

University of Strathclyde
Department of Marketing

**“The Management of Customer Feedback in the Development of Service
Orientation in the Public Sector”**

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To my parents

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Abstract

This thesis explores how service orientation can be developed in public sector settings, particularly through the management of customer feedback, in order to enhance service performance. This was seen as critical as public sector organisations have been experiencing increasing pressure to ameliorate services. However, little research has been conducted to understand how public management can achieve this objective.

The research involved a literature review on service orientation, customer feedback in services and public sector management. The fieldwork which was undertaken at Scottish Enterprise included interviews with 18 members of senior management across the organisation's network, as well as an online survey of all business customer facing employees (322). The responses from 203 employees (63% response rate) were analysed in SPSS and AMOS.

The findings suggest that there is a strong service orientation discrepancy in public sector organisations: while employees have a genuine desire to deliver effective services to the public, management practices introduced to address the Modernising Government agenda may act as counterproductive in the development of organisational service orientation as they mainly focus on efficiency savings.

However, organisational service orientation is critical as it seems to mediate the link between service performance and job satisfaction. One of the management practices impacting positively on organisational service orientation is the management of customer feedback. Directly gathered customer feedback at a business unit level is perceived as being more meaningful than customer feedback collected through national survey initiatives, as it helps to improve services and to motivate employees. Moreover, particularly interactive channels to communicate customer feedback are effective as they allow for the simultaneous analysis of the data and employee involvement in action planning. More research is necessary to understand how business unit management can be supported in the development of organisational service orientation within complex public sector settings.

Chapter 1. Introduction

1.1 Research Rationale and Significance of Study

Over the last decade the public sector has experienced increasing pressure to provide more effective and efficient services to customers due to rising public expectations on the one hand and governmental cost-cutting on the other (e.g. Micheli et al., 2005; Brown et al., 2003; Black et al., 2001; Donnelly et al., 1995). Therefore, government policy has looked to the private sector to adopt managerialist practices in order to raise the standards of public services (e.g. Radnor and McGuire, 2004). It has been suggested that this approach, the *New Public Management*, should have freed public organisations from unnecessary internal bureaucracy in order to develop a stronger external service orientation which would focus on a responsive service delivery to customers (e.g. Gianakis, 2002).

While much has been written about the potential outcomes of the New Public Management approach, such as enhanced service performance, little is known about how such an externally focused organisational service orientation may actually be developed in a public sector environment (e.g. Maddock, 2002). Due to this, it has been suggested that many of these initiatives have been doomed to failure, as neither politicians nor public management seem to be clear on how the challenges of the complex public sector environment may be overcome (e.g. Hodgkinson, 1999). It has even been argued that, at present, plans to modernise government may provide a barrier to the improvement of services, as they seem to promote greater accountability and transparency, which has increased internal bureaucratic procedures at the expense of effectiveness (e.g. Brookfield, 2000).

Therefore, it could be argued that New Public Management has actually reached the opposite of what it was set out to achieve, as there is some evidence that public organisations have remained internally driven and service standards may be on the decline, at least for some groups of the public (e.g. Parker and Bradley, 2000; Fountain 2001).

In light of the above it was decided that research into the development of an externally focused organisational service orientation in a public sector organisation

may be significant, from an academic as well as from a practitioners', but also from a public services users' point of view. This study is particularly relevant as it identifies which management practices may impact positively on the development of an externally focused organisational service orientation. It will also highlight how these management practices may have to be implemented in order to overcome the challenges public sector management is facing due to the complexity of the public sector environment. As much has been written about the benefits of the collection of customer feedback, but little guidance has been given on how to implement customer feedback mechanisms, this study will specifically investigate which collection mechanisms may provide more meaningful knowledge about customers and how this knowledge may be effectively communicated and used within the organisation to develop an externally focused organisational service orientation.

1.2 Theoretical Background and Research Objectives of Study

In order to derive at meaningful research objectives within this broad remit of the study as highlighted above, three main areas of the literature were reviewed: 1) service orientation, 2) customer feedback in services, 3) the application of the service orientation and customer feedback concepts in the changing public sector environment. The following will give an overview of the main conclusions drawn from this literature review in order to provide the theoretical underpinning of this thesis. Moreover, the research objectives of this study will be highlighted.

1.2.1 The Service Orientation Concept at an Organisational and Individual Level

As there has been little empirical research in the public sector management literature on how to establish a service orientation in public services it was decided to review the services marketing literature based on studies carried out in the private sector: With the fast expansion of the services sector there has been an increased research interest amongst academics in the field of service performance and its improvement over the last two decades (e.g. Schneider et al., 1980). The reason for this has been the assumption that employees' performance during the service delivery may be one

of the key factors with which organisations can gain competitive advantage (e.g. Heskett et al., 1994; Parasuraman et al., 1985). In relation to this, it has been argued by several authors that the interaction between employees and customers during the service encounter may be positively influenced by internal processes and systems that are invisible to the customer (e.g. Langeard et al., 1981; Gronroos, 1990). The concept of supporting the service delivery through internal management practices and procedures has been termed organisational service orientation (e.g. Parkington and Schneider, 1979). It has also been argued that the service encounter is to some extent dependent on the personality of customer facing staff (e.g. Hogan et al., 1984). In particular, it has been suggested that employees who place a strong emphasis on a good service delivery to customers may possess high levels of individual service orientation – a concept that has been defined as a personality trait (e.g. Hogan et al., 1984; Chait et al., 2000). While there is some knowledge in the private sector literature about the concept at an organisational and individual level, little is known how the service orientation concept may apply to public sector settings. Moreover, the literature review revealed that most studies in the field of service orientation have developed into separate directions, either focusing on the construct at an organisational or at an individual level. However, there is some evidence that the discrepancy between the two may impact on service performance and job satisfaction: It has been argued that if employees place a strong focus on a good service delivery to customers but do not feel supported by the organisation to deliver such a service then this may lead to perceived role stress, frustration with the job and lower levels of service performance (e.g. Parkington and Schneider, 1979; Chung and Schneider, 2002). In light of the above it was seen as important to explore both concepts in conjunction in the context of a public sector organisation. Therefore, the following research objective was developed:

Research objective 1: Explore the commonalities of an externally focused organisational and individual service orientation in a public sector setting.

The service orientation concept at an organisational and individual level has been described on a continuum from being internally driven (placing a strong emphasis on

the maintenance of bureaucratic structures) to being externally driven (placing importance on an innovative and responsive service to customers) (e.g. Parkington and Schneider, 1979). Traditionally, public sector organisations have been described as being more internally driven by focusing on rule enforcement and structured hierarchies (e.g. Claver et al., 1999). Although it has been highlighted that in line with the New Public Management agenda efforts have been made to re-orient public sector organisations to become more externally, customer driven, there is some evidence that these initiatives might not have been successful due to barriers such as blurred remits and governmental cost-cutting (e.g. Brookfield, 2000). Overall, the common notion prevails that the traditional internal orientation of public organisations may be in line with the individual service orientation of public sector employees, as it has been argued that public sector employees may place a stronger emphasis on following rules by principle and “feeding the system” than their private counterparts (e.g. Woodell, 2002; Dewhurst et al., 1999). However, a critical review of the literature also revealed that in fact the opposite might be the case as there is some evidence that public sector employees are motivated by their commitment to a good service delivery to the public (e.g. Perry, 1996; Donnelly, 1994). Therefore, it is possible that there is a service orientation discrepancy in the public sector as employees may be frustrated by the slow and cumbersome development of a stronger service orientation as prescribed by the New Public Management agenda. In order to investigate this assumption in more detail, the following research objective was formulated:

Research objective 2: Explore the nature of the service orientation discrepancy in a public sector setting.

1.2.2 The Importance and Development of Organisational Service Orientation

As highlighted above, it has been suggested that the magnitude of the service orientation discrepancy might be negatively linked to service performance and job satisfaction (e.g. Schneider and Bowen, 1985). Therefore it might be argued that studies which have linked individual service orientation directly to service

performance and job satisfaction may be too simplistic (e.g. Hogan et al., 1984), as there is also evidence that personality in itself may not be a reliable predictor of behaviour (e.g. Mischel, 1968; Pervin, 1980). Rather, it seems that contextual factors, such as levels of organisational service orientation, need to be taken into account in order to establish how employees may perform during the service delivery process. Moreover, it might be argued that organisational service orientation is a necessary condition for a good service delivery to customers, whereas individual service orientation is not, as employees may be motivated to perform well due to other reasons such as recognition and reward (e.g. Schneider and Bowen, 1995). However, only very few studies have tried to explore in more detail the role of organisational service orientation in the development of higher levels of service performance and job satisfaction. As there is a particular gap in the literature with regard to the development of better public services, the following research objective was addressed with this study:

Research objective 3: Investigate the importance of an externally focused organisational service orientation in a public sector setting.

It might be argued that if organisational service orientation has an important impact on the amelioration of public services, it is necessary to understand how such an orientation can be developed. This is especially the case as public sector organisations are facing an increase in political and public pressure to enhance their focus on a better service delivery to customers (e.g. Donnelly, 1995; Black et al., 2001). However, as there has been only little research into how public sector management may develop an externally focused organisational service orientation (e.g. Maddock, 2002; Brookfield, 2000) the following research objective was developed:

Research objective 4: Investigate which management practices may be used to influence perceptions of an external organisational service orientation in a public sector setting.

There is some evidence in the private sector literature that the implementation of customer feedback may have a significant impact on employees' perceptions of organisational service orientation (e.g. Schneider et al., 1998). This is congruent with the suggestion that service performance measurement in the form of customer feedback may be important to improve public sector performance (e.g. Wisniewski and Stewart, 2004; Radnor and McGuire, 2004). However, the literature review revealed that only little is known about how customer feedback might be effectively managed, neither in the private (e.g. Wilson, 2000; Staniforth, 1996; Stone and Banks, 1997) nor in the public sector literature (e.g. Black et al., 2001; de Bruijn, 2002). For example, it has been highlighted that many organisations have problems in identifying ways to collect meaningful and usable customer feedback (e.g. Wilson, 2002; Courty and Marschke, 2003; Donnelly et al., 1995). Moreover, it has been outlined that there is a strong need for a better understanding of how customer feedback can be communicated to staff in an understandable manner (e.g. Staniforth, 1996; Frost, 1999; Wisniewski and Stewart, 2004). Finally, the literature review also revealed that there are still shortcomings in the understanding of how customer feedback can be used in a way that reinforces the overall customer service strategy of the organisation (e.g. de Bruijn, 2002; Crandall, 2002). Therefore, in order to add to the knowledge of how public sector management can improve the delivery of services, it was decided to address the following research objective:

Research Objective 5: Explore how customer feedback may be meaningfully collected, communicated and used in a public sector setting.

Finally, the literature review also revealed that within an organisation there might be different levels of organisational service orientation across business units (e.g. Johnson, 1996; Schneider and Bowen, 1985). This is in line with the wider organisational culture literature, as there is growing evidence that it is difficult for management to establish a unitary service culture throughout all units of an organisation (e.g. Ogbonna and Harris, 2002). Moreover, it has been argued that also in the public sector there might be differences in the implementation of management practices in the support of service orientation within organisations, depending on the

differing leadership styles between business units (e.g. Hegewisch and Larsen, 1996; Gabris et al., 1998). Therefore, in order to arrive at more detailed and meaningful managerial implications it was decided to explore whether there are best practice examples in the approach to business unit management supporting the development of organisational service orientation. Thus, the final research objective of this study was formulated as follows:

Research objective 6: Investigate whether there are differences between business units in the implementation of management practices that support the development of an externally focused organisational service orientation in a public sector setting.

1.3 Overview of Research Approach

Scottish Enterprise was chosen as a case study, because it is a public sector organisation which has undergone a major restructuring process since 2002 in order to deliver more effective and efficient services to customers. This Business Transformation Project encompassed the introduction of several organisational initiatives, including the development of a customer feedback system, in support of this target. Therefore, the choice of this organisation enabled to assess the impact of these organisational initiatives on the development of an externally focused organisational service orientation. Further, as the organisation also comprises several business units across Scotland, the impact of local management practices, including the management of customer feedback, on employees' perceptions of an organisational service orientation was investigated. Furthermore, the nature of the service orientation concept was explored in a complex public sector environment, possible reasons for an existing service orientation discrepancy were identified and the importance of organisational service orientation in the improvement of public services was assessed.

The first phase of the research consisted of a review of the literature in the areas of service orientation, service performance measurement – including the design and

implementation of customer feedback - and public sector management. In addition, internal and external organisational documents of Scottish Enterprise, including customer survey data, were reviewed. On the basis of this the research objectives as highlighted above were developed.

The second phase of the research consisted of 18 in-depth interviews with senior management across the network, in order to explore:

1. the concepts of organisational and individual service orientation in a public sector setting
2. the nature of a potential service orientation discrepancy in the public sector
3. the importance of organisational service orientation in the public sector
4. which management practices are used at a network and local level to develop perceptions of an externally focused organisational service orientation
5. how customer feedback may be meaningfully collected, communicated and used to support perceptions of an external organisational service orientation

The interviews were transcribed and content analysed. On the basis of the findings from the first and second phase of the research, a questionnaire was developed that was used in the third phase of the project:

This online survey was administered to all external business customer facing staff in order to test the specific hypotheses that had been developed on the basis of the literature review in relation to each research objective, as well as to assess whether the findings from the interviews could be confirmed.

After the quantitative data had been analysed in SPSS and AMOS, conclusions were developed on the basis of the findings from the literature review, the interviews and the survey.

1.4 Structure of Thesis

Literature Review

Chapters 2 to 4 discuss the literature in the following areas:

2) Service Orientation

This chapter outlines the importance of studying the service orientation concept due to the interactive nature of services. The organisational and individual service orientation literature will be discussed and compared. After the determinants of organisational service orientation have been highlighted, it will be outlined why organisational service orientation may be more important in the delivery of good services to customers than individual service orientation.

3) Customer Feedback in Services

The third chapter will first discuss the changing remit of performance measurement and the growing importance of customer feedback in the improvement of services. The discussion will then focus on the design of customer feedback with a specific focus on the concepts service quality and customer satisfaction and will then turn to the implementation of customer feedback, including its collection, communication and use.

4) The Changing Public Sector

This chapter outlines the reasons for an increased need to get a better understanding of how organisational service orientation can be developed in public sector settings. Furthermore, as it has been suggested that management of customer feedback may have a significant impact on organisational service orientation, public sector specific issues with regard to the implementation of customer feedback will be discussed.

Explanation of Case Organisation and its Usefulness as a Case Study

First of all, Chapter 5 gives a general overview of the structure and remit of Scottish Enterprise. It will then be specifically focused on the organisational initiatives that have been implemented during the Business Transformation Project in order to enhance the services delivered to customers. Particular attention will be paid to the implementation of the Customer Relations Strategy and the performance management and measurement systems. The rationale for choosing Scottish Enterprise as a case study organisation will be provided.

Methodology

Chapter 6 outlines the research objectives and hypotheses, provides the conceptual framework of this study, justifies the methodology chosen and explains the approach to the fieldwork of this study. It will be outlined in detail how the qualitative and quantitative phases of the research were carried out and how the data was analysed.

Findings

Chapters 7 and 8 outline the key findings of this study. Chapter 7 concentrates on the qualitative findings that were gathered through the interviews with senior management. These findings were used in conjunction with the findings from the literature review in order to develop the online questionnaire that was used in the quantitative phase of the fieldwork. Chapter 8 highlights the results from the online survey that was administered to all business customer facing employees of the Scottish Enterprise network.

Conclusions

Chapter 9 presents the conclusions of this thesis. It contains the discussion of the key findings of the study. Further, the contribution to knowledge as well as the managerial implications of this research project will be highlighted. Finally, the limitations of this study will be discussed and recommendations for future research will be given.

Chapter 2. Service Orientation

2.1 Introduction

This chapter will first develop the rationale for studying service orientation by reviewing the interactive nature of services. It will then outline the existing definitions and theoretical concepts of service orientation as well as their relevance. First, the concept will be discussed and evaluated from an individual and then from an organisational perspective. The discussion will then turn to the determinants and outcomes of organisational service orientation. It will be highlighted why organisational service orientation may have a stronger impact on employees' perceptions of service performance and job satisfaction than individual service orientation. Finally, it will be argued that organisational service orientation may also mediate the link between service performance and job satisfaction.

2.2 Rationale for Studying Service Orientation: The Interactive Nature of Services

The body of literature in the field of services marketing offers a variety of definitions for the term *services*. As outlined by Zeithaml and Bitner (2000), services in general have been defined as “deeds, processes and performances”. A more specific conceptualisation, that explicitly distinguishes services from physical consumer goods has been proposed by Gronroos (1990), suggesting that services are intangible economic activities that have no physical output, and which are consumed and produced simultaneously. However, also this conceptualisation does not encompass all suggested characteristics that are specific to services.

One of the most frequently cited articles in this area of research has been that of Parasuraman et al. (1985), in which the authors concluded that there are four distinct key aspects to services that may be identified on the basis of the literature (e.g. Eiglier and Langeard, 1977; Gronroos, 1982):

- 1) *intangibility*, i.e. services cannot be experienced in the same way as products, as they are invisible
- 2) *heterogeneity*, i.e. the interaction may depend on many factors and therefore makes a standardisation of services difficult
- 3) simultaneous production and consumption (*prosumption*), i.e. service employees are often part of the service experience of customers; customers may influence each others' service experience
- 4) *perishability* – i.e. often, services cannot be saved, resold or returned

On the basis of these services features, a large body of literature has emerged that endeavours to identify the resulting implications for services marketers. Essentially, it has been recognised that service performance seems to depend strongly on the interaction between human beings (e.g. Gronroos, 1990). Due to this, many authors have started focusing on the way services are delivered instead of on the service offering itself (e.g. Parasuraman et al., 1985). This notion has been reflected in several models such as the *Servuction Model* by Langeard et al. (1981) and the *Service Triangle* by Gronroos (1990) which highlight the various interactions during the service delivery process between the organisation and employees, employees and customers, as well as amongst different customers. Due to this it has often been suggested that employee satisfaction may directly lead to customer satisfaction, as satisfied employees may exhibit more positive service behaviours and hence deliver a better service to customers (e.g. Heskett et al., 1994).

In light of the above, many authors have focused on the conceptualisation of services as processes (e.g. Parasuraman et al., 1991; Gummesson, 1991; Wilson, 2000), experiences (e.g. Gummesson, 1991; Zeithaml and Bitner, 2000) and performances (e.g. Grove and Fisk, 1983; Bitner, 1990). In essence, all of these publications highlighted the fact that the service delivery process may be broken into the invisible

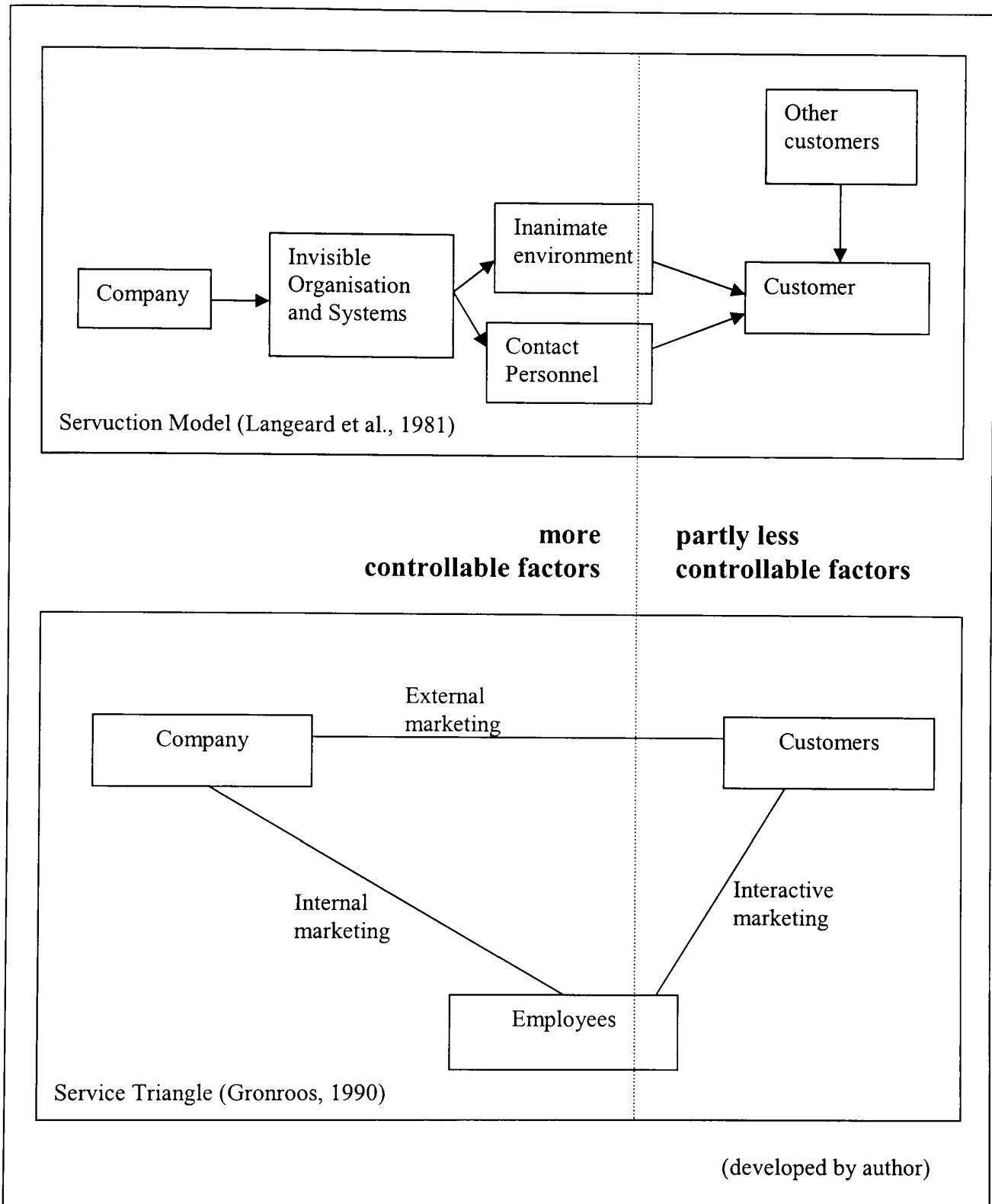
part for the customer – which includes processes, systems, management practices and backroom personnel (internal marketing) – and the for the customer visible part, which includes the inanimate environment the customer comes in contact with during the service delivery process (part of external marketing), and the individuals who interact with each other during the service delivery (interactive marketing) (e.g. Grove and Fisk, 2001; Gronroos, 1990).

For example, in a similar attempt to break down the full service delivery process into stages, Grove and Fisk (2001) referred to the service delivery process as a theatre play in which the company would set the scene, the *servicescape* (Bitner, 2000), provide scripts (behaviour and interaction needed for the successful delivery of a service) for the actors (service employees) and the audience (customers).

The frontstage would be in full view of the customers, whereas the backstage like support staff, support systems and management would be hidden. The analogy implies that a service organisation might have stronger control over the backstage area involving systems, management practices and employees (e.g. Gronroos, 1983; Parasuraman et al., 1985) than over the frontstage part, including the interaction between service employees and the customer, as well as between different customers (e.g. Bettencourt et al., 1997; Zeithaml and Bitner, 2000).

Figure 2.1 illustrates how two of the most frequently cited service delivery process models (Langeard et al., 1981; Gronroos, 1990) compare in terms of controllable and less controllable factors (e.g. Parasuraman et al., 1985; Zeithmal and Bitner, 2000).

Figure 2.1 Service Delivery Process Models



- 1) To positively influence the less controllable part of the service delivery process, the interaction between employees and customers, organisations may have to pay particular attention to the implementation of systems and management practices that support a good service to customers and, thus, create perceptions amongst employees that great importance is placed on

good service delivery to customers (e.g. Heskett et al., 1990; Zeithaml and Bitner, 2000).

These two points relate to the service orientation construct as it has been discussed in the literature: It might be suggested that point 1) relates to the construct at an individual employee level, whereas point 2) describes the construct at an organisational level. Hence, it might be suggested that studying service orientation may be central to aid in the understanding of the service delivery process.

This section has provided the theoretical frame of this study. The following will discuss the development of the service orientation literature and will then evaluate in detail the construct at an individual and organisational level.

2.3 Overview of the Service Orientation Literature

As highlighted above, from a services marketing perspective it has been suggested that employees' attitudes towards the service delivery to customers, as well as the organisation's support of employees in the service delivery, may be critical to achieve a positive service performance. It has also been suggested that the service orientation literature is concerned with these two aspects of the service delivery process. This section will therefore highlight the development of this strand of the literature.

One of the first studies exploring the service orientation concept was that of Parkington and Schneider (1979). This study investigated the construct at an organisational and at an individual employee level:

The authors suggested that organisational service orientation was defined as "the philosophy implied by (or attributed by others to) the policies, procedures and goals of management". In contrast, service orientation at an individual employee level was described as "an employee's orientation to service" or "a self-orientation to service". Both constructs were described on a continuum from being internally focused,

emphasising the maintenance of bureaucratic structures, to being externally focused, emphasising the importance of and exhibiting an enthusiasm towards good customer service.

The results of this article suggested that customer facing employees perceived themselves as being significantly more oriented towards service delivery to customers than they perceived the organisation to be. This gap in perceptions was termed the “service orientation discrepancy”. The magnitude of this perceived discrepancy was negatively correlated to service performance and job satisfaction. This, it was believed, was due to the fact that employees with a high discrepancy felt less supported, or even inhibited, by management to deliver a good service to customers. Therefore, it was suggested that management could enhance levels of service performance and job satisfaction through the development of an externally focused organisational service orientation in which employees would feel supported in the service delivery to customers.

It might be suggested that this study has been important for two reasons:

- a) It has provided an insight into the complex relationship between service performance and job satisfaction as both seem to be linked to the interplay between contextual work factors, in this case organisational service orientation, and the employee, in this case individual service orientation.
- b) It has postulated that management should concentrate on developing and deploying practices that would portray a stronger externally focused organisational service orientation to minimise the perceived service orientation discrepancy in order to enhance service performance and job satisfaction.

Therefore it might be regarded as unfortunate that very few authors, apart from Schneider himself, have tried to further investigate the link between individual and organisational service orientation, service performance and job satisfaction: As can be seen in **table 2.1**, the majority of studies have either focused on the service orientation construct at an individual or organisational level.

Table 2.1 Overview: Service Orientation Literature

| Individual Service Orientation Studies | Organisational Service Orientation Studies | Organisational and Individual Service Orientation Studies |
|---|--|--|
| Hogan et al. (1984); hospital personnel | Schneider et al. (1980); bank | Parkington and Schneider (1979); bank |
| Cran (1994); various industries | Schneider et al. (1992); financial services | Schneider and Bowen (1985); bank |
| O'Connor and Shewchuk (1995); health care organisations | Webster (1993a, b); retail banking; health spas, airlines and product repair | Liao and Chuang (2004); franchise restaurant chain |
| Hurley (1998); fast-food convenience store chain | Johnson (1996); bank | |
| Keillor et al. (1999) ; sales personnel | Lytle et al. (1998); retail banking, retail home improvement chain | |
| Chait et al. (2000) ; financial services | Schneider et al. (1998); bank | |
| Baydoun et al. (2001); retailing | Chung and Schneider (2002); insurance | |
| Alge et al. (2002); bus transit | Lynn et al. (2000) ; bank | |
| | Saura et al. (2005) ; banking services | |

(developed by author)

However, it might be suggested that it is important to look at both constructs in conjunction in order to understand their impact on customer and employee outcomes, such as service performance and job satisfaction (e.g. Liao and Chuang, 2004). The following will first discuss the individual service orientation literature and will then turn to the organisational service orientation construct.

2.4 Individual Service Orientation – Definitions and Relevance

This stream of research has been regarded as being important especially due to the interactive nature of services, i.e. the simultaneous production and delivery of and customer participation in services (e.g. Zeithaml et al., 1990; Gronroos, 1990;

Parasuraman et al., 1985). Hence, it has been suggested that performance in service jobs may not only require technical knowledge, but also attitudes and behaviours that may positively impact on the service delivery process (e.g. Hogan et al., 1984).

Studies in this strand of the literature have suggested that individual service orientation may be a part of an employees' personality (Homburg et al., 2002; Liao and Chuang, 2004).

It has been highlighted that the definition of personality may contain three facets (Allen, 2000):

1. The possession of personality traits, which are internally based psychological characteristics and consist of affective and cognitive components – e.g. being service oriented
2. The behavioural dimension, e.g. employees could express the service orientation trait on a continuum from being externally service oriented (towards the service delivery to the customer) to being internally service oriented (towards serving the internal bureaucracies of the organisation)
3. The existence of individual differences, i.e. the differences in the behavioural dimension (2) as well as the possession of the service orientation trait in the first place (1)

On the basis of this, research in the field of individual service orientation has investigated which attitudes and behaviours an employee should possess and express in order to deliver a good service to customers. The majority of these studies have implicitly assumed that the cognitive and affective components of a personality trait may be a reliable predictor of behaviour (Theory of Reasoned Action, Ajzen and Fishbein, 1973): It seems that most studies in this stream of the literature have suggested that measures of individual service orientation may be a reliable predictor of an employee's service performance, e.g. Hogan (1983) outlined that “personality dimensions (...) contain important information about competencies relevant to the nontechnical aspects of the job”. Coherent with this, many descriptions and definitions of the individual service orientation construct have encompassed this assumption:

“Certain employees may be predisposed to engage in positive service-oriented behaviours (...) we define employees’ service performance as their behaviours of serving and helping customers.” (Liao and Chuang, 2004)

“Individual service orientation – a set of attitudes and behaviours that affects the quality of the interaction between staff and its customers.” (Hogan et al., 1984)

The list of desirable cognitive, affective and behavioural characteristics of customer facing employees that have been established in the literature has ranged from five (e.g. Keillor et al., 1999) over ten (Parkington and Schneider, 1979) to eighty-seven (Hogan et al., 1984). Most of these publications have based their conceptualisation of the construct on the general Big Five personality dimensions (e.g. Liao and Chuang, 2004), which have been defined as extraversion, emotional stability, conscientiousness, agreeableness and openness to experience (e.g. McCrae and Costa, 1985). The following extracts give examples of what has been suggested to be related to high levels of an externally focused individual service orientation:

“Extraverted people are sociable, gregarious, assertive, talkative and active. These traits trigger individuals’ energy levels and potency and also may lead to effective performance. (...) Employees who are agreeable are described as good-natured, forgiving, courteous, helpful, generous, and cooperative (...) and are expected to be better at helping and serving customers.” (Liao and Chuang, 2004)

“Personal qualities such as flexibility, adaptiveness and empathy on the part of the agent are related to a quality service experience.” (in Chait et al., 2000)

„Service orientation – the disposition to be helpful, thoughtful, considerate and cooperative – is an aspect of nontechnical performance that is important in a variety of jobs. “ (Hogan et al., 1984)

Apart from individual service orientation having an impact on service performance it has also been suggested that the construct may be directly linked to job satisfaction (e.g. Keillor et al., 1999; Bettencourt et al., 1997). Some authors have suggested that employees with a high individual service orientation may have the tendency to feel more positive and might therefore be naturally more inclined to experience job satisfaction (e.g. Chait et al., 2000). However, this link has not really been proven: Some of the studies in this field also noted that employees who are better in interacting with customers during the service delivery may also be more satisfied with the outcome of the interaction, i.e. levels of service performance, and hence with their jobs (e.g. Keillor et al., 1999). Therefore, the results of these studies might have observed an indirect relationship with individual service orientation leading to service performance, which in turn may have led to job satisfaction. Moreover, there might have been other contextual factors, such as organisational service orientation, that may have had an impact on the link between individual service orientation and job satisfaction (e.g. Baydoun et al., 2001). A more detailed discussion on the link between service orientation, service performance and job satisfaction will be provided in section 2.5.3.

In summary, individual service orientation has been described as a personality trait - that can be either assessed on its own or through a mix of the Big Five personality dimensions - that may be expressed through behaviours which may positively impact on the interaction with customers during the service delivery process. Moreover, although this claim is questionable, it has been suggested that the construct may be directly linked to job satisfaction.

To conclude, the research into individual service orientation has been regarded as being relevant for service marketers as it has been suggested that it might help to identify employees who would deliver a good service to customers on behalf of the

organisation and who would be satisfied by doing so (e.g. Keillor et al., 1999; Chait et al., 2000; Hogan et al., 1984).

However, although it might be of interest to know why some employees' service performance is better than that of others, it could also be argued that the individual service orientation literature is problematic for several reasons. These will be discussed in turn.

2.4.1 Assumptions of the Individual Service Orientation Literature

As outlined above, most publications concerned with service orientation at an individual level have conceptualised the construct as a separate personality trait or a combination of characteristics as conceptualised by the Big Five personality dimensions (e.g. Hogan et al., 1984; Chait et al., 2000; Goldberg, 1993). Looking at the managerial implications of these studies it becomes apparent that the relevance of this research has been seen in the fact that an identification of individuals with a high externally focused service orientation may be beneficial for personnel recruiting (e.g. Hogan et al., 1984; Chait et al., 2000). However, it seems that there are three questionable assumptions implicit in this suggestion:

- Individual service orientation is a personality trait which is expressed through its behavioural dimension in a constant manner across time, place and situation
- The cognitive and affective dimensions of the construct alone inform behaviour
- The cognitive, affective and behavioural dimensions of the construct alone are responsible for the individual's service performance and job satisfaction

The question that comes to mind is: If employees' attitudes and behaviours are reduced to a stable genetic predisposition then what is the role of management (apart from recruiting)?

The following is suggested: It might be argued that contextual factors, such as organisational service orientation, may have an influence on employees' service performance (e.g. Chung and Schneider, 2002; Liao and Chuang, 2004). Also, it appears that personality psychologists have reached some consensus that a more comprehensive framework to explain behaviour, which takes the person as well as the situation into account, may be more fruitful, than focusing solely on the personality traits of the individual (e.g. Pervin, 1980). Therefore, it might be suggested that the major shortcoming of most of the publications in the individual service orientation literature has been the fact that they have ignored the complexity of the links between management, employees and customers.

The last argument also ties in with the idea that the behavioural components of personality traits may not necessarily be stable across situations. As Mischel (1968) highlighted, people tend to characterise events in order to understand what is expected of them and might behave accordingly. Therefore, even though employees may possess cognitive and affective characteristics that are related to being externally service oriented, they might behave the opposite way if they feel that this is expected of them, e.g. through management portraying a strong focus on an internally focused organisational service orientation.

To conclude, studying individual service orientation in isolation may be problematic. The discussion reflected that employees' cognitive and affective dimensions of individual service orientation alone may not be enough to predict job satisfaction and good service performance. Instead, it might be suggested that it is important for management to create a context that supports a good service performance, and hence to create perceptions of an externally focused organisational service orientation.

2.4.2 Operational Definition of Individual Service Orientation

In light of the above it may be suggested that there is some confusion as to how individual service orientation can be defined. Although most theorists have suggested

that the construct is a personality trait, it might be argued that the inclusion of the behavioural components in the definition is problematic:

As outlined above, employees' cognitive dimensions of individual service orientation might be more stable over time, whereas behavioural outcomes may be more dependent on the contextual factors of the work setting. Hence, it may be suggested that an operational definition of individual service orientation should concentrate on the cognitive dimension instead of the behavioural.

Moreover, it could be argued that it is difficult to assess behaviours with a self-completion questionnaire anyway (e.g. Oppenheim, 1966). Rather, it seems that most individual service orientation studies have actually measured employees' perceptions and thoughts, i.e. cognition, of certain situations and their own behaviour. The following sample items from the reviewed studies illustrate this notion:

"A customer should never contact me unless they are firmly committed to buying." (Keillor et al., 1999)

"I enjoy helping people." (Hogan et al., 1984)

"It is important to be liked." (Chait et al., 2000)

To conclude, it was decided that for the purpose of this study it would be appropriate to focus on the cognitive dimension of individual service orientation:

"The importance employees place on a good service delivery to customers."

This operational definition is also in line with the notion of the original Parkington and Schneider study (1979), which simply suggested that individual service orientation is "an employee's self-orientation to service, i.e. what an employee thinks

is important”. Whereas Parkington and Schneider (1979) assessed the construct on a continuum from an external to an internal orientation, this study will focus on the external orientation, i.e. the importance placed on delivering a good service to customers (instead of serving the internal system and neglecting the customer). The rationale for this is that it is assumed that this study will contribute in a more constructive way to existing knowledge by exploring in more depth how a positive service delivery to customers can be created instead of a negative one.

This section has critically evaluated the existing literature in the individual service orientation field and concluded with a proposition for an operational definition of the construct to be used in this study. The following will discuss the organisational service orientation literature.

2.5 Organisational Service Orientation – Definitions and Relevance

It might be suggested that the literature in this area of research is not very consistent. As with any construct, there seem to be different conceptualisations and hence definitions of organisational service orientation. Especially, it seems that authors use the terms organisational service orientation and service climate interchangeably. The definition of Lytle et al. (1998) illustrates this point:

“Organisational service orientation is an organisation-wide embracement of a basic set of relatively enduring policies, practices and procedures intended to support and reward service-giving behaviours that create and deliver service excellence.”

It might be argued that this definition is actually referring to service climate, which has been regarded as an antecedent to organisational service orientation:

The literature suggests that an organisation’s service climate has been described as the service events, practices, and procedures within a work setting that facilitate and reward good service delivery (e.g. Schneider et al., 1992). The study into the

development of a positive climate for service has been regarded as important since it has been assumed that if the organisation provides appropriate resources – e.g. administrative, system, and managerial support – then this would enable employees to deliver a good service to customers (e.g. Schneider and Bowen, 1985; Webster, 1993 a, b; Johnson, 1996). The argument has been that if employees can devote their energies and resources to serving customers then this would have a positive impact on the service delivery and thus on customers' perceptions of the service.

However, as outlined earlier, the organisational service orientation construct does not seem to refer to the actual procedures and practices of management, but to the overall perceptions others gain about the importance placed on a good service delivery to customers by the organisation (e.g. Parkington and Schneider, 1979). Hence, it might be argued that the construct domain captures in a much more global sense how employees perceive the organisation to facilitate performance through the creation of a supportive work environment that emphasises the service delivery to customers.

Therefore, it can also be observed that some authors referring to service climate actually mean organisational service orientation:

“A climate for service exists when the perceptions of employees are integrated into a theme that indicates service is important to the organisation.” (Johnson, 1996)

Leaving the confusion in the literature aside, it might be suggested that organisational service orientation in its original sense (Parkington and Schneider, 1979) is relevant for two reasons: It seems to positively correlate with service performance as well as job satisfaction (e.g. Schneider et al., 1980; Schneider and Bowen, 1985; Johnson, 1996; Webster, 1993 a, b) (a detailed discussion on the link between organisational service orientation and these constructs will be outlined in section 2.5.3). Therefore, it might be argued that it is a critical indicator that reveals whether there are any shortcomings in the implementation of management practices that impact negatively on the service delivery. Thus, in line with the current services

marketing literature it has the potential to play a central role in the continuous improvement of services (e.g. Heskett et al., 1994).

2.5.1 Operational Definition of Organisational Service Orientation

Taking the above into account it seems appropriate to use a definition of the organisational service orientation construct that focuses on perceptions of the importance the organisation places on the service delivery to customers. As the formation of this overall perception may be dependent on the evaluation of organisational policies, goals, processes and outcomes in relation to services, it might be suggested that organisational service orientation should be regarded as an attitude – in contrast to individual service orientation, which may be considered a personality trait. The literature suggests that the definition of attitudes includes cognitive and affective components (e.g. Hogg and Vaughan, 1998). This seems to be similar to the conceptualisation of personality traits. However, it has been argued that attitudes are related to events or objects and may hence change over time, whereas personality traits are more fundamental psychological characteristics of a person – their cognitive/affective dimensions may therefore be more stable than those of attitudes (e.g. Allen, 2000).

A critical review of the literature revealed that authors who have used definitions emphasising the implementation of management practices, i.e. that have focused on service climate, have contradicted themselves: For example, Lytle et al. (1998) outline that “the service orientation of an organisation is what its employees perceive it to be - research suggests that employee inferences are typically centred around how the organisation goes about its daily business and what goals the organisation pursues”. Hence, their definition of organisational service orientation as outlined above (section 2.5) is incongruent with their description of the construct. Rather, the quote suggests that a definition like that of Parkington and Schneider (1979) is more appropriate.

However, just as with the operational definition of individual service orientation, it is argued that the definition of Parkington and Schneider (1979) is too broad for the purpose of this study. As outlined above, it is the aim of this research to contribute to knowledge by exploring how employees' perceptions of an externally focused organisational service orientation can be formed, i.e. how the organisation can implement management practices that positively influence the service delivery to customers, instead of reinforcing an internal focus that is mainly concerned with bureaucracies and system maintenance. Therefore, the following definition of organisational service orientation has been formulated by the author for the use in this study:

“Perceptions of the importance placed by the organisation on a good service delivery to customers.”

This section has reviewed the definitions of organisational service orientation as well as its relevance. An operational definition of the construct has been provided. The next section will give an overview of the antecedents of an organisational service orientation.

2.5.2 Determinants of Organisational Service Orientation

The review of the literature revealed that there appear to be three main determinants of employees' perceptions of an organisational service orientation, which are interlinked. It is argued that these are 1) organisational culture, 2) leadership and 3) management practices. A full discussion of these points would go beyond the scope of this study. However, the concepts will be discussed briefly in turn as it is suggested that they may contribute to the understanding of how an externally focused organisational service orientation might be developed.

Organisational Culture

Organisational culture has been conceptualised and defined in many different ways (e.g. Schein, 1992; Meyerson and Martin, 1987). However, Lewis (1996 a, b) has argued that most conceptualisations have a directly observable dimension in common, e.g. management practices supporting the service delivery to customers, as well as an unobservable dimension, e.g. employees' perceptions of an externally focused organisational service orientation.

It has been outlined in the organisational service orientation literature that a climate for service might be regarded as a part of an organisation's culture (e.g. Schneider et al., 1998; Johnson, 1996). Hence, it could be argued that an overarching organisational culture, which promotes the importance of a good service to customers at all levels of the organisation, may support a positive service climate and hence employees' perceptions of an organisational service orientation (e.g. Gronroos, 1990). However, there is some controversy over the extent to which organisational culture can be influenced at a business unit level (e.g. Murphy and MacKenzie Davie, 2002): While some authors have suggested that a strong unitary culture could be posited by management across the organisation (e.g. Peters and Waterman, 1982), others have argued that such a conceptualisation would ignore the complex, pluralistic and intersubjective nature of culture (e.g. Hawkins, 1997).

With this in mind, Meyerson and Martin (1987) suggested the following cultural paradigms:

- Integration paradigm – Corporate culture is characterised by consistency across cultural manifestations, consensus among members and a focus on cultural leaders.
- Differentiation paradigm – Attention is paid to inconsistencies and a lack of consensus. Emphasis is placed on the importance of certain subunits as culture is composed of a collection of values and manifestations, some of which are contradictory.

- Fragmentation paradigm – Corporate culture is neither clearly consistent nor inconsistent. Ambiguity is seen as an inevitable part of organisational life. Members share some viewpoints, disagree about others and are indifferent towards the remaining. Consensus, dissensus and confusion coexist and make it difficult to draw cultural and subcultural boundaries.

Depending on the stance of the author, they will have different viewpoints as to what extent culture may be influenced through management practices. Following this line of argument, Ogbonna and Harris (2002) have categorised the literature into three distinct groups:

1) Optimists

Cultural optimists assume that unitary cultures in organisations exist and that cultural control by top management is possible and desirable. Therefore, it could be argued that their work forms a part of the integrationist paradigm as described by Meyerson and Martin (1987).

2) Pessimists

In the late 1980s literature has become more critical towards the view that management could achieve cultural re-orientation: Pessimists argue that optimists tend to search for shared meanings in organisations, and therefore frequently ignore the conflicts and contradictions that many pessimists conceive of as providing a more accurate representation of life. In this sense, the pessimists can be described as being representatives of the differentiation paradigm (Meyerson and Martin, 1987).

3) Realists

Finally, Ogbonna and Harris (2002) have highlighted that there has been a growing concern that both extreme sides of the argument may not fully explain the dynamics of organisational culture. It has been argued that organisational culture can and does change and that it can be influenced to some extent. This is in line with the fragmentation paradigm (Meyerson and Martin, 1987), since it is argued that management may have control over some variables, whereas subcultures may

influence other variables, and there may be no consensus at all about the remaining factors.

Figure 2.2 summarises the theoretical strands from the reviewed literature on general corporate culture.

So far, there is some evidence which suggests that there might be different levels of perceptions of organisational service orientation at a business unit level within the same organisation (e.g. Schneider and Bowen, 1985; Johnson, 1996). Therefore it could be argued that it might be difficult to instil a unitary culture across the organisation which would influence employees' perceptions of an externally focused organisational service orientation evenly in each business unit. Therefore, this finding may also lend some support for the differentiation or fragmentation paradigm. However, there are only a few studies that have tried to investigate levels of organisational service orientation between different branches of an organisation (e.g. Schneider and Bowen, 1985; Johnson, 1996). Thus it might be suggested that more research is necessary in this area to gain a greater understanding of the reasons for potential variations across business units.

Figure 2.2 Summary: Theoretical Strands of Organisational Culture

| Continuum: Level of Management Impact on Corporate Culture at an Organisational Level | | | |
|---|--|---|---|
| ← low | | high → | |
| Classification by Meyerson and Martin (1987) | Differentiation Paradigm <ul style="list-style-type: none"> • Inconsistency in cultural values • Subunits • Open system | Fragmentation Paradigm <ul style="list-style-type: none"> • Neither consistent or inconsistent • Consensus, dissensus and confusion coexist | Integration Paradigm <ul style="list-style-type: none"> • Consensus across company • Existence of cultural leader • Closed system |
| Classification by Ogbonna and Harris (2002) | Pessimists <ul style="list-style-type: none"> • Culture too complex to be influenced • Conflicts and contradictions form part of life • Employees bring their own meanings and interpretations | Realists <ul style="list-style-type: none"> • Parts of culture can be changed/managed to some extent • Dynamics between subcultures need to be better understood | Optimists <ul style="list-style-type: none"> • Unitary culture exists |

(developed by author)

Leadership

In relation to the above it may be suggested that, if management at the top of the organisation has only a small influence on the level of organisational service orientation at a business unit level, it is important to understand how business unit management may be able to influence employees' perceptions of an externally focused organisational service orientation. It has been suggested that the role of the middle manager is particularly critical in the transmission of information and attitudes between top management and employees (e.g. Hegewisch and Larsen, 1996). Hence, the concept of leadership may add to the understanding in this area as it has been argued that the notion of *influence* has been common in most conceptualisations of the leadership construct (e.g. in Popper and Druryan, 2001). In line with this, many authors see leadership as a social process that steers groups into a certain direction (e.g. Cardona, 2000). This perspective also suggests that leadership may be expressed through behaviours. The literature review revealed that

there are many different categorisations of various leadership styles (e.g. Gabris et al., 1998; Harris and Ogbonna, 2001). A commonality between most reviewed studies seems to be that they differentiate between leadership styles in relation to their success in developing a good organisational performance, as can be seen in **table 2.2:**

Table 2.2 Examples of Leadership Styles and their Impact on Organisational Performance

| Authors | Positively related to performance | Negatively related to performance |
|---------------------------|---|---|
| MacKenzie et al. (2001) | <ul style="list-style-type: none"> • transformational | <ul style="list-style-type: none"> • transactional |
| Harris and Ogbonna (2001) | <ul style="list-style-type: none"> • Participative • supportive | <ul style="list-style-type: none"> • instrumental |
| Yousef (2000) | <ul style="list-style-type: none"> • consultive • participative | |
| Gabris et al. (1998) | <ul style="list-style-type: none"> • dynamic | <ul style="list-style-type: none"> • conservative |
| Cardona (2000) | <ul style="list-style-type: none"> • transcendental | <ul style="list-style-type: none"> • transactional |

(developed by author)

Some of the evidence in this area of research suggests that management which is supportive and involves employees in the implementation of management practices may also develop a more positive service climate and hence higher levels of an organisational service orientation (e.g. Harris and Ogbonna, 2001). Moreover, as highlighted by Gabris et al. (1998), a belief to be able to improve existing conditions may also have a positive impact on employee performance. Although there is some evidence in the organisational service orientation literature that employee empowerment (e.g. Lytle et al., 1998) and employee involvement (e.g. Liao and Chuang, 2004) may impact on employees' perceptions of organisational service orientation, more research may be necessary to explore in more detail the link between organisational service orientation and leadership.

The above suggests that organisational culture and leadership may be interlinked with the implementation of management practices that might be used to develop

perceptions amongst employees of an externally focused organisational service orientation. The next section will briefly review the management practices that have been identified in the literature as having an impact on perceptions of organisational service orientation.

Management Practices

It might be suggested that the findings highlighted in the literature concerning management practices used to develop perceptions of an organisational service orientation amongst employees have been inconsistent. The literature review revealed that this seems to be mainly due to the fact that each study has used different measurement scales, assessing different facets of management practices or different management practices all together. **Table 2.3** gives an overview of the management practices that have been investigated in conjunction with perceptions of organisational service orientation.

As can be seen, the management practices that have most often been studied in conjunction with organisational service orientation are service rewards, training, leading by example and the use of supporting technology. In the majority of these studies, these management practices were positively linked to employees' and customers' perceptions of service performance (e.g. Johnson, 1996; Schneider et al., 1980; Schneider and Bowen, 1985). Therefore, it has been suggested that human resource practices, such as employee appraisal and training, could be used to reinforce positive service behaviours of employees (e.g. Schneider and Bowen, 1985). Due to the interactive nature of services it has also been suggested that service skills training may enhance the interaction between employees and customers (e.g. Albrecht and Zemke, 1985; Heskett et al., 1990).

Table 2.3 Overview: Management Practices studied in conjunction with Organisational Service Orientation

| Studies | Service rewards/ appraisal | Service training | IT/ systems support | Leading by example | Customer retention/ service failure prevention | Employee involvement | Use of customer feedback |
|---------------------------|----------------------------|------------------|---------------------|--------------------|--|----------------------|--------------------------|
| Schneider et al., 1980 | • | | • | • | • | | |
| Schneider and Bowen, 1985 | • | • | • | • | • | | |
| Schneider et al., 1992 | • | • | • | • | • | | |
| Webster, 1993 | • | • | | | | | |
| Johnson, 1996 | • | • | • | | | | |
| Schneider et al., 1998 | • | • | • | • | | • | • |
| Lytle et al., 1998 | • | • | • | • | • | • | |
| Liao and Chuang, 2004 | • | • | | | | • | |

(developed by author)

As outlined in the previous section, it might be argued that leadership style in general may have an impact on employees' perceptions of an organisational service orientation. Thus, it might also be suggested that managers who are leading by example and portray the service to customers as being important may also be a management practice that has a positive impact on perceptions of organisational service orientation (Lytle et al., 1998).

Finally, the use of technology to support the service delivery to customers has been of interest for decades now and has gained new momentum through the development of Customer Relationship Management systems (e.g. Lytle et al., 1998). In the services marketing literature it has been suggested that IT systems are increasingly important as they may enhance the consistency and reliability of services (e.g. Berry et al., 1994). However, the development of these systems has been a relatively new

area and it has therefore been suggested that many organisations have been facing problems with the implementation of this new technology: e.g. Davids (1999) suggests that many newly implemented customer relation management systems have been failing over the last years. Therefore, it could be argued that more detailed research in this area may be necessary in order to see whether IT systems may currently hinder employees in the service delivery due to difficulties in the design and implementation.

Given that strong attention has been paid to the design and implementation of customer feedback and its link to service performance as well as job satisfaction in the services marketing literature (e.g. Hoffman and Bateson, 1997), it might have been expected that this management practice may have also been studied in more depth in relation to the development of an organisational service orientation construct. However, in most service orientation studies customer feedback has only been used for correlation analyses with employees' perceptions of service performance (e.g. Schneider et al., 1980; Johnson, 1996). Only one of these studies looked at the impact of the use of customer feedback as a separate management practice on employees' perceptions of organisational service orientation (Schneider et al., 1998). The results of this study reflected that the use of customer feedback significantly contributed to employees' perceptions of organisational service orientation. Therefore, it may be suggested that further research might be necessary to understand in more detail how customer feedback could be meaningfully designed and implemented in conjunction with the development of an externally focused organisational service orientation. As this was a specific objective of this study, chapter 3 will discuss in further detail the service performance measurement literature with particular focus on the collection, communication and use of customer feedback.

This section has briefly reviewed the main determinants of organisational service orientation: organisational culture, leadership and management practices. The following section will discuss the possible outcomes of service orientation, paying

particular attention to the interplay between individual and organisational service orientation and its impact on job satisfaction and service performance.

2.5.3 Outcomes of Organisational Service Orientation

The previous sections endeavoured to bring some clarity into what the constructs individual and organisational service orientation mean and to what extent research in the area of organisational service orientation could be relevant, as it may have a potential impact on service performance and job satisfaction. The following will highlight in more detail why this assumption has been made and will also try to disentangle the claims made in the literature with regard to the relationship between service orientation, service performance and job satisfaction. Before doing so, however, the terms service performance and job satisfaction will be briefly reviewed in the beginning of the respective parts to set the scene for this discussion.

Service Performance

Historically, job performance has been regarded as being related to output that could mainly be measured quantitatively (e.g. Smith et al., 1969). Hence, the conceptual focus of job performance was on productivity aspects. However, with the rapid growth of the services sector an increasing number of authors have started to concentrate on the quality aspects of the service performance, as it has been suggested that the quality of the service delivery may be one of the key differentiators with which the competition could be outperformed (e.g. Heskett et al., 1994). Therefore, a review of the services marketing literature suggests that over the last two decades the term service quality has almost become a synonym for service performance (e.g. Zeithaml and Bitner, 2000). However, although a lot of research has been published in this area there is still no clarity on how the construct may be conceptualised (Kang and James, 2004). Although many theorists seem to share the view that customers may perceive service quality in relation to their prior expectations (e.g. Parasuraman et al., 1985; Gronroos, 1983; Rust et al., 1996), there

is some controversy on which dimensions customers may perceive such a discrepancy. Whilst some theorists have highlighted that service quality may be judged on three dimensions – how the service is delivered, the content of the service and the organisational reputation – (e.g. Gronroos, 1983), others have suggested that there are at least five dimensions that may be critical to service quality, e.g. tangibles, reliability, responsiveness, assurance and empathy (e.g. Parasuraman et al., 1985). A more detailed discussion on the dimensions of the service quality construct and its measurement will be provided in chapter 3. What is important to take from this discussion for the remit of this chapter is that it is widely believed that service quality seems to largely depend on the interaction between customer facing employees and customers (e.g. Gronroos, 1990). Therefore, it might be argued that service performance may be conceptualised as the degree to which customer facing employees are able to meet customers' expectations during the service delivery process (e.g. Hoffman and Bateson, 1997).

Taking the above into account, it may not seem surprising that authors have suggested that an externally focused individual service orientation may be positively linked to service performance (e.g. Hogan et al., 1984; Chait et al., 2000). From an observer's perspective it might be noticed that employees who believe that a good service delivery to customers is important may also try to provide a good service. However, so far very few authors have endeavoured to explain the phenomenon from a theoretical perspective. This is important, though, as it may also help to shed some light onto the triangular relationship between organisational and individual service orientation and service performance:

To recap, it has been suggested above that individual service orientation is a personality trait. It has also been outlined that there is some evidence for the notion that the cognitive and affective dimensions of this personality trait may not automatically lead to positive service related behaviours. Rather, it has been argued that not only the person, but also their environment have to be taken into account in order to be able to predict behaviour (e.g. Mischel, 1968; Pervin, 1980; Liao and Chuang, 2004).

Therefore, it is argued that from a theoretical stance it is difficult to assume a strong link between individual service orientation and service performance. This is because this assumption is linking a personality trait directly to a behavioural outcome. However, as argued earlier, the implementation of supportive management practices may create an environment which employees perceive as an externally focused organisational service orientation. Therefore, if the employee has a high individual service orientation and the organisation supports this trait through service directed management practices, the employee may exhibit excellent service behaviours. On the other hand, if a highly service oriented individual is in an environment with a low organisational service orientation, then this may lead to a poor service performance.

Moreover, although the implementation of management practices that put an emphasis on the service delivery to customers may change employees' perceptions of the service orientation of the organisation, it is suggested that they may not have an influence on the cognitive/affective aspects of individual service orientation. They may, though, create a behavioural change. This may even be the case if employees have a low individual service orientation, because it could be argued that customer facing employees will try to provide a good service to customers anyway due to other reasons, such as feeling pressurised by the organisation or the direct customers (e.g. Chung and Schneider, 2002), or because they are encouraged by performance related reward (e.g. Schneider and Bowen, 1995).

In line with the above, it might be possible to explain a stronger effect of organisational service orientation on service performance, than of individual service orientation on service performance, as organisational service orientation may be a necessary condition for a good service performance, whereas individual service orientation may not be essential.

The following will look at the link between service orientation and job satisfaction.

Job Satisfaction

The study of the construct job satisfaction has gained wide attention across the social sciences (e.g. Rust et al., 1996; Brown and Peterson, 1993; Judge et al., 2001). There is some consensus that job satisfaction may be defined as an attitude (e.g. Organ and Lingl, 1995; Fisher, 1980; Judge et al., 2001). The literature review revealed that some of the most frequently cited publications in this field of research were published in the 1950s/1960s (e.g. Vroom, 1964; Porter, 1962). It has to be understood that at that time the three-component model of attitude - consisting of cognitive, affective and behavioural aspects - was particularly popular (e.g. Rosenberg and Hovland, 1960; in Hogg and Vaughan, 1998). Therefore, it is not surprising that research in this field gained momentum as it was assumed that positive beliefs and feelings about the job would be linked to positive behaviours of employees, called productivity at that time. Hence, early conceptualisations of job satisfaction would include beliefs about and feelings towards a job as well as positive behavioural outcomes (e.g. Vroom, 1964).

However, as suggested above, research in the 1970s provided growing evidence for the notion that the link between cognition and behaviour may not necessarily be constant or direct (e.g. Zanna and Rempel, 1988). Therefore, later definitions of attitudes, also including job satisfaction, tended to focus on cognitive/affective dimensions (e.g. Hogg and Vaughan, 1998). It might be argued that the aspiration was to identify cognitive/affective aspects of job satisfaction that may predict positive behavioural outcomes, e.g. job performance (e.g. Fisher, 1980). This led to a new focus in the debate, concentrating the search on which beliefs and emotions towards which aspects of the job should be taken into account in order to determine job performance (e.g. Fisher, 1980).

However, there has been no clarity as to whether job satisfaction should be considered a composite construct consisting of several facets, or a global construct (e.g. Chuang and Schneider, 2002). The following quote reflects this notion: “Job satisfaction can be considered as a global feeling about the job or as a related constellation of attitudes towards various aspects of facets of the job.” (Spector, 1997).

A meta-analysis conducted by Judge et al. (2001) suggested that the 44 articles using one global measure of overall job satisfaction could show a stronger link to job performance than the 176 studies that used a composite score that consisted of several facets of job satisfaction. To conclude, there does not seem to be any clarity on how the construct job satisfaction may be defined. It could be argued, though, that if the aim of the study is to improve work conditions for employees then it might be worthwhile to look at composite conceptualisations, whereas if job satisfaction is studied to identify a link with job performance it may be better to focus on global measures. Moreover, a review of the studies using several job satisfaction facets suggests that they actually seem to tap into other domains, such as internal marketing and service climate (e.g. Hartline and Ferrell, 1996).

As highlighted earlier, some theorists have suggested that there may be a direct link between individual service orientation and job satisfaction (e.g. Keillor et al., 1999; Bettencourt et al., 1997; Spector and O'Connell, 1994). It might be argued that this assumption is very complex, but also problematic as it links a personality trait directly to an attitude. As outlined earlier, more recent theories on attitude formation have mainly focused on cognitive and affective components. There is growing support for the interplay between the two components, suggesting that the essence of an attitude may be the process of evaluation of an object or a situation (e.g. Wyer and Strull, 1984; in Hogg and Vaughan, 1998).

In light of the above, is it reasonable to assume that employees with a high individual service orientation, who think that a good service delivery to customers is important, will evaluate their job positively if the organisational environment is hindering the provision of a good service? Probably not. However, it might be that these employees become more satisfied with their job if the organisation starts to introduce support systems and management practices that enable a good service delivery to customers. It might also be that customer facing employees may place a stronger emphasis on good service performance than the organisation due to a combination of the following reasons:

- a) Employees with a higher individual service orientation may be more attracted to customer facing jobs as they gain satisfaction out of intrinsic rewards from dealing with customers (e.g. Porter, 1962).
- b) Customer facing employees may feel pressured by customers to deliver a good service (e.g. Chung and Schneider, 2002) and may therefore feel easily frustrated if they cannot offer what the customers demand. They may also feel a greater sense of achievement if they receive positive feedback from customers and the organisation (e.g. Schneider and Bowen, 1995).

Therefore, it is possible that the link between organisational service orientation and job satisfaction may be stronger than that between individual service orientation and job satisfaction: If it is assumed that a good service performance for customer facing staff is important, then an externally focused organisational service orientation is a condition for job satisfaction. However, the possession of a strong externally focused individual service orientation may not be necessary, as there may be other factors, such as performance related recognition, that encourage employees to deliver a good service in order to gain greater satisfaction out of their job.

The following will investigate the link between service performance and job satisfaction, and the possible mediating role of organisational service orientation.

The Link between Service Performance and Job Satisfaction

The connection between these two constructs has gained wide attention in academic research (e.g. Burke et al., 2005; Heskett et al., 1990, 1994; Zeithaml and Bitner, 2000; Iaffaldano and Muchinsky, 1985). However, there has been some controversy over the direction of the link between the two constructs.

Job Satisfaction causes Service Performance

From an early human relations point of view the idea has been that job satisfaction may lead to better job performance (Strauss, 1968; in Judge et al., 2001). Therefore, it has been suggested that this assumption directly links an attitude to behaviour (e.g. Fisher, 1980). However, a careful review of the literature reveals that there is some evidence that the Theory of Reasoned Action (Ajzen and Fishbein, 1973), which assumes a direct link between cognition, affection and behaviours, is too simplistic to predict behaviour (e.g. Parker et al., 1995). Ajzen (1989) himself extended the original model to the Theory of Planned Behaviour, suggesting that apart from attitudes towards a behaviour, also an individual's beliefs and attitudes about resources and opportunities may have an impact on actual behaviour (e.g. Hogg and Vaughan, 1998). Also other social cognition theorists have suggested that in order to predict behaviour, personal as well as environmental factors may have to be taken into account (e.g. Bandura, 1986). Another suggested theoretical basis for this link has been the possible application of theories on social exchange and equity (e.g. Blau, 1964; Adam, 1965) as it has been argued that if the organisation treats employees well then they would reciprocate this by providing a good service to customers. However, equity theory has been concerned with explaining the mutual exchange of resources between two persons (e.g. Adams, 1965). Hence, it is not entirely clear how equity theory could explain an indirect reciprocation of favours. This, however, is the case in the scenario that employees deliver a good service to customers, because they feel treated well by their employer. Moreover, the meta-analysis by Judge et al. (2001) suggested that there have only been two studies that have tried to investigate this unidirectional link – and they yielded inconclusive results.

Service Performance causes Job Satisfaction

This assumption is linking behaviour directly to an attitude. It might be suggested that the theoretical basis for this assumption is stronger than for the previous one: Within the framework of social learning theory (e.g. Bandura, 1977), it has been suggested that persons develop beliefs and expectations, based on their experience,

about what acts may produce which outcomes. Transferred to a work setting, it has been suggested that performance would lead to job satisfaction through intrinsic and extrinsic rewards (e.g. Lawler and Porter, 1967; in Judge et al., 2001). This links also in with motivational theories (e.g. Maslow, 1954; Porter, 1962), suggesting that a good service performance may instil a feeling of achievement, i.e. an intrinsic reward, or may be related to formal recognition, i.e. an extrinsic reward, which in turn may lead to job satisfaction.

Moreover, as outlined by Judge et al. (2001) it seems that there is more empirical support for this unidirectional link, as four studies could show that this link was significant. However, there were also six studies in which this link became insignificant if other variables were introduced to the model (e.g. Brown and Peterson, 1994). Hence, these studies found that the link between service performance and job satisfaction may be spurious, i.e. that the correlation between the two variables may be mediated by a third variable. Judge et al. (2001) concluded their review suggesting that more research may be necessary into the link between service performance and job satisfaction, especially by studying specifically the influence of potential mediators on the relationship between the two constructs. In light of the arguments put forward in this chapter it might be suggested that organisational service orientation could have a potentially mediating effect on this relationship, because it is possible that through employees' perceptions of organisational service orientation they may experience different levels of service performance which in turn may impact on job satisfaction.

This section has highlighted the possible effects of organisational service orientation on service performance and job satisfaction and has also highlighted how the interplay between organisational service orientation and individual service orientation may have an impact on these two outcomes. The following will summarise the content of this chapter.

2.6 Summary

First, this chapter set the scene for the study of the construct service orientation by discussing the interactive nature of services. Then, the literature in the field of individual as well as organisational service orientation was critically reviewed, suggesting that individual service orientation on its own may not be a strong predictor of service performance and job satisfaction. Therefore, the determinants and outcomes of organisational service orientation were discussed. It was highlighted that organisational service orientation may have a stronger effect on perceived service performance and job satisfaction than individual service orientation. Finally, it was argued that organisational service orientation may mediate the link between service performance and job satisfaction.

On the basis of the arguments provided in this chapter, it may be suggested that organisational service orientation is an important construct to study, as it seems that it may be central to the delivery of good services to customers. A review of the literature revealed that there is some evidence that the design and implementation of customer feedback may have a strong impact on employees' perceptions of organisational service orientation. However, so far there has only been one study that investigated this conjunction in more detail. Therefore, there is little empirical evidence that would provide managerial implications of how to design and implement customer feedback to develop a strong organisational service orientation. Thus, the next chapter will look at the service performance measurement literature – specifically focusing on the design and implementation of customer feedback - to identify whether any suggestions can be taken from that field of the literature.

Chapter 3. Customer Feedback in Services

3.1 Introduction

The previous chapter discussed the constructs individual and organisational service orientation and their relevance in the service delivery process. It was highlighted that organisational service orientation may have a stronger impact on service performance and job satisfaction than individual service orientation and may also mediate the link between service performance and job satisfaction. Therefore, it was suggested that organisational service orientation may be central to the development of a good service delivery.

It was also highlighted that previous research identified several management practices that may impact positively on the development of an organisational service orientation, one of them being the design and implementation of customer feedback. However, the literature review also revealed that there are only a few publications that have reported in more detail on how this management practice could be implemented to impact positively on employees' perceptions of organisational service orientation.

Therefore, this chapter will discuss the literature with regard to the design and implementation of customer feedback in services: After having outlined the remit of performance measurement and the importance of customer feedback in the improvement of services, the discussion will turn to the design of customer feedback. It will be particularly focused on the conceptualisation of the constructs service quality and customer satisfaction. The second part of the chapter will discuss the implementation of customer feedback in services, focusing on its collection, communication, and use.

3.2 The Changing Definition and Remit of Performance Measurement – A need for Customer Feedback

Although a large body of literature in the field of performance measurement has evolved over the last two decades (e.g. Amaratunga et al., 2001; Bourne et al., 2000; Brignall and Ballantine, 1996; Kennerley and Neely, 2002; Eccles, 1991; Hoffman and Bateson, 1997), there is no clarity on how the concept may be defined. Sink (1991) commented that the concept of performance measurement remains a *mystery*. This is in line with Neely et al. (1995) who outlined in their literature review that “performance measurement is a topic which is often discussed but rarely defined”. In essence, it may be suggested that authors in this stream of the literature often seem to relate to performance measurement, performance measures and performance measurement systems interchangeably. The following endeavours to disentangle these terms.

One of the most frequently cited conceptualisations of *performance measurement* is that of Neely et al. (1995), stating that performance measurement is the *process* of “assessing the efficiency and effectiveness of action”. In this context, Neely et al. (1995) have argued that the level of service performance is a function of both, effectiveness and efficiency, as organisations may outperform their competition if they satisfy their customers’ needs with greater effectiveness and efficiency than other organisations. Therefore, it has been suggested that, historically, performance measurement has been used as a monitoring and controlling mechanism to ensure that service performance targets in terms of effectiveness and efficiency are met (e.g. Nanni et al., 1990; Sink, 1991). Thus, it may be argued that performance measurement in its strictest sense might be conceptualised as a process of assessing the progress made towards the achievement of service performance targets (e.g. Amaratunga et al., 2001).

However, with the development of the literature in this field there has been an increase in expectations towards what functions performance measurement should fulfil. Since then, the claims of its potential benefits have ranged from the implementation of organisational business strategy, to employee motivation, to strategic resource allocation, to being a change agent for organisational culture (e.g.

Sinclair and Zairi, 1995; Brignall and Ballantine, 1996; Nanni et al., 1990). For example, it has been highlighted that performance measurement should be used to increase the organisation's focus on customers' changing requirements in order to remain competitive through the continuous improvement of the services offered and delivered to customers (e.g. Fitzgerald and Storbeck, 2003; Talley, 1991). Therefore, it might be suggested that with the growth of academic and management interest in this area the boundaries of the performance measurement concept have not become clearer, but more blurred. It seems that the scope of performance measurement has widened - from monitoring and controlling performance to enabling, improving and forecasting service performance. In line with this there has been a dramatic increase in the creation of new performance measures, especially concerning the quality of services, which all have been claimed to make the performance measurement process more successful.

In their literature review Neely et al. (1995) concluded that a *performance measure* may be used to assess "the efficiency and/or effectiveness of an action." This is in line with Hronec (1993) who suggested that performance measures may be used to identify how well processes and the output of processes fulfil the organisation's goals. In the performance measurement literature, effectiveness has been described as the extent to which customer requirements are met (output), and efficiency as the measure of how economically the organisation's resources have been utilised to meet these requirements (process) (Hussain and Hoque, 2002). Neely et al. (1995) concluded that the four key areas performance measures seem to relate to are quality, time, cost and flexibility. They highlighted that quality has traditionally been defined in terms of "conformance to specification" and the costs that incur with the production and delivery of goods and services according to such a specification. However, with the growth of competition and rising consumer expectations there has been a shift from focussing on predefined specifications to a focus on meeting customers' demands (e.g. Eccles and Pyburn, 1992). This is in line with the services marketing literature as it can be observed that two of the most widely researched performance measures in services seem to be service quality and customer satisfaction (e.g. Parasuraman et al., 1985). However, there has been no consensus on

which dimensions these two measures should encompass, as will be discussed in section 3.3.

The third term, which needs to be discussed in this context, is that of *performance measurement systems*. A review of the literature revealed that the term encompasses all measures organisations are using to assess their performance (e.g. Amaratunga et al., 2001; Kaplan and Norton, 1992, 1996; Bourne et al., 2000; Kennerley and Neely, 2002; Bititci et al., 2000; Eccles, 1991). One of the few explicit definitions of performance measurement systems can be found in Neely et al. (1995): “A performance measurement system can be defined as the set of metrics used to quantify both, the efficiency and effectiveness of actions.” However, there has been a large debate about which performance measures such a system should consist of:

While historically the emphasis has been on cost accounting measures, such as cost and time, this approach has been criticised for being biased and reactive (e.g. Kaplan and Norton, 1992, 1996; Lynch and Cross, 1991; Bourne et al., 2000; Kennerley and Neely, 2002; Bititci et al., 2000; Eccles and Pyburn, 1992). Instead, it has been argued that companies would have to deploy more balanced, strategic, integrated, relevant, improvement oriented performance measurement systems in order to be dynamic players in an increasing competitive environment (e.g. Bititci et al., 2000; Eccles, 1991). Therefore, it has been argued that a wider range of performance measures should be used in order to cover all factors that may be crucial to the organisation’s long-term success. This notion has led authors to develop a whole host of performance measurement system frameworks in order to enable organisations to identify the key measures that should be used in order to remain competitive, such as SMART (Strategic Measurement Analysis and Reporting Technique, Cross and Lynch, 1989), the Performance Measurement Questionnaire (Dixon et al., 1990) and the Cambridge Performance Measurement Design Process (Neely et al., 1996). The framework that probably attracted the greatest attention has been the Balanced Scorecard which has been developed by Kaplan and Norton (e.g. 1992, 1996). The authors have claimed that there are four aspects a performance measurement system should cover in order to “monitor progress in building the capabilities and acquiring the intangible assets that generate growth for future performance” (Kaplan and

Norton, 1996): finance, customers, internal business processes and learning and growth.

In light of the above it might be suggested that, overall, there has been some consensus in the performance measurement literature that a more balanced approach to measuring performance, which also advocates the inclusion of customer feedback mechanisms, may be of benefit for organisational performance. On the basis of this a large body of literature has emerged that has looked at the design and implementation of customer feedback mechanisms (e.g. Sharman, 1995; Piercy, 1996; Staniforth, 1996). In this context, two of the most widely discussed performance measures have been customer satisfaction and service quality (e.g. Parasuraman et al., 1985; Hoffman and Bateson, 1997). However, while the traditional view of performance measurement may have focused on quantitative metrics, the services marketing literature suggests that customer satisfaction and service quality may also be assessed through more qualitative mechanisms that may form a part of the service performance measurement system, such as customer focus groups (e.g. Hoffman and Bateson, 1997). The increasing focus on customer satisfaction and service quality may be attributable to two main reasons:

- 1) Over the last two decades services have become the largest sector in many countries' economies and have therefore attracted increasing managerial and academic interest (e.g. Heskett et al., 1994).
- 2) As outlined above, with increasing consumer expectations it has been suggested that organisations would not compete anymore on the content of the product or service only, but also on other dimensions such as the service delivery to customers (e.g. Hoffman and Bateson, 1997).

As it has been argued above that the service delivery process is strongly dependent on the interaction between employees and customers (e.g. Zeithaml and Bitner,

2000), it might be suggested that the gathering of customer feedback in services may be relevant for two interlinked reasons:

- 1) it might help to improve the service delivery to customers (customer dimension) (e.g. van Schalkwyk, 1988),
- 2) it might help to encourage employees to deliver a good service (employee dimension) (e.g. Lawler, 1986).

Table 3.1 and **table 3.2** reflect some of the key attributes of appropriately designed and implemented customer feedback that have been frequently mentioned in the literature as well as their outcomes with regard to the customer and employee dimension.

Table 3.1 Customer Feedback Attributes and Outcomes: Customer Dimension

| Authors | Attributes | Outcomes |
|--|---|---|
| Van der Wiele et al., 2002 | <ul style="list-style-type: none"> • Timely/accurate | <ul style="list-style-type: none"> • Respond to customers' changing needs |
| Williams and Visser, 2002 | <ul style="list-style-type: none"> • integration with other performance measures | <ul style="list-style-type: none"> • identify cause-and-effect relationships; clarify wider organisational goals |
| Slater, 2001 | <ul style="list-style-type: none"> • include dimensions relevant to customers | <ul style="list-style-type: none"> • gain insight into how to improve services to meet customers' requirements |
| Van der Wiele et al., 2002; Pruden, 1997 | <ul style="list-style-type: none"> • only include dimensions that can and will be changed if necessary | <ul style="list-style-type: none"> • make customers feel they are taken seriously |
| Stone and Banks, 1997 | <ul style="list-style-type: none"> • detailed feedback from individual customers | <ul style="list-style-type: none"> • directly address problems of specific customers |
| Mendelsohn, 1998 | <ul style="list-style-type: none"> • continuous collection of customer feedback | <ul style="list-style-type: none"> • monitor progress being made |

(developed by author)

Table 3.2 Customer Feedback Attributes and Outcomes: Employee Dimension

| Authors | Attributes | Outcomes |
|--|--|--|
| McNair et al., 1990 ; Lawler, 1986 | <ul style="list-style-type: none">• integration of customer feedback with reward and recognition | <ul style="list-style-type: none">• employee motivation to deliver a better service |
| Mendelsohn, 1998 | <ul style="list-style-type: none">• continuous monitoring of actions based on customer feedback | <ul style="list-style-type: none">• identify progress being made to inform recognition |
| Van Schalkwyk, 1988; Mendelsohn, 1998 | <ul style="list-style-type: none">• relevant customer feedback on service aspects that employees can influence | <ul style="list-style-type: none">• focus on improvement and sharing of information |

(developed by author)

Although it has been suggested in the literature that the gathering of customer feedback may be important in order to fulfil the functions as highlighted in the tables above, there is still some controversy over how customer feedback may be meaningfully designed and implemented. Therefore, the next two sections will focus on the most frequently debated *design* and *implementation* issues of customer feedback. On the basis of the literature review, the following categorisation for the two stages is suggested:

- The design of customer feedback encompasses the operationalisation of constructs, including the definition, conceptualisation and development of measures (quantitative or qualitative) of the information of interest.
- The implementation of customer feedback includes the actual collection, communication as well as the use of the information gathered.

It might be argued that the success of the implementation may depend to some extent on the design, as this stage is crucial to ensure that correct and relevant customer feedback is gathered. However, if the implementation of customer feedback mechanisms is poor, then a good design may be of no use. Therefore, it may be suggested that both, the design and implementation of customer feedback, are interdependent.

3.3 The Design of Customer Feedback in Services

As highlighted above, it has been suggested that the design of customer feedback includes the actual operationalisation of the different constructs of interest with regard to service performance. This section will therefore highlight the debate about the definitions and conceptualisations of the constructs service quality and customer satisfaction, as it has been suggested that these two concepts are two of the key customer feedback indicators for service performance (e.g. Parasuraman et al., 1985; Asubonteng, 1996; Kang and James, 2004; Rosen and Surprenant, 1998).

3.3.1 Service Quality

As highlighted in chapter 2, many authors in the services marketing literature have increasingly used the term *service quality* for describing service performance (e.g. Gronroos, 1982; Zeithaml et al., 1996; Parasuraman et al., 1988). This is reflected in the broad conceptualisation of the term proposed by Hoffman and Bateson (1997), suggesting that perceptions of service quality might be formed by an “overall evaluation of an organisation’s performance.” This conceptualisation suggests that service quality is an evaluation, and therefore a cognitive process, which results in the formation of an *attitude* (e.g. Hoffman and Bateson, 1997). Moreover, there seems to be some agreement that customers’ perceptions of service quality may largely depend on the *interaction* with customer facing employees during the service delivery process (e.g. Gronroos, 1990; Zeithaml and Bitner, 2000).

In general, it might be suggested that there is some consensus in the literature with regard to the *discrepancy* theory, suggesting that customers may perceive service quality in relation to their prior expectations towards the service (e.g. Gronroos, 1994; Parasuraman et al., 1985). It has also been suggested that there might be a possible link between perceived service quality and *customer satisfaction* (e.g. Heskett et al., 1994; Zeithaml and Bitner, 2000). However, as the empirical evidence in this field of research is somewhat patchy, there is still some controversy over how

service quality may be defined, conceptualised and measured as well as how it might be linked to customer satisfaction (e.g. Kang and James, 2004; Caruana, 2002; Davies et al., 1999; Boshoff and Tait, 1996).

The following will discuss two of the most frequently cited perspectives concerning the conceptualisation of the construct service quality, the Service Quality Triad and the Gaps Model.

The Service Quality Triad

The Scandinavians Gronroos (1983; 1990), as well as Lehtinen and Lehtinen (1982; 1991) have advocated the notion that service quality may be judged on three dimensions. Although they termed them differently, it has been suggested that there is considerable overlap between these two approaches to the conceptualisation of the service quality construct (e.g. Asubonteng et al., 1996). **Table 3.3** gives an overview of the two approaches:

Table 3.3 Service Quality Triad

| | Gronroos | Lehtinen and Lehtinen | |
|----------------------|-------------------------|-----------------------|---------|
| How is it delivered? | Functional quality | Interactive quality | Process |
| What is delivered? | Technical quality | Physical quality | Output |
| Who delivers? | Corporate image quality | Corporate quality | |

(developed by author)

↓
Outcome:
Perceived Service
Quality

As can be seen, the technical or physical quality dimension refers to the content of the service. This is why this dimension has also been referred to as the output quality or core dimension (e.g. Parasuraman et al., 1985), i.e. the actual service delivered to customers. It has been suggested that it may be difficult for customers to evaluate this dimension, as service outputs are often relatively intangible (e.g. Zeithaml and

Bitner, 2000). Therefore, it has been argued that organisations may have to introduce more tangible assets to the service delivery process, e.g. published customer standards, in order to provide a frame of reference for customers (e.g. Caruana, 2000). These more tangible assets during the service delivery process may have an impact on how the service is perceived:

Functional or interactive quality has been conceptualised as the process quality (Parasuraman et al., 1985), which occurs prior to outcome quality, the final perception of a service's quality. Essentially, this dimension is referring to how the actual service is delivered. It has been argued that because the technical or physical dimension may be difficult to evaluate, the functional or interactive quality dimension may be particularly critical in the formation of perceptions of service quality (e.g. Zeithaml and Bitner, 2000). The rationale for this argument is that due to the interactive nature of services, customers are often involved in the creation of the service. Therefore, service processes or delivery components that impact on the interaction between customers and employees may influence the formation of perceptions of service quality (e.g. Zeithaml and Bitner, 2000). Thus, the functional or interactive service quality dimension also includes the behaviour of customer facing employees (e.g. Solomon et al., 1985; Bitner, 1990).

Finally, the two models also suggest that perceptions of the overall corporate image, or the reputation of the organisation, may also influence customers' perceptions of the quality of the services received. It has been argued that this dimension may be influenced by the other two, i.e. the quality of the physical/technical dimension as well as the functional/interactive dimension, as the quality levels of these two dimensions may be vital aspects on which organisational reputation may be built (e.g. Gronroos, 1982).

It might be suggested that the triadic model may give some idea about which aspects of the service delivery process should be assessed through customer feedback in order to gain some insight into the levels of service quality provided by the organisation. However, these three dimensions are relatively broad which leaves the

question unanswered as to how information about service quality may be meaningfully gathered and implemented.

Gaps Model

As highlighted above, there is some consensus in the literature that perceptions of service quality may be formed on the basis of the discrepancy between customers' expectations towards the service and their actual perceptions of the service (e.g. Parasuraman et al., 1985). This service quality discrepancy assumption has been elaborated in the *Gaps Model*:

The *Gaps Model* of service quality (e.g. Parasuraman et al., 1985; Zeithaml and Bitner, 2000) suggests that there are five sources that may lead to a service quality discrepancy on the part of customers, employees and management. It has been argued that in order for customers to perceive high levels of service quality, the organisation would have to endeavour to close the *service gap*, i.e. the distance between a customers' expectation towards a service and perception of the service actually received. In order to do so, it has been suggested that the organisation would first have to narrow or close the following four gaps (e.g. Hoffman and Bateson, 1997):

The Knowledge Gap

It has been suggested that this gap exists between customers' expectations towards the services and management's perceptions of what customers expect. If such a gap occurs, the organisation may deliver services in a way that is not meeting customers' wants or needs. This could be either in form of the process or the output quality of the service, as highlighted above. In order to reduce this gap, the organisation may have to deploy several customer feedback mechanisms in order to identify what the customer requirements are. As it has been suggested that customer facing staff may have a good knowledge of what the customers' demands are, it may be of advantage

to regularly engage in initiatives that allow customer facing employees to report their knowledge back to management (e.g. Schneider et al., 1980; 1985; 1998).

The Standards Gap

The standards gap exists if there is a discrepancy between what management perceives customers to expect and the quality specifications set for the service delivery. Although management may be able to identify what the customers' requirements are, there might be no commitment to translate this knowledge into action. Other problems that occur are often related to the measurement of service quality: As it sometimes seems difficult to articulate what the exact standards of the service should be, it has been argued that some organisations are unable to measure these standards and thus have problems to take actions to enhance these service standards (e.g. Sinclair and Zairi, 1995; Staniforth, 1996; McMann and Nanni, 1994; Neely et al., 1995).

The Delivery Gap

This gap refers to the difference between quality standards set for a service and the actual quality of the service. As outlined by Hoffman and Bateson (1997), the magnitude of this gap may depend on employees' willingness and ability to perform. In this sense, it might be argued that this gap seems also to relate to individual and organisational service orientation (e.g. Parkington and Schneider, 1979; Schneider et al., 1980). The identification of this gap reflects that the interplay between an individual's capacity to deliver a service and the organisation's support to do so may be critical to develop service quality. In order to reduce this gap, employees should be enabled to listen to and act upon customer feedback in order to tailor the services if possible in order to meet customers' demands.

The Communications Gap

The fourth gap that has been described in this model is the communications gap. It refers to the difference between the actual quality of services delivered and the quality of services described in the organisation's external communications. The size of this gap may depend on how competitive the environment of the organisation is, as a strong competition may lead to the temptation to overpromise certain service standards.

Moreover, it has been observed that internal communications of an organisation do not always function properly (e.g. Gronroos, 1990). Hence, it is possible that the headquarters of an organisation may promise customers certain services, without talking to the branch offices beforehand in order to identify whether such a service delivery is possible or needed. It has been suggested that the communications gap is the one that is most directly linked to the service gap – the difference between a customer's expectation of a service and perceptions of the actual service delivered (e.g. Hoffman and Bateson, 1997).

Parasuraman et al. (1985; 1988) established through focus groups the basic dimensions on which customers may evaluate the quality of a service (Hoffman and Bateson, 1997):

1. *Tangibles* - Appearance of physical facilities, equipment, personnel, and communication materials.

As outlined above, it has been suggested that this is an important dimension to address, as it provides customers with a frame of reference to evaluate the service: Since the output quality may be difficult to evaluate, especially in very intangible services, the introduction of tangibles, such as certain service delivery standards, may help to positively influence customers' perceptions of the service quality delivered (e.g. Zeithaml and Bitner, 2000).

2. *Reliability* - Ability to perform the promised service dependably and accurately.

It has been suggested that this may be the most important dimension for customers to evaluate the quality of a service, as it is the most basic and thus relatively easy to assess (e.g. Hoffman and Bateson, 1997).

3. *Responsiveness* - Willingness to help customers and provide a prompt service.

This dimension refers to the timeliness of the service delivery and therefore the organisation's capability to organise their resources efficiently (e.g. Parasuraman et al., 1985).

4. *Assurance* - Knowledge and courtesy of employees and their ability to convey trust and confidence.

It has been suggested that this dimension refers to the organisation's knowledge and skills to deliver the promised service in a way that the expected outcome is achieved (e.g. Parasuraman et al., 1985).

5. *Empathy* - Caring, individualised attention the service provides to its customers.

This dimension has gained increasing attention over the last years, as with the development of information technology new systems and channels, such as Customer Relationship Management systems and customer helplines, have been created that may help to tailor the services offered and delivered to individual customers' needs (e.g. Hoffman and Bateson, 1997).

However, over the last decade several authors have argued that these dimensions may not be relevant for generating and perceiving service quality across organisations and industries (e.g. Asubonteng et al., 1996; Rosen and Surprenant, 1998). For example, the fact that there may be other dimensions on which service quality may be evaluated has been recognised by Zeithaml et al. (1990) who have

later suggested that perceived service quality may be the result of factors like the perceived sacrifice to buy the service and intrinsic attributes of the service.

Overall it may be argued that although many studies have stressed the importance of service quality, it appears that no consensus has been reached over how to conceptualise the construct (e.g. Bishop Gagliano and Hathcote, 1994; Kang and James, 2004; Rosen and Surprenant, 1998; Caruana, 2000). This is also reflected in the debate about the measurement of service quality, as there are competing frameworks such as SERVQUAL (Parasuraman et al., 1985) and SERVPERF (Cronin and Taylor, 1992). What can be taken from the discussion, though, is that there seems to be some agreement with the fact that collecting customer feedback to assess service quality may be important for organisations to remain competitive.

The other service performance measure that has attracted a wide attention in the services marketing literature has been *customer satisfaction*. The following will highlight the debate about its presumed link to service quality as well as its conceptualisation.

3.3.2 Customer Satisfaction

A review of the literature suggests that there is no clarity on how the construct customer satisfaction may be conceptualised or how it is related to perceptions of service quality (e.g. Davies et al., 1999; Tsiros et al., 2004; Rosen and Surprenant, 1998). There is some support for the notion that both concepts may be linked, as it has been argued that customer satisfaction may emerge from a discrepancy between customers' expectations and the actual organisational performance (e.g. Davies et al., 1999; Zeithaml and Bitner, 2000). This is in line with the disconfirmation theory, suggesting that customer satisfaction "results from a positive or negative discrepancy between the outcome and the expectations regarding the service" (e.g. Oliver, 1980). However, there are also some authors who have suggested that customer satisfaction results from a gap between customers' overall values and their perceptions of the

service (e.g. Westbrook and Reilly, 1983). Nevertheless, it has been argued that both – service quality and customer satisfaction - may be important concepts as they might give an insight into the nature of the present and future performance of the organisation (e.g. Heskett et al., 1994; Kellar and Preis, 2004). However, some authors have argued that although they are related, the constructs customer satisfaction and service performance are not the same (e.g. Cronin and Taylor, 1992). As Rosen and Surprenant (1998) highlight: Some authors argue that customer satisfaction may be an antecedent of service quality (e.g. Bitner, 1990), whereas others suggest that service quality is an antecedent of customer satisfaction (e.g. Cronin and Taylor, 1992; Natalisa and Subroto, 2003). It has been suggested that there is stronger empirical support for the notion that service quality may be an antecedent of customer satisfaction (e.g. Rosen and Surprenant, 1998; Sureshchandar et al., 2002). Therefore, some authors have suggested that the difference between service quality and customer satisfaction is that satisfaction is a post-decision customer experience (Boulding et al., 1993). However, it has also been suggested that customer satisfaction may be a transaction specific evaluation, whereas service quality represents a long-run overall evaluation (e.g. Rosen and Surprenant, 1998). Overall, it might be argued that there is still no consensus on how customer satisfaction may be conceptualised and measured (Davies et al., 1999; Tsiros et al., 2004):

It has been suggested that customer satisfaction “has proven to be an elusive construct to capture” (e.g. Rosen and Surprenant, 1998). While some authors have suggested that customer satisfaction may be best conceptualised in a uni-dimensional way, other authors have argued that the construct may encompass several levels (e.g. Tsiros et al., 2004; Kellar and Preis, 2004). Leigh (1987) highlighted that conceptualisations concerned with overall satisfaction may not give much insight into how satisfaction levels can be improved. Nevertheless, there has been no agreement with regard to the possible dimensions of customer satisfaction, as it has also been argued that the underlying dimensions may vary between industries (Rosen and Surprenant, 1998; Wisniewski, 1997).

Overall, it might be argued that there seems to be some confusion in the literature about how the construct customer satisfaction may be operationalised which has led to difficulties with its measurement. This notion could be confirmed through research conducted in industry, suggesting that the way customer satisfaction data is collected seems to vary strongly between different organisations (e.g. Wilson, 2002).

Moreover, organisations seem to be disillusioned about customer satisfaction measurement, as findings suggest that management rarely sees a connection between customer satisfaction data and the actual financial performance of the organisation (e.g. Williams and Visser, 2002; Stone and Banks, 1997).

The above suggests that there are major shortcomings in the design of the most widely discussed service performance measures, service quality and customer satisfaction. Although there seems to be a general consensus that gathering customer feedback may be crucial to improve services, there seems to be some controversy over how customer feedback concerning the perceptions of service quality and satisfaction with the services received may be conceptualised and measured.

This section has discussed the design of customer feedback in services, especially focusing on the two of the most widely debated constructs in the services marketing literature, service quality and customer satisfaction. It was highlighted that there has been some controversy over the conceptualisation of these two constructs.

As it has been suggested that the success of customer feedback in enhancing service performance may not only depend on the design, but also on the implementation of the mechanisms through which this information is gathered, the following section will discuss in more detail the collection, communication and use of customer feedback.

3.4 The Implementation of Customer Feedback in Services

As highlighted above, it has been argued that service performance measurement systems may not only contain the gathering of customer feedback through quantitative measurement, but also through qualitative assessment mechanisms (e.g. Hoffman and Bateson, 1997). Moreover, it has been argued that positive outcomes for customers and employees of the gathering of customer feedback may depend on the way the data is implemented. Therefore, the following section will discuss the implementation of customer feedback mechanisms in services, including its collection, communication and use.

3.4.1 Customer Feedback Collection Mechanisms in Services

While some authors have concentrated on developing measurement tools to gather customer feedback quantitatively (e.g. Parasuraman et al., 1985), others have argued that it might be necessary to gather customer feedback in a variety of ways to obtain a comprehensive overview of customers' perceptions of the services delivered: For example, Hoffman and Bateson (1997) have outlined that one way of gathering customer feedback is to use a "Service Quality Information System" which may contain several customer feedback mechanisms. Overall, such a system may provide a more comprehensive picture of organisational service performance and may overcome the shortcomings of using separate customer feedback mechanisms in isolation.

The following discusses the most frequently mentioned feedback collection mechanisms that may form a part of such a system.

- Customer surveys

Some authors have suggested that customer surveys should be centralised and conducted on a regular basis, as it has been argued that this may help to identify the changing requirements of key customers (e.g. Heskett et al., 1994). Therefore, it has been argued that customer surveys may help to improve the content and delivery of services in a market-led manner (e.g. Williams and Visser, 2002; Mendelsohn, 1998; Sharman, 1995). As a response, customer surveys have become increasingly popular, leading some organisations to spend more than half of their research budget on them (e.g. Wilson, 2002).

However, there has been some rising concern about the usefulness of customer surveys, as it has been suggested that they seem to become an expensive end in themselves with giving only little practical implications on how to improve services (e.g. Brandt, 1997; Pruden, 1997; Stone and Banks, 1997; Wilson, 2002). Van der Wiele et al. (2002) have suggested that the reason for this problem may be that customer surveys are often based on a short list of items that have been defined outside the organisation and hence may not provide relevant information. Therefore, they have argued that customer survey results rarely reflect what dimensions of the service customers really find important and how customers' perceptions are formed. This is in line with findings by Crandall (2002) who suggested that employees tend not to perceive the measures used as fair as they may assess aspects that cannot be influenced through the interaction with customers. Due to this, it has also been suggested that employees may feel that customer survey results are used to control, instead of to improve services, which in turn has been found to lead to internal power struggle and blaming others for unwanted results (e.g. Piercy, 1996). Therefore, some authors have suggested that customer surveys are often seen as unreliable indicators which are poorly conceived and conducted (e.g. Slater, 2001).

The above may also help to explain the results of a study carried out by Stone and Banks (1997), which revealed that customer surveys were not used extensively to review service contents or the delivery of services as the majority of respondents did not think that customer survey results reflected the actual level of service performance. In support of the above, the majority of respondents in a survey conducted by Wilson (2002) thought that customer surveys were only useful in combination with other measures such as mystery shopping and staff feedback, as these would provide more detailed information on customers' perceptions of the service.

- **Mystery shopping**

This information collection process is a form of observational research and hence allows to identify in more detail facts with regard to the process of a service encounter as well as its outcomes (e.g. Proctor, 2000). It is slightly different from the other feedback collection mechanisms mentioned in this section as the information is not provided by real customers, but by employees of third agencies who are trained and paid to pose as customers. In the majority of cases, mystery shoppers have a specified agenda of what they should observe during the service encounter, such as employees' reactions to their behaviour, the service environment or the interaction between other customers (e.g. Hoffman and Bateson, 1997). It has been suggested that due to the nature of this service assessment method, it is possible to evaluate individual employees and provide them with feedback about their performance (e.g. Hoffman and Bateson, 1997). Therefore, as highlighted by Wilson (2003), mystery shopping may fulfil the following three main purposes: 1) to identify weak points in the service delivery, 2) to motivate customer facing employees by linking the feedback to recognition and training, 3) to assess the organisation's service delivery in comparison to that of competitors. However, there has been only little research into how mystery shopping may compare in its usefulness to other customer feedback collection mechanisms (e.g. Wilson, 2002). There is, though, the notion that

observational methods may overcome some of the weaknesses of surveying and interviewing as the observations potentially capture a true reflection of behaviour in natural settings and are hence not skewed by issues like response bias (e.g. Peters and Wilson, 1992).

- Customer focus groups

Another customer feedback collection mechanism that has been mentioned frequently in the literature is group discussions (e.g. Hoffman and Bateson, 1997). It has been argued that the advantage of this form of data gathering over individual interviews is that the dynamics between customers in the focus group may encourage the exchange of richer and more detailed information (e.g. Wilson, 2003). The disadvantage, however, has been seen in the fact that the success of such a group may strongly depend on the skills of the moderator (e.g. Proctor, 2000). Moreover, as arguments and discussions develop on the basis of the background of the participating customers, it might be necessary to confirm the information gathered with a wider group of customers to ensure that the data is reliable and valid (e.g. Hoffman and Bateson, 1997).

- Personal feedback of individual customers

There have been several publications which have outlined that the collection of individual customer feedback may take place in various forms and may be preferred over the ones mentioned above as they provide more specific and timely feedback that can be acted upon (e.g. Wilson, 2002; Hoffman and Bateson, 1997; Pruden, 1997; Mendelsohn, 1998). These mechanisms may include complaint procedures, which have been regarded as important to identify and retain dissatisfied customers specifically, as well as to identify and address problems with the service delivered in general. Other collection mechanisms may include feedback forms about events or specific service

encounters, or conversations with customers during and after the service delivery. In any case, it has been argued that these initiatives should be carried out on a continuous basis and, although the results are of value due to their provision of detailed information specific to one customer, should also be accumulated over time in order to identify common reasons for dissatisfaction amongst customers (e.g. Hoffman and Bateson, 1997).

Employees

- Employee feedback

Finally, many authors have suggested that it may be of benefit to collect feedback from customer facing employees about the content and delivery of the services provided (e.g. Adsit et al., 1996; Schneider et al., 1980; Schneider and Bowen, 1985; Hoffman and Bateson, 1997; Heskett et al., 1994; Wilson, 2002). The reasons for this suggestion highlighted in the literature seem to be twofold:

- a) As some studies have found that employees' and customers' perceptions of services are similar, it has been argued that – due to the interactive nature of services - customer facing employees may have a good insight as to how customers perceive the services delivered and what their requirements may be. Therefore, it has been argued that they may be a valuable source for suggestions of how to improve the services delivered to customers. (e.g. Schneider et al., 1980)
- b) As outlined above, also due to the interactive nature of services it has been seen as important to encourage customer facing staff to deliver a good service to customers (e.g. Chung and Schneider, 2002). It has been suggested that one mechanism to do this is through the implementation of customer feedback and its link to recognition and reward (e.g. Schneider and Bowen, 1995).

Related to this, it has been argued that customer facing employees should be involved in the development of customer feedback collection mechanisms in order for them to perceive these initiatives as meaningful and fair. Therefore it has been argued that employee feedback should not only be gathered in relation to their perceptions of the actual service, but also on how the services could be assessed (e.g. Schneider et al., 1980).

It might be suggested that although there has been some research with regard to the individual feedback collection mechanisms as outlined above, only a few studies have tried to compare their effectiveness with regard to the provision of meaningful information to improve services as well as to encourage employees to deliver a good service. Paradoxically, the few studies that can be found in this field of research have focused on attitudes of management towards these feedback initiatives (e.g. Wilson, 2002; Stone and Banks, 1997; Pruden, 1997; Mendelsohn, 1998). However, if the emphasis in the delivery of services lies on the interaction between customer facing employees and customers, then it might be suggested that it is at least as important to understand employees' attitudes towards these customer feedback mechanisms and their usefulness.

This section has highlighted the issues with regard to the collection of customer feedback in services. The following section will concentrate on the communication of such feedback.

3.4.2 The Communication of Customer Feedback in Services

As suggested above, many authors have argued that meaningful customer feedback should provide information that may help to improve the service to customers as well as to encourage employees to deliver a good service (e.g. Williams and Visser, 2002; Slater, 2001; Stone and Banks, 1997; Mendelsohn, 1998; Lawler, 1986). So far, it has been suggested that there is no clarity in terms of how customer feedback should be designed to meaningfully assess satisfaction with the different dimensions of the services received. Moreover, it was highlighted that there have been only a few

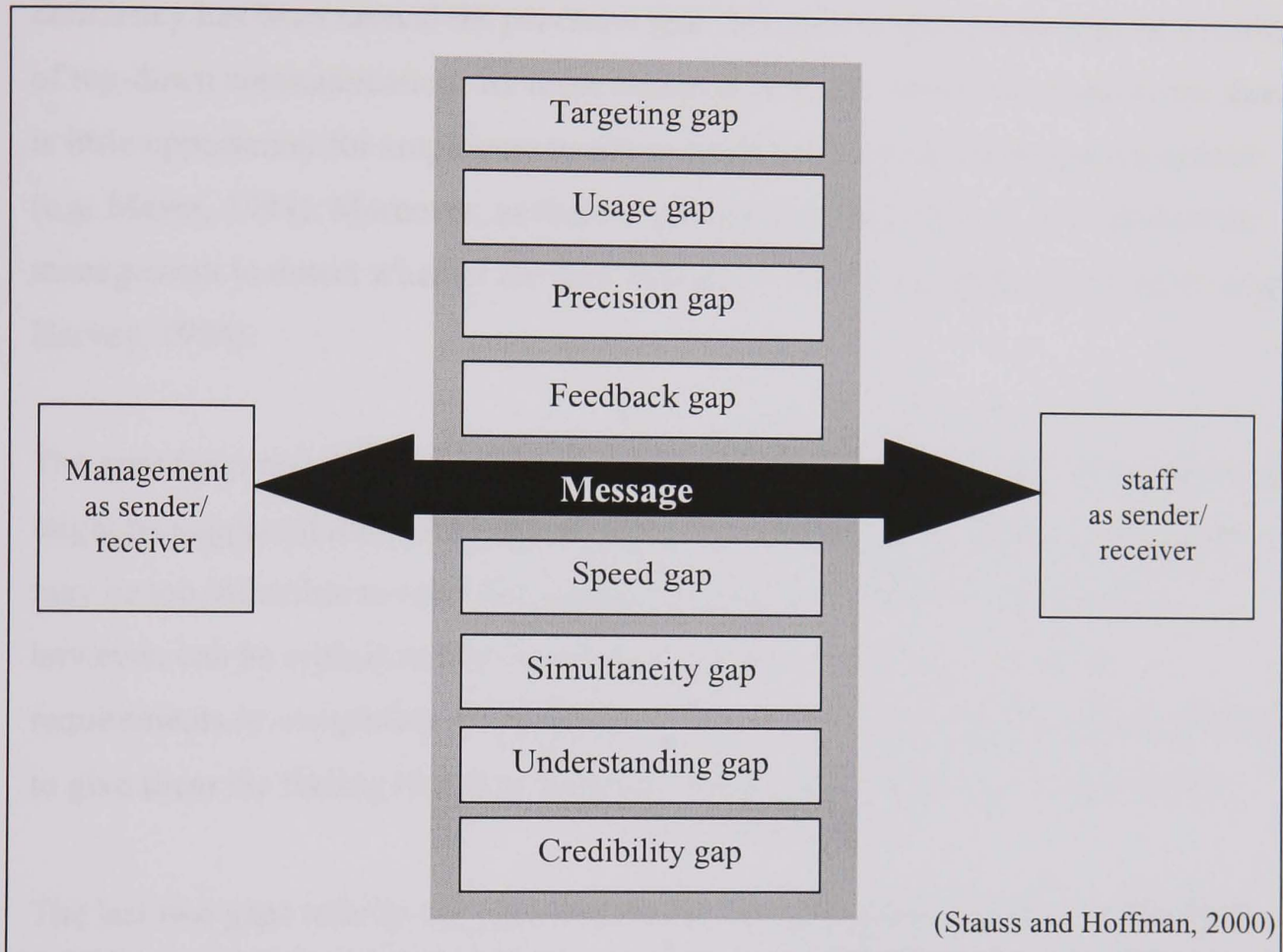
studies that have compared the effectiveness of and employees' perceptions towards the different customer feedback collection mechanisms.

Likewise, it might be suggested that a review of the literature revealed that there has been limited research into how customer feedback may be communicated to employees. However, it might be argued that communication forms a central part in the implementation of customer feedback, as it has been suggested that communication might mediate the required knowledge to improve the services to customers and may also encourage employees by highlighting improved service results (e.g. Stauss and Hoffmann, 2000). Moreover, it has been suggested that service performance measurement may help to clarify wider organisational service objectives and may be a "powerful catalyst" for creating real communication links throughout an organisation, since it provides a basis for management to recognise achievement and stimulate discussions (e.g. van Drongelen and Bilderbeek, 1999; Kaydos, 1991; Axson, 1999). The reason for this is that good service performance measurement may help to communicate the problems with the current service delivery and may therefore assist in the understanding of why changes in the interaction with customers may be necessary and how these can be translated into actions (e.g. Dixon et al., 1990; Eccles, 1991).

However, although it has been outlined that it is important to communicate to employees in a credible and understandable manner what the customers' changing requirements are and what employees have to do in order to positively influence customer feedback results (e.g. Webb, 1998; Sharman, 1995; Merchant, 1985), a study revealed that there seem to be strong differences in perceptions between management and employees about how clearly and frequently performance information is disseminated in organisations (Staniforth, 1996). Moreover, there is the notion that the communication of customer feedback is often complex and inconsistent with limited guidance on how to analyse the data in order to act on it (e.g. Wilson, 2000). Therefore, it has been argued that a stronger understanding needs to be developed with regard to how customer feedback can be effectively communicated to improve service performance (e.g. Frost, 1999).

The following will outline the shortcomings that have been identified with regard to the communication of customer feedback using the *Internal Communication Gaps Model* by Stauss and Hoffman (2000), as represented in **figure 3.1**.

Figure 3.1 Internal Communication Gaps Model



The *targeting gap* may occur if the channel does not allow for target group specific communication of the customer feedback. For example, vertical communication channels, such as newsletters to all staff, may provide an overview of customer satisfaction scores for the entire organisation, but cannot give detailed information on the service performance for each team or employee. This means that communication of customer feedback in this way may not allow for the development of actions to improve services, nor does it help to motivate individual employees (e.g. van Schalkwyk, 1988; McNair et al., 1990). Moreover, it is possible that channels, which are directed at all staff, such as newsletters or intranet publications, may not be used

as employees may feel that they lack in relevance for their own job (e.g. Wilson, 2000). This situation is referred to as the *usage gap*.

It might be suggested that vertical communication channels in a large organisation may distort the content of customer feedback, as details get lost or are misinterpreted while the information is cascaded through the several layers of the organisation. This deficiency has been termed the *precision gap*. The *feedback gap* may also be a result of top-down communication: As these channels have low levels of interactivity, there is little opportunity for employees to ask questions in case the messages are unclear (e.g. Meyer, 1994). Moreover, as there is no dialogue taking place, it is difficult for management to detect whether the data presented has been understood correctly (e.g. Harvey, 1984).

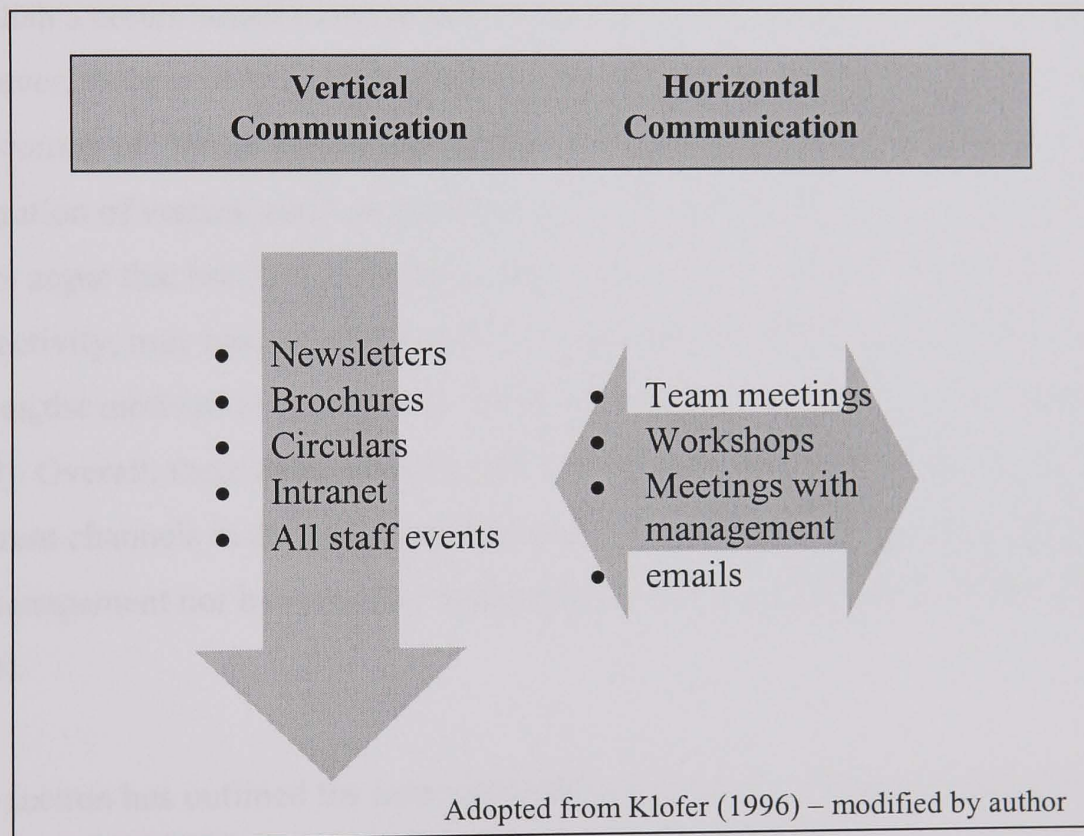
The *speed gap* and the *simultaneity gap* both refer to the timeliness of information. It might be suggested that the format of many top-down communication mechanisms may be too inflexible to cascade customer feedback in a timely fashion. This, however, can be critical as it is important to react to customers' changing requirements or complaints immediately to prevent further dissatisfaction as well as to give them the feeling that their feedback is taken seriously (e.g. Wilson, 2002).

The last two gaps refer to the efficiency of the communication channel. It might be suggested that the changes made to the service delivery process on the basis of customer feedback may be complex and may therefore be difficult to grasp. This is referred to as the *understanding gap*. It might be argued that a more interactive communication format which enables the participation of key informants, such as suppliers and customers, may clarify the need for changes in the service delivery as well as how changes should be implemented (e.g. Meyer, 1994). The *credibility gap* occurs when the message received is not perceived as being reliable or trustworthy. This gap may be the result of the content of the information, as well as the channel and the source. With regard to the communication of customer feedback it may be suggested that information that is coming from the headquarters of an organisation may not be regarded as being as trustworthy as data that has been collected and

communicated at a branch or local level. This could be due to the fact that employees know the local management team personally and may also know the source of the information, whereas customer feedback cascaded from the headquarters may seem distant and “unreal” (e.g. Wilson, 2000).

As outlined in Stauss and Hoffman (2000), in order to communicate customer feedback in a way that may support the improvement to services as well as the motivation of customer facing staff, management may have to integrate vertical and horizontal communication (e.g. Meyer, 1994), which may consist of various channels as can be seen in **figure 3.2**:

Figure 3.2 Communication Channels



However, it might be argued that while both, vertical and horizontal communication strategies, provide channels through which aspects of customer feedback can be disseminated, the horizontal channels might provide more opportunities for employees to exchange ideas with management (e.g. Stauss and Hoffman, 2000). Therefore, as it has been suggested that employee involvement may be crucial in

order to gather meaningful data and derive meaningful actions to improve the services (e.g. Schneider et al., 1980), it may be argued that horizontal communication channels may be more effective in communicating customer feedback to employees: The more interactive nature of these channels may also give employees the opportunity to clarify information that is unclear which may enhance the understanding of the feedback. Moreover, horizontal communication channels may provide the opportunity to engage staff in the analysis of customer feedback.

In light of the above, it has been suggested that in order to drive continuous improvement, a reporting system may have to be implemented that would facilitate immediate feedback to frontline staff regarding significant complaints or compliments (Wilson, 2002). This may help to enhance communication and help establish a commitment to the improvement of the service delivery to customers. However, there is little guidance in the literature on what channels such a system may consist of: While some authors argue that an emphasis should be placed on the integration of vertical and horizontal communication channels (e.g. Meyer, 1994), others argue that horizontal channels, due to their greater extent of personal interactivity, may have a more positive impact on the improvement to services as well as the motivation of customer facing employees (e.g. Stauss and Hoffman, 2000). Overall, there does not seem to be any clarity on how the effectiveness of the different channels in the communication of customer feedback is perceived, neither by management nor by customer facing employees (e.g. Staniforth, 1996; Wilson, 2000).

This section has outlined the issues related to the communication of customer feedback. The following section will discuss the use of customer feedback in services, the third facet of the implementation process.

3.4.3 The Use of Customer Feedback in Services

As outlined earlier, two of the main interrelated goals of the design and implementation of customer feedback seem to be the improvement of services as

well as the encouragement of customer facing employees to provide a good service. In relation to this there are three reoccurring themes in the literature about how management may use customer feedback to achieve these two aims, which will be discussed below.

1) Alignment with Organisational Service Targets

Ensure that employees understand the link between the actions taken on the basis of customer feedback at a business unit or team level and the achievement of wider organisational service targets.

The alignment of actions to organisational targets has attracted great attention in the wider performance measurement literature (e.g. Kaplan and Norton, 1992, 1996, 2000; Cross and Lynch, 1998). In essence, it has been suggested that it may create a stronger sense of achievement amongst employees if there is clarity on how their actions may contribute to the overall organisational targets (e.g. Kaplan and Norton, 1992). Therefore, authors in this field have argued that linking employees' actions to the wider organisational targets and strategy may create a "shared vision" which could lead to a better overall performance (e.g. Kaplan and Norton, 1996; Bourne et al., 2000). In the case of actions taken on the basis of customer feedback it may be suggested that there is a potential need for employees to understand the wider organisational service targets in which they deliver the service, which may be dependent on the strategy of the organisation (e.g. Hoffman and Bateson, 1997). It has been observed that this may instil a sense of purpose and hence a stronger encouragement to contribute to these targets (e.g. Schneider and Bowen, 1995). Moreover, it may help employees to prioritise customer requirements and focus on aspects in the service delivery that are important in order to reach the organisation's targets, which in turn may lead to greater consistency in the service delivery.

It has also been found that overall organisational service targets may influence the way in which customer feedback informs reward and training: As outlined by Hoffman and Bateson (1997), an organisation which aims to provide a low-cost, standardised service, may place a different emphasis on the importance of certain service delivery aspects than organisations that aim to provide highly standardised services. Therefore, understanding the overall service targets of an organisation may help employees to become clearer about what is expected of them.

2) Informing Reward and Training

Meaningfully monitor actions and the progress towards service targets in order to inform recognition and training of customer facing employees.

It has been suggested that one of the keys to improving services is to ensure that employees clearly understand that they are rewarded for providing a quality service to customers, which may be monitored through gathering customer feedback (e.g. Schneider and Bowen, 1995).

However, it has been highlighted that since service delivery behaviours are often intangible, organisations may focus on rewarding readily observable components of the service delivery, which may in fact not contribute to the quality of the service. For example, instead of rewarding the provision of effective advice, a helpline employee may be rewarded for the talk time with the customer (e.g. Zeithaml and Bitner, 2000). The literature suggests that often actions based on customer feedback often do not inform monitoring, but that actions are developed on the basis of components of the service that can be easily monitored (e.g. de Bruijn, 2002). This, in turn may lead to the misconception of employees that they are rewarded for actions that are not related to the actual improvement of services. As a consequence, it has been observed that such a misalignment of service targets, monitoring and reward may lead to gaming, which means that behaviours are repeatedly exhibited

which lead to an increase in reward, but a potential decrease in service performance (e.g. Courty and Marschke, 2003; Gianakis, 2002). This may mean in the helpline example used above that employees, instead of giving the necessary detail of advice, may answer questions superficially in order to keep the phone calls short. Moreover, a misalignment of employees' perceptions of what management is rewarding and what customers demand may lead to a perceived role conflict of employees (e.g. Zeithaml and Bitner, 2000), which has been associated with negative employee and customer outcomes (e.g. Chuang and Schneider, 2002).

Therefore, it has been suggested that organisations should focus on aligning customer feedback, service performance targets, monitoring and rewards in a closed feedback loop in order to improve services and encourage employees (e.g. Meyer, 1994).

Similarly, it has been suggested that customer feedback should influence the design of training schemes in order to ensure that employees are able to meet customers' changing demands during the service delivery (e.g. Schneider and Bowen, 1995). Once the training schemes are in place the progress towards service targets should be monitored in order to see whether improvements are made (e.g. Kaydos, 1991). It has been suggested that in order to reinforce the improved behaviour, which might have been acquired through such training, feedback about improvement should be continuously and consistently gathered and reported: Some authors have observed that if there is no monitoring in place, newly learned behaviours may be easily forgotten (e.g. Kaydos, 1991).

It has been suggested that if customer feedback informs training, this may encourage employees as it gives them the opportunity to deliver a better service to customers, which in turn may increase their rewards (e.g. Schneider and Bowen, 1995).

3) Employee Involvement

Involve employees in the development of actions taken and changes made to the services in response to customer feedback in order to increase feelings of ownership and responsibility for those actions amongst staff.

As outlined above, due to the close contact they have with customers, it has been observed that customer facing employees may have a good understanding of customer requirements (e.g. Schneider et al., 1980).

Moreover, it has been suggested that due to the increase in competition organisations are facing, the creativity and initiative of employees has become more important (e.g. Kaplan and Norton, 1996).

Therefore, it has been argued that employees involved in the service delivery should have an input in finding ways of improving the service to customers, e.g. through the development of actions on the basis of customer feedback (e.g. Eccles, 1991; Crandall, 2002). Schneider and Bowen (e.g. 1995) found that this may encourage employees to deliver a good service, as it would create the feeling that their opinion and experience is taken seriously by the organisation. In this sense, Kaydos (1991) has suggested that employee involvement in action planning may improve services for four reasons: a) it may enhance the quality of decisions, b) it may increase the effectiveness of solutions, c) it may improve the validity of plans and the effectiveness of their implementation and d) it may impact positively on employee motivation and the performance of the entire organisation.

In contrast, it has been observed that only low involvement in action planning on the basis of customer feedback may lead employees to think that the actions do not relate to the changing requirements of their customers (e.g. Crandall, 2002; Hoffman and Bateson, 1997).

Therefore, it has been suggested that employee involvement in the development of action planning on the basis of customer feedback may be important as it might positively impact on the improvement of services.

This section has highlighted three of the main themes that have been emphasised in the literature with regard to the use of customer feedback in services. The following section will summarise the content of this chapter.

3.5 Summary

This chapter has outlined that the remit of performance measurement in general has become broader, which has also led to a shift from purely financial performance measures to balanced performance measurement systems, which also include service performance measures that may be gathered through customer feedback. It was highlighted that despite the growing body of literature in this area, there is still no consensus about how to conceptualise and measure the most frequently debated service performance measures service quality and customer satisfaction. Related to this, there is still no clarity on how to implement customer feedback in services. Although it has been argued that customer feedback should be used to improve services and encourage customer facing employees to deliver a good service, it seems that there are still shortcomings in its collection, communication and use. In practice, there is no clarity on how to align customer feedback with overall organisational targets (e.g. Stone and Banks, 1997), there is misalignment with reward and training (e.g. de Bruijn, 2002), and it has been observed that there is often low employee involvement and understanding of actions based on the basis of customer feedback (e.g. Crandall, 2002).

Chapter 2 discussed the central role of organisational service orientation in the creation of good service performance and job satisfaction. It was highlighted that although the implementation of customer feedback may play a crucial role in the development of organisational service orientation, there have been only a few studies that have tried to explore in more detail how customer feedback may be designed and implemented to positively influence employees' perceptions of an externally focused organisational service orientation. Therefore, chapter 3 outlined design and

implementation issues with regard to customer feedback as they have been discussed in the service performance literature.

The following chapter will synthesise the content of chapters 2 and 3 by looking at the application of the concepts service orientation and the design and implementation of customer feedback in the public sector context. It will be argued that due to the changing public sector environment the development of a stronger externally focused organisational service orientation as well as the use of customer feedback to deliver services more proactively, may become more important for public sector organisations. Therefore, more research may be necessary as to how the concepts service orientation and service performance measurement may be applied to public services.

Chapter 4. The Changing Public Sector

4.1 Introduction

The previous two chapters reviewed the literature on service orientation and the design and implementation of customer feedback in the private sector. This chapter will argue that there may be an increased need to understand better how the concepts of service orientation and service performance measurement may be applied in public services:

At the outset, the debate will be highlighted whether the concept of New Public Management has reinforced the importance of the development of an externally focused organisational service orientation in the public sector. It will then be discussed to what extent public sector employees may experience a service orientation discrepancy, first reflecting on levels of individual service orientation in the public sector and then on levels of service orientation of public sector organisations. The debate will include the barriers to the development of an externally focused organisational service orientation faced by public sector management. Finally - as it has been suggested that the design and implementation of customer feedback may have an impact on employees' perceptions of organisational service orientation - the discussion will turn to public sector specific issues with regard to the design and implementation of service performance measurement, specifically focusing on customer feedback with regard to the construct customer satisfaction.

4.2 New Public Management – Introducing Service Orientation to the Public Sector

As outlined in Brown et al. (2003), the main differentiator between the private and the public sector has been the presence of strong political interest in the public sector environment: While the private sector may be regulated by market mechanisms, the public sector has been determined by structures and processes imposed by government. Against Weber's notion (1978) that public agencies may be committed

to serve the public and would hence develop efficiency, it has been suggested that it has been political self-interest, instead of public concern, which has driven public agencies and has led to a rapid growth of government over the last decades (in Brown et al., 2003).

This development on the one hand, and governmental cost-cutting and growing public pressure on the other hand, has given impetus to the development of identifying routes to modernise public sector services in order to make them more effective and efficient (e.g. Black et al., 2001; Donnelly et al., 1995; McAdam et al., 2002; Micheli et al., 2005). Therefore, it has been suggested that, just as in the private sector, public sector organisations experience pressure to continuously improve the services to customers (e.g. Donnelly et al., 1995; Donnelly, 1999; Coplin et al., 2002; Maddock, 2002; Bolton, 2003). Therefore, it has been argued that the improvement of services has become a critical issue for the public sector (e.g. Black et al., 2001). Thus, it could be suggested that concepts like service orientation and service performance – which are mainly based on research in the private sector – may be applicable to public sector organisations despite the complex nature of the political arena they work in (e.g. Donnelly, 1994; Woodell, 2002; Radnor and McGuire, 2004). In line with this, it has been highlighted that both sectors can learn from each other since underlying service delivery processes are similar (Black et al., 2001). Therefore, it has been argued that public sector organisations may increasingly use private sector management practices, a phenomenon which has been termed *organisational isomorphism* (DiMaggio and Powell, 1991). Accordingly, the private sector has been used as a model for improving the quality of public sector services (e.g. Galloway, 1998):

There has been strong consensus amongst political parties that the service performance of public sector organisations should be improved, a notion which has also been manifested in John Major's 1991 Citizen's Charter White Paper (in Black et al., 2001). Labour and Liberal Democrats published their own citizen charter proposals in the same year. This approach has been part of a broader perspective put forward by leading political parties that public services should be "managed rather than administered" (e.g. Black et al., 2001). This adoption of managerialist practices

from the private sector has been termed *New Public Management* (e.g. Brown et al., 2003). It has been suggested that this approach should place a greater emphasis on the responsiveness to customers' needs in public services (e.g. Black et al., 2001). More recently, the New Labour administration has reinforced its ambition to increase the quality and cost effectiveness of public services in the 1998 *Modernising Government* White Paper (Maddock, 2002; Magd and Curry, 2003). Parker and Bradley (2000) highlight that this organisational change is "oriented towards the development of post-bureaucratic organisational forms and the delivery of effective and efficient services as well as their improvement" (Parker and Bradley, 2000): As outlined in Gianakis (2002), the New Public Management reflects liberation and market-driven management. Therefore, there has been an increased focus on service performance management as the new approach to public management supports a the notion of entrepreneurial governments that embrace markets and communities (e.g. Osborne and Gaebler, 1992). As outlined in Brown et al. (2003), the New Public Management approach may comprise seven principles:

1. hands-on professional management
2. explicit standards and measures of performance
3. greater emphasis on output controls
4. a shift to disaggregation of units in the public sector
5. a shift to greater competition in the public sector
6. a stress on private sector styles of management practices
7. a stress on greater discipline and parsimony in resource use

It has been suggested that the implementation of these principles may act as push factor to improve the quality of public services (e.g. Black et al., 2001). Therefore, aspired outcomes of the implementation of these principles have been frequently mentioned as being increased accountability and transparency, as well as a stronger focus on an effective and efficient service to customers and its continuous improvement (e.g. Wisniewski and Stewart, 2004; Coplin et al., 2002; Maddock, 2002; Bolton, 2003). In light of the above it might be suggested that one of the aims of New Public Management seems to be the introduction of an externally focused

organisational service orientation to public sector organisations (e.g. Lynn et al., 2000). It might be suggested that the development of new approaches to public management in various countries (e.g. Brown et al., 2003; Magd and Curry, 2003) reflects that a stronger emphasis on a responsive service delivery to customers, which needs to be supported by management practices such as continuous service performance measurement, has been regarded as being necessary for public sector organisations in order to meet the changing public demands.

However, although there has been some support for the New Public Management approach, it has also been observed that in practice its implementation seems to have several shortcomings (e.g. Radnor and McGuire, 2004; Donnelly, 1994; Brown et al., 2003; Maddock, 2002). Specifically, there seem to be several barriers public management is facing in the deployment of management practices that may enhance employees' perceptions of an externally focused organisational service orientation. These will be discussed in more detail in section 4.3.2. From the perspective of the service orientation literature as discussed in chapter 2, it might be suggested that this may result in a perceived service orientation discrepancy by employees working in the public sector. The following section will discuss the rationale for this assumption.

4.3 Service Orientation Discrepancy in the Public Sector

Interestingly, there has not been much research into the perceived service orientation discrepancy in the public sector. However, this topic is worthwhile investigating as it may give some insight into the implementation issues with regard to the New Public Management principles:

Traditionally, it has been assumed that there is some internal resistance to deviate from the bureaucratic structures of public agencies (e.g. Parker and Bradley, 2000; Argyris, 1992). If this assumption is correct, then it might be argued that transforming public sector organisations into external service oriented service providers may be a slow process, as employees may have a lower externally focused service orientation than they may perceive the service orientation of the transforming

organisation. The result may be a boycott of new management practices to improve services to customers (e.g. Argyris, 1992).

However, it has also been suggested that public sector employees may be highly motivated to provide effective and efficient services to customers as they may feel a strong commitment to provide good services to the public (e.g. Donnelly, 1994). In this case, individuals may have a stronger externally focused service orientation than they perceive the organisation to have, which could potentially lead to employee frustration and hence even worsen the services delivered to customers. Therefore, if the latter is the case then a faster and more radical reform may be of advantage. Although there is little empirical evidence for either statement (e.g. Parker and Bradley, 2000; Donnelly, 1994), it seems that there is some more support for the notion that individual service orientation may be higher in the public sector than perceived organisational service orientation (e.g. Donnelly, 1994). The following will discuss in more detail the reasons for the possible existence of a service orientation discrepancy in the public sector. First, individual service orientation in the public sector will be discussed, before the attention will be turned to organisational service orientation in the public sector.

4.3.1 Individual Service Orientation in the Public Sector

Overall, the literature review revealed that not much research has been conducted in the field of individual service orientation in the public sector (e.g. Perry and Porter, 1982). The few publications that can be found in this area have been mainly motivated by the assumption that there might be a difference in job preferences between public and private sector employees (e.g. Rainey, 1982; Snyder and Osland, 1996). The traditional view of public sector employees has been that they may exhibit a greater inflexibility and place a stronger emphasis on job security (e.g. Baldwin and Farley, 1991).

Therefore, some authors have suggested that employees working in the public sector would exhibit a stronger internal focus than being willing to adopt the more externally focused service oriented approach to work as suggested by the New Public Management approach (e.g. Parker and Bradley, 2000):

According to Parker and Bradley (2000), public organisations have been traditionally influenced by political authorities and their structures have been defined by central bureaucratic agencies. In this bureaucratic model public sector employees would follow burdensome procedures by “principle” to demonstrate accountability to the public (Claver et al., 1999; Bolton, 2003). Therefore it has been argued that New Public Management concepts may conflict with the service orientation of public sector employees, as they may have a stronger internal, bureaucratic, orientation than an external, enthusiastic orientation (Parkington and Schneider’s dichotomy of service orientation, 1979) to the service delivery to customers (Bolton, 2003; Woodell, 2002). Thus, it has been suggested that there might be some resistance by employees to the new approach to public sector management (Parker and Bradley, 2000; Bolton, 2003; Courty and Marschke, 2003). This may also be the case, because public sector employees might feel vulnerable to public scrutiny and might therefore hide behind rules as a defence against arbitrary agendas (Woodell, 2002). As outlined by Dewhurst et al. (1999), there may be a stronger tendency to “playing it safe” than having an urge to be responsive to changing customer requirements. However, there is not much empirical evidence for the notion that public sector employees may have a lower externally focused service orientation than their private counterparts (e.g. Lagrossen and Lagrossen, 2003).

Instead, a study by Snyder and Osland (1996) revealed that there were no significant differences between public and private sector employees in terms of importance placed on factors such as challenging work, opportunities for education and training, greater responsibility, more status and opportunities for more professional contacts (Foster et al., 2002). Moreover, some of these studies could further challenge the traditional view of public sector employees, suggesting that for them achievement seemed to be more important than for private sector employees (e.g. Perry and Porter, 1982). An explanation for this may be the suggestion that public sector employees may be more altruistic and have a stronger commitment to their work in order to serve the public (e.g. Perry, 1996). Therefore, it may well be that these employees actually welcome service quality initiatives and, therefore, have an externally focused service orientation:

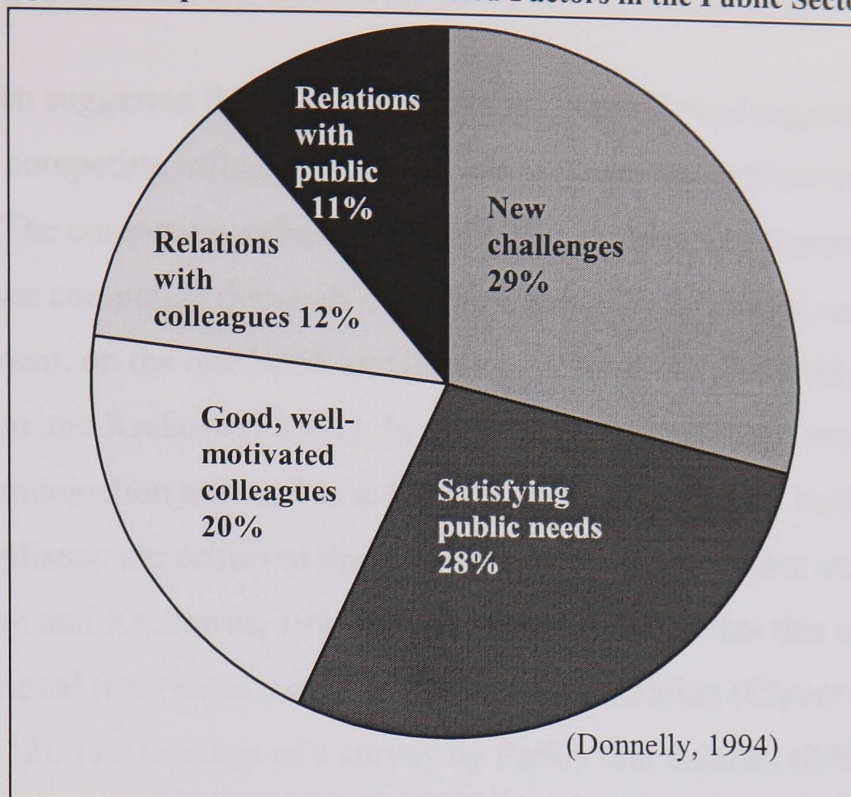
It has been observed that over the last years there has been an increase in a genuine desire to provide good services in a drive for quality amongst public sector employees (e.g. Donnelly, 1994). Findings from focus groups suggest that instead of having felt threatened by the pressures put on public sector organisations as outlined above, managers and employees have reacted positively and constructively to the challenge which has led to the implementation of initiatives such as citizen charters and customer care programmes (e.g. Donnelly, 1994).

It has been observed that public sector employees seem to value the following elements in their jobs: recognition aligned to service performance, high quality training as well as technological resources and staff support to allow service innovation and development (e.g. Donnelly et al., 1994; Foster et al., 2002; Snyder and Osland, 1996). Moreover, it was found that the communication of service performance targets in a two-way consultation process might impact positively on employees' perceptions of their jobs (e.g. Robson et al., 2005; Donnelly, 1994). In addition, Donnelly (1994) as well as Robson et al. (2005) found that public sector employees seem to place great importance on the direct work with customers and being able to meet customers' needs to their satisfaction. Both studies detected that the participants were dissatisfied with the fact that not enough customer feedback was used to evaluate service performance.

The pie chart (**figure 4.1**) as represented in Donnelly's (1994) findings summarises the job factors that have been found to be important for public sector employees:

In light of the above it may be suggested that there seems to be some evidence that public sector managers and employees may have an external organisational service orientation, as there seems to be an emphasis on the delivery of good services and their improvement. It may also be suggested that, in line with the New Public Management approach, public organisations should have been developing a stronger external organisational service orientation over the last decade.

Figure 4.1 Importance of Job Related Factors in the Public Sector



Thus, one would expect that the magnitude of the service orientation discrepancy, which may be negatively linked to service performance and job satisfaction, has been reducing. However, the literature review revealed that there seem to be some barriers in the public sector environment that seem to lead to shortcomings in the implementation of management practices that may enable the development of an externally focused organisational service orientation in the public sector: For example, it has been suggested that the frustration of public sector employees may be triggered by uncertainties caused by the complexity of the public sector environment, which may potentially block the improvement to services due to contradicting stakeholder agendas and unclear service targets (e.g. Donnelly, 1994; Robson, 2005).

The following will discuss in more detail the transition of public sector organisations from being bureaucratic to being oriented towards delivering and improving services to customers.

4.3.2 Organisational Service Orientation in the Public Sector

It has been suggested that the wider cultural orientation of organisations often includes competing influences of both internal/external and control/flexibility divides. The competing values model (CVF) by Quinn and Spreitzer (1991) aims to explore the competing demands between a company's internal and external environment, on the one hand, and between control and flexibility on the other hand (Zammuto and Krakower, 1991). In the control/internal focus model management and communication are used to achieve stability and control. Individual conformity and compliance are achieved through the enforcement of rules and procedures (Zammuto and Krakower, 1991). It has been suggested that this model may reflect the traditional theoretical model of public administration (Claver et al., 1999; Gifford et al., 2002). The findings of a survey by Parker and Bradley (2000) suggested that public sector employees seem to perceive their organisation's orientation to be "heavily skewed" towards the internal processes model in terms of the deployment of management practices to develop a focus on service performance. On the basis of these findings the authors concluded that, overall, there was an internally focused orientation prevalent in the public sector. However, it may be suggested that on the basis of the evidence highlighted in the previous section that this conclusion may be too simplistic, as it seems that public sector employees may not necessarily have an internally focused individual service orientation. Rather, it seems that the fact that there are some barriers to the deployment of service supporting management practices may be a source of frustration for public sector employees. As highlighted by Maddock (2002), one of the frequently cited barriers to the development of a stronger orientation towards the delivery of effective and efficient services, as well as their improvement, seems to be the *implementation gap*: Researchers and policy makers seem to "concentrate on inputs and outputs but rarely look at how to get from one to the other" (Maddock, 2002). It seems that there is some consensus in the literature that although the suggestions made by politicians to modernise government "look all good on paper", there are several barriers to change public sector organisations from being driven by bureaucracy to being inspired by improvement processes (e.g. Maddock, 2002).

The main barrier to the development of an externally focused organisational service orientation in public sector organisations that has been frequently mentioned in the literature seems to be the complexity of the public sector environment:

The literature suggests that, due to the nature of their remit to serve the public at large, public sector organisations are facing an increasing quality-accountability dilemma (e.g. Black et al., 2001). While there is the growing pressure to make services to the public more effective and efficient, there is also a need for protecting standards and equity of distribution (e.g. Maddock, 2002; Fountain, 2001; Chen et al., 2004). Therefore, it has been argued that public managers are bound to stricter regulation frameworks than their private counterparts, as they are accountable to the public (e.g. Brookfield, 2000). It might be suggested that this situation seems to create a conflict in three ways that potentially impact negatively on the development of an externally focused organisational service orientation, as they may actually drive an internal focus towards structures and procedures:

1. The boundaries of regulatory frameworks may restrict efforts to improve public services.
2. The pressure for increased efficiency and governmental cost-cutting might negatively impact on the effectiveness and equality of public services, as less resources are available.
3. The increased public demand for information has led to reporting structures which may slow down efforts to improve public services.

Therefore, it might be argued that the complexity of the public sector environment, which involves in part contradicting stakeholder agendas, may act counterproductive to the development of an organisational service orientation that emphasises a focus on the delivery of good services as well as their improvement (e.g. Hodgkinson, 1999). This is also reflected in the debate about the remit of public services: As outlined by Brookfield (2000), public sector management seems to be confronted with multiple objectives from different stakeholder groups, which has resulted in

blurred strategic service performance objectives. The following statement echoes well the opinion of many authors in the public sector performance literature:

“If the answer to the question of effective and efficient public sector management could be expressed as a single, implementable statement then we would have heard it a long time ago. The fact that we have not is, of itself, a reflection of the difficulties in encapsulating, in simplistic terms, what it is management in the public sector is set out to achieve.” (Brookfield, 2000)

It might be suggested that in order to develop an externally focused organisational service orientation it may be important to a) identify who the customer should be and b) to be clear on the aspired content, process and outcome of the service delivered. However, the complex nature of the public service environment seems to make these tasks difficult:

As outlined by Kaplan and Norton (1996), in public sector organisations donors may provide the financial resources while another group, the constituents, may receive the service. The question therefore is who the customer is: the one who is paying or the one who is receiving. Whereas some authors argue that these organisations may look at their immediate recipients to assess the service provision (e.g. Wisniewski, 1997), others suggest that this may be inappropriate, as the citizens at large should be perceived as the true customers (Kaplan and Norton, 1992).

However, due to the latter point of view, it has been suggested that public sector organisations are facing a wide range of customer groups with conflicting ideas, which often reduces public services to political compromise: Fountain (2001) argues that many agencies must mediate between small, defined interest groups and much broader, inattentive groups (e.g. Woodell, 2002). This, however, seems to lead to public sector organisations having blurred service strategies and objectives (e.g. Rubenstein et al., 2003), especially because some groups may not be clear on what they actually expect from the service (e.g. Fountain, 2001). Moreover, as it seems difficult to translate service improvement into such broad markets, in addition to the cutting of resources in an attempt to make public services more efficient, market

segmentation strategies have been introduced to the public sector. However, as market segmentation is often based on socio-economic factors, Fountain (2001) sees the danger of creating an increased political inequality: government may focus on wealthier people, because they may be more aware of their rights and are therefore more likely to complain, whereas others might receive a lower standard service. Finally, although it has been argued that service performance measurement may be necessary to create a greater externally focused organisational service orientation in the public sector (e.g. Wisniewski and Stewart, 2004), it has also been highlighted that there may be problems with the identification of meaningful service performance criteria (e.g. Dittenhofer, 2001). While in the private sector the rationale for measuring service quality is to predict future profits (despite the fact that there are some shortcomings in the design and implementation of these measures as outlined in chapter 3), the rationale for measuring service quality in the public sector does not seem to be as straightforward (e.g. Kaplan and Norton, 2000). The reason for this is that the ultimate goal for public sector organisations is not to make profit, but to provide an effective and efficient service to the public (Fountain, 2001). However, it has been argued that there does not seem to be any clarity about how this effectiveness and efficiency may be conceptualised, which in turn may lead to shortcomings in the design and implementation of service performance measurement, of which customer feedback forms a part, in the public sector (e.g. Radnor and McGuire, 2004). The following section (4.4) will discuss in more detail the necessity for service performance measurement in the public sector as well as its design and implementation.

Taking the above into account it might be suggested that the complexity of the public sector may create particular challenges for public sector management to develop an externally focused organisational service orientation. The key dilemma seems to be created by the interplay between the public's growing demands for efficiency, effectiveness, accountability and equality.

In relation to the previous section it might be argued that it is possible that there is a service orientation discrepancy in public sector organisations as on the one hand employees may be committed to improve the service delivery to customers (also

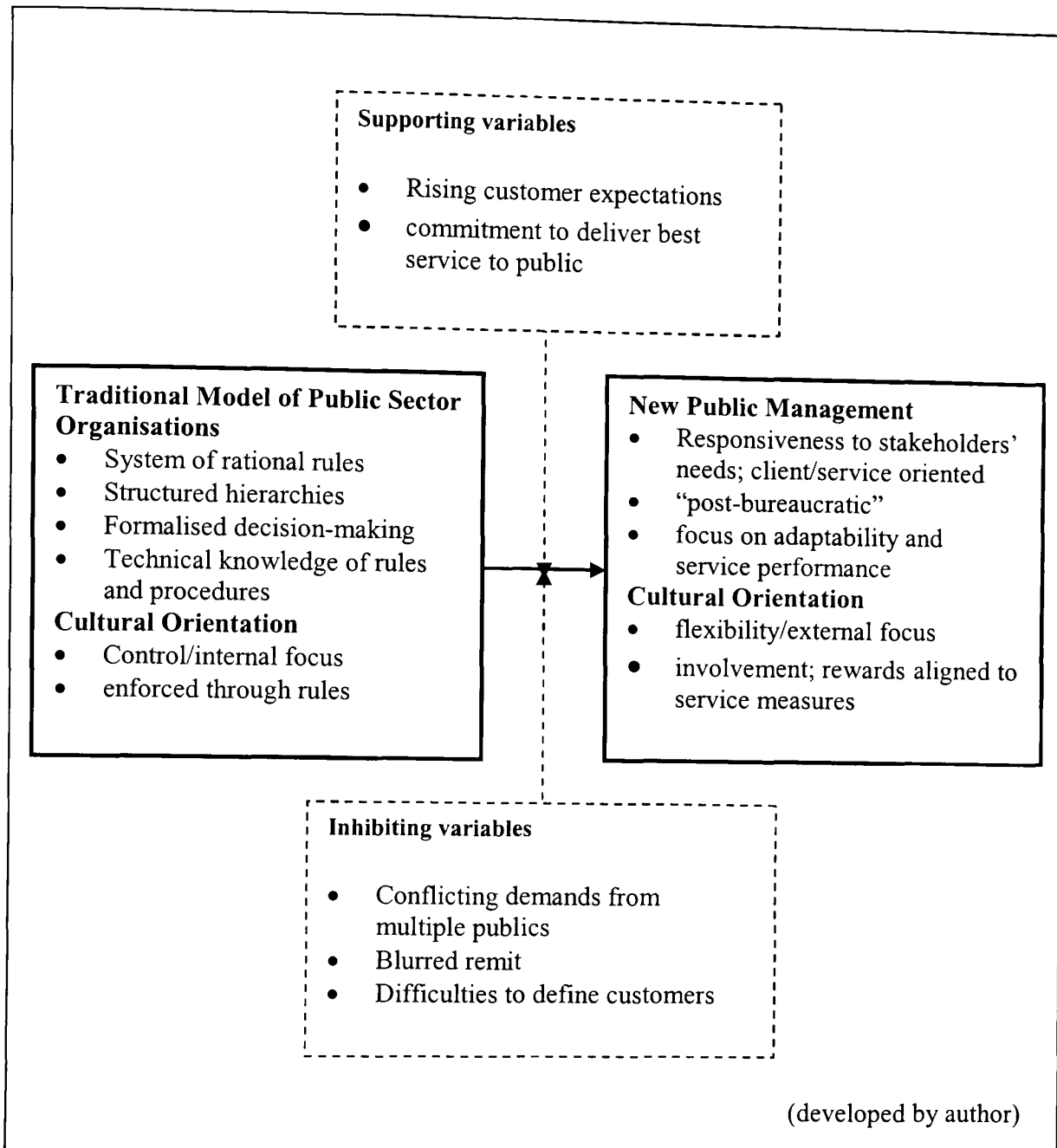
because they are exposed to public pressure as individuals), whereas on the other hand management may face barriers in identifying service goals as well as deploying procedures and systems that may fully support such an improvement. Thus, in the public sector externally focused individual service orientation may be higher than employees' perceptions of an externally focused organisational service orientation.

Figure 4.2 summarises the key points that have been discussed so far, highlighting that the change from the traditional, bureaucratic public sector model to an externally focused organisational service orientation may be supported by rising customer expectations and the individual service orientation of public sector employees, but may be potentially inhibited by factors such as incongruent stakeholder demands.

4.4 Review of Service Performance Measurement in the Public Sector

As outlined above, the public sector is faced with an increasing demand for service improvement in spite of a decrease in financial resources (e.g. Faucett and Kleiner, 1994). Therefore, it has been argued that service performance information may be important for public sector organisations in order to enhance employees' perceptions of an externally focused organisational service orientation, as it may help to identify shortcomings in the service delivery and become more responsive towards stakeholders' needs (e.g. Wisniewski and Stewart, 2004; Mwita, 2000; Foster et al., 2002; Curry and Herbert, 1998; Hodgkinson, 1999; Chen et al., 2004; Prabhu et al., 2002; Radnor and McGuire, 2004): Once performance indicators are established, the service delivery may be incorporated into planning and control cycles aiming to improve the organisations' service performance (de Bruijn, 2002).

Figure 4.2 The Changing Public Sector



The data may also be used for internal discussion about how various activities of different teams contribute to the organisation’s service performance, which may allow an alignment of service measures with the overall service targets (if existent) as well as reward and training: service performance may be quantified and compared over time, which may reinforce the organisation’s responsiveness to changing customers’ and other stakeholders’ needs (e.g. de Bruijn, 2002). This, in turn, may enhance employees’ perceptions of the service orientation of the organisation, which might positively impact on employee and customer outcomes (e.g. Schneider et al., 1998).

In light of the above, it has been suggested that investment should be made into such systems since performance information is critical in the overall management and evaluation of public organisations (e.g. Wisniewski and Stewart, 2004).

However, although the existence of a performance measurement system may motivate service improvements and mitigate the negative aspects of bureaucratic organisations, it has been argued that serious attempts to employ performance measures in a systematic manner in the public sector are rare (Faucett and Kleiner, 1994; Rubenstein et al., 2003; Gianakis, 2002). **Table 4.1** summarises the key criticisms of public sector performance measurement that can be found in the literature. It may be argued that this criticism can be mainly divided into three categories related to the following aspects:

1. The public sector context (competence, complexity)
2. The design and implementation of performance measures (content, design, collection, communication, use)
3. The outcomes of service performance measurement (efficiency, effectiveness, competition, inhibition)

As can be seen in table 4.1, the problems associated with the public sector context in designing and implementing service performance measures largely refer to its complex nature as outlined above: Since there are several stakeholder groups involved, it may be difficult at times to establish a clear service remit which renders the formulation of meaningful service performance measures difficult.

With regard to the design and implementation issues that have been detected, it might be argued that there is a strong overlap with what has been observed in the private sector literature (chapter 3): Although the conceptualisation of service performance measures, especially of service quality and customer satisfaction, has gained increasing attention in the public sector literature over the last decade, there is no clarity on how to define or measure these constructs.

Table 4.1 Overview of Public Sector Service Performance Measurement Criticism

| Theme | Criticism | Authors |
|---------------|---|--|
| Competence | <ul style="list-style-type: none"> Often, public management lacks experience and skills to design and implement service PM | Wisniewski (1997); Coplin et al. (2002); Gianakis (2002) |
| Complexity | <ul style="list-style-type: none"> absence of clear bottom-line profit due to contradicting stakeholder agendas actual objectives might not be measurable (focus on measurable targets, neglect important ones) if bottom-line targets exist, their fulfilment is often also dependent on other contextual factors and not on the organisation alone | Kouzmin et al. (1999); de Bruijn (2002); Courty and Marschke (2003); Rubenstein et al. (2003); Gianakis (2002) |
| Content | <ul style="list-style-type: none"> service PM often focuses on priorities of other stakeholders, e.g. politicians, than customers If service PM not adjusted to organization's context, it cannot generate useful information Only use of measures that are already available | Bolton (2003); Gianakis (2002) |
| Design | <ul style="list-style-type: none"> Lack of strategy leads to fragmented, complex sets of information with no use to any stakeholder group Weak understanding of what customer satisfaction and service quality mean in the public sector | Wisniewski and Stewart (2004); Gianakis (2002); Chan (2004) |
| Collection | <ul style="list-style-type: none"> A lack of timely and accurate service PM makes informed decision-making difficult | Wisniewski and Stewart (2004) |
| Communication | <ul style="list-style-type: none"> Often no clarity for who service PM is carried out and how information needs to be communicated in understandable manner | Wisniewski (1997); Wisniewski and Stewart (2004) |
| Use | <ul style="list-style-type: none"> Use of service PM often not linked to internal processes, systems, strategy and actions | Gianakis (2002); Kaplan and Norton (1996) |
| Efficiency | <ul style="list-style-type: none"> Service PM may lead to an increase in internal bureaucracy | De Bruijn (2002) |
| Effectiveness | <ul style="list-style-type: none"> Service PM only assesses services that work well (blocking innovation) Focus on processes that get measured (neglect of important other services) | De Bruijn (2002); Gianakis (2002) |
| Competition | <ul style="list-style-type: none"> Service PM may lead to competitive behaviour and reduce sharing best practice examples | De Bruijn (2002) |
| Inhibition | <ul style="list-style-type: none"> Service PM may demonstrate that service can be provided with less resources, so that high performing units have their budgets cut (negative incentive) If wrong measures are aligned with incentives, gaming is encouraged | De Bruijn (2002); Courty and Marschke (2003); Gianakis (2002) |

(developed by author)

Moreover, just as in the private literature, implementation problems with regard to the collection, communication and use of service performance measurement have been reported. Finally, the observed outcomes suggest that at the moment, the way service performance measurement is designed and implemented seems to lead to more negative than positive effects, as it has been suggested that it may drive an

internal focus through the reinforcement of the feeding of systems to report on feedback, instead of focusing on the service delivery to customers.

To overcome these negative effects, de Bruijn (2002), in essence, suggests that managers should encourage employee participation in the performance measurement evaluation and align it to other management practices as well as the organisation's overall strategy (Chan, 2004). However, due to the problems as highlighted in table 4.1 the implementation of his suggestion (similar to those highlighted in the private sector literature as outlined in section 3.4.3) seems to be difficult, as identified by Radnor and McGuire (2004):

1. Alignment with wider Organisational Service Targets

It has been observed that aligning team or local initiatives to wider organisational service targets may reinforce employees' perceptions of an organisational service orientation and may encourage a better service to customers (e.g. Donnelly, 1994). However, aligning the use of service performance measures to wider organisational service targets has proven to be problematic as it appears that overall organisational objectives with regard to service delivery performance often seem to be blurred (e.g. Fountain, 2001). Therefore, it seems to be difficult at an organisational, as well as at a business unit level, to identify meaningful measures. Instead, it has been suggested that there seems to be a tendency to implement measures simply in order to be able to report back instead of trying to identify shortcomings in the service delivery (e.g. Black et al., 2001). Thus, it might be suggested that there seems to be a stronger focus on meeting accountability requirements instead of meeting service improvement objectives (as they often do not seem to exist at all or in a slightly esoteric format).

2. Alignment with Recognition and Training

It has been argued that also in the public sector the service delivery largely depends on the interaction between customer facing staff and customers (e.g.

Black et al., 2001). Therefore, it might be suggested that it is important for these employees to understand what is expected of them, to ensure that they are committed to the continuous improvement of services and that they are enabled to do so. In order to achieve these objectives it has been suggested that the service performance measures should be used to inform recognition and training in a way that reinforces the service delivery performance targets of the organisation (e.g. de Bruijn, 2002). However, this may be difficult to achieve if there is no clarity about these overall organisational performance targets, as outlined in point 1.

3. Employee Involvement in Design and Implementation

Related to points 1 and 2 is the debate about the involvement of employees in the design and implementation of performance measures. As outlined by de Bruijn (2002), employees may feel a greater ownership of actions taken to improve the services delivered if they were involved in the design of the performance measures as well as the action planning on the basis of these measures. The reason for this seems to be that employees may get a stronger sense of being able to influence the service performance positively as they see the measures and actions as being relevant to their job. However, it might be argued that if there is no consensus on what an improvement of services should consist of, so that recognition and training cannot be aligned to these targets, it is difficult for employees to develop meaningful measures and actions.

Overall, it has been suggested that although service performance measurement could potentially be useful for public sector organisations to improve services, it seems that at the moment the focus is on collecting data to report on performance, instead of improving it (e.g. Black et al., 2001; Donnelly, 1994). However, as outlined in chapter 3, customer feedback may be an important mechanism to improve service performance. Therefore, the last section will concentrate on the discussion with regard to the conceptualisation of customer feedback with particular reference to the

construct customer satisfaction, as it has gained increasing attention over the last years in the public sector literature.

4.4.1 Customer Feedback in the Public Sector

Due to the increasing demand to ameliorate the effectiveness as well as the efficiency of public services, it has been suggested that the development of service quality and customer satisfaction have been important issues in the public sector over the last fifteen years due to external as well as internal pressure to change (e.g. Black et al., 2001; Donnelly, 1994). Therefore, it has been argued that in order to assess the improvement of public services as well as to reinforce their accountability “no grounds can be found” as to why public sector organisations should not use service performance measurement systems (e.g. Radnor and McGuire, 2004), which also include the collection of customer feedback, as outlined in the private sector literature (e.g. Hoffman and Bateson, 1997; Neely, 1999). The rationale for this is that it has been argued that the meaningful use of service performance measures should reveal cause-and-effect relationships, which would enable the identification of problems customers have with the service delivery and rectify these by taking appropriate actions (e.g. Kaplan and Norton, 1996).

Additionally, it has been argued that in the case of public services that have a monopoly, dissatisfied customers who would like to see an improvement in services can only voice their dissatisfaction (Andreassen, 1994). Moreover, customer feedback data may provide a means of holding public officials accountable for public resources (Faucett and Kleiner, 1994). Therefore, it has been suggested that the collection of customer feedback may make public services more transparent (de Bruijn, 2002). Thus, the following will highlight the discussion about the conceptualisation of customer satisfaction in the public sector.

Customer Satisfaction in the Public Sector

The conceptualisation of customer satisfaction has gained increasing attention in the public sector literature, as it has been suggested that improvement of services may also be related to increasing levels of customer satisfaction (e.g. Foster et al., 2002).

It might be argued, though, that in order to be able to establish levels of satisfaction amongst customers, first the customer needs to be identified (Black et al., 2001; Kaplan and Norton, 2000). However, as outlined above, it seems to be a challenge for public sector organisations to decide which stakeholder groups should be regarded as customers (e.g. Fountain, 2001; Kaplan and Norton, 2000). Apart from the problems with the definition of the customer in public service settings, there is also disagreement about the conceptualisation and measurement of the construct customer satisfaction:

For example, Gilbert et al. (1998) have argued that overall customer satisfaction may not be a meaningful indicator for public organisations' performance, as it does not appear to help improve services. In line with this, two major shortcomings in the design of customer satisfaction measurement in the public sector have been identified (Donnelly et al., 1995):

- 1) Customer feedback mechanisms, especially satisfaction surveys, focus on customers' perceptions and not their expectations of the service.
- 2) Customer feedback mechanisms are often biased in their design, as they may often only reflect what managers think is important, which may not coincide with the expectations of the customer. Therefore, especially customer surveys may be "little more than rituals to convince key stakeholders that efforts are being taken to fulfil customers' expectations and improve service quality based on customer feedback".

Due to the above it has been suggested that customer feedback collected in the public sector, especially in the format of satisfaction surveys, may have the potential to disguise fundamental problems in the service provision (e.g. Donnelly et al., 1995). Moreover, the purpose of collecting customer satisfaction data seems to be blurred: While it has been outlined that customer feedback should be used to identify areas for service improvement, authors in the public sector literature have highlighted that the collection of customer satisfaction is often seen as an exercise to be able to report the results to funding bodies (e.g. Black et al., 2001). Finally, a main criticism of the

current approaches to the conceptualisation and measurement of customer feedback seems to be that the measures generate only general data which make it difficult to detect which specific improvements to services might be needed (e.g. Donnelly et al., 1995). Therefore, it has been argued that customer feedback may be needed in terms of customers' perceptions and expectations, "obtained in a rigorous but cost-effective manner to feed directly into management monitoring and performance review systems" (Donnelly et al., 1995). This ties in with van Ryzin (2004) who has found that it might be useful to assess customer satisfaction in the public sector with tools based on the expectancy-disconfirmation model, as highlighted in chapter 3.

It might be argued that the discussion of this section reinforces the notion that there does not seem to be any clarity on who the customers of public services are and how, therefore, customer satisfaction may be conceptualised and measured. Moreover, there do not seem to be clear boundaries between the constructs customer satisfaction and service quality: Although it has been argued that the constructs are separate, studies aiming to investigate the measurement of customer satisfaction in the public sector actually seem to be concerned with measuring service quality (e.g. Ryzin, 2004). In addition, studies assessing service quality in public sector settings have also yielded inconclusive results as to which dimensions the concept may consist of (e.g. Wisniewski, 1997; Galloway, 1998). The important point to take from the above is that there seems to be some consensus that the assessment of specific aspects of service quality may be more important as it might give a better insight into how services may be improved, instead of looking at overall customer satisfaction scores (Gilbert et al., 1998).

Overall, it might be suggested that the criticism of customer feedback, with regard to customer satisfaction with services, presented in this section creates a parallel to the arguments put forward by academics and practitioners concerning the usefulness of customer satisfaction measurement and its practical implications in the private sector (e.g. Brandt, 1997; Pruden, 1997; van der Wiele et al., 2002; Stone and Banks, 1997). Therefore, it appears that more research may be necessary into how customer feedback may be meaningfully designed and implemented.

4.5 Summary

This chapter synthesised the content of the previous two chapters by outlining how the changing nature of public services may have increased the relevance of the concepts service orientation and service performance measurement, with a specific focus on customer feedback in terms of customer satisfaction, for public sector organisations. It was highlighted that it is possible that public sector employees perceive a service orientation discrepancy, which may negatively impact on employee as well as customer outcomes, for two competing factors: 1) there is some evidence that public sector employees may have a strong externally focused individual service orientation due to their commitment to deliver good services to the public, 2) there is some evidence that public sector management faces some barriers, mainly due to the complexity of the public sector environment, to implement practices and systems that may enhance employees' perceptions of an externally focused organisational service orientation. Finally, as it has been suggested that the design and implementation of customer feedback may have an impact on the development of an organisational service orientation, this management practice was taken as an example to illustrate the problems public sector management is facing in the deployment of service performance measurement, and hence in the development of employees' perceptions of an externally focused organisational service orientation.

Chapters 2, 3 and 4 have outlined the theoretical basis of this thesis, by discussing all concepts relevant to the fieldwork of this study as highlighted in the literature. The next chapter will describe the organisation in which the fieldwork for this thesis was carried out, Scottish Enterprise.

Chapter 5. Scottish Enterprise

5.1 Introduction

This chapter will provide background information about Scottish Enterprise. First, a general overview of the organisation, its structure and remit will be given. Then the discussion will turn to the implementation of the Business Transformation Project, particularly focusing on the development of the Customer Relations Strategy and the introduction of performance management and measurement systems. Specifically, an overview of the customer feedback system will be provided and it will be outlined how reward and training have been aligned to service performance targets. Finally, the rationale for choosing Scottish Enterprise as a case organisation will be provided.

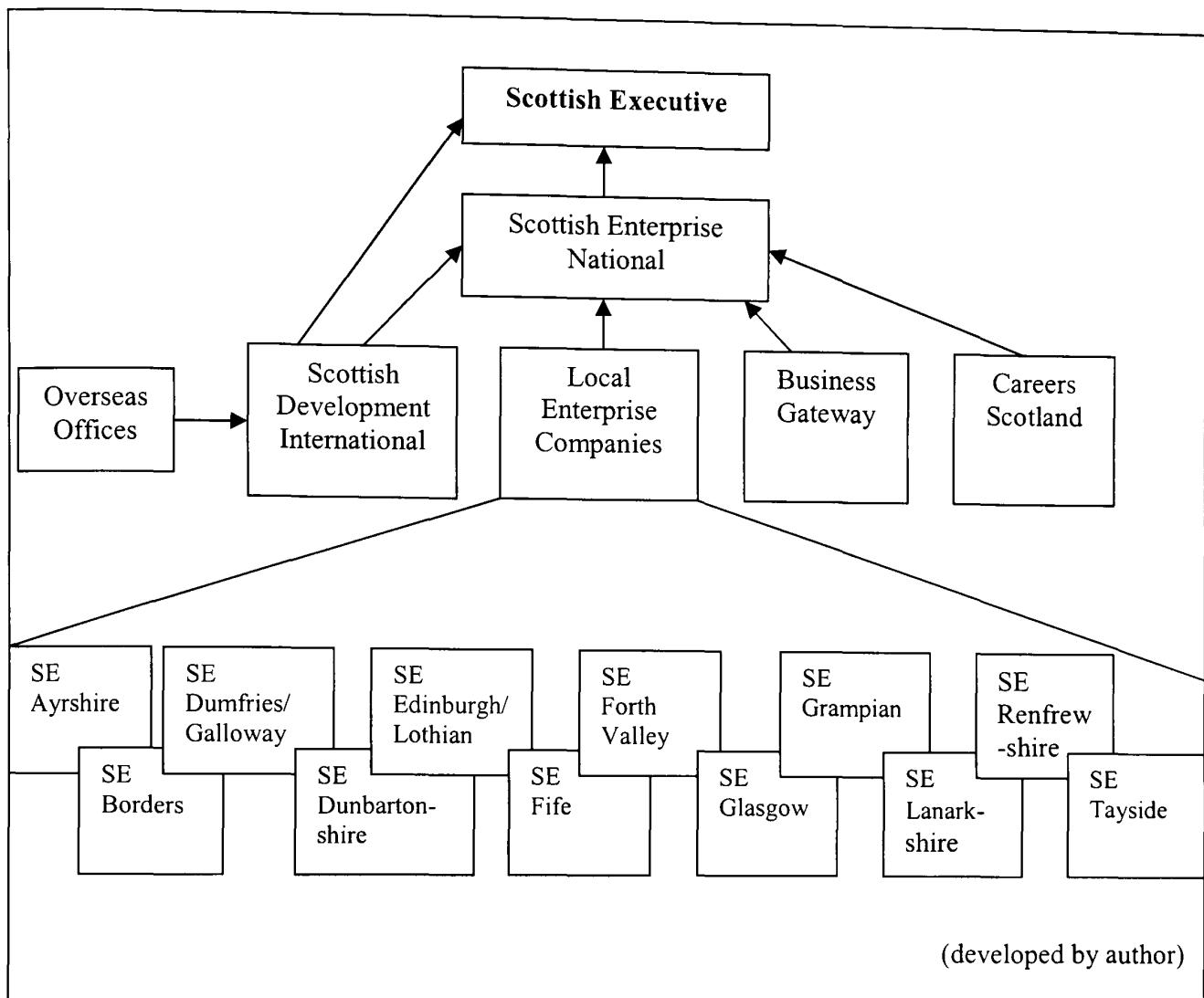
5.2 Scottish Enterprise

According to the *Scottish Enterprise Management Statement* (Scottish Enterprise intranet, 2004), Scottish Enterprise (SE) was set up in April 1991 under the Enterprise & New Towns (Scotland) Act 1990 which merged the Scottish Development Agency and Training Agency in Scotland to provide an integrated service to economic development. SE is the main economic development agency for lowland Scotland covering 93% of the population from Grampian to the Borders. Technically, Scottish Enterprise is a Non-Departmental Public Body, or a Quasi Non-Governmental Organisation. This means that the organisation is a public body but not a Government department or a part of one. Therefore, Scottish Enterprise has its own board appointed by Scottish Ministers for usually three years and a Chief Executive who is directly accountable to the Scottish Executive. The Scottish Executive provides the majority of the organisation's funding.

The Scottish Enterprise Network is now comprised of Scottish Enterprise National, 12 Local Enterprise Companies (LECs), the Business Gateway (BG), Careers

Scotland (CS), and Scottish Development International (SDI), which is a joint venture of Scottish Enterprise and the Scottish Executive. As outlined in the *Scottish Enterprise Operating Plan (2006 – 2009)* the Local Enterprise Companies play a major role in projects and programmes funded by Scottish Enterprise National, and in designing and developing initiatives at a local level to suit particular circumstances across the range of economic development, training and more general environmental activities. Scottish Enterprise National encourages the delegation of resources and discretion to the Local Enterprise Companies in order to support them in the delivery of services to high and medium impact business customers through tailored account management processes. The Business Gateway delivers more standardised services to start-up companies through a variety of products ranging from market and workforce development to e-business and investment. Moreover, in order to achieve sustainable economic growth, Scottish Enterprise supports the career development of individuals through initiatives such as training programmes and career planning, which are delivered through Careers Scotland. Finally, to strengthen Scotland's economic position internationally, Scottish Development International was set up to encourage Scottish businesses to internationalise and to attract inward investment by creating infrastructures for particular industry clusters. Scottish Development International has offices in the USA, Canada, Australia, Belgium, France, Germany, Italy, the United Arab Emirates, India, Japan, Korea, Singapore, Taiwan and China to enhance the profile of Scotland worldwide. **Figure 5.1** provides an overview of the structure of the organisation.

Figure 5.1 Scottish Enterprise Structure



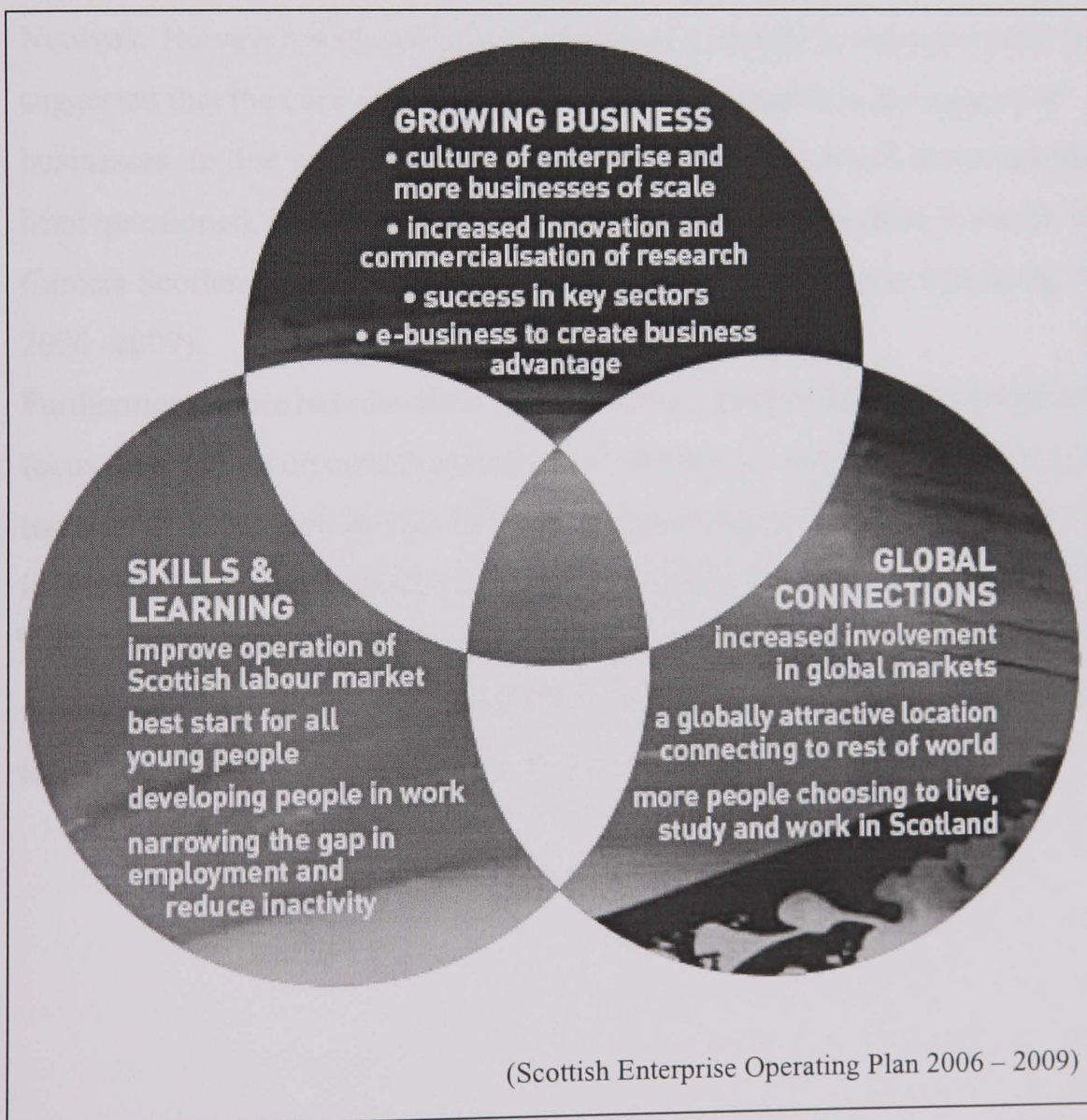
Competing Agendas?

The primary role of the Scottish Enterprise network has been to take all possible and appropriate actions to meet the agreed strategic objectives of its overriding strategy developed by the Scottish Executive: *Smart Successful Scotland* (*Scottish Enterprise Management Statement, 2004; Scottish Enterprise Annual Report, 2003/2004*). This strategic framework has given the network several principal functions:

Furthering the development of Scotland's economy with the aim to provide, maintain and safeguard employment as well as to support the Scottish business environment. To do so, the network is supposed to focus on the following three key aspects as highlighted in **figure 5.2**:

1. Growing Businesses – reinforce entrepreneurial activity
2. Skills and Learning - enhance skills and capacities relevant to employment in Scotland and assist persons to establish themselves as self-employed
3. Global Connections - promote Scotland’s industrial efficiency and international competence by creating relevant industry clusters, attracting inward investment and helping Scottish businesses internationalise

Figure 5.2 Scottish Enterprise Agenda

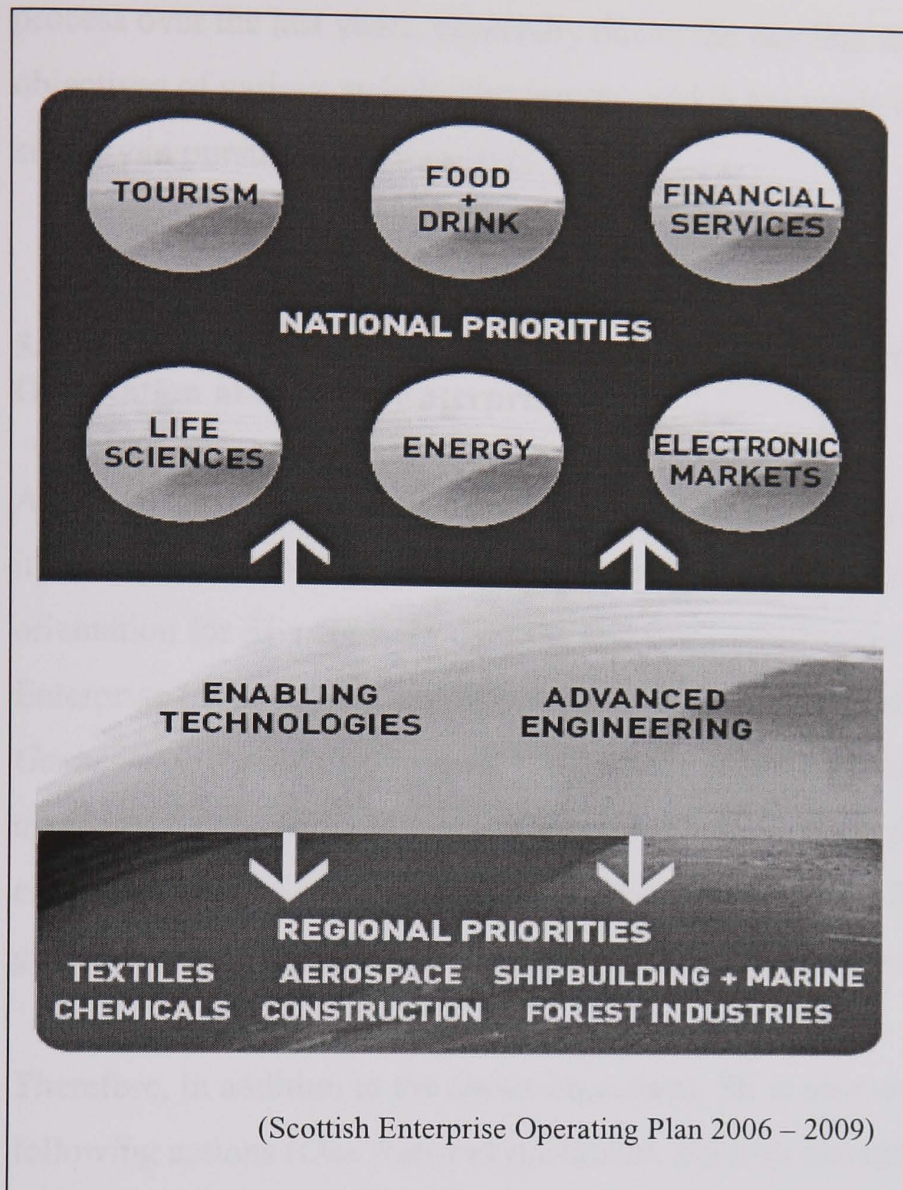


For more detailed information on the organisation's activities in the areas growing business, skills and learning, and global connections, as well as a financial summary, please refer to **Appendix A**.

While it has been initially argued that these three pillars of the Scottish Enterprise remit are all similarly important to address the remit of the Smart, Successful Scotland strategy (*Scottish Enterprise Management Statement, 2004*), the network has experienced some changes in the importance placed on these three facets in the past: There has been a constant debate about whether the main emphasis of Scottish Enterprise should be placed on growing businesses, skills and learning or global connections. Furthermore, there have been contradicting ideas about how to meet the objectives in these three areas. For example, in support of the skills and learning agenda, it was decided to merge Careers Scotland with the Scottish Enterprise Network. However, with political changes and a change in management it was suggested that the core competency of Scottish Enterprise is the support of businesses. In line with this, the decision of the integration of Careers Scotland has been questioned, which has ultimately led the Scottish Executive to decide to move Careers Scotland out of Scottish Enterprise (*Scottish Enterprise Operating Plan, 2006 -2009*).

Furthermore, there has also been a debate about whether Scottish Enterprise should focus their efforts on certain industries or whether all industries should receive the same level of support. In line with this, a major review of the organisation's strategy in 2005 led to a re-prioritisation of industries (*Scottish Enterprise Operating Plan, 2006 – 2009*) However, the newly identified six priority industries with a strong growth potential at a national level are not congruent with the ones that have been identified as being important at a regional level (see **figure 5.3**).

Figure 5.3 Scottish Enterprise Priority Industries



As it has been realised that it might be worthwhile to support a stronger joint approach of the different Scottish regions to economic development, Scottish Enterprise has also now adopted a metropolitan approach. This means that in addition to the efforts placed on national and regional priority industries in growing businesses, skills and learning, and global connections, the organisation also aims to create synergies by bringing together the assets of Scottish major cities and their surrounding areas. In order to do so, two new advisory boards have been established, which “will cover the wider metropolitan regions around Glasgow in the West and Edinburgh in the East, but also ensure the particular needs of North, East and South of Scotland are recognised” (*Scottish Enterprise Operating Plan, 2006 -2009*).

Overall, it might be suggested that the organisation has been in a constant change process over the last years, especially due to the fact that it has to serve multiple objectives of various stakeholder groups, which has made it difficult to articulate its strategy in pursuit of its objectives.

5.3 Public Sector Changes – An Increased Need for an External Service Orientation at Scottish Enterprise

Although there is still some debate about the remit and objectives of the organisation, it has also been outlined that several external factors have made a stronger service orientation for SE necessary over the last years (*One Network* document, Scottish Enterprise Intranet, 2003): Some of these drivers, such as the *Modernising Government Agenda*, have made the delivery of products and services online mandatory. Other drivers, such as increased targets, mean that SE has to achieve efficiency savings by achieving more objectives with less financial resources. The global economy has also provided pressure for change due to increased competition.

Therefore, in addition to the above objectives, SE is also expected to undertake the following actions (*One Network* document, Scottish Enterprise Intranet, 2003):

- a) to advise Scottish Ministers on the implications of economic policy, competition policy, and any relevant matters affecting businesses within its area of operations
- b) to play a leading role with other organisations in the development and achievement of regional objectives
- c) to support the achievement of sustainable development
- d) to encourage the adoption of social objectives by businesses within its operations and also apply them to its own corporate activities

- e) to help develop the organisational capacity of social enterprises in the same way as services are offered to commercial organisations
- f) to modernise and keep under review its organisational arrangements to contribute effectively to the delivery of the government's aims concerning better policy making, the delivery of more responsive and improved quality services as well as more innovative use of information technology.

In order to be able to achieve the increasing number of tasks that have been set out for the organisation in an efficient and effective manner, SE underwent an organisational restructuring programme - the *Business Transformation Project* – which, amongst other changes, encompassed the introduction of the *Customer Relations Strategy* as well as several service performance management and measurement initiatives.

5.4 The Business Transformation Project

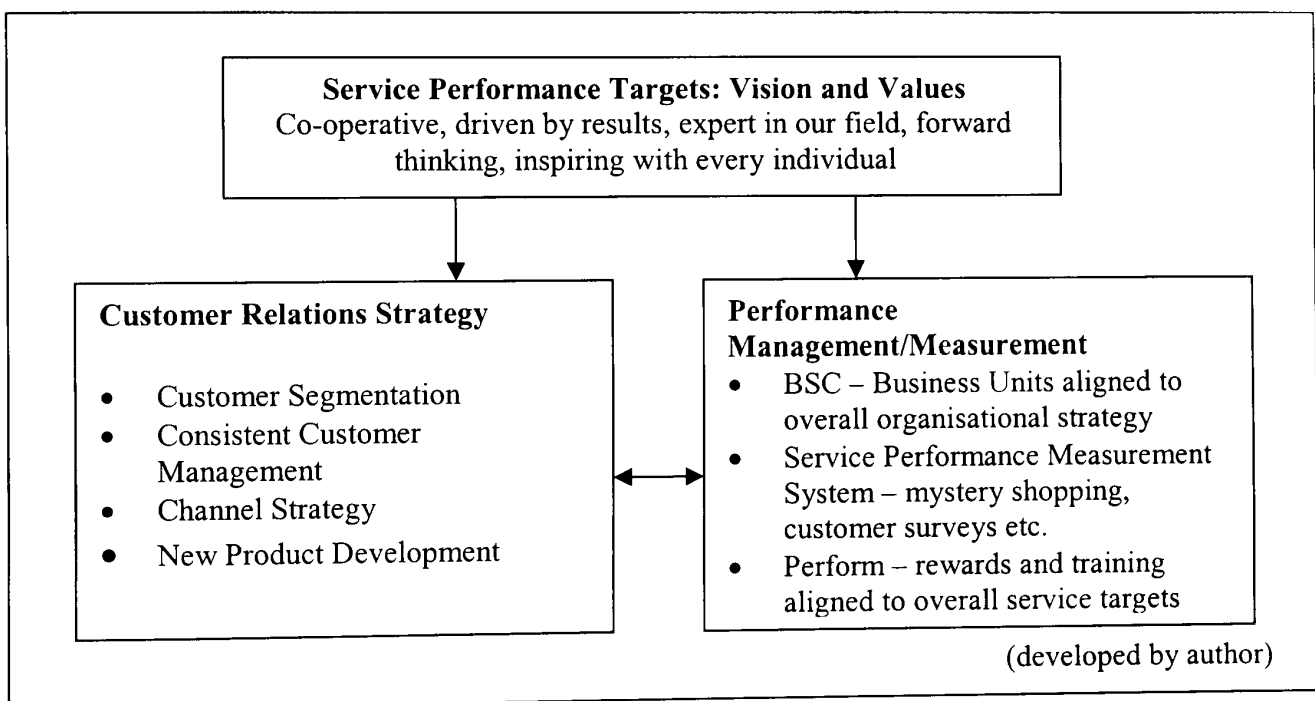
The Business Transformation Project (BTP) was initiated to enhance the service delivery to customers by becoming more responsive to the specific needs of businesses and individuals (*One Network* document, Scottish Enterprise intranet, 2003; *Improving the Customer Experience* document, Scottish Enterprise intranet, 2003). A blueprint was devised to take the BTP forward which detailed all areas to be transformed. The idea was to create a more streamlined, technologically advanced, externally focused organisational service orientation that would emphasise the importance of an efficient and effective service delivery to customers. Since then, several changes have taken place to reach this goal, e.g. the introduction of on-line customer services, the establishment of core standards for customer service (assessed through Chartermark), the introduction of network values, the development of performance management and measurement systems, and the implementation of shared services in the areas of HR, Customer Relations, Marketing, Knowledge Management, Audit, Finance, Legal, IT and Procurement. It has been advocated that

all these and other initiatives may result in an improved service delivery to customers across the SE network.

Overall, it may be suggested that for the purpose of this study three building blocks of the Business Transformation Project are of particular importance: The newly introduced organisation's service *Vision and Values*, the *Customer Relations Strategy* and *Service Performance Management/Measurement*, as these may reinforce an externally oriented focus towards the service delivery to customers.

Figure 5.4 provides a summary of these three components.

Figure 5.4 Towards an Externally Focused Organisational Service Orientation at Scottish Enterprise



5.4.1 Service Performance Targets - Vision and Values

As part of the Business Transformation Project the following overriding organisational vision has been introduced (*One Network* document, Scottish Enterprise Intranet, 2003):

“To create a dynamic enterprising economy where opportunity is extended to all and no-one is left out. Our economic success depends on the people of Scotland, their creativity and enterprise. Our task is to create the conditions for a smart, successful Scotland.”

In order to deliver this vision in a consistent and cohesive way a set of shared values has been developed. The “living” of these values has been promoted as being critical to SE’s long-term success and helping the organisation to become a “distinctive player in economic development”. Therefore, employees have been expected to use these values in their relationships with customers, partners, stakeholders and each other (*Company Goals* document, Scottish Enterprise intranet, 2002):

- *Co-operative*: listening, responsive, flexible, sharing knowledge, open, practical and helpful, effective partnerships and teamwork
- *Driven by results*: passionate, energetic, achieving, future-focussed, conscious of impact
- *Expert in our field*: knowledgeable, experienced, continuously learning, able to broker/signpost the right expertise
- *Forward thinking*: imaginative, bold, dynamic, trying new things, doing things differently
- *Inspiring with every individual*: making a difference, raising aspirations, motivating, empowering, encouraging

5.4.2 The Customer Relations Strategy

As part of the implementation of the new vision and values it was also decided to introduce some initiatives that would specifically focus on the service delivery to customers. Therefore, the following components of the *Customer Relations Strategy*, which has formed a part of the Business Transformation Project, have been introduced over the last three years (*Scottish Enterprise's Customer Relationship Strategy* presentation, Scottish Enterprise intranet, 2001):

Customer Segmentation

It has been suggested that part of SE's vision is to be an organisation that treats its customers as individuals. Therefore, it was decided to split customers into different segments to help ensure that the products and services would be relevant to their needs, that communication would be tailored to their requirements, and that the way of managing relationships would make the best use of the organisation's resources. It has been argued that once customers are grouped into high, medium and universal segments it can be articulated what SE can do to help them. In order to segment customers, a segmentation toolkit has been developed. This toolkit includes a single set of questions that operational staff can use to identify the appropriate segment for their customers. Customers can move between the different segments depending on how their businesses develop and change over time. A range of core products is offered to all customers, but those companies that are believed to have the ambition, opportunity or resources to grow will be eligible for additional assistance: While the universal segment receives a basic service which is provided by business advisers based at the Business Gateways, the medium and high impact customers receive a more tailored advise through client and account managers based at Scottish Enterprise National and the Local Enterprise Companies.

Consistent Customer Management

In line with the increasing demands placed on the organisation, SE aims to provide its customers with more consistent and higher quality relationship management. Account and client managers have therefore been encouraged to build long-term customer relationships to make a difference to their customers and clients and therewith to the economy. Therefore, account management teams have been established, led by one account manager, to better coordinate activities with high impact customers and share knowledge about them within the team as well as developing common processes and procedures for account and client managed relationships. Further, it has been aimed to free up account managers' time from product development and inefficient internal bureaucracy so that they may spend more time in face-to-face contact with their customers. Moreover, it has been suggested that more attention should be paid to the review of the skills and competencies required for these roles, as well as ensuring that appropriate training and development is available to support customer facing staff. Although account and client managers may be supported in building deeper relationships with a smaller number of high and medium impact customers, they are encouraged to use their judgement and experience, supplemented by a set of consistent guiding principles, to better serve their customers.

Channel Strategy

Another part of SE's vision has been to become a more approachable organisation. Key to achieving this objective has been seen in offering customers a greater choice through multi-channel access. The following projects in support of this approach - known as the *Channel Strategy* – have been implemented:

The Internet: SE Online aims to deliver a visible web service to customers. As part of the objective to become an exemplar e-enabled organisation, the

new SE website has been launched which provides more interactive online services.

Contact Management Operation: This is a welcome centre for SE customers and a means to deal with customer enquiries promptly first time or, if a more detailed response is required, direct them to the appropriate contact within SE. This applies to all types of customer contacts - whether over the telephone, via the Web, or face to face.

These projects are aimed at creating new, more cost-effective ways for staff to deliver products to customers, particularly those identified in the segmentation model as universal customers. The objective is that account and client managers may have more time to spend face-to-face with high and medium impact customers.

Product Standardisation

The Network Products Team has tried to ensure the co-ordination and governance of the introduction of new network products as well as the withdrawal of product duplications across the network. The Network Product Development Process (PDP) is designed to address issues identified in both the internal and external reviews of the network. These can be summarised as being

- a) unclear linkages between some of the products and Smart Successful Scotland priorities
- b) the duplication of effort by multiple development of similar products
- c) customer confusion created by an inconsistent product range
- d) little co-ordination across the network when developing and delivering new products.

In order to reinforce the successful implementation of the Customer Relations Strategy it was also decided to create a balanced performance management system that would also provide a stronger focus on the service delivery to customers. In line with this, several customer feedback mechanisms have been developed which may also be used to inform reward and training.

5.4.3 Service Performance Management

The organisation has aimed for a more holistic approach to planning and performance management by using balanced scorecards (*Business Transformation* document, Scottish Enterprise intranet, 2002; *Business Transformation Change Board*, document, Scottish Enterprise intranet, 2003). The objective of the Knowledge Management Team, which has been responsible for the implementation of the balanced scorecards, is to:

- a) support management discussion and decisions
- b) enable leaders to manage across the business
- c) improve the allocation of resources (people, capital and systems) through clarification of priorities
- d) ensure operations are focused on achieving SE's vision
- e) support a more informed dialogue with stakeholders about SE operational performance
- f) communicate and align everyone's role and contribution with the strategic objectives of the organisation.

Each business unit has been developing its own balanced scorecard with which the management teams are supposed to use to manage the business of their units. The balanced scorecards are supposed to embrace the following three key aspects:

- Relationships with customers and stakeholders - what will SE's success look like from their perspective?
- The internal perspective - what are the internal priorities needed to achieve this?

- People and values - what skills and culture are required to deliver this?

To address these aspects it is also suggested that the results of the customer and employee surveys are used for action planning. Ideally, these action plans should then be tied into the strategic objectives as outlined in the balanced scorecards.

5.4.4 Service Performance Measurement – The Collection of Customer Feedback

As outlined above, one of the three building blocks of the balanced scorecard is the customer perspective. In order to assess whether customers have been provided with a good service, a customer feedback system (as discussed in section 3.4.1) has been implemented which consists of the following components (*Overview of Scottish Enterprise Research* presentation, 2004; *Scottish Enterprise Chartermark* application, 2003):

1. *Measurement of Customer Standards*: The SE Customer Charter and network values describe standards for service and behaviour in delivering the core business. The Business Gateway, the service provider to the universal segment, has measurable standards for customer service, which are detailed in the Business Gateway manual and customer charter. Performance against standards is monitored on a quarterly basis and takes account of quantitative response times and qualitative feedback from customers through reception comment cards, complaints, positive feedback received and customer surveys.
2. *Mystery shopping*: The Business Gateway and the Local Enterprise Companies (LECs) carry out mystery shopping to gauge their level of customer satisfaction. The Business Gateway conducts monthly research such as mystery shopping visits and follow-up telephone calls assessing user satisfaction.

3. *Customer survey*: The Customer Survey provides feedback used to improve the service delivery. The main objective of the 2001 Customer Survey was to establish drivers of customer satisfaction and set benchmarks for each business unit. The same telephone survey was repeated yearly from 2002 to 2004 by MORI. In 2005 this survey was conducted online through the Customer Relations department based at Scottish Enterprise National.
4. *Customer focus groups*: They are held on a monthly basis in different LECs. It is an ongoing evaluation of projects to ensure that action matches the expectations of users.
5. *Face-to-face meetings*: Throughout the network, client and account managers are encouraged to regularly gather and analyse customer feedback. Corporate Scotland Business Breakfasts are held for the top 100 companies of Scotland.
6. *Product testing*: Customer testing sessions are conducted before new products are launched and to review existing products.
7. *Consultation with staff*. Employees are consulted through team meetings, e-mails and network briefings. The Chief Executive communicates with staff in an end of week update message. Also, employees from the LECs and the Business Gateway have input into the design of the annual customer and employee survey. The employee survey has been conducted by MORI on an annual basis from 2001 to 2004 to establish drivers of job satisfaction and to understand how highly employees think of the services offered by Scottish Enterprise.
8. *Other feedback opportunities*: These include the SE website, reception questionnaire cards, Customer Charter reply cards and various customer events.

5.4.5 Aligning Service Performance Targets to Reward and Training

The organisation has endeavoured to ensure that the network reward systems, as well as the newly introduced training schemes, support the delivery of the SE strategy. Therefore ways for improving the overall approach to planning and performance management have been identified to ensure the following (*One Network* document, Scottish Enterprise intranet, 2003):

- a) performance of business units, teams and individuals is managed
- b) the links between results and resources are understood
- c) a sense of responsibility and accountability for individual performance is rendered. It is assumed that this will facilitate understanding how the individual can contribute to the corporate targets, and clarity in prioritising the activities that give the greatest benefits.

Reward

Therefore, Scottish Enterprise has introduced performance related pay, which means that employees should be paid within the range of their grade according to their performance (*Perform* document, Scottish Enterprise intranet, 2003). To this effect, a network on-line system, Perform, is now in operation. All performance is measured twice a year (exceptional, very good, good, satisfactory and unsatisfactory) in performance areas which are consistent across the network. Employees are rewarded financially according to their contribution in the achievement of these. The Perform system has been created to help staff understand what is expected of them and what standards of performance they need to achieve. It has been suggested that this system may provide a framework in which business targets can be translated into individual tasks and may send messages on how these tasks are to be completed: It has been

argued that the organisation's values, which Perform is based on, are business and behaviourally driven and relate to success in the following areas:

1. *Satisfying Customers* (e.g. presents a positive, dynamic and knowledgeable image to customers, understands customer needs and is seen by customers as helpful)
2. *Being Co-operative* (e.g. builds and maintains effective team relationships and partnerships internally and externally, effectively shares and absorbs knowledge to add value to own and customer/team activities)
3. *Forward Thinking* (e.g. positive, flexible attitude to the organisation, its strategy, values and goals, able to generate and implement creative ideas and solutions, in particular within own job)
4. *Driven by Results* (e.g. delivers results in line with time, quality and cost specifications, delivers results without prejudicing any other company goals)
5. *Experts in our Field* (e.g. knowledgeable employee, continuously using and improving expertise to best effect, experienced - able to utilise experience consistently at the appropriate level)
6. *Managing Others* (e.g. manages and leads by example and empowers colleagues/direct reports, effectively manages performance and development of team members, contractors or consultants and incorporates HR and Training/Development aspect to operational plans)

Training

In addition, according to the *Perform* document (Scottish Enterprise intranet, 2003), it is the responsibility of all employees to take ownership for their own development and it is expected that employees have tasks related to their own development, which

support the delivery of the team's business plan for the year. These tasks are captured on the development plan and should be discussed with the manager.

It is recommended that a minimum of five days development takes place for every member of staff. In addition to training courses and further education, the plan should also capture other development activities, e.g. work shadowing, on-the-job development, attending conferences and coaching. Development plans must be reviewed regularly and altered as tasks change or are added to help ensure they are still relevant. The training and development plan should capture planned training for the full performance year as well as training that has already occurred within the current year.

5.5 The Usefulness of Scottish Enterprise as a Case Study

The previous sections in this chapter highlighted the key facts about Scottish Enterprise that are important to this study. Scottish Enterprise is a critical case organisation as the challenges management faces in the development of an externally focused organisational service orientation in a public sector environment can be studied: As outlined above, there seem to be changing and contradicting agendas from politicians as well as management with regard to the strategy through which Scottish Enterprise is supposed to fulfil its remit.

On the other hand, due to growing public pressure the organisation has attempted to create a stronger emphasis on the delivery of effective and efficient services to customers, e.g. through the introduction of balanced performance measurement and management systems. Therefore, it might be argued that Scottish Enterprise is also an important case organisation as the impact of these initiatives at a network level, as well as management practices implemented at a local, individual business unit level, on employees' perceptions of the organisation's service orientation can be explored. Using Scottish Enterprise as a case study organisation allows to investigate whether there are similar patterns in the service orientation discrepancy as described in the private sector: As outlined in Chapter 4, although it has been described in the public sector literature that there might be a resistance to the new public management

approach, there is growing evidence that this assumption is false, as some studies could support the notion that public sector employees place a greater emphasis on a good service delivery to customers than they perceive the organisation to do. Moreover, the linkage between employees' perceptions of organisational service orientation and levels of individual service orientation, service performance and job satisfaction can be investigated. This is important to explore further, as the conclusions drawn in chapter 2 suggest that organisational service orientation might be more important for a good service performance and job satisfaction than individual service orientation.

This case study is not only interesting for other public service organisations, but also for private sector companies that offer complex services: When placing services along a continuum from standardised/tangible services to non standardised/intangible services it might be argued that the majority of studies concerned with service orientation were conducted in more standardised/tangible service settings. In other words, most service orientation studies have explored the concept in more structured, short-term service encounters, such as the interaction with bank service personnel, whereas there are very few studies that would have tried to investigate service orientation in more unstructured, long-term services, which may develop through relationship work over time, such as consultancy services. Therefore, Scottish Enterprise is an important case organisation, as their consultancy services for account and client managed businesses are developed over time in co-operation with the customer. Moreover, as highlighted in chapter 3, little is known about how customer feedback may be meaningfully implemented in general. Therefore, the findings of this study also contribute to existing knowledge in the private sector literature with regard to the collection, communication and use of customer feedback.

The overview of the reviewed service orientation literature presented in **table 5.1** reflects that the majority of studies have focused on private sector case studies and more standardised services. There is also a skew towards financial services.

Therefore it might be argued that Scottish Enterprise could serve as an important case organisation, because insight can be gained into how the service orientation

concept applies not only to public sector organisations, but also to more complex service settings.

Table 5.1 Overview: Service Orientation Literature

| Service Orientation Studies – Private Sector | Service Orientation Studies – Public Sector |
|---|---|
| Parkington and Schneider (1979); bank | Hogan et al. (1984); hospital personnel |
| Schneider et al. (1980); bank | O'Connor and Shewchuk (1995); health care organisations |
| Schneider and Bowen (1985); bank | Alge et al. (2002); bus transit |
| Schneider et al. (1992); financial services | |
| Webster (1993 a, b); retail banking; health spas, airlines and product repair | |
| Johnson (1996); bank | |
| Hurley (1998); fast-food convenience store chain | |
| Lytle et al. (1998); retail banking, retail home improvement chain | |
| Schneider et al. (1998); bank | |
| Keillor et al. (1999) ; sales personnel | |
| Lynn et al. (2000) ; bank | |
| Chait et al. (2000) ; financial services | |
| Liao and Chuang (2004); franchise restaurant chain | |
| Saura et al. (2005); banking services | |

(developed by author)

5.6 Summary

This chapter has outlined background information about Scottish Enterprise, which is relevant to the fieldwork of this thesis. It has highlighted how Scottish Enterprise

have endeavoured to develop a stronger focus on the service delivery to customers as well as its improvement through the introduction of a service vision and values which have been reinforced by initiatives through the Business Transformation Project. This chapter specifically focused on the implementation of the Customer Relations Strategy as well as the implementation of a service performance management and measurement system. It has highlighted how customer feedback is gathered and how such feedback as well as other service performance measures may be aligned to reward and training.

Overall, it might be suggested that Scottish Enterprise may be an important organisation to study as they have endeavoured to deploy the management procedures and practices that have been described in the literature as outlined in chapters 2, 3 and 4, as impacting positively on employees' perceptions of organisational service orientation and thus possibly on service performance and job satisfaction.

The next chapter will outline the research questions and hypotheses developed on the basis of the literature review and will discuss in more detail the rationale for the research methodology chosen, as well as the methods used.

Chapter 6. Methodology

6.1 Introduction

As the findings from the literature review formed the basis for the fieldwork of this study, first a short summary of the literature review will be provided. Then the research objectives and hypotheses that have been derived from the conclusions of the literature review will be outlined. Furthermore, it will be discussed why the case study approach for addressing the research objectives of this study is appropriate, also looking at it from an epistemological stance. The reasons for choosing a mixed method approach will be highlighted and the methods used discussed. Finally, the limitations of this study will be outlined.

6.2 Research Objectives and Hypotheses

This section will outline the research objectives and hypotheses that have been developed on the basis of the findings from the literature review as discussed in chapters 2, 3 and 4.

6.2.1 Service Orientation in the Public Sector

As outlined by Parkington and Schneider (1979), in the private sector an enthusiastic organisational service orientation is one in which management supports employees' efforts on benefiting the customer. This is opposed to a bureaucratic orientation in which the organisation is placing a strong emphasis on maintaining internal systems. This dichotomy is similar to the competing values framework (CVF) by Quinn and Spreitzer (1991), which uses an internal/external focus and control/flexibility divide of an organisation's overall cultural orientation. As perceptions of organisational service orientation may be formed through the evaluation of the organisation's management practices, procedures and goals it was suggested that the construct describes an attitude.

In contrast, it was highlighted that individual service orientation, which has been described on the same enthusiastic/external – bureaucratic/internal dichotomy (Parkington and Schneider, 1979) may be regarded a personality trait (e.g. Hogan et al., 1984).

It was argued that it may be important to study both concepts in conjunction, as there has been some support for the notion that the magnitude of the discrepancy between the two may be negatively correlated to positive customer and employee outcomes, e.g. service performance and job satisfaction (e.g. Parkington and Schneider, 1979; Schneider et al., 1980; Schneider and Bowen, 1985). However, so far only very few studies have tried to investigate the link between the interplay of the two concepts and service performance and job satisfaction.

Moreover, it was highlighted that there is an increasing pressure on public sector organisations to deliver an effective and efficient service to customers (e.g. Black et al., 2001; Donnelly et al., 1995). Therefore, it might be suggested that more research may be necessary to understand how an externally focused organisational service orientation may be developed in public services. In line with the above it is, thus, also important to understand better what individual service orientation in the public sector may consist of.

As the literature review revealed, there have been a few studies trying to assess public organisational culture in general (e.g. Parker and Bradley, 2000), but there has been no specific focus on the service orientation construct. Moreover, those few studies that explored the individual service orientation construct in a public sector setting did not look at it in conjunction with levels of organisational service orientation.

Thus, in order to advance existing knowledge in the service orientation literature, this study aims to explore the commonalities between the two constructs in a public sector setting.

On the basis of the theoretical background highlighted in the previous chapters the following research objective was developed:

Research objective 1: Explore the commonalities of an externally focused organisational and individual service orientation in a public sector setting.

6.2.2 Service Orientation Discrepancy in the Public Sector

The literature suggests that New Public Management has been introduced to reinforce the development of efficient and effective services in order to lower governmental spending as well as to improve the service delivery to customers (e.g. de Bruijn, 2002; Brown et al., 2003).

However, it has also been reported that public management may face some barriers in the development of an externally focused organisational service orientation due to controversy over their service performance targets and the cutting of resources (e.g. Brookfield, 2000; Fountain, 2001). While a few authors have suggested that the traditional internally focused organisational service orientation may be more in line with the orientation of employees in the public sector there has been some more supporting evidence evolving that the opposite might be the case: Some research findings suggest that public sector employees may have a strong externally focused individual service orientation due to their commitment to service the public and may have been, therefore, experiencing some frustration over the implementation problems of the New Public Management principles (e.g. Donnelly, 1994; Foster et al., 2002). Moreover, it might be argued that customer facing employees in general, regardless of the sector they work in, may feel frustration if they are not supported by the organisation to deliver a good service, as they may feel pressurised to deliver a good service due to the constant contact with customers (e.g. Chung and Schneider, 2002).

Since it has been suggested that a perceived service orientation discrepancy may negatively impact on customer and employee outcomes, it is argued that it may be important to gain a better understanding of the nature of the service orientation discrepancy in the public sector.

Therefore, on the basis of the above the following research objective and hypotheses were formulated:

Research objective 2: Explore the nature of the service orientation discrepancy in a public sector setting.

Hypothesis 2.1: In a public sector setting, employees perceive their own external service orientation as being stronger than that of the organisation.

Hypothesis 2.2: In a public sector setting, there is a negative correlation between the magnitude of employees' perceived service orientation discrepancy and service performance.

Hypothesis 2.3: In a public sector setting, there is a negative correlation between the magnitude of employees' perceived service orientation discrepancy and perceived job satisfaction.

6.2.3 Importance of Organisational Service Orientation in the Public Sector

As the discussion above has shown, congruent levels of organisational and individual service orientation may be important as the extent of the perceived discrepancy may be negatively linked to service performance and job satisfaction (e.g. Parkington and Schneider, 1979). However, the literature review highlighted that - although the concepts of service orientation, service performance and job satisfaction seem to have gained an increasing importance over the last decade in the public sector (e.g. Maddock, 2002; Wisniewski and Stewart, 2004) - only a few studies have tried to investigate the link between these constructs in more detail in a public sector setting. Therefore the following research objective was developed:

Research objective 3: Investigate the importance of an externally focused organisational service orientation in a public sector setting.

It was highlighted in the literature review that studies which have directly linked levels of individual service orientation to levels of service performance (e.g. Hogan et al., 1984; Chait et al., 2000) may have been too simplistic, as it was argued that

cognitive dimensions of a personality trait may not be reliable predictors of behaviour (e.g. Mischel, 1968; Liao and Chuang, 2004), as behavioural outcomes may be dependent on the interplay between the person as well as the environment. Moreover, it was suggested that organisational service orientation might be a condition for a good service performance, whereas individual service orientation may not be necessary for employees to deliver a good service to customers. The argument for this is that employees may want to deliver a good service for other reasons, such as experienced pressure by customers (e.g. Chung and Schneider, 2002). Therefore, the following hypothesis was developed:

Hypothesis 3.1: Organisational service orientation has a stronger effect on service performance than individual service orientation.

It was also suggested that organisational service orientation may be a necessary condition for employees to deliver a good service to customers, which may impact positively on job satisfaction, e.g. due to positive feelings of achievement (e.g. Chung and Schneider, 2002).

It was argued that individual service orientation may not be necessary to experience job satisfaction, as employees may be motivated for other reasons to deliver a good service to customers, e.g. positive feedback from customers or performance related rewards (e.g. Schneider and Bowen, 1995). For these reasons, it was also argued that delivering a good service to customers may be important for customer facing employees to be satisfied with their jobs. It was also suggested that an externally focused organisational service orientation may be a necessary condition to do so. Therefore, the following hypothesis will be tested:

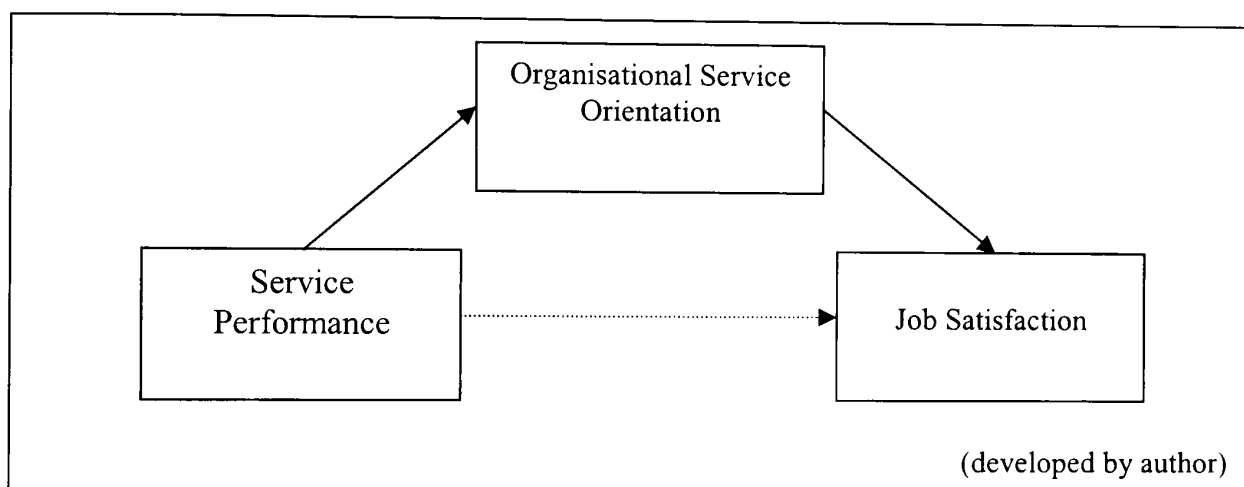
Hypothesis 3.2: Organisational service orientation has a stronger effect on job satisfaction than individual service orientation.

Finally, in light of the above, it was also argued that there is some evidence that service performance may be linked to job satisfaction (e.g. Bandura, 1977). However, it was also suggested that this relationship may be mediated through other

variables (e.g. Judge et al., 2001). In line with the previous hypotheses it is therefore suggested that organisational service orientation may mediate the link between service performance and job satisfaction, as it is through organisational service orientation that employees may be able to deliver a better service which in turn may lead to higher levels of job satisfaction (**figure 6.1**).

Hypothesis 3.3: The link between service performance and job satisfaction is mediated by organisational service orientation.

Figure 6.1 Organisational Service Orientation as a Mediator between Service Performance and Job Satisfaction



6.2.4 The Development of Organisational Service Orientation in the Public Sector

As outlined earlier, there is some evidence that certain management practices, such as leading by example, training and the implementation of customer feedback may have an impact on the development of an organisational service orientation (e.g. Schneider et al., 1998). However, only a few studies have tried to identify which management practices may be used in the public sector to enhance employees' perceptions of an organisational orientation towards providing quality services to customers. This may be important to investigate, though, as due to political and public pressure there is an increasing need for public organisations to become more oriented towards the delivery of quality services to external customers instead of

focussing on internal, bureaucratic procedures (e.g. Donnelly et al., 1995; Black et al., 2001). Therefore the following research objective was formulated:

Research objective 4: Investigate which management practices may be used to influence perceptions of an external organisational service orientation in a public sector setting.

The literature review revealed that the design and implementation of customer feedback may have a significant impact on employees' perceptions of organisational service orientation (e.g. Schneider et al., 1998). This is in line with the notion that service performance measurement may be crucial to enhance public sector performance (e.g. de Bruijn, 2002; Wisniewski and Stewart, 2004; Radnor and McGuire, 2004). Therefore it was decided to test the following hypothesis:

Hypothesis 4.1: The implementation of customer feedback will impact on employees' perceptions of an external organisational service orientation.

Although it has been suggested that management practices may impact on employees' perception of organisational service orientation, there is little evidence that management may have an influence on individual service orientation. Rather, it seems that recommendations in this field of research often restrict the management function to recruiting procedures to identify employees with a strong externally focused service orientation (e.g. Keillor et al., 1999). Moreover, it might be suggested that if individual service orientation is regarded as a personality trait (e.g. Hogan et al., 1984), then it may be difficult for management to change the cognitive and affective dimensions of individual service orientation through management practices, as it has been argued that personality traits are "fundamental psychological characteristics of a person" (e.g. Allen, 2000). Therefore it was decided to test hypothesis 4.2:

Hypothesis 4.2: Management practices that impact on perceptions of organisational service orientation do not have an impact on the cognitive dimension of individual service orientation.

6.2.5 The Meaningful Implementation of Customer Feedback in the Public Sector

If the implementation of customer feedback impacts on employees' perceptions of an externally focused service orientation, then it might be argued that it is important to understand in more detail how customer feedback can be meaningfully collected, communicated and used (e.g. de Bruijn, 2002; Radnor and McGuire, 2004).

However, as the literature review revealed, there are still shortcomings in the understanding of how this management practice may be implemented effectively – in the private as well as in the public sector (e.g. Sureshchandar et al., 2002; Wisniewski and Stewart, 2004). It may be argued that especially the existing public sector literature (e.g. Gianakis, 2002) has mainly focused on criticising performance measures such as service quality and customer satisfaction. Therefore, very few studies have tried to provide managerial guidance on how to meaningfully implement customer feedback mechanisms in the public sector (e.g. Black et al., 2001; de Bruijn, 2002). Therefore, to add to the knowledge in the field of the implementation of customer feedback in the public sector, the following research objective was developed for this study, addressing the exploration of the collection, communication and use of customer feedback in the case organisation under study.

Research Objective 5: Explore how customer feedback may be meaningfully collected, communicated and used in a public sector setting.

It has been suggested that a service quality information system should consist of several customer feedback collection mechanisms (e.g. Hoffman and Bateson, 1997). As outlined in the previous chapter, the Scottish Enterprise network publications suggest that the organisation deploys such a system by collecting customer feedback in several ways at a national and local level. Therefore it was seen as feasible to

investigate which of these customer feedback collection mechanisms may be perceived as providing meaningful knowledge about customers.

As outlined in the literature review it has been suggested that customer feedback may be considered as having two main functions: 1) to improve services to customers and 2) to encourage employees (e.g. Lawler, 1986; Williams and Visser, 2002). In line with this it has also been suggested that organisations' dissatisfaction with customer surveys may lie in the fact that they are not providing enough detailed information to address these two objectives (e.g. Mendelsohn, 1998; Wilson, 2002). Therefore it might be argued that collection mechanisms that are carried out at more frequent intervals and provide more specific feedback, e.g. at a LEC level, might be perceived as being more meaningful than initiatives that take place at a national level, e.g. the national customer survey, which provide more general satisfaction scores.

However, as there is little empirical evidence regarding a hierarchy of satisfaction with different customer feedback collection mechanisms linked to the detail of feedback and organisational versus branch initiatives, no specific hypothesis was formulated prior to the fieldwork.

As outlined in the literature review, there is still a need for gaining a better understanding of how customer feedback can be communicated to staff in an understandable and meaningful way (e.g. Staniforth, 1996; Wilson, 2000). The research that has looked at the communication of customer feedback has mainly focused on the presentation of quantitative customer feedback (e.g. Stone and Banks, 1997; Webb, 1998). This strand of research placed an emphasis on the evaluation of the content of these presentations and often concluded that the understandable communication of customer survey results was problematic as the results were often too aggregate. However, only a few studies have tried to compare different channels to communicate customer feedback in general.

Therefore, as there are many customer feedback collection mechanisms in place at Scottish Enterprise, it was decided to explore which channels at an organisational and local level are used to communicate this feedback.

In line with the above it could be argued that communication channels are perceived as being effective if they provide more detailed information that can be used to

improve services. Moreover, in order to motivate employees, it might be suggested that the communication channel needs to address directly the specific service performance of individual employees. Therefore, in line with the *Internal Communication Gaps Model* (figure 3.1) as described by Stauss and Hoffman (2000), it may be that horizontal communication channels, such as workshops, may be regarded as being more effective than vertical communication channels, such as newsletters, as they are more interactive and may give a chance to explain complex problems in more detail.

However, as there is little empirical evidence regarding a hierarchy of perceived effectiveness of different customer feedback communication channels linked to their detail of feedback and directness, no specific hypothesis was formulated prior to the fieldwork.

The findings from the literature review suggest that if customer feedback is communicated in an interactive way, i.e. employees are involved in the analysis and the development of action plans (e.g. Crandall, 2002; de Bruijn, 2002), this might increase employee commitment to carry out the service changes and nourish the feeling that the feedback is used to improve services to customers. However, there is little managerial guidance on how to generate such an involvement of employees in the use of customer feedback.

In line with this is the notion that through interactive action planning that is tied in with the overall organisation's performance targets, employees may perceive the use of customer feedback as being more meaningful (e.g. Neely et al., 1997). This might be due to the fact that it enhances employees' understanding between the organisational strategy, their own work and customer service improvement (e.g. Wilson et al., 2003; Chan, 2004). Moreover, if the actions based on the use of customer feedback are monitored and aligned to reward and training, then this may reinforce an increased service performance (e.g. Schneider and Bowen, 1995; Kaydos, 1991).

As there are only very few studies that have tried to investigate the link between employees' perceptions of the meaningfulness of the use of customer feedback, involvement in action planning, monitoring and linking the actions to overall

organisational service targets, no specific hypothesis was formulated prior to the fieldwork.

6.2.6 Best Practice Examples – Managerial Implications

Research objectives 1 to 5 are concerned with the exploration of constructs, the link between constructs and the implementation of management practices at an organisational level. However, it was felt that in order to derive more detailed managerial implications it may be useful to compare the results of the different business units as the identification of best practice examples may help to illustrate the findings of this study. Therefore, the following research objective was developed:

Research objective 6: Investigate whether there are differences between business units in the implementation of management practices that support the development of an externally focused organisational service orientation in a public sector setting.

In order to address this objective it is necessary to understand whether there are differences in perceptions of management practices between LECs. As outlined in the literature review, there is some evidence that perceptions of organisational service orientation may differ between branches (e.g. Schneider and Bowen, 1985; Johnson, 1996). It was suggested that this may hint to the notion that it may be difficult for organisations to establish a unitary culture that would support an equal development of an organisational service orientation across branches (e.g. Ogbonna and Harris, 2002). The literature review also revealed that local leadership may impact on the deployment of management practices, which in turn may impact on employees' perceptions of organisational service orientation (e.g. Hegewisch and Larsen, 1996; Gabris et al., 1998). Thus, it might be expected that there are differing levels of organisational service orientation between individual business units. Therefore the following hypothesis was developed:

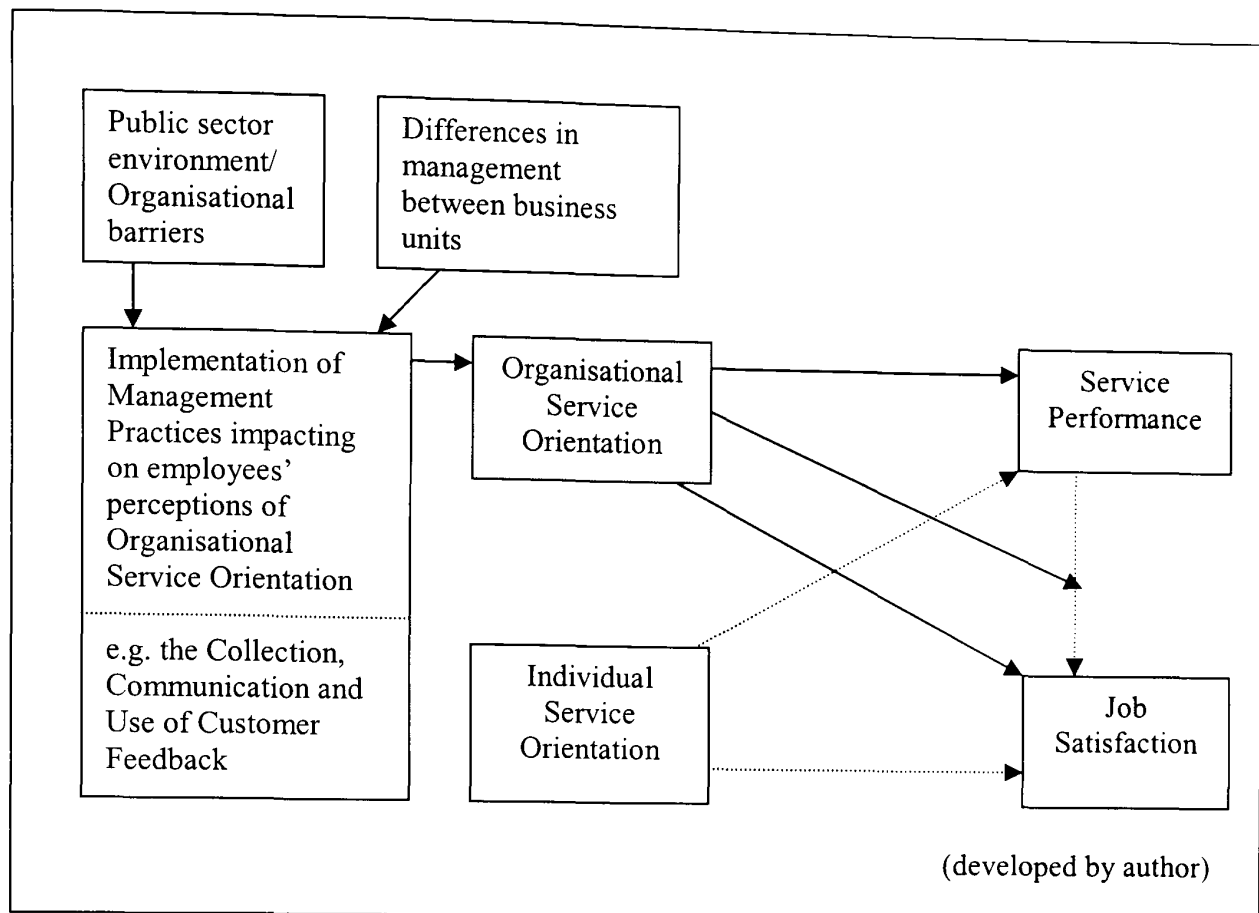
H6.1 There will be differences between business units with regard to employees' perceptions of an externally focused service orientation.

In line with hypothesis 4.2 it might also be suggested that there are no differences in levels of the cognitive dimension of an external individual service orientation between business units, as management practices may not have any impact on more fundamental personal characteristics of employees.

H6.2 There will be no differences in levels of the cognitive dimension of individual service orientation between business units.

This section outlined the research objectives and hypotheses derived from the findings of the literature review as outlined in chapter 2, 3 and 4. **Figure 6.2** provides a summary of the research objectives in form of a conceptual framework: The public sector environment as well as differences in management teams between business units may impact on the deployment of management practices that in turn might have an influence on employees' perceptions of organisational service orientation. However, if there are significant differences between business units in employees' perceptions of organisational service orientation, it may be suggested that it is not only the public sector environment, but also business unit management that has an impact on the development of such an orientation in public service settings. Employees' perceptions of organisational service orientation may have a stronger impact on their perception of service performance and job satisfaction than their individual service orientation. Moreover, perceptions of organisational service orientation may mediate the link between service performance and job satisfaction. The following sections will discuss the research methods used to address the research objectives and to test the hypotheses as outlined above.

Figure 6.2 Conceptual Framework of Study



6.3 Justification for Case Study Methodology

The methodological approach taken is a single, embedded case study (Yin, 2003), i.e. the unit of analysis is a single organisation (Scottish Enterprise), but in order to derive more powerful and detailed results, also sub-units are compared with each other (LECs - Local Enterprise Companies). The reason for choosing the case study approach is that it facilitates the “exploration of complex social processes, taking a holistic perspective on real-life events” (Perry, 1998): Looking at the literature as outlined above, it can be argued that organisational service orientation is a complex social construct that can only be investigated in a real-life context, the company. It has been highlighted that the case study method “allows investigators to retain the holistic and meaningful characteristic of real-life events (...) such as organisational and managerial processes” (Yin, 2003). This means that the phenomenon observed does not need to be replicated in a laboratory setting to be better understood (Rowley, 2002). Therefore, it seems that using a case study approach for the research for this thesis is appropriate. Moreover, the case study approach is seen as

appropriate in the development of theory as well as in the testing of propositions derived from existing theory (Yin, 2003). The above research questions of this thesis reflect that it is the aim of this study to develop and test theory that is relevant for the studied case organisation. It has been argued that especially the field of public administration is well suited to case studies as they satisfy the recognised need for an in-depth understanding of cause and effect relationships that other methodologies cannot achieve (Jensen and Rodgers, 2001). In addition, Simon et al. (1996) list a whole range of further advantages of case study research such as that it helps to bridge the gap between academia and industry, that enables verifying results from a wide range of perspectives and that it can often give new directions for further research due to the depth of data gathered.

According to Yin (2003) there are four main criteria on which the quality of a case study can be judged. **Table 6.1** shows how these criteria can be addressed in case study research in general and outlines how they are addressed for the research of this thesis in particular.

Although case studies often investigate a small unit of analysis and generate in depth knowledge, they should not be confused with qualitative research (Yin, 2003). Case studies can be based on any mix of quantitative and qualitative evidence (Yin, 2003; Jensen and Rodgers, 2001). As outlined in the table below, this study will use a mix of qualitative and quantitative methods to gather data through which the research objectives derived from the literature review can be addressed. These include existing data analysis, key informant interviews and a survey.

Table 6.1 Criteria for Assessing Quality of Case Study Research

| Criterion | Tactic Used for this Case Study |
|---------------------------|---|
| Construct validity | <ul style="list-style-type: none"> • Use multiple sources of evidence <ul style="list-style-type: none"> ○ Literature review on service orientation, service performance measurement and the application of these concepts in public services; interviews with key informants; survey administered to all customer facing staff; analysis of existing Scottish Enterprise customer data • Establish chain of evidence <ul style="list-style-type: none"> ○ Explicit links between questions asked, data collected and conclusions drawn are established by clearly formulating the research objectives in advance and collecting and analysing the data accordingly • Have key informants review draft case study report <ul style="list-style-type: none"> ○ Scottish Enterprise employees revised the questionnaire that was established on the basis of interview findings; final results of study were presented to Scottish Enterprise employees and opportunity for discussion was given |
| Internal validity | <ul style="list-style-type: none"> • Do pattern-matching <ul style="list-style-type: none"> ○ interview findings of chief executives were related to survey findings; the emerging patterns were compared with the predicted hypotheses derived from theory • Do explanation-building <ul style="list-style-type: none"> ○ The observed patterns in the data were compared to existing theory so that new explanations could be reported upon in the results and conclusions chapters ○ Replication logic: The study for this thesis is a single case study. However, to gain stronger data for developing more powerful explanations sub-units of Scottish Enterprise (LECs) were also examined and compared. As there were only 12 LECs, they were not chosen according to replication logic (either because similar results or contradicting results for predictive reasons are forecasted), but they were all included in the analysis. Explanations of variances in results were established. |
| External validity | <ul style="list-style-type: none"> • Use theory in single case studies <ul style="list-style-type: none"> ○ Analytical generalisation: the entire result set is linked back to existing theory as outlined in the literature review, mainly in form of hypothesis testing |
| Reliability | <ul style="list-style-type: none"> • Use case study protocol <ul style="list-style-type: none"> ○ To ensure the study could be replicated by other researchers the procedures of how the data was collected and analysed is clearly outlined in this thesis • Develop case study database <ul style="list-style-type: none"> ○ The raw data from each source used was stored electronically |

(Yin, 2003 – modified by author)

6.5 Epistemology and Research Approach

Ontology describes the nature of reality (Healy and Perry, 2000). The extreme positions are that one can either acknowledge that there is an objective truth out there that holds for everyone or that reality is subjective and is experienced differently by

each individual in different contexts, i.e. it is socially constructed (Guba and Lincoln, 1994). It might be argued that the problem with the literature in the field of research epistemology is that most authors try to restrict the different philosophical paradigms to a limited choice of research methods: It has been suggested that, coherent with their ontological position, researchers should choose a research paradigm, i.e. epistemology, which determines how reality can be explained, how scientific knowledge can be gathered (e.g. Johnson and Cassell, 2001). In this sense, many authors have concluded that epistemology is prescribing the use of certain research methods, i.e. within objective paradigms only deductive/quantitative research methods should be used and within subjective paradigms only inductive/qualitative research methods should be used (e.g. Easterby-Smith, 1991).

However, the literature in the field of epistemology is confusing as most authors have different ideas of what each epistemological stance stands for: Healy and Perry (2000) suggest that realism should be the preferred research paradigm for case study research. However, they and other authors, such as Tsoukas (1989) or Guba and Lincoln (1994), suggest that realism assumes that reality is subjective and that therefore research methods used under this paradigm should be inductive in nature, whereas others like Godfrey and Hill (1995) suggest that realism is closer to the positivist stance and is therefore more concerned with deductive research. Godfrey and Hill (1995) highlighted in their discussion about the differences between realism and positivism: “Despite this lengthy discourse, the debate has not yet been resolved – nor will it be.”

Leaving the confusion in the literature aside, the author’s view is that refusing categorically certain research methods due to epistemological considerations has the potential to act counterproductive in the generation of scientific knowledge, as research conducted in the boundaries of such frames has the potential to miss relevant evidence.

A review of the research methodology literature suggests that Yin (2003) is one of the most cited authors in the field of case study research. What is worthwhile noting is that he does not take an ontological or epistemological stance. Yin (2003) distinguishes “the case study as a research tool from ... ethnographies and

participant-observation and qualitative research”. He questions the hierarchical view of research strategies which suggests that “case studies are only a preliminary research strategy and cannot be used to describe or test propositions” (2003). Instead, he argues that in case study research any data collection method to conduct rigorous research to derive valid and reliable conclusions may be used.

This justifies the mix of quantitative and qualitative research methods used for this case study. If at all, it might therefore be argued that the epistemological stance of the methodology used for this thesis comes closest to the realism paradigm as, according to Magee (1985), it has been formulated by its founder, Karl Popper (as opposed to the realism paradigm interpretations by other authors like Tsoukas (1989) or Healy and Perry (2000)): He suggested that the world may be divided into three units. World 1 is the objective world of material things, world 2 is the subjective world of minds and world 3 contains objective structures which are products of minds, exist largely independently, but are open to change.

Therefore, the main difference to positivism seems to be that realism holds that the social world is an open system in which causal impacts are contingent upon their environment (Magee, 1985). This is important in order to address the objectives of this study appropriately as it has been outlined that the development of perceptions of an organisational service orientation may be dependent on the organisation’s environment. Moreover, levels of organisational service orientation may differ between business units, depending on variables such as local leadership and the implementation of management practices. Service performance and job satisfaction may depend on organisational service orientation.

As outlined above, this is why the case study approach was chosen. However, Popper also suggests that there are objective structures, i.e. not everything is socially constructed. Therefore, realism can also justify the quantitative, deductive approach to testing the service orientation concept. In this sense the realism paradigm is neither truly objective nor subjective.

Popper has also acknowledged that the discovery of scientific knowledge would occur in cycles, from observations to quantifications. This is in line with Yin (2003) who suggests that induction and deduction are closely interlinked.

Therefore, to conclude, the realism paradigm as suggested by Popper can justify the use of qualitative research to build theory and to inform quantitative methods to test hypotheses in case study research.

6.6 The Research Design

It might be argued that Popper's cycle of knowledge generation has also been experienced by the author during the work on this study which has moved from a qualitative to a quantitative research phase. This is in line with the literature suggesting that increasing attention is paid to triangulation in research (Yin, 2003) as it is argued that a weakness of one method can be counter-balanced by the strength of another. Therefore it is argued that using both approaches is a powerful way to gain insights and results, and for assisting in making inferences and in drawing conclusions (Amaratunga et al., 2002). **Figure 6.3** gives an overview of the methods used in this case study.

For this study, the literature review formed the basis for establishing gaps in existing knowledge and developing the research questions and hypotheses as outlined above. This is in line with Miles and Huberman (1994) who suggest that it is important to have a well defined focus at the start to guide the collection of data. The research objectives as outlined above reflect that some knowledge already exists about service orientation, but that there is limited knowledge about this construct in public sector settings. As empirical research has been criticised with its preoccupation for statistical analysis to the detriment of quality data production (e.g. Jarratt, 1996), which forces researchers to work within theory rather than challenge or extend it, it was decided that the first phase of the fieldwork needed to be qualitative in nature. Therefore, semi-structured interviews with management were conducted first to identify indicators for service orientation, its existence and importance, as well as supporting management practices used at Scottish Enterprise. The results were compared with the findings from the literature review to analyse whether there were differences between the private sector and the organisation under study in these concepts. As outlined by Jarratt (1996), it has been proposed that qualitative research should be carried out early in the research process. He claims that information

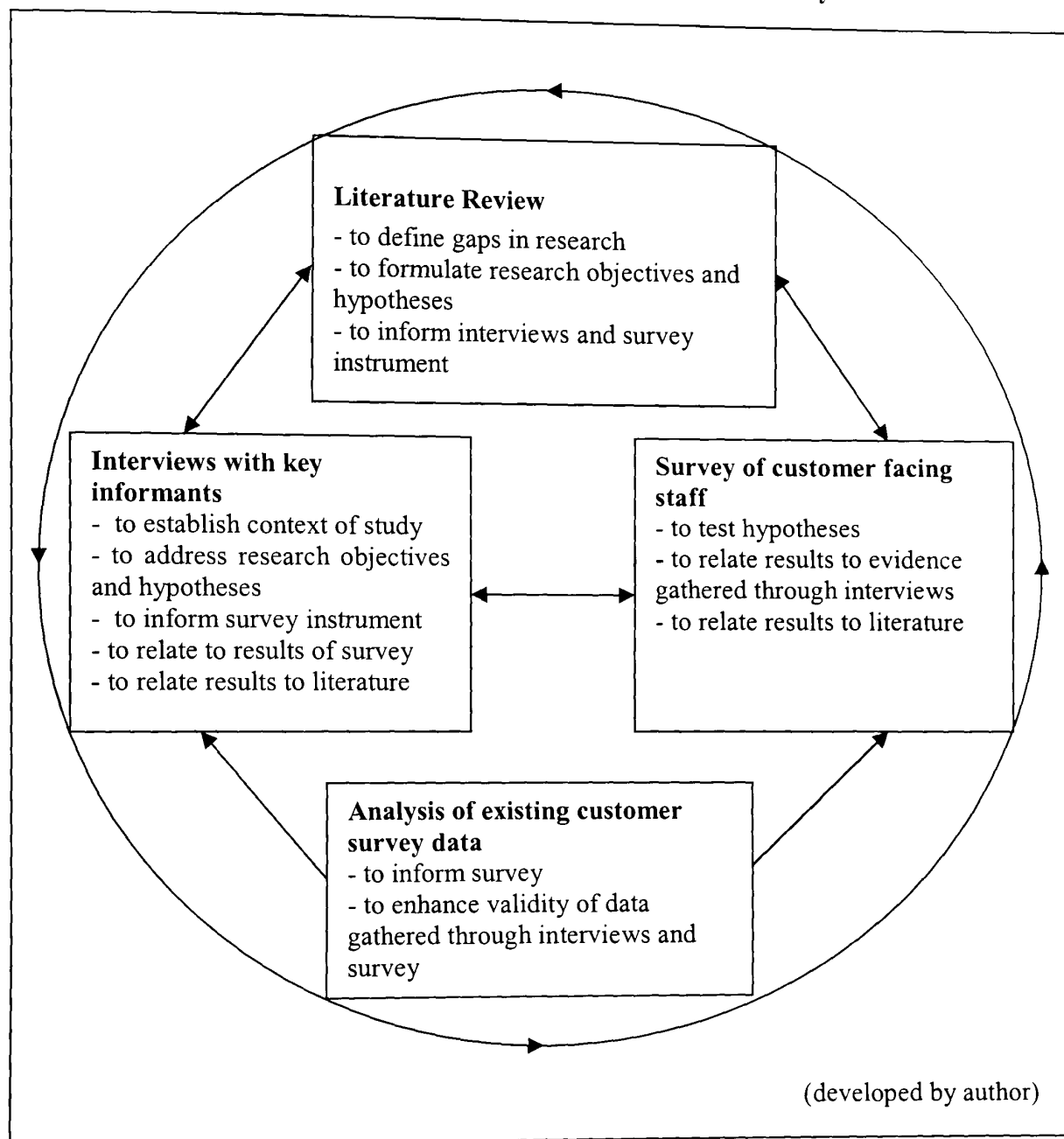
gathered from secondary data analysis and literature reviews should be supplemented and tested through interviews.

Once the concepts and their possible link to each other were established, it was possible to design a questionnaire that could adequately measure service orientation and supporting management practices, specifically the collection, communication and use of customer feedback, in the context of Scottish Enterprise. The results of this survey were compared to customer survey data from Scottish Enterprise to understand, whether there were similar patterns between employees' and customers' perceptions of service performance as in the private sector. Therefore, the quantitative research was used to validate the findings from the literature review and the qualitative research as well as to uncover formal relationships between constructs. This approach has been termed data triangulation and is used to overcome frequently cited shortcomings of case study research, such as a lack of rigour (Amaratunga and Baldry, 2001).

The different Local Enterprise Companies (LECs) were compared with each other on the basis of the interview findings and survey data to enhance internal validity while identifying best practice examples. This is in line with Miles and Huberman (1994), who suggest that cross-case analysis may enhance the generalisability of conclusions. This can be done by selecting pairs of cases and comparing them by using displays and non-parametrical tests to explore patterns. In this case study, on the basis of the interview findings a matrix of all LECs was established to identify differences in the implementation of management practices. Then, the survey data was compared on the basis of these categories to see whether the differences in implementation had an impact on employees' perceptions. Moreover, the results were tied in with the findings from the literature review for external validity as it has been suggested that theoretical replication is the key to rigorous analysis (Perry, 1998; Rowley, 2002). To improve the reliability of this study, the research and analysis methods are presented in detail in this thesis (Rowley, 2002). As Voss et al. (2002) highlight, accuracy of the documentation can be increased by letting key informants review draft reports. Therefore the key results were presented to the core group of customer facing staff to discuss the survey results and the final results report was discussed

with members of the Customer Relations Team of Scottish Enterprise to validate the documentation and findings.

Figure 6.3 Cycle of Data Collection and Analysis



The remaining sections of this chapter will now turn in more detail to the discussion of the research methods used in this case study.

6.7 Using Existing Customer Data

As outlined by Yin (2003), existing documents are likely to be relevant to any case study. Existing organisational data can take many forms such as letters, agendas, administrative documents or formal studies and evaluations. It has been suggested that this type of data is useful as it can serve to corroborate and augment evidence from other sources (Yin, 2003). As outlined by Stake (1995), research questions should be developed in advance before reviewing documents. The data can then be used to develop new questions that can inform further research methods later in the process or to compare conclusions derived from research findings gained through other methods. As highlighted by Hakim (1987) the value of the use of existing data will depend on the degree of match between the research questions addressed and the data chosen.

It was decided that for the purpose of this study the key organisational SPSS dataset was the customer survey from 2005 in order to assess whether there was a link between employees' and customers' perceptions of service quality. This was seen as important to enhance the validity of this study. As outlined above, one of the research objectives of this study was to investigate the degree to which the concept of organisational service orientation has to be considered important in a public sector setting. To address this objective it had to be established whether there were links between perceptions of organisational service orientation, service performance and job satisfaction. As the primary research for this study could only cover management and employees of the organisation studied, it was necessary to use the existing customer survey data from 2005 to compare it to the findings of this study. Moreover, the literature review also revealed that there is no clarity on how to measure service quality, especially in a public sector context. Therefore it was decided to use existing data from the Scottish Enterprise customer survey 2005 in order to establish which items may be used to assess the services of Scottish Enterprise.

According to Kotler (1999) the advantages of secondary data are that they are normally faster, cheaper and easier to collect than primary data. These data also often contain information researchers cannot collect themselves, because the information is not directly available or too expensive to collect. However, as is the concern with

any type of secondary data, it needs to be remembered that the type of data described above was collected and used for a different purpose and audience than those of the research for this thesis (Yin, 2003). Therefore researchers using this type of data need to try to identify what the original objectives of the data collection were in order to interpret their content correctly (Yin, 2003).

In this case, this was not a problem as the author had been part of the team who had managed the customer survey. Kotler et al. (1999) has also suggested that the main criteria secondary data has to meet are a) relevance (that it is important for the area of research), b) accuracy, c) currency and d) impartiality (objectively collected and reported data). It might be argued that the dataset meets all four criteria: It is relevant as it is needed to validate the findings of this study; it can be assumed that it has a high degree of accuracy as great care had been taken to cover all customers; it is current data, as the customer survey was carried out at the same time as the customer facing staff survey for this study; the survey data was impartially collected through the Customer Relations Team at Atlantic Quay which is not linked to a LEC.

Moreover, it has been suggested that survey data is a record as it includes more formal data and may therefore be seen as part of the reality being studied rather than as a substitute that would have been ideally collected in other ways (Hakim, 1987).

To conclude, the above seems to justify the use of the existing customer data to establish how to measure service performance in this study and to see whether there are links between employees' and customers' perceptions of service performance at a LEC level.

6.8 Qualitative Research – Interviews with Management

The first phase of the fieldwork endeavoured to address several of the research objectives as outlined above. Particular emphasis was placed on the exploration of the following:

- The nature of organisational and individual service orientation in a public sector setting
- The reasons for a service orientation discrepancy

- The importance of service orientation in the public sector, with specific focus on its link to service performance and job satisfaction
- The management practices used to support the development of an external organisational service orientation at a business unit level
- The effectiveness of the different ways in which customer satisfaction data is collected, communicated and used

As there is still confusion about the conceptualisation of these concepts and their linkages to each other it was first necessary to establish what these concepts meant in the public sector in order to achieve construct validity (Yin, 2003). As outlined by Amaratunga et al. (2002), qualitative research has been advocated as the best strategy for exploring new areas of research as it is more intrusive and less structured (Jarratt, 1996). They argue that it is a source of rich descriptions and explanations of processes in identifiable local contexts with which one can identify the connections between concepts and events. Furthermore, as outlined by Amaratunga et al. (2002), qualitative research may be used to inform a larger scale survey. As it was decided to conduct a quantitative study in the second phase of the fieldwork it was seen as important to first validate the concepts in order to be able to design a meaningful survey instrument. Therefore, it was decided to conduct semi-structured interviews to explore the concepts and their linkages to each other as outlined above (Jarratt, 1996).

The objectives as outlined above, as well as the sample frame had an impact on the research design: It was decided that the LEC chief executives and the heads of the business units at Atlantic Quay were the key informants at this stage of the research who could provide the best informed answers to these questions. Due to the small sample and the high position of these individuals it was perceived as being appropriate to arrange an interview with them in person instead of sending out open-ended questionnaires that might have taken a long time to fill in. It was felt that the envisaged participants would be more willing to take part in the study if they were approached personally.

6.8.1 Choice of Participants

As outlined by Voss et al. (2002), if a set of questions can be reliably answered by key informants, the research process should focus on identifying these persons. In the section describing Scottish Enterprise it was outlined that there are 12 Local Enterprise Companies (LECs) across Scotland and additional teams which are based at Atlantic Quay (AQ), as well as the Business Gateway (BG). It was felt that the heads of these business units would have the best overview of factors influencing the development of an organisational service orientation as well as its importance for the network in general and management practices used to develop it. Therefore, interviews with persons at a senior level throughout the organisation were conducted to gain a representative cross-section of the views of top management at Scottish Enterprise.

The head of the Customer Experience Team, that funded this study, was approached and asked to send out emails to these individuals to inform them about the research, including the research objectives as outlined above, and enquire whether they were willing to take part in an interview. This was done for two reasons: First of all it was assumed that the contacted persons would be more willing to take part if they were approached by another senior person. Secondly, as outlined by Voss et al. (2002) it is useful to send on outline of the interview protocol in advance so that the interviewee can be prepared or make an informed choice of not taking part, if they feel that they cannot comment on the topics. All but two of the contacted persons agreed to take part and interview dates were arranged through their personal assistants. Two LEC chief executives felt that they did not have enough detailed knowledge of the topics. Therefore they suggested interviews with members of their senior management teams which were arranged accordingly. The participants who took part in the interviews covered all LECs, the Business Gateway, SDI and a cross-section of business units based at Atlantic Quay.

6.8.2 Interviewing Procedures

As outlined by Voss et al. (2002), the effectiveness of case research depends on the way interview information is gathered. Yin (2003) lists a set of key variables a good interview is dependent on:

- Question Asking

It might be argued that to fulfil this pre-requisite, the interviewer needs to have a firm grasp of the issues being studied (Yin, 2003). As outlined above, it was the aim of the interviews to gain an insight into participants' views on specific constructs and their linkages to each other to address the research objectives. Therefore, the literature review assisted in structuring the interview guide into five broad topic areas so that the author had a clear idea about the topics under study as well as the information needed from the interviewees. Moreover, as outlined by Voss et al. (2002), a well-designed interview guide helps to increase the reliability and validity of case study research, as it ensures that the study can be replicated and that similar topics are covered with different interviewees.

- Listening/Lack of Bias

As outlined by Yin (2003), an interviewer should be unbiased by pre-conceived notions, and thus receptive and sensitive to contradictory evidence. As it was important to understand whether there were other issues that had not been identified through the literature review, it was decided to first ignore the research questions and instead invite the interviewee to tell the story of their experience with the topic under research (Perry, 1998). This procedure was intended to ensure to not capture the perceptions of the interviewer, but those of the interviewee. If certain research objectives were not covered by the answers of the interviewee, probe questions were asked.

- Adaptiveness and Flexibility

It has been argued that it is important to establish continuity during the interviews and make the interviewees feel at ease with the situation (Gordon and Langmaid,

1988). In order to establish better rapport, questions were phrased in the language used by the participant (Perry, 1998). Further, the probing questions were not asked in a rigid order, but the author tried to adapt the order in which topics were mentioned by the interviewee. As some of the topics were sensitive, the author provided feedback from earlier interviews in order to establish some sense of a two-way information exchange, instead of giving the interviewee the feeling of being put on the spot.

Depending on the time available and the pace in which the topics were covered, the interviews ranged in length between one and one and half hours. To improve reliability and repeatability of the study as well as to reduce the risk of observer bias (Voss et al., 2002), all interviews were taped and transcribed by the author.

6.8.3 Analysis of Qualitative Data – Validity and Reliability

It was felt that a structured approach to the analysis of the interview data was needed in order to address the research objectives as outlined above. It was the aim to objectively identify common indicators for the service orientation constructs as well as a catalogue of factors impacting on the service orientation discrepancy, the importance of organisational service orientation and management practices to support service orientation within the organisation under study. Moreover, it was the aim to establish how customer feedback collection, communication and use may be meaningfully implemented. The interviews helped to understand the concepts in the context of the case, but also to inform the design of the measurement tool used in the quantitative phase of this study. Therefore it was decided to use content analysis as an approach to analyse the interview data since it is a technique “for making replicable and valid inferences from data to their context” (Krippendorff, 1980). The four key components of content analysis according to Krippendorff (1980) were used to analyse the data to address the research objectives:

- data making and reduction

It is suggested that unstructured facts such as in interview transcripts must first be brought into analysable form: To do so, language units related to the same research objective were placed in the same category. For some research objectives the units were single words, for other research objectives whole sentences had to be taken into account to understand the full meaning (Weber, 1990). By categorising the data in this way it was automatically reduced to a more manageable size. It was then possible to count the frequency of similar words and phrases.

- Inference and analysis

It has been suggested that data can lead to inferences if there are frequencies of observed contextual dependencies and if there is confidence in the validity of the construct in the given context. This means that if a characteristic of organisational service orientation was mentioned often, it could be inferred that this characteristic might be one indicator for the construct in the studied context. Also, if a barrier to the development of organisational service orientation was only mentioned a few times, but there was strong evidence from the existing literature that this barrier has been observed in similar contexts, then it could be inferred that this barrier was also important for this study. After these inferences had been made, the data needed to be even further summarised and patterns and linkages within the data analysed.

To validate the findings of the content analysis, Krippendorff (1980) suggests that the data obtained should be compared to evidence from other sources. This ties in with the concept of data triangulation to enhance the validity of the constructs under study (Yin, 2003). The pattern-matching between cases and the identification of similarities also enhanced the internal validity of the findings (Yin, 2003). Internal validity was also gained through the quantitative phase by assessing whether the interview findings could be replicated through surveying employees, but also to relate the findings to results from the Scottish Enterprise customer survey. This helped the researcher to understand whether the data gathered through the qualitative phase actually corresponded to an external criterion. Further, external validity was

addressed by linking the interview findings back to the literature review to see whether similar results have been obtained elsewhere in similar or different contexts. According to Krippendorff (1980) reliability is an “important safeguard against contamination of scientific data by effects that are extraneous to the aims of observation, measurement and analysis”. Similar to Yin (2003) he suggests that there are three types of reliability: stability, reproducibility and accuracy. These criteria were met by trying to keep the categorisation process of interview units constant over time, by outlining how the data was obtained and categorised so that the findings could be reproduced, and by using guidelines from the literature to conform to known content analysis standards.

As outlined by Holsti (1969) the advantages of content analysis to other analysis techniques for qualitative data are that it gives more precise information through quantification and improves therefore the quality of interpretation and inferences. He also suggests that qualitative and quantitative methods are not dichotomous, but fall along a continuum as many quantitative studies use qualitative techniques in the beginning. As outlined above, this was also the case for this study as a mix of qualitative and quantitative methods was used. The next section will therefore discuss the quantitative approach that was taken in the second phase of the fieldwork.

6.9 Quantitative Research – Survey with Customer Facing Staff

As outlined in Amaratunga et al. (2002), quantitative research assumes that human behaviour can be explained by social facts which can be investigated through methodologies using “the deductive logic of the natural sciences”. Quantitative investigations often look into distinguishing characteristics between cases. Comparisons are possible, reliability and validity may be determined, constructs can be measured and links can be searched for (Amaratunga et al., 2002). Looking at the research objectives as outlined above it might be argued that many are aimed at addressing the relationships between constructs, such as the link between service orientation, service performance and job satisfaction, as well as the identification of hierarchies in which management practices influence organisational service

orientation and the comparison between different LECs to identify best practice examples. Therefore, it might be argued that the quantitative approach in the second phase of the fieldwork can be justified.

While the qualitative phase explored the indicators for constructs and the way the constructs are observed in the organisation's context, the quantitative phase endeavoured to test these findings and to identify the linkages between the constructs through a survey with customer facing staff. Furthermore, it might be argued that any advanced quantitative technique enables researchers to make inferences from the observable to the unobservable (e.g. Kaplan, 2000; Hair et al., 1998). This is due to the fact that they can identify underlying structures of factors that influence perceptions of participants. This understanding of the power of quantitative techniques makes the discussion about whether only qualitative techniques can investigate unobservable phenomena and quantitative techniques only the observable ones redundant. Rather, it might be argued that either technique is capable of both. Moreover, in accordance with the case study methodology and the realism paradigm it might be argued that a mix of both methods is a natural process in the advancement of scientific knowledge and increases the reliability and validity of the study (Magee, 1985; Yin, 2003). The next sections will highlight the procedures of the quantitative phase of the fieldwork.

6.9.1 Choice of Sample

It was decided that only external customer facing staff should be surveyed as one of the objectives was to understand how management practices might impact on employees' perceptions of organisational service orientation and how these in turn might be linked to service performance and job satisfaction. Therefore it was seen as important to survey customer facing employees due to their close interaction with customers during the delivery of the service (e.g. Chung and Schneider, 2002).

As the literature review suggested, external customer facing staff are those in boundary-spanning roles who are most likely to experience role conflicts through contradicting messages as to whether to serve the internal system or the external customer (e.g. Parkington and Schneider, 1979). Therefore it was felt that external

customer facing employees would be the most appropriate group to survey in order to gain a further insight into the perceptions of service orientation, service performance and job satisfaction as well as the management practices supporting an externally focused organisational service orientation. Moreover, it was felt that those employees would have the most direct experience with the collection, communication and use of customer feedback at Scottish Enterprise and would therefore be able to give informed answers as to which mechanisms are effective. Therefore all account and client managers from all 12 LECs and Scottish Development International (SDI) at Atlantic Quay were seen as the key informants for this phase of the research. To address research objectives 1 to 5 it was decided to use the entire sample in order to establish linkages between the different variables under study. In order to address research objective 6, it was seen as appropriate to group the LECs into categories on the basis of the interview findings in order to compare the quantitative findings from the staff survey (Johnson, 1996; Schneider et al., 1980). The advantage of this decision was that a pattern-matching from different data sources was possible which would increase the internal validity of the study (Yin, 2003). Moreover, it made a cross-case analysis possible (Miles and Huberman, 1994). This procedure also enabled the researcher to identify best practice examples and a more detailed formulation of managerial implications.

The only problem with the choice of this sample was that there were no comprehensive lists of customer facing staff in the individual business units. Therefore, different sources had to be used to identify as many customer facing employees as possible. These were: logged customer contacts on the CRM system, lists of employees having attended the Premier Adviser training and headcount figures from HR highlighting individual job titles. These lists were checked for duplications and email addresses were identified for each individual as it was planned to conduct an online survey. Overall, 322 customer facing employees were identified.

Moreover, to ensure that every customer facing employee had the chance to fill in the questionnaire, the survey was announced four times on the staff intranet with an access link, in case some individuals' email addresses had not been identified through the lists: As soon as employees log onto their computer an intranet page

called New Today, the internal newsletter, is uploaded. Every day there are four different topics posted. The survey link appeared four times under the heading “Staff opportunity to participate in academic research – How well do you feel supported by the SE network to deliver a quality service to your customers?” It was highlighted that the research focused on employees delivering a direct service to external business customers. As soon as someone clicked onto the link they were taken to a description of the research, its objectives and the possible benefits of participation. From that page they could then access the survey online.

6.9.2 Description of Measurement Tool

The questionnaire consisted of several sections which are outlined below (for the entire questionnaire, please refer to **Appendix B**). It was decided to use a 5-point Likert scale, since it is one of the most common ways of measuring attitudes (Kinnear and Taylor, 1996). The same scale was used for all questions for consistency reasons and included the following points: 1=strongly disagree; 2=disagree; 3=neither disagree nor agree; 4=agree; 5=strongly agree. Although it may be argued that this is not a true interval scale, since the verbal descriptions do not have the same distance to each other, it has been stated that it is now common in marketing research to accept data generated with such a scale as being parametric (Kinnear and Taylor, 1996; Proctor, 2000).

A. Work location (Business Unit) and group of main customers (i.e. internal or external)

Since literature suggests that respondents should be stimulated by easy questions in the beginning (Kinnear and Taylor, 1996; Proctor, 2000; Oppenheim, 1966), it was decided to ask questions about the work location and main customer group first.

Also, the business unit question was the most important classification question as it provided information about which LEC/business unit the participants worked for. It was also important to ask for the main group of customers to be able to exclude later any internal support staff or Business Gateway or Careers Scotland staff, or staff

dealing with other customers than businesses, who could have filled in the questionnaire accidentally on the staff intranet.

B. Perceived service performance and job satisfaction

This section was included to assess whether perceptions of service orientation may be linked to employee satisfaction and perceptions of service performance.

Moreover, the data was used to see whether employees' and customers' perceptions of service performance may correlate.

The most important aspects of service performance, as established through the analysis of the 2005 customer survey (see **Appendix C**), were included in this section as well as a question of overall job satisfaction. As highlighted above, as there is no consensus in the literature on how to measure service quality, it was decided to use the existing customer data to establish which items may be used. This was also seen as important as it was decided to compare the customer data with the findings from this survey. Hence, it was seen as appropriate to use comparable items. As there is also no consensus on how to measure job satisfaction, it was decided to include only one question asking about overall satisfaction with the job. This was seen as appropriate as other studies on service orientation have also used one-item scales to assess job satisfaction (e.g. Chung and Schneider, 2002).

C. Scale: Organisational and individual service orientation

Two scales with four common items were developed to assess organisational and individual service orientation. The items were chosen on the grounds of the findings from the literature review (e.g. Parkington and Schneider, 1979) and the interviews. The organisational scale encompassed statements that describe how employees feel "it is" in the organisation. The same scale was also used to measure employees' perceptions of their own service orientation by rewording the items into how "it should be" in the organisation.

D. Scale: Management practices supporting organisational service orientation

The items of this scale were chosen on the basis of the interview findings as well as from the literature (e.g. Lytle et al., 1998; Schneider et al., 1980) and covered the

areas leading by example, employee participation, employee recognition, implementation of customer feedback as well as the use of technology and training. For each management practice two to four items were developed.

E. Assessment of the collection, communication and use of Customer Feedback

This section was included to assess how satisfied employees were with the knowledge gathered through existing customer feedback collection mechanisms. The national and local collection mechanisms that were frequently mentioned during the interviews were included. It was decided to assess more in depth how perceptions towards the annual customer survey were formed by asking questions about how the survey data helped to improve services and how it encouraged employees to deliver a good service. The annual customer survey was chosen as an example, as the literature review revealed that the majority of studies has focused on perceptions towards surveys, as well as the fact that this was the most standardised customer feedback collection mechanism at Scottish Enterprise on which every employee could comment on.

Moreover, this section also aimed to assess how the different communication channels mentioned in the interviews were seen as being effective in creating an understanding of how the service to customers may be improved (e.g. Webb, 1998). Finally, four items were included to measure how the participation in action planning, the monitoring of actions and the linking into the organisation's service strategy may have an impact on employees' perceptions of the usefulness of the actions taken on the basis of customer feedback (e.g. Neely et al., 1997).

F. Open questions

Two open questions were included asking for a) comments about how well employees felt supported to deliver good customer service, b) possible improvements for the collection, communication and use of customer feedback.

It was decided to administer the questionnaire in an online format. The web-based survey was set up with a software called *surveymonkey*. The members of the sample

population were sent personalised emails with an invitation to take part in the survey. These emails contained hyperlinks which lead to the survey. Participants could exit the survey at any time and return to the question where they left it at a later point. Every time a respondent would exit the survey their answers were stored automatically. It was ensured that every participant could fill in the questionnaire only once.

The main reason for choosing this approach was that it has become common practice at Scottish Enterprise to conduct surveys online. Therefore, any other paper and pencil approach would have been considered unprofessional and possibly even irritating, also because the organisation has the objective to reduce the amount of paper used and to use electronic correspondence instead. Moreover, it could be observed that online staff surveys in the organisation had relatively high response rates in general and that these questionnaires were usually filled in within a couple of days after invitations to participate had been sent out. Also, as this was a survey that only went out to members of staff it was ensured that everyone from the sample could be reached through a company email account and that there were no problems with the technology, e.g. restrictions through firewalls.

Therefore it might be argued that none of the disadvantages of online surveys as outlined in the literature (Granello and Wheaton, 2004; Wilson and Laskey, 2003; Llieva et al., 2002) applied (**table 6.4**). The main advantages of using this approach were the reduced time of the fieldwork as no questionnaires had to be sent back by post and the data could be directly downloaded from the web into Excel and SPSS which eliminated the possibility of any data transfer errors. Also, the software allowed the design of needed question formats, e.g. open-ended or matrix questions, as well as the use of skip logic.

Table 6.4 Advantages and Disadvantages of Online Surveys

| Advantages | Disadvantages |
|--|------------------------------|
| Reduced response time | Representativeness of sample |
| Lowered costs | Response rates |
| Ease of data entry | Technical difficulties |
| Flexibility and control over format | |
| Advances in technology | |
| Recipients' growing acceptance of format | |
| Obtain additional response set information | |

(Adopted from Granello and Wheaton, 2004)

For the layout of the survey, recommendations from the online market research as well as web-design literature were followed (e.g. Granello and Wheaton, 2004; Geissler, 2001):

- The layout was simple and consistent throughout the survey with easy-to-read fonts. It was ensured that the background colours were bright so that they had a strong contrast to the written words.
- It was tried to keep the number of questions per page to a manageable number so that respondents did not need to scroll down pages, but could see the entire page upfront, as it has been suggested that too long pages might irritate participants.

The online format also allowed the researcher to observe at any time who had already responded. Therefore it was possible to send out specifically targeted and personalised reminders to non-respondents as it has been suggested that this might increase the response rate (in Granello and Wheaton, 2004). Overall, two reminders were sent out and the survey was closed after three weeks.

To assess the content of the questionnaire it was presented to the core group of the community of practice of account managers at Scottish Enterprise, which consists of one representative from each Local Enterprise Company. During that session a) the

relevance of the questions was discussed, i.e. whether respondents would be able to relate to the questions and could give informed responses, and b) the wording of the questions to ensure understanding and avoid ambiguity. This testing was important to help increase the reliability and validity of the study. During this meeting also the content of the introduction note was discussed to identify messages that would increase interest in the study and therefore the response rate.

Moreover, to assess the technical qualities of the questionnaire, two members of this core group agreed to fill out the questionnaire to give feedback on a) the design, which included readability (colour scheme, contrasts) and page layout (number of items on one page) b) uploading times and accessibility and c) time to fill in the questionnaire.

6.9.3 Response Rate

After three weeks the survey was closed as response rates started stagnating. The pattern of responses can be seen in **table 6.5**.

The response patterns reflected that although it had been specified on the intranet that this survey was meant to be filled in by external customer facing staff from Scottish Enterprise, many internal support staff clicked into the survey. Explanations for this might be that intranet announcements are either not read properly, or that employees like to take part in online surveys to fill gaps during the day.

Table 6.5 Response Rate Patterns Over Time

| Date | Email – cumulated total responses | Intranet – cumulated total responses |
|---|-----------------------------------|--------------------------------------|
| 23.3.2005 first email; first slot on intranet | 129 | 96 |
| 29.3.2005 second slot on intranet | | 118 |
| 31.3.2005 first reminder email | 188 | |
| 4.4.2005 third planned slot on intranet, but didn't go live as other topics got priority | | |
| 8.4.2005 third planned slot on intranet, but didn't go live as other topics got priority | | |
| 11.4.2005 final reminder email | 215 | |
| 12.4.2005 third slot on intranet | | 152 |
| 15.4.2005 fourth slot on intranet; survey closing | | 176 |

To calculate the response rate all responses from internal customer facing staff as well as Careers Scotland staff had to be excluded. The size of the total population N was the number of emails sent out on the basis of the lists gathered beforehand as it was felt that the number of all customer facing staff should act as a baseline and not the total headcount of each LEC and SDI. This also seemed justified as only a very few additional valid responses from the intranet could be used for the data analysis.

The final response rate is outlined in **table 6.6**.

As can be seen, the overall response rate as well as the individual response rates for each business unit were quite high. The next section will outline which methods were used to analyse the data.

Table 6.6 Final Response Rate

| LEC/BU | Nr of external customer facing staff | Nr of responses of external customer facing staff | Response rate |
|------------------------------------|--------------------------------------|---|---------------|
| SE Ayrshire | 23 | 14 | 61% |
| SE Borders | 15 | 10 | 67% |
| SE Dumfries and Galloway | 20 | 10 | 50% |
| SE Dunbartonshire | 17 | 10 | 59% |
| SE Edinburgh and Lothian | 40 | 29 | 73% |
| SE Fife | 11 | 11 | 100% |
| SE Forth Valley | 21 | 12 | 57% |
| SE Glasgow | 28 | 22 | 79% |
| SE Grampian | 41 | 17 | 41% |
| SE Lanarkshire | 25 | 23 | 92% |
| SE Renfrewshire | 24 | 12 | 50% |
| SE Tayside | 22 | 15 | 68% |
| Scottish Development International | 35 | 18 | 51% |
| Total: | 322 | 203 | 63% |

6.9.4 Analysis of Quantitative Data

As outlined above, the data from both survey files could be exported and merged into one Excel file. From there the data of the closed questions was exported into SPSS. As a first step, the data was screened for errors as suggested by Tabachnik and Fidell (1996). It was assessed whether there were errors by investigating the minimum and maximum values of the categorical and continuous variables. No errors could be found, as expected, as the data was electronically transferred from the survey into SPSS. It might be argued that here one of the advantages of conducting surveys electronically became apparent, as no mistakes could be made while transferring data from hardcopies into statistics programmes manually.

Further, a preliminary analysis was conducted, checking the data file for normality and outliers as those two factors are underlying assumptions of most statistical tests that were planned to be used later on (Tabachnik and Fidell, 1996). Using the split file option the distribution curves for each item were assessed for each business unit individually. Overall, the histograms seemed to match reasonably well the normal distribution curve and therefore it was decided not to transform any of the variables. Outliers were assessed by comparing the means and trimmed means for each variable. The analysis showed that there were no major differences between those scores which meant that any existing outliers did not seem to have a significant impact on the overall scores. Therefore it was decided not to exclude any of the few cases. Finally, a missing value analysis was conducted to see whether there were any systematic patterns in the data. This procedure revealed that there were some missing data points, but that there was no systematic underlying pattern. Therefore it was decided to keep all items and cases.

Research objective 1

First, to establish the validity of the service orientation measurement scales used in this study, sections C of the questionnaire were separately analysed by using confirmatory factor analysis in AMOS. It was decided that this technique was appropriate as in confirmatory factor analysis the researcher postulates a model on the basis of theory and/or previous research and tests for its construct validity given the sample data (Byrne, 2001). To assess the goodness-of-fit of the models the following parameters from the AMOS output were assessed: Chi-square/degrees of freedom, CFI, RMSEA and ECVI. This decision was based on suggestions as outlined by Byrne (2001):

It has been argued that significant chi-squares reflect that the fit of the data to the hypothesised model is not entirely adequate. However, recent literature suggests that well-fitting models, according to a non-significant chi-square value, have proven to be unrealistic (Byrne, 2001). This is due to the contradiction that the analysis of covariance structures has to be based on large samples so that a model can only

approximately, but not precisely, fit the data (Byrne, 2001). Therefore it has been suggested that significant chi-square values are not problematic and attention should be paid to other parameters as outlined below. However, the degrees of freedom value is important as it reflects whether the model is overidentified (the number of estimable parameters is less than the number of datapoints). This is important as positive degrees of freedom allow for the rejection of the model and make it therefore useful for scientific purposes (Byrne, 2001).

It has been suggested that the CFI value is a key indicator in determining the goodness-of-fit of a model. It ranges from zero to one and is derived from the comparison of the hypothesised model with the independence model (Byrne, 2001). Bentler (1990) has suggested that $>.9$ could be considered representative of a well-fitting model, whereas others have argued that a CFI value of $>.95$ would be more appropriate (in Byrne, 2001).

The RMSEA calculates the discrepancy between the actual model fit and the best model fit to see whether optimal parameter values were chosen (Byrne, 2001). The lower the value, the better the model fit. It has been suggested that values up to $.08$ represent a reasonably well fitting model, values between $.08$ and 1.0 a mediocre solution and values above 1.0 a poor fit. Moreover, to support the decision making process as to whether a model is well-fitting it has been suggested to also take the 90 percent confidence interval into account which is part of the AMOS output. If the range between the low and the high value is small, the model can be seen as precise (Byrne, 2001).

It has been suggested that also the ECVI value needs to be inspected as it measures the discrepancy between the fitted covariance matrix in the analysed sample and the expected covariance matrix that would be obtained from another sample of a similar size (Byrne, 2001). There is no determined range for ECVI values. However, the AMOS output also presents the ECVI values of the saturated and independent model. The model with the lowest value shows the greatest potential for replication. Finally, to identify any areas of model misfit an inspection of the parameter estimates is necessary (Byrne, 2001). It has been suggested that standard errors should not be too large (Byrne, 2001). Also, the regression weights, and the variance/covariance

matrix should be inspected to see whether all are substantively reasonable and statistically significant (Byrne, 2001).

On the basis of these results it could be decided whether the scales constructed on the basis of prior research matched the data. This enabled to assess the construct validity of the scales (Kline, 1998) and to see whether any items should be dropped from the scales due to low regression weights (.32 = poor; .45 = fair; .55 = good; .63 = very good; .71 = excellent) (Tabachnik and Fidell, 1996). However, it has been outlined that there tends to be a confirmation bias in confirmatory approaches to analysis (e.g. Hair et al., 1998). Therefore it is important to note that even if the model fits the data well, no relationship is proved. Rather, it only reflects that the proposed model is acceptable, probably amongst other alternatives.

To check the reliability of the different scales and subscales the internal consistency was assessed using the coefficient alpha, which represents the mean reliability coefficient one would obtain from all possible split halves (Murphy and Davidshofer, 1998). It has been suggested that reliability coefficients above .9 represent excellent, those above .8 very good and values about .7 adequate reliability. Any coefficient below .5 indicates a poor scale reliability (Kline, 1998). However, it has also been observed that scales with less than ten items often have a lower coefficient alpha (Pallant, 2001). In this case, the mean inter-item correlation should be investigated which should ideally lie between .2 and .4 (Pallant, 2001).

Research objective 2

Once the validity and reliability of the organisational and individual service orientation scale (section C) had been assessed, a paired-samples t-test was carried out to address hypothesis 2.1. Zero-order correlation analyses were conducted to address hypotheses 2.2 and 2.3, in order to see whether there was a correlation between the service orientation discrepancy and service performance (section B) as well as job satisfaction (section B). The perceived service quality scale was aggregated at a LEC level and was correlated to aggregated LEC scores from the 2005 customer satisfaction survey to see whether there were links between the two datasets (Johnson, 1996).

Research objective 3

Regression analyses were carried out to investigate whether organisational service orientation had a stronger effect on service performance and job satisfaction than individual service orientation (hypotheses 3.1 and 3.2). To analyse whether organisational service orientation mediated the link between service performance and job satisfaction, a three-step regression analyses was carried out (hypotheses 3.3) (e.g. Kenny et al., 1998).

Research objective 4

After section D had been subjected to confirmatory factor analysis (same procedure as under research objective 1), the data was used to conduct regression analyses to see which management practices were predictors of perceptions of organisational service orientation and individual service orientation (hypotheses 4.1 and 4.2).

Research objective 5

Principal Component Analyses were conducted with the data gathered through section E to understand whether there were any commonalities between the items of the different scales assessing the collection and communication of customer feedback (Hair et al., 1998). The emerging components were rotated using the Varimax rotation, as it has been suggested that the solutions from this rotation are clearer to interpret than from other rotation methods (Pallant, 2001). It was decided that this was the most appropriate approach as most of the items had been derived from the interview findings so it would have been inappropriate to use a confirmatory approach. However, to test the construct validity of the scale assessing the satisfaction with the annual customer survey, a confirmatory factor analysis approach using AMOS was chosen as there had been some theoretical underpinning for the existence of a two-factor structure (same procedure as described under research objective 1). Also, a structural equation model was tested to identify whether the two

factors would be linked to overall satisfaction with the survey. It was seen as appropriate to use structural equation modelling, because it takes a confirmatory approach to the analysis of intervariable relations (Byrne, 2001). The goodness-of-fit of this model was assessed through the same parameters as outlined above.

Research objective 6

Finally, to address research objective 6, the LECs were grouped into three categories on the basis of the interview findings. A MANOVA was carried out to investigate whether there were any significant differences between the three groups in terms of organisational and individual service orientation as well as in perceptions of the implementation of the management practices as explored under research objective 4 (Hypotheses 6.1 and 6.2).

6.10 Limitations of Methodology

As outlined by Yin (2003) the case study approach is a common way of gathering scientific knowledge in business research. However, the two major criticisms that the case study approach has been confronted with are the lack of rigour and the generation of data that cannot be generalised (Rowley, 2002). The use of subjective judgements during the data collection can render constructs invalid. External validity also proves problematic as it is difficult to generalise to different settings (Amaratunga and Baldry, 2001). However, Yin (2003) argues that if all evidence gathered is reported fairly, then there is no greater danger of bias in a case study approach than in any other research approach such as experimental designs. Further, he highlights that the major concern of researchers using the case study approach is not the exploration of findings that can be generalised to other populations, but that the findings can be generalised to theory (Yin, 2003).

Especially single case studies have been criticised for their limitations such as the generalisability of conclusions, models or theories developed (Voss et al., 2002). However, it has been argued that especially in public administration case study research is important as it satisfies the recognised need for an in-depth understanding

of cause and effect relationships that other methodologies cannot achieve (Jensen and Rogers, 2001). It might be argued that the literature review for this study revealed that there is some confusion as to how the constructs service orientation, service performance and job satisfaction may be applied to public sector settings and how they are interlinked. Furthermore, the management practices that may be used to support the development of an externally focused organisational service orientation have not been well understood in public sector settings. Therefore, to understand the phenomenon in more depth and to arrive at meaningful and detailed conclusions, it was seen as necessary to conduct a single case study (Rowley, 2002).

Moreover, it has been argued that a single case study is appropriate if the case is critical for some reasons, e.g. where the case is extreme, unique or has something special to reveal (Perry, 1998). It might be argued that the organisation used for this case study fulfilled this criterion as it is a public sector organisation that offers a complex service and which has introduced a customer relations strategy and balanced performance management systems in order to improve the service to customers. Moreover, the context of the case organisation allowed the author to explore how the complex public sector environment with constantly changing priorities and contradicting agendas may impact on the development of organisational service orientation. Therefore, the study of this case gave an insight into how management practices might be used to develop an organisational service orientation within the frame of a complex public sector environment. Moreover, it could be investigated whether there is a service orientation discrepancy in public services as it was suggested that, in contrast to the assumption made in the public sector literature, individual service orientation might be stronger than employees' perceptions of the service orientation of public organisations.

The findings of this study are not only important for academic research and public management, but also for the private sector as there is still a debate about how customer feedback mechanisms can be meaningfully designed and implemented. Moreover, it contributes to theory by gaining further insights into the links between service orientation, service performance and job satisfaction. Finally, the findings of this study also help to understand better how service orientation might be developed in complex service settings, as most of the literature has focused on more tangible

customer interactions, such as in banks and fast food restaurants. It was demonstrated that the findings of this study can be used for analytical generalisation as they can be compared with existing theory (Yin, 2003), and also give suggestions for further fields of research.

To address problems with reliability and validity a mixed method approach was taken, so that multiple sources of evidence were used (Yin, 2003). This was seen as being particularly important as the author was based in the organisation during the period of the research. Therefore, in order to overcome subjectivity, which poses a threat to validity and reliability in case study research, great care was taken to collect data through various research methods in order to triangulate data from different sources. As argued by Yin (2003), data triangulation and a thorough documentation of the research methods used are safeguards against low validity and reliability in case study research. Moreover, it has been argued that case study research is particularly valuable for the accumulation of knowledge as it can employ a mix of qualitative and quantitative methods (Jensen and Rogers, 2001). This is a particular strength of this study, as it has been argued that shortcomings of one can be counterbalanced by the other:

Although some authors have argued that social phenomena can only be researched by using qualitative methods, it has also been argued that those might lack validity and reliability if not conducted rigorously (e.g. Weber, 1990). Therefore established guidelines were followed to reliably collect data through interviews and analyse the data in a scientific way to enhance the validity of the findings (Krippendorff, 1980). Also, with the careful selection of the sample it was tried to overcome validity and reliability issues.

It might be argued that a limitation of this study was that the author did not have much experience in conducting interviews. However, this lack of experience was counterbalanced by taking great care in the preparation of the interview guides, the recording and transcription of the interviews and the subsequent analysis of the data. It has been suggested that if social phenomena are assessed in a quantitative way, the context of the study has to be taken into account (e.g. Ogbonna and Harris, 1998). Therefore, it was decided to inform the survey design through the findings of the qualitative phase of this study in order to make the questions relevant to the case

organisation. Also, the single embedded case study approach was chosen in order to be able to compare the sub-units of the case, which enhances the internal validity of the study (Yin, 2003).

Moreover, inferential statistical techniques were used in order to identify underlying structures and linkages between concepts that might be unconscious and unobservable. To overcome the usual disadvantages of survey research, such as lengthy response times and low response rates, it was decided to conduct an online-survey as this format had proven successful at Scottish Enterprise in the past. Disadvantages like sample representativeness and technical difficulties could be ruled out as the survey took place in-house so that it was ensured that everyone had an email address and could receive the invitation to the survey. This format also enabled the researcher to send out personalised emails and reminders which might have increased the response rate. It might be argued that the survey was too long and cumbersome to fill in. However, as this part of the fieldwork was partly exploratory it was difficult to tell in advance whether items could be dropped. Moreover, to counterbalance this shortcoming the survey was designed as appealing and easy to fill in as possible, according to web-design guidelines as outlined by Geissler (2001). Finally, it might be argued that, as the questionnaire was tailored to the context of Scottish Enterprise, the gathered data may not be directly comparable to existing research. However, as there has been little consensus in the literature on how to measure the constructs that have been researched in this study, only a broader generalisation to existing theory would have been possible anyway.

6.11 Summary

This chapter outlined the research questions and hypotheses that were developed on the basis of the findings from the literature review. It then discussed why the case study methodology was chosen to address adequately the research agenda. Furthermore, it was highlighted why realism is the preferred underlying epistemological stance for this study. It was concluded that a mixed method approach, using existing organisational data, semi-structured interviews and an online survey are appropriate to address the suggested research objectives. The

research methods used were discussed in detail and an overview of the analysis techniques was given. Finally, the limitations of this study were highlighted and discussed.

The next two chapters will outline the key findings of the fieldwork described in this chapter. Chapter 7 will highlight the findings from the qualitative stage and chapter 8 will present the survey results.