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Hung Trong Hoang, Sally Rao Hill, Vinh Nhat Lu, Susan Freeman,

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# Drivers of service climate: an emerging market perspective

*Hung Trong Hoang*

Hue University, College of Economics, Hue City, Vietnam and University of Adelaide, Adelaide, Australia

*Sally Rao Hill*

University of Adelaide, Adelaide, Australia

*Vinh Nhat Lu*

The Australian National University, Canberra, Australia, and

*Susan Freeman*

The University of South Australia, Adelaide, Australia

## Abstract

**Purpose** – Drawing on social exchange theory, the purpose of this paper is to develop and test an integrative model of internal and external factors determining employee perceptions of their organizational service climate.

**Design/methodology/approach** – Data are collected from a sample of 549 service employees in local and foreign-owned service firms in the emerging market of Vietnam. Structural equation modeling is used to test the hypothesized relationships.

**Findings** – Leadership commitment to service quality, internal processes and service standards, work facilitation resources and service-oriented human resource practices are positively associated with service climate. Internal customer service mediates the effects of these variables on service climate, with the exception of work facilitation resources. Furthermore, competitive intensity negatively moderates the impact of the internal drivers on service climate. The results also suggest that, depending on the ownership types (local vs foreign firms), the influences of the internal drivers of service climate might differ.

**Originality/value** – Despite the recognition of the role of organizational resources in fostering service climate, the integration and processes by which such resources influence service climate have not been fully examined. In particular, little is known about the external factors facilitating or hindering service climate, especially from an emerging market perspective. By examining both internal and external drivers of service climate under different ownership types, this paper enriches the existing knowledge on service climate and provides important implications for service firms operating in emerging markets.

**Keywords** Social exchange theory, Service climate, Competitive intensity, Ownership type

**Paper type** Research paper

## Introduction

Service climate, emphasizing how service employees perceive the importance of service quality in their organizations, is instrumental to organizational success (Bowen and Schneider, 2014; Schneider and Bowen, 1993). A service climate exists in the mindset of employees when they perceive that several messages provided by their organizational practices and reward systems, primarily under managerial influence, indicate the organization's priority commitment to services (Lin and Liu, 2016; Solnet and Paulsen, 2006). While research on the outcomes of service climate has shown a clear picture of its role in organizational success, research on its antecedents has received far less attention (Drach-Zahavy and Somech, 2013). Previous studies (Auh *et al.*, 2011b; Kopperud *et al.*, 2014;

Salanova *et al.*, 2005) have identified organizational resources such as leadership, training, job autonomy and inter-departmental support as facilitators of service climate. However, these studies take a piecemeal approach and are often industry-specific. In reality, many drivers co-exist within a service organization. Thus, it would be more meaningful to examine them together and compare their effects (Bowen and Schneider, 2014).

Furthermore, to the best of our knowledge, research on service climate in an emerging market context is lacking. Despite the recent global economic crisis, emerging markets attracted nearly half of worldwide foreign direct investment (FDI) inflows in 2015, reaching \$800bn (UNCTAD, 2016). Importantly, the service sector represented almost two-thirds of global FDI stock in 2014 (UNCTAD, 2016). Our review of the services marketing literature yielded very few studies published in the past 20 years that dealt with cross-border service delivery issues and none addressed service climate-related issues in

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emerging markets. Given the presence of many foreign service firms, especially firms from Western/more advanced markets, emerging markets can provide a fertile ground to explore how service climate is developed. That is, a comprehensive understanding on what drives service climate in firms operating in emerging markets can be helpful not only for those with existing operations in such markets but also for those planning their market entries.

To enrich our current knowledge of service climate, this study investigates drivers of service climate within local and foreign service firms in an emerging market, Vietnam. In this study, local firms in Vietnam include state-owned firms (e.g. Vietcombank) and private firms (e.g. Asia Commercial Bank and Saigon Morin hotel) and foreign firms including foreign-owned firms (e.g. ANZ bank and HSBC bank in Vietnam) and international joint ventures (e.g. La Residence hotel). As international joint ventures in Asian emerging markets such as Vietnam often operate in accordance with their foreign partners' practices (Min et al., 2013), prior research has usually classified them together with wholly foreign-owned subsidiaries as foreign-invested firms (Le and Quang, 2005; Min et al., 2013). Extending current knowledge of service climate research, this study is timely, as it will enable valuable insights into the drivers of service climate under different ownership types within the context of the rise of emerging market dominance in Asia. Specifically, the study draws from social exchange theory and tests an integrated model that explains how certain firm-specific resources influence service climate at the individual level of analysis (e.g. employee/individual perception), taking into account the moderating roles of ownership types and marketplace competitive intensity. Doing so, it advances the fragmented service climate research stream, responding to Bowen and Schneider's (2014) call for empirical research on the factors facilitating the creation and maintenance of service climate. It also expands the service profit chain model (Heskett and Schlesinger, 1994; Hong et al., 2013) by including not only leadership and HR practices but also other organizational resources and practices (e.g. internal processes and service standards and internal customer service) as drivers of service climate.

The rest of this paper is structured as follows. First, we examine the theoretical background of service climate and develop a set of research hypotheses. We then describe the research methodology and present our hypotheses testing and results. Finally, we discuss theoretical contributions, managerial implications, research limitations and future research directions.

### Theoretical background and hypotheses

#### Service climate and social exchange theory

The concept of organizational climate is defined as the "atmosphere that employees perceive is created in their organizations by practices, procedures, and rewards" (Schneider et al., 1994, p. 18). While organizational climate refers to employees' perceptions about overall organizational practices, service climate focuses on the practices related to delivering excellent services and the degree to which service quality is emphasized in the organization (Bowen and Schneider, 2014). The focal point of service climate is the extent to which employee

efforts and competency are directed toward delivering high-quality services (Schneider et al., 1998). Service climate, therefore, is built on the basis of caring for both *internal* customers (employees) and *external* customers (Voon et al., 2009).

The social exchange theory (Blau, 1968) can be used in service climate research to explain how service climate is created and perceived by employees. The key premise of the theory is that employment relationships in a firm are a form of social exchange. The quality of social exchange leads to unspoken obligations between the firm and its employees (Blau, 1968). If the firm provides supportive treatment to its employees, e.g. it cares about their well-being, and values their individual contributions, employees will be motivated and reciprocate with desirable work-related outcomes, such as organizational citizenship behaviors and organizational commitment (Gould-Williams, 2007; Löhndorf and Diamantopoulos, 2014). In this paper, through the lens of social exchange theory, we argue that the high-quality exchange of resources (e.g. work facilitation resources and internal customer service) creates a sense of obligation for employees to provide excellent services. As a result, employees reciprocate by displaying positive work-related attitudes and behaviors that support service values and organizational goals, which in turn can drive a positive service climate.

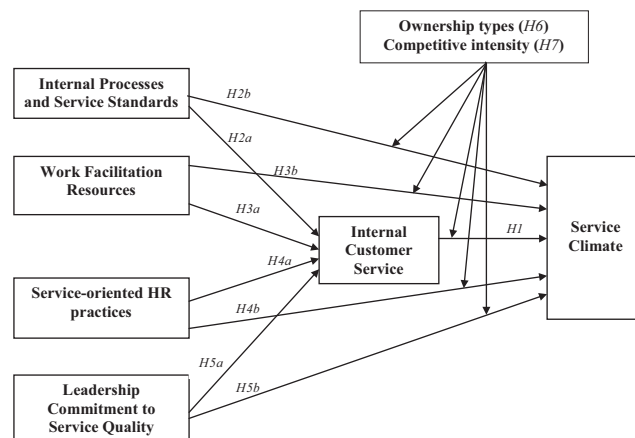
#### Hypotheses development

Prior studies on service climate (Auh et al., 2011b; Drach-Zahavy and Somech, 2013; Jiang et al., 2015; Salanova et al., 2005) have focused on how certain human resource (HR) practices, such as autonomy or training, and a bundle of HR practices drive service climate. However, as Bowen and Schneider (2014, p. 8) noted, "a focus only on HRM practices is limiting because so many other practices and issues influence employee experiences and their likely perceptions". Thus, in the current study, we identify both internal and external drivers, and intend to integrate these to gain a more comprehensive understanding of how they influence service climate. Figure 1 depicts our research model.

#### Internal customer service

Interactions and mutual support among service employees are important to service quality because service process is a

Figure 1 Internal and external drivers of service climate



network of systems built upon the interrelationships and interdependence among sub-processes (Drach-Zahavy and Somech, 2013; Sharma et al., 2016). When service employees engage with their co-workers' service-driven attitude, they are likely to be motivated to transmit this attitude in their customer encounters, which in turn can create a positive service climate (de Jong et al., 2004). Previous research (Ehrhart et al., 2011; Schneider et al., 1998) emphasizes inter-departmental support and views it as fundamental for developing a favorable service climate. In line with the social exchange theory, service employees who experience positive leader–member (supervisor support) and member–member (co-worker support within the same department and interdepartmental support) relationships are likely to experience a higher level of support, leading to greater attachment to organizational goals (Snape and Redman, 2010). Co-worker support, inter-departmental support and supervisor support together can be seen as internal customer service. Thus, we hypothesize:

*H1.* Internal customer service is positively associated with service climate.

#### *Internal processes and service standards*

Internal processes and service standards are the set of cross-functional processes, activities and standards developed within an organization to meet and satisfy customer needs (Beitelspacher et al., 2011). In collectivistic cultures such as those in Asian emerging markets, the importance of group norms is more apparent (Gamble and Tian, 2015; Reynoso et al., 2015) and as such, employees are expected to conform to their organizational processes and standards. To employees, internal processes and service standards are guidelines that they are expected to follow as internal processes and service standards create consistency and remove obstacles for delivering high-quality services (Hoang et al., 2017; Susskind et al., 2007). Such well-designed processes and standards make employees feel more motivated toward their work and enjoy their working environment. This in turn, according to the social exchange theory, has a positive influence on their perception of service climate in their firm. In addition, we expect that if internal processes and service standards are designed in a way that enhances the tasks between employees and departments, internal customer service will be enhanced within the service firm. Therefore, we hypothesize:

*H2.* Internal processes and service standards are positively associated with (a) internal customer service and (b) service climate.

#### *Work facilitation resources*

Work facilitation resources refer to the physical resources, technical resources and information technology (Schneider and Bowen, 1985; Yavas and Babakus, 2010). Research (Salanova et al., 2005; Schneider et al., 1998) suggests that before a service climate can be shaped, a foundation for such a climate must be established. Work facilitation resources are essential to establish employees' sense of how well they are supported to deliver quality service (Schneider and White, 2004). For instance, Schneider et al. (1998) found that computer support affects service climate, leading to superior service quality.

Likewise, Steinke (2008) tested the impact of physical design on service climate and customer outcomes in a healthcare context. The research findings show that when nurses working in the emergency department perceive physical design to support quality service delivery as positive, they perceive service climate to be more favorable, which leads to positive customer outcomes. However, these studies only explored computer support (Schneider et al., 1998) or physical design (Steinke, 2008), in isolation from other work facilitation resources. Based on the social exchange theory, it can be argued that when service employees are well-equipped with physical resources, technical resources and information technology, their feeling of being supported will increase and they may reciprocate by being willing to help others, which can lead to positive internal customer service. Therefore, we hypothesize that:

*H3.* Work facilitation resources are positively associated with (a) internal customer service and (b) service climate.

#### *Service-oriented human resource practices*

In contrast to general HR practices, service-oriented HR practices place emphasis on enhancing employees' motivation, and empowerment to deliver high-quality customer service (Jiang et al., 2015). These practices signal to employees the extent to which the organization expects, rewards and values good service provision, thus affecting their service climate perceptions (Chuang and Liao, 2010). The recruitment and selection of service employees with service-oriented personalities and capabilities, the provision of adequate training, empowerment and policies can all result in positive employee perceptions of service climate (Lux et al., 1996). Hong et al. (2013) found that service-oriented HR practices have a stronger impact on service climate than general HR practices. In addition, when service employees are rewarded for excellent customer services, they develop an understanding of their role (Heskett and Schlesinger, 1994). Thus, they are more likely to have positive attitudes and behaviors toward their co-workers and other departments, which can lead to positive internal customer service. Thus, we hypothesize:

*H4.* Service-oriented HR practices are positively associated with (a) internal customer service and (b) service climate.

#### *Leadership commitment to service quality*

Service leaders who exhibit commitment to service quality will communicate the importance of high-quality service delivery to their service subordinates (Liao and Chuang, 2007). They are likely to take initiatives to help the organization and service employees deliver superior service (Hartline and Ferrell, 1996). Based on the social exchange theory, positive actions directed toward employees by leaders of the service organizations (e.g. service leaders transcending self-interest, care and concern for employees and customers) contribute to the creation of a social context in which employees perceive and interpret their organizational service climate in a positive and beneficial way (Walumbwa et al., 2010). In addition, we propose that leadership commitment to service quality predicts internal customer service. When employees perceive that their leaders are highly committed toward improving customer service, they

are more likely to help, and collaborate, with other colleagues. Once employees see their leaders' behaviors and recognize the rightness of these behaviors, they behave in an appropriate manner themselves (Grojean *et al.*, 2004). Thus, we hypothesize:

- H5. Leadership commitment to service quality is positively associated with (a) internal customer service and (b) service climate.

*Moderating role of ownership types: Western firms vs local firms*  
Scholars (Lau and Ngo, 2001; Rosenzweig and Nohria, 1994) emphasized the effects of the parent firm's national culture and values on the operations and practices of subsidiaries. These studies found that values and practices from the home country are transmitted to overseas subsidiaries, especially through expatriates who act as carriers of multinational corporations' culture. Therefore, culture and individual values in foreign firms in Asian emerging markets such as Vietnam may be influenced by the Western culture imported from their headquarters. For example, recent studies by Caprar (2011) and Hoang *et al.* (2017) indicated that employees working in foreign Western firms absorb, learn and follow the culture and values from their parent firm. As such, they exhibit a high level of individualism and low power distance. In addition, previous research (Lau and Ngo, 2001; Ngo, Lau and Foley 2008) showed that certain cultures (Western versus Asian) may constrain some organizational practices and lower the effectiveness of such practices. Thus, the effectiveness of the antecedents in creating a service climate may depend more on the fit between culture and the types of antecedents (Lau and Ngo, 2001). For example, Western firms tend to be more individualistic and masculine (Hofstede *et al.*, 2010) and thus have a closer fit with individual-level interventions, such as individual rewards and employee autonomy (Golembiewski, 1991; Lau and Ngo, 2001). On the other hand, relative to Western firms, Asian emerging market firms are more collectivistic, group-oriented, have higher uncertainty avoidance and higher power distance (Hofstede *et al.*, 2010), and thus have a better fit with task-oriented, group interventions or system-level interventions (Golembiewski, 1991; Lau and Ngo, 2001).

On the basis of the aforementioned perspective, we argue that the influence of the internal drivers on service climate may vary between foreign and local firms in Asian emerging markets. Following Lau and Ngo's (2001) approach, we propose that leadership commitment to service quality and service-oriented HR practices have a people orientation or individual-level intervention, whereas internal processes, internal customer service and work facilitation resources have a task orientation or system intervention. Therefore, we hypothesize the following:

- H6. Ownership types moderate the direct effect of the internal drivers on service climate, such that (a) the influence of internal processes, internal customer service and work facilitation resources is greater in local firms than in foreign firms, whereas (b) the influence of leadership commitment to service quality and service-oriented HR practices is greater in foreign firms than in local firms.

#### *Moderating role of competitive intensity*

There has been limited scholarly attention to the market conditions (or external factors) under which the effects of internal drivers on service climate may be stronger or weaker. We propose that competitive intensity is an external factor impinging on service climate. Competitive intensity refers to the degree to which a company faces competition in a certain market (Grewal and Tansuhaj, 2001). As market competition becomes increasingly intense in emerging markets, especially with the presence of foreign firms, service firms need to execute various tactics to attract and retain the best employees to maintain and develop their customers. From a social exchange theory perspective, the nature of reciprocity may be hindered by environmental constraints or conditions, as they "lessen the amount of trust that each exchange partner holds in the other" (Mitchell *et al.*, 2012, p. 104). In a highly competitive environment where competition to attract and retain employees and customers is intense, employees will compare the service practices in their firm with that of the competitors. For example, employees may think that the competitors provide better service technology/equipment and nicer physical environment, better rewards and benefits or a strong clientele. This may result in employee feelings of being less supported by their firms. Therefore, they are less likely to engage in behaviors that support service values in their firm, and interpret and perceive their organizational service climate in a less positive manner (Hoang *et al.*, 2017). As such, it is argued that the higher the competitive intensity, the efforts required to draw organizational practices for developing service climate are more difficult. Thus, we hypothesize the following:

- H7. Competitive intensity negatively moderates the influence of the internal drivers on service climate, such that the influence of the internal drivers including (a) internal customer service, (b) internal processes and service standards, (c) work facilitation resources, (d) service-oriented HR practices and (e) leadership commitment to service quality on service climate is weaker under high competitive intensity.

## Method

### Data collection

To obtain new insights on service climate from an emerging market perspective, we test our proposed framework in both local and foreign (Western) firms in Vietnam. Vietnam has emerged as an important player in the global marketplace due to its reform policy introduced in 1986 and its World Trade Organization accession in 2007 (Hau *et al.*, 2013). As a result of its economic reforms and robust economic performance, Vietnam is considered one of the most attractive destinations for inward FDI, especially in service industries (Anwar and Nguyen, 2010).

Through desk research and several sources such as the Vietnamese service network and the Vietnamese Chamber of Commerce and Industry, we focused on three service sectors (banking, hospitality and supermarkets) for data collection because each of them had more than five foreign service firms from advanced Western markets (e.g. Australia, France, the UK and the USA) operating in major Vietnamese cities. We

contacted the HR department of these companies directly in person or via phone, and then sent them a packet containing:

- a cover letter explaining the purpose of the study; and
- a sample service employee survey, to seek their support for the study.

A total of 14 service firms, eight local and six foreign-owned in four major cities, namely, Ho Chi Minh, Hanoi, Hue and Da Nang, agreed to participate in the study. Firm size ranged from 120 to 249 employees for local firms and from 120 to 1,200 employees for foreign firms. The summary of the characteristics of the firms in our sample is provided in Table I.

Data were collected in Vietnamese. The original questionnaire was first developed in English. To ensure semantic equivalence, two researchers who were native speakers translated the questionnaire into Vietnamese and crosschecked the translated versions. The Vietnamese version was then back translated into English by a professional bilingual translator. The back translation version was checked against the original English version to identify and eliminate any possible inconsistencies.

Service employees of the 14 participating firms were encouraged to participate on a voluntary basis. We assured the confidentiality and anonymity of responses by asking them to return the completed surveys in a sealed envelope to a return box located in the HR department. A reminder notice was sent to service employees at two weeks and again at four weeks after they received the questionnaire. A total of 850 questionnaires were distributed and 560 questionnaires were returned, 11 of which were unusable because of missing data, and 549 questionnaires were fully completed for analysis. Therefore, a response rate of 64.6 per cent was obtained. Respondent profiles are presented in Table II.

### Construct measurement

We adopted existing measures from services marketing and management literature whenever possible. All scales in this paper were reflective scales and were anchored from either (1) “strongly disagree” to (7) “strongly agree” or (1) “very poor” to

(7) “excellent”. These scales have at least three items to reflect the contents of the scales (Sarstedt et al., 2016).

Service climate was measured by six items adapted from de Jong et al. (2004), who developed the service climate scale based on the items from Schneider et al.’s study (1992) and in-depth interviews with frontline employees. The construct includes the basic components of climate constructs in the organizational climate literature, including practices, procedure and behavior (de Jong et al., 2005; Schneider et al., 1998). Example items include “Our company is continually working to improve the quality of service we provide to our customers” and “Within our company, employees often go out of their way to help customers”. The Cronbach’s alpha of this scale in this study is 0.89.

Leadership commitment to service quality was measured by five items adopted from Yavas et al. (2010). Example items include “Leadership in my company constantly communicates the importance of service quality” and “Leadership shows they care about service by giving of themselves”. The Cronbach’s alpha of this scale is 0.90.

The scale for service-oriented HRM was adopted from Chuang and Liao (2010), Chan and Lam (2011) and Yavas et al. (2010). Service-oriented HRM was measured as a higher-order construct consisting of five dimensions, including service-oriented recruitment and selection, training, rewards and recognition, autonomy and employee benefits. In this study, the Cronbach’s alpha value is 0.90.

The scale for internal processes and service standards was developed for this study based on the items adopted from Schneider et al. (1998) and Susskind et al. (2003), which reflect the extent to which service employees believe that their companies develop an appropriate level of processes that can facilitate service excellence, set clear standards for customer service, consider customer needs and consult with employees when developing or changing such processes and standards. The Cronbach’s alpha of this scale is 0.90.

The internal customer service scale was adapted from Chan and Lam (2011) and de Jong et al. (2004), which captured three dimensions, namely, co-worker support, supervisor support and inter-departmental support. In this study, the Cronbach’s alpha value is 0.91.

The two dimensions of work facilitation resources scale, including service technology/equipment and physical environment were measured by items from Yavas et al. (2010) and Lux et al. (1996). The Cronbach’s alpha of this scale in this study is 0.90.

Competitive intensity was adapted from Jaworski and Kohli (1993). Example items include “Competition in our industry is cutthroat” and “Competition to attract good staff in our industry is fierce”. The Cronbach’s alpha of this scale is 0.91.

Finally, in line with previous studies in service climate (Auh et al., 2011a, 2011b; de Jong et al., 2004), demographics of the respondents (gender, tenure, education and prior experience) were included as control variables. Gender was coded 1 for female and 0 for male. Tenure was measured with the years that the respondents had been working in their organizations. For education, graduation from overseas was coded 1 and domestically was coded 0. We included three dummy variables (coded 1/0), namely, “you used to work in a domestic company before”, “you used to work in a foreign company before” and

Table I Firm characteristics

Firm	Ownership/Country of origin	Service sector	No. of employees
#1	Local	Hotel	230
#2	Local	Banking and financial services (B&F)	249
#3	Local	B&F	200
#4	Local	Hotel	240
#5	Local	B&F	120
#6	Local	Supermarket	200
#7	Local	Hotel	150
#8	Local	Hotel	192
#9	Foreign/UK	B&F	1,200
#10	Foreign/USA	Hotel	200
#11	Foreign/France	Hotel	120
#12	Foreign/Australia	B&F	600
#13	Foreign/USA	Supermarket	240
#14	Foreign/UK	Hotel	150

Table II Respondent profile

Demographic variables	Total		Local firms		Foreign firms	
	No.	Percentage	No.	Percentage	No.	Percentage
	549	100	319	100	230	100
<b>Gender</b>						
Male	184	33.5	102	32.0	82	35.7
Female	365	66.5	217	68.0	148	64.3
<b>Age</b>						
Under 20	1	0.3	0	0	1	0.4
20-30	346	63.0	195	61.1	151	65.7
31-40	171	31.1	100	31.4	71	30.9
Over 40	31	5.6	24	7.5	7	3.1
Average working tenure	4.2 years		4.8 years		3.1 years	
<b>Service sector</b>						
Banking	199	36.2	132	41.4	67	29.2
Hospitality	241	43.9	148	46.4	93	40.4
Retailing	109	19.9	39	12.2	70	30.4
<b>Highest qualification</b>						
High school	41	7.5	21	6.6	20	8.7
College/TAFE	176	32.1	101	31.7	75	32.6
Undergraduate	302	55.0	189	59.2	113	49.1
Postgraduate	30	5.5	8	2.5	22	9.6
<b>Place of graduation</b>						
Vietnam	527	96.0	318	99.7	209	90.9
Overseas	22	4.0	1	0.3	21	9.1
<b>Prior working experience</b>						
In a foreign company	77	14.0	26	8.2	51	22.2
In a local company	234	42.6	134	42.0	100	43.5
No experience before	265	48.3	169	53.0	96	41.7

“not have any experience before”, to assess working experience. Furthermore, we included an industry dummy variable in the analysis.

## Data analysis and results

### Measurement models

We conducted confirmatory factor analysis (CFA) to test the measurement models and assess the convergent and discriminant validity of the constructs. First, we specified a measurement model in which all items load on their corresponding hypothesized latent construct. This six-factor measurement model provides a good fit to the data ( $\chi^2 = 2,973$ ,  $df = 1,247$ ,  $p = 0.000$ ,  $\chi^2/df = 2.38$ , comparative fit index (CFI) = 0.91, incremental fit index (IFI) = 0.91, root mean square error of approximation (RMSEA) = 0.05, standardized root mean square residual (SRMR) = 0.058). We then compared this hypothesized model with possible alternative models and found that the hypothesized model outperformed the alternative measurement models.

The CFA provided support for convergent and discriminant validity of all constructs. The standardized factor loadings for all constructs in this study ranged from 0.61 to 0.87 and were significant ( $p < 0.001$ ) (Appendix A). Composite reliability values for all constructs range from 0.78 to 0.83, exceeding the prescribed minimum requirement (0.6). The Cronbach's alpha

values exceeded 0.70, and the AVE values all exceeded 0.50. All constructs achieved discriminant validity as all AVE values were greater than the squared correlation estimate (Fornell and Larcker, 1981) (Table III).

We also assessed the potential threat of common method bias. First, we tried to reduce the potential common method bias through the design of the study as suggested by Podsakoff *et al.* (2003). We used scales with clear, concise and unambiguous scale items. In the survey questionnaire, we assured respondents that their answers were anonymous and there were no right or wrong answers to encourage them to answer the questions as honestly as possible. Although some of the correlations of the scales are above 0.50, which suggest that certain levels of caution should apply in further analysis, we used the three tests, including Harman single-factor test, common latent method factor (Podsakoff *et al.*, 2003) and marker variable (Lindell and Whitney, 2001; Williams *et al.*, 2010), to assess the potential impact of a common method factor. First, the Harman single factor showed that the goodness-of-fit of the single factor model was highly unsatisfactory ( $\chi^2/df = 6.73$ , GFI = 0.541, CFI = 0.62, RMSEA = 0.102), indicating that common method bias should not pose a serious threat. Second, a latent common method factor test was performed. The fit index for the model with latent common method factor was  $\chi^2 (1,246) = 2,971$ . The fit index for the model without latent common method factor was

Table III Descriptive statistics, psychometric properties and correlations of study constructs

Variables	Mean	SD	Cronbach's alpha	CR	AVE	1	2	3	4	5	6
Service climate	5.34	0.94	0.89	0.83	0.53						
Leadership commitment to SQ	5.47	1.03	0.90	0.83	0.61	0.614					
Service-oriented HR practices	4.91	0.91	0.90	0.78	0.64	0.694	0.600				
Internal customer service	5.30	0.88	0.90	0.81	0.67	0.604	0.642	0.562			
Work facilitation resources	5.27	0.85	0.90	0.80	0.64	0.625	0.606	0.673	0.540		
Internal processes and service standards	5.26	1.01	0.90	0.80	0.56	0.642	0.637	0.615	0.639	0.653	
Competitive intensity	5.48	1.00	0.91	0.80	0.50	0.350	0.359	0.342	0.283	0.273	0.269

Note: All correlations are significant at the 0.01 level (two-tailed)

$\chi^2(1,247) = 2,973$ . The difference in fit index between these two models was not significant ( $\Delta\chi^2 = 2$ ,  $\Delta = 1$ , n.s.). Furthermore, the common latent factor test showed that no indicator had effects of the common latent factor on their standardized factor loadings of above 0.2 (Chin, 1998), suggesting that common method bias was not an issue in our study. Finally, following Lindell and Whitney (2001) and Williams et al. (2010), we included a marker variable (power distance). The marker variable was unrelated to the dependent variable (service climate) ( $r = -0.03$ , n.s.) and other driver variables ( $r$  range from  $-0.05$  to  $0.11$  and n.s.). The correlations between all hypothesized constructs remained statistically significant while controlling for the marker variable (Williams et al., 2010). Overall, these three tests above suggest that common method bias was not problematic in our study.

### Testing the direct effects

The hypothesized relationships were tested through structural equation modeling (SEM) with path analysis technique in AMOS. A critical advantage of using this technique is its ability to estimate the direct and indirect effects of independent variables on dependent variables (Kline, 2011). This technique therefore provides an integrated view of relationships, rather than of individualized pairs (Conduit and Mavondo, 2001).

The direct effect model, which includes the internal drivers, except the mediator (internal customer service) and the dependent variable (service climate), shows a good fit with the data ( $\chi^2/df = 2.13$ ; CFI = 0.98, TLI = 0.98, RMSEA = 0.045, SRMR = 0.045). The results shown in Table IV indicate that internal processes and service standards are positively related to service climate ( $b = 0.221$ ,  $p < 0.001$ ), supporting H2b. The path from work facilitation resources to service climate ( $b = 0.128$ ,  $p < 0.01$ ) is positive, supporting H3b. In support of H4b and H5b, respectively, we found a positive link from service-oriented HR practices ( $b = 0.369$ ,  $p < 0.001$ ) and leadership commitment to service quality ( $b = 0.173$ ,  $p < 0.001$ ) to service climate.

### Testing the indirect effects

Next, we added internal customer service as a mediator to the direct effect model. The mediated model provides a good overall fit with all goodness-of-fit indices which were within an acceptable range ( $\chi^2/df = 2.24$ ; CFI = 0.98, TLI = 0.98, RMSEA = 0.047, SRMR = 0.045). The results of the mediation model are illustrated in Table IV. Table IV shows that internal processes and service standards significantly influence internal customer service ( $b = 0.315$ ,  $p < 0.001$ ), offering support for H2a. In contrast, the influence of work

facilitation resources to internal customer service is not significant ( $b = 0.035$ , ns), offering no support for H3a.

The effects of service-oriented HR practices ( $b = 0.145$ ,  $p < 0.001$ ) and leadership commitment to service quality ( $b = 0.334$ ,  $p < 0.001$ ) on internal customer orientation are in the hypothesized direction, in support of H4a and H5a, respectively. In addition, internal customer service is significantly related to service climate ( $b = 0.151$ ,  $p < 0.001$ ), offering support for H1.

Although a causal step approach (Baron and Kenny, 1986) was popular to test mediation, recent literature has recommended using SEM with bias-corrected bootstrapping as a superior method to test this mediating effect (Iacobucci et al., 2007; Lau and Cheung, 2012). Following this approach, to further confirm the significance of the indirect effects, we calculated bootstrapped indirect relationships, their significance and 95 per cent confidence intervals (CI) with 2,000 resamples. The results shown in Table V indicate that the indirect effect of internal processes and service standards on service climate is significant (standardized indirect effect = 0.047,  $p < 0.01$ , 95 per cent CI = [0.02, 0.08]). Furthermore, work facilitation resources only have a direct effect on service climate, without passing through internal customer service (standardized indirect effect = 0.005, ns, 95 per cent CI = [-0.006, 0.019]). As expected, the influence of service-oriented HR practices on service climate is significantly mediated by internal customer service (standardized indirect effect = 0.022,  $p < 0.01$ , 95 per cent CI = [0.007, 0.044]). The impact on service climate of leadership commitment to service quality is also significantly mediated by internal customer service (standardized indirect effect = 0.05,  $p < 0.01$ , 95 per cent CI = [0.018, 0.087]).

Table V shows the results of total effects. Service-oriented HR practices have the greatest total impact on service climate ( $b = 0.461$ ,  $p < 0.001$ ). This is followed by internal processes and service standards ( $b = 0.302$ ,  $p < 0.001$ ) and leadership commitment to service quality ( $b = 0.246$ ,  $p < 0.001$ ). Work facilitation resources have the smallest total impact ( $b = 0.198$ ,  $p < 0.001$ ). With regard to the control variables, we found that none of them had a significant impact on employee perceptions of service climate.

### Testing the moderating effect of ownership type

To test the moderating impact of ownership type on the relationship between the internal drivers and service climate, we used multi-group analysis. Before running multiple-group analysis to implement ownership types as a moderator, we



Table IV Results of direct effect and mediation models

Variables	Direct model			Mediation model	
	Service climate	Results	Internal customer service	Service climate	Results
<i>Independent variables</i>					
Internal processes and service standards	0.221***	H2b supported	0.315***	0.175***	H2a supported. The internal processes – service climate link is supported by both the direct path and the indirect path through internal customer service
Work facilitation resources	0.128**	H3b supported	0.035 <sup>ns</sup>	0.121**	H3a not supported
Service-oriented HR practices	0.369***	H4b supported	0.145***	0.348***	H4a supported. The service-oriented HR practices – service climate link is supported by both the direct path and the indirect path through internal customer service
Leadership commitment to SQ	0.173***	H5b supported	0.334***	0.123**	H5a supported. The leadership commitment – service climate link is supported by both the direct path and the indirect path through internal customer service
Mediator – internal customer service	N/A		N/A	0.151***	H1 supported
Variance explained (R <sup>2</sup> )	58.0%		52.0%	60.0%	

Notes: \*\* $p < 0.01$ ; \*\*\* $p < 0.001$ ; and ns: non-significant

Table V Indirect and total effects of drivers on service climate

Drivers	Indirect effect coefficient	Total effect coefficient
Leadership commitment to service quality	0.05**	0.246**
Internal processes and service standards	0.047**	0.302**
Work facilitation resources	0.005 <sup>ns</sup>	0.198**
Service-oriented HRM	0.022**	0.461**
Internal customer service	–	0.234**

Notes: \*\* $p < 0.01$  and ns: non-significant

examined whether the factor loadings of the measurement model were operating equivalently (or invariant) among the local and foreign groups. Following Cheung and Rensvold (2002) and Steenkamp and Baumgartner (1998), we compared the unconstrained measurement model with the constrained measurement model that contained equal factor loadings between these two groups. The difference in chi-square and CFI values was used. However, as Chi-square value is sensitive to sample size, the critical value for the differences in Chi-square should be set at  $p = 0.001$  rather than at 0.05 (Cooper et al., 2007). The goodness-of-fit measures from this test of invariant factor loadings was satisfactory ( $\chi^2/df = 3.1$ , GFI = 0.91, CFI = 0.88, RMSEA = 0.06, SRMR = 0.08), and the difference in the model fit between the unconstrained and constrained models for the groups that vary on ownership type was not significant at 0.001 level ( $\chi^2$  difference = 33.3,  $p = 0.032$ ). Full metric invariance was also confirmed based on Cheung and Rensvold's study (2002) suggesting that the CFI difference between the unconstrained and constrained models met the cut-off criterion of 0.01 (CFI difference = 0.007).

Table VI shows that most structural paths from the drivers to service climate are significant. The path coefficients of internal processes and service standards (0.22), work facilitation

resources (0.13) and internal customer service (0.2) in local firms were higher than those in foreign firms (coefficients are 0.15, 0.1 and 0.02, respectively). In contrast, the path coefficients of leadership commitment to service quality (0.2) and service-oriented HRM (0.46) in foreign firms were stronger than those in local firms (0.07 and 0.30, respectively). After conducting multiple-group analysis, the Chi-square test for the differences is significant for leadership commitment to service quality ( $\Delta\chi^2 = 3.85$ ,  $\Delta df = 1$ ,  $p < 0.05$ ), service-oriented HRM ( $\Delta\chi^2 = 4.14$ ,  $\Delta df = 1$ ,  $p < 0.05$ ) and internal customer service ( $\Delta\chi^2 = 5.23$ ,  $\Delta df = 1$ ,  $p < 0.05$ ). Thus, the findings partially support H6 concerning the difference in the impact of the drivers on service climate between ownership types.

Post hoc analysis results shown in Table VII indicate that foreign service firms in our sample enjoy better ratings from their employees ( $N = 230$ ) on service climate as well as all antecedent variables, compared to those from local firms ( $N = 319$ ).

#### Testing the moderating effect of competitive intensity

Table VIII shows a significant moderating effect of competitive intensity on the antecedents-service climate relationships. All path estimates are significant from 0.05 to 0.001 levels. The significant results are in the expected directions, that is, the results show that the influence of all internal drivers on service climate was weaker when competitive intensity was stronger. Figure 2 shows the graphical presentations of the moderating effect of competitive intensity on the relationships between the drivers and service climate. We plotted the relationships between all internal drivers and service climate at low and high levels of competitive intensity (1 standard deviation above and below the mean), following Aiken and West (1991). Internal customer service was more positively related to service climate when competitive intensity was low (simple slope = 0.67,  $t = 14.8$ ,  $p < 0.001$ ) than when it was high (simple slope = 0.45,  $t = 10.1$ ,  $p < 0.001$ ), thus supporting H7a. Similarly, internal processes and service standards were more positively related to

Table VI Standardized coefficients of the direct impacts of the internal drivers on service climate between local and foreign groups

Driver variables	Local firms		Foreign firms		Significant difference
	Standardized coefficient	t-value	Standardized coefficient	t-value	
Leadership commitment to service quality	0.07	1.4 <sup>ns</sup>	0.20	3.85 <sup>***</sup>	Yes
Internal processes and service standards	0.22	4.01 <sup>***</sup>	0.15	2.39 <sup>*</sup>	No
Work facilitation resources	0.13	2.38 <sup>*</sup>	0.10	1.70 <sup>****</sup>	No
Service-oriented HRM	0.30	5.84 <sup>***</sup>	0.46	7.63 <sup>***</sup>	Yes
Internal customer service	0.20	3.96 <sup>***</sup>	0.02	0.37 <sup>ns</sup>	Yes

Notes: \* $p < 0.05$ ; \*\*\* $p < 0.001$ ; \*\*\*\* $p < 0.1$ ; and ns: non-significant

Table VII Post hoc analysis (*t*-test results) on service climate and its drivers across ownership types

Variables	Value	Local firms		Foreign firms ( $N = 230$ )	t-test for equality of means
		( $N = 319$ )			
Leadership commitment to service quality	Mean	5.25		5.8	***
	SD	1.11		0.8	
Internal processes and service standards	Mean	5.01		5.64	***
	SD	1.08		0.76	
Work facilitation resources	Mean	5.11		5.52	***
	SD	0.90		0.71	
Service-oriented HRM	Mean	4.68		5.26	***
	SD	0.96		0.71	
Internal customer service	Mean	5.13		5.55	***
	SD	0.94		0.71	
Service climate	Mean	5.16		5.59	***
	SD	1.01		0.75	

Note: \*\*\* $p < 0.001$

Table VIII Moderating effect of competitive intensity on the relationships between the internal drivers and service climate

Variables	Path estimate	t-value
Leadership commitment to SQ	-0.09 <sup>*</sup>	-2.53
Internal processes	-0.11 <sup>***</sup>	-3.25
Work facilitation resources	-0.12 <sup>***</sup>	-3.75
Service-oriented HRM	-0.09 <sup>**</sup>	-2.78
Internal customer service	-0.12 <sup>***</sup>	-3.67

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$ ; and \*\*\* $p < 0.001$

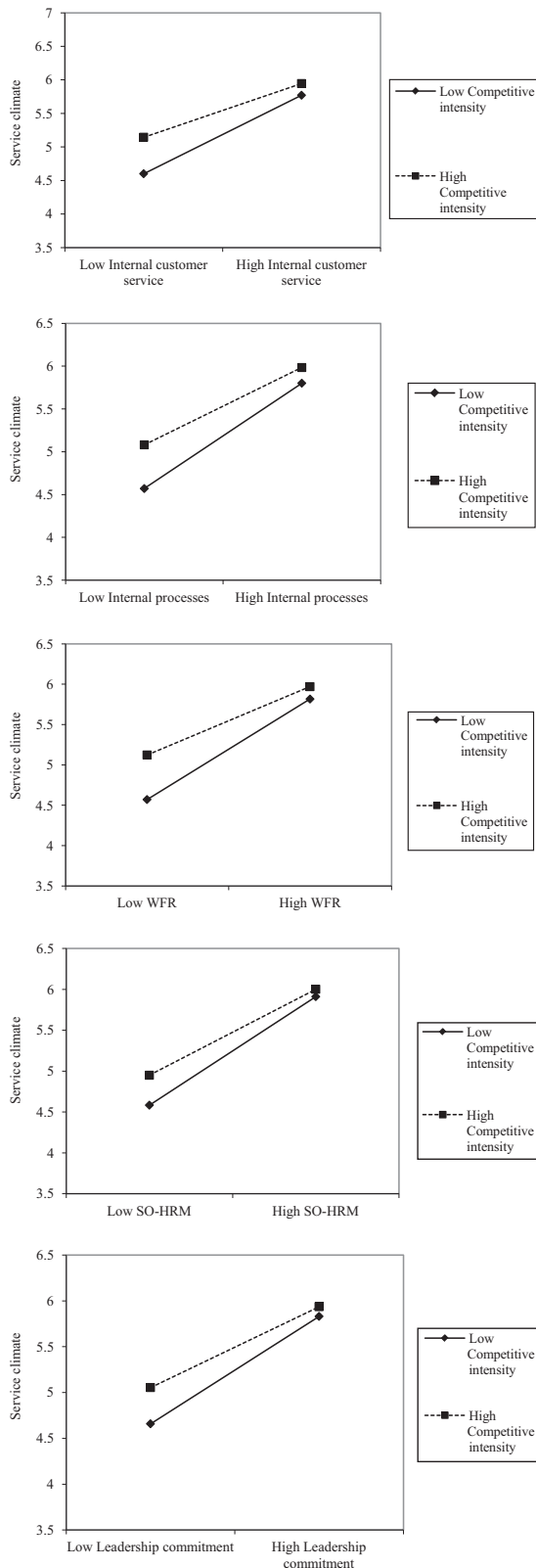
service climate when competitive intensity was low (simple slope = 0.61,  $t = 13.6$ ,  $p < 0.001$ ) than when it was high (simple slope = 0.45,  $t = 9.98$ ,  $p < 0.001$ ), thus supporting *H7b*. The slopes for work facilitation resources and service climate were more positive and significant when competitive intensity was low (simple slope = 0.62,  $t = 13.6$ ,  $p < 0.001$ ) than when it was high (simple slope = 0.45,  $t = 9.98$ ,  $p < 0.001$ ), thus supporting *H7c*. Figure 2 also shows that service-oriented HR practices were more positively related to service climate when competitive intensity was low (simple slope = 0.73,  $t = 16.1$ ,  $p < 0.001$ ) than when it was high (simple slope = 0.57,  $t = 12.8$ ,  $p < 0.001$ ), thus supporting *H7d*. Finally, the slopes for leadership commitment to service quality and service climate were stronger when competitive intensity was low (simple slope = 0.57,  $t = 12.7$ ,  $p <$

0.001) than when it was high (simple slope = 0.42,  $t = 9.5$ ,  $p < 0.001$ ), thus supporting *H7e*.

## Discussion

Our study investigates factors associated with service climate in firms (local and foreign) operating in an emerging market. The study found that the effects of the drivers on service climate were different between ownership types. The influence of leadership commitment to service quality and service-oriented HR practices was found to be greater in foreign firms than in local firms in our sample. In other words, foreign firms in our sample are more effective at using leadership commitment to service quality and service-oriented HR practices to foster an excellent service climate. Firm ownership, according to Peltokorpi and Froese (2016), can lead to different styles of organizational practices as well as organizational and individual cultural values. Our findings support the view that foreign Western firms are more individualistic (Hofstede et al., 2010) and thus have a closer fit with individual-level interventions, such as individual rewards, employee autonomy and other HR practices. In addition to higher leadership commitment and more sophisticated service-oriented HR practices from their headquarters, foreign firms may be successful in acquiring local knowledge to provide a more favorable service climate in the host market. Local firms in our sample, on the other hand, might not have developed full awareness of the strategic role of leadership commitment and service-oriented HR practices in

Figure 2 Moderating effect of competitive intensity



enhancing the service climate in their firms. Indeed, HR practices of domestic firms in emerging markets are still influenced by “traditional personnel administration and high power distance cultural values”, and controlling influences from top management in these firms are still dominant (Wang et al., 2007, p. 698). As a result, the implementation of leadership commitment and service-oriented HR practices had less of an effect on service climate in these firms (Wang et al., 2007). This finding contradicts the finding from Ngo et al. (2008) who found no effects of ownership types on the relationship between strategic HRM and employee relations climate in China.

Our study has further found that local firms outperform foreign firms with respect to the influence of internal customer service on service climate. This finding supports the view that Asian emerging market firms are more collectivistic, have high uncertainty avoidance and medium to high power distance (Hofstede et al., 2010) and thus should have a better fit with task-oriented, or group interventions (Lau and Ngo, 2001), than their foreign counterparts from more advanced markets. In addition to cultural differences, Hitt et al. (2005) found that local and foreign firms in emerging markets differ in their type of learning and their pursuit of different learning processes. Despite local firms lagging behind foreign firms in several processes and resources, local firms are making a lot of effort recently to reduce these gaps between themselves and foreign firms (Ngo et al., 2008). Since system-level resources or physical resources such as internal customer service, internal processes or work facilitation resources are visible and easier to acquire, local firms are absorbing and rapidly learning about these resources from their foreign counterparts (Wang et al., 2007). Ultimately, they may be as competent as foreign firms or may even reap greater benefits from adopting these system-level antecedents in fostering an excellent service climate.

Our study contributes to knowledge development on service climate in several ways. We develop and test seven hypotheses of the drivers of service climate. In particular, we have tested the direct, indirect and total effects of various drivers on service climate, taking into account the mediating role of internal customer service. This is theoretically important because our integrative model addressed not only the interactions between the drivers but also the process through which these factors drive service climate. Hence, we extend the service profit chain model (Heskett and Schlesinger, 1994; Hong et al., 2013) by including not only leadership and HR practices but also other organizational practices (e.g. internal processes and service standards, work facilitation resources and internal customer service) as drivers of service climate. In addition, the social exchange theory has been well supported in various studies on employee–organization relationships (Farh et al., 2007; Hofman and Newman, 2014), particularly with regard to employee attitude and behavior relative to the policies and practices of their organizations. Our study enriches the theory by demonstrating that social exchange is crucial not only to employee attitude and behavior but also to employee motivation and their perception of service climate. When employees are supported with organizational resources, they not only feel a sense of obligation to reciprocate and support their organizational goals but also interpret and perceive service climate in their organization in a more favorable manner.

Furthermore, competitive intensity has been found to influence a firm's market orientation and market performance (Hau *et al.*, 2013). Our study provides additional empirical insights on drivers of service climate by taking into account the impact of a market-based driver, namely, competitive intensity. The results demonstrate that competitive intensity negatively moderates the impacts of internal drivers on service climate. That is, the greater the intensity of rivalry amongst service firms, the greater service firms need to concern themselves with their employees and customers to foster a service climate. The present study demonstrates that the use of social exchange theory is helpful in building further understanding of why employee perceptions of service climate are contingent on the level of competitive intensity. Under conditions of higher competitive environment, employees compare the resources and service practices in their firms with those of the competitors. Such comparisons have resulted in employee feelings of being less supported by their firms. As such, efforts of service firms to motivate and gain positive employee perceptions of service climate in their firms are more difficult. Our findings enrich existing knowledge on service climate by providing evidence of this relationship from an emerging market context where the presence of many foreign service firms from advanced economies has made service competition in the smaller emerging markets more intense with their arrival.

### Managerial implications

The research findings contribute toward a more comprehensive understanding for managers on how service climate and its drivers are created. The paper demonstrates that competitive intensity negatively moderates the impact of the internal drivers on service climate. Thus, it is consequently harder to create a positive service climate. However, given such circumstances, it is even more important to do so.

Although the analyses are at an individual level (employee perceptions), the relationships found in this study have crucial managerial implications for service firms. By understanding more about these specific and key drivers, managers of both local and foreign service provider firms are able to take actions and make investments to improve service climate in their firms and enhance their competitive advantage in the global marketplace. Furthermore, the present results suggest that internal customer service serves as a critical mediator in the influence of other internal drivers on service climate. Internal customer service is affected not only by leadership commitment to service quality but also by other firm factors, such as internal processes, service standards and service-oriented HR practices. Thus, attention needs to be paid on providing processes and communication infrastructure that enhance the collaboration between employees and offering HR policies/activities such as training programs that emphasize the importance of employee cooperation.

In addition, service firms in emerging markets should understand that although leadership commitment to service quality, internal processes and service standards, work facilitation resources, service-oriented HR practices and internal customer service can make a difference to employee's perceptions of service climate, their influence is not the same for those working in local and foreign service firms. Because internal customer service was found to have a stronger impact

on service climate for local firms, they should develop internal customer service to achieve superior service climate. Conversely, the impact of leadership commitment to service quality and service-oriented HR practices on service climate is stronger for foreign firms. Thus, foreign firms should take advantage of such strong relationships to build a competitive advantage in the host market.

Importantly, foreign firms in our sample outperformed local firms in terms of not only service climate but also the antecedents (namely, leadership commitment to service quality, internal processes and service standards, work facilitation resources, service-oriented HRM and internal customer service). To catch up with foreign firms, it is important that local firms innovate and learn from the best practices developed by their foreign counterparts, particularly on matters related to service provisions as well as staff recruitment and development. By making the most of their "home field advantage" (Dawar and Frost, 1999), local firms can compete against foreign rivals by attracting top talent, harnessing knowledge transfer from employees with relevant prior experience in foreign firms (Takeuchi *et al.*, 2005) and providing employees with competitive salaries and career development opportunities (Chandran, 2017). Finally, local firms should take advantage of internal marketing activities (i.e. internal communication, training and internal market research) (Huang and Rundle-Thiele, 2015) to understand employees' perception about the organization and its service provisions, emphasize the importance of service quality and ultimately strengthen the service climate within the firm.

### Limitations and future research directions

Our study was limited to one country and was conducted on the basis of surveying 549 service employees in a small number of service firms in Vietnam. Data collected from different markets would advance our understanding of the drivers of service climate from a more generalizable perspective. The survey data for both predictors and outcomes were provided by only one source, from service employees. In the future, multiple sources of data collection by surveying not only service employees but also executives and middle managers could triangulate the research findings and minimize the possibility of common method bias. For example, data from leadership commitment to service quality and service-oriented HR practices could be collected from supervisors.

In addition, our data were analyzed at the individual level of analysis (e.g. employee perceptions). In the future, organizational level of analysis could be conducted to add additional meaningful insights to our knowledge on the drivers of service climate. Furthermore, this study concentrated on the customer services sector (B2C – Business-to-Customer). The proposed conceptual framework and hypotheses could also be tested in the business services sector (B2B – Business-to-Business). Such studies would serve to increase the generalizability of the conceptual framework to identify the potential differences of the framework between different service types (B2B versus B2C).

Future research could also incorporate or test the relationships involving service climate and its drivers by using other variables, such as employee characteristics (i.e. employee tenure, experience or personality traits). For example,

employees who are expatriates, or used to working for foreign companies or who have worked overseas before may perceive their organizational service climate differently compared to local employees. Another aspect in service climate research that deserves attention is the role of cultural dimensions (which we did not investigate in our study) affecting the formation of service climate. For instance, future research could examine how and the extent to which different dimensions of the national culture (of the focal emerging market) as well as those of the foreign culture (where the headquarters of the foreign-owned firm are located) might contribute to shaping service climate of the organization when it operates in the emerging market's context. As previous studies (Lau and Ngo, 2001; Rosenzweig and Nohria, 1994) emphasized on the potential role of expatriates who act as carriers of multinational corporations' culture, a study on how expatriates can influence the development of service climate in foreign-owned firms in emerging markets will generate important additional insights on drivers of service climate. Finally, future research could also include some outcomes of service climate, such as customer service quality, customer satisfaction and financial performance. The inclusion of service climate outcomes in the framework would help researchers draw a broader picture of the service profit chain that links the drivers and the outcomes of service climate.

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## Appendix

Table A1 Constructs and measurement items

Item	Factor loading
<i>Leadership commitment to service quality</i>	
Leadership in my company constantly communicates the importance of service quality.	0.64
Leadership enjoys spending time "in the field" or "on the floor" with customers and frontline employees.	0.75
Leadership is constantly measuring service quality.	Dropped
Leaders give personal input and leadership into creating quality service.	0.82
Leadership provides resources, not just "lip service," to enhance our ability to provide excellent service.	0.84
Leadership shows they care about service by constantly giving of themselves.	0.84
<i>Internal processes and service standards</i>	
The internal processes in my company make it easy to deliver excellent service.	0.72
We have established clear standards for the quality of work and service in my company.	0.82
Quality and customer needs are considered when internal processes and service standards are developed and/or changed in my company.	0.75
People in my company are consulted when processes and service standards are developed and/or changed.	0.71
Our company does a good job educating its outside constituents about our processes and service standards.	Dropped
<i>Work facilitation resources</i>	
<i>Service technology</i>	
We have "state of the art" technology to enhance our service quality.	Dropped
Sufficient money is allocated for technology to support my efforts to deliver better service.	0.83
I have the necessary technology support to serve customers better.	0.85
Management works hard to make our systems more customer friendly.	0.77
I have the right tools and equipment to serve customers better.	0.78
<i>Physical environment</i>	
How would you rate your physical working conditions?	Dropped
How would you rate the space to work in your work environment?	0.78
How would you rate the lighting in your work environment?	0.76
How would you rate the temperature in your work environment?	0.77
How would you rate the ventilation in your work environment?	0.85
How would you rate the general design in your work environment?	Dropped
<i>Service-oriented HR practices</i>	
<i>Recruitment</i>	
My company selects the best all around candidates when recruiting employees.	0.81
My company places priority on candidates' potential to learn when recruiting employees.	0.86
My company has effective procedures for recruiting and selecting the best service employees.	0.85
Recruitment in my company emphasizes traits and abilities required for providing high quality of customer services.	0.82
<i>Training</i>	
My company provides an orientation program for newcomers to learn about the company.	Dropped
My company continuously provides training programs.	0.82
My company invests considerable time and money in training.	0.85
Training is comprehensive, not limited to skill training.	0.80
High quality of customer services is emphasized in training.	0.80
<i>Rewards and recognition</i>	
On average, the pay level (including incentives) of our employees is higher than that of our competitors.	Dropped
My company rewards employees for new ideas for improving customer services.	0.78
My company provide the fairness of compensation/rewards.	0.83
Employees receive monetary or nonmonetary rewards for great effort and good service performance.	0.86
My company gives special rewards to employees who are excellent in serving customers.	0.78
Employee promotion depends on the quality of service they deliver.	0.78

(continued)



Table A1

Item	Factor loading
<b>Autonomy</b>	
I am permitted to use my own judgment in solving customer problems.	0.71
I have the freedom in my work to serve customers.	0.84
I am allowed to serve the customers the way I think best.	0.76
I am encouraged to serve customers with my own way.	Dropped
I am often asked to participate in service-related decisions.	0.67
<b>Employee benefits</b>	
My company considers employee off-work situations (family, school, etc.) when making schedules.	0.71
My company cares about work safety and health of employees.	0.77
My company cares about work–life balance of employees.	0.85
My company has formal grievance procedures to take care of employee complaints or appeals.	Dropped
<b>Internal customer service</b>	
<b>Co-worker support</b>	
My co-workers can be relied upon when things get difficult on my job.	0.78
My co-workers are willing to listen to my job-related problems.	0.81
My co-workers are helpful to me in getting the job done.	0.85
My co-workers make me feel part of the team.	0.76
<b>Supervisor support</b>	
My supervisor always helps me solve work-related problems.	0.80
My supervisor encourages me to develop new skills.	0.82
My supervisor praises good work.	0.87
My supervisor understands my needs and work problems.	0.81
<b>Inter-departmental support</b>	
Other departments act in a responsive manner when we forward customer service problems.	0.76
The knowledge of other departments assists us in serving our customers.	Dropped
The quality of service delivered by other departments to our department is good.	0.85
Other departments provide good feedback on how to serve customers.	0.73
The cooperation between departments within my company is good.	0.82
The staff of other departments are helpful in solving problems of customers.	0.78
<b>Service climate</b>	
Our company is continually working to improve the quality of service we provide to our customers.	0.77
Employees in our company have specific ideas about how to improve the quality of service we provide to customers.	Dropped
Employees in our company often make suggestions about how to improve the service quality of our company.	0.73
In our company we put a lot of effort in attempting to satisfy customer expectations.	0.81
No matter how we feel, we always put ourselves out for every customer we serve.	0.69
Within our company, employees often go out of their way to help customers.	0.67
Our company is continually working to improve the quality of service we provide to our customers.	0.80
<b>Competitive intensity</b>	
Competition in our industry is cutthroat.	0.73
There are many "promotion wars" in our industry.	Dropped
Anything that one competitor can offer, others can match readily.	0.71
Price competition is common in our service industry.	0.61
Competition to attract good staff in our industry is fierce.	0.62

## About the authors

**Hung Trong Hoang** is currently a Lecturer in Service Management and Operations Management at Faculty of Business Administration, College of Economics, Hue University, Vietnam. He is also an early career research fellow at Business school, The University of Adelaide, Australia. His research interests include services marketing and management, human resource management in services and organizational behavior. His research has been published in the *International Journal of Human Resource Management*, *Australian Journal of Public Administration*, and *Journal of Global Scholars of Marketing Science*, among others. Hung Trong Hoang is the corresponding author and can be contacted at: [hung.hoang@hce.edu.vn](mailto:hung.hoang@hce.edu.vn)

**Sally Rao Hill** is an Associate Professor at the Business School of the University of Adelaide, Australia. Her research interests include relationship marketing, electronic marketing, services marketing and service employees. One of her papers has won the “Best Paper” in an international conference. She has published in the *European Journal of Marketing*, *Psychology and Marketing*, *Qualitative Market Research*, *Managing Service Quality*, *International Journal of Human Resource Management*, *Asia Pacific Journal of Marketing and Logistics*, *Australasian Marketing Journal* and *Journal of Business and Industrial Marketing*, among others.

**Vinh Nhat Lu** is an Associate Professor in the Research School of Management at The Australian National University. He conducts research in the fields of entrepreneurship, career development and service delivery. His research has been published in the *Academy of Management Journal*, *Journal of Vocational Behavior*, *Tourism Management*, *Health Psychology*, *Journal of Business Ethics*, *Journal of Business Research*, *Personality and Individual Differences*, *International Journal of Human Resource Management*, *Service Industries Journal* and *Asia Pacific Journal of Marketing and Logistics*, among others.

**Susan Freeman** is the Associate Director of Australian Centre for Asian Business, The University of South Australia Business School, Australia. Her research focus is international business strategy, including early-accelerated internationalizing smaller firms, international entrepreneurship, services internationalization and emerging markets. She is the co-author of *International Business: The New Realities*, Australasian edition, by Cavusgil et al., released by Pearson in 2012. Her research has been published in the *Global Strategy Journal*, *Management International Review*, *Journal of World Business*, *Journal of International Marketing*, *Asia Pacific Journal of Management*, *Journal of Business Research*, *International Journal of Human Resource Management*, *International Marketing Review*, *International Business Review*, *International Journal of Service Industry Management*, *European Business Review* and *Journal of Services Marketing*, among others.

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