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## **Preface**

We have the pleasure to compile these proceedings of the 29<sup>th</sup> RARCS conference. The conference gives delegates the option to include either an extended abstract or a full paper in the proceedings. In addition, a book of one-page abstracts of all presentations is made available to delegates. Proceedings are only distributed among participants and are not submitted to any repositories. Copyright is not transferred. Thus, delegates can submit their work to journals, without facing any formal self-plagiarism issues.

We trust these proceedings and the book of abstracts are useful material for delegates.

Soora Rasouli & Harry Timmermans

Co-Chairs



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## Service orientation and organizational performance

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**Abstract.** Research has revealed a strong connection between organizational culture and organizational performance. Researchers have also proposed that, as a form of organizational culture, service orientation leads to better organizational results. This paper answers two research questions: Is it possible to use Denison scales for measuring organizational culture (DOCs) to assess service orientation, and what is the relationship between service orientation and organizational performance, as defined in DOCs? This research is based on data collected from nine organizations in 2019 and 2020. The data were combined into one database and cleaned. Subsequently, 875 valid responses were used in the study. The results showed that 23 points from DOCs covered 30 of the 35 points from the SERV\*OR measuring instrument, which was specifically designed to assess service orientation. Data analyses revealed that the assessment of internal reliability was good ( $\alpha = 0.94$ ) and that many points had a correlation of more than 0.3. However, none of the points had a correlation of more than 0.7. Furthermore, the results showed that service orientation based on DOCs explained 47% of the variation in performance as the average of the six performance factors used in DOCs. The strongest relationships were observed between service orientation and the performance factors employee satisfaction ( $R^2 = 0.40$ ,  $\beta = 0.64$ ) and overall performance ( $R^2 = 0.40$ ,  $\beta = 0.63$ ), while the weakest relationship was observed between service orientation and the performance factor profit/performance ( $R^2 = 0.14$ ,  $\beta = 0.37$ ). The main limitations of the study were that the data originated from organizations that had all somehow excelled in their fields and received various awards for their successes. Therefore, the results could not be generalized to the relationship between service orientation and organizational performance in companies not performing as effectively or having a weaker culture. Further research could aim to examine such comparisons and identify the strong links between service orientation and job satisfaction more accurately.

*Keywords:* Service orientation, service culture, corporate culture, performance

### 1 Introduction

Service is a multifaceted and complex phenomenon, and there is no consensus on how to define it. However, most researchers agree that services are not just provided by themselves somehow and that special emphasis must be placed on service provision to ensure and/or enhance service quality (Gummesson, 1987; Lytle & Timmerman, 2006; Grönroos, 2017). To be successful in service, one must work diligently and systematically on the processes of design, organization, and implementation across all organizational

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activities (Growth *et al.*, 2019). Service orientation is defined from either the perspective of individuals or the perspective of organizations and, subsequently, focuses on either processes or strategies (Homburg *et al.*, 2002). When service orientation is defined from the perspective of individuals, factors such as attitude, behavior, personality, helpfulness, and willingness to serve are evaluated (Kim *et al.*, 2012). Conversely, when service orientation is defined from the perspective of organizations, the market situation at any given time is considered. Information concerning the requirements and expectations of the service is obtained from the customer (Solimun & Fernandes, 2018). This information is then used to formulate strategies and promote their implementation for market differentiation (Lee *et al.*, 1999; Homburg *et al.*, 2002; Zghidi & Zaiem, 2017). An example of this approach is the SERVQUAL model, which helps managers to approach service and service quality systematically and professionally (Wilson *et al.*, 2020).

As a form of corporate culture, service orientation encompasses both the abovementioned perspectives (i.e., those of individuals and organizations). Service orientation has been defined as “a set of attitudes, behaviors, and functional integration that focuses on a deep comprehensive understanding of current and future customer needs and strives, with everyone’s participation, to meet those needs through excellent service” (Voon, 2008, p. 219). Another similar definition describes service orientation as “a strong focus on service throughout the organization where policies, structures, and procedures are designed to support and reward behavior that delivers excellent service” (Lytle *et al.*, 1998, p. 459). These definitions imply that focusing on customer service should not simply be the responsibility of a few individuals but rather the responsibility of all employees of an organization, whether these employees are in direct contact with customers or not (Grönroos, 2006; Grönroos & Ravald, 2011; Holmqvist *et al.*, 2020). The definitions also indicate that workforce integration, which promotes continuity and cooperation between employees, is important (Rafiq & Ahmed, 1993; Voon, 2008; Gummerus *et al.*, 2021). The characteristics of an organization that favors service orientation include viewing employees as internal customers and considering their requirements and expectations through service design and implementation (George, 1990; Grönroos, 2011; Arnett *et al.*, 2002; Sohail & Jang, 2017). Research has suggested that each person within an organization has their own customer in the service chain, regardless of whether the customer is considered an internal or external customer. Thus, customers become a part of the organization, and their voice is used as a driving force in decision-making (Grönroos, 2011).

Whether considering internal or external performance measures, service orientation has been identified as one of the key factors in organizational performance (Lytle & Timmerman, 2006; Heskett *et al.*, 2008). Studies have demonstrated the relationship between service orientation and increased employee satisfaction (Heskett *et al.*, 2008; Bellou & Andronikidis, 2017), as well as the higher degree of employee loyalty based on lower employee turnover (Babakus *et al.*, 2017; Wahlberg *et al.*, 2017). Additionally, research has shown that service orientation positively impacts service quality and customer satisfaction (Narentheren *et al.*, 2017), as well as organizational success in service recovery (Piaralal *et al.*, 2016). Studies have also revealed a positive relationship between service orientation and customer loyalty based on willingness to repurchase, recommendations, and perceived value of service (Solimun & Fernandes, 2018; Polo Peña *et al.*, 2017). Research has also demonstrated the effect of service orientation on the growth and profitability of organizations (Heskett *et al.*, 2008) and that organizations with a strong service orientation seem to be more sensitive to changes in their environment and, therefore, respond faster and better to changes in market environment (Zghidi & Zaiem, 2017; Seng *et al.*, 2017).

As previously mentioned, service orientation is important for organizations if they wish to achieve better results in their activities. One of the more well-known instruments specifically designed to measure service orientation is the SERV\*OR (service\*orientation instrument). The SERV\*OR instrument comprises 10

cultural dimensions that span the service activities of organizations, from service policy and management style, as well as the behavior and empowerment of staff, to standards in service provision (Lytle et al., 1998). The questionnaire contains 35 questions, allows organizations' managers and staff to assess themselves, and evaluates customer service-related performance (Lytle and Timmerman, 2006). This questionnaire is considered, but in this research, data from DOCs are used. DOCs assess company culture (Denison, 1982, 1984, 1990; Denison & Spreitzer, 1991). Denison & Mishra (1995) developed DOCs in more detail, with special emphasis on linking certain behaviors (culture) with organizational performance (Denison, 2000; Denison et al., 1995; Denison & Mishra, 1995; Fisher, 2000). Research has shown that 23 points from DOCs correspond well to 30 of the 35 points from the SERV\*OR instrument. Therefore, researchers consider it appropriate to use data from DOCs to assess service orientation and its relationship with organizational performance (Gudlaugsson *et al.*, 2022).

Numerous definitions of "corporate culture" have been proposed (Gudlaugsson *et al.*, 2018). Ott (1989) summarized the main definitions of "corporate culture" and pointed out that the concept is complex and multifaceted. Most researchers agree that corporate culture is the basis for organizational performance. In management literature, Jaques' (1951) definition, which appears in his book *The Changing Culture of a Factory*, is often used. This definition describes corporate culture as "a collection of traditions, values, policies, ideas, and beliefs that form a comprehensive context for everything that is done in the organizational unit and is presented to newcomers as the only culture accepted" (Elliot Jaques, 1951, p. 251). More recent definitions of "corporate culture" have tended to consider this 1951 definition (Gudlaugsson *et al.*, 2018). Regarding corporate culture and the success of organizational units, researchers have tended to rely on the definitions of Schein (2004), who argued that the foundation of organizational performance is corporate culture, and, when discussing corporate culture and performance, have considered definitions in the same vein as Kotter & Heskett (1992). Although academics' definitions of "corporate culture" vary, there is a common thread between them. Denison & Mishra (1995) defined "corporate culture" as a specific behavior characterized by actions likely to be successful. Kohli & Jaworski (1990) had a similar view, while Narver & Slater (1990) emphasized the interaction between culture and behavior.

In this paper, it is assumed that service orientation is a specific culture suitable for enhancing the quality experience of those who receive an organization's services. Therefore, the aim is to consider service orientation from the perspective of the organization. Based on this aim, it should be possible to develop a scale based on a developed measuring instrument, such as DOCs (Denison & Mishra, 1995), to assess corporate culture and emphasize the relationship with organizational performance, which, according to DOCs, is limited to growth, profit/performance, quality of products and services, employee satisfaction, customer satisfaction, and overall performance. The primary benefits of developing such a measuring device would be to increase the usefulness of measurements from DOCs and, rather than only providing information about the position in the four main dimensions that comprise DOCs, add a fifth dimension: service orientation. Considering the importance of a corporate culture characterized by service orientation in the activities of companies and organizations, as well as the evidence of a strong relationship between service orientation and organizational performance, this paper seeks to answer two research questions:

1. *Is it possible to use Denison scales for measuring organizational culture (DOCs) to assess service orientation?*
2. *What is the relationship between service orientation and organizational performance, as defined in DOCs?*

Section 2 discusses the research design, the study sample, and the data analysis techniques. Section 3 presents the research results. Section 4 discusses these results.

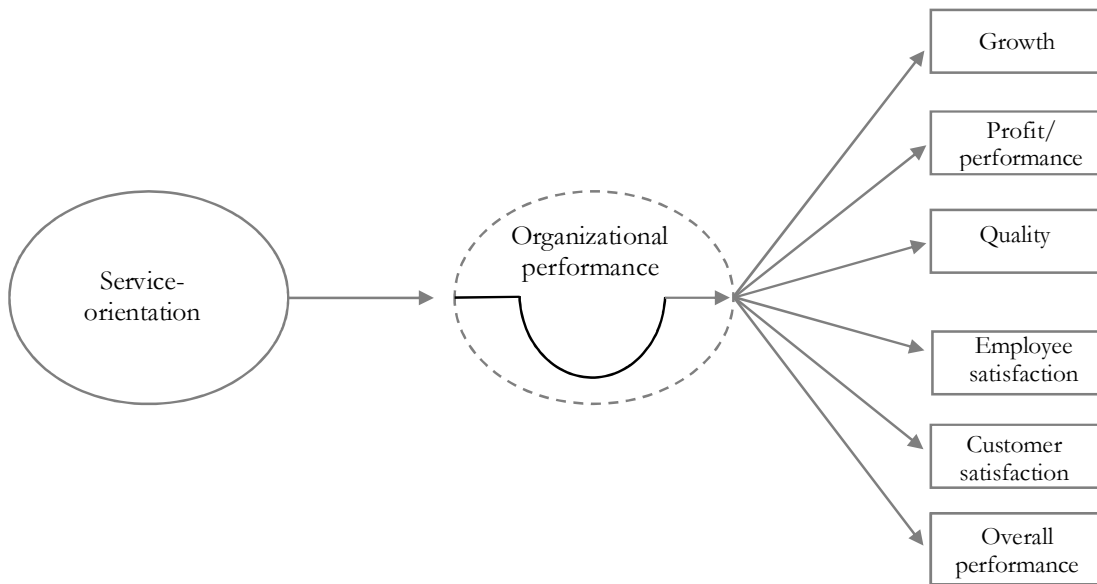


FIGURE 1 - The hypothetical model showing the relationship between service orientation and organizational performance

## 2 Method

### 2.1 Research design

This study was based on the idea that service orientation can be assessed using DOCs (Denison & Mishra, 1995) and that service orientation can explain variations in performance. Through the DOC measurement tool, respondents were asked to state how much they agreed that certain cultural aspects applied to the organization and to take a position on how well or poorly they believed that the organization stood regarding performance compared to others in the same or a similar industry. These questions were answered using a 5-point scale, with 1 standing for “poor performance,” 3 standing for “average performance,” and 5 standing for “good performance”. Figure 1 provides the hypothetical model showing the relationship between service orientation and organizational performance. The research was based on data from the authors’ database whereby the culture of companies and organizations has been assessed using DOCs since 2007 (70 organizations and 6,229 responses). These data were used because they were considered highly suitable for examining the relationship between service orientation and organizational performance (Lytle & Timmerman, 2006; Voon, 2008). Except one, which was carried out in 2019, measurements were performed in 2020. These particular companies were chosen because they had excelled in their fields in some way.

### 2.2 Data analysis

The data were obtained in cooperation with each organization. Since the questionnaire was entirely homogeneous, the data were combined into one database. The initial number of responses was 1,108, but the decision was made to remove responses where the age-related question had not been answered. It transpired that these same respondents had not answered many of the culture-related questions either. Additionally, the respondents who had not returned a calculated value for service orientation, based on the 23 points from DOCs, were excluded from the study. Following these adjustments to the data, 875 responses were used in the study. Table 1 provides information on the number of responses by organization.

TABLE 1 – Survey proportion and weighing factors

	From surveys			equal weight		
	Company	Count	Percentage	Count	Percentage	Weight
ÁTVR	1	113	12,9%	97,22	11,1%	0,86
Elko	2	27	3,1%	97,22	11,1%	3,60
Festi	3	36	4,1%	97,22	11,1%	2,70
Krónan	4	44	5,0%	97,22	11,1%	2,21
Landsbankinn	5	307	35,1%	97,22	11,1%	0,32
N1	6	81	9,3%	97,22	11,1%	1,20
ORIGO	7	123	14,1%	97,22	11,1%	0,79
Sena	8	31	3,5%	97,22	11,1%	3,14
Sjóvá	9	113	12,9%	97,22	11,1%	0,86
<b>Total</b>		<b>875</b>	<b>100%</b>	<b>875</b>	<b>100,0%</b>	

All data analysis was based on weighted data, but the authors checked whether unweighted data showed a different result than the weighted data. Content analysis of the points from DOCs and the points from the SERV\*OR instrument, which is a measurement tool primarily used to measure service orientation and contains 35 questions (Lytle *et al.*, 1988), was performed to investigate whether it was possible to use certain points from DOCs to assess service orientation. Subsequently, the authors investigated whether the points from DOCs that were considered likely to be similar to any of the points from the SERV\*OR instrument correlated with each other and whether the correlation between the points was present but not higher than 0.7 (Tabachnick & Fidell, 2013). Afterward, assuming that the threshold value was higher than 0.7, the authors examined whether it was likely that the remaining points measured the same construct. For this purpose, the Cronbach's alpha was calculated (Tabachnick & Fidell, 2013).

A bivariate regression analysis, where service orientation was the independent variable and each of the performance variables represented the dependent variable, was performed to examine the relationship between service orientation and organizational performance. The explanatory ratio ( $R^2$ ) and the standardized beta coefficient ( $\beta$ ) were used to examine the strength of the relationship.

### 3 Results

This chapter presents the research results. First, whether certain points from DOCs can be used to assess service orientation is discussed. Subsequently, the relationship between service orientation and organizational performance, which can be observed in Figure 1, is explained according to DOCs.

#### 3.1 Denison scales for measuring organizational culture and service orientation

The result of the comparison between DOCs and the SERV\*OR instrument indicated that 25 points from DOCs covered 30 of the 35 points from the SERV\*OR instrument. The unsupported points from the SERV\*OR instrument were:

16. We provide every customer with an explicit service guarantee.
17. We do not wait for customers to complain; we use internal standards to pinpoint failures before we receive customer complaints.
23. Customers are viewed as opportunities to serve rather than as sources of revenue.

28. Management shows that they care about service by constantly giving of themselves.
31. Management provides excellent incentives and rewards at all levels for service quality, not just productivity.

The 25 points from DOCs that the authors believe covered similar issues to those assessed in the SERV\*OR instrument were:

2. Decisions are usually made at the level where the best information is available.
7. People work like they are part of a team.
8. Teamwork is used to get work done, rather than hierarchy.
11. Authority is delegated so that people can act on their own.
12. The “bench strength” (capability of people) is constantly improving.
13. There is continuous investment in the skills of employees.
14. The capabilities of people are viewed as an important source of competitive advantage.
16. The leaders and managers “practice what they preach.”
18. There is a clear and consistent set of values that governs the way we do business.
28. It is easy to coordinate projects across different parts of the organization.
32. We respond well to competitors and other changes in the business environment.
33. New and improved ways to do work are continually adopted.
36. Customer comments and recommendations often lead to changes.
37. Customer input directly influences our decisions.
38. All members have a deep understanding of customer desires and requirements.
40. We encourage direct contact with customers through our people.
41. We view failure as an opportunity for learning and improvement.
42. Innovation and risk-taking are encouraged and rewarded.
44. Learning is an important objective in our day-to-day work.
47. Our strategy leads other organizations to change the way they compete in the industry.
48. There is a clear mission that gives meaning and direction to our work.
51. There is widespread agreement about goals.
52. Leaders set goals that are ambitious but realistic.
54. We continuously track our progress against our stated goals.
56. We have a shared vision of what the organization will be like in the future.

The decision was made to remove two points: Points 32 and 37. Reliability analysis indicated that the Cronbach’s alpha would increase if the points were removed and that these points’ correlation coefficients with other points were high. In Table 2, it can be observed that the points that remained as the measure of service orientation came from all dimensions of the DOC measurement tool.



TABLE 2 – Points that measure service orientation from Denison scales for measuring organizational culture

<b>Involvement</b>			
<b>Subdimension</b>	<i>Empowerment</i>	<i>Team orientation</i>	<i>Capability development</i>
<b>Points</b>	2	7, 8	11, 12, 13, 14
<b>Consistency</b>			
<b>Subdimension</b>	<i>Core values</i>	<i>Agreement</i>	<i>Coordination &amp; integration</i>
<b>Points</b>	16, 17		28
<b>Adaptability</b>			
<b>Subdimension</b>	<i>Creating change</i>	<i>Customer focus</i>	<i>Organizational learning</i>
<b>Points</b>	33	36, 38, 40	41, 42, 44
<b>Mission</b>			
<b>Subdimension</b>	<i>Strategic direction &amp; intent</i>	<i>Goals &amp; objectives</i>	<i>Vision</i>
<b>Points</b>	47, 48	51, 52, 54	56

For the purpose of checking the likelihood that the 23 points assessed the same construct, internal consistency was assessed, and the Cronbach’s alpha was calculated. It was assumed that it would be acceptable for the value not to be lower than 0.7 (DeVellis, 2012) but desirable for it not to be lower than 0.8 (Pallant, 2013). The result showed that the Cronbach’s alpha was 0.94, which strongly suggested that the 23 points assessed the same construct, which the authors have chosen to call “service orientation.”

### 3.2 Service orientation and organizational performance

A bivariate regression analysis was performed for each performance variable separately to examine the relationship between service orientation and organizational performance. The performance variables came from DOCs and were growth, profit/performance, quality of products and services, employee satisfaction, customer satisfaction, and overall performance. Table 3 presents the results.

As Table 3 demonstrates, the relationship was significant in all cases ( $\alpha < 0.05$ ), but the explanatory ratios ( $R^2$ s) varied. The explanatory ratios for employee satisfaction and overall performance were noticeably the highest, while the explanatory ratios were noticeably lowest for growth, profit/performance, and quality of products and services. These observations can be seen in more detail in Figure 2.

TABLE 3 – Findings from regression analysis

<b>Dependent variable</b>	<b>Independent variable</b>	<b><math>R^2</math></b>	<b><math>\alpha</math></b>	<b><math>B</math></b>	<b><math>\beta</math></b>
Growth	Service orientation	0,20	<,001	0,68	0,45
Profit/performance	Service orientation	0,14	<,001	0,56	0,37
Quality of products/services	Service orientation	0,24	<,001	0,65	0,49
Employee satisfaction	Service orientation	0,40	<,001	1,01	0,64
Customer satisfaction	Service orientation	0,33	<,001	0,78	0,57
Overall performance	Service orientation	0,40	<,001	0,83	0,63

Note:  $R^2$  is the explanatory ratio,  $B$  is the regression coefficient; and  $\beta$  is standardized  $B$

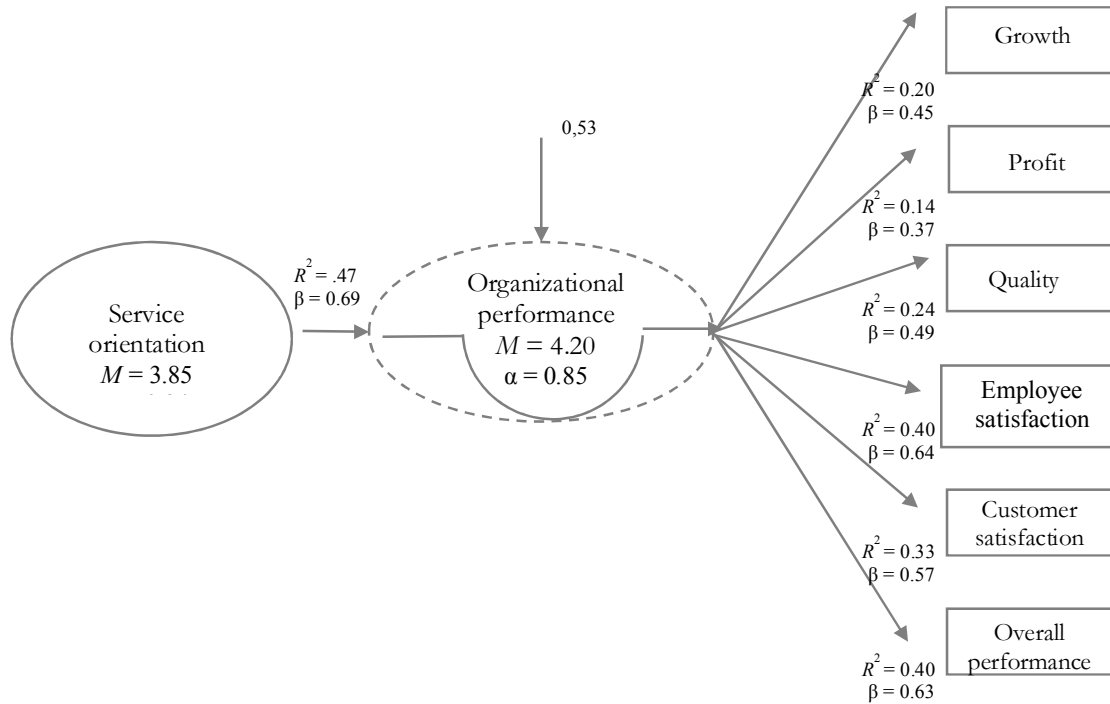


FIGURE 2 - The relationship between service orientation and organizational performance

Figure 2 shows that service orientation ( $M = 3.85$ ) explained 47% of the variation in performance ( $M = 4.20$ ). By examining the performance factors separately, service orientation explained different amounts of the variation, from only 14% for profit/performance to 40% for employee satisfaction. It can also be noted that the correlation, varied by performance factor and was 0.37 for profit/performance (where it was lowest) and 0.64 and 0.63 for employee satisfaction and overall performance, respectively. Figure 3 provides a model showing the relationships between service orientation, overall performance, and employee satisfaction.

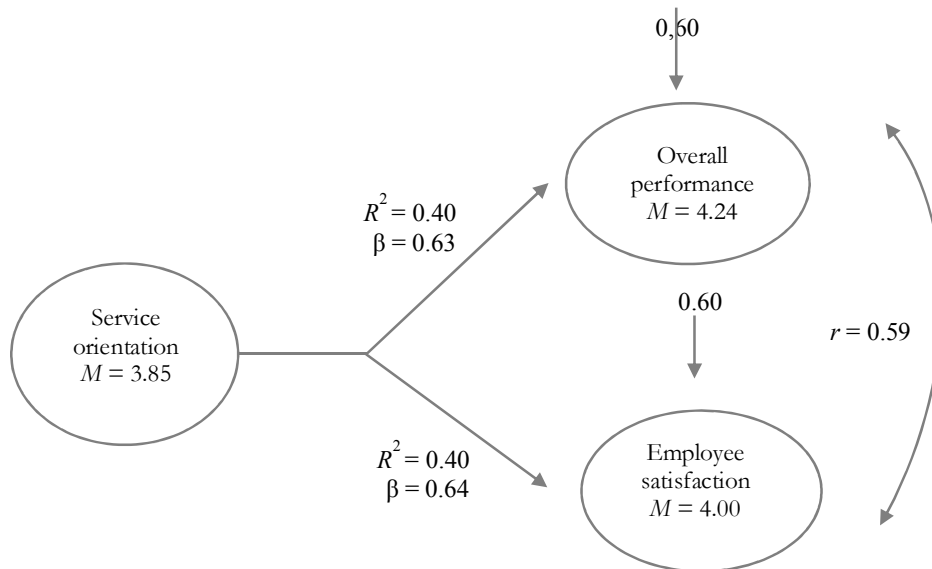


FIGURE 3 - The relationships between service orientation, overall performance, and employee satisfaction

Figure 3 shows that the average score for service orientation was 3.85 and that the Cronbach's alpha was 0.94, which was well above the threshold value. Service orientation explained 40% of the variation in overall performance ( $R^2$ ), and the standardized regression coefficient ( $\beta$ ) was 0.63. Results for the relationship between service orientation and employee satisfaction were similar. The relationship between overall performance and employee satisfaction ( $r$ ) was 0.59, which was considered acceptable (Tabachnick & Fidell, 2013). It can be deduced that service orientation had a strong relationship with both overall performance and employee satisfaction. In each case, service orientation explained 40% of the variation in the two performance variables, which was considered high (Pallant, 2013).

It is also noteworthy how strong the relationship was between the two performance variables in the model, which suggested that employee satisfaction could affect overall performance. Therefore, issues relating to the development of human resources and skills, the emphasis on the requirements and wishes of customers, and learning and goals are topics that organizations wishing to perform well should consider.

#### 4 Conclusions and discussion

This paper answers two research questions. Answering the first question involved investigating whether it could be possible to develop a scale to assess service orientation using points from the DOC measurement tool. Answering the second question involved investigating the relationship between service orientation and organizational performance also using the performance factors from the DOC measurement tool. Regarding the first question, it transpires that it is possible to propose a credible model where 23 points from DOCs correspond to 30 of the 35 points from the SERV\*OR measurement tool, which was specifically designed to assess service orientation. These 23 points did have strong internal validity, but the Cronbach's alpha ( $\alpha$ ) was 0.94, which strongly suggested that the 23 points assessed the same construct (DeVellis, 2012; Pallant, 2013), which the authors of this article have chosen to call "service orientation." The findings also revealed that many of these 23 points had a correlation that was higher than 0.3 but that they did not have a correlation that was higher than 0.7, which was desirable.

The authors did not find any measurement tools other than the ones discussed in this paper, which aim to assess service orientation, and it can be said that only one such tool, the SERV\*OR measurement tool, was specifically designed with this aim in mind (Lytle & Timmerman, 2006). Homburg et al.'s (2002) method was not based on culture, although overlap can be seen between the content of both methods. It has also been pointed out that Narver & Slater's (1990) MKTOR measuring instrument, which assesses market orientation, is highly correlated with service orientation primarily owing to the researchers' emphasis on corporate culture. The authors of this paper believe that the advantage of using DOCs to assess service orientation is unquestionable. DOCs assess company culture, which is demonstrably service-oriented, and evaluate performance. In this way, in one and the same scale, factors other than those that DOCs aim to measure can be highlighted.

Regarding the second question, service orientation explained 47% of the variation in performance, defined as the average of the six performance factors used in DOCs ( $R^2 = 0.47$ ,  $\beta = 0.69$ ). In Homburg et al.'s (2002) study, service orientation could explain 57% of the variation in performance, but it must be remembered that, in that study, service orientation was defined as a service-oriented business strategy but not as a culture. However, Lytle & Timmerman (2006) did define service orientation as culture, but in their study, performance was divided into two elements: commercial success (profitability, growth, and quality) and staff-related performance (loyalty work spirit [esprit de corps] and employee satisfaction). Results

showed that service orientation could explain 12% of the variation in profitability (compared to 14% in this study; see Figure 2) and 26% of the variation in product and service quality (compared to 24% in this study; see Figure 2). There was no significant relationship between service orientation and employee satisfaction in Lytle & Timmerman's (2006) study, which is interesting given that the strongest relationship in this study was the relationship between service orientation and employee satisfaction ( $R^2 = 0.40$ ,  $\beta = 0.64$ ). This finding is interesting, as studies have shown that corporate culture always has a strong positive relationship with employee satisfaction (Pathiranage *et al.*, 2020; Tulcanaza-Prieto *et al.*, 2021). In this study, it is actually assumed that service orientation is a certain corporate culture where the emphasis is on providing excellent service. Many studies have shown that performance in the operation of organizational units can be attributed to employee satisfaction (i.e., employee satisfaction positively affects performance (Huselid, 1995; Chan *et al.*, 2000; Harter *et al.*, 2002; Ubaka & Altamini, 2019). Therefore, we believe that it would be both important and interesting to examine the relationship between employee satisfaction and performance, as well as the factors that explain a large part of the variation in employee satisfaction, more closely.

The limitations of the study were that it focused on nine companies that had all excelled in their operations in some way. Hence, the results could not provide much insight into whether there could be a relationship between service orientation and organizational performance in organizations with a weaker culture and the nature of this potential relationship. It must also be remembered that 23 points from DOCs covered only 30 of the 35 points from the SERV\*OR scale that was used as a reference. Additional research could focus on developing a tool to further measure service orientation using DOCs (e.g., with confirmatory factor analysis). The authors believe that it is useful to use data from DOCs to assess factors other than those that DOCs aim to measure, as doing so increases the measurements' usefulness.

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