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Preface

We have the pleasure to compile these proceedings of the 31st RARCS conference. The conference gives delegates the option to include either an extended abstract or a full paper in the conference 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 our delegates.

Soora Rasouli & Harry Timmermans
Co-Chairs

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Service orientation and performance in the hospitality industry

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Abstract. Researchers have demonstrated that a strong organizational culture significantly enhances organizational performance. Moreover, it has been suggested that emphasizing service through service orientation (SO), which is a form of organizational culture, leads to improved organizational outcomes. Performance can be evaluated in diverse ways, ranging from precise metrics, such as financial calculations, to more subjective assessments, such as employee and customer satisfaction. The aim of this article is to explore the impact of SO on different aspects of performance in hospitality firms, on both individual and collective levels. The researchers followed the Denison organizational culture framework to assess both SO and performance. SO was measured using 25 questions that are related to various organizational culture elements and performance was categorized into seven areas: sales growth, profitability and ROI, quality of products and services, employee satisfaction, customer satisfaction, innovation and new product development (NPD), and overall performance. Data for this study were collected in the Spring of 2024 from employees and managers ($N = 45$) of a hotel chain in central Reykjavík, Iceland. Results indicate that SO accounted for 49% ($R^2 = 0.49$) of the variance in the seven performance variables collectively. The strongest individual correlations were found between SO and overall performance ($\beta = 0.60$, $R^2 = 0.36$) and between SO and employee satisfaction ($\beta = 0.54$, $R^2 = 0.29$). Conversely, the weakest correlations were observed between SO and innovation ($\beta = 0.40$, $R^2 = 0.16$) and between SO and profitability ($\beta = 0.43$, $R^2 = 0.18$). Further testing, such as confirmatory factor analysis (CFA) and structural equation modeling (SEM), may provide additional insights into these findings. A limiting factor of this study is the small sample size, though all preliminary findings were statistically significant.

Keywords : hospitality; service culture; service orientation; organizational performance; employee satisfaction

Introduction

The importance of service orientation (SO) in enhancing performance among hospitality firms is undisputed. However, within the industry, there is lack of consensus about the definition and categorization of the phenomena (Asgeirsson *et al.*, 2022; Teng & Barrows, 2009). SO has been categorized as belonging either to an employee or to an organization. On the employee level, SO generally refers to how well employees are geared toward delivering excellent service and how well they care for customers. This notion has also been referred to as *customer orientation* (Kim & Jang, 2022; Köşker *et al.*, 2019; Tang, 2014). When discussing SO on an organizational level, it typically regards service strategy and processes or organizational culture (Asgeirsson *et al.*, 2022; Teng & Barrows, 2009).

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In this article, SO refers to organizational culture. This approach has been deemed appropriate to measure SO holistically as it is the underlying factor that steers service strategy and processes, while nurturing employees' service behaviors (Lytle & Timmerman, 2006; Susskind *et al.*, 2018). The paper proceeds as follows: first, a theoretical overview is introduced, which is followed by the methodology that was used to produce findings. Then, findings are presented as is the discussion of the findings in relation to the theoretical framework and the conclusion.

Service orientation

SO has been defined as a combination of attitudes, behaviors and organizational integration, the intention of which is to enable deep understanding and addressing of both current and future customer needs. This approach requires collective employee participation to ensure exceptional service delivery (Voon, 2008, p. 219). Similarly, another definition describes SO as a company-wide commitment to service in which policies, structures and procedures are designed to encourage and reward behaviors that contribute to outstanding service (Lytle *et al.*, 1998, p. 495). These definitions emphasize that responsibility for customer service should extend beyond frontline employees to all members of an organization, regardless of their direct or indirect customer interactions (Grönroos & Ravald, 2011; Gummesson & Grönroos, 2012; Holmqvist *et al.*, 2020). These definitions highlight the importance of workforce integration that fosters cooperation and continuity among employees (Gummerus *et al.*, 2021; Rafiq & Ahmed, 1993; Voon, 2008). Organizations with a strong SO often view employees as internal customers and therefore consider their needs and expectations when designing and implementing services (Arnett *et al.*, 2002; George, 1990; Grönroos, 2011), which suggests that every individual within the organization serves a customer within the service chain, whether internal or external. Consequently, customers become an integral part of the organization, influencing decision-making through their feedback and expectations (Grönroos, 2011; Lin *et al.*, 2021; Wu *et al.*, 2021).

SO has been widely recognized as a critical factor in organizational performance, regardless of whether internal or external performance measures are considered (Heskett *et al.*, 2008; Lytle & Timmerman, 2006). Scholars have, for example, established connections between SO and improved employee satisfaction (Bellou & Andronikidis, 2017; Heskett *et al.*, 2008) as well as increased employee loyalty, as reflected in reduced turnover rates (Babakus *et al.*, 2017; Wahlberg *et al.*, 2017). Furthermore, researchers have demonstrated that SO positively impacts service quality, customer satisfaction (Narentheren *et al.*, 2017) and an organization's ability to recover from service failures (Piaralal *et al.*, 2016), whereas findings from other studies have indicated that SO enhances customer loyalty, which then influences repurchase intent, recommendations and perceived service value (Fernandes & Solimun, 2018; Polo Peña *et al.*, 2017). Organizations with a strong SO tend to experience greater profitability and growth (Heskett *et al.*, 2008; Urban, 2009). They also demonstrate increased sensitivity to market changes, which enables them to adapt more effectively to evolving business environments (Benyoussef & Zaiem, 2017; Seng *et al.*, 2017).

Given its significance, SO must be a priority in organizations that are seeking to improve their performance. One widely recognized tool for measuring SO is the service orientation scale (SERV*OR), which evaluates an organization's service culture across 10 dimensions, including service policies, management approaches, employee behavior, empowerment and service standards (Lytle *et al.*, 1998; Lytle & Timmerman, 2006). The SERV*OR questionnaire comprises 35 questions that enable managers and staff to assess their service performance (Lytle & Timmerman, 2006). However, the present researchers instead employ data from the Denison organizational culture (DOC) survey, following the earlier work of Gudlaugsson *et al.* (2022), who found comparability between the two instruments (SERV*OR and DOC survey), as 25 of the DOC survey questions represent 30 of the 35 SERV*OR scale questions. The advantage of using the DOC survey to measure SO is the performance aspect of the instrument, as employees and managers are asked to evaluate their organizational performance compared to similar companies (Denison, 2000). Performance is measured in seven aspects: sales growth, profit or ROI, service quality, employee satisfaction. Innovation and overall performance (Denison *et al.*, 2014).

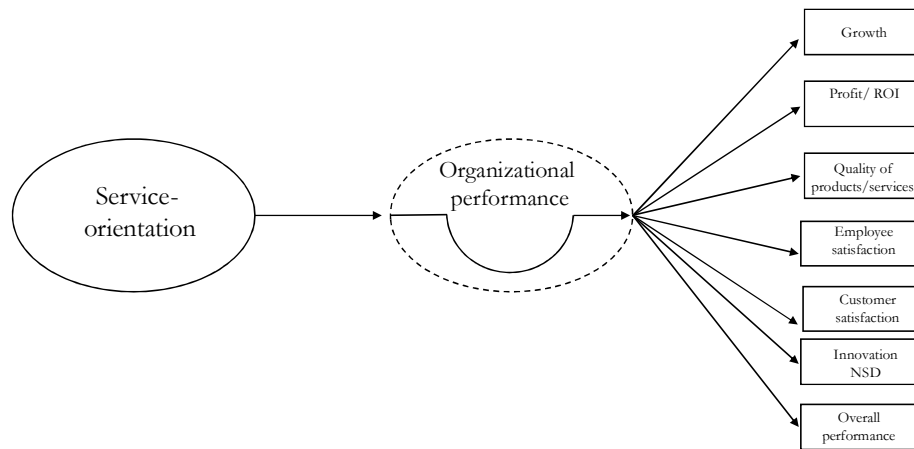


FIGURE 1 – Proposed hypothetical model of SO and performance

Hypothetical model and research questions

As noted, this study and the hypothetical model (Figure 1) are based on Gudlaugsson *et al.*'s (2022) work, in which the DOC survey instrument was used to assess SO and its connection to various performance aspects. As illustrated in Figure 1, it is assumed that SO is connected to performance attributes on both the collective and individual levels, as Gudlaugsson *et al.* (2022) reveal a significant association between SO and various collective and individual performance elements. The strongest affiliation with individual performance indicators is between SO and employee satisfaction and between SO and overall performance, but the relationship is also strong between customer satisfaction and service quality. Gudlaugsson *et al.*'s (2022) research data were derived from nine service-related organizations, although none were from the hospitality sector.

On that note, the hospitality sector, especially the hotel industry, is believed to differ somewhat from other service sectors due to the extended and multifaceted nature of service interactions. Other businesses typically have brief service encounters, whereas hotels often have guests who engage in prolonged stays, thereby making the hotel their temporary home. This necessitates continuous, personalized service, from front desk interactions to housekeeping and dining experiences. Moreover, hospitality professionals must go beyond functional service delivery to create a welcoming and comfortable atmosphere to ensure guest satisfaction throughout their stay. Consequently, hotel organizations and managers must strategically plan service experiences and foster a robust service-oriented culture (Crick & Spencer, 2011; Ford & Sturman, 2018; Reisinger *et al.*, 2001). Given this difference between service sectors, the authors of the present study designed the following questions to determine whether the findings would be similar in the hospitality industry and other service sectors:

1. Can a credible model be produced to explain the relationship between SO and performance in hospitality?
2. To what effect is SO connected to the variability of collective and individual performance indicators?

Methodology

To answer these questions, data were gathered from employees and managers working in nine downtown Reykjavík hotels that belonged to the same chain.

Preparation and implementation

This study is based on that of Gudlaugsson *et al.* (2022), who reveal that the DOC instrument can be utilized to measure SO and that SO is significantly connected to the variability of individual and collective

performance attributes. Data were gathered in collaboration with an Icelandic hotel chain consisting of nine hotels in downtown Reykjavík. The survey was distributed by the chief of staff to all employees and managers who work in or influence any outpost's day-to-day operations; 45 valid responses were gathered in the Spring of 2024 and are the bases for the results presented in this paper. Through the DOC measurement tool, respondents were asked to state how much they agreed that certain cultural aspects applied to the organization and to indicate how well or poorly they believed that the organization performed compared to others in the same or a similar industry (Denison & Mishra, 1995). These questions were answered using a 5-point scale, ranging from 1 (poor performance), 3 (average performance) and 5 (good performance).

Population, sample and data analysis

The survey data were downloaded from QuestionPro. SPSS data analyzers and Excel was used for data analysis. To verify whether the hypothesis was supported, a principal component analysis (PCA) in SPSS was used, prior to the PCA, the suitability of data for factor analysis was assessed. A correlation matrix was used to investigate the interrelationship of the independent components and finally, linear regression analysis was used to examine both the individual and collective influence of the independent components on the dependent component's variability.

The methods used in this study were sensitive to both sample size and missing data (Kline, 2023). The sample was small ($N = 45$) and some data were missing, so the authors needed to eliminate absent information to ensure that the sample would not be reduced further; accordingly, expectation maximum likelihood was the method chosen. This method is sensitive to randomization of the missing value; hence the method can only be used if the missing data are deemed completely at random (Efron & Hinkley, 1978). To examine that criterion, Little's MCAR test was applied to verify that the significance value was greater than 0.05 ($Sig > 0.05$), which would indicate that the missing information was at random (Little, 1988). The MCAR results indicated that the missing data seemed to be completely at random ($\chi^2 = 509$, $df = 553$, $Sig = 0.909$), and therefore missing values could be replaced using expectation maximization (Kline, 2023).

Results

This section presents the results. First, the authors examined whether there was support for the five-factor model used to estimate performance variations based on tangible service quality, performance service quality, reputation and e-WOM. Next, the authors discuss the model's explanatory power (R^2). Finally, the authors evaluate whether one factor carries more weight than the others.

Building the model

Inspection of the correlation matrix revealed the following: many coefficient values were 0.3 or higher, the Kaiser–Meyer–Olkin value exceeded the recommended value of 0.6 (Kaiser, 1974), and the Bartlett (1954) test of sphericity reached statistical significance, thus supporting the factorability of the correlation matrix. The PCA, which used Oblimin rotation, revealed two factors—SO and performance—as the hypothetical model predicted. From the survey responses, 25 questions loaded on the SO factor and the seven performance variables loaded together to form the independent variable. The alpha values, means and standard deviations for each question are presented in Table 1.

As Table 1 presents, 25 questions loaded on the SO factor and seven loaded on the performance factor. The alpha value for each factor was acceptable (Pallant, 2020)—exceeding 0.83—which confirmed that the questions behind the factors measured the same construct. The scores were moderate to high, ranging from 3.51 to 4.40 for the SO factor and from 3.83 to 4.66 for the performance factor. Figure 2 presents the model, listing the question numbers that support each factor.

TABLE 1 – Questions and factors, alpha values, means and standard deviations.

(SO) Service Orientation, Cronbach's Alpha = 0.95			
Number	Text	Mean	Std
1	Decisions are usually made at the level where the best information is available	4.03	0.
6	People work like they are part of a team	4.42	0.8
7	Teamwork is used to get work done, rather than hierarchy	4.31	0.
9	Authority is delegated so that people can act on their own	4.04	1.037
10	The "bench strength" (capability of people) is constantly improving	4.06	0.914
11	There is continuous investment in the skills of employees	4.13	1.036
12	The capabilities of people are viewed as an important source of competit	4.12	0.926
13	The leaders and managers "practice what they preach"	4.21	0.868
14	There is a clear and consistent set of values that governs the way we do business	4.24	0.954
23	It is easy to coordinate projects across different parts of the orga	3.49	1.082
26	We respond well to competitors and other changes in the business environment	4.10	0.925
27	New and improved ways to do work are continually adopted	4.02	1.076
29	Customer comments and recommendations often lead to changes	3.94	1.000
30	Customer input directly influences our decisions	3.98	0.959
31	All members have a deep understanding of customer wants and needs	4.11	0.851
32	We encourage direct contact with customers by our people	4.24	0.820
33	We view failure as an opportunity for learning and improvement	4.33	0.816
34	Innovation and risk-taking are encouraged and rewarded	3.51	0.967
35	Learning is an important objective in our day-to-day work	4.40	0.903
38	Our strategy leads other organizations to change the way they compete	3.73	0.933
39	There is a clear mission that gives meaning and direction to our work	4.12	1.005
41	There is widespread agreement about goals	3.83	0.975
42	Leaders set goals that are ambitious, but realistic	4.17	0.877
44	We continuously track our progress against our stated goals	4.13	0.911
45	We have a shared vision of what the organization will be like in the future	3.85	1.026
Performance, Cronbach's Alpha = 0,83			
49	Sales growth	4.44	0.744
50	Profitability/ROI	4.23	0.683
51	Quality of product and services	4.15	0.727
52	Employee satisfaction	4.23	0.934
53	Customer satisfaction	4.66	0.535
54	Innovation (like in new product and/or service development)	3.83	0.694
55	Overall organizational performance	4.21	0.746

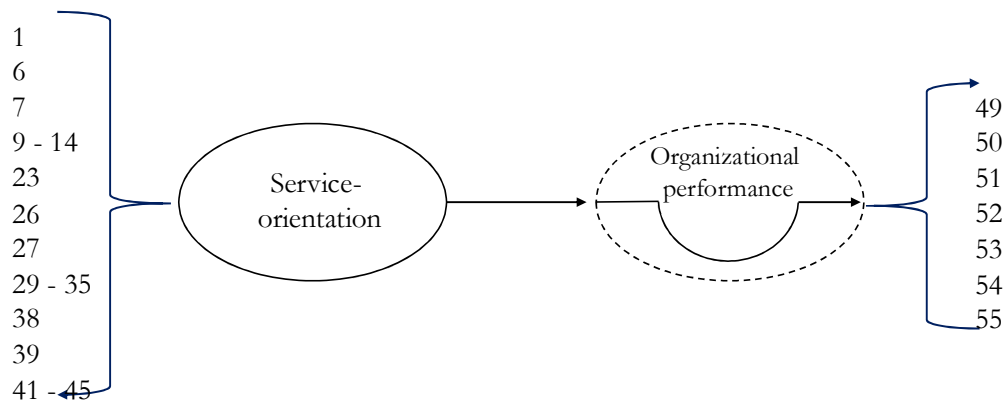


FIGURE 2 – The model and question numbers that support each factor

Figure 2 illustrates that the hypothetical model is supported; in other words, the model is built up by the two distanced components of SO and performance.

Table 2 – Regression analysis results

Dependent variable	Independent variable	R^2	a	b	β
Growth	Service orientation	0.24	<0.001	0.586	0.490
Profit	Service orientation	0.18	0.003	0.469	0.427
Quality of service	Service orientation	0.26	<0.001	0.590	0.505
Employee satisfaction	Service orientation	0.29	<0.001	0.814	0.542
Customer satisfaction	Service orientation	0.25	<0.001	0.428	0.498
Service innovation	Service orientation	0.16	0.007	0.445	0.399
Overall performance	Service orientation	0.36	<0.001	0.722	0.602

Note: R^2 is the explanatory ration, b is the regression coefficient and β is standardized b

Regression analysis

A bivariate regression analysis was performed separately for each performance variable to examine the relationship between SO and organizational performance. The performance variables came from the DOC survey and included growth, profit and performance, product and service quality, employee satisfaction, customer satisfaction, service innovation and overall performance. Table 2 presents the results. As Table 2 displays, the relationship is significant in all cases ($\alpha < 0.05$), but the explanatory ratios (R^2) vary. The explanatory ratio for overall performance is highest, which is followed by customer satisfaction, while the explanatory ratios are lowest for profit and service innovation. These observations can be seen in more detail in Figure 3.

Figure 3 illustrates that SO ($M = 4.06$), as the calculated average of the seven performance factors, explains 49% of the variation in performance ($M = 4.25$). This respectively means that 51% of the variance is explained by something else, which is out of the scope of this research. By examining the performance factors separately, it can be observed that SO explains different amounts of the variation, from 16% for service innovation (where it is lowest) to 36% for overall performance (where it is highest). Additionally, the correlation, measured as β , varies by performance factor and is 0.43 for profit (where it is lowest) and 0.60 in overall performance (where it is highest).

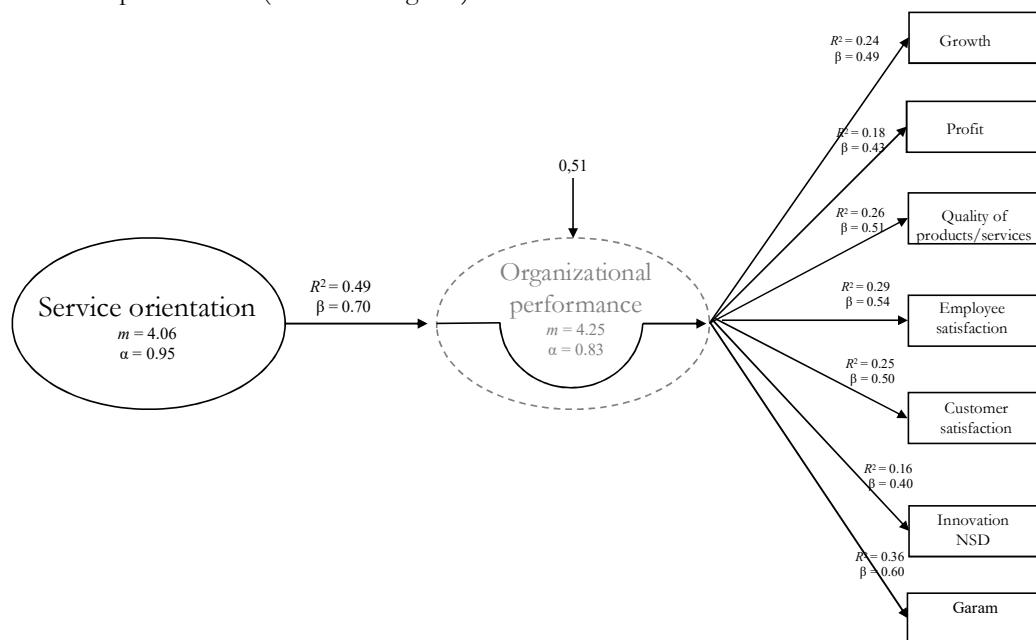


FIGURE 3 – Findings regarding SO and performance relationships

Discussion and conclusion

The purposes of this article were to investigate whether a credible model could explain the relationship between SO and performance using hospitality sector data and to gain insights into the SO's different effects on the variability of collective and individual performance indicators. To address the first purpose, a PCA was conducted on all variables, which revealed a two-factor model that comprised 25 SO variables and seven performance variables. These findings support the hypothetical model produced by Guðlaugsson *et al.* (2022), which suggests that the 25 questions derived from the DOC instrument can be utilized to form the SO factor. Both variables had strong internal validity (Cronbach's alpha (α))—0.95 for the 25 questions that built SO and 0.83 for the performance factor—which suggests that the questions assessed the same construct (Pallant, 2020). The findings also reveal that many of these points had a correlation that was higher than 0.3 but below 0.7, which was desirable.

Regarding the study's second purpose, SO explains 49% of the variation in the seven performance indicators collectively ($\beta = 0.70$, $R^2 = 0.47$). These findings align with those from Guðlaugsson *et al.* (2022), who utilized the same method as this study's authors but employed data from other service industries. The strongest relationship with the variability in individual performance attributes was in overall satisfaction ($\beta = 0.60$, $R^2 = 0.36$) and employee satisfaction ($\beta = 0.54$, $R^2 = 0.29$). The weakest relationships were found between SO and service innovation ($\beta = 0.40$, $R^2 = 0.16$) and between SO and profit ($\beta = 0.43$, $R^2 = 0.18$). This aligns somewhat with Guðlaugsson *et al.*'s (2022) findings as well as with the notion that SO is affiliated with performance in various aspects (Bellou & Andronikidis, 2017; Fernandes & Solimun, 2018; Narentheren *et al.*, 2017; Polo Peña *et al.*, 2017). The weaker connection in profit and growth profit ($\beta = 0.49$, $R^2 = 0.24$) somewhat contradicts Heskett *et al.* (2008) and Urban's (2009) findings, who have claimed that this connection is strong.

To conclude, the findings suggest that it is possible to generate a model of SO and performance using hospitality sector data. Furthermore, the characteristics of the relationship between the two factors nearly mimic the findings from studies of other service sectors despite the sector differences. In a theoretical context. It is important to test findings (as this study's authors have done) in different service sector aspects to enhance the understanding of the character of SO. These findings also underscore the importance of further investigating SO in different hospitality contexts, which could be performed with increased sample sizes and between nonhomogeneous businesses factors, such as different sites, areas, or countries. Additionally, future researchers should consider using different analytical methods, such as CFA and SEM, to increase the concision of the factor analysis and findings. For managers, these findings are important to enhance culture within the company and to increase the understanding of how emphasizing service can increase or affect performance indicators. The main shortcomings of this research are the sample size, as only 45 valid responses were derived from the survey and the limitation of studying only one hotel chain, as all nine outposts were in downtown Reykjavik, which makes the sample homogeneous and therefore unsuitable for generalizing the findings to other hotels or hospitality firms.

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