cronbach's alfa. The identified factors differ from the presumptions based on previous literature. The factor loading of identified factors varied between the lowest of .427 and the highest of .774. Thus, the factor loadings close or over .7 are near the high end of the spectrum.

The first factor (service-minded leadership) received resonance from the highest number of items (7) and had also the highest number of items (3) that had a loading over .7. These findings emphasize the importance of leadership in services. Although the customer service personnel, who are in direct contact with the customers, have a substantial impact on the service experience of the customer, there are a lot of possibilities in training, motivating and leading the service personnel, as well. The three most loaded items illustrate the aspects of service leadership such as 'improving attitudes towards customers' (with a factor loading of .739), 'the personal skills training that enhances the service staff's ability to deliver high quality service' (with a factor loading of .712) and 'the encouragement for actual effort that staff exercises to satisfy customer's needs' (with a factor loading of .708).

The second factor (service capabilities) had six items, which can be categorized as enabling organizational aspect for service delivery. The item of 'job knowledge and skills of employees to deliver superior quality work and service' (with a factor loading of .774) was the only item to reach over a loading of .7, but the item 'managers recognize and appreciate high quality work and service' had also a high loading (.690). This item is closely related to the service leadership factor as it concerns management issues. In this factor, there were also two items with loadings very close to the low end. These items were 'we are noticeably more friendly and courteous than our competitors' (with a factory loading of .478) and 'this company emphasizes prompt service'. These items seem to resonate less with the respondents than the actual skills for service and management issues in this factor. Especially the self-perceived image of the services behavior in comparison to competitors ('we are noticeably more friendly and courteous than our competitors') is interestingly low, as at the

same time, the highest loaded item in this factor indicates a high level of self-perceived service capability ('job knowledge and skills of employees to deliver superior quality work and service').

For the third factor (commitment to serving customers), none of the four items reached a loading of 0.7. The item 'the follow-up service calls to confirm that services are provided properly' had the highest loading (with a factor loading of .678) and the item 'we are told to view customer interactions as opportunities to please' had the lowest (with a factor loading of .427). The items in this factor share an emphasis on communication and interaction with the customer, which are both useful tools to consider when aiming to improve the service experience of the customer.

In factor four (service recovery), the most loaded item was 'We are excellent at responding to customer reclamations' (with a factor loading of .762). Most of the items in this factor were focused on solving customer problems or preventing them.

For factor five (organizational service culture), 'the employees go the extra mile for customers' item was the most heavily loaded with a factor loading of .712. The two other items were also reasonably loaded, with one concentrating on empowerment of the employees ('employees have freedom and authority to act independently in order to provide excellent service' with a factor loading of .666) and the other on caring for customers ('employees care for customers, as they would like to be cared for. with a factor loading of .644).

The two last factors (factor five - service-oriented business strategy and factor six - responsiveness to customers' needs) failed to meet the criterion of Cronbach's alfa above 0.7.

All of the factors are identifiable from the previous literature introduced in this study, as they exhibit themes such as service leadership, service culture and service recovery. Although, the emphasis of the themes in the analysis had some differences with the emphasis of the themes provided by the reviewed literature. For example, items concerning the service capabilities of company (factor two) received more support from the analysis than given weight in the reviewed literature. For example, two of the main dimensions proposed in the analytical framework (strategy and the nature of services dimensions) did not promote service capability as a major theme. Also leadership and management issues were more evident in the results, as service leadership was considered only in brief by the reviewed literature (in the dimension of internal characteristics as one of the service-related categories by Lytle et al. (1998), although supplemented in this study by the view of Sureshchandar et al. (2001)).

# 5 DISCUSSION AND CONCLUSIONS

## 5.1 Theoretical Contributions

The comprehensive view introduced in this study compiles the perspectives of the past research and provides an opportunity to contemplate the current state of organizational service orientation as a not conclusively defined construct. The confinement of the definition of organizational service orientation was made in this study by examining the closely related constructs that contribute to the clarity of the construct. The analytical framework introduced in this study helps to view organizational service orientation in a broader context and to further understand the dimensions of it. The comprehensive measurability of organizational service orientation has had its shortcomings, as previous scales have been strongly bound to a specific perspective and context. The scale introduced in this study contributes to a wider perspective on how to measure organizational service orientation. The empirical findings of this study identified seven factors of which five held sufficient explanatory power. These five factors were service-minded leadership (concerning the management of service organization), service capabilities (concerning organization's capacity to serve customers), commitment to serving customers (concerning organization's aim to improve customers' service experience), service recovery (concerning capacity to solve customers' problems) and organizational service culture (concerning service staff's ability to put themselves in a customer's place). The two factors omitted were interestingly service-oriented business strategy and responsiveness to customers' needs. As the factors differ from the view provided by past research, it opens up opportunities to further examine the nature of organizational service orientation. This study acknowledges that these findings are not final conclusions on the subject, but provide interesting suggestions for further research directions. Finally, the survey conducted in this study contributes to the understanding of organizational service orientation in Finland, as according to current knowledge, it had not been previously measured in Finland.

## 5.2 Managerial Implications

The implementation of service orientations is recognized to have its challenges, thus a more comprehensive way to view and to measure organizational service orientation helps to avoid the obstacles of successful implementation. A more comprehensive angle on service orientation allows managers to obtain an over-all view to better navigate the process of implementation. The different dimensions proposed in this study provide also a possibility to deal with an individual dimension, enabling managers to focus their actions on a desired set of dimensions. The restructuring towards service-orientated operations is proven to be problematic and thus the dimension concerning the nature of services and their function in the offering in relationship to tangible products can be a useful tool to use. The empirical findings of this study provide support for acknowledging the importance of service leadership and the organizations service capabilities. These aspects have received little attention on the weight they have on service orientation of the company. For example, a highly service-orientated strategy can be to a no avail, if the organization is not capable enough

for producing excellent service or the strategy never actualizes because of the lack of competent leadership.

### **5.3 Limitations and Further Research**

The present study has several limitations that simultaneously provide fruitful avenues for further research. The empirical sample covers a limited geographical area in Finland. Another limitation is the low number of respondents. Although the number of respondents for the survey was sufficient for the analysis, a greater sample size would allow confirmatory analyses. This could be reasonable, as one of the obvious research directions would be to further examine the reasons why the results of the empirical section differed from suggestions of prior literature.

Another limitation is that the analytical framework presented in this study doesn't represent the final conclusion for the subject of organizational service orientation. Thus, a further expansion of the framework would provide interesting opportunities. For example, by using a broader scope for the study (e.g., including individual service orientation) a more universal view on the subject could be achieved. Also the interaction and the relationships between the proposed dimensions of organizational service orientation open up various possibilities to examine the interdependencies and dynamics of the phenomenon. For example, the previously mentioned reciprocal relationship between organizational service orientation and the customers of the company has received little attention in the previous literature.

Acknowledging that the link between intangible investments and organization's performance seldom produces unambiguous conclusions, the link between organizational service orientation and the performance of the company is also considered a viable research direction for the future. The link between organizational service orientation and performance has generated a myriad of studies pursuing to enlighten this relationship (e.g. Albrecht & Zemke 1985; Kohli & Jaworski 1990; Narver & Slater 1990; O'Connor & Shewchuk 1995; Schneider & Bowen 1995; Johnson 1996; Rust et al. 1996; Heskett et al. 1997a, 1997b; Wright et al. 1997; Doyle & Wong 1998; Lytle et al. 1998; Lynn et al. 2000; Homburg et al. 2002). The results of this study could also be used as a platform to further deepen the understanding of the interesting relationship between service orientation and performance.

## 6 REFERENCES

- Aaker, D. A. (1998). *Strategic Market Management*. New York, NY: John Wiley & Sons.
- Albrecht, K., & Zemke, R. (1985). *Service America! Doing Business in the Service Economy*. Homewood, IL: Dow Jones-Irwin.
- Alge, B. J., Gresham, M. T., Heneman, R. L., Fox, J., & McMasters, R. (2002). Measuring customer service orientation using a measure of interpersonal skills: A preliminary test in a public service organization. *Journal of Business & Psychology*, 16(3), 467-476.
- Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing*, 58(3), 53.
- Anderson, J. C., & Narus, J. A. (1995). Capturing the value of supplementary services. *Harvard Business Review*, 73(1), 75.
- Anderson, J. C., & Narus, J. A., & Wouter van Rossum. (2006). Customer value propositions in business markets. *Harvard Business Review*, 84(3), 90-99.
- Antioco, M., Moenaert, R. K., Lindgreen, A., & Wetzels, M. G. M. (2008). Organizational antecedents to and consequences of service business orientations in manufacturing companies. *Journal of the Academy of Marketing Science*, 36(3), 337-358.
- Arabe, K. C. (2004). Spending on services robust: Industrial market trends. ThomasNet Industrial News Room, November, 1-3.
- Baines, T. S., Lightfoot, H. W., Benedettini, O., & Kay, J. M. (2009). The servitization of manufacturing. *Journal of Manufacturing Technology Management*, 20(5), 547-567.
- Baveja, S. S., Gilbert, J., & Ledingham, D. (2004). From products to services: Why it's not so simple. *Harvard Management Update*, 9(4), 3-5.
- Baydoun, R., Rose, D., & Emperado, T. (2001). Measuring customer service orientation: An examination of the validity of the customer service profile. *Journal of Business & Psychology*, 15(4), 605-620.
- Beatson, A., Lings, I., & Gudergan, S. P. (2008). Service staff attitudes, organizational practices and performance drivers. *Journal of Management and Organization*, 14(2), 168-179.
- Belz, C., Schuh, G., Groos, A., & Reinecke, S. (1997). *Industrie als Dienstleister*. Thexis, St Gallen.
- Benoy, J.W. (1996) Internal Marketing Builds Service Quality. *Journal of Health Care Marketing*, 16(1), 54-59.
- Berry, L. L., Conant, J. S., & Parasuraman, A. (1991). A framework for conducting a services marketing audit. *Journal of Academy of Marketing Science*, 19(3), 255.

- Berry, L. L., Parasuraman, A., & Zeithaml, V. A. (1994). Improving service quality in America: Lessons learned. *Academy of Management Executive*, 8(2), 32-45.
- Bitner, M. J. (1990). Evaluating service encounters: The effects of physical surroundings and employee responses. *Journal of Marketing*, 54(2), 69.
- Bitner, M. J. (1992). Servicescapes: The impact of physical surroundings on customers and employees. *Journal of Marketing*, 56(2), 57.
- Bitner, M. J., Booms, B. H., & Tetreault, M. S. (1990). The service encounter: Diagnosing favorable and unfavorable. *Journal of Marketing*, 54(1), 71.
- Booms, B.H. & Bitner, M.J. (1981). "Marketing strategies and organization structures for service firms" in Donnelly, J.H. & George, W.R. (Eds), *Marketing of Services*. Chicago, IL: American Marketing Association, 47-52.
- Borucki, C. C., & Burke, M. J. (1999). An examination of service-related antecedents to retail store performance. *Journal of Organizational Behavior*, 20(6), 943-962.
- Bowen, D. E., & Lawler, E. E.,III. (1992). The empowerment of service workers: What, why, how, and when. *Sloan Management Review*, 33(3), 31.
- Bowen, D. E., & Schneider B. (1988). "Services Marketing and Management: Implications for Organizational Behavior." in Staw, B.M. and Cummings, L.L. (Eds.), *Research in Organizational Behavior*. Vol. 10. Greenwich, CT: JAI Press.
- Bowen, D. E., Siehl, C., & Schneider, B. (1989). A framework for analyzing customer service orientations in manufacturing. *Academy of Management Review*, 14(1), 75-95.
- Brady, M. K., & Cronin, J. J. Jr. (2001). Customer orientation: Effects on customer service perceptions and outcome behaviors. *Journal of Service Research*, 3(3), 241.
- Brax, S. (2005). A manufacturer becoming service provider - challenges and a paradox. *Managing Service Quality*, 15(2), 142-155.
- Brown, T. J., Mowen, J. C., Donovan, D. T., & Licata, J. W. (2002). The customer orientation of service workers: Personality trait effects on self-and supervisor performance ratings. *Journal of Marketing Research*, 39(1), 110-119.
- Burke, M. J., Rupinski, M. T., Dunlap, W. P., & Davison, H. K. (1996). Do situational variables act as substantive causes of relationships between individual difference variables? Two large-scale tests of "common cause" models. *Personnel Psychology*, 49(3), 573-598.
- Carlzon, J. (1987). *Moments of Truth*. Cambridge, MA: Ballinger Publishing Company.
- Cespedes, F. V. (1994). Industrial marketing: Managing new requirements. *Sloan Management Review*, 35(3), 45.

- Chase, R. B. & Bowen, D. E. (1991). "Service Quality and the Service Delivery System: A Diagnostic Framework", in Brown, S. W., Gummesson, E., Edvardsson B., and Gustavsson, B.O. (Eds.), *Service Quality: Multidisciplinary and Multinational Perspectives*. Lexington, MA: Lexington Books.
- Chase, R. B., & Stewart, D. M. (1994). Make your service fail-safe. *Sloan Management Review*, 35(3), 35.
- Church, A. H. (1995). Linking leadership behaviours to service performance: Do managers make a difference? *Managing Service Quality*, 5(6), 26.
- Conger, J. A., & Kanungo, R. N. (1988). The empowerment process: Integrating theory and practice. *Academy of Management. The Academy of Management Review*, 13(3), 471.
- Cran, D. J. (1994). Towards validation of the service orientation construct. *Service Industries Journal*, 14(1), 34-44.
- Cunningham, M. T. & Roberts, D. A. (1974). The role of customer service in industrial marketing. *European Journal of Marketing*, 8(1), 15-28.
- Dale, A. & Wooler, S. (1991) "Strategy and Organization for Service: A Process and Content Model" in Brown, S. W., Gummesson, E., Edvardsson B., and Gustavsson, B.O. (Eds.), *Service Quality: Multidisciplinary and Multinational Perspectives*. Lexington, MA: Lexington Books, 191-204.
- Day, G. S. (1990). *Market Driven Strategy: Processes for Creating Value*. New York, NY: The Free Press.
- Deshpandé, R., Farley, J. U., & Webster, F. E. (1993). Corporate culture, customer orientation, and innovativeness in Japanese firms: A quadrad analysis. *Journal of Marketing*, 57(1), 23.
- Deshpandé, R. & Farley, J.U. (1999), "Understanding market orientation. A prospectively designed meta-analysis of three market orientation scales", in Deshpandé, R. (Eds.), *Developing a Market Orientation*. Thousand Oaks, CA: Sage, 217-35.
- Deshpande, R., & Webster Jr., F. E. (1989). Organizational culture and marketing: Defining the research agenda. *Journal of Marketing*, 53(1), 3-15.
- Dirks, K. T., & Ferrin, D. L. (2002). Trust in leadership: Meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, 87(4), 611-628.
- Dotson, M., & Patton, W. E., III. (1992). Consumer perceptions of department store service: A lesson for retailers. *The Journal of Services Marketing*, 6(2), 15.
- Doyle, P., & Wong, V. (1998). Marketing and competitive performance: An empirical study. *European Journal of Marketing*, 32(5/6), 514-535.
- Erickson, J., & Siau, K. (2008). Web services, service-oriented computing, and service-oriented architecture: Separating hype from reality. *Journal of Database Management*, 19(3), 42-54.

- Evvardsson, B. (1990). Service production and service marketing in manufacturing companies. Proceedings of the 1st International Seminar in Service Management, IAE Aix-en-Provence, FNEGE.
- Federal Reserve (2002). Industrial production and capacity utilization: Table 1a. Washington DC: Federal Reserve Statistical Release.
- Frambach, R. T., Wels-Lips, I., & Gundlach, A. (1997). Proactive product service strategies: An application in the European health market. *Industrial Marketing Management*, 26(4), 341-52.
- Gadiesh, O. & Gilbert, J.L. (1998). Profit pools: a fresh look at strategy. *Harvard Business Review*, 76(3), 139-47.
- Gebauer, H. (2009). An attention-based view on service orientation in the business strategy of manufacturing companies. *Journal of Managerial Psychology*, 24(1), 79-79-98.
- Gebauer, H., Friedli, T., & Fleisch, E. (2006). Success factors for achieving high service revenues in manufacturing companies. *Benchmarking*, 13(3), 374-386.
- Gibbs, C. (1995). How to make customer service work. *Public Management* (00333611), 77(8), 14.
- Ginsberg, A., & Venkatraman, N. (1985). Contingency perspectives of organizational strategy: A critical review of the empirical research. *The Academy of Management Review* (Pre-1986), 10(000003), 421.
- Goffin, K. (1998). Evaluating customer support during new product development - an exploratory study. *The Journal of Product Innovation Management*, 15(1), 42-56.
- González, J. V., & Garazo, T. G. (2006). Structural relationships between organizational service orientation, contact employee job satisfaction and citizenship behavior. *International Journal of Service Industry Management*, 17(1), 23-50.
- Grönroos, C. (1990a). Service management: a management focus for competition. *International Journal of Service Industry and Management*, 1(1), 6-14.
- Grönroos, C. (1990b). Relationship approach to marketing in service contexts: The marketing and organizational behavior interface. *Journal of Business Research*, 20(1), 3-11.
- Grönroos, C. (1998). Marketing services: The case of a missing product. *Journal of Business & Industrial Marketing*, 13(4-5), 322-322-338.
- Hair, Jr., J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate Data Analysis* (6th ed.), London, England: Prentice-Hall.
- Hallowell, R., Schlesinger, L. A., & Zornitsky, J. (1996). Internal service quality, customer and job satisfaction: Linkages and implications for management. *Human Resource Planning*, 19(2), 20.

- Hambrick, D. C. (1983). High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, 26(4), 687.
- Hartline, M. D., & Ferrell, O. C. (1996). The management of customer-contact service employees: An empirical investigation. *Journal of Marketing*, 60(4), 52-70.
- Hartline, M. D., Maxham III, J. G., & McKee, D. O. (2000). Corridors of influence in the dissemination of customer-oriented strategy to customer contact service employees. *Journal of Marketing*, 64(2), 35-50.
- Hennig-Thurau, T. (2004). Customer orientation of service employees: Its impact on customer satisfaction, commitment, and retention. *International Journal of Service Industry Management*, 15(5), 460-478.
- Hennig-Thurau, T., & Thurau, C. (2003). Customer orientation of service employees- toward a conceptual framework of a key relationship marketing construct. Taylor & Francis Ltd.
- Heskett, J. L. (1986). *Managing in the Service Economy*. Boston, MA: Harvard Business School Press.
- Heskett, J. L. (1987). Lessons in the service sector. *Harvard Business Review*, 65(2), 118-126.
- Heskett, J. L., Jones, T. O., Loveman, G. W., Sasser Jr., W. E., & Schlesinger, L. A. (1994). Putting the service-profit chain to work. *Harvard Business Review*, 72(2), 164-170.
- Heskett, J. L., Sasser, Jr., W.E., & Hart, C.W.L. (1990). *Service Breakthroughs: Changing the Rules of the Game*. New York, NY: The Free Press.
- Heskett, J. L., Sasser, Jr., W.E., & Schlesinger, L. A. (1997a). *The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction, and Value*. New York, NY: The Free Press.
- Heskett, J. L., Sasser Jr., W. E., & Schlesinger, L. A. (1997b). What is strategy? *Harvard Business Review*, 75(2), 158-160.
- Hill, T. P. (1977). On goods and services. *Review of Income & Wealth*, 23(4), 315-338.
- Hofstede, G., Neuijen, B., Ohayv, D. D., & Sanders, G. (1990). Measuring organizational cultures: A qualitative and quantitative study across twenty cases. *Administrative Science Quarterly*, 35(2), 286-316.
- Hogan, J., Hogan, R., & Busch, C. M. (1984). How to measure service orientation. *Journal of Applied Psychology*, 69(1), 167-173.
- Homburg, C., Hoyer, W. D., & Fassnacht, M. (2002). Service orientation of a retailer's business strategy: Dimensions, antecedents, and performance outcomes. *Journal of Marketing*, 66(4), 86-101.

- Hurley, R. F. (1998). Customer service behavior in retail settings: A study of the effect of service provider personality. *Academy of Marketing Science Journal*, 26(2), 115-127.
- Janssens, W., Wijnen K., De Pelsmacker, P., & Van Kenhove, P. (2008). *Marketing research with SPSS*, (1st ed), London, England: Prentice Hall.
- Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing*, 57(3), 53.
- Johnson, J. W. (1996). Linking employee perceptions of service climate to customer satisfaction. *Personnel Psychology*, 49(4), 831-851.
- Johnston, J. (1994). Waxing customer service and cars. *Management Review*, 83(7), 25.
- Jones, E., Busch, P., & Dacin, P. (2003). Firm market orientation and salesperson customer orientation: Interpersonal and intrapersonal influences on customer service and retention in business-to-business buyer–seller relationships. *Journal of Business Research*, 56(4), 323.
- Jones, T. O., & Sasser Jr., W. E. (1995). Why satisfied customers defect. *Harvard Business Review*, 73(6), 88-91.
- Keillor, B. D., Parker, R. S., & Pettijohn, C. E. (1999). Sales force performance satisfaction and aspects of relational selling: Implications for sales managers. *Journal of Marketing Theory and Practice*, 7(1), 101-115.
- Kelley, S. W. (1992). Developing customer orientation among service employees. *Academy of Marketing Science Journal*, 20(1), 27.
- Kelley, S. W., & Davis, M. A. (1994). Antecedents to customer expectations for service recovery. *Journal of the Academy of Marketing Science*, 22(1), 52-61.
- Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing*, 54(2), 1-18.
- Kotler, P. (1984). *Marketing Essentials*. Englewood Cliffs, NJ: Prentice-Hall.
- Kotter, J. P., & Heskett, J. L. (1992). *Corporate Culture and Performance*. New York, NY: The Free Press.
- Lashley, C. (1995). Towards an understanding of employee empowerment in hospital. *International Journal of Contemporary Hospitality Management*, 7(1), 27.
- Lee, Y. K., Park, D. H., & Yoo, D. K. (1999). The structural relationships between service orientation, mediators, and business performance in Korean hotel firms. *Asia Pacific Journal of Tourism Research*, 4(1), 59-70.
- Lele, M. M., & Karmarkar, U. S. (1983). Good product support is smart marketing. *Harvard Business Review*, 61(6), 124.
- Levitt, T. (1972). Production-line approach to service. *Harvard Business Review*, 50(5), 41.

- Little, M. M. & Dean, A. M. (2006). Links between service climate, employee commitment and employees' service quality capability. *Managing Service Quality*, 16(5), 460-476.
- Lovelock, C. H. (1983). Classifying services to gain strategic marketing insights. *Journal of Marketing*, 47(3), 9.
- Lynn, M. L., Lytle, R. S., & Bobek, S. (2000). Service orientation in transitional markets: Does it matter? *European Journal of Marketing*, 34(3/4), 279-298.
- Lytle, R. S., Hom, P. W., & Mokwa, M. P. (1998). SERV\*OR: A managerial measure of organizational service-orientation. *Journal of Retailing*, 74(4), 455-489.
- Lytle, R. S., & Timmerman, J. E. (2006). Service orientation and performance: An organizational perspective. *Journal of Services Marketing*, 20(2), 136-147.
- Malhotra, N. K. & Birks, D. F. (2006). *Marketing Research: An Applied Approach* (2nd European ed.), Essex, England: Pearson Education Limited.
- Malleret, V. (2006). Value creation through service offers. *European Management Journal*, 24(1), 106-116.
- Martin, Jr., C. R., & Horne, D. A. (1992). Restructuring towards a service orientation: The strategic challenges. *Journal of Service Management*, 3(1), 25-25.
- Mathe, H. & Shapiro, R.D. (1993). *Service and Strategic Direction*, Cergy: CERESSEC, February, DR93008, France.
- Mathieu, V. (2001). Product services: From a service supporting the product to a service supporting the client. *Journal of Business & Industrial Marketing*, 16(1), 39-39-61.
- Mathur, S. S. (1988). How firms compete: A new classification of generic strategies. *Journal of General Management*, 14(1), 30.
- Matthyssens, P., & Vandenbempt, K. (1998). Creating competitive advantage in industrial services. *The Journal of Business & Industrial Marketing*, 13(4/5), 339-355.
- McMurrian, R.C., & Wilson, E.J. (1996). A trade-off analysis of value-added customer service dimensions in supplier choice. Working Paper, ISBM Report 2, Institute for the Study of Business Markets, the Pennsylvania State University.
- Miller, D. (1987). The structural and environmental correlates of business strategy. *Strategic Management Journal* (1986-1998), 8(1), 55.
- Millson, M. R., & Wilemon, D. (2002). The impact of organizational integration and product development proficiency on market success. *Industrial Marketing Management*, 31(1), 1-23.
- Morris, M. H., & Davis, D. L. (1992). Measuring and managing customer service in industrial firms. *Industrial Marketing Management*, 21(4), 343-353.

- Murray, A. (1988). A contingency view of porter's 'generic strategies'. *The Academy of Management Review*, 13(3), 390.
- Nambisan, S. (2001). Why service business are not product businesses. *MIT Sloan Management Review*, 42(4), 72-80.
- Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54(4), 20-35.
- Neu, W. A., & Brown, S. W. (2005). Forming successful business-to-business services in goods-dominant firms. *Journal of Service Research*, 8(1), 3-17.
- Nwankwo, S. (1995). Developing a customer orientation. *The Journal of Consumer Marketing*, 12(5), 5.
- O'Connor, S. J., & Shewchuk, R. M. (1995). Service quality revisited: Striving for a new orientation. *Hospital & Health Services Administration*, 40(4), 535.
- Oliva, R., & Kallenberg, R. (2003). Managing the transition from products to services. *International Journal of Service Industry Management*, 14(2), 160-172.
- Osborne, J.W., & A.B. Costello (2005). Best practices in exploratory factor analysis: four recommendations for getting the most from your analysis. *Practical assessment, research and evaluation*, 10(7), 1-9.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40.
- Parkington, J. J., & Schneider, B. (1979). Some correlates of experienced job stress: A boundary role study. *Academy of Management Journal (Pre-1986)*, 22(2), 270.
- Peccei, R., & Rosenthal, P. (2000). Front-line responses to customer orientation programmes: A theoretical and empirical analysis. *International Journal of Human Resource Management*, 11(3), 562-590.
- Porter, M. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York, NY: The Free Press.
- Potts, G. W. (1988). Exploit your product's service life cycle. *Harvard Business Review*, 66(5), 32.
- Quinn, J., Doorley, T., & Paquette, P. (1990). Beyond products: services-based strategy. *Harvard Business Review*, 68(2), 58-67.
- Rahul, J. (1995). "How One Red Hot Retailer Wins Customer Loyalty", *Fortune* (July 10), 72-79.
- Reynoso, J., & Moores, B. (1995). Towards the measurement of internal service quality. *International Journal of Service Industry Management*, 6(3), 64.
- Roach, S. S. (1991). Services under siege - The restructuring imperative. *Harvard Business Review*, 69(5), 82-91.

- Rogg, K., Schmidt, D., Shull, C., & Schmitt, N. (2001). Human resource practices, organizational climate, and customer satisfaction. *Journal of Management*, 27(4), 431-449.
- Rust, R., Zahorik, A.J. & Keiningham, T.L. (1996). *Service Marketing*. New York, NY: HarperCollins.
- Sanchez, J.I. & Fraser, S.L. (1996). *Customer Service Skills Inventory (CSSI): Research and Interpretation Manual*. New York, NY: McGraw-Hill/London House.
- Saura, I. G., Contrí, G. B., Taulet, A. C., & Velázquez, B. M. (2005). Relationships among customer orientation, service orientation and job satisfaction in financial services. *International Journal of Service Industry Management*, 16(5), 497-525.
- Sawhney, M., Balasubramanian, S., & Krishnan, V. V. (2004). Creating growth with services. *MIT Sloan Management Review*, 45(2), 34-43.
- Schein, E. H. (2010). *Organizational Culture and Leadership*. San Francisco, CA: Jossey-Bass Publishers.
- Schlesinger, L. A., & Heskett, J. L. (1991). The service-driven service company. *Harvard Business Review*, 69(5), 71-81.
- Schneider, B. (1990). The service organization: Climate is crucial. *Organizational Dynamics*, 9(2), 52-65.
- Schneider, B., & Bowen, D. E. (1985). Employee and customer perceptions of service in banks: Replication and extension. *Journal of Applied Psychology*, 70(3), 423-433.
- Schneider, B., & Bowen, D. E. (1993). The service organization: Human resources management is crucial. *Organizational Dynamics*, 21(4), 39-52.
- Schneider, B., & Bowen, D.E. (1995). *Winning the Service Game*. Boston, MA: Harvard Business School Press.
- Schneider, B., Brief, A. P., & Guzzo, R. A. (1996). Creating a climate and culture for sustainable organizational change. *Organizational Dynamics*, 24(4), 6-19.
- Schneider, B., Gunnarson, S. K., & Niles-Jolly, K. (1994). Creating the climate and culture of success. *Organizational Dynamics*, 23(1), 17-29.
- Schneider, B., Macey, W. H., & Young, S. A. (2006). The climate for service: A review of the construct with implications for achieving CLV goals. *Journal of Relationship Marketing*, 5(2), 111-132.
- Schneider, B., & Reichers, A. E. (1990). "Climate and Culture: An Evolution of Constructs." in Schneider, B. (Eds.) *Organizational Climate and Culture*. San Francisco, CA: Jossey-Bass Publishers.

- Schneider, B., Wheeler, J. K., & Cox, J. F. (1992). A passion for service: Using content analysis to explicate service climate themes. *Journal of Applied Psychology*, 77(5), 705-716.
- Schneider, B., White, S. S., & Paul, M. C. (1998). Linking service climate and customer perceptions of service quality: Test of a causal model. *Journal of Applied Psychology*, 83(2), 150-163.
- Schoorman, F.D., & Schneider, B. (1988). *Facilitating work effectiveness*. Lexington, MA: Lexington Books.
- Sewell, C., Brown, P. B., & Cooney, J. (1992). Customers for life: How to turn that one-time buyer into a lifetime customer. *Canadian Insurance*, 108(13), 30.
- Shapiro, B. E. (1988). What the hell is 'Market oriented?' *Harvard Business Review*, 66(6), 119-125.
- Shostack, G. L. (1987). Service positioning through structural change. *Journal of Marketing*, 51(1), 34.
- Simon, H. (1993). "Industrielle Dienstleistungen und Wettbewerbsstrategie" in *Industrielle Dienstleistungen*. Schäffer-Poeschel, Stuttgart.
- Steinke, C. (2008). Examining the role of service climate in health care: An empirical study of emergency departments. *International Journal of Service Industry Management*, 19(2), 188-209.
- Sureshchandar, G. S., Rajendran, C., & Anantharaman, R. N. (2001). A conceptual model for total quality management in service organizations. *Total Quality Management*, 12(3), 343-363.
- Susskind, A. M., Kacmar, K. M., & Borchgrevink, C. P. (2003). Customer service providers' attitudes relating to customer service and customer satisfaction in the customer-server exchange. *Journal of Applied Psychology*, 88(1), 179-187.
- Treacy, M., & Wiersema, F. (1993). Customer intimacy and other value disciplines. *Harvard Business Review*, 71(1), 84.
- Trembly, A. C. (2007). *SOA: Savior or snake oil?* Summit Business Media.
- Tucker, L. & MacCallum, R. (1993). *Exploratory Factor Analysis*. A book manuscript retrieved from <http://www.unc.edu/~rcm/book/factornew.htm> [Accessed Nov 2013]
- Vandermerwe, S., Matthews, W. H., & Rada, J. F. (1989). European manufacturers shape up for services. *The Journal of Business Strategy*, 10(6), 42.
- Vandermerwe, S., & Rada, J. (1988). Servitization of business: Adding value by adding services. *European Management Journal*, 6(4), 314-324.
- Varadarajan, P. R. (1985). A two-factor classification of competitive strategy variables. *Strategic Management Journal*, 6, 357-375.

- Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68(1), 1-17.
- Venkatesh, V., & Davis, F. D. (2000). A theoretical extension of the technology acceptance model: Four longitudinal field studies. *Management Science*, 46(2), 186.
- Wagner, W. B., & LaGarce, R. (1981). Customer service as a marketing strategy. *Industrial Marketing Management*, 10(1), 31.
- Walker, J. (2007). Service climate in New Zealand English language centers. *Journal of Educational Administration*, 45(3), 315-337.
- Walker, O. C., Boyd, H. W., & Larréché, J.C. (1999). *Marketing strategy: Planning and implementation* (3rd ed.), New York, NY: McGraw-Hill.
- Webb, D., Webster, C., & Krepapa, A. (2000). An exploration of the meaning and outcomes of a customer-defined market orientation. *Journal of Business Research*, 48(2), 101-112.
- Webster Jr., F. E. (1988). The rediscovery of the marketing concept. *Business Horizons*, 31(3), 29.
- Webster, C. (1993). Refinement of the marketing culture scale and the relationship between marketing culture and profitability of a service firm. *Journal of Business Research*, 26(2), 111.
- Windahl, C., Andersson, P., Berggren C., & Nehler, C. (2004). Manufacturing firms and integrated solutions: Characteristics and implications. *European Journal of Innovation Management*, 7(3), 218-228.
- Wise, R., & Baumgartner, P. (1999). Go downstream: The new profit imperative in manufacturing. *Harvard Business Review*, 77(5), 133-141.
- Wright, N. D., Pearce, J. W., & Busbin, J. W. (1997). Linking customer service orientation to competitive performance: Does the marketing concept really work? *Journal of Marketing Theory and Practice*, 5(4), 23.
- Wu, C. H., Liang, R., Tung, W., & Chang, C. (2008). Structural relationships among organization service orientation, employee service performance, and consumer identification. *The Service Industries Journal*, 28(9), 1247.
- Yoon, S.J., Choi, D.C., & Park, J.W. (2007). Service orientation: Its impact on business performance in the medical service industry. *Service Industries Journal*, 27(4), 371-388.
- Zeithaml, V. A., & Bitner, M. J. (2000). *Service marketing: Integrating customer focus across the firm*. New York, NY: McGraw-Hill.
- Zeithaml, V. A., Varadarajan, P., & Zeithaml, C. P. (1988). The contingency approach: Its foundations and relevance to theory building and research in marketing. *European Journal of Marketing*, 22(7), 37.

## Appendix A: Original Items Used in the Analysis of This Study

The items used in the survey were translated into Finnish.

Original items	Explanation if omitted from the analysis
<b>Service strategy</b>	
Liiketoiminnassamme palvelut ovat kaikkein tärkeimmällä sijalla.	
Hyvä palvelu on tärkein kilpailuetumme lähde.	
Liiketoiminnassamme tuotemyynnin kasvattaminen on kaikkein tärkeimmällä sijalla.	Control question, measures product orientation
Asiakkaiden tarpeiden tyydyttäminen on yrityksessämme kaikkein tärkeintä.	Did not meet the criterion for factor loading
Pyrimme kasvattamaan myyntiämme niin paljon kuin mahdollista sen sijaan että pyrkisimme miellyttämään jokaista asiakasta erikseen.	Control question, measures product orientation
<b>Service management</b>	
Yrityksessämme kaikki esimiestehtävissä olevat ovat todella sitoutuneita parantamaan palveluamme.	
Henkilöstön johtaminen on yrityksessämme erittäin vuorovaikutteista ja aktiivista.	
Yrityksemme esimiestaso korostaa todella voimakkaasti hyvän palvelun tärkeyttä.	
Työntekijöitämme kehoitetaan jatkuvasti näkemään vaivaa, jotta asiakkaiden tarpeet täyttyvät.	
Yrityksemme palkitsee asiakaspalveluhenkilöstöä onnistumisista asiakaspalvelussa.	
Meillä on erittäin hyvä käsitys siitä, mikä on todella korkealaatuista palvelua toimialallamme.	
Meillä panostetaan todella paljon palvelun laadun seurantaan.	
Työntekijämme saavat henkilökohtaista asiakaspalvelukoulutusta.	
Asiakaspalveluhenkilöstömme perehdytyksessä korostetaan erityisesti palveluasennetta.	
<b>Customer service orientation</b>	
Liiketoiminnassamme asiakaskohtaukset nähdään ennen kaikkea mahdollisuuksina miellyttää asiakasta.	
Pyrimme pääasiassa läheisiin ja pitkäaikaisiin asiakassuhteisiin.	Did not meet the criterion for factor loading
Olemme selvästi kilpailijoitamme asiakaspalveluhenkisempiä.	
Yrityksessämme painotetaan kilpailijoita enemmän ripeää ja täsmällistä palvelua.	
Asiakaspalaute on yksi tärkeimmistä lähtökohdista oman toimintamme kehittämisessä.	
Saamamme asiakaspalaute käsitellään yrityksemme sisällä erittäin rakentavasti.	
Meillä on tavallista paremmin toimiva asiakaspalautejärjestelmä valitusten käsittelyä varten.	
Varmistamme aina jälkikäteen, että palvelumme vastasi asiakkaan tarpeita.	

<b>Organization's capability to serve customers</b>		
	Työntekijöidemme osaaminen mahdollistaa parhaan mahdollisen palvelun laadun.	
	Yrityksemme ilmapiiri on palvelujen kannalta todella erinomainen.	
	Palveluprosessimme perustuu asiakkaiden tarpeiden ymmärtämiseen.	
	Yrityksemme panostaa erityisesti asiakasviestinnän laatuun (mainoksissa, kirjeissä, asiakaspalvelutilanteissa).	
	Teknologiset ratkaisut (kassajärjestelmät, www-sivut, asiakastietojärjestelmät, jne.) ovat erittäin tärkeässä asemassa kehittäessämme palvelumme laatua.	Relates with service quality, did not meet the criterion for factor loading
	Työntekijöillämme on lupa toimia itsenäisesti pystyäkseen tuottamaan asiakkaalle erinomaista palvelua.	
	Työntekijämme ovat tavallista valmiimpia näkemään ylimääräistä vaivaa asiakkaan tarpeiden täyttämiseksi.	
	Palveluhenkilöstöllämme on selvästi tavallista parempi kyky ymmärtää asiakkaan näkökulma.	
<b>Solving customers' problems</b>		
	Jos asiakkaamme kohtaavat ongelmia, teemme kaikkemme vähentääksemme heille aiheutuvaa vaivaa.	
	Meillä on tarpeeksi resursseja palveluja koskevien ongelmien ratkaisua varten.	
	Panostamme muita yrityksiä enemmän asiakkaidemme ongelmien ennaltaehkäisyyn.	
	Reklamaatiotilanteissa yrityksemme hoitaa asiakaspalautteet todella erinomaisesti.	
	Meillä on käytössä tyytyväisyystakuu, jonka perustella annamme asiakkaille hyvityksiä ongelmien ilmaantuessa.	
	Ongelmatilanteissa toimipaikkamme johto osoittaa henkilökohtaisesti asiakkaille että välitämme heistä.	