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SERVICE AGILITY: A CRUCIAL COMPONENT OF SERVICE
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SERVICE AGILITY: A CRUCIAL COMPONENT OF SERVICE STRATEGY

By

Joseph C. Miller

A DISSERTATION

Submitted to
Michigan State University
In partial fulfillment for the requirements
For the degree of

DOCTOR OF PHILOSOPHY

Marketing

2010

ABSTRACT

SERVICE AGILITY: A CRITICAL COMPONENT OF SERVICE STRATEGY

By

Joseph C. Miller

This three-essay format dissertation reports two unique studies capturing the central phenomenon of the agile service transaction. The first study is a qualitative study of an agile critical incident, in which a paired employee and manager from a single focal firm describe a transaction in which the customer told them that they "went above and beyond the call of duty". The reported factors were analyzed to determine which managerial actions affected qualities of the front-line employee. In the second quantitatively-based study, managers and associated employees from a service-oriented retail firm were surveyed about over-arching managerial strategic tools, such as market orientation and commitment to service quality, related to tactical factors such as training, recognition, pay and empowerment, in creating an agile service transaction.

DEDICATION

This dissertation is dedicated to my father, Calvin Miller, Jr. who, I'd like to think, would

have been very proud about all of this.

ACKNOWLEGEMENTS

It is readily apparent to me that I have many people to thank for helping me out at various stages of this dissertation. Above all, I must thank my committee. I know that, with me in particular, I haven't been the easiest of doctoral students to come through the program. I truly appreciate my committee sticking with me throughout all of the model propositions, methods ideas, and theoretical quandaries that I've dredged up.

Specifically, I'd like to thank Professor Roger Calantone for affording me enough empowerment to allow for improvisation, yet being steadfast to the research process, making sure I played by the rules. Thanks to Professor Richard Spreng for introducing me to the world of services and satisfaction - the ideas that you referred to me were things that will always stay with me. To Professor Clay Voorhees, I'd like to say a tremendous thank you for all of the times you sat with me to work things out both before and after the research, and giving me honest assessments at every phase of the process. To Professor Morgan Swink, thanks go to you for agreeing to join my committee late in the process, and giving me, in a rather off-the-cuff comment in a phone call, a great idea for the qualitative research that I employed in this project which I plan to return to many times in the future.

I would be remiss if I did not thank all of the doctoral students who were my colleagues in the Marketing, Operations, Supply Chain, and Management departments during my tenure at Michigan State University. They are my friends for life, I learned a great deal from every one of them, and I am very proud to be in their company. Moreover, I would like to sincerely thank (and perhaps congratulate) the staff of the

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Essay 1: Conceptualizing the Agile Service Encounter

Since the turn of the last century, the American Economy has increasingly become subject to the often conspicuous, yet undeniable growth of the service sector. From 1900 to 1984, the percentage of Americans employed in the service sector increased from 30% to 74% (Bateson 1989). In fact, nearly two-thirds of the gross national product in 2002 was attributable to private, service-oriented industries (Hays and Riggs 2002). With such a significant impact upon the commerce landscape, the importance of studying services would seem to be readily apparent.

One particular aspect of service studies revealed in the literature within the last 20 years was the identification of which attributes of a service transaction create customer satisfaction. This search for what creates service quality has manifested itself in the introductions of some disparate types of measurement techniques geared specifically to services. One of the earliest forms of service quality measurement, SERVQUAL, is focused upon the analysis of the gap between a stated score of what was expected of a particular attribute of a service transaction and the stated score of how the customer felt that the attribute was performed in a service transaction (Parasuraman, Zeithaml et al. 1988; Zeithaml, Parasuraman et al. 1990; Parasuraman, Zeithaml et al. 1994). In the SERVQUAL measurement technique, the attributes of the transaction to be measured are predetermined: tangibles, reliability, responsiveness, assurance and empathy. A competing means of service quality measurement that has become more attractive in recent years is importance-performance analysis (IPA). IPA, as its name would imply,

basically notes the distance between the importance that a service provider's customers place upon particular service attributes and the customers' assessment of the performance of those said attributes (Martilla and James 1977; Oliver 1997). Unlike SERVQUAL, however, in IPA it is left up to the analyst to determine what the relevant aspects of the service transaction are for his particular service-providing business unit.

What both SERVQUAL and IPA both fail to account for, alas, is the degree of modification that must take place from one service transaction to the next, in order for the customer to be able to recognize the interaction as one of "quality". In other words, in spite of the attempt to the cover the gamut of the pertinent aspects of the service transaction via the stipulated attributes of SERVQUAL and the customized attributes of IPA, the reality of the service transaction, is that what would constitute a "good job" is highly dependent upon the particular requirements of the individual consumer. This reality is supported by a 1990 study (Bitner, Tetreault et al. 1990) which found that when asking customers of service transactions to recall both successful and unsuccessful service transactions, fully one-hundred percent of these "critical incidents" were directly related to service transactions involving degrees of reaction and responsiveness that the service worker either did or did not possess. When asked to recall service quality at a later time, service customers recalled those incidents in which they required the service worker to act with a degree of improvisation in order to fulfill the customer's actual wishes.

As an example of this point, consider the situation posed by a chair of this particular dissertation: imagining customers in a queue at a full-service bank. Perhaps in this example the first customer is, in two hours, going away on holiday, and wishes to

2

withdraw $500 from the bank on her way to the airport. Meanwhile the second customer wishes to apply for her first home loan, but is concerned about the lengthy procedures, amass of documents, and seemingly invasive inquiries about her credit that must take place in order to secure the mortgage. Finally, the third customer wishes to resolve a dispute with the bank regarding the balance on her personal bank account – the integrity of which she fears may have been breached by an incidence of identity theft. After the three transactions are completed, all three customers will be able to report on service quality through either a SERVQUAL or IPA methodology, but not only are the two measurement systems likely to yield results that are actionably different (Bacon 2003), but neither one is equipped in any way to address how well service front-line workers (tellers, in this case) were able to adapt their understanding of the customer's situation in order to make the provided service optimally beneficial at the level of the customer. The first customer's requirements were for the bank to perform a basic function, dispensing funds, to be done in a manner that would allow her plenty of time to catch her plane; so clearly, speed was the overriding concern for her in this transaction. Her requirements for what would constitute a quality service transaction would tend to run contrary to those of the third customer, who wished to resolve a dispute with the bank. This third customer would need for the bank's front-line personnel to exhibit a sizeable measure of empathy and all that it entails: a talent for listening to the customer, an ability to show concern over the ramifications of the customer's situation, and a mechanism for resolving the dispute in a manner with regards to the specificity of the service situation. Furthermore, while the first customer relies on a speedy transaction, the third customer requires a much more time-consuming effort in order for the bank's provided service to be of value. That

3

is true of the second customer as well, but for the bank to be able to serve that customer in an optimal fashion, it will have to ease her trepidations of the loan application process by continually maintaining an air of transparency about what the various documents signify and what the aim is of each procedural step of the loan process. This, too, takes a time investment on the bank's part in order to provide the best possible, most usable service to the customer. However, instead of the empathetic listening qualities that the service provider should signal to the third customer, the most important quality that the bank should illustrate to the second is the ability to disseminate information. As an outcome, the second customer would be informed, and thusly empowered, regarding the procedures that must transpire that will enable her to reach her desired outcome.

Taking this simple example into consideration, the bank that would invoke a service strategy involving "speedy, in and out service" might be, in actuality, doing a disservice to customers of the second and third type, who require a much more intimate level of service than their policy of quickness would allow. Similarly, the explication qualities that the second customer type so badly desires in a service provider might appear to be entirely insensitive to the third type of customer, who requires the service worker to engage in more listening and empathy.

As illustrated in this example, the front-line worker must possess a sizeable measure of adaptive capacity in order to satisfy the desires of each customer. Alas, it is exactly this essential part of the service transaction that has been, thus far, not specifically addressed in the extant services and service marketing literature. In other steams of business research, however, both academics and practitioners alike have recognized the value of *strategic agility:* the need for firms of all industry types to be able to adapt to

4

changes in their customer needs and their competitive and regulatory environments (Roth 1996; Long 2000). Two things not well addressed in the extant agility literature, however, are: 1) the need for the front-line service worker to be able to perform this particular agile behavior, 2) the importance of agility in a service context.

The view of agile behavior driving customer satisfaction concurs with an earlier study of critical incidents (Bitner, Tetreault et al. 1990) which found that a major driver of customer satisfaction was not only that the service rendered was of high quality, but satisfaction was also derived from the customer's perception of how the service agent reacted to unforeseen circumstances. In particular, the highest generator of satisfaction from the Bitner study involved the decisions the service employee made when faced with core service failure (such as a computer shutdown reducing the functionality of bank teller windows, or severe weather shuttering virtually all of an airline's scheduled flights). Alternatively, the highest degree of dissatisfaction was derived from the failure of the service worker to act when faced with service failure. Considering that satisfaction in the 1990 study was not derived in any way from the core service qualities that are often taught such as reliability and stability and predictability of service delivery (Goldstein 2003), then those core service components alone clearly are not achieving customer satisfaction for the firm. The implication of the Bitner study seems to be that the firm's heretofore hidden means of eliciting additional degrees of service satisfaction from the customer base can be derived from the establishment of protocols created specifically for the purposes of handling unplanned for service scenarios. These unplanned service scenarios can vary greatly, from an off-the-wall customer service request to outright system-wide service failure. The handling of the unforeseen in the

5

service context, is the ultimate goal of a firm that establishes a service strategy of agility (Bitner, Tetreault et al. 1990).

This particular type of study is quite timely, given the current state of research in the services in marketing, and can make a true contribution to the body of knowledge in both the marketing and services realm. Both the topics of "service innovation" and "engaging customers through innovation and design" were deemed as high priority topics in a recent publication of the Marketing Science Institute (2006-2008). Rust (2004) proclaimed in an editorial note that the science of studying service could be advanced if researchers focused on "designing efficient systems of service delivery" and "training and motivating service providers." The calls for addressing these areas are answered in this research project, making the research to be done both worthwhile and relevant.

Purpose of the study

The aim of this dissertation is to identify this essential component of the service transaction, service agility. Service agility is defined as "the ability of a service-providing firm to be able to adjust its resources in order to serve the specific needs of its customer in the demeanor with which the customer would like to be served." Because service agility requires a degree of flexibility from the firm's front-line service workers, it is, in part, a strategy for motivating those front-line service workers to be flexible. Thus, the purpose of this research project is to discover the answer to these research questions:

1) How should service agility be conceptualized in a service transaction?

2) How should service agility be measured?

3) What are some antecedents of service agility?

To address these questions, this dissertation calls upon previous conceptualizations of agility in three major streams of work: prior conceptualizations of service strategy, conceptualizations of agility in the operations management/information technology literatures, and conceptualizations of flexibility and adaptive behavior in the organizational behavior and human resource literatures. The framework of agile service planning and the agile service transaction borrows from the three literatures. To determine if there are other factors that contribute to this agile service transaction, concepts of service provision and service quality of other leading papers in services will be introduced in an attempt to determine if such concepts contribute to the conceptualization of agility posed in this paper.

This dissertation also recognizes an agency problem that arises when service providers make steps to become more agile. Namely, since the agility of services is manifested at the level of the service transaction by the front-line service worker, service firm management will have difficulty in determining: (a) if the service worker is acting with the optimal behaviors with which to provide agility, and (b) if the service worker has the ability to behave in the manner which will provide agility at all. Because of this problem which managers face, this dissertation invokes the framework of agency theory to fit within the context of the service providing firm.

Additionally, this study will perform analysis at the level of the interface between manager and employee. This is a departure from most of the studies on service strategy,

7

which tend to discuss service strategy either at the level of the manager exclusively or at the level of employee and customer.

This three-essay dissertation seeks to explore the conceptualization of service agility with two studies. The first study, qualitative in nature, explores the concept of service agility as a function of dyadic actions and behaviors between manager and employee. This conceptualization of agility is born both of the literatures of managerial strategy and of organizational behavior. In this study, it is posited that while the agile service transaction takes place at the interaction of the employee and customer, the manager has tools available to him/her to incentivize or empower that front-line service worker to display those behaviors with greater regularity. The manager-employee dyadic approach to agility is explained through the theoretical lens of agency theory, and is examined through a paired response of a service worker and his/her direct manager.

The second study explores service agility as borrowed from the operations literature's conceptualization of enterprise agility. In this study, agility is conceptualized as a property of the entire firm; specifically, its ability to adapt to changes in the marketing environment. In this second study, the outcomes of employee-assessed service agility and individual service delivery are linked in a partial least squares (PLS) path model with managerial tactics and firm strategies. This study utilizes the responses of the employees and their associated managers at a full-service specialty retailer.

Essay 2: The Quick (Agile) and the Dead (Dead): Exploring the Role of the Manager/Employee Dyad in Creating Agile Service Encounters

In the human-focused service firm, service quality is derived from the interaction of employees and customers. The intricacies of this interaction have been shown to be a major predictor of perceived service quality for the customer (Parasuraman, Zeithaml et al. 1985), and job satisfaction for the employee (Herzberg 1987). However a major component to service quality perception is the degree to which the front-line service worker was able to adapt his/her service offering in order to customize this service experience to fit the customer's needs (Gwinner, Bitner et al. 2005). The ever decreasing size of the market-at-large toward "micro-markets" (Day and Montgomery 1999), supports the notion that firms will seek to serve customers with more customized and individualized solutions (Peppers and Rogers 1995).

One particularly noticeable gap in the services literature is the juxtaposition of the customer-focused nature of flexible service delivery with the strategic service strategies that engender these nuanced, albeit critical interchanges. Due to the greater need of the supervisor to drive perceived service quality as a means of creating and sustaining competitive advantage (Vilares and Coelho 2003; Ball, Vilares et al. 2006), this research would be worthwhile, particularly in the context of service management.

This research is, in part, motivated by a desire to explore a "pop-media" explanation of a workplace phenomenon. A prevailing thought of people who become managers of a service firm is that, because they have worked up from front-line service workers, they would display more agile behaviors than the employees they supervise.

Research has shown that the highest-performing managers are characterized by a competency to inspire and demonstrate the intricacies of a job to their employees (Dulewicz and Herbert 1999). Alternatively, in the 1990s, humorist/cartoonist Scott Adams (1996) coined the "Dilbert Principle" which essentially states that the most ineffectual members of an operation will be promoted to management, so that in that supervisory position, they can do the least damage. The question remains, do managers actually maintain a degree of influence over their employees with regard to creating a flexible service transaction, or is flexibility in the service transaction purely a component of the employee's role?

The purpose of this study is to analyze the agile service transaction, one in which culminates in the exact needs of the customer being met by the front-line service employee. In this study, we look not only at the qualities of the worker in the service transaction, but we also examine what their supervisors do to inspire and support those agile behaviors.

Service Strategy

"Service strategy" generally refers to a strategy in which the focus on actual products that a brand might place on the marketplace is reduced while the importance placed on human interactions implicitly involved with the ownership of said brands is increased. In the services literature, the notion of service strategy has manifested itself in a plethora of ways.

At the root of concern in a service strategy is the question; "how does a firm create a service strategy in order to create competitive advantage?" In a paper describing

10

the methods in which a business-to-business (B2B) firm in a goods-heavy industry might wish to employ a service strategy (Neu and Brown 2005), five factors were determined to be important: 1. the external environment, 2. strategy environment fit, 3. human resources, 4. structure, and 5. the application of measurement and rewards. The external environment and the strategy-environment fit factors are crucial, and exist seemingly in tandem due to the fact that with more complexity, firms need to have more than one strategy to fit the multiple facets of the difficult environment. In particular, authors Neu and Brown (2005) determine that even a market orientation strategy, one that aligns the firm's goals with the needs and wants of a target market (Kotler 2003), does not even address a complex market's significantly varying customer needs. The only strategy that will suffice, according to the authors is a "customer centered strategy" that will allow the firm to focus on the needs of each individual customer, not simply to the overall market as a single entity. This fits with other research, including Sundbo (2002), who sees the service industry as a continuum between two familiar extremes – standardization and customization. Sundbo (2002) perceives that the service industry is following the trend of the manufacturing industry, allowing for a separate realm, modularization, which fits between the two polar opposites. Modularization, in the services context, is best described as the ability to make discrete, incrementally customized customer creations through the assembly of various pre-made modules, or a component of a system.

More relevant to the current research are human resource and structure factors in creating service strategy. Three salient points for the creation of a reliable service strategy emerge from the standpoint of human resources. First is the ability to adapt frontline roles to cope with the complex market. In other words, a means for deriving a customer-

11

interacting team that is able to adapt to the whims of each customer put before him is crucial to a service strategy that will differentiate the focus firm from its competitors. This view corroborates the implications of both Gwinner et al. (2005) who decry the importance of employee adaptiveness, as well as the case-based study of Edvardsson and Enquist (2002) who determine that the success of a prominent service chain was based largely upon its ability to recreate itself, thereby allowing it to mean different things to its varied tableau of customers. Neu and Brown (2005) describe the four key roles that the frontline employees must fill in order to be effective frontline employees. These are:

1) *Serve as a trusted adviser* – provide unbiased recommendations to the customer on how to best achieve the customers best outcome – in other words, act in the best interest of the customer

2) *Develop a learning relationship with individual customers* – have the ability to get to know customers in such a way that the service agent will be able to better serve the customer over time through becoming more acclimated to both the personal attributes of the customer as well as the specific situation of his utilization of the service.

3) *Lead a collaborative support performance* – be willing to collaborate with other service workers in the firm as well as those in supervisory positions and upper-level firm leadership in order to "effectively address the broad range of issues that arise when supporting a complex business system"

4) *Deliver a complex service* – have the ability and willingness to take ownership over the entire gamut of issues likely to arise when delivering service in a complex market.

12

The second human resources based source of service strategy advantage is found in the hiring, albeit with a reduced focus on distinctly defined skills, but with a greater emphasis on behavioral competencies, technical experience, and "attitude." Once again, this viewpoint is backed up with statements made in other research papers (Illeris 2002) stating that the criteria for value for a service employee has much to do with how well he/she is liked, how easy going he/she is, how much effort the service worker displays, and how much job satisfaction the worker receives – less to do with the skills the worker possesses. Thirdly, the ability for the company to train its service worker and (developing the worker's technical expertise) is described by Neu and Brown to manifest itself in different ways: either through formal training at the onset of hire, ongoing training throughout a service employees tenure, or ongoing learning from more seasoned service employees over time, can all have a substantial effect on making the service employee much better suited to handle customer needs effectively and efficiently.

Neu and Brown also make a case for the importance of structure in achieving service efficacy; but in doing so, they tout the efficacy of an outright lack of hierarchy. Neu and Brown believe that the most suitable firm structure for serving the complexities of the service market is one of decentralization, or "the diffusion of decision-making authority." This is due to their observation that the most effective means of untangling the complex market is through the lower-level managers, It is those managers, they posit, who are in the best position to "read" the market and enact the flexibility to change the service strategy to accept the newest of market realities. This viewpoint is shared by other

researchers who report on service strategy from the standpoint of organizational culture (Chowdhary and Saraswat 2003).

In such research, culture is based upon maximizing flexibility, while the focus on work groups has moved away from the "team" concept and more towards the "family" concept. Instead of having supervisory front-line workers through purely what social psychologists French and Raven referred to as legitimate power, in the service era, the focus for the supervisor is to lead by example, leading with a style derived from a mixture of referent power and expert power (French and Raven 1959). Codified and tacit structures and processes that once guided workers on ways to perform their tasks are now illustrated to them by their supervisors. Alternatively, when the front-line service worker actually services a customer, the flexible structure of the efficient service-providing organization allows for the supervisor to monitor the worker at a very close, first-person level, and provide the worker more immediate feedback.

Agility

The position of the current research is, while encouraged by the upper levels of the organizational chart, agility in the services can only be truly realized at the level of the interaction of the front-line service worker and the end customer. This conceptualization of agility is a marked departure from the notion of customer orientation as described by Kohli and Jaworski (Kohli and Jaworski 1990). Kohli and Jaworski's description of the customer oriented firm is one in which the "organizational culture...stresses the customer as the focal point of strategic planning and execution"

(Deshpande, Farley et al. 1993). Implicit in this definition is that customer orientation is such that it can be planned for ahead of time, before the actual meeting with the customer and/or the actual (as opposed to derived) demands of the customer altogether. Our view of service agility implies that customer needs vary, not merely from one customer to the next, but from each individual customer's visit to the next as well. Thus, service agility relies upon the expertise and adaptiveness of the service worker at the time of the service's rendering to provide this crucial component of the service transaction to maximize the service experience for each customer on each visit.

Organizational Behavior Approaches to Agility

One of the earlier attempts at service agility came from an article in a practitioner review publication from Christopher Lovelock (1995; 2004) on the topic of how firms could best compete through the delivery of services to both their internal and external customers. Lovelock maintained that in any service operation, the firm must be able to deliver services in a "seamless fashion" even though the firm's front-line service providers would be relied upon to fulfill several different roles to the customer, depending solely upon the customers' ever-changing needs. To illustrate the roles that service providers would have to fulfill, he created a concept that was named "the flower of service". The center of this flower model was appropriately named the "core product." What surrounded the goods-based center were eight "petals," representing the roles that service providers would have to fulfill in order to make the entire transaction (supposedly) as pleasant as a full, unblemished flower. The petals were named "Information", "Consultation," "Order-Taking," "Hospitality," "Safekeeping,"

"Exceptions," "Billing," and "Payment." Each progressive petal, Lovelock posits, provides an opportunity for the firm to either build or destroy the relationship with the customer, thus affecting loyalty and commitment within the relationship.

The acknowledgement of this diverse set of tasks and the recognition that each step is important does not, however, speak to the reality that some firms are able to perform services better than others, therefore allowing some firms to leverage services as a means of deriving competitive advantage. Ueltschy, Laroche et al. (2005) found that the link between service quality and customer satisfaction was even more salient in cultures of low context (people across cultural groups tend to treat everyone the same, as opposed to treating people differently based upon status or position). These particular variables are important, since service quality and customer satisfaction are both recognized as a means of generating competitive advantage (Tam 2004). Customers who feel that they experienced a high-quality service transaction will be willing to pay more for the service in the future (Homburg, Koschate et al. 2005). To achieve this elusive competitive advantage, Goldstein (2003) finds that employee development portends an increase in both customer satisfaction in the service transaction (thus leading to profit) as well as the employee's perceived outcomes in satisfaction and future prospects with the company. To accomplish this, Goldstein posits, development must comprise of three components: 1) work systems, 2) staff training and development, and 3) staff well-being.

The matter of staff well-being was also touched upon in an earlier case study (Jerome and Kleiner 1995) of Disney Parks – specifically studying the role of employee morale and motivation. In that heralded firm, each employee is expected to focus on customer care – even those that never come into direct contact with customers. How they

are able to maintain this customer-oriented focus, comes down to the morale of the employees, which the researchers (Jerome and Kleiner 1995) maintain is done through a three-pronged approach: 1) increased pay, 2) recognition, and 3) additional involvement in their job roles.

Finally, work has been done in the area of *employee adaptiveness* as providing degrees of customization for the service firm. Employee adaptive behavior has been shown to be critical in creating customer value (Treacy and Wiersma 1993), increasing sales performance (Sujan, Sujan et al. 1988; Levy and Sharma 1994), and, from the perspective of the service worker, both customer satisfaction and service quality (Suprenant and Solomon 1987).

Gwinner et al. derive two distinct types of adaptive behavior. The first type, interpersonal adaptive behavior, relies on the notion that there is no single best way to sell any item, so salespeople will have to change the characteristics of their sales pitch based upon the customers to whom they sell. Salespersons (or service providers) who are able to modify their sales presentation based upon the customer standing before him/her may be, in the longer term, prone to enjoy enhanced interaction, and thusly a more fruitful service transaction and higher perceived service quality of from the customer relationship. The components of interpersonal adaptive behavior (as described by Gwinner et al.) are: 1) sensitivity to others, 2) (ability to) modify self-presentation, and 3) customer knowledge.

The second type of adaptive behavior is what Gwinner et al (2005) refer to as "service-offering adaptive behavior." Service-offering adaptive behavior is based more on the ability of a frontline service worker to use informational cues from the customer as

17

well as the knowledge of the firm's capacities in order to service customer needs as a means for proposing the correct service package for the customer at a given time.

This alternative form of adaptive behavior comes from two sources: the high degree of interpersonal contact that service workers and their clientele might be subject to, and the degree of inseparability of the service to be rendered and the consumption of that service. More succinctly, high degrees of contact between the two entities invariably results in expectations being transmitted between the customer and the service worker (Siehl, Bowen et al. 1992) The service worker then is able to adapt the service offering – often as the consumer makes use of the service rendered, since the production and consumption of the service often take place simultaneously (Parasuraman, Zeithaml et al. 1985).

Finally, one particularly well-cited study (Bitner, Tetreault et al. 1990) found that satisfaction was driven by the response of service workers' to unforeseen situations. This view was reinforced by a later study (Bitner 1990) which determined that customer satisfaction in a service transaction was not driven solely by the core service being offered. Satisfaction was also driven by many of the peripheral happenstances that occurred at the time the service was rendered; in particular, the attitude and responses that the service worker made when the service was performed. As satisfaction is the ultimate goal of the service worker, the manager's role in getting that worker to display the adaptive behaviors most often is critical.

Agency Concerns in Maintaining Agile Service Delivery

This paper takes the position that service agility is, at least in part, a manifestation of the total service strategy of the service-providing firm. The execution of the strategy involves manipulations upon a targeted group: the firm's front-line service employees. Where the employee comes with his own particular set of personal qualities, preferences, and beliefs about the procedures and responsibilities of his position, it is the role of the manager to ensure that the employee is in the correct frame of mind to be able to perform customer-focused agile service transactions, in line with the mission and strategy of the firm.

An appropriate theoretical lens with which to view this managerial problem is agency theory. The central problem in any agency arrangement is one in which one party, known within the theory as the "principal," has the need to enlist another party, known as the "agent," to perform a task on its behalf. The problem for the principal, however, is that there are several factors that may cloud the principal's ability to assess the amount of care and quality that the agent is putting into the task in question (Bergen, Dutta et al. 1992). (One factor that the principal party has to safeguard against, for example, is the assumed latent tendency of the agency party to shirk working on the task in question, should the principal not be monitoring the agent or incenting the agent appropriately to wish to do the job.) The solution for the principal is to create an *efficient contract* with the agent. The contract, if effective, will expressly state rewards for the agent for performing the task, effectively aligning the goals of the principal with that of the agent.

Agency theory has been applied to several dyadic contexts, including board of director/CEO (Booth, Cornett et al. 2002), firms/salespeople (Anderson and Oliver 1987; Krafft 1999; Misra, Coughlan et al. 2005) franchisor/franchisee (Chow and Frazer 2003), and even service provider/customer (Singh and Sirdeshmukh 2000). In a service situation, there is an agency concern residing at the level of the service performance itself. Here, the principal (assumed by the service manager or supervisor) is enlisting the help of his front-line employee (playing the role of the agent), in order to perform the task of providing service to customers. However, the tendency of the service employee to not provide the needed degree of flexibility or care in service provision that his supervisor desires (due to a lack of either incentive or desire) describes the agency problem. One characteristic of this problem regards the cost of monitoring behavior (Ekanayake 2004). While behavior monitoring constitutes a cost to the service firm, success in a service transaction cannot easily be defined by quantifiable outputs. Competent, even excellent service performance can result in service failure (customer fails co-creation or equipment malfunction) and alternatively, a poor service performance could bring a desired service outcome (customer pays for service although the service worker was unpleasant). For this reason, the manager is forced to gauge an employee's success in fulfilling the principal-agent contract by assessing the employee's behavior displayed while in the act of performing the service itself.

At a level above the service delivery interaction between employee and customer, the service worker is subject to the *service climate* set by the manager. A critical component of this climate are rewards, which according to agency theory, is set into the efficient contract between agent and principal as a means to align the interests of both

parties (Bergen, Dutta et al. 1992). If the agent is motivated by the reward, it stimulates the volitional response of the agent.

A separate concern is the issue addressed by several of the more traditional researchers in the services field: the ability of the service worker to adapt in order to effectively perform the service (Bitner 1990; Hartline and Ferrell 1996; Gwinner, Bitner et al. 2005). Should the service manager wish to assess the success of the behavior of his front-line service worker, he must understand that a sheer will to do a good job may not suffice. The manager must monitor the abilities of the employees and secure provisions to make adjustments to that ability through training.
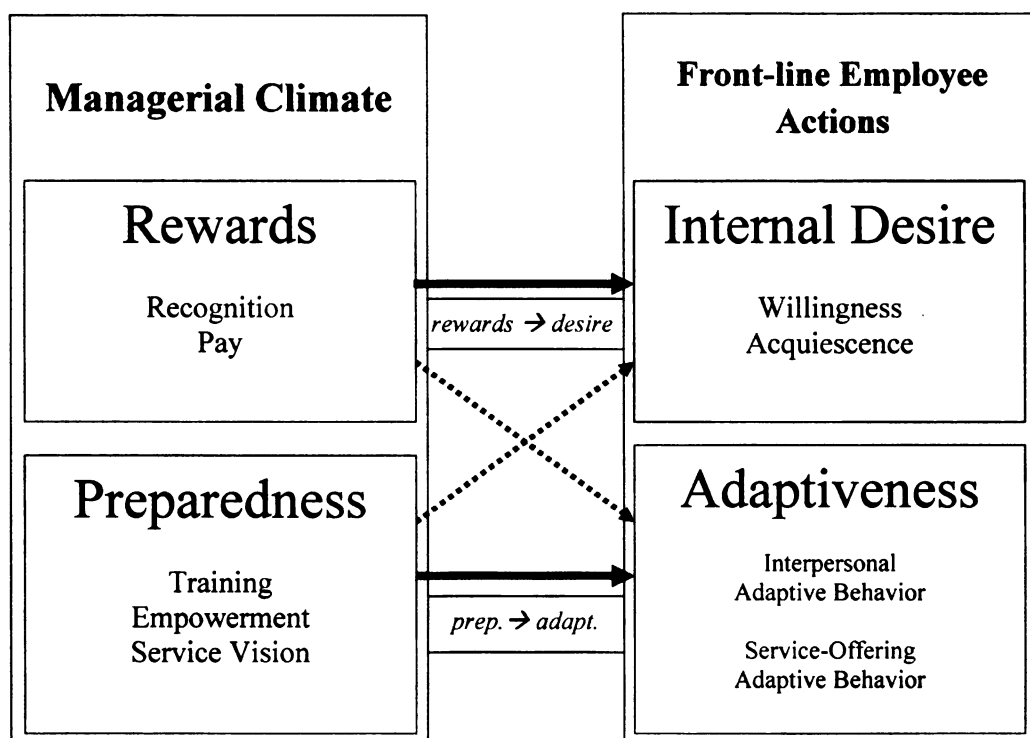
Figure 1: Model of the Manager-Employee Service Agility Dyad

Setting the Managerial Climate for Agile Service Delivery

The manager's tools to address this agency problem are described in the left side of the Service Agility Dyad Model of Figure 1. This side of the model represents climate: the environment the manager sets in hopes of providing the best, most efficient service delivery to his/her customers. Within this climate, we propose that the service manager has two relevant manipulations in setting the climate. The first is in the degree to which he wishes to prepare the employees to deal with situations that they will face in providing the best possible service offering to the clientele. This manipulation will be referred to as the Preparedness Realm of managerial activities. The second regards the rewards the manager allots the employees for fulfilling service goals or behaviors. This manipulation will be named the Rewards Realm of managerial activities.

Preparedness

Within the preparedness realm of the model is the spectrum of activities that the manager can invoke with the desired outcome of enhanced employee capability or knowledge - generally synonymous with employee training. Training is defined as the set of educational activities a manager can administer to his employees in order to increase the competency and knowledge of the employee done to achieve the ends of higher customer satisfaction. Training provides a conduit through which the firm can provide employees with both strategies for effective job performance as well as a refreshment of firm standards, regulations, and values (Kassicieh and Yourstone 1998). Training that is effective, timely, and meaningful to employees has been shown to directly impact customer satisfaction with the service encounter (Gonzales, Ellis et al. 1999). For the

22

employees themselves, service training has been found to be a driver of organizational commitment and job satisfaction (Lee, Nam et al. 2006), strengthening the employee bonds with the firm.

Employee training takes several forms. *Formal training* occurs within a preset block of time, and contains some sort of curriculum with defined educational goals. *Informal training* includes teaching initiatives performed by management or senior employees not in a classroom setting, generally meant to teach trainees a specific task or job nuance. Training could include *competency testing*, which is a test to judge the qualifications of a particular service employee (either pre-hire or post-training) to perform the particular duties of the position – thereby making the competency test a hedge for the supervisor against bad service. Finally, training could include *mentoring* activities, where the employee is matched with either the manager or a senior employee, so that the employee can either observe the senior employee performing the tasks of the position, or alternatively, the senior employee can observe the trainee attempt to perform the tasks himself.

Additional tasks that the manager can employ in the preparedness range include giving a certain degree of autonomy to the employees in customer-focused decision making, termed empowerment. Also, the manager may also instill his own service vision, best defined by Lytle et al. (1998) as the "extent to which leaders have and espouse a vision for being a service-oriented organization."

Rewards

The second manipulation that the manager can use to support a high-quality

service environment is through the provision of delivering rewards for agile service

performance. The act of rewarding employees as a means to get the employees to do a

job on behalf of the manager is the chief concern of agency theory (Eisenhardt 1989;

Bergen, Dutta et al. 1992; Bartol 1999). The central tenet of agency theory is that in order

to motivate employees in acting in the best interests of the manager, a crucial choice the

manager can make is to either reward the outcomes of the employee (to pay on a per-

piece basis, or to apply a end-of-period bonus to a successful predetermined period of

time, most easily done with the outcomes are easily observable and quantifiable) or to

reward the behaviors of the employee (to pay based upon the desired behaviors observed

by the managers, most easily done when the outcomes are not observable and

quantifiable) (Eisenhardt 1989). In the case of service managers, because of the largely

unquantifiable and subjective measurements of success, compensation for service

industry jobs are largely relegated to rewards based upon behaviors.

A competing theory to agency theory is expectancy theory (Bartol 1999; Sloof

and van Praag 2008). Expectancy theory is predicated upon the valence of a reward that a

worker may receive by performing a particular act or assuming a particular behavior.

While the theory is a management theory, it rests upon the beliefs of the employee that

his particular behavior will lead to a particular outcome (expectancy), that the outcome

will lead to a particular reward (instrumentality), and that the employee would actually

desire the reward (valence). The simplest of awards that can be given to employees in

order to drive motivation include a raise in *base pay*, the straight salary drawn by an

employee. Other possibilities include *bonus pay* or *material gift* (a non-monetary physical reward) *compensation*.

Rewards are not limited to purely the remunerative sense. Managers may also offer motivation through the use of recognition and praise (Locander and Luechauer 2005). Interpersonal recognition between supervisor and employee may occur either through the direct, informal "watercooler talk", or through more formal means, such as an award given at a company meeting or gathering (Dutton 1998). Recognition can be dispersed in a group context as well, as managers may arrange for special recreational group outings or alternatively treating the employees to some group prize, in exchange for the fulfillment of a predefined sales or service goal. Recognition comes in several forms as well, from *individual recognition*, the singling out of an individual for praise, to *group recognition* which is praise received in a group context. A very specific form of recognition occurs when an individual is given a *promotion or increased responsibility* as a reward.

Herzberg's landmark work in the area of motivating employees (1959) speaks to both financial and praise-based rewards. The two-tiered typology of factors in Herzberg's "Dual Structure Theory," motivator and hygiene factors, are what he posits are the main typography drivers of employee satisfaction. However, the two outcomes of the fulfillment of either of the two factors operate in completely different ways. Hygiene factors, which include pay and benefits as well as supervision, status, and job security, are factors which make the job pleasant, but does not drive motivation to perform nor does it particularly lead to job satisfaction in the long run. Instead hygiene factors lead to a short-term boost in satisfaction, and perhaps a desire to have the hygiene factor fulfilled

again (Herzberg 1987) (pay increases only create the desire for another pay increase). Alternatively, motivator factors, which include recognition from others, promotion, or intrinsic factors such as responsibility or the nature of the work itself, were found by Herzberg to drive job satisfaction. More recent studies do seem to suggest, however, that both motivator and hygiene factors play an important role to younger modern workers (Baldonado and Spangenburg 2009), but this paper attempts to seek whether these two factors play a role in promoting, not job satisfaction, but essentially job performance within a service context.

It is, in part, the goal of this research to determine if, through the use of both the Preparedness and Motivation realm, the manager is able to affect the outlook of the front-line service worker, and thus, force a more agile service encounter with customers. The front line employee's attributes that could be affected by their managers are described in the next section.

The Employee's Role in Service Agility

Like the manager, the front-line service employee has two rather broad classifications of manipulations open to him that could affect the service-providing firm's ability to fit the exacting needs of the individual customer. It is important to recognize that unlike the managerial manipulations, the outcome of the employee's manipulations have a direct impact on the customer service transaction; however, the model of service agility generation posits that manager's manipulations will affect the qualities of the employee's manipulations.

Adaptiveness

The first employee manipulation refers to the ability of the employee to parlay customer needs into a positive service outcome. This realm will be referred to as the Adaptiveness Realm in this paper. This realm encapsulates the propensity of the front-line employee to provide an agile service delivery – that is, the ability of the employee to act in a manner that supports agility. This ability is represented by two distinct and unique types of behavior, both conceptualized by Gwinner et al. (2005).

The first type of behavior represents the degree to which the service worker can adapt his personality, attitude, or level of involvement in meeting the personality, attitudes, and needs of each customer. This type of behavior is referred to as *Interpersonal Adaptive Behavior*. Gwinner et al. (2005) defined interpersonal adaptive behavior as "the manner in which the service worker varies the interpersonal aspects of the encounter with the customer." Essentially, a front-line service employee would display interpersonal adaptive behavior whenever he would change his demeanor to match the apparent demeanor or situation of the customer.

The other behavior in this realm represents the degree to which the service worker can match the needs of the customer with the product or service offerings of the firm. This behavior is termed by Gwinner et al. (2005) as *service-offering adaptive behavior*. Defined, service-offering adaptive behavior is "the manner in which the service worker varies the service itself in order to meet the needs of the consumer". A service worker's success in deploying service-offering adaptive behavior is a function of the number of customers the worker is able to apply the service to.

Internal Desire

The final realm in the model represents the desire of the employee to actually perform an agile service. This realm is appropriately referred to as the Internal Desire Realm in the current research. The desire realm attempts to capture the volition of the service worker to provide a unique service offering to each customer.

Employee volition is represented by two closely related, but unique behaviors. The first is an *employee's willingness to be agile*, representing the internal nature of the employee to apply himself to an agile service offering – in other words, the degree to which the locus of control of agility is placed upon the service offering employee himself. The other behavior represents a service worker's *acquiescence of the firm's agile strategy*. This behavior places the locus of control on the agility performed by the service worker on someplace higher up in the hierarchy than the front-line service worker – perhaps the supervisor, or top manager, or the firm culture itself. These qualitative measures will be, of course, uniquely inspired by the measures developed by Gwinner, Bitner et al. (2005).

Research Questions on the Model of Service Agility

Once again, the crucial component of this model of service agility rests upon the notion that while the agile service takes place at the moment of interaction between the front-line service employee and the customer, this agile transaction can be prepared for and nurtured through the actions of the manager. Embedded within the motivations for offering training, for instance, lies the reality that the manager agrees to supply such training in the hopes that the abilities of the employee will be enhanced. Likewise, the

28

service manager rewards the service worker through pay and recognition, all in an attempt to boost the desires of the employee to provide the crucial service at the correct time. The environment the manager creates within this model of service agility is formed in the hopes that the employee's actions will be influenced positively when faced with an opportunity to provide service to a customer. Thus, the five exploratory questions in this project are:

1) What types of subcategories do managers and employees report in describing factors leading to agile service transactions?

2) What motivational activities that managers apply to their employees have an effect on their employees' desire to perform services in an agile manner?

3) What preparatory activities that managers provide for employees have an effect on their employees' ability to perform services in an agile manner?

4) Do managerial rewards have an effect on their employees' ability to perform agile services?

5) Do managerial preparatory activities have an effect on their employees' desire to perform agile services?

RESEARCH DESIGN

To explore this conceptualization of this Service Agility construct, a qualitatively-based study based upon a critical incident of an agile service delivery is administered to pairs of individuals working in a particular service organization. These pairs consist of

the front-line employee at the service organization and that service employee's manager. The critical incident we asked each subject to recall is a time in which an employee at their service organization was praised by a customer for extending him/herself while fulfilling a customer request or need. Specifically, to recall a time in which a customer specifically claimed that the employee had "went the extra mile," "went all out," or "went beyond the call of duty." It is made clear to the subjects that what is meant by "going all out" is that "the employee extended him/herself in order to ensure that the customer's specific needs were met and the customer was unquestionably satisfied with the service performed." In other words, the aim of this study is for employees and managers to recall an incident in which an employee performed an agile service maneuver, verified as such through praise of the ultimate determinant of agile service: the customer.

Critical Incident Technique

While not a true critical incident technique study, but a qualitative study that is based upon the recollection of a critical incident, the approach for the current research was nonetheless inspired by the many studies in the services realm starting with the seminal previous work of Bitner, Booms, and Tetreault (1990). Critical incident technique (CIT) is defined as "a method that relies on a set of procedures to collect, content analyze, and classify observations of human behavior" (Gremler 2004). The unit of analysis in this methodology is predicated on the incident itself. For each subject that is surveyed using the technique, they are asked to recall an incident, or perhaps tell a story about a time in which a particular well-defined type of incident occurred, with said type of incident generally being the crux of what the researcher is attempting to study.

"Incidents" have been defined by Bitner (1990) et al. as an observable human activity that is complete enough to allow inferences and predictions to be made about the person performing the act. An incident that is critical is one that makes a significant contribution, either positively or negatively, to an activity or phenomenon (Grove and Fisk 1997) (Gremler 2004). So in the case of this research, the critical incident to be analyzed is the behavior that the service worker was performing in order to earn the praise of the customer.

One of the main advantages of CIT is that it provides a very rich data source due to the fact that it allows respondents to decide which incidents hold the most importance and relevance to them (Gremler 2004), thusly it allows the contextual importance of the response to be directed entirely by the respondent himself (Chell 1998). This is, of course, largely due to the nature of the survey design of the technique, which does not presuppose any information that may be relevant to the respondents (de Ruyter, Perkins et al. 1995). Also, CIT research is inherently inductive in nature, allowing for the analyst to formulate patterns with several observations which allow for the creation of testable hypotheses and the creation of theory (Edvardsson 1992). The drawbacks of CIT include the fact that because CIT relies exclusively upon the memories of the respondents, the method is heavily subject to recall bias (Michael 2001) or even memory lapses (Singh and Wilkes 1996).

Data Collection

The primary means for collecting data for the study was to administer two sets of surveys to students in marketing classes at a large public research university. The

students who were able to participate as subjects in the data collection were those that were currently or recently employed in a service-industry job.

For each student's data collection to be a success, he/she was required to return a pair of surveys. The first survey was completed by the student, who reported on their experience as an employee in a service industry position. The second survey was to be given to the students' supervisors, who likewise discussed the critical incident from their perspective as a supervisor or manager of a service industry operation. Both surveys were to be turned in concurrently. For completing the survey and distributing the survey to his/her supervisor, the student was given extra credit in the marketing class in which the survey was distributed. If the student did not participate (either because the student did not wish to complete the survey, or the student did not work in a service field), he/she was able to complete an alternative project in order to obtain the extra credit as well.

The survey pairs were originally distributed to 90 individuals. The surveys were distributed to the students before the Thanksgiving break, and the students were informed that they would have until the week after the break to return the survey. On the date that the surveys were to be turned in 42 surveys were returned for a response rate of 46.7 percent. After two additional surveys were excluded due to invalid data, the final number of surveys going into the analysis phase was 40 completed survey pairs - that is, 80 surveys in total were going into analysis, representing 40 firms: 40 managers paired with 40 of their employees.

To begin coding the components of the preexisting grounded theory, the contents of the MS Excel spreadsheet consisting of all of the responses was subject to the "Word Count" function of Atlas.ti, a qualitative analysis software package. Word counts are

often used as a means of performing content analysis by itself (Carley 1993), but the

purpose of the word count in this particular case was to provide clues as to the subcodes

that should be created. "Subcodes" refers to the subcategories of factors in the manager-

employee service agility dyad model (the "pay" code could generate subcodes such as

"base rate pay", "bonus pay" or "material gift compensation" and so forth). From this the

detailed analysis of this information, a considerably large number of subcodes were

created, particularly with regard to the managerially-focused realms of preparedness and

rewards.

Appendix VIII shows the complete listing of the subcodes created in the

codification process of the 40 documents representing the 80 subjects of this study and a

definition of each code. These codes were generated in a manner consistent to previous

research (Bitner, Tetreault et al. 1990; Chung-Herrera, Goldschmidt et al. 2004), in that

the codes of the grounded theory were first given as codes, but an examination of the

tones of the actual responses embedded within the collected data dictates the generation

of appropriate subcodes. It is important to remember that since both employees and

managers were asked the same basic questions (questions about both themselves as well

as the other party in the critical incident), it was critical to segregate the answers provided

by employees from those provided by managers, thus both managers and employees were

given a unique, but nearly identical set of codes. The a priori justification for doing so

being that there would be valuable insight gained from analyzing the frequency of

reporting the various subcodes for managers and employees.

The types of service industries represented by these forty surveyed businesses had

a considerable degree of diversity: 10 of the firms performed some sort of professional

services, 4 of the firms were athletic clubs, 6 were nonprofits, 11 of the firms were

retailers, 5 were restaurants/cafeterias, 1 firm was a marketing research firm, 1 was a

ticket box office, 1 of the firms rented automobiles, and 1 was a manufacturer of

appliances. More detail regarding the nature of the collected data is available on

Appendix IX.

Regarding the types of service agility that were witnessed, these were broken into

three large categories inspired greatly by the previous research (Bitner, Tetreault et al.

1990) on service failures. The three types of service agile service agility situations

reviewed were: 1) when the front line service worker performs his regular job duties

using some sort of special level of care (i.e.: speed, meticulousness, or compassion), 2)

When an employee performs some sort of new task because of the needs of a customer,

and 3) when an employee performs a task to recover from a service failure situation.

The data was coded in Atlas.ti version 5 through the interpretation of the answers

to relevant questions within the survey. When a sentence given in an answer contained a

relevant element as described in the grounded theory of service agility, that entire

sentence, when only one element was displayed, or sentence fragment, when multiple

elements were displayed, was flagged with the appropriate code. The main coder first

completely coded all of the data from all 40 pairs of managers and employees. Once that

data was encoded, the main coder then trained a secondary coder on the nature of the

dataset and as well as the model of service agility before coding the dataset herself. The

two datasets and their respective codes for each were then committed to paper in order to

calculate intercoder reliability. The two coders found that there was 90.5 percent

agreement within their two sets of codes.

One of the departures from traditional CIT or other qualitative studies in this

research regards the analysis of the data itself. Most CIT studies rely upon survey

responses to facilitate a typology of response types (Gremler 2004); this research project,

however, uses the response types to generate our sub-categories, or "subcodes" of the

pre-established, or "grounded" theory of the service agility construct. Because this

conceptualization of service agility has been pre-established, (specifically that rewards

from the manager engender employee desire, while managerial preparatory actions lend

to spark employee ability), the charge of the research is to explore which aspects of those

of the larger realms of rewards, ability, preparation, and desire are correlated. In other

words, if employees discuss their desire to perform agile service maneuvers, the key to

defending the conceptual model is to seek how often employees, or their paired

supervisors, are discussing what is being done to motivate them as well.

Measuring Manager-focused codes, rewards and preparedness

In order to get information about rewarding techniques the managers used to

motivate their employees, the question was posed to managers (with a similar question

for employees): "What, if anything, do you (or your firm) do to make employees *want* to

"go beyond the call of duty?" Through use of the word "want," the question of incentives

is broached to the subjects. To capture the training aspect of preparedness, the question

was posed: "Do you (or your firm) provide training to your employees designed to

prepare them for reacting to these types of events that require them to go above and

beyond the call of duty? If so, please describe such training." That straightforward

question yielded many types of training techniques. So that no managerial factors for incentivizing agile service transactions were missed, this question was also asked: "What other factors (other employees, customers, training, etc.) exist that might affect your employees in delivering this extraordinary service?"

Measuring the Employee-focused codes, adaptiveness and internal desire

An employee's adaptiveness was designed to be captured by the survey question "Are you (or your colleague) *naturally inclined* to do whatever it takes to ensure that the customer's needs are met in a customer service transaction? Describe why or why not." Here, either the employee or manager is asked to describe the natural ability of the employee to perform their jobs with agile behaviors. It is their insight into this natural inclination, if it at all exists, that will lend itself to a judgment of an interpersonal or a service-offering adaptive behavior.

An employee's desire to be agile in their service positions was captured by a question similar to the ability question, however nuanced quite differently. This question is: "When you (or your colleague) come to work, do you always *want* to ensure the customer's needs are met? Why or why not?" Here, a question of desire is clearly put forth. As it happens, often the subjects addressed ability when answering the desire question and vice versa. These responses were coded accordingly, as it was realized that although the questions were not addressed correctly, the responses, if lucidly addressing ability or desire, were nonetheless valuable and valid.

QUALITATIVE SURVEY AND RESULTS

Although some of the codes were recorded multiple times in a single survey (for instance, managers who listed five types of material gifts that are used to motivate employees would trigger five separate "Material Gift Compensation" codes), each code, for the purposes of this research was recorded only once per subject.

Shown in Table 1, the listing of the percentage frequency of subcodes used for both employees and managers are shown. A cursory examination of the results finds that through 40 paired surveys, the frequency of this usage of codes in for managers and employees are roughly similar. Also included in this table are actual statements from the employees and managers serving as representative examples of a particular subcode.

As should be expected for a study in which a paired response, and thusly a shared experience, was obtained, the percentages for the subcodes were generally quite similar. There were, however, some stark differences that are worthy of note. For instance, in the rewards realm, the managers mention their material gift compensation as a form of reward considerably more (47.5%) than do their employees (25.0%). Furthermore, the managers in our sample had much more of a tendency to mention their rewards through individual recognition (62.5%) versus their employees (37.5%).

Employees, on the other hand, were more apt to mention an intrinsic form of reward (25%) than their managers (5%) and even at that discrepancy, the timbre of the employees statements tended to be more rooted in self-actualization:

"Not (rewarded) financially, only a feeling of accomplishment."

This tone with the employees differs considerably from their managers' reporting of intrinsic motivation, who tended to comment at much more of an arm's length:

"No, it is their job to please all customers, and while at work I expect them to do nothing less than that."

Employees were also much more likely to state the importance of being assisted with their jobs (22.5%) than their managerial counterparts (5.0%). Moreover the employees' quotes on job assistance tended to be pinpointed to job-specific functions.

"A computer with the Internet is hooked up in our store to show the customers how to shop online at our website. (Phone) Numbers to other stores. Plenty of information on our clothes, the fashion style that is in right now, and what will be coming in the future."

In the preparedness realm, it seems that the managers' tendency to overstate formal training (60.0%) as compared to their employees (47.5%) is almost equivalent to their tendency to understate informal training (47.5% compared to their employees (67.5%). Perhaps this is attributable to a tendency of the manager to wish to state more of their training initiatives as formal training in order to lend credence to job legitimacy, while employees, who perhaps do not hold the same level of involvement in their jobs as do their managers, would state their training for their positions in a way that would make them appear to be informal.

Employees, however, were much more likely to remark on the training they received simply by observing a more senior employee (or a manager) perform a service (22.5% to 10% for managers). This may be attributable perhaps to employees recalling times when they monitored a senior employee, but those instances may not have been sessions that were arranged by their manager – the employee himself may have self-selected into observing the more senior coordinate.

Table 1: Service Agility Subcode Frequencies – Employees and Managers

SERVICE AGILITY BEHAVIORS	EMPLOYEES		MANAGERS	
	% of Subjects	Qualitative Comments	% of Subjects	Qualitative Comments
ABILITY				
Interpersonal Adaptive Behavior	47.5	*"I try to do what I can to give them a pleasant experience and a smile for the day."*	45.0	*"In (this) present economy it takes personal contact with the customer to make the feel appreciated for their patronage."*
Service Offering Adaptive Behavior	20.0	*"I want to help them because in general, all of their questions are things I know the answer to and can find immediately that doesn't take lots of effort to answer and benefits them."*	17.5	*"Yes, Rosemary wants the customer to like the product and it is important to keep a sale if possible. Rosemary wants to keep her customers loyal to the brand."*
DESIRE				
Acquiescence of Firm's Agile Strategy	52.5	*"Yes but sometimes it's hard when you are dealing with difficult people, but you just have to remember what the company is about and just do it with a smile."*	45.0	*"Yes, because their success is based on how many racquets they string. The better they do the more racquets they string and the more requests they get to have their racquets strung by that employee.*
Willingness to be Agile	37.5	*"Yes, because it is important that the customer's needs are taken care of and that they leave the store feeling assured that the product will be taken care of."*	50.0	*"I think he is inclined to follow policy but has asked if he can go further than policy allows in order to care for the consumer."*
REWARDS				
Pay-Base Rate Raise	7.5	*"If you perform well in your work they can recommend you to move up a level in your caddie status, which in turn earns you more money."*	17.5	*"Yes, extra pay given throughout the work week."*
Pay-Bonus	15.0	*"We have goals every week that we are supposed to reach when it comes to selling. When we exceed those goals, a bonus and a percentage of the sale is added to our paycheck."*	20.0	*"If they go beyond their goal by 25% they receive 1% commission."*

39

Table 1 (cont'd).

SERVICE AGILITY BEHAVIORS	EMPLOYEES		MANAGERS	
	% of Subjects	Qualitative Comments	% of Subjects	Qualitative Comments
Pay-Material Gift Compensation	25.0	*"We are rewarded when we beat sales goals. We are given discount days and we also get free things occasionally."*	47.5	*"...Associate of the month awards with amenities such as a close parking spot, $50 gift card, and free haircut at the salon..."*
Pay - General	2.5	*"Pay well."*	5.0	*"We pay triple the salary of average detailers."*
Recognition – Group Recognition	10.0	*"We do have a kudos board that another employee may recognize you on, but that is about it."*	17.5	*"Gift from hospital went to all employees after we reached our top 100 status."*
Recognition – Individual Recognition	37.5	*"Our managers will come up to us and let us know how much they appreciated what we did or inform us of a comment a customer made."*	62.5	*"Kudos are shared with the employee and his/her co-workers during monthly team meetings."*
Recognition – Promotion/Increased Responsibility	12.5	*"Other incentives include having other responsibilities that aren't as mundane as calling people to answer surveys."*	5.0	*"Raise/ Promotions are common for high achievers."*
Recognition - General	10.0	*"Mostly just positive recognition".*	5.0	*"I try to give these employees more freedom, the best shifts and verbal recognition."*
Good Example	17.5	*"They (managers) go above the call of duty themselves. My managers are always there to help. Influence to always smile and give good, personal service to each table."*	7.5	*"Firm culture. Lead by example"*
Intrinsic	25.0	*"Not financially, only a feeling of accomplishment."*	5.0	*"No, it is their job to please all customers, & while at work I expect them to do nothing less than that."*

40

Table 1 (cont'd).

SERVICE AGILITY BEHAVIORS	EMPLOYEES % of Subjects	Qualitative Comments	MANAGERS % of Subjects	Qualitative Comments
Job Assistance	22.5	"A computer with the internet is hooked up in our store to show the customers how to shop online at our website. Numbers to other stores. Plenty of information on our clothes, the fashion style that is in right now, and what will be coming in the future."	5.0	"Keep them (employees) happy and comfortable."
Reassurance	10.0	"Every so often, my manager will talk with me and make sure I'm doing everything I can to help the customer".	0.0	-NONE-
Threats	2.5	"The only thing they would have done is threaten to fire me if I did a bad job and was lazy."	0.0	-NONE-
PREPAREDNESS				
Training – Competency Testing	7.5	"Then, on the last day (of training), I had a two table section to myself."	17.5	"Employee removed if performance is not up to par after the completion of three vehicles."
Training – Formal Training Period	47.5	"Had three training sessions and follow up session"	60.0	"Mass training of the beginning of each Semester, w/ handouts & PowerPoint."
Training – Informal Training	67.5	"Informal training. Learn(ing) from older employees. Learn(ing) from mistakes. (Utilizing) pamphlets with information."	47.5	"Employee has a binder of information to read through of policies and how things are done at window and frequently asked questions for phones."
Training – Interval Training	12.5	"Each year thereafter, a minimum of 24 hrs of continuing education in tax law prep is required. Additional training to develop & practice customer service & interview skills is offered to employees. Online course work 24-7 is ongoing."	20.0	"Annual sensitivity training is required by the hospital."

Table 1 (cont'd).

SERVICE AGILITY BEHAVIORS	EMPLOYEES		MANAGERS	
	% of Subjects	Qualitative Comments	% of Subjects	Qualitative Comments
Training – Job Shadowing	17.5	"I shadowed another employee for 2 days to learn how to ring food in and run it. While I shadowed the other employee she let me take a table and ring food in with her right with me."	20.0	"New employees receive mostly on the job training with a senior (or junior-level) employee as trainer or mentor"
Training - Observation	22.5	"We mainly trained by observing other students who worked there for a long time. This was more valuable because we could see how they approached recruiters and students, and not the differences (Ex: bend over backwards for recruiters, and sometimes for students)."	10.0	"Mentoring."
Training - Orientation	10.0	"One day orientation to become familiar with facility policy and procedure"	7.5	"Orientation day-watch videos, go through procedures, discuss employee theft, fitting room procedures, and general walkthroughs."
Training - Situational	25.0	"MSO-OPS training w/ staff in Aug for DR Staff. Dec & May for Security staff. Cook training w/ a Chef at HOTEL. Fish training w/ Deb."	27.5	""FIRM NAME University". Sales training. Loss Prevention training. Operational training. Cashier training."
Training - General	2.5	"All sales associates, managers, and other employees are trained on our merchandise, so if I don't know the answer to a customer's question, I can refer them to someone else."	2.5	"I'm a new manager at FIRM NAME and as right now there is no formal training, but as a new manager that is one of my qualms."
Empowerment	0		2.5	"We try to empower them to make decisions that are in the best interest of the customer."

Table 1 (cont'd).

SERVICE AGILITY BEHAVIORS	EMPLOYEES		MANAGERS	
	% of Subjects	Qualitative Comments	% of Subjects	Qualitative Comments
Service Vision	2.5	"...so if they expect good customer service when they are customers then they in turn must give good customer service..."	0	
SITUATION				
Employee performs job duties using special care	60	"We recently had a client who presented for multiple testing needs involving not only lab, but radiology tests necessary for an outpatient surgery procedure. This client wrote to say how wonderful it was that the lab person took the time to explain the blood drawing process to her before performing the procedure. In addition this employee took the time to walk this elderly client to the radiology suite."	57.5	"I recently had a customer give me a huge complement on one of my service (people) because of their outstanding work ethic & personality. The customer stated the server was on top of everything. Had great communication skills, and have the right amount of space between every time they checked back on them. This employee always goes over and beyond their duty when working. They are a major benefit to our staff."

Table 1 (cont'd).

SERVICE AGILITY BEHAVIORS	EMPLOYEES		MANAGERS	
	% of Subjects	Qualitative Comments	% of Subjects	Qualitative Comments
Employee performs new task	37.5	"I was taking a phone call on my given phone day at work. An older woman calling that she had not received her refund. I had advised her that we had sent her a letter asking for additional information that had not been received so we had denied her refund. Because she was an older person, I explained to her that if she could fax me the information, I could process her refund within 30 to 45 days. She also stated she was going to Georgia for the winter. Asked her for her address down there so that she could receive her refund there. The woman thanked me for helping her out."	30.0	"My employee Rosemary, who works at MALL, had a customer com in looking for a specific product. The store was out of the product and the customer was very upset. The customer was from Spain and was looking for this product to take back as a gift. Rosemary called the Oakland store and ensured that the product was there. She then picked up the product herself and brought it back for the customer."
Service failure recovery	7.5	"A student asked for chicken wings at night, but we were out of them. The student got mad and was rude to my coworkers..."	12.5	"We received a letter of thanks over a coffee maker. The consumer could not get it to turn on. Zack was going to replace the unit but suggested trying a different outlet - the coffee maker worked. The consumer stated he was very patient & kind and did not act as if she were stupid for not trying a different outlet before calling. The rep was patient and not condescending."

Correlation analysis of manager and employee subcodes

With regard to data analysis of these codes, a crosstabs analysis was employed for each subcode and a phi correlation was calculated (via SPSS) for each crosstab cell. This was done for several reasons, chief among them:

1) Each coded subgrouping is assumed to be dichotomous, meaning a manager or employee either displayed the particular quality defined by the subcode, or they did not;

2) Unlike the nature of most CIT studies, the data was not obtained by a single type of respondent (only managers, only employees, or only customers) the data was obtained from two types of people;

3) The service agility construct is dependent upon the nature that one set of actions influences another set of behaviors, and;

4) With a sample size of 40 paired individuals, a qualitative description of results would be less impactful.

One possible criticism of this employed methodology is that it draws a correlation upon data that relies too heavily upon: 1. memory, 2. the care that the subject took in completing the survey, and 3. the fact that the drawn correlations rely too heavily on the recency effect. However, the reality for all of these concerns is that this is not, in reality, a concern for the employment of correlation techniques in qualitative research, but it is, in fact a concern for the qualitative research at large and the critical incident technique in particular. The undertaking of a CIT study implies that the researcher is willing to forgo any allusions of completeness or bias in order to obtain a sense of "feel" from an actor

45

who was affected by a particular incident. Indeed, the actor may forget factors in the story, omit certain details, and be biased in his accounting, but that is, at least in part, a characteristic of the technique. If the actor leaves out a part of the story, than for that actor, what was omitted was not "critical". So, by merely correlating the codes of these critical incidents, the intent is to link the parts of the story that are most relevant to those who partook in the story itself.

To prepare for analysis of the phi correlation, a file was generated with the codes-primary-documents-table function of the Atlas.ti software, which generates a Microsoft Excel file taking each manager-employee pairing as a single record, and each code subcode represents a field for each record. The coded data was such that if a particular subcode existed within a dyad, it was coded a '1', and coded a '0' if it did not exist.

Phi correlations are often used in qualitative research when analyzing variables that take on a dichotomous nature. The method for calculating phi is within the context of the specialized 2x2 contingency table, and is obtained in the following way (Yaffee):

$$\text{phi} = \frac{[(ad) - (bc)]}{\sqrt{(a + b)(a + c)(b + d)(c + d)}}$$

Where a is the frequency of row 1, column 1 (example: was this employee subcode expressed in this subject's response), b is the frequency count of row 1, column 2 (example: was this employee subcode not expressed in this subject's response), c is the frequency count of row 2, column 1 (example: was this manager's subcode expressed in this subject's response), and d is the frequency count of row 2, column 2 (example: was this manager's subcode not expressed in this subject's response). In testing for the

significance of phi, the researcher relies on the innate relationship between phi and chi-square (x^2). Specifically:

$$phi = \sqrt{\frac{x^2}{N}}$$

Thus, when chi-square is statistically significant, the resulting phi is also significant.

Employees' and Managers' Reporting of the Service Agility Construct

Because the survey for employees and managers was virtually identical, the employees' were able to yield perceptions of their managers' incentives and training efforts. Also, managers were able to comment on the adaptiveness and internal desires of their employees. The most meaningful context in which the phi correlation can be applied, however, is when the employees' responses regarding their ability and desire qualities with their managers' responses regarding their preparedness and reward strategies are matched in a lock-step pairing. While this approach contains inherent problems regarding the individually-contextual manner in which the surveys were completed, it is true that since the nature of the survey was rooted in a question-and-short answer format, an attempt at keeping the survey from being to contextual was certainly present. Overall, this analysis really provides the insight that analyzes the conceptual model in its truest form: that the qualities that the employee has is nurtured by the strategic actions carried out by the manager.

Table 2: Summary of Significant Findings of Crosstabs/Phi Correlations of Reward→Desire and Preparedness→Ability Manager/Employee responses.

Managerial Rewards and Employee Desire:

Manager-Assessed Reward	Employee-Assessed Internal Desire	Phi
Material Gift	Acquiescence of Firm's Agile Strategy	.303*
All forms of Compensation	Acquiescence of Firm's Agile Strategy	.347**
Promotion/Increased Responsibility	Willingness to be Agile	.296*

Managerial Preparedness and Employee Ability

Manager-Assessed Preparedness	Employee-Assessed Adaptiveness	Phi
Competency Testing	Service-Offering Adaptive Behavior	.263*
Job Shadowing	Interpersonal Adaptive Behavior	.275*

Where *=Significant at the 0.1 level, **=Significant at the 0.05 level, ***=Significant at the .01 level

It is apparent that there are factors that support some aspects of the theoretical model –some managerial actions tend to stoke employees desire to perform agile services, and certain managerial efforts to prepare their workers coincide with the employee's adaptiveness. However, there is again disagreement on which components of the larger set of managerial strategic actions play a role in affecting influence on employee ability or desire. Regarding managerial rewards and employee internal desire, when the employee and manager are relegated to reporting their own level of involvement in an agile service transaction, that mentions by the employee of his acquiescence of the firm's agile strategy are met by manager's reports of some form of compensation and specifically when they report giving some sort of material, non-monetary gift to the employees for a job well done. As for the employees self-reporting their willingness to be agile, when placed in symphony with their manager's responses, it

48

was now linked significantly with getting a promotion or obtaining increased

responsibility.

With regard to managers' preparedness strategies and employees level of ability,

when employees' registered their thoughts on the degree to which they were able to

match their customers' needs with their firms' offerings, their managers, in kind, brought

up their strategy of offering competency testing as a means of preparing employees.

Table 3: Summary of Significant Findings of Crosstabs/Phi Correlations from Rewards→Ability and Preparedness→Desire Manager/Employee Responses.

Managerial Motivation and Employee Ability*

Manager-Assessed Rewards	Employee-Assessed Adaptiveness	Phi
Group Recognition	Interpersonal Adaptive Behavior	-.306**

Managerial Preparedness and Employee Desire*

Manager-Assessed Preparedness	Employee-Assessed Internal Desire	Phi
Interval Training	Acquiescence of Firm's Agile Strategy	.476***
Situational Training	Acquiescence of Firm's Agile Strategy	.362**
Situational Training	Willingness to be Agile	-.361**

Where *=Significant at the 0.1 level, **=Significant at the 0.05 level, ***=Significant at the .01 level

Phi correlation of the fourth question, inquiring whether managerial rewards have

an effect on employee adaptiveness, revealed that managerial claims of engaging in

group recognition in the critical incidents study was negatively correlated with employee

interpersonal adaptive behavior. Addressing the fifth question, regarding preparedness

and desire, revealed that managerial recollections of both interval training and situational

training both coincided with employee claims of being in-line with their company's

service agile strategy, but that same situational training recollections by the managers

was negatively correlated with employees willingness to be agile.

49

DISCUSSION

The purpose of this study was to formulate and test a model of the roles of managers and employees in creating a flexible service transaction. The notion of a flexible service transaction was extended beyond that of the employee-customer interface (Gwinner, Bitner et al. 2005), and instead was placed into a context of managerial actions influencing the behaviors of those front-line employees in order to motivate them and engender better customer response. It was theorized that the adaptive behaviors discussed by Gwinner et al. in previous work were abilities that could be: 1) cultivated in through various means of training, and 2) was an entity distinct from volition, or, the desire to actually perform agile services which could be encouraged through motivational activities performed by the manager.

The question regarding the "Dilbert Principle" (Adams 1996) has, in this research, begun to be addressed regarding the creation of the agile service encounter. Clearly with regard to flexible services, the climate set by the employees has influence over the employees, and thus, over the transaction itself – this is reflected by both the manager and employee responses. The surveyed employees, when recalling the role that the manager played in making them actually wish to perform with adaptiveness, did not "draw a blank" in response. The employees, much to the surprise (or perhaps chagrin) of the managers, seemed to recall instances where managers displayed their referent power through actions such as providing job assistance, offering reassurance, or serving as a good example. This is consistent with the work of French and Raven (1959), who touted the importance of referent power in the service environment.

Moreover, while the managers were more likely to recall instances of formal training, employees recalled their informal training experiences at more than a 40% higher rate than their managers, meaning that our employees were influenced more by learning through serendipity than arranged training. If the employees are actually learning by these informal sessions, it would perhaps lend to the notion that the manager has set up an environment for doing so, perhaps through the firm's market orientation or the leader's charisma.

Contributions to Theory and Technique

This paper attempts to explore the gap between the extant service literatures in employee service delivery and the organizational behavior literatures in creating strategy to moderate employee behavior. According to Gwinner et al. (2005), the study of employee adaptiveness using individual antecedents is a worthwhile endeavor, especially when examining whether organizational factors engender employee adaptiveness. This research proposes that an important antecedent to adaptive behavior is the climate set by the manager for the purpose of making a flexible service environment. To test this idea, the current research offers several theoretical contributions to the literature.

Application of Managerial Climate to Employee Adaptive Behaviors

Through the use of qualitative survey interviews, employee service-offerings and interpersonal adaptive behaviors were linked to efforts that managers engage in to elicit those behaviors with greater regularity. The justification for this is to determine whether those agile behaviors are abilities that are innate, or abilities that can be molded, nurtured, and controlled. The theory of service agility has been extended past that of the simple

employee-customer context. Instead, agile service behaviors are placed in the context of agile behaviors being encouraged, and perhaps controlled by their managers in charge.

Agency Theory in Service Delivery

Few studies have framed agency theory in the context of services, and fewer still have framed the agency problem being one between service worker and manager. This theory is one that addresses very succinctly why a service worker who has the ability to provide an agile service delivery would choose to not do so (employees' tendency to shirk, lack of goal alignment between manager and employee, inappropriate means of rewarding employee for work done).

Volitional Approach to Employee Service Delivery

Previous research studies have been subject to specification error because they have not taken the employee's desire to perform quality services into account. Hartline and Ferrell (1996) concluded, for instance, that managerial empowerment had a negative effect on job satisfaction, implying that when managers give employees the ability to become more directly involved in making critical decisions in their own job, they dislike their own job more. Such a confound might be explained by the employee's internal desire to perform the job.

Dyadic Approach to Critical Incidents

Because this paper focused on the interplay of two actors in creating agile services, the service manager and the front-line employee, it was necessary to call on both parties to recall a critical incident from which insight could be drawn. The benefit of this particular technique is that we are able to analyze not only the qualities of what each

party describes, but we are able to analyze the differences in frequency and tone of the topics discussed on what components comprise the agile service transaction.

Binary Correlation Approach to Critical Incidents

Because we have paired CIT responses, we were able to analyze the correlation techniques for each code and subcode of the manager-employee service agility dyad model. Running the dichotomous phi correlation technique enabled an analysis of instances in which managerial rewards and preparatory actions coincide with employee ability and desire. This technique is one that, in the future, should be extended to examine paired sets of qualitative data.

Contributions to Practice

The results of the qualitative survey showed that both managers and employees were able to name a wide range of categorized entities that fell under managerial motivational activities and preparatory activities. For preparation, managers and employees designated not only formal training sessions, but also recognized informal training, as well as various forms of observational training, training through orientation activities, and situational training as preparatory factors which were both recallable and judged worthy of mention. Some findings to consider for managers include:

Employees Consideration of Material Gifts as a Motivational Technique

Employees in our survey claimed material gift compensation at nearly half the rate that their managers reported it. There are a number of potential conclusions that could be drawn from this finding, perhaps the most obvious being that employees are not as likely to derive motivation from the reward of a material gift. This could be due to the

fact that the employees often do not value the gift, or alternatively, that they do not attach the value of the gift to their level of service delivery. However, one could ponder whether the employees of service firms who offer them these gifts consider them so deeply ingrained into the experience of working for their particular service firm, that they have wholly incorporated the gift as a "perk" – the gift is just seen as a part of the operating working environment. The fact that the correlation exercise related material gift mentions by the manager to the employees acquiescing to their firm's agile strategy seems lend itself to this interpretation.

Differing Perceptions of Individual Recognition

Managers and employees face a wide gap in how they perceive the dissemination of individual recognition to their employees. Over 60 percent of managers surveys reported individual recognition as a motivation technique while only 37.5 percent of employees did so. It is entirely possible that the employee is unmoved by the recognition that they receive from their managers. More likely, however, is that while managers pay individual recognition to their employees, they do not pay such recognition to every employee who shows agile service qualities every time. Employees, when considering individual recognition, may only be speaking of their own experience. The employees asked themselves "Did I experience individual recognition?" and not "Does my manager give individual recognition?" The question that was asked in the survey ("What does your manager do to make you 'go beyond'?) allowed the employees to frame the question in a more personal way.

The Role of Job Assistance

Employees were much more likely to answer the question of their managers' role in the context of the most basic of managerial tasks – providing the employees with the resources to perform the tasks of their job with peak efficiency. While managers were considerably more likely to mention their role in directly rewarding employees with praise or compensation, virtually none of them saw their role as resource provider having a motivational outcome for the employees.

The Effect of Training on Internal Desire

One surprising finding from the phi correlation is that managerial mentions of their training efforts coincide with employees' statements indicating that they have "bought in" to their firms' position on service delivery. The logical extension, in this case, is that employees are not receiving exclusively procedural instruction at those training sessions. The training sessions are, in fact, a means by which the employees are indoctrinated into the service culture of their firm. The fact that situational training is negatively correlated to mentions of an employee's personal willingness to be agile lends support to this as well. Recall that when employee responses were coded with "willingness to be agile", the responses were absent any mention of firm goals or team outcomes. In other words, training sessions administered well past a service employee's hire date leads to a better team player.

Group Recognition, Job Shadowing and Adaptiveness

Another unexpected finding was that managers' responses on motivation registering group recognition were negatively correlated with employee responses

suggesting interpersonal adaptive behavior. This finding would directly seem to suggest that if an employee is not motivated directly through his own singling out, then it is a poor solution for managers in solving the agency problem between manager and employee. However, it is interesting that job shadowing, which is the partnering (and thus not individually-based) of another employee as a training mechanism is actually positively correlated to interpersonal adaptive behavior. This would seem to suggest that when employees are prepared by watching more experienced members, the adaptive behavior that they witness stays with them, but when the employees are recognized, they wish to be singled out for their efforts, and not have their accomplishments shared among their colleagues.

Limitations and Future Applications

One limitation of this study was that only positive agile transactions were captured. A worthy study would have been to have subjects recall and discuss a time in which an employee was scolded for not being agile at all. Capturing these negative experiences would perhaps have offered insight into a situational analysis of factors that comprise negative experiences in addition to positive ones.

Another limiting factor of this study is that it is fully contained in the context of person-to-person service delivery. A future research direction might be for social scientists to study the agility of non-human service delivery, such as computer and web applications, technological devices, and so forth. Furthermore, one could research service agility in situations where the buyer and seller never meet face-to-face, such as in online

transactions. Again, a critical incidents approach might serve as an excellent means for studying this phenomenon.

Finally, we might add customer experience to the analysis as well. Customer satisfaction is a fundamental component to the well being of the service firm in particular (Oliver 1997), and might involve a qualitative analysis of both the consumer's expectations before the service encounter as well as their perceptions of the service performance afterwards.

Essay 3: Enterprise Agility and Service Quality: Employee Perceptions of Retailer Flexibility

An established bellwether of successful marketing is the ability for the firm to adapt its offerings to the needs of its clientele. In an increasingly diverse market, customers will continue to seek personalized solutions to fulfill their increasingly complex needs (Gwinner, Bitner et al. 2005). This is a trend that will continue into the foreseeable future, as changes in technology lend itself to an ever-evolving knowledge economy, consistently producing an ever-fragmented marketplace (Day and Montgomery 1999). Because of this all too apparent reality, firms are forced to find ways of becoming more flexible to suit the tastes of their customers, else they will languish, relegated at best to an economy long past.

For the human-focused service retailer however, this drive for adaptability creates a special problem. In such organizations, the face of the firm is the front-line service employee. There, success rides upon the workers field of expertise and sense of discretion. Thus, on a transaction-by-transaction basis, the charge of detecting a need to adapt a service offering or an interpersonal demeanor lies primarily with the service worker. Yet, the firm's need to detect sweeping, wholesale changes in consumer demand and tastes is the province of the executives at the very top echelon of the service providing firm.

Consider the modern full-service bank. Adaptive behavior for each individual branch worker is critical, as they serve customers who require not only different services to be performed, but different demeanors for how they should be performed as well. The

58

customer who needs to apply for a mortgage refinancing will require the bank employee to act with a certain degree of compassion, while the customer who requires a worker to handle a morning deposit will need a certain measure of accuracy, and so forth.

But that sort of flexibility only exists in the day-to-day. To ensure that the employees that serve those customer are well trained, and well-rewarded for performing good services, there must be a branch manager who is committed to providing service quality to the customers at her locale, who thusly is willing to make sure that her employees are subject to the experiences and perks that will ready and motivate them to perform agile services.

Taking another step back from this mural, there is another level of service agility within our bank as well. Consider the fact that that as customer tastes change, the service offering nature of the bank has to change as well (in merely a quarter century, the primary means of everyday banking has changed from in-person banking, to ATM banking, to online banking, to banking by smart phone).These bank's top management must sense these changes and the bank's operations and market offerings must adjust to meet consumer demand.

The purpose of this study is to explore the nature of this multi-faceted approach to flexibility in the service firm. Specifically, this research seeks to address three questions regarding service quality within the service-providing retail establishment:

1) What is the relationship between service employees' assessment of their service performance and their perception of their firm's ability to adapt its service offering?

2) Are service retail managers' perceptions of their firm's market orientation affected by their perceptions of their desire to perform service quality?

3) Are service retail managers' desire for service quality related to their employees perceptions of the managers' tactics to engender service quality?

To examine these research questions, we model employee and manager perceptions of their retail firm's service agility and market orientation, respectively. The model is based upon findings from the analysis of a brief literature in enterprise agility, which follows:

The Agile Enterprise

The operations stream of literature takes a strategic approach to agility, borne not from the management of human capital, but instead from the manipulations of firm operations in order to achieve this agility. The entire outlook of agility in the strategic realm is that agility is a process that is planned and controlled from the top levels of the organization and adopted throughout the organization either through changes in policy or changes in culture.

The agility concept in the strategic realm was first discussed in the early to mid 1990s when a series of books and articles began to make an impact in the publications of industrial engineering journals. Thusly, these works formulated the zeitgeist of thought in this topic felt to this day. In these publications (Youssef 1992; Nagel, Naim et al. 1994; Kidd 1995; Booth 1996; Preiss 1997), there was a major focus on what exactly

constituted the construct of agility. Many of the papers of this time allowed such aspects of agility to be included in its definition as adaptability, use of technology, and concurrency.

In one of the more recent publications on the evaluation and generation of firm-level flexibility (Sharifi and Zhang 2001), agility is described as the "ability to sense, respond to, and exploit anticipated or unexpected changes in the business environment. In order to achieve this degree of agility, the authors first provide a conceptual model of agility. This model consists of three main factors: agility drivers (those factors that necessitate the need for a firm to become agile), agility providers (tools that the firm may employ in order to achieve greater degrees of agility, and agility capabilities (the factors by which actual agility is realized).

The science of agility experienced a rebirth, so to speak, as the idea was taken on by those of an information technology with operations background. The quintessential paper on this stream of research was part of a series of papers written in order to determine the totality of the effect that information technology has on the firm (Sambamurthy, Bharadwaj et al. 2003). In this paper, Sambamurthy et al. determined that IT had played an important role in the facilitation of three disparate levels of agility, but the main contribution of the paper is in the identification of three distinct types of agility. These levels of agility as described by Sambamurthy et al. are:

1. *Customer*: The ability of a firm to glean new ideas from their customer base in order to adjust their product to the liking of the customers in which they serve.

2. *Partnering*: The ability to leverage the knowledge base and capabilities of all of a

   firm's partners (suppliers, distributors, logistics providers and so forth) in order to

   explore and exploit innovation opportunities.

3. *Operational:* The ability of a firm to accomplish greater degrees of speed,

   accuracy and economies of scale in taking advantage of innovation.

An implicit theme throughout all three levels of agility proposed by the

Sambamurthy model is a heavy importance placed upon firm innovation. This focus is

repeated in earlier works in which the lead author was involved as well, for instance a

paper that focused on how to facilitate innovation through the increase of "change-

readiness" in organizations that can be achieved from prudent investments in information

systems (Clark, Cavanaugh et al. 1997).

One of the more recent works in this particular field (Overby, Bharadwaj et al. 2006)

describes "enterprise" agility as the ability of the firm to possess two distinct capabilities:

first the firm must be able to sense environmental change relevant to its arena of

expertise, and second it must be able to respond to the market in order to place itself in

the best possible position in order to take advantage of the environmental change. The

importance on innovation is again apparent in this work, as the authors describe firms on

a 2x2 continuum of "sensing" and "responding" abilities. Companies high in both sensing

and responding (the authors of this work use Wal-Mart as an example) have not only the

expertise and communication channels in place to recognize a change in the environment,

but they also have the innovation skills and implementation channels in place to react to

such challenges. Overby et al. further suggest that companies that are low in sensing but

high in responding are too reliant on outsourced entities in doing their work, while firms

that are high in sensing, but low in responding either suffer from an excess of risk

aversion or tend to overanalyze changes in the environment without the sentience to act

on them.[1]

The operations literature has also begun to explore the nature of agility in certain

service arenas as well. One particular work (Menor, Roth et al. 2001) explores the role of

agility in the retail banking sector. In that paper, the theoretical lens employed was the

resource-based view of the firm. The assumption of the resource based view is that a firm

will hold a competitive advantage over its peers if it is able to secure resources that are

valuable and rare, and hold a *sustained* competitive advantage if the resources it holds are

both inimitable and non-substitutable (Barney 1991). Finally, Menor et al.(Menor, Roth

et al. 2001) find that the more agile bank will be able to leverage greater 'resource

competencies' than its lesser agile counterparts, with more efficient distribution channels,

more flexible service capacity and a 'heightened workforce flexibility' as well.

Service Flexibility within the Retail Establishment

Because of its highly competitive nature (Homburg, Hoyer et al. 2002) as well as

its colossal size in the U.S. (www.census.gov), researchers have found the retail industry

has been worthy of attention for some time. While other drivers of retail performance,

such as market orientation (Kara, Spillan et al. 2005) , and promotions (Ailawadi, Harlam

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[1] The authors recall the many innovations brought out by Xerox's Palo Alto Research Center (PARC) but

never sought for patents, because of alternative, conflicting in-house strategies. These same innovations

(such as the mouse, Ethernet, and the GUI interface) were effectively "stolen" by other companies while

Xerox PARC failed to act on the eager marketplace.

et al. 2006), given the considerable amount of influence wielded by the leader of a retail establishment, the role of the manager's effect on store performance could be examined more thoroughly (Arnold, Palmatier et al. 2009).

Lusch and Serpkenci (1990) found that managers' personal work habits (such as inner direction and achievement orientation) played a significant role in both their own sense of job satisfaction as well as the performance of their establishments. However, in an age of increased importance on services, the role of the manager undergoes a shift from that of "product provider" to one of "solution provider" (Davies, Brady et al. 2006; Lusch, Vargo et al. 2007; Arnold, Palmatier et al. 2009). The service manager finds himself in a bind with regard to implementing these services throughout his domain, however. Lusch et al. (2007) suggest that some (but not all) of the customer support tasks of employees in the retail establishment must be standardized to decrease the variability of the quality. The problem for the manager, as posed by Bolton et al. (2006) is, "how do firms maintain a low quality variance through standardization, while still maintaining a high average quality?"

Essentially, this means of achieving an average high quality relies upon employees having the leeway to break away from a standard service offering when necessary in order to serve a customer's specific need. Previous research has shown that the ability to drive a high service quality comes from a hybridized arrangement of the climate set by the manager and the internal desires and degrees of adaptiveness of the employee (Miller, Calantone et al. 2009). Particular components in setting this climate included various forms of training (such as specifically-designated formal training sessions, serendipitous informal training sessions, job shadowing of senior employees, or

competency testing on job tasks) and rewards as a means of goal fulfillment (such as pay raises, bonus pay, material gifts, praise, or promotion). Kara et al (2005) argue that manager's who are ingrained into the market orientation of their firm will be more apt to commit to creating such an environment, as the market oriented firm is more apt to respond to and utilize such an environment (Kohli and Jaworski 1990). Hartline and Ferrell (Hartline and Ferrell 1996) find that the service manager's commitment to service quality is essentially the keystone that drives employees to achieve both a greater personal sense of satisfaction with their own position as well as a enhanced sense of service quality from their customers.
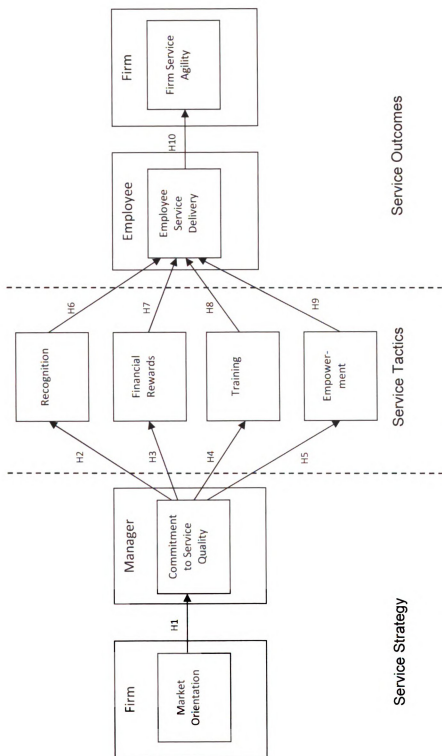
Figure 2: Strategy/Tactics Model of Service Outcomes

The Service Agility Model of Manager and Employee Actions

The model proposed in Figure 2 represents the three phases of service delivery. The first phase, on the left side of the model, represents the service manager's strategy. Strategy, with regard to services, is defined as the broadest level of service planning possible. At the strategic level of managerial operations, the manager is defining his vision for the delivery of services. These represent the overarching ideals for his long-term service vision. In the model, this strategy manifests in two ways, by a representation of the firm's service strategy and a representation of the individual manager's beliefs about service. The service strategy for the firm is represented by the manager's beliefs about his own retail chain's market orientation and for the manager it is operationalized by the manager's assessment of his own commitment to service quality.

The middle section of the model represents service tactics. Whereas strategy is a broad picture of the service manager's service vision, tactics are the tools by which the service manager will satisfy that strategy. Tactics are the manipulations that the manager may employ in order to see his strategy take hold. In this model, these service tactics are represented by four unique constructs:

1. *Recognition* that the service manager lauds upon his front-line service workers, presumably in congratulations for either displaying desirable service behaviors or having desirable service outcomes.

2. ***Financial rewards*** the service manager bestows upon the front-line service worker, presumably exclusively to reward the worker, again for encouraged service behaviors and/or service outcomes.

3. ***Training*** the service manager allots his front-line service workers.

4. ***Empowerment*** the service manager affords his front-line service workers allowing them to freely adapt the service offering to the customer's specific needs.

The rightmost section of the model represents the service outcomes. Here, outcomes are the culmination of the tactics' effect on the service delivery process. These outcomes are represented by two unique constructs: employee service delivery, and service agility. Employee service delivery is characterized by the employee's assessment of their own service performance. Service Agility, however, is a property of the firm. Service Agility in this an extension of enterprise agility - it is characterized by the ability of the firm to adjust its service offerings to the demands of its clientele.

Marketing Orientation and its effect on Managerial Commitment to Service Quality

Market orientation rests upon the notion of the marketing concept (Kotler 2003), which posits that if a firm is to be able to maintain a strategic advantage over its competitors, it should be able to detect and interpret customer needs more effectively that its set of competitors. The charge of market orientation, then, is to determine which attributes of the market-minded, competitively-advantageous firm exist that contributes

most toward its ability to serve these real (stated) and implied (tacit) customer needs best. The attributes toward market orientation have been conceptualized in the past as being derived from both cultural and behavioral sources (Homburg and Pflesser 2000). The cultural view of market orientation focuses on the established norms and values that an organization shares that ultimately affects the behaviors of each worker in their everyday tasks (Narver and Slater 1990). Alternatively, the behavioral perspective of market orientation is rooted in the performance of those tasks themselves that ultimately lead to the generation and dissemination of market intelligence (Kohli and Jaworski 1990). Because this particular research focuses largely upon the firm-level strategy, firm policy, and firm-specific results instead of the individual, assumed in this paper is the operationalization of the cultural view of market orientation.

The extant literature has outlined several positive outcomes of being a market-oriented firm. Some of these outcomes are very concrete - such as organizational performance (be it purely financial performance or performance as gained through the increase in market share) (Hult and Ketchen 2001). Other outcomes are more ethereal in nature, such as excess rents of customer satisfaction degrees that a firm might receive (Jaworski and Kohli 1993) or the perceived quality of its products or services (Brady and Cronin 2001).

Kara, Spillan, and DeShields (2005) find that market orientation is a significant predictor of sales goal achievement, implying that managers of market oriented firms will have engaged in goal setting behavior and setting policies to meet those goals. Further, Kasper (2002) finds that market orientation facilitates service quality. Market oriented organizations have an easier time generating service quality due to the "employee-

oriented, results-oriented, professional, pragmatic, and balanced between a tight and loose control system" nature of the culture of such firms. Sinkula (1994) provides insight into the generation of such a culture, finding that the market oriented firm performs well at setting norms that enable open communication and coordination. Dukewicz and Herbert (1999) support lends support here as well, finding that the highest performing managers are characterized by their ability to relate to, and subsequently teach and inspire their subordinates.

Finally, Chiou and Chang (2009) find that market oriented firms are better suited for collaboration between managers and employees, which supports the notion that such firms maintain a culture of internal openness. The results of such an open culture were also covered within the same study, finding that market orientation is responsible for greater service quality as well as enhanced customer service.

The current research seeks to determine if the retail manager's assessment of his own firm's market orientation is positively related to his assessment of his own personal commitment to driving service quality for the employees under him. We posit that if the manager assesses his firm's degree of market orientation highly, he will believe that the internal channels exist to deliver messages to the employees which enhance their knowledge, create goals and give them the appropriate attitude. Thusly, those managers will be more "locked-in" to the provision of service quality. As posited by Overby et al. (2006), the market oriented manager is one who will both access and process market intelligence, but will also disseminate this information across the entire firm – and in so doing, adjust the climate of the firm to match the market.

H_1: Managers' perceptions of their firm's degree of market orientation

have a positive, direct effect on their own commitment to service quality.

Commitment to Service Quality and Service Tactics Variables

In addition to market orientation, the other latent variable reported by the

managers of the service firms regards their commitment to running a quality service-

providing organization. Unlike market orientation, commitment to service quality is not a

measure of the philosophy of the organization, but it is a measure of the manager or

supervisor himself. In previous research, commitment to service quality was seen as an

attribute held by the front-line service worker (Parasuraman, Zeithaml et al. 1985), a

notion largely contributing to the notion that the optimal lens with which to view service

quality is exclusively relegated to that of the front-line worker/customer interaction.

Other research has shown, however, that when managers take on an active role in

leading the service team, the manager can influence customer service in the organization

(Ahmed and Parasuraman 1994). Managers who are able to participate with their

employees in creating a service culture, being demonstrate in their conceptualizations of

customer care, can influence employees to give a similar level of care (Mohr-Jackson

1993; Hartline and Ferrell 1996). So when discussing a strategy for service quality, it is

clear that a manager's decision to commit to service quality is clearly of utmost

importance.

A manager's commitment to service quality is, in essence, the degree to which the

manager himself is immersed in the philosophy of performing high quality services, and

is able to relate to his employees the importance of putting effort into giving high-quality

service transactions, and willingly consults individuals outside of his organization for

assistance on service quality issues. Managers who are able to commit to this a high

thought mode for services in their operations will be the same who best understand the

importance of each element necessary to support these services as well.

While there are product-centered concerns for the manager in maintaining a high

level of service quality, this research seeks to explore the human-centered concerns that

face the manager – specifically, inspiring their employees to provide quality services on

behalf of the manager. Generally, this research tests how the employee perception of their

service delivery is affected by the goals set indirectly by their managers through rewards

systems, and the internal-support that the manager affords the employee. These are

specifically detailed in the following section.

Recognition

Recognition is the degree to which the worker perceives the employees of his firm

are praised. Locander and Luechauer (2005) find that managers who engage in

recognizing the employees find that their employees derive motivation from such praise.

This is consistent with the work of Herzberg (1959) who found that recognition is a

motivating factor in his "dual structure theory". Motivating factors are those that

employees will work to achieve as a reward. In other words, Herzberg found that

employees will work in order to be rewarded through recognition by their superiors. That

recognition can manifest in an informal setting, such as a brief kudos delivered during a

relaxed "water cooler talk" between supervisor and employee, or it can be more formal,

such as receiving an award for quality service at a organization-wide meeting (Dutton 1998). Caballero (1988) found in a study of recognition rewards, that even though such rewards were often good more for symbolic rather than intrinsic value they were valuable for driving employee results.

In the current study, we posit that if a manager perceives his own commitment to providing service quality under his watch highly, the workers under him will sense their manager's ease in praising them for doing a good job. The high-performing service manager will understand that positively reinforcing good service behaviors is a means to ensure that the cyclical nature of improvement in a market oriented firm continues to revolve.

H_2: Managers' commitment to service quality has a positive, direct effect

on their employees' perceptions on the degree of recognition they receive

from managers when performing quality service.

Financial Rewards

Financial rewards are defined as the degree to which employees perceive they are compensated fairly for their outputs on the job. For there to be an effective reward policy, the employee will have to see that the pay that he receives in relation to others in his local work group maintains an equal ratio to the responsibility and work outputs that each employee perceives they are contributing to the firm as related to that employee's perceived work outputs and responsibility.

73

While the notion of pay has been covered many times in an agency theory context (Ross 1973; Eisenhardt 1989; Bartol 1999; Deckop and Mangel 1999; Misra, Coughlan et al. 2005), within the realm of services it seems to nearly be a consensus, at least through extending agency theory to a services context, that the efficient means of compensating employees is through the use of salary, and not commission or bonus (Miller, Calantone et al. 2009). This is due to the fact that in a service operation, particularly a human-focused service in a retail context, the variability of the human element makes it excessively difficult to gauge success based on output (although they try, through implementation of programs such as customer satisfaction contests and the like).

Here, we posit that as employees believe that they are more fairly rewarded, they will assess their own service delivery higher. Herzberg's seminal work (1959) disagrees with this sentiment, arguing that pay raises are an ineffective means of driving employee internal desire, as it just leads to the desire for another pay raise. We feel, however, that the employees will feel more valued if they feel they are paid higher, and thusly will engage in a higher degree of service delivery to adjust for the money that they are earning.

H_3: Managers' commitment to service quality has a positive, direct effect
on their employees' perception of the financial rewards they receive from
managers when performing quality service.

Training

Training in the current research is the degree to which employees feel as if they receive timely and position-relevant training. Training has been shown several times in the literature to be linked to employee performance (Honeycutt and Stevenson 1989; Christiansen, Evans et al. 1996; Farrell and Hakistan 2001).

The effect of training on both a competent workforce as well as its outcome of improved customer experience has been well established by the extant literature. Training has been found to be the means by which the information sharing conduit between manager and employee in a market-oriented firm is actualized (Kassicieh and Yourstone 1998). Gonzales, Ellis et al. (1999) found that meaningful training for employees relates positively to greater service encounter satisfaction for customers. On the employees side, the outcome of training has been shown to reinforce the bond between worker and organization, as it drives both employee job satisfaction and organizational commitment (Lee, Nam et al. 2006).

We feel that the manager who is committed to service quality will naturally want to train employees to be able to carry out that service successfully. The notion of training is paramount to the manager who is successful in a market-oriented firm (Chiou and Chang 2009). Managers who do not perceive committed to service quality, however, will be also those who do not subscribe to their retail firm's market orientation efforts, according to the model, they won't see their employees as agents for driving customer satisfaction through service quality. Instead, they will see their employees as "warm bodies" who simply must keep the shelves stocked, keep the store clean, and do all of the things that keep the store from collapsing.

H$_4$: Managers' commitment to service quality has a positive, direct effect

on their employees' perception of the amount of training that they receive

from their managers.

Empowerment

Empowerment is the degree to which employees perceive that they are allowed to

improvise service solutions for the goal of achieving customer satisfaction. An oft-used

definition of empowerment is "a situation in which the manager gives the employee the

discretion to make day-to-day decisions about job-related activities (Conger and Kanungo

1988; Hartline and Ferrell 1996). By granting empowerment to employees, the manager

places the locus of control on driving service quality to his employees, relinquishing this

control himself (Hartline and Ferrell 1996). Empowered employees have been shown to

be more enthusiastic about the performance of their jobs which, in turn, leads to increased

customer satisfaction (Brown, Homer et al. 1998). Empowered employees have been

linked to greater adaptive behaviors, being able to change their behaviors to match

customer-specific demands (Scott and Bruce 1994).

Finally, empowered employees have been linked to higher degrees of

organizational commitment (Lee, Nam et al. 2006) which is consistent with the notion of

greater employee involvement in market oriented firms (Karatepe, Yavas et al. 2007).

Our position is that the manager who believes himself to be committed to service

quality, will be one that willingly engages their employees in training in order to be

competent, adaptive, knowledgeable, and infused with the proper attitude. These

employees are also motivated from rewards such as recognition and they are paid a fair

wage for the work they do (and they maintain valence for other rewards the manager may

offer). These employees are ones that the manager is enough comfortable with to allow

them to improvise a service offering during a customer interaction. The successful high-

touch service manager understands that the greater the degree of empowerment that exists

for service staff, the better it is for both employee and customer.

> H_5: Managers' commitment to service quality has a positive, direct effect
>
> on their employees' perceptions on the degree of empowerment that they
>
> receive from managers when performing quality service.

The Tactical Variables and Service Delivery

Service delivery is defined as a front line service worker's assessment of the

quality of his/her own service performance. Crucial to the composition of service

performance is the employee's perception of the satisfaction experienced by the

customers they serve. Essentially, the challenge of the service worker is not unlike the

challenge of any other, to convert inputs (service offerings, customer desires, situational

context) into outputs (satisfied customers, happy management) (Chen, Tsou et al. 2009).

In the case of the front-line service worker, however, he is in a unique position, because

of the inseparability of the service transaction and the service's consumption, to

immediately gauge the success of his conversion of inputs to outputs.

But as discussed before, delivering services for customers using the same personal mannerisms, attitudes or contexts conceivably does not yield the same degree of satisfaction for all customers. Although Lusch et al. (2007) admonish managers that they must standardize processes in service delivery, other research (Bitner, Tetreault et al. 1990; Gwinner, Bitner et al. 2005; Miller, Calantone et al. 2009) clearly support the notion that employees empowered to be flexible within a service transaction leads to greater customer satisfaction. It may be appropriate, then, to think of the service delivery construct as the degree to which each individual worker perceives his own "personal flexibility" in satisfying customers.

Thus, the tactics the manager invokes in order to make his service vision a reality for his entire department, or outlet, or organization, would have a like effect on the individual as well. Thus greater recognition, better pay, more training, and more empowerment given to the service worker would naturally seem to make the customer better off.

H_6: Employees' perception of the degree of recognition they receive from managers has a positive, direct effect on their perception of the quality of their service delivery.

H_7: Employees' perception of the financial rewards they receive from their managers has a positive, direct effect on their perception of the quality of their service delivery

H_8: Employees' perception of the amount of training that they receive from their managers has a positive, direct effect on their perception of the quality of their service delivery.

H_9: Employees' perception on the degree of empowerment that they receive from managers has a positive, direct effect on their perception of the quality of their service delivery.

Employee Service Delivery and Firm Service Agility

The service agility construct differs from that of service delivery in that as opposed to a self-assessment, service agility represents the service worker's assessment of his retail firm's ability to change its orientation in order to deliver a service to a customer tailored to that customer's individual situation, needs, and desires. It is the purpose of this research to posit that it is service agility that is the true goal of the manager when creating service strategy for the entire team of service workers working under him. It stands to reason that the employees' perceptions of the managers tactics, put in place to achieve such an end goal like a more flexible service offering, would ultimately have an effect on their perception of the goal itself.

Service agility, in the case of this particular project, is an organization-wide concept, and all of the questions rely upon the assessment of the employee to address the level of flexibility at the firm level. This is the view of agility that is consistent with conceptualization of agility in the operations literature, that agility is not a characteristic

of merely the individual service worker, but it is a property held by the firm at large (Martin 2000; Narasimhan, Swink et al. 2006).

Gwinner et al. (2005) make the connection that the behavior employees exhibit to give high quality service is an example of an organizational citizenship behavior (OCB) – which are behaviors that improve the effectiveness within an organization but are not rewarded by that organization (Podsakoff and Mackenzie 1994; Van Dyne, Graham et al. 1994). Such behaviors have been hypothesized to raise employee morale and encourage greater teamwork and cooperation among employees (Podsakoff and Mackenzie 1994). It would stand to reason that employees that illustrate the behaviors of OCB, are themselves having a greater sense of camaraderie with coworkers and therefore more positive and confident that their firm exhibits similar behaviors with regard to the fulfillment of service.

> H_{10}: Employees perception of the degree of the quality of their service delivery has a positive, direct effect on their perception of their retail firm's ability to adapt to fit customer needs.

Data Collection

Data was collected from a specialty retailer of sporting goods and equipment, with a location concentration primarily in the eastern United States. The data collection was focused upon a subset of those stores in the upper Midwest, consisting of a regional manager's domain of thirteen stores.

The survey administered at these branches was designed to be taken online. At this chain, like at many "big box" retailers, the back room of every outlet housed a personal computer (PC), used primarily for inventory purposes. These PCs at each retail outlet were connected, via network cable, to an internet connection. To complete the survey, store employees and managers were led into a common employee break room, where they were instructed to complete the survey.

To protect the identities of the individual survey takers, a system was designed which allowed for all the front line employees and managers to be awarded a unique code. The respondents input that code at the commencement of the survey, so the employees would never have to attach their own name to a survey. This was achieved by generating two sets of codes each based upon a preset numerical algorithm: envelope code and survey code. The envelope code was displayed on the outside of the sealed envelope containing the survey invitation. The survey codes, the codes that the employees would use to access the survey to tell the researchers who they were without divulging their name, were placed upon survey invitation letters themselves. Upon the first visit to the each location, signifying the commencement of the data collection for that particular locale, the store's roster listing was perused, and each employee was logged on a sheet containing both the survey codes as well as the envelope codes. Each relevant employee at the participating locations received these survey letters. When the employees and managers logged into the online survey either at work or at home (the website address was, of course, included on the survey invitation letters) the first question, asking for the employee's code served as the means by which the employee could be tagged later.

The means by which the employees were attached to their managers was done by simply asking the employee within the surveys to divulge their direct, managing supervisor. This had to be done, both for the purposes of later being able to link the employees with their managers, as well as for the purpose of placing a unique, unwavering personality in the mind of each subject. One particular issue divulged in the pretest was that during the course of completing the survey, some of the respondents asked for some clarification as to who exactly they should be writing about. Asking the employees to identify their direct manager lends to the hope that their answers would be in the context of one particular person.

In all, of the thirteen stores included in the district, ten stores offered their participation. The survey garnered responses from 35 unique managers, both store managers and assistant managers and 115 unique employees throughout all of the stores. The number of useable surveys, largely due to the state of completion of the surveys took the totals down to 27 managers and 88 employees. Finally, because of the fact that not every employee who took a survey had an associated manager who took the survey, we were left with 77 employees matched with 27 managers.

Partial Least Squares (PLS) Path Modeling

To test the model, a partial least squares (PLS) path methodology is used. Partial Least Squares path analysis is a modeling technique that enables analysts who possess data sets previously not amenable to other causal modeling techniques, such as covariance-based structural equation models (Hulland 1999; Haenlein and Kaplan 2004). The essence of the analytical approach of this variance-based technique lies in the

creation of a weighted approach used to maximize the explained variance of the

dependent variables. While in the more traditional path modeling methodology, SEM,

there are strict assumptions on the nature of the data as well as target recommendations

on the sample size, in PLS, because it is a limited-information approach (Dijkstra 1983)

these stipulations such as assumptions about the scale of measurement, or the scale of

measurement are not set into effect (Fornell and Bookstein 1982). Further, because these

assumptions are not made in PLS, the methodology is robust against skewness,

multicollinearity, and specification error (Cassel, Hackl et al. 1999).

In order to perform a PLS estimation model, the process is begun by calculating

the case values where the latent, "unobservable variables are estimated as exact linear

combinations of their empirical indicators" (Dijkstra 1983; Haenlein and Kaplan 2004).

After this, the next step is to formulate weights for each case value, in an attempt to

capture the greatest swath of explained variance of each of the dependent variables in the

model. This done, the next step of the technique is to formulate values for the latent

constructs, which are made up of a weighted average of the construct's indicators. The

most crucial aspect of PLS stems from the estimation of case value weights and their

subsequent implementation in creating latent construct values (Haenlein and Kaplan

2004).

The implementation of weighted case values in the technique is justified, because

there is no theoretical justification for indicators to have the same contributory strength

within each latent variable. In fact, one critique of equal weighting (McDonald 1996)

posited that the usage of equal weighting, so long as the number of indicators for each

construct was not excessively large, accounts for entirely arbitrary results.

The next step of the technique involves the performance of OLS regressions upon the values of the latent construct values, followed by the calculation of explained variance and path coefficients. Following this, a test of significance on these regressions are created using a resampling procedure, such as bootstrapping (Haenlein and Kaplan 2004).

Partial least squares analysis stands as a unique alternative to the most common forms of SEM, the more generally accepted covariance-based approach. As opposed to the covariance-based approach of traditional structural equation modeling, the variance-based PLS approach is more appropriate when dealing with a smaller sample size, conducting exploratory research, or when the number of indicators that exist per latent variable are excessively large.

Measurement Model

According to Hulland (1999), the three components critical to report when describing a PLS structural model are measures which speak to item reliability, convergent validity, and discriminant validity. While the path scores for the model itself are central to the ability of the model to defend the theorized nomological nature of the construct relationships, it is only by speaking to these three components that we are able to actually discern whether the measures used are valid at all before doing so.

Item Reliability

In a PLS path model, item reliability is assessed through the examination of simple correlations of a measure with its' respective construct (Hulland 1999). Some

researchers endeavor to accept items with loadings of no less than 0.7 since with such a score, the item would have more in common with the construct, through shared variance, then the item would have error variance (Carmines and Zeller 1979). However, the practice of multi-item measures often yields loadings of less than 0.7, due to a plethora of reasons. Nunnally (1978) suggests that even if the researcher holds a strong theoretical reason for keeping items as construct components, items of less than 0.4 or 0.5 will yield little explanatory power and will bias the estimates of the constructs that link to the focal construct, and should summarily be dropped.

Table 4: Construct Composite Reliability (CR) and Item Loadings (Ld.)

Construct	CR	Ld.	
Market Orientation	**.90**	.79	*Our firm's strategy for competitive advantage is based on our thorough understanding of our customer needs.*
		.88	*All of our managers understand how the entire business can contribute to creating customer value.*
		.91	*Our firm's market strategies are to a great extent driven by our understanding of possibilities for creating value for customers.*
		.78	*Our firm responds quickly to negative customer satisfaction information throughout the organization.*
Mgr. Commitment to Service Quality	**.97**	.90	*I feel strongly about improving the quality of my organization's services.*
		.80	*I enjoy discussing quality-related issues with people in my organization.*
		.96	*I gain a sense of personal accomplishment in providing quality services to my customers*
		.93	*I explain to all of my employees the importance of providing high-quality service to our customers.*
		.87	*Providing high-quality services to our customers should be the number one priority at (this firm).*
		.95	*I am willing to put in a great deal of effort beyond what is normally expected of me in order to help (this firm) deliver high-quality services to our customers.*
		.96	*I really care about the quality of my organization's services.*
Recognition	**.94**	.88	*When an employee goes "above and beyond" the call of duty, (firm) gives that employee public recognition.*
		.90	*Employees are given public acclaim when they assist customers in a service crisis situation.*
		.89	*Employees who are able to assist customers despite a service failure in the organization are respected.*
		.88	*Employees that perform well are recognized within the company.*
Financial Rewards	**.94**	.92	*Employees that extend themselves so that the customer is made happy are rewarded.*
		.90	*Employees are given rewards for helping customers with specialized requests.*
		.91	*Employees who are recognized as "go-to" people during customer crises are rewarded.*
		.87	*We often reward employees financially for great performance.*

Table 4: (cont'd).

Training	**.94**	.91	*I receive training to enhance my ability to deal with unforeseen consequences of service transactions.*
		.91	*(this firm) believes that training front-line employees is crucial to understand customer needs.*
		.89	*I have spent a lot of time in training sessions that simulate realistic customer service requests.*
		.90	*During training sessions, we work on exercises that highlight flexible means for completing a service when the normal means are unavailable.*
Empowerment	**.89**	.76	*I have complete freedom in my work.*
		.88	*I am permitted to use my own judgment to solve customer problems.*
		.92	*Initiative is encouraged of employees at (this firm).*
Employee Service Delivery	**.96**	.92	*I always try to provide great customer service.*
		.92	*Customers are usually satisfied with the quality of service I provide.*
		.95	*I respond well to customers' basic requests.*
		.93	*The basic service I provide is excellent.*
Firm Service Agility	**.95**	.88	*Generally, (this firm) is able to recognize changes in customer needs.*
		.90	*Generally, (this firm) is able to adjust the provided services in order to satisfy changes in customer needs.*
		.86	*Once the firm has determined a strategy to change its service delivery, the changes are felt throughout every facet of firm immediately.*
		.88	*The strategic vision of the firm is flexible enough to handle changes in the business environment.*
		.87	*Our firm has the appropriate competency to be able to handle changes in service delivery.*

In order to attain better model fit, while still utilizing several measures, the researchers decided to heed the advice of Carmines and Zeller (1979) and omit any items with less than a 0.7 loading. The results of the loadings of the reduced constructs are given in Table 4.

87

Convergent Validity

Convergent validity represents the ability of a construct to reflect the real-world phenomenon you are attempting to measure. In a multi-item scale, or construct, if convergent validity is high, it portends that the individual items throughout the data set tends to "behave" the same way. Convergent validity becomes more important as there is no generally acceptable valid standard means for measuring a particular phenomenon (Summers and Mackay 1977).

The two generally accepted means of measuring convergent validity for researchers using a PLS path model are: 1) Cronbach's alpha, and 2) composite reliability, a measure of internal consistency developed by Fornell and Larcker (1981). Where alpha is a nonstatistical coefficient measuring the degree of consistency within a construct, Fornell and Larcker's internal consistency measure actually captures the characteristic of item loadings in reporting the construct reliability. Nunnally (1978) suggests that for both forms of convergent validity, Cronbach's alpha as well as composite reliability, the values for each construct should be kept above 0.7, since the values obtained by both measurements are so similar (Hulland 1999). Of course, Nunnally's suggestion of 0.7 was applicable for reliability in the early, more experimental phases of the research process.

Convergent validity for the model as presented is discussed in Table 2. There, one can clearly see that all of the constructs surpass the 0.7 level on both the Alpha and composite reliability scales. The lowest-scored, most troublesome construct seems to be that of empowerment, registering a mere 0.77 score for Alpha, and 0.85 on composite reliability. In all, these seem to be acceptable scores for convergent validity.

88

Further, other researchers (Dillon and Goldstein 1984) propose that Average Variance Extracted (AVE) a measure of shared variance within a latent variable is a reliable measure of convergent validity as well. As long as a construct's AVE is .50 or above, then the majority of the variance within that construct is not attributable to error. Table 5 illustrates that for this test of convergent validity, all of the latent variables pass, with the construct for market orientation doing so marginally.

Table 5: Alpha, Composite Reliability and Correlation Matrix, AVE in diagonal

Variable	α	.	1	2	3	4	5	6	7	8
1. Market Orientation	.85	.90	**.70**							
2. Mgr. Commitment to Service Quality	.96	.97	.77	**.83**						
3. Recognition	.91	.93	.04	.24	**.79**					
4. Financial Rewards	.92	.94	.07	.17	.75	**.81**				
5. Training	.92	.94	.21	.32	.42	.49	**.82**			
6. Empowerment	.82	.89	.26	.25	.36	.22	.27	**.73**		
7. Emp. Service Delivery	.94	.96	.10	.10	.06	.12	.32	.34	**.86**	
8. Service Agility	.93	.94	.28	.38	.35	.32	.53	.14	.32	**.77**

Discriminant Validity

Discriminant validity is a measurement describing the degree to which the items of one construct tend to differ from the measures of some other construct within the same model. In other words, while convergent validity measures the degree to which the items 'act' the same for a particular construct, discriminant validity measures the degree to which the items for a particular construct 'act' differently from the constructs of any other model.

Testing discriminant validity, according to Fornell and Larcker (1981), is to utilize Average Variance Extracted (AVE), which measures the average variance shared between that of a construct and its measures. Ideally, the square root of a construct's AVE should be greater than the intercorrelations of the focal construct and any other construct, thereby showing that the greatest amount of variability within the construct is found within the construct itself, and not via combination with some other construct. The diagonal values of the correlation matrix of Table 5 displays the AVE, and a cursory examination reveals that the discriminant validity for this model surpasses the stipulations of Fornell and Larcker.
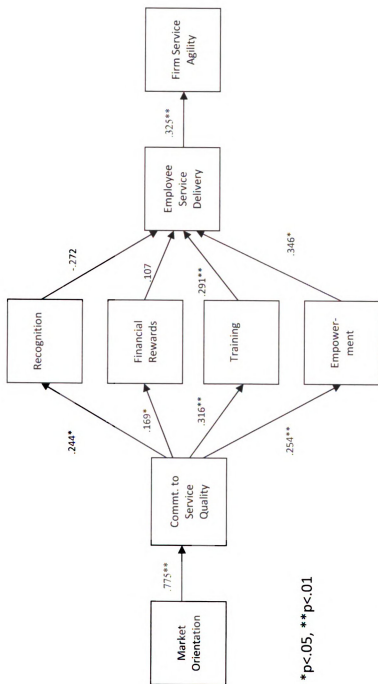
Figure 3: Path Coefficients of Strategy/Tactics Model

*p<.05, **p<.01

The Bootstrapped Path Model Results

To determine the significance of the paths in the model, a bootstrapping approach was applied in the SmartPLS (Ringle, Wende et al. 2005) software. Bootstrapping allows researchers who, due to the techniques they are attempting to apply, are unsatisfied with their current sample size, to simulate a larger sample size by redrawing records already in the sample, and in this case in particular, place the drawn record back into the sampling pool to potentially be picked again. By randomly selecting all of the records in the sample over a large number of trials, the sample becomes much more robust, and the researcher decreases his risk of type II error (Brown, Homer et al. 1998).

Table 6: Path coefficients, Bootstrap Sensitivity at 250, 500, and 1000 Resamples.

Relationship	CS	Significance 250	500	1000	R^2	Support
H1: Market Orientation → Mgr. Commt. To Service	.775	**	**	**	.60	X
H2: Mgr. Commt. To Service Qual. → Recognition	.244	*	**	**	.06	X
H3: Mgr. Commt. To Service Qual. → Financial Rewards	.169		*	*	.03	X
H4: Mgr. Commt. To Service Qual. → Training	.316	**	**	**	.09	X
H5: Mgr. Commt. To Service Qual. → Empowerment	.254	**	**	**	.06	X
H6: Recognition → Employee Service Delivery	-.272				.21	
H7: Financial Rewards → Employee Service Delivery	.107					
H8: Training → Employee Service Delivery	.291	*	*	*		X
H9: Empowerment → Employee Service Delivery	.345	*	*	*		X
H10: Employee Service Delivery → Service Agility	.324	**	**	**	.10	X

Note: CS = Completely Standardized Path Coefficient
        *p<.05, **P<.01

The advice of the software creators was taken, and three bootstrap trials were run, one at 250 resamples, one at 500, and one 1000 resample bootstrapping run. The resulting t-scores for the three trials for the paths were not particularly disparate. Applying generally-accepted alpha values of 0.1, 0.05, and 0.01 to the trials revealed that virtually all of the relationships maintained the same significance across the three trials (as illustrated in Table 6). The only two issues of note across the three trials were: 1) that the relationship between commitment to service quality and financial rewards was not significant at the .05 level at a bootstrapping of 250 where it was at the higher resampling trials, and 2) the relationship between commitment to service quality and recognition was taken from a significance of .05 to .01 between the 250 and the 1000 resample trial. Because more trials allow for a more robust model, the 1000-sample model was chosen to represent this model.

Support for Research Hypotheses

The results of the PLS path model at 1000 bootstrapped samples show that the manager's perception of firm market orientation was strongly positively linked to their personal commitment to service quality, H1 is supported. Meanwhile, the manager's commitment to service quality is positively linked to all four of the employee's perception of the manager's tactical variables: recognition, financial rewards, training, and empowerment. H2, H3, H4, and H5 are all supported 0 with H4 (training) and H5 (empowerment) being notably so (significant at $\alpha=.01$ for all three trials.

94

H6 is not supported. Moreover, surprisingly, the employees' perception of their manager's recognition tactic actually trended negatively (significant at $\alpha=.1$, in fact) with their assessment of their service delivery. H7 is also not unsupported – the employees' perception of their manager's financial rewards does not significantly relate to employee service delivery. Training and empowerment do relate positively to service delivery, however, so H8 and H9 are supported, both at $\alpha=.05$ level. Finally, an employee's service delivery very strongly relates to the employee's acknowledgement that their firm is able to flexibly adapt its service offering to meet the changing needs of their customers. H10 is supported at $\alpha=.01$ (even at $\alpha=.001$) level.

Discussion

Service quality exists at several levels for a service-based retailer. This paper assumes the generation of service quality to come from three distinct echelons. At the lowest level, the one most readily apparent and visible to the customer: the ability of a service representative to provide the most helpful, timely and efficient service with the attitude and level of support desired by the individual customer. At the next level, service quality is generated as the manager of the retail establishment provides support for the customer's service experience with an environment that supports well-trained, empowered, motivated employees.

At the third, most ethereal level, service quality is generated through the top-level strategies of the top management team of the retailer. At this level, service quality is

determined by firm flexibility, the ability to change its service offering or product mix to meet the changes in the customer palate.

This research project has two main purposes. The first is to determine the extent to which the front-line service employee juxtaposes his perception of the quality of his own service delivery with his perception of the ability of his firm to adjust its' own agile service offering. The second purpose is to determine the extent to which managers of the retailer's outlets liken their perception of the degree of the firm's market orientation to their own personal level of commitment to maintaining service quality for themselves and all of the employees under them.

The researchers decided it best to allow the managers to speak for the marketing orientation in their firm instead of their employees. Managers, they determined, would be better able to speak to their firm's maintenance of open lines of communication between all members of the organization, and allowed for the goal-setting, culture-transferring, and open-communication endemic of the market-oriented retail firm. In a likewise fashion, the researchers thought the employees who serve on the front-lines of the retail environment, and are best able to gauge the degree to which the customer experience is effectively served, are also therefore best suited to assess the degree of service agility that is held by their retail firm.

The results of this study reveal that our managers' perception of their firm's market orientation was shown to coincide very significantly with the stated degree of commitment the managers held towards maintaining service quality in their organizations. In other words, if they saw their firm as market oriented, they were more apt to be committed to driving service quality themselves. If managers truly believe that

their firms are not gifted in understanding customer needs or driving customer value, they are also unlikely to be driven to "take the ball and running with it" assuming ownership for service quality for their own flock.

Similarly, the front-line employees' assessment of their service delivery was tied strongly to their assessment of their firm's ability to wholly adapt its format to reflect changes in consumer tastes, needs, and whims. If the service employee assessed his abilities in customer service highly, they tended to believe that the top management team supported their efforts when customer tastes change. Likewise, if the employee rated the service quality he drove as poorly, he tended to think that the retail chain itself did a poor job in adapting to customer needs as well.

Marketing orientation is not a dichotomous procedure – firms cannot be market oriented merely by a simple, quick decision to do so. Morgan and Berthon (2008) eloquently refer to market orientation as a "cyclic process of information acquisition" about customers, and by extension, employees – implying a process of ongoing improvement. It is not difficult, from the results above to see how poor service could indeed be a "process of ongoing destruction" as well. On the employer side of the model, poor service delivery would be met with a perception that the firm doesn't perform poor services as well, which would demotivate the employee, stripping him of any internal desire that he might have to perform quality service transactions in the future. On the manager's side, if the manager doesn't see any efforts to engage in a process of ongoing improvement to assess customer needs, then the manager won't see any need to actually commit to providing the elements that make up the environment for engendering quality customer service himself.

As for the manager's tactics, it is pleasing to see that our managers' commitment to service quality was matched by the perceptions that their employers held regarding the tactics used to create such service quality. If the manager regarded himself with high service quality, his employees, likewise, noticed and were more apt to regard the manager's the consequences of that commitment: high degrees of recognition, pay (for performance, hopefully), training, and empowerment.

Problematic in this model, however, was the reckoning of the manager's tactical efforts with the instrumentality of such deeds: the employees' assessment of their own service delivery. While training and empowerment were both found to be positively linked to an employee's service delivery, financial rewards was not nearly positively linked at a statistically significant level, and recognition was nearly significantly *negatively* linked to an employee's service delivery.

A potential explanation for this apparent confound is that while training and empowerment would actually contribute to an employee's desire to fulfill the components of his job well, an notion supported by the "Dual Structure Theory" of Herzberg (1959), financial rewards have no effect on service delivery. These financial rewards fail to register on service delivery perhaps because service retail jobs in general, and perhaps the service retail firm surveyed for this study in particular, are ones that tend to pay front-line service workers relatively low wages in relation to the amount of work asked of them to do. Further, recognition may be negatively related to service delivery in a service retail position due to the fact that in this particular service retail firm, the employees have a desire to simply "do their job and get out of here," minimizing all contact with their supervisors or superiors on the job, even at the expense of attaining

98

position-affirming praise. An argument against this explanation, however is that recognition, much like empowerment or training, is also a derivation of one of Herzberg's motivator factors from his Dual Structure Theory (Herzberg 1959). In short, Herzberg found that employees *should* derive motivation to perform well in their work to draw more recognition in the future. Perhaps this particular finding is an anomaly of the particular retail firm that was analyzed.

With regard to the relative insignificance of financial rewards and service delivery, it is entirely likely (and indeed probable) that the pay structure for the service firm is fixed in advance, regardless of how much promise or flash each individual employee displays in the service of the store's customers. The employee, therefore, doesn't see any adjustment in pay depending on his work output. This reality tends to lend support to the existence of an unmeasured (in this model) exogenous variable that reflects the employees' degree of intrinsic motivation that they get in performing their job. As Herzberg (Herzberg 1987) postulates, the motivation for work is simply the work itself.

One question that the researchers considered that began a post-hoc phase of analysis was whether financial rewards and training were really functions of the manager that oversaw the employee's, or whether, like many, if not most service retail firms, were functions more of company policy. Many service firms designate the amount of training and the exact schedule of raises to be given to employees, and they dictate such work rules to the managers at each locale. The researchers thought that a competing model should be constructed to reflect that possible reality.
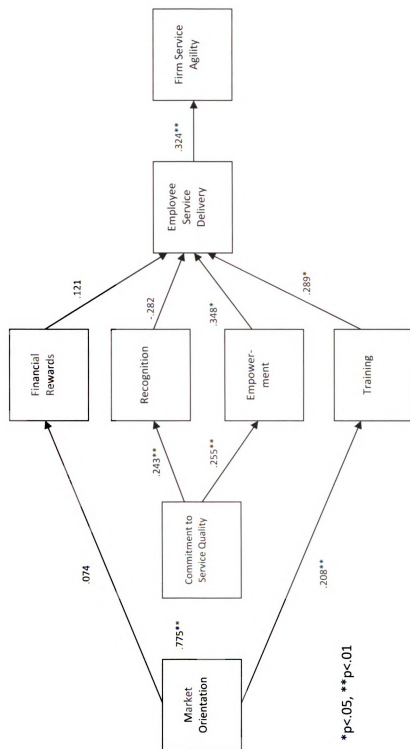
Figure 4: Path Coefficients of Alternative Strategy/Tactics Model

Firm Service Agility

Employee Service Delivery

.324**

Financial Rewards

Recognition

Empower-ment

Training

.121

-.282

.348*

.289*

.243**

.255**

Commitment to Service Quality

Market Orientation

.775**

.074

.208***

*p<.05, **p<.01

In the model shown in Figure 4, the constructs from the main model are rearranged, so that a causal link exists between: 1) orientation and rewards and 2) orientation and training. This is justified because market orientation, which is assessed by the retail store managers, is an assessment of customer focus at the level of the firm, not an assessment of the individual manager. The findings from the measurement model and a 1000 resample bootstrapping of the results are found in Table 7.

Table 7: Alternative Model Path coefficients and significance (1000 resample bootstrap)

Relationship	CS	Sig.	R^2	Support
Market Orientation Mgr. Commt. to Service Qual.	0.775	**	.60	X
Market Orientation Financial Rewards	0.074		.01	
Market Orientation Training	0.208		.04	
Mgr. Commt. to Service Qual. Recognition	0.243	**	.06	X
Mgr. Commt. to Service Qual. Empowerment	0.255	**	.07	X
Financial Rewards Employee Service Delivery	0.121		.22	
Training Employee Service Delivery	0.289	*		X
Recognition Employee Service Delivery	-0.282			
Empowerment Employee Service Delivery	0.348	*		X
Employee Service Delivery Service Agility	0.324	**	.11	X

Note: CS = Completely Standardized Path Coefficient, R
        *$p<.05$, **$P<.01$

Here, we see just through employing an "eyeballing" approach, the model is not as fit as the main model. Moreover, one fewer path is now significant – the link between market orientation and financial rewards is now insignificant. Although there is justification for the creation of this model (due to structure of the retail industry), there is

no real benefit with regards to fit over the main model. There is no reason to believe that financial rewards are not a function of the manager and not the firm, nor is it at all unlikely that the retail managers arrange for training themselves without the benefit of help from their corporate headquarters. In fact, if the retail service firm were indeed market oriented, which the model attempts to account for, the managers would indeed, not rely on permission from the corporate office in order to train or reward their employees.

Limitations and Contributions to Practice

The scope of the current research is limited. Only ten stores from one retail service firm were surveyed and analyzed. However, given the charge of the research, this limited scope is a benefit, not a curse. What we are attempting to model is not actual, generalizeable measures on firm market orientation or firm service agility. What we are attempting to model are the *perceptions* of market orientation and service agility *given* the work environments that retail store managers' and retail front-line service employees' experiences. While in most studies, the inclusion of more firms implies a more general view of intrafirm relationships, here in this model, we show that different employees within a firm may be experience the same general day-to-day of working for the same firm, but the unique experiences they have in working within that firm shape their perceptions of support that they are given at the very top echelon of decision making. While we did not have a sample size that was necessarily large, a tremendous contribution the field is that we were able to obtain and analyze dyadic data between supervisor and employee and include both within a path model.

102

Service Strategy Focus

In a previous study on the adaptive behaviors of service employees (Gwinner, Bitner et al. 2005), the authors counseled that a weakness of their current study was that they did not factor into their analysis a factor of firm strategy or managerial practice. The current research has included such analysis, requesting managers comment on their retail firm's degree of market orientation and the employees to speculate on their firm's degree of enterprise service agility.

Importance of Training

As a previous study regarding agile service transactions found (Miller, Calantone et al. 2009), training, specifically situational and interval training are predictors of an employee's degree of "buy in" into the firm's agile strategy. This study tends to bear out those results as well. Employees perception of training they receive is linked both to the employee's perception of their own service delivery as well as the perception of the firm's agile strategy as well – the only tactical variable to do so.

Role of Empowerment

Empowerment allows for the employee to take a more active role in their own position (Hartline and Ferrell 1996) which ultimately leads to greater job satisfaction. A previous study in psychological empowerment (Spreitzer 1995) found that empowered employees have more motivation to do their jobs well than unempowered employees, while Luria et al. (2009) found that empowered employees were both more likely to handle service failures without involving a manager, as well as report those service failures to their manager afterwards.

103

In the current research, it is revealed that empowerment is positively aligned with the employees' perception of their own service delivery, but unrelated to their perceptions of the firm's degree of adaptiveness to the market. This may be due, frankly, to the degree to which they see their own empowerment being a function of the leeway of their supervisor, or that of the culture of the firm at large. Again, front-line employees have a very small view of the establishments for which they work. Their knowledge of their firm's organization-wide efforts to engender an empowered workforce could conceivably be lost on the employees themselves, as they might attribute such efforts (or lack thereof) to simply a trait of their supervisors.

APPENDICES

Appendix I: Operationalization of Constructs

Construct	Definition	Operationalization
Marketing Orientation Pelham and Wilson (1996)	Degree to which the manager perceives that the firm "exhibits a corporate culture that effectively and efficiently creates value for buyers	1. All our functions are responsive to service larger markets.* 2. Our firm's strategy for competitive advantage is based on our thorough understanding of our customer needs. 3. All of our managers understand how the entire business can contribute to creating customer value 4. Information on customers, marketing success, and marketing failures is communicated across functions in the firm.* 5. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.* 6. Our firm's market strategies are to a great extent driven by our understanding of possibilities for creating value for customers 7. Our firm responds quickly to negative customer satisfaction information throughout the organization. 8. Top managers frequently discuss competitive strengths and weaknesses.* 9. We frequently take advantage of targeted opportunities of competitors' weaknesses.*
Commitment to Service Quality (Mowday, Steers et al. 1979; Hartline and Ferrell 1996)		1. I feel strongly about improving the quality of my organization's services. 2. I enjoy discussing quality-related issues with people in my organization. 3. I gain a sense of personal accomplishment in providing quality services to my customers 4. I explain to all of my employees the importance of providing high-quality service to our customers. 5. I often discuss quality-related issues with people outside of my organization.* 6. Providing high-quality services to our customers should be a number one

priority of my organization
7. I am willing to put in a great deal of effort beyond that normally expected in order to help my organization deliver high quality services to our customers.
8. The way I feel about quality is similar to the way my organization feels about quality.*
9. I really care about the quality of my organization's services.

Recognition	Degree to which the employee perceives the workers in his firm are praised	1. When an employee goes "above and beyond" the call of duty, this firm gives that employee public recognition. 2. Employees are given public acclaim when they assist customers in a service crisis situation. 3. Employees who are able to assist customers despite a service failure in the organization are respected. 4. Employees that perform well are recognized within the company.
Financial Rewards	Degree to which employees perceive they are compensated fairly for their outputs on the job.	1. Employees that extended themselves so that the customer is made happy are rewarded. 2. Employees that are given rewards for helping customers with specialized requests. 3. Employees who are recognized as "go-to" people during customer crises are rewarded. 4. We often reward people financially for great performance.
Empowerment (Hartline and Ferrell 1996)	Degree to which employees perceive that they are allowed to improvise service solutions in order to achieve customer satisfaction	1. I have complete freedom in my work. 2. I am permitted to use my own judgment to solve customer problems. 3. Initiative is encouraged of employees at this firm. 4. At this firm, I do my work the way I think is best.*
Training (Lytle, Hom et al. 1998)	Degree to which employees feel as if they receive timely and position-relevant training.	1. Every employee receives training that enhances his/her ability to deal with unforeseen consequences service transactions. 2. Every employee spends much time in training sessions that simulate customizable customer service requests. 3. Front-line employees have supervisors to

closely work with them and teach them "on the job".

4. During training sessions, we work on exercises that highlight alternative means for completing a service when the normal means are unavailable.

5. This firm believes that training front line employees is crucial to later understanding customer needs.*

Service Delivery	The employee's assessment of the quality of his/her own service performance	1. I always try to provide great customer service. 2. Customers are usually satisfied with the quality of service I provide. 3. I respond well to customers' basic requests 4. The basic service I provide is excellent.
Service Agility	Ability of the firm to tailor a service offering based upon the specific, evolving needs of the customers it serves.	1. Generally, this firm is able to recognize changes in customer needs. 2. Generally, this firm is able to adjust the provided services in order to satisfy changes in customer needs. 3. Once the firm has determined a strategy to change its service delivery, the changes are felt throughout every facet of the firm immediately. 4. The strategic vision of the firm is flexible enough to handle changes in the business environment. 5. Our firm has the appropriate competency to be able to handle changes in service delivery.

Appendix II: Critical Incidence Technique Survey – Employee Survey

Employee Service Survey

Gaining insight into employee's extraordinary consumer service behavior is the goal of this survey. The survey should take about 20 – 30 minutes to complete. Please take your time and be ensured that your responses will remain confidential.

The questions on this survey are all open-ended and boxes are provided for your responses. In many cases you may be able to provide a short answer for a response, but it is critical for this research that you go into as much detail as possible when responding to these questions. Please take your time on each question and provide as much detail as you can recall for each response. Thanks again for all of your help!

#1) Please provide the name and location of the service provider that you work for (i.e., Kellogg Center on MSU's Campus, Douglas J Salon, Albert St., East Lansing, MI).

#2) Approximately how long have you worked for this provider?

#3) In the space below please explain in detail how you were trained to perform your job at this service provider. In responding to this question please list all formal training (designate training session arranged by your company), informal training (on the job "learn as you go" training), courses taken, or mentoring that you received.

#4) To answer the following questions please reflect on a recent time when a customer of your firm commended you or a fellow employee for "going all out" or "going beyond the call of duty" in performing a service. *Assume "going all out" or "going beyond the call of duty" to mean that the employee extended him/herself in order to ensure that the customer's specific needs were met and the customer was unquestionably satisfied with the service performed.* In the space below please describe the situation and exactly what happened.

#5) When (approximate date and time of the day) did this incident happen?

#6) What circumstances led to this situation?

#7) How did the customer behave before, during, and after this experience?

#8) Are you (or your colleague) *naturally inclined* to do whatever it takes to ensure that the customer's needs are met in a customer service transaction? Describe why or why not.

#9) When you (or your colleague) come to work, do you always *want* to ensure the customer's needs are met? Why or why not?

#10) What, if anything, do your manager(s) do to make you want to "go beyond the call of duty?" Please list below

#11) What about the customer made you (or your colleague) want to "go beyond the call of duty"? Please list below.

#12) What other factors (other employees, customers, training, etc.) helped or hurt you (or your colleague) in delivering this extraordinary service?

#13) Have you (or your colleague) received training designed to prepare you for reacting to these types of events that require you to go above and beyond the call of duty? If so, please describe such training.

#14) Are you rewarded when you "go above and beyond the call of duty" at work? How so?

Appendix III: Critical Incidence Technique Survey – Manager Survey

Manager Service Survey

Gaining insight into employee's extraordinary consumer service behavior is the goal of this survey. The survey should take about 20 – 30 minutes to complete. Please take your time and be ensured that your responses will remain confidential.

The questions on this survey are all open-ended and boxes are provided for your responses. In many cases you may be able to provide a short answer for a response, but it is critical for this research that you go into as much detail as possible when responding to these questions. Please take your time on each question and provide as much detail as you can recall for each response. Thanks again for all of your help!

#1) Please provide the name and location of the service provider that you work for (i.e., Kellogg Center on MSU's Campus, Douglas J Salon, Albert St., East Lansing, MI).

#2) Approximately how long have you worked for this provider?

#3) In the space below please explain in what sort of training you provide to your service-providing employees. In responding to this question please list all formal training (designate training session arranged by your company), informal training (on the job "learn as you go" training), courses taken, or mentoring that is provided to employees. Please indicate the frequency of this training, if possible.

#4) To answer the following questions please reflect on a recent time when a customer of your firm commended one of your employees for "going all out" or "going beyond the call of duty" in performing a service. *Assume "going all out" or "going beyond the call of duty" to mean that the employee extended him/herself in order to ensure that the customer's specific needs were met and the customer was unquestionably satisfied with the service performed.* In the space below please describe the situation and exactly what happened.

#5) When (approximate date and time of the day) did this incident happen?

#6) What circumstances led to this situation?

#7) How did the customer behave before, during, and after this experience?

#8) Is the employee of this situation *naturally inclined* to do whatever it takes to ensure that the customer's needs are met in a customer service transaction? Describe why or why not.

#9) To the best of your knowledge, does this employee always *want* to ensure the customer's needs are met? Why or why not?

#10) What, if anything, do you (or your firm) do to make employees *want* to "go beyond the call of duty?"

#11) In your opinion was it a _good_ thing that the employee acted so flexibly in order to best serve the customer? Why or why not?

#12) What other factors (other employees, customers, training, etc.) exist that might affect your employees in delivering this extraordinary service?

#13) Do you (or your firm) provide training to your employees designed to prepare them for reacting to these types of events that require them to go above and beyond the call of duty? If so, please describe such training.

#14) Are employees rewarded when they "go above and beyond the call of duty" at work? How so?

Appendix IV: Copy of the Initial Email Letter to Store Managers

Dear RETAIL ESTABLISHMENT WITHHELD Managers,

Thank you once again for joining me on today's conference call. As promised here is an email detailing the talking points and issues of today's conference. Specifically, I will provide you with the following information:

· **Action Items:** Need tasks to be completed by store management

· **Overview of the Survey Processes:** Complete review of the survey procedures for management, employee, and customer surveys

· **Timeline for Survey Project:** Desired schedule for completion of the survey project

ACTION ITEMS

To get this project started, we need some initial information and commitments from the store managers. Specifically, we need the following:

· Reply email that includes:

1) Contact information for each manager and their anticipated work schedule and availability for these dates......

2) If possible, a listing of all of the active employees at each store location, and the job title.

OVERVIEW OF THE RESEARCH PROCESS

1) I (Joe Miller) will call you to inform you that he will be visiting your stores beforehand.

2) While there, I will distribute envelopes to all employees – each of which contains a password to enter the survey, and a special employee code.

3) I will place a link on your break room computers to the online survey. Employees and managers can simply click on that link to begin the survey. There is a unique link to THREE different surveys (one for managers, one for assistant managers, one for employees).

· Employee Surveys -

1) Survey takes about 30-45 minutes to complete.

2) Over the next two weeks, all regular employees and managers must arrange a time to take the survey

3) The link to the survey is also included in the employee letter so employees may (for whatever reason) take the survey at home, on their own time.

4) Individual employee information will be kept confidential, but what data will be given will be aggregated across employees per store, under a particular assistant managers, and so forth.

6) Managers may commence the Employee survey as soon as envelopes are distributed.

· Manager Surveys – Concurrent to the employee survey process, the managers are also required to complete surveys, The purpose of the manager survey is crucial, as it allows us to identify perceptions and expectations gaps between manager and employee

1) Manager surveys are to be completed in a similar fashion to the employee surveys.

2) There are two sets of manager surveys: 1) a survey for the head store manager, and 2) a survey for the assistant store manager. These surveys are both accessible through the website on www.xxxxxxsurveys.com

3) The manager surveys should also be completed within two weeks.

4) Managers may commence the manager surveys as soon as envelopes are distributed.

Appendix V: Copy of the Survey Information Letter Sent to All Store Employees

Dear RETAIL ESTABLISHMENT WITHHELD Employee,

By way of introduction, my name is Joseph C. Miller, and I am the lead researcher on a cooperative project RETAIL ESTABLISHMENT WITHHELD has entered into with Michigan State University. The goal of this project is to: 1) determine what drives quality service here at Gander Mountain, 2) determine what means we can take to serve our customers even better in the future, 3) understand how you, our valuable employees, feel about performing services for our customers. Researchers at Michigan State University, in turn, will use the answers you supply on this project to perform scholarly research to gain a better understanding of the agile service firm.

For this project to be successful, we require input from you. We would very much like to ask you about your experiences working here at RETAIL ESTABLISHMENT WITHHELD. This survey is online, and at some point over the next two weeks, we would like you to arrange a time to take the survey on the computer in the back room. Your managers have been advised that you are to have time to complete this survey, so there should be no problems with approval to do so. To take the survey, just click on the red "Q" to begin. The survey should take between 30-45 minutes to complete.

If, for some reason, you would like to complete the survey at home, at your leisure, that is entirely acceptable. In this case, please navigate to the following website:

http://www.xxxxxxsurveys.com/employee.

It is crucially important to for you to understand that for this project, surveys submitted by employees will remain confidential. The names of the employees who complete a survey will not be shared with RETAIL ESTABLISHMENT WITHHELD management, unless the employee specifically requests it so. However, MSU researchers do require each employee to include their names so that they can be assured that they have captured a valid survey.

Both RETAIL ESTABLISHMENT WITHHELD management as well as MSU's Broad School of Business wishes to extend appreciation in advance for your cooperation on this exciting project.

Joseph C. Miller

PASSWORD: xxxxxxxxx

EMPLOYEE ID

Appendix VI: Open Ended Survey Form Distributed to MBA Students on the Topic of Service Agility

Posed Question:

In today's business environment, firms are increasingly focusing on service strategy as a means for differentiating its brands in the competitive marketplace. By 'service strategy', we are referring to a strategy in which the focus on the actual product of the brand reduced, while the importance of any human interactions implicitly involved with the ownership of said product (information, consultation, hospitality, order-taking, and billing) is increased.

One of the major issues of invoking a service strategy is the reality that the manager of the service-providing organization must run allow his organization to be agile enough to provide different qualities to different customer requests. For instance, think about customers in line at a bank – depending on what service the customer wishes to have done, the bank needs to be agile enough to provide speed to one customer, compassion to the next, accuracy to the next, and so forth. Of course, this agile quality will ultimately be carried out, not by the high level managers of the firm, but by the front-line service workers who ultimately have the highest level of contact with the customers. These service workers ultimately have to display a degree of what has been termed "adaptive behavior" in order to focus on the needs of each individual consumer and provide the exact service that is needed every time.

As a manager of an organization that is enacting a service strategy, please describe the techniques you would use in order to ensure that the front-line employees are displaying adaptive behavior in dealing with customer concerns. Please feel free to touch

upon topics such as training, trust, risk preference, innovation, customer input, competition, and employee evaluation.

Responses:

OE001

In keeping with the bank example the first thing I would do as a manager is enact appropriate guidelines. For example, although you want the front-line employees to have the ability to be adaptive, you also want them to provide the same level of service as it relates to similar requests. If a customer wants to make a deposit there should be a standardized procedure in place for that particular request.

Training reinforce(s) the ability to recognize when a situation is standard and requires a standardized response and when it is not. When it is not the employee should not only be aware of the company goals but the purpose behind those goals and additionally how her performance is contingent upon the achievement of those goals. As a result, the company will see different adaptive behaviors by different employees, but all of those behaviors will be performed with the same end goal in mind

OE002

Any time I have been charged with developing and training a service-related staff I have begun with an in-depth verbal description of the types of customers that the service employees might encounter (i.e.: this type of customer will expect this type of service, etc.). By providing a realistic preview of the position and the types of

interactions that the employees will have, the employee will get an initial glance at just how agile they will have to be. Secondly, I ask them to think back on the interactions that they've had in the past with service employees. I ask them questions regarding both good and bad interactions: What service were you hoping to receive? What was the source of the issue? How long did the service take to be performed? If there was an issue, how long did it take to resolve? Was it resolved? How was it resolved? If it was a pleasant experience, list reasons why, etc. Personalizing the service issue enables the employee to realize that their actions have an impact on people; that they're not just working in a bubble.

In addition to teaching the actual mechanics of how to perform their job, I also have a period of time in which the new service employee shadows an established star employee to witness moments of service agility and outstanding overall customer service. This activity teaches the new employee the kinds of behaviors that I expect of them. In addition, it further personalizes the employee-customer relationship by enabling the new employee to observe the behaviors and reactions of customers when they receive agile or exceptional customer service.

Next, I stress to my new employees that I am there for them (as well as the other, well-established employees). It is critical to have support and resources in a service-related industry. In other words, there are no dumb questions and, more than likely, someone else has gone through a similar situation. I also make it known that I am very willing to hear suggestions from both them and the customers with which they interact. Improvement is impossible without open and honest communication.

OE003

Initially training would play a major role to give the employee the skills to be agile and to be able to service the variety of customer needs. Further, top management needs to incentivize that kind of agile and flexible responses of the employee. This adaptive behavior needs to be communicated clearly and often to employees to stress its importance in meeting customers' needs. Additionally, management needs to be open to feedback and ideas of employees. Managers need to learn from these front line employees about what works and what does not that take that knowledge and implement it throughout the organization. Employees need to be held accountable to this way of doing business. With employee evaluations and must have support to correct any deficiencies in their performance. Just as important employee satisfaction with their jobs needs to be considered to ensure that employees are satisfied with their jobs, which directly translates to how well they treat their customers. If employees get the proper respect, pay, (and) attention, they will give that same level of attention to their customers.

OE004

    1) Do random customer satisfaction surveys before people leave

    2) Incentives – Tie some or all compensation to their satisfaction scores.

    3) Ensure proper training (empowerment)

    4) Properly communicate goals of organization

    5) Seek feedback from front-line employees

    6) Have the manager monitor periodically.

OE005

Since the "perfect" employee is not always standing at the door waiting to be hired,

training is key. If employees are well-rounded in their training & familiar with the

business & tasks they are to perform, they should be able to tackle any obstacles they

face. The employee should trust their own abilities and the ability of those around them to

maintain ease & cut down on competitiveness. Customer input should be valued b/c

ultimately the employee is there to serve the customer input should be regularly sought &

reviewed.

OE006

A big part of encouraging excellent customer service would have to include an

exceptional training program that included role playing, frequently asked questions, and

how to handle a variety of situations. Furthermore, ongoing feedback would be a must

and it should be linked to their compensation package. While I would take into

consideration, a comment box, I would rely on my own observations and 360 degree peer

evaluations to truly evaluate their customer service abilities. I would also implement

morale boosting activities that would encourage these positive behaviors and form social

norms.

Appendix VIII: Service Agility Qualitative Study List of Codes*

(Adaptiveness) Interpersonal Adaptive Behavior – Speaking to the ability of the employee to change his demeanor to match that of the customer

(Adaptiveness) Service Offering Adaptive Behavior – Speaking to the ability of the employee to match the services of the firm to the needs of the customer

(Internal Desire) Acquiescence of Firm's Agile Strategy – Speaks to the fact that the employee understands the service delivery goals of the firm and carries them out to uphold those goals.

(Internal Desire) Willingness to be Agile – Speaks to the intrinsic desire that the employee may have to carry out a flexible, tailored service to the customer.

(Reward) (Pay) Base Rate Raise – Reward is given to the employee by the manager through a raise in the base rate of pay.

(Reward) (Pay) Bonus – Reward is given to the employee by the manager through the payment of some special payment, usually given at some regular, often annual period of time.

(Reward) (Pay) Material Gift Compensation – Reward is given to the employee by the manager through the awarding of some sort of material, non monetarily based gift.

(Reward) (Recognition) Group Recognition – Reward is given to the employee by the manager in a group context, awarding employees in a group without singling out the work performance of any one group member.

(Reward) (Recognition) Individual Recognition – Reward is given to the employee by the manager in an individual context, awarding high-performing individual employees within a group setting.

(Reward) (Recognition) Promotion/Increased Responsibility – Reward is given to the employee by the manager through the assignment of greater responsibilities in the employee's job, or alternatively, a higher job title with a justifiable base rate pay increase to match the new title.

(Reward) Good Example – Reward is given to the employee by the manager when the manager him/herself, or someone closely related to the manager provides the employee with a model for success.

(Reward) Intrinsic – Reward is not derived from external sources whatsoever, but motivation is instead derived from the employees on innate desires to perform quality services.

(Reward) Job Assistance – Reward is given to the employee by the manager by assuring the employee that when the employee finds him/herself in a troublesome situation, the manager will be there to lend assistance.

(Reward) Pay – Reward is given to the employee by the manager by more money, not specifically through base rate or bonus pay.

(Reward) Reassurance – Reward is given to the employee by the manager through praising the behaviors of the service worker, even when the actual outcomes may not be particularly desirable.

(Reward) Recognition – Reward is given to the employee by the manager through by some means of recollection that a good work was done, not specifically in an individual or group context.

(Reward) Threats – Reward is given to the employee by the manager when the manager gives some sort of threat to his employee, usually regarding the nature of said employee's future prospects with the firm.

(Preparedness) (Training) Competency Testing – The manager prepares the employee for providing quality service by giving a preconstructed test to the employees regarding the concepts of relevant information in the performance of the position.

(Preparedness) (Training) Formal Training Period – The manager prepares the employee by requiring, usually at the onset of the employment, the employee to attend a dedicated, demarcated program, designed to turn out a competent individual for the particular position.

(Preparedness) (Training) Informal Training – The manager prepares the employee by putting the employee to some training, but the training itself is not a set-aside, distinct entity from the job itself (i.e. "learn as you go" training)

(Preparedness) (Training) Interval Training – The manager prepares the employee by setting aside time to for the employee to attend training sessions at regularly-planned intervals (often 3 months, 6 months, or one year), each training session focusing on some new concern or aspect of service performance, important to the firm at the time.

(Preparedness) (Training) Job Shadowing – The manager prepares the employee by assigning trainees to observe and assist, or "shadow" more senior employees.

(Preparedness) (Training) Observation – The manager prepares the employee by watching the employee handle service situations and offering critiques as necessary.

(Preparedness) (Training) Orientation – The manager prepares the employee by designating a short period of time where the employees is given a lecture on work rules, policies and procedures.

(Preparedness) (Training) Situational Training – The manager prepares the employee through the provision of training for a particular real-world scenario.

(Preparedness) Empowerment – The manager prepares the employee by allowing the employee some degree of self-direction.

(Preparedness) Service Vision – The manager prepares the employee by indoctrinating the employee with the firm's policy of customer care.

(Preparedness) Training – The manager prepares the employee by providing training, the type unspecific.

(Situation) Employee performs job duties using special care – Situation is such that the employee was singled out by the customer for doing his normal job duties but with a certain attitude or demeanor, such as 'compassion' or 'speed'.

(Situation) Employee performs new task – Situation is such that the employee was singled out by the customer for performing a task that is outside of the normal duties regularly performed by the employee.

(Situation) Service Failure Recovery – Situation is such that the employee was signaled out by the customer due to the employee's response following some sort of breakdown in the service delivery.

Appendix IX: Description of Data Critical Incident Study Data Set

40 service firms represented:

Professional Services: 10

Athletic Clubs: 4

Nonprofit Organizations: 6

Retailers: 10

Restaurants: 5

Survey Research Firms: 1

Ticket Box Offices: 1

Auto Rentals: 1

Manufacturers: 1

Employees' Tenure		Managers' Tenure	
0 > 6 Months:	7	0 > 6 Months:	1
6 Months > 1 Year:	8	6 Months > 1 Year:	1
1 Year > 2 Years:	8	1 Year > 2 Years:	3
2 Years > 3 Years:	5	2 Years > 3 Years:	4
3 Years > Up:	11	3 Years > 6 Years	15
6 Years > 10 Years:	0	6 Years > 10 Years:	8
Over 10 Years:	1	Over 10 Years	8

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