

Conceptualising and Measuring Service Culture

By

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A project submitted in partial fulfillment of the requirements for the degree of Master of Business

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This Project entitled: “Conceptualising and Measuring Service Culture” is submitted in partial fulfilment for the requirements for the Unitec degree of “Master of Business”.

Candidate’s declaration

I confirm that:

- This project represents my own work;
- The contribution of supervisors and others to this work was consistent with the Unitec Regulations and Policies.

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Abstract

Service culture relies on four principles for creating value, as defined by Ostrom, Bitner, Brown, Burkhard, Goul, Smith-Daniels, Demirkan and Rabinovich (2010). This research explores these principles and thus focuses on *conceptualising and measuring service culture* through the development of a conceptual model. The four principles as per Ostrom et al. (2010, pg 12) are as follows:

“(1) Recruiting, training and rewarding, (2) Developing a service mindset in product focused organizations, (3) Creating a learning service organization by harnessing employee and customer knowledge and, (4) Keeping a service focus as the organization grows and evolves”.

The conceptual model illustrates that an organization’s service culture is at its core oriented around service transformation. Among other things, continual change creates a service mindset and enables learning, knowledge creation and sharing amongst stakeholders. Service transformation helps an organization to incorporate training, reward employees and engage in co-creation. Service transformation is also important to service culture as it continually interacts with the process of service orientation and service climate (shared stakeholder perceptions of the service processes). To keep the organization focused on service and value creation as the organization grows and evolves, the service climate and service orientation will continually impact on the encounters and their value. Besides Ostrom et al., (2010), this research has also made use of the study by Davis and Gautam (2011) to further understand the literature around service culture.

This research has two studies. Study 1 is based upon the case study of Davis, Crotty and Hawkins (2010) and Davis (2013) to explore service culture (training, rewards, co-creation, climate, transformation, orientation, encounters and value) in a specific industry in Auckland, New Zealand in 2010. This initial phase of the research provides anecdotal evidence to support and elucidate the conceptual model. The discussion highlights the transformation of a

service culture and the experiences of service employees. It was concluded that a conceptual model should converse how the firm and the consumer value is shaped from the relationships between training, rewards, co-creation, climate, transformation, service orientation and encounters.

Study 2, builds from Study 1 to measure and specify the conceptual model and hypotheses through a two-stage process of development: confirmatory factor analysis and structural equation modeling. This study is just proposed for further analysis as there is no interaction with any participants and no data has been collected for this research. The research ends with a discussion of managerial and future research directions.

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1 Introduction

1.1 Chapter Introduction

Chapter One introduces the importance of service culture, which is argued from two perspectives: the economic importance of service and service culture and the importance of service culture research to service theory development. Building from this discussion the research question is presented. It is followed by the overall strategy of this research which will help to answer the research question. The chapter concludes with the contribution of this research and a description of the layout of the following chapters.

1.2 The Importance of Service Culture

The aim of this research is to conceptualize and measure service culture. This aim is important for two reasons: its contribution to the economic value of an organization and because it provides a service theory perspective.

First, the economic value of the service economy is great in many countries. According to the World Bank (2013), in 2011 the service economy's contribution in terms of the percentage of GDP (Gross Domestic Product), was 79% to the U.S economy, in China 43%, in the U.K 78% and in New Zealand it was 71% to the NZ economy. In terms of GDP estimates, the U.S service economy contributed USD 14,991.30 billion, China USD 7,318.50 billion, the U.K USD 2,445.41 billion and N.Z USD 159.71 billion. Mishra, Lundstrom and Anand (2011) and Henriques and Kander (2010) have established that services have become an important contributor in the growth and overall production in the world economy, contributing about 70% of global GDP in the last decade. The value of service in GDP growth (Mishra et al., 2011) and the number of service transactions globally have created a need for service design (Patricio, Fisk, Cunha and Constantine, 2011).

The service economy contributes greatly to the country's economy as we can see from the World Bank's (2013) figures. It contributes through retail, hospitality, financial services, human services, information technology, education, entertainment, wholesale and other areas (Henriques and Kander, 2010). The service also contributes through high demand in the consumer sector and in business that results in outsourcing service related activities. The World Bank (n.d.) has confirmed that rise in service economy has been resulted from plenty of demand and the rising private sector. They have also shown that the industrial sector is being replaced by the service sector as the world becomes more demanding, and that industrial sector technology has replaced human work. However, in services, machines cannot replace people and hence it has become very popular. Service through knowledge helps to drive the service economy, as mentioned in FP 5 (pg 7): "All economies are service economies" and the demand for specialized service skills is greater than for the goods industry (Vargo and Lusch, 2008a). Mishra et al. (2011) and Edvardsson and Enquist (2002) have pointed out that the concept of service has been modified due to changes happening in technology and globalization. According to Patricio et al. (2011) service design has led to specific research in service fields with service science as one of the important fields.

"Service science refers to theories, models for driving service innovation, competition and well-being through co-creation of value" (pg 5) and service culture is considered as part of this co-creating process of service science (Ostrom et al., 2010). The authors have argued that service culture is important from a firm's value creation perspective as it acts like a competitive advantage in marketing or technical core capabilities. It draws on marketing strategies as well as sales, promotion, price and advertising to meet business competition. According to Edvardsson and Enquist, service marketing strategy helps to meet the desired service by delivering excellent quality in the proper time and price and meeting the requirements of the customer (2002). They also emphasize the importance of technology in the

service business as it forms the basis of service and helps to give better and clearer information to the customer. Also service culture along with service strategy helps to retain customer focused employees, which contributes to business success (Edvardsson and Enquist, 2002).

The topic of service quality has interested many researchers such as Kethley, Walter and Festervand (2002); Benjamin, Jud and Sirmans (2000); Kupers (1998); Dunlap, Dotson and Chambers (1988)” as cited in Davis et al. (2010, pg 2). However, there is a lack of support for conceptualizations focusing exclusively on service culture as argued by Davis et al. (2010, pg 2), “Hopkins (2008); Benjamin, Jud and Sirmans (2000); Johnson and Keasler (1993); Worzala and Bernasek (1996); and Miceli (1988)”. There is a need for change, according to Kupers (1998) cited in Davis et al. (2010, pg 2) who state that “the question of how to design a productive service process becomes [an] imperative”. Davis et al. (2010) further suggest that the reason for bringing in this change is to provide a modification in the service industries culture from a completely product focused culture to a service based culture.

Service culture is considered to be a value creation mode for the company as well as the customer (Ostrom et al., 2010). Although the significance of service culture is known, there is a lack of understanding of current conceptual models referring to diverse service perspectives (Davis, 2013). This demonstrates the need to construct and cultivate service value and move from product based to service dominant logic (Brodie, 2009 as cited in Davis et al., 2010). Ostrom et al. (2010) argue that service culture is a basic mode for creating value for service organizations as well as their customers.

At present there is a lack of proof to draw the attention of the supplier to the need for service practice and culture. This led to the discussion by Edvardsson and Enquist (2006), who state that changes in “the service process must be understood and accepted by both employees and the users/customers” (Davis et al., 2010, pg 3). This should result in ongoing training for

customers and employees (Edvardsson and Enquist, 2006 as cited in Davis et al., 2010), which would help them to understand and carry out the innovative concept of service. Along with the training, as pointed out by Lytle and Timmerman (2006), rewards should be provided for service-giving behaviours and for creating and delivering service excellence. “This also helps customers to be service co-creators” (Lusch, Vargo and O’Brien, 2007 as cited in Davis et al., 2010, pg 3), encouraging service transformation by adapting new ways of service or innovating for fostering a positive service climate (Liao and Chuang, 2007). It would also help to build a strong association with the clientele leading to improved quality and service climate, which would be enhanced through service orientation (Gronroos, 2006). This orientation predetermines the handling of a service encounter (employee-customer interaction). Patricio et al. (2011) also mention that a service system is comprised of technology, people and other resources in different phases of service helps to co-create value. Antonacopoulou and Kandampully (2000) argue that as the revolution of culture change begins, suppliers focus their attention on outside demand and try to relate it to their in-house requirements. Even Edvardsson and Enquist (2006) point out that during big transactions firms need to concentrate on transforming their principle mission of serving their main clients and their in-house culture can fulfill the rest of the requirements. Also the authors emphasize that, although “external pressure is important for continuous quality improvement” it may lead to a fear of change which can prevent service culture transformation, (Davis et al., 2010, pg 3). Kupers (1998) as cited in Davis et al. (2010) notes that such disturbing sentiments will disturb the appearance of the service and also the service sharing relations between the client and the firm. This could lead to a drastic change being imposed on a firm’s capability to build and sustain a service culture through the progress of employees, their service frame of mind and inculcating knowledge and a service focus during the transformation of the firm (Ostrom et al., 2010).

Davis and Gautam (2011) in their study have focused on service culture as an interconnected progression shaping the recruiting, training and rewarding of human resources activities. They have also represented service culture as a service framework for a product-service based organization. In addition their study has shown that through employee and customer knowledge an organization gets developed.

The section below will establish the research question, which is followed by the strategy of this research. The chapter then concludes through highlighting the contribution of the research as well as the research structure.

1.3 Research Question

The economic importance of the service economy and service culture, along with the theoretical and managerial importance of service economy and service culture to a firm's value creation perspective indicate that there is a need for a conceptual model of service culture. Hence the research question is framed as:

RQ1: How can service culture be conceptualised?

RQ2: How can service culture be measured?

1.4 Research Strategy

The research question of conceptualizing and measuring service culture is answered by the following approaches:

1. Based on Ostrom et al.'s (2010) four core principles, the literature is reviewed. It is also supported by the study of Davis and Gautam (2011). This is further explored using data from the case study by Davis, Crotty and Hawkins (2010) and Davis (2013) to develop the constructs and form a conceptual model of service culture (training, rewards, co-creation, transformation, climate, orientation, encounters and value).

Further literature is evaluated with the help of the model along with associated hypotheses. The discussion highlights the transformation of service culture and the experiences of service employees.

2. The conceptual model is operationalized by measuring and specifying the hypotheses through a two-stage process of development: confirmatory factor analysis and structural equation modelling.

1.5 Contribution

This study is important to service research, in understanding the importance of service culture and filling the gap by understanding its concept in service. As Ostrom et al. (2010) have shown, service culture is important for value creation, for service organization and for the customers of the organizations. In their study, Davis and Gautam (2011) have noted that there is a lack of understanding in service culture. This research will fill this gap by developing a conceptual model for service culture and for understanding its importance by developing ‘service theory’ and constructs for the service culture model. The contribution of this research is stated as below:

1. Conceptual: The conceptual model in this research brings together training, rewards, co-creation, transformation, climate, orientation, encounter and value into an integrated model.
2. Method: Collins and Hussey (2003) have shown that Epistemology is preferred for obtaining information for a conceptual model. As this research is based on a conceptual model, the Epistemology approach was selected and this led to using a questionnaire approach. Bowen in Ostrom et al. (2010) argues quantitative approach is the recommended method for measuring culture. Hence the questionnaire was built on

the basis of the hypotheses developed in this research, and can be used for future study.

3. Empirical: This is achieved by measuring and specifying hypotheses through a two stage process of development: confirmatory factor analysis and structural equation modeling (Bagozzi and Yi, 2012). A confirmatory data analysis could be performed for SPSS to help develop a model (Kline, 1998); and the confirmatory phase will be performed for AMOS, also known as Structural Equation Model (SEM) for testing the hypotheses (Bagozzi and Yi, 2012). As no data is collected in this study, the analysis is put forward for future work.
4. Managerial: This study has shown that managerial implication is relevant to all hypotheses, thus creating an impact, which indicates the necessity for service organizations in this research.

1.6 Chapter Summary

Chapter One has argued the importance of service culture from an economic as well as a theoretical perspective. Despite the existing research on service culture, there is lack of understanding of a conceptual model that helps to conceptualize and measure service culture. This research focuses specifically on the research question; how we conceptualize and measure service culture. By referring to the strategies adopted in this research and their contribution, the following chapter will conceptualize service culture.

1.7 Thesis Structure

Chapter Two will provide a detailed literature review on the four principles of Ostrom et al. (2010). These principles along with a case study by Davis et al. (2010) and Davis (2013) is used to facilitate the development of conceptual model. The conceptual model will focus on eight constructs which have been discussed in the literature. The hypotheses surrounding

these findings will be overtly discussed in detail. This will be followed by the questionnaire development process, based on the constructs.

Chapter Three will develop the conceptual model operational process and the application of the questionnaire approach will be presented. Further to this, discussion will present actionable confirmatory factor analysis (CFA) and structural equation modeling (SEM) used for analysis of this research. Also experimental validity will be discussed.

Chapter Four will bring of this research to a close by discussing the managerial implications, research implications, future implications and limitations to this research. The synopsis of this project will be presented by a final discussion.

2 Conceptual Model Development

2.1 Chapter Introduction

Chapter Two discusses the four principles presented by Ostrom et al. (2010) to develop and maintain service culture. These principles have been further analyzed in the case study by Davis, Crotty and Hawkins (2010) and Davis (2013) to develop eight core constructs. Based on the case study and service culture principles, relevant literature surrounding the constructs is explored further along with establishing appropriate hypotheses to develop the conceptual model. It is then structured by path diagram and structure equations to argue the correctness of the model. Lastly, the chapter focuses on the conceptual model from an operational perspective under scale development and establishes items as per construct in the formation of the questionnaire.

2.2 Service Culture Principles

In their study Ostrom et al. have indicated that to develop and maintain a service culture, it should be based on the four key principles below (2010, pg 12):

1. Recruiting, training and rewarding.
2. Developing a service mindset in product focused organizations.
3. Creating a learning service organization by harnessing employee and customer knowledge.
4. Keeping a service focus as the organization grows and evolves.

2.2.1 Recruiting, Training and Rewarding Associates for a Sustained Service Culture

Recruitment is an integral element of human resource administration as it contributes to the realisation of an organisation's strategic objective (Chen, 2005). Recruiting, training and rewarding "signal to employees the strategic service focus of the organization's climate, and they can reinforce the deeper layers of culture" (Ostrom et al., 2010, pg 13). Frei asserts that senior members of an organisation should focus on the time of recruitment and sorting to achieve the correct applicants (2008). The author further adds that the recruitment process plays a critical role as it demonstrates the organization's service characteristics.

Little and Dean (2006) apply policy, practice and procedure in the context of human resource management and describe them as a new dimension specifically to support frontline staff, emphasizing training, problem solving and online e-learning. Training employees how to deliver high quality services enables them to acquire customer service behaviours and skills that are necessary in contemporary business practice due to the increased complexities in the duties of customer service representatives (Mouawad and Kleiner, 1996). According to these scholars, companies provide service training using a combination of external and in-house training sessions that emphasize patience and courtesy when interacting with customers as well as having the ability to make genuine efforts when solving customer problems or responding to their enquiries (Mouawad and Kleiner, 1996).

In organizations where service training is conducted, the organization spends time, money and effort to help their employees to learn how to handle customers. Ideal settings in which service training can be conducted in an organization include simulated activities and role playing sessions where one employee acts as a service giver and the other employee acts like the customer (Lytle and Timmerman, 2006). When such sessions are then reviewed, employees can be trained on what they should have done differently or better, thus generating practical learning in service delivery.

According to Lytle and Timmerman (2006), providing practical learning scenarios for employees in service delivery enables them to provide high level services when they ultimately encounter customers. Ideally, such employees learn not only how to handle troublesome customers but also the type of attitude they should maintain in various scenarios of service delivery. The employees are able to develop their customer handling capability by identifying, harnessing and improving appropriate attitudes towards different customers during service delivery (Lytle and Timmerman, 2006). In their research, Lytle and Timmerman established that ‘higher performing units [in the study organizations] had somewhat higher levels of service training’ (2006, pg 142).

According to Lytle and Timmerman (2006), employees who deliver high quality services can be encouraged by offering them service rewards that show appreciation for the service quality they deliver, not just the level of production (pg 138). These rewards are used as a form of motivation to employees involved in service delivery, where positive attitudes and behaviours are reinforced with the hope that employees will strive towards offering the highest service possible in exchange for the rewards (Ostrom et al., 2010, pg 10).

Ostrom et al., are, however, quick to point out that although offering service rewards may help the management trigger appropriate service-oriented behaviours among their employees, rewards do not by themselves guarantee that there will be an authentic attitude change (a ‘deeper cultural mind-set’ change) that can be sustained (2010, pg 10). According to Hui, Chiu, Yu, Cheng and Tse, supervisors have a significant role in maintaining best practice in any service setting (2007, pg 157). These authors further state that as such, by defining and rewarding best service delivery, supervisors become role models that subordinates can learn from with regard to delivering the best possible service. Liao and Chuang caution that service rewards can yield positive outcomes in encouraging best service delivery practices, but they can also yield negative outcomes (2007). According to Liao and Chuang (2007), if

supervisors or leaders reward a positive service climate in their organization on one occasion and then discourage or ignore good service on another occasion, then the reward becomes a discouragement and causes of strife. As such, service rewards need to be systemized and standardized.

The literature frames recruiting, training and rewarding as part of service orientation and encounters, and it emphasizes that these practices contribute towards the internal service culture.

2.2.2 Developing a Service Mind-Set in Product-Focused Organisations

Mouawad and Kleiner (1996) are emphatic that developing a good customer service culture in the entire organizational structure could easily turn out to be the most rewarding strategy the service-based organization ever achieves. When an organization understands the need to establish and maintain a best-practice service delivery culture, the next step is to develop that culture among its employees. Culture denotes the structure of performing things in an organization, the body of beliefs, values and assumptions held by all organization members and the acceptable set of practices, procedures and processes.

Bitner and Brown (2008) posit that a strong and positive service culture in an organization can only be achieved through the use of a multitude of practices, all leading to appropriate service behaviours and outcomes when employees are dealing with customers. Bitner and Brown's (2008, pg 45) perspective is in agreement with Gronroos (1990) who suggests that an appropriate service culture refers to an organizational scenario where "an appreciation for good service exists and where giving good service to internal, as well as external, customers is considered a natural way of life and one of the most important norms by everyone". Based on this understanding, Bitner and Brown conclude that in this situation, service becomes 'the natural way of life' (2008, pg 45). A culture of quality service delivery is beyond just establishing policies about acceptable practices, behaviours and procedures (Ostrom et al.,

2010, pg 10). It must originate from a convinced mind-set of the employees where every employee is indoctrinated into the need for delivering high quality services to the customer as a default duty.

According to Ostrom et al. (2010), organizations need to establish practices that build an organization culture of appropriate service delivery. Bitner and Brown (2008) argue that for modern day business firms to compete aggressively in the market place, they must focus on creating and nurturing an appropriate service culture through attracting the finest employees in their respective industry. Such companies further employ internal orientation, training and preferential employee treatment to further cultivate the best work environments for these employees, hoping that these employees will treat the customers in a like manner (Bitner and Brown, 2008).

Scholars recommend the use of case histories as the best method for organizations to use in making their employees understand and adopt the appropriate service mind-set. This is because case studies require that an employee changes his or her deeply held assumptions, values and beliefs, with regard to delivering services to customers (Ostrom et al., 2010, pg 10). Using a reward system is one way in which organizations can motivate employees to adopt an appropriate service culture, although reward systems do not in themselves help inculcate the culture into an employee's mind-set (Ostrom et al., 2010, pg 10).

2.2.3 Creating a Learning Service Organisation by Harnessing Employee and Customer Knowledge

Paul Maglio in Ostrom et al. (2010, pg 18) declares that service is simply a creation of value, one which relies on the effective harmonization of many activities among individuals and organizations. According to these scholars, a basic analytical unit in service delivery is a service system that constitutes two elements, namely, client and provider (Ostrom et al., 2010, pg 18). The two elements interact on a constant basis by sharing their respective resources,

collaborating in innovation and applying their distinct capabilities in a mutually beneficial relationship where the chief aim is to help each other in gaining greater value.

This is what the scholars call the intent to co-create value (Ostrom et al., 2010, pg 18). In this understanding, Paul Maglio in Ostrom et al. (2010) conceives of service relationships as a close knit relationship which engages the customer and service provider in sharing jeopardy, supplies and rewards. This creates co-creation through interaction between the customer and service provider along with the involvement of the dealer, associates and other stakeholders (Ostrom et al., 2010, pg 18). Anders Gustafsson in Ostrom et al. (2010, pg 26), points out that in modern service organizations, customer co-creation has emerged as a phenomenon attracting great interest among practitioners as well as academia. Gustafsson argues that this interest is partly due to the “popularity of service-dominant logic and its emphasis on value in use” (Ostrom et al. 2010, pg 26). The essential concept in S-D logic remains the fact that true value in any offering is only measurable from the perspective of the customer or, as Anders Gustafsson puts it, “through the lens of the customer” (Ostrom et al., 2010, pg 26).

Most of the contemporary literature describes service culture from an organisational view point. It has been suggested by Ostrom et al. that more attention should be given to service culture from a consumer perspective (2010). Ostrom et al. (2010) perceive service culture as a transformative process providing a consumer oriented definition, describing services as consumer centric, experiential and co-created. Ostrom et al. (2010) define co-creation as conceptualised collaboration between consumers and organisations in the creation of value. Vargo & Lusch (2008a), assert that service culture is a resource that is tough to imitate, and results from customers and employees who co-create service.

Service innovation, according to Ostrom et al. (2010), encompasses the amalgamation of individuals, new techniques, systems and knowledge, supported by service theory. The

concept of service innovation leads to the development of a further research question which has been asked by Ostrom et al. (2010, pg 15):

1. “What is an ideal service concept?
2. How should an organization focus its attention to innovate through services?
3. How can a firm best involve its customers in service innovations?
4. What should the customers’ role be throughout the service innovation process?
5. How can companies develop collaborative relationships with other organizations to stimulate new thinking, creativity and service innovation?”

Harnessing customer and employee knowledge (their ability to create), can help an organization become progressively better since it gives an opportunity to learn new innovative ways (Ostrom et al., 2010). Xiucheng Fan in Ostrom et al. (2010) notes that the inherent nature or character of the process of co-creation of value and consumption among customers of service activities makes it rely on focusing and emphasizing the role of the customers’ participation in new designs and innovation.

2.2.4 Keeping a Service Focus as an Organisation Grows

An organization can create and sustain a quality service focus in its emerging days, just before it breaks even and gains a foothold in the market. The difficulty emerges in keeping that service focus as it grows, matures and changes in scope (Mouawad and Kleiner, 1996). Mouawad and Kleiner explore contemporary issues in service culture management and conclude that core operational philosophies in the management field will progressively evolve in the next few years, especially in the developed economies. In this process customer service quality will remain an on-going revolution that will be central to any successful management practice (1996, pg 54). This means that the businesses that remain vigilant in retaining a customer focus will have the highest chances of succeeding in future.

Essentially, the important concepts, practices and strategies used by modern businesses in their service offering must converge to a singular focus, that of winning and retaining customers through offering outstanding service, since ‘the only thing that matters in business today is delivering customer value’ (Mouawad and Kleiner, 1996, pg 54). These scholars further state that, whether a department in an organization serves internal or external customers or even both, ‘its mission is essentially the same, [that is] to deliver value to customers’ (Mouawad and Kleiner, 1996). This underscores the need for an organization to retain its service focus even after the initial success of such an approach to service delivery. If an organization loses its focus on quality service delivery, the customers will simply move on to where they can get better value services.

Liao and Chuang (2007, pg 1009) assert that good organizational leaders articulate a compelling and insightful vision for their organization’s customer service so that they inspire optimism and enthusiasm for winning their customers’ loyalty in a continuous manner. Further, good leaders serve as charismatic role models in service delivery for their employees in such a way that they are ‘encouraging new ways of serving customers’ (Liao and Chuang, 2007, pg 1009). According to these scholars, to maintain a service focus, an organization needs transformational leaders (leaders who can adapt to and face changing needs in maintaining service focus). Transformational leaders are able to create and communicate organizational practices, policies and procedures that are solely focused on nourishing excellence service within the entire work force, establishing the promotion of “positive service climate” (Liao and Chuang, 2007, pg 1009). According to Schneider, White and Paul (1998), service climate stresses the efforts of an employee and his proficiency for delivering excellent service. In this line of thought, Ostrom et al. (2010) suggests that recruiting, training and rewarding “practices signals to employees the strategic service focus of the organization’s climate, and they can reinforce the deeper layers of culture” (pg 13).

When an organisation intends to create a particular service culture and service focus, it must start harnessing an appropriate service orientation. Orientation is explained by Davis and Gautam (2011) as “enduring organizational policies, practices and procedures intended to support and reward service-giving behaviours that create and deliver service excellence” (pg 5). Service orientation is a product of employee recruiting, training and rewarding, in the hope that it will be realized when the service employees finally encounter the customers. If the service employees embrace the defined service orientation of an organization, they will practice that orientation in all their preparation and processes during all encounters.

Service orientation is incorporated into an organization, which in turn has implications for the realized service encounters. The way service orientation emerges in an organization predetermines the service encounters for its employees. These employee-customer interaction instances are referred to as service encounters. It is important to note in this reasoning that service orientation defines service encounters, and the standard procedure occurring from both the components results in adding service culture to the organization (Ostrom et al., 2010). This in turn creates a culture by creating value, the way things are done in that organization, and what this analysis refers to as the service culture of that organization.

The orientation that has been practiced in all service encounters to the extent that it has become a default service culture in the organization will need to change regularly to focus attention on the new conceptualization of quality service as time goes by. As long as the organization maintains service focus (retains its objective of providing the highest possible service quality to its customers), then there will be a need to transform the service orientation, encounters and ultimately the culture, in a constant and progressive manner. Service focus is created and retained by the members of an organization and not the organization, since service focus is a characteristic or an asset of an individual and does not belong to the firm. When service focus is conceived from this perspective, then Schneider’s (2009) definition of service

culture as “the climate for service focused on the policies, practices, and procedures and the behaviour that gets rewarded, supported, and expected with regard to the delivery of service quality to customers”, gains a footing (Schneider, Macey, Lee and Young, 2009, pg 5).

Hence it emerges that the solution for sustaining a service culture for any organization is by recruiting service employees with the right attitude, maintaining progressive service training and service rewards, adopting new ways to deliver service, having the right leaders, the right service quality and orientation, maintaining vigilance on service encounters, and ensuring all members of an organization are conversant with the service goals (Ostrom et al., 2010). Davis and Gautam (2011) argue that service quality in the current market has helped to contribute to this goal by liaising with the customer to create value during service delivery. These activities further result in the activation of value creation in an innovative manner across all interactions between customers and service employees, and they become the service culture of a firm.

Four core principles were drawn from the analysis of Ostrom et al. (2010), and these important concepts were further explored in the case study of Davis, Crotty and Hawkins (2010) and Davis (2013). These concepts were further analyzed to develop the conceptual model from the constructs evolved in their theory, which will be examined further in the following sections.

2.3 Exploring Service Culture

This section is based on the case study by Davis et al. (2010) and Davis (2013) on the Real Estate Agents Act 2008 to understand the service culture logic. The participants included in the case study are, “industry trainers, potential and existing real estate agents as well as franchise owners and independent companies” (Davis et al., 2010, pg 1). This case study was conducted in Auckland, New Zealand. The identity of all participants was hidden for confidentiality reasons. Davis et al. (2010) have confirmed that the use of this case study in a

real life context helps in the conceptual development as it is based on the data and experience gained from the public. The case study is further explored by discussing the feedback from the participants and drawing conclusions on service culture involvement in an industry environment.

2.3.1 Case Study

Davis et al. (2010, pg 2) noted that, “In November 2009, the New Zealand Government introduced the Real Estate Agents Act 2008. This new Act replaced the Real Estate Agents Act 1976”. The purpose of this act, according to the Real Estate Agents Authority (REAA) is for the promotion and protection of the customer’s interests and to increase their confidence in the functioning of the real estate business (2010). Therefore, this act helps in developing a change in their service and culture through legislation, driving “new regulations related to Audit, Complaints and Discipline, Duties of Licensees and Licensing” (Davis, 2013, pg 1). This new act has established a number of changes as declared by REAA (2010) and cited in Davis (2013, pg 1):

1. “the requirement for agents, branch managers and salespersons to be licensed individually,
2. the creation of the REAA,
3. the introduction of a new complaints and disciplinary process,
4. the development of new responsibilities for real estate licensees and,
5. the abolition of compulsory membership of the Real Estate Institute of New Zealand (REINZ)”.

According to Edvardsson and Enquist (2006), the act seems to be rigid in terms of its new service processes. However as suggested by Davis (2013), this act can bring changes in the structure and behavior from an industry perspective. Davis et al. (2010) after reviewing and

studying the service industry, quickly point that this change in the legislation may or may not have an effect on service industry transformation and hence further study will be required. Therefore, according to these authors this act should be associated closely with service culture to understand more about the transformation as the approach in this new act contradicts the development and sustainability of a service culture. Again the impact of service culture has not been explored much, according to Ostrom et al. (2010). So an understanding of service culture could result in an understanding of service industry transformation.

The introduction of the Real Estate Agents Act 2008 is for enhancing the services to customers of real estate agents during housing asset transactions (Davis et al., 2010). These authors argue that this act also helps in establishing a service culture in the business environment. However, there are many articles emphasizing the effects of the law in the industry (Johnson and Loucks, 1986; Trombetta, 1980) but little attention has been drawn towards service culture, according to Davis et al. (2010).

In further sections, Davis et al. (2010) present some findings on the change in the service culture of the real estate industry. They present the launching of the new legislation in which the real estate business moved towards a change in their service development and culture thus making it seem like this business was progressing towards a new path of proficiency in a united way. However, it has been argued that the real estate industry had become self-satisfied and that this change was brought about by unhappy customers. However, this dissatisfaction has been blamed on high profile 'rogue seller' cases by of real estate professionals, which caused suspicion of this business (Davis et al., 2010). On the other side of the argument, customers referred to representatives of real estate as 'car salesmen' in a disparaging manner. As argued by Davis et al. (2010) the change in the real estate business led to the different opinions from people: some felt that this change was behind schedule, and others believed it was just a change which was not done properly. There has been a lot of discussion around this

change, which has had a negative effect on the rising service culture according to employees of the industry (Davis et al., 2010). These employees are quite open to share this belief, such as the manager of a firm who says:

"I hope that real estate is deemed by the public to be more professional, real estate agents have been thought very poorly of, we're down there with car salesmen or whatever, we are not well regarded and that's a shame because people like myself strive very hard, and I have put a lot into my reputation and my community over the years and I think I have a good name but I am tarred by the same brush, you are only as good as the lowest common denominator so my hope is that it lifts the bar" (Davis et al., 2010, pg 4).

There are a number of issues presented by this argument. A lack of training fosters an orientation and climate that hinders service transformation. This leads to service encounters with customers that do not create value. These factors create a culture that prevents customers and service providers from co-creating activities and outputs.

Most members support the idea that they must start improving on their service, construct and sustain a service culture and provide value to their customers. They have accepted the fact that they must be more professional and treat this business in a professional manner emphasizing training and development, research enhancement and incorporating learning culture (Davis et al., 2010). Davis et al., add that members of the industry have understood the importance of co-creation, which helps to deliver satisfactory service encounters through development, thus bringing about transformation in service practice and in the employee's mind-set about this development (2010).

Davis et al. (2010, pg 4) note that "the commission-based, highly competitive and individualistic nature of the industry creates considerable resistance to change". It brings about a demand for rewards in their practice that are in line with the climate and orientation. Also it is argued that, along with the rewards, knowledge expansion and learning should be nurtured in an organization for attracting a younger generation into this business: "an application of new skills and knowledge is being seen as part of the service dominant logic"

(Davis et al., 2010, pg 4). Hence Davis et al. (2010) claim that enhanced provision of recruitment and training can lead to the cultivation of a service culture within this workforce. These authors then conclude that service orientation directs the training process. This is further illustrated in the words by one of the franchisees, as quoted in Davis et al. (2010, pg 4):

"I think we've got to think differently and the training probably needs to be more upmarket rather than the old school. You know, we call ourselves professionals but 90% aren't ...we need to revamp the whole thing, and I think that ongoing education is absolutely paramount, for everybody."

The study by Davis et al. (2010); which reflects a trainer's perspective, reveals that the industry lacks a learning culture, and this has resulted in the cultural characteristics of the industry (individualistic, competitive, pragmatic), the relatively low entry level, and the lack of a strong professional culture and career pathway. Below are the comments which have been added from the study by Davis et al., (2010):

"I think there are lots of opportunities for training but people aren't particularly valuing them, they haven't really had to up until now" and "I think that there are enough forums to go to be able to up skill yourself. I think trying to get real estate agents to those forums to up skill themselves is another issue".

As suggested by Davis et al. (2010), the participants expect professionalism and consistency in the culture through this new act, whereas the real estate representative are not fully convinced about the new culture and are focused on their business and sales technique, as quoted by Davis et al. (2010):

“Busy salespeople haven't got the time and they don't want to do it”.

Davis et al. (2010) further explore the participants' knowledge about their business model, self employment and an SME framework, and most of them work towards it. Hence the importance of knowledge along with training for self employed business personnel has been shown, and it can result in understanding the importance of service orientation in connecting

core discipline knowledge with the practical application of running a business. This is explained by a franchisee (additional data from the study):

"How you get your own real estate business going, because you as an agent you are clearly a business yourself." and "Do you understand that you are a self-employed person in this?" and "...understanding the act, your obligations as an agent, is all important stuff. But as preparation to send you into the real estate industry, it's nil" (Davis et al., 2010).

The above explanation also relates to branch licensees and all businesses with the agent's sub-business. It illustrates a focus on revenue, which puts stress on the idea of service training and transformation being part of the service culture process, along with the reward technique. As Davis et al. (2010) point out, training revolves around the behaviour of the agent (training provider) and hence it has been concluded that sales will depend on the service climate and orientation rather than positive service encounters. As Davis et al. (2010) in their additional study have revealed, that:

"When you employ people you want them to be producing for you as quick as possible because you're paying them wages." and "I think practically when you start the job you should have enough knowledge to be able to put your business plan and your business systems into place...because even though each office is going to have a different system it shouldn't make a difference because they're all going to have a database and a system - they're all going to have the same sort of management system for their clients, and I can understand why there's quite a high drop-out of sales people. Because it's too hard, you're too unprepared." and "A lot of real estate salespeople lack confidence, confidence training, If someone's confident they'll go out and talk to anyone and they won't have a problem following it up but if they're not you're dead in the water..." by a manager.

The managers are quite optimistic about the training program and believe that learning helps to make changes in an individual if given in the right manner:

"Well they all do their induction courses I know this much but that's about it really. After that you are pretty much left on your own unless you bring the fact that you want to learn about something, maybe every so often, every six months or every year the company would have you go to a big conference" and "You could probably walk into some companies where they're given a desk, and this is quite typical of what real estate training used to be - if you've got a mobile phone and you've got a car, here's a desk and a phonebook off you go and make some money...but it comes down to how big you are as a company the systems you have available and the resources that are available through that company" and "I've seen 'selling owners' competing with their

sales people I haven't seen it work successfully. Well they've got to pay the bills and that's what they're thinking of first and in the back of their mind it's 'yes we'll get these guys up to speed' and sometimes I think its god why can't they go out there and do it and that way I can stop selling. Selling is a 24/7 job so to think that you can sell and build up ten salespeople and recruit and retain and train is dreaming" (as cited in Davis et al., 2010).

Also Davis et al. (2010) states that learning is important but it also interrupts the learning culture as explained by an agent when discussing their additional study:

"What gets in the way of a learning culture? Businesses needing to make profit and survive.....do they really believe that going out and doing two weeks' worth of study is actually going to put more commission into their bank account ... but I am aware of various surveys out of the United States, that guy Stephan Swanepoel releases surveys and he has a survey that says that..... a structured training program produces on average 22% more revenue than those who are not training.....that's what people need to hear"

An example from Davis et al. (2010) shows that training does not help to develop interpersonal skills when the business is thriving:

"I have got four boys from a prestigious private school who earns really serious money but they cannot spell or write and I have said to them, this costs me a lot of money, we end up having to write all the advertising, every bloody Ad. It's a huge job...
 "... because the difficulty for us is that they are dealing with solicitors faxes, solicitors letters, letters to vendors, letters to supply companies and they can't write a fax that makes sense so the company has to do it. We send about 150,000 to 200,000 letters out a year to owners of properties and all the rest of it and we end up having to write the bloody things." (example from a manager in Davis et al., 2010).

According to Davis et al. (2010) members of the business have developed a reluctant attitude towards the necessary transformation and the importance of knowledge. However, leaders are doing their best to achieve a service culture by accepting the changes. This is discussed by a sales person below:

"You have got two groups - one that has taken it to the extreme, they have been really watching everything, they are asking their vendors to have moisture tests done in their houses etc, etc, and then the other group is basically "who cares", you know it's "we've been doing it for so long so why change" it just hasn't bothered them" (Davis et al., 2010, pg 4).

Also one of the head office managers commented on same note as below (Davis et al., 2010, pg 4):

"We're human beings, you know we're scared, change is really hard and you're talking about some people who have been in the business 20 odd years they have to change".

The members have recognized that besides training, recruitment should be taken more seriously as well as targeting individuals who have a long term focus rather than short term ones as mentioned below (cited in Davis et al., 2010). This analysis is gathered from an additional study.

.....recruitment is one of the biggest things and again they know how to recruit but a lot of them have sales people mentality, so it's the discipline - recruitment plan and stick to it - so they need great time management. Sales people need the same thing, time self management you know how to lead a sales team and this is the same for sales people you know body language, communication skills, what are the different personality types, because you might think that you know conflict resolution..."
"I would do like a cadetship, like they do in Australia, Australia has cadetships and I would welcome that, I mean I have done that with a young chap here and he is doing like a cadetship with me for two years, he is in to his third year now, because they can't survive on nothing along the way. I look at it as I am investing in his future..."

Davis et al. (2010) argue that the members of the industry feel that this new legislation is a mess and they fear this could impact the service culture in their organization. This could affect their customers as if they themselves are not sure about things happening, are how they going to communicate them to others. As one manager says:

"What it's meant for me was a lot of sleepless nights - I would ring the institute and they weren't sure what was going on, or you would get some misinformation from them, you would ring the authority and you would just get the hard line, read the act, read the act, read the act. Well it's all about interpretation and we could sit in the room with 20 people and we could all interpret it differently...no one really knew what to put on their signs so it's a shambles at the moment."

"I know that the first three weeks have made everyone so damn scared they were too scared to sell anything or list anything, I am really serious - our board went down from a tremendous October to a terrible November, it was so dismal, everyone was too scared" (Davis et al., 2010, pg 5).

This change is bringing a lot of confusion, but some participants were quick to mention that the problem of this service culture change could be routed in the right direction with the help of the right leader (Davis et al., 2010). These authors suggested a leader should have core skills and talent and be able to accept this change in a positive way. After interviewing a manager on his view about the leader, he said that:

"A lot of the industry are fossils and don't like change, you know the old boy network attitude that you just have to rock up, sell a house and don't worry about all the other stuff, that's Noah's Ark stuff to be honest" (Davis et al., 2010, pg 5).

As suggested in Davis et al. (2010) industry participant arrogance has created a closed 'boys' club. This stifles signals that change needs to occur in terms of service culture. These authors state that the "way in which the industry had been managed and regulated was the source of the problem" (pg 5). The following evidence was presented from a salesperson as cited in Davis et al. (2010, pg 5):

...it's the old boys' network, a closed shop, they've had poor auditing and penalties for people that have ripped punters off and they have not taken the social signal that you guys need to actually give up a bit here, so now they've gone, bang, and they've been put out of existence you know, so there's an underlying arrogance in the old boys' network there."

Further, one sales person stated that this transformation of service culture is closely associated with having the right principles (Davis et al., 2010). Sales people need to not only understand that training is an ethical practice but also that it needs to be reinforced in the reward structure. Hence he states, as cited in Davis et al. (2010, pg 6):

"The lack of professionalism is appalling at times, I get sent out to clean up a lot of problems, I will walk past the manager's office and he'll say, 'hey can I see you for a minute', and I know that I am going to get sent to some vendor somewhere who has got his knickers in a twist over something that has been promised that hasn't eventuated and that is the most common thing. I don't think there is enough emphasis on the ethics involved in it... there are a few people out there watching the industry, private people. But within the industry mostly it's business as usual."

On this note, many salespeople mentioned service culture and the reason for its modification Davis et al. (2010). They mentioned that this modification is due to being aware of and understanding more about core service and concepts gained externally. Hence they claimed that this modification is the result of external awareness. This argument was discussed with sales persons as well as managers and their arguments are shown in the following lines. The first discussion is from a sales person and the second one from a manager, quoted in Davis et al. (2010, pg 6):

"I love the fact that the industry is going to be cleaned up, as I potentially enter it, because it means that it will be an even playing field and I can use my non real estate skills to hopefully gain advantage because there's been people sitting on their fat behind for five years milking it and they are now going to have to follow laws that they think are stupid or unfamiliar, and, you know, maybe have some new players on the block who have a little bit more integrity and maybe skill."

"We went to these courses the other day at the institute and we came out thinking, half those people are thick, and they are the owners.... real estate's been an industry up until now that if you got your ticket 30 years ago you didn't have to do another thing, just renew your license every year, which is fossilized really isn't it?"

So, as well as external interaction and training, multi-culturism also influences service culture due to globalization (Davis et al., 2010). This multi-culture might be a problem in maintaining a relations as there can be a difficulty in coordinating with customers and colleagues. According to Davis et al. (2010) this multi-culture can cause issues during service co-creation while interacting with colleagues or customers, which is further explained by a manager, who mentions that it can affect service climate as well:

"It's becoming more of a multi-cultural business. I believe that the industry would have been far better to spend the money on teaching the new immigrants who are coming into our business, the ethical standards that are required and have a better understanding and a better comprehension of the New Zealand way and language. Especially the new ones if they're coming from another country that's pretty hard, the South Africans come in and the Asians and Chinese they find it very hard, they've got to make contacts"

On the whole, sales people recognized that any results or effects of a service culture developed through learning from training, rewarding, co-creation, transformation, climate, orientation, encounters should be of value oriented (Davis et al., 2010). Hence from the viewpoint of sales people, Davis et al. (2010) have concluded their study by mentioning the following statement:

"I think there is definite benefit in growing the appetite for learning in the industry, the need for it. But the need has got to be more than just compliance-based, it's got to be value-based and linked to the bottom line - and I think that that's an area that those instrumental in delivery education really need to think about. I mean education that is going to enable somebody to do a better job with a client therefore make more sales and point to the fact that they made that sale because they had learnt that stuff and then that starts a snowball effect" (Davis et al., 2010).

2.3.2 Summary

It is been concluded from the case study that there are eight core components of service culture which link to the four principles model of Ostrom et al. (2010). Participants talk about the importance of service training and how in this particular case it helped the organization to transform towards the service paradigm. Transformation is further enhanced by the rewarded structure and importantly the process of co-creation, thus encouraging employees and customer to actively participate in this process of transformation. Transformation further develops through high quality service interacting with the service climate and orientation to establish new processes of service delivery. Service climate and service orientation impact further in creating service encounters as a process for implementing successful service. This helps in creating value by focusing on service for the future development of an organization and as an investment in bringing change in a service culture.

This case study helps to understand service culture, which leads to the development of a conceptual model and further understanding of each component and its relation to others by developing the hypotheses, argued in the next section.

2.4 Hypotheses and Conceptual Model Development

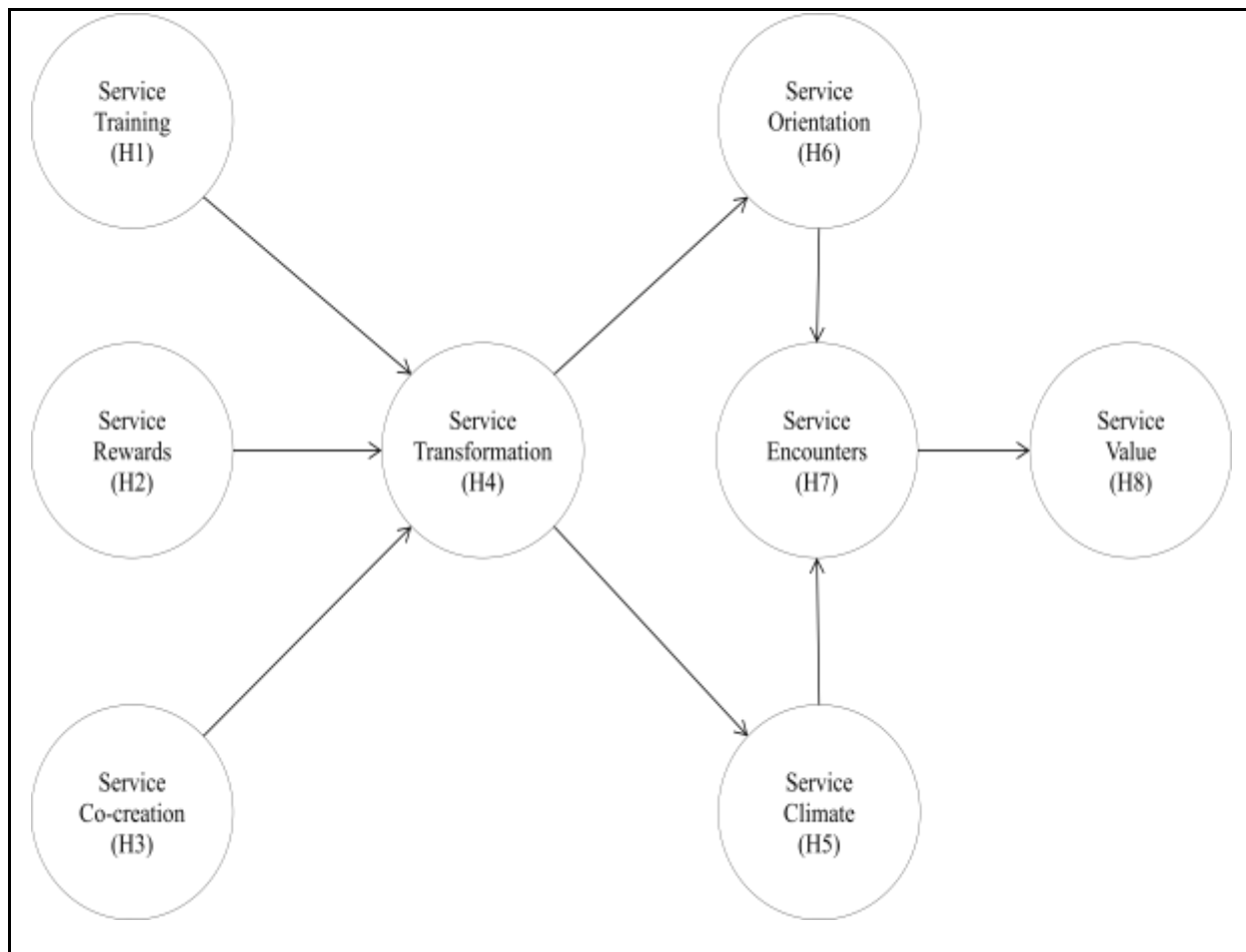
Based on the first two stages of model development, exploring service culture principles and the service culture within the case study concludes the conceptual model, as shown in Figure

1. This conceptual model helps to derive the constructs such as:

1. Service Training
2. Service Rewards
3. Service Co-creation
4. Service Transformation
5. Service Climate

6. Service Orientation
7. Service Encounters
8. Service Value

Figure 1. Conceptual Model



The following discussion will develop the hypothesis and literature argument.

2.4.1 Service Training

The conceptual model starts with service training, which is explained by scholars such as Ostrom et al. (2010); Lytle & Timmerman (2006); Chen (2005) as an important process provided by an organization to employees for developing their skills and making them enthusiastic in providing excellent service to customers, as cited in Davis and Gautam (2011).

Davis and Gautam (2011) consider service training to be a vital ingredient in improving the service quality in a service-focused business: “training allows an organization create standardization in service delivery, especially when the service environment is determined by organization policies” (Dietz, Pugh and Wiley, 2004, pg 89). Lytle and Timmerman (2006) state that training results in impacting the orientation of a business. It is considered to be an integral part of human resource management’s contribution towards service transformation and the realization of the organization’s strategic objective (Chen, 2005; Mouawad and Kleiner, 1996). Therefore, it is hypothesized that:

H1: Service training positively affects service transformation.

The relationship between service training and transformation is important in the implementation of a service culture because training influences how a service will change.

2.4.2 Service Rewards

Like training, service rewards positively affect service transformation, as argued by Ostrom et al. (2010) and Schneider et al. (1998). Service rewards as defined by Lytle & Timmerman (2006) “are the way organizations provide incentives and rewards to employees for the value they create from a customer as well as other stakeholder perspective” as cited in Davis and Gautam (2011, pg 3). Hui et al. (2007) point out that good managers can develop their service delivery by persuading and inspiring their employees through setting the objective, giving them authorization and giving them rewards for achieving the objectives and making the service process thrive. Hence from the study of Davis and Gautam (2011), it can be assumed that rewards form a part of motivation; also helping in bringing changes by developing service employees. Rewards also have indirect effects on service giving behaviours (orientation), effort and competency. Therefore, it is hypothesized that:

H₂: Service rewards positively affect service transformation.

The relationship between service rewards and transformation is important in the implementation of a service culture because rewards reinforce the nature and process of change.

2.4.3 Service Co-creation

Service innovation helps to co-create value through the combined effort of a customer and a service employee to share their knowledge (Vargo & Lusch, 2008a); this forms an integral component to continual service transformation (Ostrom et al., 2010). As argued by Davis and Gautam (2011), service co-creation implies an interaction between customers and employees who contribute together any risk, supplies or achievements. Ostrom et al. (2010), comment that the co-creation between the customer and the service employee is an arrangement surrounded by associates, dealers and stakeholders. It is argued by Schneider, White & Paul (1998) that co-creation also influences the service climate by encouraging the exchange of opinion, proficiency, value of service and by sustaining its quality by the efforts from customer and the employee. Therefore, it is hypothesized that:

H₃: Service co-creation positively affects service transformation.

The relationship between service co-creation and transformation is important in the implementation of a service culture because often the nature and direction of change is driven more by stakeholders than the organization itself.

2.4.4 Service Transformation

Davis and Gautam (2011) argue that service transformation impacts on service orientation through the continuous transformation of activities for improving the service quality and introducing new concepts during service encounters. “Service transformation denotes the process of sustaining high quality service delivery for and among all service employees in a way that perpetually fosters a positive service climate” (Liao & Chuang, 2007 as cited in

Davis and Gautam, 2011, pg 3). Hence service transformation impacts on service climate by developing the service standards within the organization and crafting a service ambience.

Therefore, it is hypothesized that:

H₄: Service transformation positively affects service orientation.

H₅: Service transformation positively affects service climate.

The relationship between service transformation, climate and orientation is important in the implementation of a service culture because service change constantly affects not only what service is from an implementation perspective, but how it is perceived. Often well thought through service processes may be poorly implemented in encounters, particularly when there is a lack of attention to shared service employee perception.

2.4.5 Service Climate

Schneider, White & Paul (1998) state that, “service climate relates to the shared perception of employees concerning policies, practices, procedures and behaviours, which get rewarded and supported with respect to customer service and service value” (cited in Davis and Gautam, 2011, pg 5). Schneider, White and Paul (1998) further argue that service excellence is only achievable by the determination, proficiency and hard work from an employee, which is developed through service climate. Hence Davis and Gautam argue that this service climate directly impacts service encounter within the organization for achieving service excellence (2011). Therefore, it is hypothesized that:

H₇: Service climate positively affects service encounters.

The relationship between service climate and service encounters is important in the implementation of a service culture because it creates a shared reinforcement of the defined process for the implementation of service.

2.4.6 Service Orientation

Service orientation is stated to be “the organization wide functional embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service giving behaviours that create and deliver service excellence” (Lytle, Hom & Mokwa, 1998 as cited in Davis and Gautam, 2011, pg 5). Ostrom et al. (2010) add that if the service orientation is made consistent and practiced every time on all encounters by all employees, service culture is easily achievable. Davis and Gautam (2011) argue that service orientation results affect service encounters directly on every service interface between customer and employees. Therefore, it is hypothesized that:

H₆: Service orientation positively affects service encounters.

The relationship between service orientation and service encounters is important in the implementation of a service culture because it creates the defined process for the implementation of service.

2.4.7 Service Encounters

Service encounters and service value share a deep relationship and have an impact on each other. Service encounters are an integral component of value because they represent all instances of interaction with clientele during all service interfaces (Lewis & Entwistle, 1990). Lewis and Entwistle (1990) describe staffing policies and practices as the most important element in managing service encounters, emphasizing the selection process and recruiting the right applicant for having the right service focus. Davis and Gautam (2011) therefore conclude that service organization should take service encounter as an important step for achieving their goals as it is completely dependent on employees and customers. They add that this encounter depends on employee presentation, contentment, achievement, enthusiasm

and promotion and hence should be considered of the utmost importance as it reflects the organization.

2.4.8 Service Value

Service value is defined as achieving organizational goals, that is, the customers' overview of entire representation of value (Overby, Woodruff and Gardial, 2005; Sanchez-Fernandez and Iniesta-Bonillo, 2007; Ballantyne and Varey, 2006) of the service encounter during all service interfaces, as illustrated by Gronroos (2006); Vargo & Lusch (2008b). Gronroos (2006) and Vargo & Lusch (2008b) define service value as "Value for customers means that after they have been assisted by a self-service or full-service process, they feel better off than before" cited in Davis and Gautam (2011, pg 2). Therefore, it is hypothesized that:

H₈: Service encounters positively affect service value.

Service encounters and value is an important component of the implementation of a service culture because as discussed, at its core is transformation. To continually enable the process of change in this culture, organizations and their stakeholders should be motivated by two focal points: where service interaction occurs and where value is created; and the outcome of the investment in, culture change, value creation.

After reviewing the hypotheses, an empirical conceptual model will be introduced employing path diagrams as per the rules of SEM and structural equations for hypotheses testing. These items should be ideally authenticated using statistical techniques for further measurement. Further, sample questionnaire will be constructed for this research under the scale development process. The items used in the questionnaire have been conceptualised and have been selected from peer reviewed service journals and are considered to be the ideal measure for the constructs as described by the authors of the relevant literature.

2.5 Path Analysis

The steps involving the construction of a path diagram are known as Path analysis (Loehlin, 2004). This path analysis has been developed by Sewall Wright in the early 1920s and describe the three rules of compound paths which have been expressed as a correlation between two variables in a path diagram: “no loops, no going forward and backward, maximum of one curved allow in one path” (Loehlin, 2004, pg 12). According to Loehlin, a path diagram is similar to the psychometric test theory as it helps to test the reliability and signify causes (2004). Kline (2011) has also emphasised the importance of path analysis and structural equations as these help to define the correctness of the model. He has described it as “series of equations” which help to characterize parameters to build relationships between observed and latent variables from the data.

After creating a path diagram this research will continue with structural equations to check the correctness. Figure 2 shows a path diagram model and the connection of these eight constructs with each other. It shows various objects which stack on the variables of H1, H2 and H3 to predict H4; H4 to predict H5 and H6; and H5 and H6 to predict H7, which also helps to create H8.

1. In the above cases, service training (H1), service rewards (H2) and service co-creation (H3) act as exogenous variables that help in predicting endogenous variables like service transformation (H4). H1, H2 and H3 also have a moderating effect on service encounter (H7) and service value (H8) through service climate (H5) and service orientation (H6).

Here, exogenous variables symbolize independent variables, and endogenous ones symbolize dependent variables (Kline, 2011).

2. Service transformation (H4) acts as an exogenous variable in predicting service climate (H5) and service orientation (H6), which helps to predict H7 and finally H8. Also H5 and H6 predict H7, which helps to predict H8.

This path diagram assists in validating our hypotheses provided on relevant data after collected. The structural equation for these hypotheses is provided in Table 1.

Figure 2: Path diagram of the Conceptual model

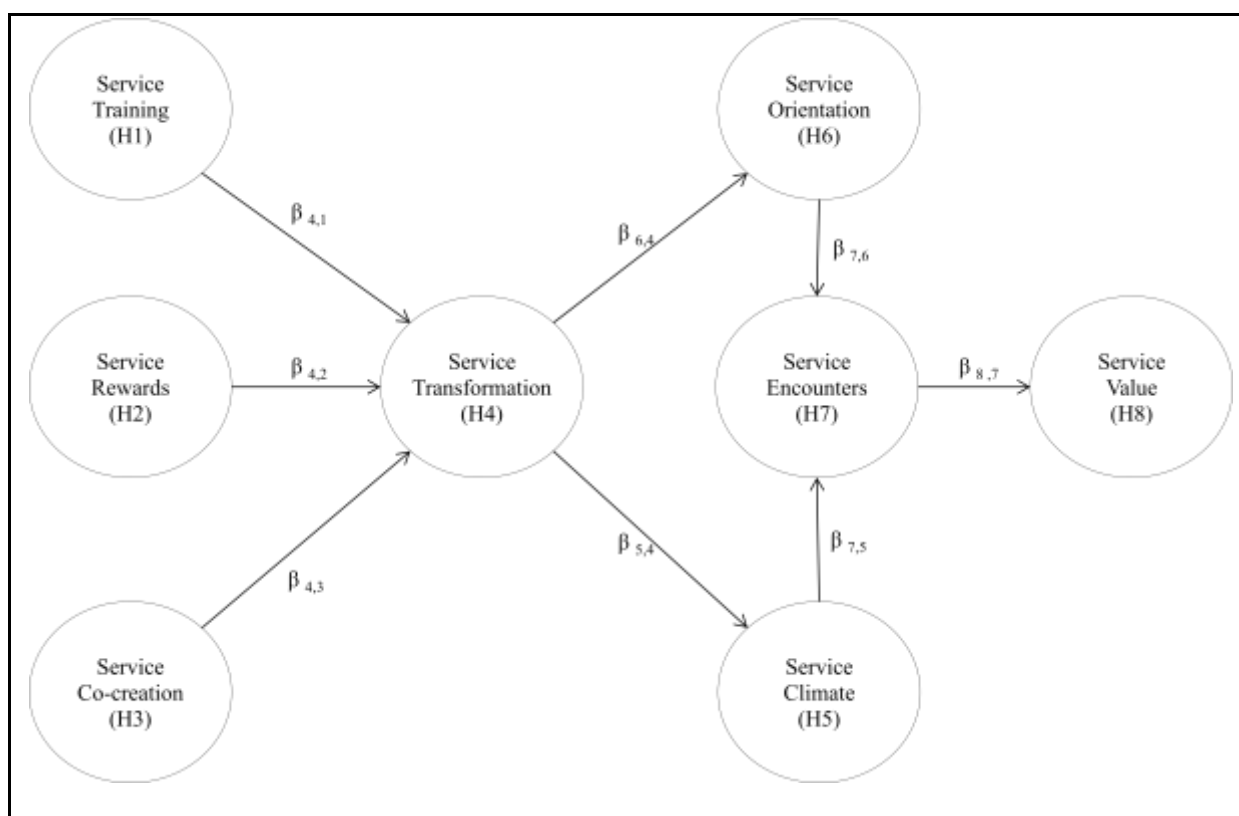


Table 1. Structural Equation for Hypotheses

Number	Hypotheses	Equation
H 1	Service training positively affects service transformation.	$H4 = \beta_{4,1} H1 + \epsilon_1$
H 2	Service rewards positively affect service transformation.	$H4 = \beta_{4,2} H2 + \epsilon_2$
H 3	Service co-creation positively affects service transformation.	$H4 = \beta_{4,3} H3 + \epsilon_3$
H 4	Service transformation positively affects service climate.	$H5 = \beta_{5,4} H4 + \epsilon_4$
H 5	Service transformation positively affects service orientation.	$H6 = \beta_{6,4} H4 + \epsilon_5$
H 6	Service orientation positively affects service encounters.	$H7 = \beta_{7,6} H6 + \epsilon_6$
H 7	Service climate positively affects service encounters.	$H7 = \beta_{7,5} H5 + \epsilon_7$
H 8	Service encounters positively affect service value.	$H8 = \beta_{8,7} H7 + \epsilon_8$

2.6 Scale Development

The proposed questionnaire has modified some items using reverse coding as shown in Table 11 to give a more accurate response from the participants. Reverse coding helps in the consistency of the data and hence should be used for questionnaire improvement (Weems and Onwuegbuzie, 2001). This has been confirmed by Clarke, Fisher, House, Smith and Weir, (2008), as it helps to check the response and maintains consistency throughout by focusing on all questions. Table 2 shows the cronbach alpha, the average variance extracted, and the reliability coefficient. This has been put into a single table referring to the questionnaire construct validity drawn from the literature used for the construction of the questionnaire. The results of this study show that the model is a good fit and hence these studies are considered for this research.

Table 2. Questionnaire Construct Validity

Constructs	Authors	Variables	Cronbach Alpha	AVE	Reliability Coefficient
Service Training	Babakus, Yavas and Ashill (2009).	Service Training	0.83	-	-
Service Rewards	Babakus, Yavas and Ashill (2009).	Service Rewards	0.73	-	-
Service Cocreation	Yi and Gong (2012)	Information Seeking	-	0.78	0.91
		Information Sharing	-	0.79	0.94
		Responsible Behaviour	-	0.77	0.93
		Personal Interaction	-	0.74	0.95
		Feedback	-	0.82	0.93
		Advocacy	-	0.80	0.92
		Helping	-	0.85	0.97
Service Transformation	O'Cass and Sok (2012)	Transformational Leadership Skill	0.90	0.63	0.90
		Service Innovation Capability	0.88	0.59	0.88
Service Climate	Jong, Ruyter and Lemmink (2004)	Service Climate	0.88	-	-
Service Orientation	Gebauer, Edvardsson, and Bjurko (2010)	Management Values	0.91	0.59	0.91
		Management Behaviour	0.88	0.67	0.89
		Employee Values	0.86	0.52	0.87
		Employee Behaviour	0.85	0.54	0.87
Service Encounter Satisfaction	Chiou, Droge and Hanvanich (2002)	Service Encounter Satisfaction	-	-	-
Service Value	Ruiz, Gremler, Washburn and Carrion (2008)	Service Value	0.93	0.69	0.94
		Service Quality	0.90	0.77	0.93
		Service Equity	0.89	0.76	0.92
		Confidence Benefits	0.93	0.76	0.94
		Perceived Sacrifice	-	-	-

Note: - In all cases, the measures of validity were not available.

This section outlines the formulation of the questionnaire for the eight constructs of the conceptual model, namely:

1. Service Training
2. Service Rewards
3. Service Co-creation
4. Service Transformation
5. Service Climate
6. Service Orientation
7. Service Encounter
8. Service Value

The development of items for the questionnaire of each construct will now be discussed.

2.6.1 Service Training

Table 3, presents the proposed items for service training which will be used in questionnaire. These items have been derived from Babakus, Yavas and Ashill (2009). This study is about job resources with training affecting customer orientation. Service training is proposed by four items stating about time, money and training programs.

Table 3. Proposed Items for Service Training

(Babakus, Yavas and Ashill, 2009)

Original Item	Adapted Item
At this bank, sufficient time is allocated for training	At our company, sufficient time is allocated for training.
At this bank, sufficient money is allocated for training	At our company, sufficient money is allocated for training.
At this bank, training programmes are consistently evaluated	At our company, training programmes are consistently evaluated.
At this bank, training programmes focus on how to improve service quality	At our company, training programmes focus on how to improve service quality.

2.6.2 Service Rewards

Service rewards also form part of job resources and how they affect customer orientation. The proposed item for service rewards to be considered for the questionnaire are presented in Table 4, and have been taken from Babakus, Yavas and Ashill (2009). The proposed service rewards are three items: incentives, promotion and recognition.

Table 4. Proposed Items for Service Rewards

(Babakus, Yavas and Ashill, 2009)

Variable	Item
Service Rewards	
	We have financial incentives for service excellence
	My promotion depends on the quality of service I deliver
	I receive visible recognition when I excel in serving customers

2.6.3 Service Co-Creation

Service co-creation is adapted from the study by Yi and Gong (2012). Table 5 shows the proposed items which will be used in the questionnaire for service co-creation. This study was chosen as it helps to determine the positive and negative sides of customer value co-creation behaviour. It also shows two types of customer value co-creation behaviour: customer participation behaviour that is useful for creating value for oneself and customer citizenship behaviour that is useful for the value of firm.

Firstly, customer participation behaviour is sub-divided into four variables, namely:

Information seeking

This is operationalized through four items describing information for customers to understand and enable them as co-creator of value to get involved with the process.

Information sharing

This is presented through four items portraying information to pass onto employees from the customer so that the employees can help them to meet their requirements.

Responsible behaviour

This is reflected through four items that display the responsibility of the customer in helping the employees to meet co-creation. It shows how customers can co-operate in helping employees to adhere to firm rules.

Personal interaction

This has been operationalized through five items showing inter-personal relations between employees and customers. It is very important for driving value co-creation as this is a social world and interaction helps business to flourish.

Secondly, customer citizenship behaviour has been sub-divided into four variables, namely:

Feedback

This is presented through three items describing information passed on from customers to employees. This variable displays the experience of the customer during service interaction which helps the firm to improve their service delivery.

Advocacy

This is presented through three items concerning recommending business/ staff to others. It can also spread through word of mouth, which is very beneficial for any business.

Helping

This is operationalized through four items for assisting other customers. Assisting can be further expressed as any help, teaching or advising to other customers.

Tolerance

Tolerance is reflected through three items stating patience shown by customers during service failure.

Table 5. Proposed Item for Service Co-Creation

(Yi and Gong, 2012)

Variables	Original Item	Adapted Item
Information seeking		
	I have asked others for information on what this service offers.	Our customers ask other customers for information on what this service offers.
	I have searched for information on where this service is located.	Our customers search for information on where this service is located.
	I have paid attention to how others behave to use this service well.	Our customers pay attention to how other customers behave, to use this service well.
Information sharing		
	I clearly explained what I wanted the employee to do.	Our customers clearly explain what they want our employees to do.
	I gave the employee proper information.	Our customers provide our employees with the proper information.
	I provided necessary information so that the employee could perform his or her duties.	Our customers provide the necessary information so that our employees can perform his or her duties.
	I answered all the employee's service-related questions.	Our customers answered all the employee's service-related questions.
Responsible behaviour		
	I performed all the tasks that are required.	Our customers performed all the tasks that are required.
	I adequately completed all the expected behaviours.	Our customers adequately completed all the expected behaviours.
	I fulfilled responsibilities to the business.	Our customers' fulfilled responsibilities to the business.
	I followed the employee's directives or orders.	Our customers followed the employee's directives or orders.
Personal interaction		
	I was friendly to the employee.	Our customers were friendly to our employees.
	I was kind to the employee.	Our customers were kind to our employees.
	I was polite to the employee.	Our customers were polite to our employees.
	I was courteous to the employee.	Our customers were courteous to our employees.
	I didn't act rudely to the employee.	Our customers didn't act rudely to our employees.
Feedback		

	If I have a useful idea on how to improve service, I let the employee know.	If the customers have a useful idea on how to improve service, the customers let our employees know.
	When I receive good service from the employee, I comment about it.	When the customers receive good service from the employee, the customers comment about it.
	When I experience a problem, I let the employee know about it.	When the customers experience a problem the customers let our employees know about it.
Advocacy		
	I said positive things about XYZ and the employee to others.	Our customers say positive things about our service and our employees to others.
	I recommended XYZ and the employee to others.	Our customers recommended our service and our employees to others.
	I encouraged friends and relatives to use XYZ.	Our customers encouraged friends and relatives to use our services.
Helping		
	I assist other customers if they need my help.	Our customers assist other customers if they need help.
	I help other customers if they seem to have problems.	Our customers help other customers if they seem to have problems.
	I teach other customers to use the service correctly.	Our customers teach other customers to use the service correctly.
	I give advice to other customers.	Our customers give advice to other customers.
Tolerance		
	If service is not delivered as expected, I would be willing to put up with it.	If the service is not delivered as expected, the customers would be willing to put up with it.
	If the employee makes a mistake during service delivery, I would be willing to be patient.	If our employees make a mistake during service delivery, the customers are willing to be patient.
	If I have to wait longer than I normally expected to receive the service, I would be willing to adapt.	If the customers have to wait longer than they normally expected to receive the service, they are willing to adapt.

2.6.4 Service Transformation

Table 6 gives the proposed items for service transformation in the questionnaire. These items have been derived from O’Cass and Sok (2012). This study was selected as it shows innovation potential in creating value by the managers of the firm.

Leadership displayed in this study is transformational as it helps in driving the employees for results in an innovative manner, thus creating value and the firm's innovative capability. This has been operationalized through ten variables in senior manager survey items out of which only two variables will be considered for this study since they are more relevant to a service culture perspective.

Transformational Leadership skill

This is operationalized through five items concerning the qualities, skills, attitude, values and vision of a leader. Transformational leadership keeps the team united and with a proper collective commitment for better innovation. These managers encourage employees to create respect for themselves and motivate employees to accept challenges and take risks to achieve better results, to develop and guide employees for their development and to inspire employees by showing them the vision.

Service Innovation Capability

This is presented through five items reflecting the progress in the development of a firm. Leadership helps in a firm's service innovation and value creation through employee development, and ensures that the quality ideas being generated are being implemented in the right way and always enhancing the team's abilities.

Table 6. Proposed Items for Service Transformation

(O'Cass and Sok, 2012)

Variables	Item
Transformational Leadership Skill	
	Our leadership demonstrate qualities that motivate respect and pride in employees
	Our leadership communicate values, purpose, and importance of the organization's mission
	Our leadership examines new perspectives for solving problems and completing tasks
	Our leadership examines optimism and excitement about goals and

	future states
	Our leadership focus on development and mentoring of followers and attend to their individual needs
Service Innovation Capability	
	Within our company we have activities, routines, business processes and behaviours for exploiting the most-up-to-date technology available
	Within our company we have activities, routines, business processes and behaviours for developing new services
	Within our company we have activities, routines, business processes and behaviours for extending the firm's services range
	Within our company we have activities, routines, business processes and behaviours for improving existing services quality
	Within our company we have activities, routines, business processes and behaviours for improving services flexibility

2.6.5 Service Climate

Table 8 presents proposed items for service climate which have been adapted from Jong, Ruyter and Lemmink (2004). This study has been chosen as it emphasises service climate in a team environment.

Service climate in a team is very effective as the entire team's effort, skills, knowledge and performance comes together in achieving goals. It is a combined effort by the team towards a single goal. This service climate has a positive effect on service quality through the customer's insight. This is operationalized through six items concerning service improvement and delivering customer satisfaction.

Table 8: Proposed Item for Service Climate

(Jong, Ruyter and Lemmink, 2004)

Variables	Item
Service Climate	
	Our team is continually working to improve the quality of service we provide to our customers
	Our team has specific ideas about how to improve the quality of service we provide to customers.
	Our team often makes suggestions about how to improve the

	service quality of our organization.
	In our team we put a lot of effort in attempting to satisfy customer expectations.
	No matter how we feel, we always put ourselves out for every customer we serve.
	Within our team, employees often go out of their way to help customers.

2.6.6 Service Orientation

Service orientation is taken from the study by Gebauer, Edvardsson and Bjurko (2010). This study was picked as its emphasis is on service industries in a corporate environment. The proposed items from the study are presented in Table 9.

The items presented argue from both the management and employees' perspective. Orientation is divided into four variables: management value, management behaviour, employee values and employee behaviour.

Gebauer et al. (2010) describe management values as strategic and financial prospects and hence it is been operationalized through six items. Employee values are similarly operationalized through six items as they describe marketing and financial prospects.

Behaviour is linked to the shift of establishment from a producer to service provider (Neu and Brown, 2005 as cited in Gebauer et al., 2010). Hence management behaviour is measured through four items reflecting empowerment, coaching, rewards and the support provided to employees to tackle all problems and situations well. Employee behaviour is measured through four items reflecting an obedient and well versed employee having qualities as a trusted advisor, good performer and problem solver.

Table 7. Proposed Items for Service Orientation

(Gebauer, Edvardsson and Bjurko, 2010)

Variables	Item
Management values	
	Our management recognizes services as a lasting differentiation strategy
	Our management considers the combination of products and services as a potential way to improve profitability
	Our management uses services to reduce comparability of different suppliers' offerings
	Our management aims to exploit financial potential of services
	Our management sees services to compensate fluctuating product sales
	Our management considers services as highly profitable
Management behaviour	
	Our management empowers service employees to respond to a broad range of customer problems
	Our management coaches service employees to behave in a service-oriented way
	Our management sets rewards for service-oriented employee behavior
	Our management supports service employees for solving customer problems
Employee values	
	Our employees recognize the financial potential of services
	Our employees try to compensate fluctuating product with service sales
	Our employees consider services as highly profitable
	Our employees use service to augment the product offering
	Our employees uses services to improve the customer relationship
	Our employees use services for selling more products
Employee behaviour	
	Our employees serve customers as a reliable trouble-shooter
	Our employee serve customers as a performance enabler
	Our employees serve customers as a trusted adviser
	Our employees fulfil the role of problem solvers

2.6.7 Service Encounter

As stated in Table 9, the proposed items are for service encounter. These items have been adapted from Chiou, Droge and Hanvanich (2002). This study was selected as it emphasizes customer satisfaction in a service encounter.

Service encounter refers to service encounter satisfaction as a satisfied customer will come again and again to experience this service encounter. So service quality is directly proportionate to satisfaction and trust. This variable is operationalized through three items declaring a satisfactory experience during service delivery.

Table 9: Proposed Items for Service Encounter

(Chiou, Droge & Hanvanich, 2002)

Original Item	Adapted Item
I am happy about my decision to choose mutual fund company	Our customers are happy about their decision to choose our company.
I did the right thing when I used mutual fund company	Our customers did the right thing in choosing our company.
Overall, I am satisfied with the decision to use mutual fund company.	Overall, the customers are satisfied with the decision to use the company.

2.6.8 Service Value

Service value is based on Ruiz, Gremler, Washburn and Carrion (2008). Table 10 refers to the proposed items for service value used in the questionnaire. Their study shows the awareness from the customer's viewpoint regarding service value and has suggested four important variables, namely service quality, service equity, confidence benefits and the perceived sacrifice involved in the proposed item.

Service value

Service value relies on the support of quality, equity, confidence benefits and perceived sacrifice. The service value is operationalized through seven items describing price, services and value from the customer's perspective.

Service quality

The importance of service quality is featured through four quality related items that are considered to be an intangible source of value creation.

Service equity

Service equity is also known as service image; it creates a feeling of trust, warmth and closeness, adding to the customer value. It is presented through four items concerning the image of the firm.

Confidence benefits

This is related to trust, confidence and belief in an establishment, as well as for the staff, services and products of an establishment. This is presented through five items concerning the confidence, trust and anxiety of a firm.

Perceived Sacrifice

This concerns the monetary and non monetary benefits faced by customers during service. Every customer demands value for the money he spends. However, non-monetary benefits such as time, effort and energy are taken into consideration. This is operationalized through three items: time, price and effort.

Table 10: Proposed Items for Service Value

(Ruiz, Gremler, Washburn and Carrion, 2008)

Variables	Original Item	Adapted item
Service value		
	The value I receive from this company's services is worth the time, effort, and money I have invested.	The value customers receive from our company's services is worth the time, effort, and money the customers have invested.
	This company's services are reasonably priced.	Our customers consider our company's services to be reasonably priced.
	This company offers good services for the price.	Our customers consider our company offers good services for the price.
	I am happy with the price of this company's services.	Our customers are happy with the price of our company's services.
	This company makes me feel that I am getting my money's worth.	Our customers feel that they are getting their money's worth.
	The value of this company's services compares favourably to other service providers.	Our customers value our company's services favourably compared to other service providers.
	This company offers good value for	Our customers consider our company

	the price I pay.	offers good value for the price customers pay.
Service quality		
	In general, this company's service is reliable and consistent.	In general, our customers consider our company's service to be reliable and consistent.
	My experience with this company is always excellent.	Our customers consider that the experience with our company is always excellent.
	I would say that this company provides superior service.	Our customers would say that our company provides superior service.
	Overall, I think this company provides good service.	Overall, customers think our company provides good service.
Service equity		
	It makes sense to buy this company's services compared to others, even if they are the same.	Our customers consider that it makes sense to buy our company's services compared to others, even if they are the same.
	Even if another company offers the same service, I would still prefer this company.	Our customers consider that even if another company offers the same service, the customers would still prefer our company.
	If another company offers services as good as this company's, I would still prefer this company.	Our customers consider that if another company offers services as good as our company's, the customers would still prefer our company.
	If another company is not different from this company in any way, it still seems smarter to purchase this company's services.	Our customers consider that if another company is not different from our company in any way, it still seems smarter to purchase our company's services.
Confidence benefits		
	I have more confidence the service will be performed correctly.	Our customers have more confidence the service will be performed correctly.
	I have less anxiety when I buy/use the services of this company.	Our customers have less anxiety when they buy/use the services of our company.
	I believe there is less risk that something will go wrong.	Our customers believe there is less risk that something will go wrong.
	I know what to expect when I go to this company.	Our customers know what to expect when they go to our company.
	I feel I can trust this company.	Our customers feel they can trust our company.
Perceived sacrifice		
	The price charged to get this company's services is high.	Our customers consider the price charged to get our company's services is high.
	The time required to receive this company's services is high.	Our customers consider the time required to receive our company's

		services is high.
	The effort I expend to receive this company's services is high.	Our customers consider the effort customers expend to receive our company's services is high.

Table 11. Reverse Coding Items used in the Questionnaire.

Variables	Adapted item	Reverse coded item
Service training	At our company, sufficient time is allocated for training	At our company, sufficient time is <u>NOT</u> allocated for training.
Service rewards	We have financial incentives for service excellence	We <u>DO NOT</u> have financial incentives for service excellence
Service co-creation	Our customers clearly explain what they want our employees to do	Our customers <u>DO NOT</u> clearly explain what they want our employees to do
	Our customers adequately completed all the expected behaviours	Our customers <u>DO NOT</u> adequately completed all the expected behaviours
	Our customers didn't act rudely to our employees	Our customers <u>DO</u> act rudely to our employees
	Our customers say positive things about our service and our employees to others	Our customers <u>DO NOT</u> say positive things about our service and our employees to others
	Our customers help other customers if they seem to have problems	Our customers <u>DO NOT</u> help other customers if they seem to have problems
Service transformation	Our leadership demonstrate qualities that motivate respect and pride in employees	Our leadership <u>DOES NOT</u> demonstrate qualities that motivate respect and pride in employees
	Within our company we have activities, routines, business processes and behaviours for developing new services	Within our company we <u>DO NOT</u> have activities, routines, business processes and behaviours for developing new services
Service climate	No matter how we feel, we always put ourselves out for every customer we serve	No matter how we feel, we <u>DO NOT</u> always put ourselves out for every customer we serve
Service orientation	Our management aims to exploit financial potential of services	Our management aims to <u>NOT</u> exploit financial potential of services
	Our management sets rewards for service-oriented employee behaviour	Our management <u>DOES NOT</u> sets rewards for service-oriented employee behavior
	Our employees use service to augment the product offering	Our employees <u>DO NOT</u> use service to augment the product offering
	Our employee serve customers as a performance enabler	Our employee <u>DO NOT</u> serve customers as a performance enabler
Service value	Our customers consider our	Our customers <u>DO NOT</u> consider

	company's services to be reasonably priced	our company's services to be reasonably priced
	In general, our customers consider our company's service to be reliable and consistent	In general, our customers <u>DO NOT</u> consider our company's service to be reliable and consistent
	Our customers believe there is less risk that something will go wrong	Our customers <u>DO NOT</u> believe there is less risk that something will go wrong
	Our customers consider the time required to receive our company's services is high	Our customers <u>DO NOT</u> consider the time required to receive our company's services is high

2.7 Chapter Summary

Chapter Two develops the conceptual model of service culture and is operationalized through eight constructs namely service training, service rewards, service co-creation, service transformation, service climate, service orientation, service encounter and service value.

This conceptual model argues that an organization's service culture is at its core oriented around service transformation. Among other things, continual change creates a service mindset and enables: learning, knowledge creation and sharing amongst stakeholders. Service transformation is influence by an organization ability to train, reward and engage in co-creation. Service transformation is also important to service culture in that it continually interacts with the process oriented service orientation and service climate (shared stakeholder perceptions of service processes). To keep the organization focused on service and value creation as the organization grows and evolves, the value of the encounters will be continually impacted by the service climate and orientation.

3 Methodology

3.1 Chapter Introduction

Chapter Three describes the methodology of this research through the model operational process. This process will be supported by the data collection technique, the sample selection and by an understanding of the participant characteristics that are considered for future research. Further construct measurement will be discussed showing the necessity of validity in research. The data analysis will illustrate, measure and specify the conceptual model and hypotheses through a two stage process of development: confirmatory factor analysis (CFA) and structural equation modeling (SEM). This methodology is replicated from the study by Davis, Lang and Gautam (2013).

3.2 Model Operational Process

The methodology chosen for this study is based on developing a conceptual model, and measuring it will be through a questionnaire. As Bowen in Ostrom et al. (2010) states, the quantitative approach is the recommended method to measure culture. Pizam and Ellis (1999) as cited in Mohsin, McIntosh and Cave (2005) suggest that a survey helps in identifying each attribute from a customer's viewpoint and provides a valuable and concise output. To test this model, the quantitative method is chosen as this is based on Epistemology, which refers to the construction of information gathered through a conceptual model (Collins and Hussey, 2003).

Hence the focus of data collection for this study is best suited to a questionnaire.

Further different stages are proposed for this model including data collection techniques, sample selection and participant's characteristics.

3.2.1 Data Collection Technique

Kim and Smith (2005) in their study emphasised on pre-tests. This is because they help to design the questionnaire well by fixing any grammatical errors, ensure that proper flow is maintained throughout, there is an easy understanding of the questions and feasibility of the survey output. Also mentioned by these authors is that pre-testing of questionnaire will help to understand the total time taken by the respondent and also will determine if there are any issues with the questions presented to the professionals. Hence it is recommended having a pre test of this questionnaire before conducting interviews.

Once the pre-test is conducted, it is recommended that data should be collected through face-to-face meetings with 500 consumers in Auckland, New Zealand in public areas (Lu and Wang, 2008) using a structured survey (Appendix 3). Intercept interviews should be conducted across Auckland in all directions comprising east, west, south and north. Each individual from the public will be approached for an interview, providing every single chance to all for their contribution to the research. Interviewers will then interacted with the potential respondent and after finishing the interview the researcher should approach the next potential respondent. Those who agree to participate will be asked to respond to a structured questionnaire.

Participants would be selected by means of one question: (1) *Do you work in full time employment?* This establishes that the respondent is an employee of an organization and would give valid responses to questions about their service culture.

To make the completion of the questions easier for respondents, a five-point Likert scale will be used to measure the constructs of interest (1 = “Strongly Disagree”, 5 = “Strongly Agree”). Likert is the popular method to determine the response of the participant in the form of scales (Weems and Onwuegbuzie, 2001).

3.2.2 Sample Selection

The choice of a sample for this research should be around 500. The choice of 500 is made based on a study by Comrey and Lee (1992) which shows that 500 is considered to be a good number for analysing study. Also, as confirmed by Henson and Roberts (2006), if the sample size is more, the data will automatically be better and 500 are considered to be a good size.

Random sampling will be the technique used to select the participants for the implementation of the questionnaire. This sample method is used because as stated by Collis and Hussey, it gives the opportunity to pick every single participant from the public (2003). It has been verified by Berry and Bendapudi (2007) that adopting a random sample in service research helps to toughen generalizability and gives a broad representation along with all levels of insight. Similar analysis conducted by Schoefer and Diamantopoulos (2008) demonstrated that random sampling in the general population will help to get wide responses based on many experiences (in their study from [Menon and Dubey (2004); Tax, Brown and Chandrashekar (1998)]. Hence this questionnaire is recommended to be filled by anonymous respondents which are considered to be quite reliable because they have no bias reason. It will be completely filled by their interests.

3.2.3 Participant Characteristics

Table 12 shows the demographics table derived from Davis, Lang and Gautam (2013). It helps to describe the participants filling this questionnaire which will be used to analyse the study on the basis of demographic profile. This table is derived from New Zealand Statistics and shows clearly the Auckland/ New Zealand demographics. The total population of New Zealand recorded as per 2006 Census was 4,027,947 whereas for Auckland it was 1,303,068 (Statistics New Zealand, 2013). Table 12 is based on the 2006 Census report as this is the latest one due to the Christchurch earthquake on 22nd February 2011, the census report of 2011 was cancelled (Statistics New Zealand, 2013).

Table 12. Proposed Demographics

(Statistics New Zealand, 2013)

Variable	Categories	NZ percentage	Auckland percentage
Age	≤ 19	28.99	29.77
	20-24	6.73	7.60
	25-29	6.02	6.89
	30-34	6.87	7.57
	35-39	7.49	8.06
	40-44	7.79	8.08
	45-49	7.28	7.13
	50-54	6.27	5.90
	55-59	5.80	5.23
	60-64	4.46	3.93
	≥ 65	12.30	9.85
Gender	Male	48.80	48.69
	Female	51.20	51.31
Education	Non-degree	75.45	71.38
	Degree	24.55	28.62
Ethnicity	NZ European	10.08	7.26
	Maori	13.27	10.04
	Pacific Islander	6.24	13.02
	Asian	8.32	17.14
	European	61.24	51.13
	Others	0.85	1.41
	Single	31.37	32.46
Marital Status	Widowed	5.53	4.52
	Living with partner	7.89	9.13
	Married	44.76	44.22
	Divorced/Separated	10.45	9.68
	Employment	Student	23.13
Full Time		48.44	48.82
Self-employed		3.36	4.37
Unemployed		3.37	3.68
Homemaker		7.30	7.22
Part-time		14.39	13.07
Annual Income	< 10,000	19.31	20.72
	10,000-20,000	19.49	15.40
	20,001-30,000	13.76	11.88
	30,001-40,000	12.79	12.40
	40,001-50,000	8.30	8.84
	50,001-70,000	8.90	9.89
≥ 70,000	17.45	20.88	

3.3 Construct Measurement

In total, 113 questions have been derived in the proposed questionnaire. This includes 4 for service training, 3 for service rewards, 29 for service co-creation, 10 for Service Transformation, 6 for Service Climate, 20 questions for Service Orientation, 3 for Service Encounter, 23 for Service Value and 15 for Participant's Characteristics.

As shown in the questionnaire, most of them are adapted or derived and are expressed as statements, with few in question format. It is clearly explained by Collins and Hussey that by using a question format, participants end up saying 'Yes' or 'No' and this gives them very limited choice to express their opinions openly; whereas in a statement form they can choose from the scale option provided (2003). Closed questions are mostly used when asking the personal characteristics of the participant.

Since the items for the questionnaire have been selected from other research which has already been measured, it does not make sense that the validity from that research should be shifted to this study. Hence it is important to address face validity and construct validity as in the sections below.

3.3.1 Face Validity

According to Collins and Hussey (2003, pg 59), "face validity is ensuring that the test or measures used by the researcher do actually measure or represent what they are supposed to measure or represent". It has been shown that verification of face validity is determined by the pre-testing of the questionnaire from specialists/ scholars in the relevant field as well as from professionals to verify the precision of the measurement items. For this study, experts from the field of service research, business research, marketing research, consumer research and

marketing professionals in service industries will be ideal for confirming the proposed items in the questionnaire.

Once face validity is done, it will help to access the right information by eradicating all the items which are not required, as this helps to concentrate on the things which are more relevant and these items can be updated by new information. The next process is again running the test of the questionnaire to establish construct validity.

3.3.2 Construct Validity

According to Collins and Hussey (2003, pg 59), “construct validity relates to the problem that there are number of phenomena which are not directly observable such as motivation, satisfaction, ambition and anxiety”. They believe that these phenomena, though not able to be viewed directly, exist and should be further explored and examined for the study. Bagozzi and Yi (2012) believe that construct validity helps to measure correctly and distinguishes between indicators of different constructs.

Construct validity includes validities such as discriminant and convergent validity, which are discussed further as they are important for this research (Campbell and Fiske, 1959). As per Campbell and Fiske these tests are important as they help to set up construct validity and they also help in justification of the test analysis (1959).

3.3.2.1 Discriminant Validity

According to Bagozzi and Yi (2012, pg 18), “discriminant validity is an implication that multiple measures of the different phenomenon should not be highly correlated and disparate relatively in the sense of supporting two or more factors”. It helps to distinguish between unlike constructs. This test helps to evaluate test validity and it shows whether the test of a theory is associated with other tests that are intended to gauge notionally different theories (Campbell & Fiske, 1959).

3.3.2.2 Convergent Validity

According to Bagozzi and Yi (2012, pg 18), “convergent validity is an implication that multiple measures of the same phenomenon should be highly correlated and correlated relatively uniformly in the sense of supporting a single factor, but not two or more factors”. These authors further show that correlations of measures with the entire component should be relative and be comparatively alike in magnitude. This test demonstrates its requirement in theories which shows close association with other tests intend to gauge notionally similar theories (Campbell & Fiske, 1959).

Construct validity thus helps to utilize maximally alike and maximally unlike techniques and also helps in bringing the constructs which are closely connected to provide a thorough test (Bagozzi and Yi, 2012).

Thus trial questionnaire will help to achieve the following objectives:

1. Validate loadings of each question with the equivalent question in the questionnaire.
This means that each question in the construct including its components should be coded in a manner so that it links with the actual construct.
2. Present preliminary verification that supports the validity of the hypotheses for the model.
3. Confirm the time taken to fill the questionnaire.

Like face validity, construct validity also helps to remove items which are not required or are of less importance (Collins and Hussey, 2003). It is done by applying simple factor analysis to determine the items which do not adequately fit. The items which are flagged are then checked to see their relevance and then the questionnaire is revised again with updated information by addition or subtraction of items.

Once the data is received from the testing of the questionnaire, it could be helpful to test the structural equation for hypotheses as shown in Table 2. It can be done by making use of a

statistical method like confirmatory factor analysis using statistical package like AMOS 19 and SPSS 19.

As per of this model development process, a further contribution is made to the analysis of data through a two stage process of development, CFA and SEM.

3.4 Data Analysis

The data analysis of this research is based on replication of the methodology from Davis et al. (2013). Two statistical techniques are proposed to analyse the study, SPSS 19 and AMOS 19. Confirmatory data analysis will be performed for SPSS whereas the confirmatory phase will be performed for AMOS, also known as Structural Equation Model (SEM). SPSS is a study used for developing and analysing data especially for questionnaire surveys and is a useful tool for testing hypotheses (Hall, 2012) and hence it is recommended for this research. The analysis will be adopted by a two-stage process of model development and testing (Bagozzi and Yi, 2012). As illustrated by Bagozzi and Yi, these tools help with construct validity and are a straight forward test for arbitration (2012). They also state that CFA is used for developing a measurement model, as cited by Kline (1998). SEM is used for theory testing and in achieving parametric statistics and it provides operationalization of constructs to test their relationships in the model (Bagozzi and Yi, 2012).

This tool will be implemented as it helps in model enhancement and measures model fit (Davis and Lang, 2012). Barrett (2007) and Bagozzi and Yi (2012) have confirmed that for SEM, less than 200 samples should be neglected, so this research has been proposed to use 250 samples for CFA and another 250 for SEM.

3.4.1 Confirmatory Factor Analysis

The main purpose of CFA as per Bagozzi and Yi (2012); Hair, Black, Babin and Andersen (2010); Curran, West, & Finch (1996) are to identify:

1. The development of the model.
2. Measurements instruments.
3. Outliers (manipulate the results in drawing the mean away from median).
4. Missing data (if the questionnaire has some missing questions unfilled by participants).
5. Multivariate normality (allocation of data evenly through skewness, shape and kurtosis).
6. Parameter identification.
7. Interpretation of model fit indices.

Before the CFA is implemented, the data will be cleaned for missing values, outliers and normality to maintain consistency with the assumptions of CFA and SEM (Hair et al., 2010).

Outliers will be assessed using the Mahalanobis distance statistic where observations will be removed if p values were significant (Bagozzi and Yi, 2012). Normality will be tested with measures of skewness and kurtosis. Variables with a kurtosis and skewness value of greater than +/- 2.0 will be deleted (Curran, West, & Finch, 1996).

Multicollinearity (which happens when more variables, outliers and an inadequate sample size are displayed) will also be measured, with variables of a VIF (variance inflation factor) and if greater than 5 will then be deleted (Curto and Pinto, 2011). Further model refinements will be made to determine the optimal measurement model through deletion of observed variables with a standardized residual covariance of >2.0 (Hair et al., 2010). Correlations between variables will also be determined to ensure that they support single rather than multiple constructs (Bagozzi and Yi, 2012).

The measures of validity and fit as referred to by Bagozzi and Yi (2012); Hair et al., (2010); (Baumgartner and Homburg, 1996; Hu & Bentler, 1995; Bacon, 1995; Browne and Cudek, 1993; Bentler, 1990 as cited in Davis et al., 2013, pg 240), are:

Discriminant Validity: The implied correlations for each construct should be less than the corresponding square root of the Average Variance Extracted (AVE).

Convergent Validity: Construct cronbach alpha and construct reliability are greater than 0.70 and the AVE is greater than 0.50.

Goodness of Fit (GoF):

1. chi-squared/degrees of freedom ratio is <5.0 ,
2. a significant p value,
3. Normalized fit index (NFI), comparative fit index (CFI) and Tucker Lewis Index (TLI) is preferably greater than 0.95.
4. Also, the root mean square error of approximation (RMSEA) and standardized root mean-squared residual (SRMR) is preferably less than 0.05, but values up to 0.08 are acceptable.

3.4.2 Structural Equation Modelling

The SEM focuses on the analysis of the structural conceptual model using the maximum likelihood method to test the hypothesized relationships. It is also helpful to learn the connection between dormant constructs that are specified by multiple measures (Lei & Wu, 2007). These authors further argue that the consistency of the data collected should be checked with the hypothesized model so that the proposed arrangement of relations among variables is credible to measure model-data-fit.

There are two forms of the SEM model: measurement model and path model (Bagozzi and Yi, 2012). The primary purpose of the SEM is to identify the model and formally state the nature of the relationships through the hypotheses. To adapt the model, a combination of both of the above symbolizes the SEM framework and helps to scrutinize covariance structures (Lei and Wu, 2007).

SEM depends on five stages which include model specification, data collection, model estimation, model evaluation and model modification (Bagozzi and Yi, 2012; Lei and Wu, 2007).

Model specification refers to the layout of the model for testing and represents it in a manner for the computer to understand. The data collection technique helps to determine the sample size and requires a large sample of not less than 200. Model estimation shows the right function and achieves the parameter estimation for the model. Model evaluation confirms whether the model and all other indices fit. Model modification helps to modify the model if necessary on the basis of attained information through data or through theory.

These five stages lead to the testing of whether the data fits the model. According to Schumacker and Lomax (2010, pg 85), this model fit is conducted through “chi-square, goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI) and root-mean-square residual index (RMR)” to determine sample variance-covariance data. It is also recommended by them that “chi-square test and root mean square error of approximation (RMSEA) are considered to be global fit measures, where RMSEA value of less than or equal to 0.05 is considered to be acceptable” (pg 74). Once it is confirmed that the information is robust for the model, the construe parameter estimates for statistical significance tests like the chi-square tests for construe output are performed (Lei and Wu, 2007). Goodness of Fit (GoF) as in the CFA with the addition of the standardized regression weight, path estimate, critical ratio and p value for level of significance should have a value range between 0-1.0, where value 1.0 indicates the best fit (Bagozzi and Yi, 2012).

3.5 Chapter Summary

Chapter Three has discussed the operation and development of the conceptual model in a functioning manner. It started from the selection of the required sample and the manner in

which this research will be conducted in terms of data collection. It showed the validity process for the correction of the proposed questionnaire before conducting the actual research. Lastly the analysis part was concluded by demonstrating the use of a two stage process of model development and testing through CFA and SEM, which will help to decide robustness of the model.

4 Discussion

4.1 Chapter Introduction

Chapter Four will begin with a conversation on the managerial implications, describing each hypothesis and discussing the implications for each of them. This is followed by a discussion on the research implications of the conceptual model from an industry as well as an academic perspective. The discussion of future research will also be explored, followed by discussing the limitations of this research. At the end a comprehensive conclusion will be drawn.

4.2 Managerial Implications

The model demonstrates the role of training in helping to develop service orientation; training is a key ingredient in contributing towards customer service and helping to achieve an organization's objective (Babakus et al., 2009). It is been explained by Davis and Gautam (2011) that the reason for an organization's lack of success could be blamed on the service offering; this would have easily been overcome by enhancing the skills, abilities and knowledge of the employee by the manager and by practicing service quality. Although training is important, rewards equally add to delivering value to customers. Thus managers should use rewards in the form of any motivation, recognition or giving empowerment to the employees and set targets for taking action towards meeting organization standards.

It is been recommended that besides employees, customers should also be focused on by giving them training and rewards for achieving service co-creation leading to service innovation and service transformation (Davis and Gautam, 2011). This co-creation feature from customers as well as employees helps services to keep developing and being modified, resulting in change of values.

As the model suggests, service culture is oriented around service transformation, which interacts with other components to help the organization to achieve changes. This can be accomplished by managers with transformational leadership qualities by bringing innovation and superior value to the market. It helps to create a service climate and service orientation that develops quality of service in service encounters between customer and an employee. Customers are the main source for delivering the values that the manager believes in and should provide them with valuable experience throughout the service process. Davis and Gautam (2011) argue that customer expectations and their perceptions contribute to service culture.

Hotamisli and Baytok (2008) in their study have argued that service value is achievable by following standard procedures through the combined efforts of climate, orientation and encounter. It has been demonstrated from the study of Ruiz et al. that service value is influenced by the decisions of the managers in the two areas of service value measurement and company performance (2008). Managerial implications displayed in Table 13 are relevant to the hypotheses generated in this research.

Table 13: Managerial Implications

Hypotheses	Implications
Service training positively affects service transformation.	Service training plays an important part by focusing employees on customer service and the realization of the organizations strategic objective and reputation leading towards service innovation (Babakus et al., 2009; Chen, 2005). Managers should encourage service training as it helps the employees in the enhancement of their skills, abilities and enthusiasm leading to the delivery of excellent services to clientele (Lytle and Timmerman, 2006).
Service rewards positively affect service transformation.	Motivating employees on timely basis by any rewards helps them to be creative, achieve targets and deliver value to the customers (Babakus et al., 2009). Empowering them helps to create service innovation by meeting the standards of the firm (O’Cass and Sok, 2012). Thus managers should motivate employees by rewarding them on their achievement and provide them with empowerment to generate service innovation.

Service co-creation positively affects service transformation.	Service co-creation helps to find any problems in overseeing customer behaviour, customer value analysis and input on resources to improve customer value co-creation behaviour through innovation. This will help managers to follow changes on a timely basis (Yi & Gong, 2012; O’Cass and Sok, 2012)
Service transformation positively affects service orientation.	Managers adopting a transformational leadership style will help to bring service innovation. This helps to separate service from product resulting into direct profitability, customer satisfaction, good customer relationships and providing superior value (O’Cass and Sok, 2012; Gebauer et al., 2010).
Service transformation positively affects service climate.	Service transformation helps in creating a positive climate through the continuous practice of delivering and maintaining quality service and delivering value offerings to customers by constant interaction with employees (Liao and Chuang, 2007; O’Cass and Sok, 2012). Thus managers should concentrate on proper communication across all channels for a positive service climate.
Service climate positively affects service encounters.	Service climate helps in understanding employees and development and it encourages them to give quality service during interaction with customers as a shared reinforcement, thus enhancing managers to develop their competency, support and flexibility within the team (Ostrom et al., 2010; Jong et al., 2004).
Service orientation positively affects service encounters.	Service orientation and encounter implement the service process in a defined manner and hence managers should act in a service oriented way so that they can express and maintain service orientation from the management to the employee level (Ostrom et al., 2010; Gebauer et al., 2010).
Service encounters positively affects service value.	“Service culture determines what customers expect from organizations, influencing the customers’ perception of value and expectations” (Davis and Gautam, 2011, pg 4). This allows managers to achieve a competitive advantage, indulging and quantifying service value, delivering trustworthiness and the ability to achieve high service values through positive service encounters (Hotamisli and Baytok, 2008; Ruiz et al., 2008).

4.3 Research Implications

At an industry level, Ostrom et al. (2010) have asked a question: is service culture developed and sustained due to radical legislative change? Lusch, Vargo and O’Brien (2007) state that the assumption of a service culture connects the new legislative environment that supports

recruiting and training for development and it introduces the revolution of a service dominant logic at an industry level. Davis et al. (2010) also point out that at an industry level, knowledge and skills plays an important role as they authorize legislation to act as essential units of exchange for producing and preserving service mind-set. This is based on the argument of Vargo and Lusch (2004, pg 7) that “people exchange to acquire the benefits of specialized competencies (knowledge and skills) or services.”

Davis et al. (2010) further contribute to this argument by adding that participants of the industry should control their desire not to disturb the service organization during the transforming phase in service culture. They further speak from a new entrants’ perspective that although they gain knowledge from their colleagues and subordinates and customers, the existing employees should equally be leveraged. Lusch, Vargo and O’Brien (2007) further add that on the basis of FP6, (pg 7), “the customer is always a co-creator of value”, and hence representatives and industry participants should perform as customers and help in co-creating service practice and value. Davis et al. (2010) point out that since it includes legal matters; the process of service is difficult as it restricts its practice, which also happens to the co-creation process with the customer. “Such radical change also may stifle the emotive component of the expression of the service culture externally” (Kupers, 1998 as cited in Davis et al., 2010, pg 6). This shows that at an industry level, service culture not only provides inputs in creating a service dominant logic but also relates to organizational practices in an efficient manner. As illustrated by Gronroos (2006), service culture helps in developing a positive attitude in employees when providing best service to consumers.

At an academic level, this research endeavours to contribute to the theoretical development of the service culture concept in service research. It has shown the importance of service culture for the effective functioning of an organization and brought forward different ideas to correlate with this function. It has shown the significance of service dominant logic for

shaping the service culture, which should interest academics to explore further. It is helpful to identify a model of service culture that acts as a connection to many concepts closely associated with each other. This model has shown that service culture is at its core leaning towards service transformation. Also with the help of service transformation, it also relies heavily on service orientation and service climate to achieve satisfaction in service encounters that create service value. This shows the importance of a service culture based on different constructs. Apart for this, it shows the importance of value and thus helps the researcher to create value from these strategies.

In particular, this research is further developed from the study of Ostrom et al. (2010), which is about the service culture within the science of service. This has been developed further through the case study by Davis et al. (2010) and Davis (2013), to develop eight constructs. It is very valuable research as it establishes practices that can construct a perfect service climate for diverse categories of service organizations. This allows for further development in service research that emphasizes creating value through customer and employee interaction and focusing on key principles.

This research have been further shaped by drawing implications for future research directions and discussing limitations and the conclusion to this research.

4.3.1 Future Research Directions

This paper on service research has been applied in different direction to take this research further in the following ways:

Future research directions could target the foundation of the service culture as supported by Ostrom et al. (2010). This study could be replicated in different cultural setting across different industries to further understand the operation of the service culture model. As argued by Zhang, Beatty and Walsh (2008, pg 220), those “different components of culture like value and belief systems represented by Hofstede, communication systems based on Hall’s

framework and material culture” are important for consumer service experience and should be explored together. These authors further point out that cultures help in the construction of theories and so should be selected appropriately and across different industries; selection should be based on the involvement of services ranging from low to high degrees of contact and also the interaction of consumer-employee. Zhang et al. (2008) also stress that cross-culture studies should be given importance as they help in providing richness to the theories and that focusing on consumers will help to develop service experiences drastically.

Hoang, Hill and Lu (2010) in their study have discovered that service culture in connection with service quality from customer’s viewpoint has not been explored completely. So this research recommends further study not only from the customer but also from the organization viewpoint to understand service quality and satisfaction, as they form a close relationship in service marketing. As explained by Kassim and Abdullah (2010); Zhang et al. (2008), SERVQUAL or the gap analysis model that reflects the customer’s perception and expectation feedback on service quality build up by Parasuraman, Zeithaml and Berry (1994) is successful and straightforward for understanding service quality. Parasuraman et al. (1994) call the categories “reliability and tangibility, while responsiveness, assurance, and empathy” as cited in Kassim and Abdullah (2010, pg 353) which could be considered for further research to determine service quality on satisfaction.

Hoang et al. (2010) were quick to reveal that an organization’s performance is related to the consumer’s satisfaction delivered through employee presentation, which affects employee contentment and obligation. This employee contentment and obligation is a factor that should be considered by an organization, and it should be considered critically for the overall performance of an organization. This service quality in connection with service culture could be studied further on the basis of the service quality framework provided by Hoang et al. (2010) in a different market. As mentioned by Hoang et al. (2010) their framework helps

service industries for investment purposes and hence could be tested in different service environments and categories.

Exploring service culture across different context like business to business (B2B), business to consumer (B2C), not for profit organizations and online industries should also be considered for further research. Ostrom et al. (2010) have heavily emphasized B2B services and other contexts due to the strong drift to service globalization and this will help in the contribution to business and academic study in future. These authors have argued that service culture incorporates competitive advantage and innovation in marketing capabilities and hence could be studied.

Further revision of the scales used for the measurement of different constructs should be explored, such as the customer-perceived value measurement scale (PERVAL) discovered by Sweeney and Soutar (2001) and value in the experience (VALEX) as shown in the study by Helkkula, Kelleher and Pihlstrom (2012). PERVAL is used for the perceived value of customers emphasizing the pre-service, in-service and post-service experienced during service encounters in a measurement scale (Helkkula et al., 2012). These authors further elaborate on VALEX, which is used for the value of the present knowledge of customers and service employees and results in describing the customer's/ service provider's experiences in an interpretive manner in a nonlinear, recurring style and complements value measurement scales. VALEX is based on the 10th FP by Vargo and Lusch (2008a) which is that the value is phenomenological (experientially) determined by beneficiaries or actors as VALEX is usually determined by service customers (Helkkula et al., 2012).

Faltdt and Kullberg (2012) in their study have demonstrated the importance of gender in forming any professional concept. They have explored each gender type and concluded that men and women focus on each person's diversity and needs and that one reduces the

probability of assistance whereas the other increases it. Thus each gender has a different perspective towards effective service attributes and hence this should be explored further.

To achieve a clearer model, a qualitative study is recommended for the exploration of every component. Hence the use of poetry is recommended in a qualitative study for service culture as it could help to narrate the analysis in a poetic manner which is bright and appealing and expressed in a correlative introspective way (Sherry and Schouten, 2002). These authors describe poetry as a mode of research in which the whole idea of expression is conveying a story through thoughts reflected from the interviewee and expressed by a researcher to establish social relations and interest for the reader.

4.3.2 Research Limitations

The limitations of this research are closely associated with the future research. As mentioned when discussing cross-cultural study in different countries, this research has constraints because the selection has to be made based on generalizing and constructing new theory as per the country (Zhang et al., 2008). Every country has their own traditions and culture and they form their own service environment, hence research has to combine all this factors for a particular country. Consumer's service experiences vary when they come from different cultures and hence these should be considered for the research.

As this study is entirely reflected through literature, there is no experiential support of data to authenticate the hypotheses that have been presented. This study mostly relates to the conceptual model and service culture is of conceptual nature so the quantitative studies that have been discussed are vulnerable to reliability and validity of the supporting studies. As there are fewer studies on service culture, the literature supporting it was very small and so a more detailed understanding is required on the subject.

Research affects the service value component for marketing outcomes, which includes customer loyalty, word of mouth communication (Ruiz et al., 2008). As Ostrom et al. argue,

service focus is significant for the study and maintaining it requires the study of many elements shaping service culture over time (2010). However to date only a few elements have been studied.

The proposed questionnaire has been built on the literature and has not been tested in real environment. Various complexities such as time constraints, the language barrier or subject knowledge have not been tested with the participants. Operational SEM models considered as legitimate, such as statistical programmes like AMOS and SPSS which run these models, help to determine whether all the constructs used for the study are valid or not. However, as this model is not used, we cannot determine the validity of the constructs.

4.4 Conclusion

This project fulfils the requirement of the study in presenting the objectives through a conceptual model for service culture demonstrating a comprehensive and widely informed conception of what service culture refers to in modern management practice, theory and literature. Therefore, this project tried to develop a more holistic understanding of service culture, its elements, development, application and impacts. The goal has been to understand what service culture is all about, and to show how service culture can be presented through eight constructs, training, rewards, co-creation, transformation, climate, orientation, encounter and value, and brings them together into an integrated model. This project model has created an exemplar for service industries, displaying the importance and measures of culture through Ostrom et al.'s (2010) principles. This model will be very helpful for future study and will be a landmark in the field of service culture to identify service values associated with it.

4.5 Chapter Summary

Chapter Four has recapitulated the key findings of this project and highlighted the relevance of managerial implications to the hypotheses drawn in this research. Implications of the conceptual model for practitioners and for academics were also explained.

The future research directions relate to cross-culture studies, service quality and the satisfaction of organizations from a customer view-point, the measurement of scales through PERVAL and VALEX, different context studies, gender studies and the recommended use of poetry for qualitative analysis. Further, limitations of the conceptual model have been pointed out concerning the lack of cross-cultural studies in different countries, and the lack of practical support for exposure to academic analysis, which limit its use in a real field study.

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6 Appendix

6.1 Construct Definitions

Source: Davis and Gautam (2011, pg 2)

Construct	Definitions	Findings
Service Training	Service training refers to incidences in which employees in an organization receive training in personal skills with the aim of enhancing their ability and willingness to deliver quality services to customers (Lytle & Timmerman, 2006).	Service training is an essential component of quality improvement in service-centered organizations. According to Dietz, Pugh and Wiley (2004, pp. 89), providing 'joint training sessions' to employees in departments and sub departments allows an organization create standardization in service delivery, especially when the service environment is determined by organization policies.
Service Rewards	Service rewards denote an avenue through which an organizations management provides incentives and rewards to their employees for their quality service delivery (Lytle & Timmerman, 2006).	Effective supervisors in a service-oriented organization encourage and influence the service outcomes and behaviour of the employees in an organization by setting the targets for frontline subordinates, empowering them, inspiring them, and most importantly rewarding outstanding service delivery (Hui et al 2007, p. 157).
Service Co-Creation	Harnessing customer and employee knowledge to co-create value and service innovation (Vargo & Lusch, 2008a; Ostrom et al, 2010).	Service co-creation consists of intimate relationships involving clients and service providers sharing their risks, resources and rewards. Co-creating value in service delivery involves clients and service providers being

		embedded in numerous networks of partners, suppliers and many other stakeholders (Ostrom et al 2010, p. 18).
Service Transformation	The handling of service encounters needs to be continually transformed to encourage new ways of serving customers. Service transformation denotes the process of sustaining high quality service delivery for and among all service employees in a way that perpetually fosters a positive service climate (Liao & Chuang, 2007).	Service transformation is geared at 'sustaining high-quality service delivery for and among all service employees in a way that fosters a perpetually 'positive service climate' (Liao and Chuang 2007, p. 1009).
Service Climate	The service climate of an organization is the shared perception of employees concerning policies, practices, procedures and behaviors, which get rewarded and supported with respect to customer service and service quality (Schneider, White & Paul, 1998).	Service climate focuses on service employee effort and competency on delivering a quality service (Schneider, White and Paul, 1998).
Service Orientation	Organisation 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 (Lytle, Hom & Mokwa, 1998).	Existing research tends to measure and examine the construct service orientation, without serious regard for its conceptualization and measurement as an element of organizational culture (Lytle and Timmerman, 2006).
Service Encounters	Managing all instances in which an employee interacts with customers in the provision of service (Lewis & Entwistle, 1990).	Service encounters have an impact on employee motivation, performance, job satisfaction, rewards, tenure and promotion, therefore service based organizations need to manage service encounters effectively for the benefit of customers and employees to achieve overall organizational goals (Lewis and Entwistle 1990, p. 43).
Service Value	Value for customers means that after they have been assisted by a self-service or full-service process they feel better off than before (Gronroos, 2006; Vargo & Lusch, 2008b)	The participation of customers in the process of creating value in service delivery, wherein the engrained service culture of an organization needs to stimulate innovative value creation in

		all service encounters to both the service recipients and service providers.
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6.2 Questionnaire

The aim of this research is to conceptualize and measure service culture focusing on four core areas helping to develop below eight constructs for value creation. Your response to the below questionnaire should typically reflect in the order statement mentioned. Please provide sincere answers as nothing is right or wrong, they are completely based on your perception. Please answer below questions based on numbers from 1 to 5 where 1 being ‘Strongly Disagree’ and 5 being ‘Strongly Agree’.

			Strongly Disagree				Strongly Agree	CODE	NOTE	
			1	2	3	4	5			
Service Training		1. At our company, sufficient time is NOT allocated for training.(R)						STR1R		
		2. At our company, sufficient money is allocated for training.						STR2		
		3. At our company, training programs are consistently evaluated.						STR3		
		4. At our company, training programs focus on how to improve service quality.						STR4		
Service Rewards		5. We DO NOT have the financial incentives for service excellence.(R)						SR1R		
		6. My promotion depends on the quality of the service our customers are delivered.						SR2		
		7. I receive visible recognition when I excel in serving our customers.						SR3		
Service Co-creation	Information Seeking	8. Our customers ask other customers for information on what this service offers.						SCK1		
		9. Our customers search for information on where this service is located.						SCK2		
		10. Our customers pay attention to how other customers behave to use this service well.						SCK3		
	Information Sharing	11. Our customers DO NOT clearly explain what they want our employees to do.(R)							SCS1R	
		12. Our customers provide our employees with the proper							SCS2	

			Strongly Disagree				Strongly Agree	CODE	NOTE
			1	2	3	4	5		
		information.							
		13. Our customers provide the necessary information so that our employees can perform his or her duties.						SCS3	
		14. Our customers answered all the employee's service-related questions.						SCS4	
	Resp. Behaviour	15. Our customers perform all the tasks that are required.						SCR1	
		16. Our customers DO NOT adequately complete all the expected behaviours.(R)						SCR2R	
		17. Our customers' fulfil responsibilities to the business.						SCR3	
		18. Our customers followed the employee's directives or orders.						SCR4	
	Personal Interaction	19. Our customers were friendly to our employees.						SCP1	
		20. Our customers were kind to our employees.						SCP2	
		21. Our customers were polite to our employees.						SCP3	
		22. Our customers were courteous to our employees.						SCP4	
	Feedback	23. Our customers DO act rudely to our employees.(R)						SCP5R	
		24. If our customers have a useful idea on how to improve service, our customers let our employees know.						SCF1	
		25. When our customers receive good service from the employee, our customers comment about it.						SCF2	
		26. When our customers experience a problem our customers let our employees know about it.						SCF3	
	Advocacy	27. Our customers DO NOT say positive things about our service and our employees to others.(R)						SCA1R	
		28. Our customers recommended our service and our employees to others.						SCA2	
		29. Our customers encouraged friends and relatives to use our services.						SCA3	
	Helping	30. Our customers assist other customers if they need help.						SCH1	
		31. Our customers DO NOT help other customers if they seem to have problems.(R)						SCH2R	

			Strongly Disagree				Strongly Agree	CODE	NOTE
			1	2	3	4	5		
		61. Our management <u>DOES NOT</u> set rewards for service-oriented employee behaviour. (R)						SOB3R	
		62. Our management supports service employees for solving customer problems.						SOB4	
	Employee Values	63. Our employees recognize the financial potential of services.						SOE1	
		64. Our employees try to compensate fluctuating product with service sales.						SOE2	
		65. Our employees consider services as highly profitable.						SOE3	
		66. Our employees <u>DO NOT</u> use service to augment the product offering. (R)						SOE4R	
		67. Our employees use services to improve the customer relationship.						SOE5	
		68. Our employees use services for selling more products.						SOE6	
	Employee Behaviour	69. Our employees serve our customers as a reliable trouble-shooter.						SOEB1	
		70. Our employees <u>DO NOT</u> serve our customers as a performance enabler. (R)						SOEB2 R	
		71. Our employees serve our customers as a trusted adviser.						SOEB3	
		72. Our employees fulfil the role of problem solvers.						SOEB4	
Service Encounter Satisfaction		73. Our customers are happy about their decision to choose our company.						SE1	
		74. Our customers did the right thing in choosing our company.						SE2	
		75. Overall, our customers are satisfied with the decision to use the company.						SE3	
Service Value	Service Value	76. The value our customers receive from our company's services is worth the time, effort, and money our customers have invested.						SVR1	
		77. Our customers <u>DO NOT</u> consider our company's services to be reasonably priced.(R)						SVR2R	

			Strongly Disagree				Strongly Agree	CODE	NOTE
			1	2	3	4	5		
		92. Our customers have less anxiety when they buy/use the services of our company.						SVC2	
		93. Our customers DO NOT believe there is less risk that something will go wrong.(R)						SVC3R	
		94. Our customers know what to expect when they come to our company.						SVC4	
		95. Our customers feel they can trust our company.						SVC5	
	Perceived Sacrifice	96. Our customers consider the price charged to get our company's services is high.						SVS1	
		97. Our customers DO NOT consider the time required to receive our company's services is high.(R)						SVS2R	
		98. Our customers consider the effort our customers expend to receive our company's services is high.						SVS3	

99. What is your age?	1	Less than 19 years	Age	
	2	20-24		
	3	25-29		
	4	30-34		
	5	35-39		
	6	40-44		
	7	45-49		
	8	50-54		
	9	55-59		
	10	60-64		
	11	More than 65		
100.	What is your gender? OBSERVE	Male(1)	Female (2)	GENDER
101.	What is the last level you completed in your formal education?	Degree (1)	Non-Degree (2)	EDUC

102.	What is your ethnicity?	1	NZ European	ETHNIC
		2	Maori	
		3	Pacific Islander	
		4	Asian	
		5	European	
		6	Others	
103.	What is your marital status?	1	Single	MARITAL
		2	Widowed	
		3	Living with partner	
		4	Married	
		5	Divorced/Separated	
104.	What is your current employment status?	1	Student	EMPLOY
		2	Full Time	
		3	Self Employed	
		4	Unemployed	
		5	Homemaker	
		6	Part-time	
105.	What is your personal income before tax per year (\$NZ)?	1	Less than 10,000	INCOME
		2	\$10,001 – \$20,000	
		3	\$20,001 – \$30,000	
		4	\$30,001 – \$40,000	
		5	\$40,001 – \$50,000	
		6	\$50,001 – \$70,000	
		7	More than 70,000	
106.	What industry is your company part of?	1	A Agriculture, forestry, & fishing	INDUSTRY
		2	B Mining	
		3	C Manufacturing	
		4	D Electricity, gas, water, & waste	
		5	E Construction	
		6	F Wholesale trade	
		7	G Retail trade	

	8	H Accommodation & food services	
	9	I Transport, postal, & warehousing	
	10	J Information media & telecommunications	
	11	K Financial & insurance services	
	12	L Rental, hiring, & real estate	
	13	M Professional, scientific, & technical services	
	14	N Administrative & support services	
	15	O Public administration & safety services	
	16	P Education & training services	
	17	Q Health care & social assistance	
	18	R Arts & recreation services	
	19	S Other (SPECIFY):	
107. How many full time employees in your company?	1	1-5	EMPLOYEE
	2	6-9	
	3	10-19	
	4	20-49	
	5	50-99	
	6	More than 100	
108. What is the ownership of your company?	1	Main Branch/Headquarters	OWN
	2	Branch	
	3	Franchise	
	4	Other (SPECIFY):	
109. What is your job title?	1	Board member	TITLE
	2	Executive	
	3	Manager	
	4	Owner	
	5	Shareholder	
	6	Employee	
	7	Other (SPECIFY):	
110. Where was the main source of your company's income in the last financial year at August 2011?	1	Australia	LOCATION
	2	Other Pacific	
	3	India	

		4	Japan	
		5	China	
		6	Other Asia	
		7	USA	
		8	Other America	
		9	United Kingdom	
		10	Other Europe	
		11	Middle East / Africa	
		12	New Zealand	
111.	Where was the main source of your company's production in the last financial year at August 2011?	1	Australia	PRODUCTION
		2	Other Pacific	
		3	India	
		4	Japan	
		5	China	
		6	Other Asia	
		7	USA	
		8	Other America	
		9	United Kingdom	
		10	Other Europe	
		11	Middle East / Africa	
		12	New Zealand	
112.	What was your companies total sales in last financial year (NZ\$)?	1		SALES
113.	What was your companies profit result in last financial year (NZ\$)?	2		PROFIT