Modeling the Human Side of Service Delivery

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We present an open systems model that describes the processes and systems whose cumulative effects shape the human side of service delivery. The human side of service delivery, we believe, has received less attention in the service science literature than the more technical side. The open systems view of consumer service organizations focuses on input, throughput, and output stages. The creation and maintenance of a service climate is the key issue for throughput management practices in the model, such climate being partially dependent on employee and customer attributes as input and in turn linking to the output of the firm in the form of customer satisfaction and profits. A shared service climate across the subsystems of organizations—*all* subsystems (e.g., information technology, finance, HR, marketing) for *all* organizational members regardless of rank or position (e.g., executives, front-line supervisors, staff who serve service delivery people, and service delivery people themselves) is seen as the key to managing the complexities of the human side of service delivery if the firm is to be competitive in the marketplace.

1. Modeling the Human Side of Service Delivery

We present a model that helps frame the understanding and management of the many human organizational issues that influence the delivery of service quality to customers of consumer services. Much has already been published on separate human issues in service delivery, such as customer expectations, employee rewards, training, leadership, and so on. Here we attempt to weave these seemingly separate topics and issues together by examining the forces and dynamics by which these human issues cumulate to make the firm either a *service* firm, or just another firm. And we highlight in our model and discussion how service climate—the sense people have that service quality is the raison d'être of the firm—is the centerpiece of this cumulative effect.

We focus on consumer service delivery rather than business-to-business service delivery or professional service delivery though we believe many of the principles and issues we raise also apply to these as well. The principles we outline apply to services with both high and low customer contact. That is while face-to-face contact between server and served is critical for what customers experience (e.g., in restaurants and at the theater), human issues are also critical to the quality customers experience with services that are more technologically driven (e.g., information technology). As we will note numerous times, the service orientation and management and motivation of those backstage who design such technology ultimately have an impact on the quality of service that customers experience.

The paper unfolds as follows. First we present an overview of a systems model of the human side of service delivery. We then describe the model in more detail, highlighting a number of the key human customer, employee and management issues that exist in the various stages (input, throughput, and output) of the model. We by no means describe all of them or even the entire body of research for those we do mention. Our goal is to offer a model that is a useful lens for viewing this topic, to bring the model to life with some illustrative topics, thus providing readers a sense of the basic tapestry of the human side of service delivery. A common thread throughout is how

organizations can manage human issues by creating a service climate that ultimately influences the service quality customers experience as the output of these firms..

Finally, we confess to another goal for this article. That is to bring the human side of service delivery more visibly and fully into the domain of "service science." Our view (Schneider and Bowen In Press) is that the technological side of service in the new service science, e.g., decision sciences and information technology-based quantitative models, has dominated recent writings and thinking and that a dose of the human side is important for the long-term usefulness of this new field.

2. Modeling the *Cumulative* Effect of Human Issues: An Overview of the Model

Our model of the human side of service delivery (see Figure 1) is built on two dimensions, one horizontal and one vertical. The model shows that the dynamics within and across the dimensions combine to yield a service climate. Service climate defines whether or not the organization is truly a *service* firm, or not. Service climate is defined as the meaning people derive from the service quality policies, practices, and procedures of organizations and the service quality behaviors that get rewarded, supported and expected there (Schneider, White, and Paul 1998).

Figure 1 A Model of the Human Side of Service Delivery
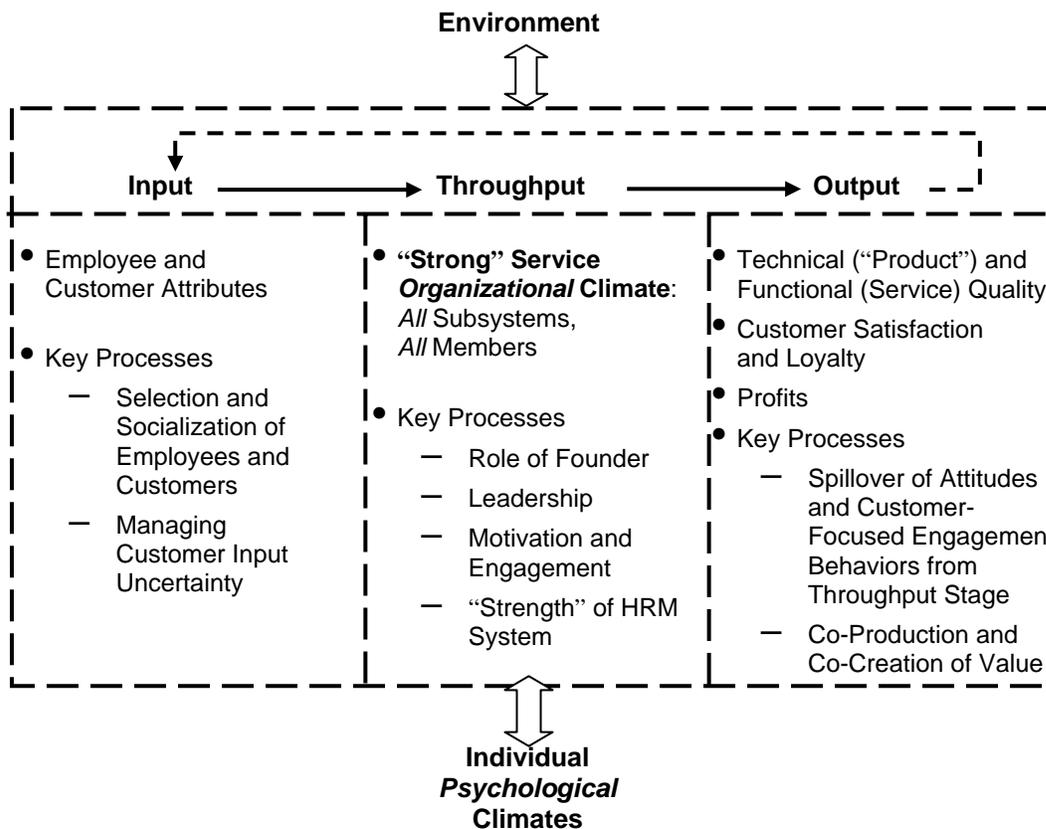
A set of service climate items of the kind that have been used in this line of research (Schneider et al. 1998, Schneider, Macey, Lee and Young 2009) is shown in Table 1. Respondents are asked to rate their work unit and/or organization (from Excellent to Poor) on each item and then the items are added up to obtain a score for each individual and then across individuals a grand mean for a work unit or organization is calculated and then correlated with customer satisfaction. There are now dozens of studies in the literature showing this linkage effect (Cooil, Aksoy, Keiningham, and Maryott 2009; Dean 2004; Schneider, Macey and Young 2006). Service climate serves a macro coordination function in organizations when it is strong and positive because it emanates from and pervades the many subsystems of organizations. It is when service climate is pervasive that maximum customer satisfaction is

achieved (Schneider et al., 2009) with the resultant revenues and market value that follow (Anderson, Fornell, and Mazvancheryl 2004; Gruca and Rego 2005).

Table 1 Service Climate Survey Items[*]

- How would you rate the job knowledge and skills of employees in your business to deliver superior quality service?
- How would you rate efforts to measure and track the quality of service in your business?
- How would you rate the recognition and rewards employees receive for the delivery of superior service?
- How would you rate the overall quality of service provided by your business?
- How would you rate the leadership shown by management in your business in supporting the service quality effort?
- How would you rate the effectiveness of our communications efforts to both employees and customers?
- How would you rate the tools, technology, and other resources provided to employees to support the delivery of superior quality service?

([*]From Schneider, B., S. S. White, M. C. Paul. 1998. Linking Service Climate and Customer Perceptions of Service Quality: Test of a Causal Model. *Journal of Applied Psychology* **83** 150-163. © American Psychological Association. Adapted with permission.)

2.1 The Horizontal Dimension

The horizontal dimension in Figure 1 is *not* the conventional lateral perspective of cross-functions. That perspective is essential, but not the one best-suited to framing the human issues in service delivery. To explicate the horizontal dimension of the model we will build on the open systems model by Katz and Kahn (1966; 1978) much as was done earlier with regard to service operations by Fitzsimmons and Fitzsimmons (1982 and successive editions). It is called a *systems* model because it deals with how the transformation process flows through interrelated stages and subsystems; it is called an *open* systems model because it deals with organizations not only in regard to their internal functioning but it is also focused on the way the organization in turn interacts with its larger environment.

For example with regard to service delivery, open systems thinking along the horizontal dimension of the model would propose the following:

- The individual attributes customers and employees bring as inputs into the organization in terms of expectations, abilities and personality will influence the way they interact with each other.
- The individual attributes employees bring with them to the organization will be behaviorally displayed in positive ways to customers to the degree that the leaders/managers for which those people work reward, support and expect such behavior as part of the throughput process.
- Leaders/managers of people will reward, support and expect positive service behavior from employees to the degree that the larger corporation has in place polices, practices, and procedures that provide the resources (e.g., time, technology, and training) required to optimize service excellence in interactions with customers.
- Service excellence in turn yields the customer satisfaction and profits that keep service organizations viable.

Clear in these thoughts is the idea that the various processes on the horizontal dimension of Figure 1 flow into and influence each other beginning with inputs. The next stage in the process is the throughput phase. Thus the challenge for any organization when viewed through an open systems framework is the throughput coordination of the various subsystems of the organization in the conversion of inputs to outputs. This is important because of the well-known inclination of open systems to strive for differentiation. Differentiation leads to specialization and insularity and it is this natural inclination to differentiation that must be coordinated. As we have noted, the creation of a service climate is the critical coordination mechanism in throughput. Research indicates that when organizations promote across their various subsystems a focus on service quality to customers by the creation of a service climate then there is coordination across those subsystems in their focus and customer satisfaction follows (Schneider and White 2004).

As to outputs, the outputs can be viewed as both technical outputs, i.e. the benefits were delivered by the core service, and functional outputs, i.e., how those benefits were delivered via treatment by employees (Gronroos 1990). Together, these influence customer satisfaction, which in turn, relates to loyalty, and profits. And service output does not have value, in and of itself, nor can it be fully embedded in the throughput process. Value is co-created by the customer during their consumption experience (Vargo and Lusch 2004).

In short, an open systems view of people in a service organization proposes that numerous issues involving multiple stages and subsystems accumulate horizontally to yield the behavior observed on the part of any one individual in interaction with a customer. After providing an overview of the vertical dimension of the model in Figure 1 we will explicitly link customers to the internal organization and show how the open system simultaneously behaves as an internal whole and also interacts with its environment, in the present case its customers (Bateson, 1985).

2.2 The Vertical Dimension

Turning to the vertical dimension of our model, it is not just the traditional view of hierarchical levels. Rather, it is the perspective of how human issues accumulate from the individual-level to the team and organizational-level. And this vertical dimension, moving up in level of analysis, combines with the horizontal. For example, consider the "input" of individual employee attributes. As noted in Lawler (2008), firms face the dual challenges of not just sourcing great talent, but also the challenge of melding individual talent into collective organizational capability—which in systems terms is an effective throughput capability. The challenge on this dimension is to build the service imperative perception of individuals into a shared perception by all members, regardless of their task or rank.

Building these shared perceptions requires managing the process by which individually-based psychological climate perceptions are built into a strong, shared organizational climate. Psychological climate is an experiential based individual perception of the sense s/he makes of what's going on around him/her (James and Jones 1974). For example, what sense does each individual make of the kind of goals pursued in their setting and how s/he is supposed to pursue them, and what are the consequences of doing so, or failing to do so? Organizational climate is the *shared* perception of the firm's goals, e.g. service, and related practices. A "strong" organizational climate, such as a strong climate for service, exists when there is low variance in employees' shared perceptions of their organization's imperative (Schneider, Salvaggio, and Subirats 2002) which emerges as a function of the strong throughput processes, such as the HRM subsystem (Bowen and Ostroff 2004), that we will discuss in detail in the next sections.

In what follows we now organize our presentation around the horizontal flow of the three stages of the open systems model. We layer in the vertical dimension in the throughput stage in particular, and develop more fully the role of service organizational climate. Throughout, we note what is known about how human issues at various levels of horizontal and vertical analysis impact how effective the organization functions in a service delivery world. Noteworthy, also, is the role and impact of both employees and customers across all three stages of the open systems model.

3. Input: Employee and Customer Attributes

In what follows we will focus on the employee side of input into organizations, given that is where are own disciplinary focus can be most strongly applied. Yet, clearly customers are also inputs as part of the human side, so we will also sketch their role to complete the picture and the model.

3.1 Input via Selection of Employees

We see input issues vis a vis service quality as more than a face-to-face service delivery concern but applicable to anyone working in a service organization at any level and in any job. There is a myth that only face-to-face service delivery employees must have the abilities and personality to satisfy customers. Open systems thinking tells us that this myth is dangerous because unless there is a common sense of purpose across all subsystems in organizations then differentiation will occur yielding a lack of common focus. A few examples will reveal how this works.

- Software programmers who do not have a service and customer focus will design software for use by service delivery employees that meets their own standards for efficiency and elegance rather than the requirements of service delivery employees and customers.
- So-called "backroom" staff employees (Finance, HR, Marketing, Operations) will design systems that meet the standards of their professional peer groups but not the employees who will be forced to cope with neither what they design nor the customers who will be "touched" by what they design.
- Executives who make strategic decisions about the allocation of scarce resources (people, money) "tell" the employees in a company what is important to management by those decisions; the purchase of information technology to deal with customers versus investing in training of service delivery employees says a lot.

These few examples show that it is difficult to overestimate the importance of the attributes people bring to their work organizations as an influence on what that organization looks and feels like with regard to its service quality focus. It is too easy to say that it only counts "where the customer meets the employee" or conversely "it is most important at the top of the organization." The only way in which the latter statement is true is that, if top management does not focus on hiring service and customer-oriented people, then all is lost.

The rule with regard to employee input into service organizations is to focus not only on service delivery employees. That is, if service quality to customers is important then all employees at all levels and in all functions must be brought to the company with service quality abilities and personality. It is important in this regard to note that another myth is that the only thing that really matters is the service or customer-oriented personality and that people can be taught the rest of the job. That myth is just that, a myth and it is an incorrect one. Ability is the single best predictor of performance across all jobs because it predicts what people can do; personality is also important because it predicts what people will do. The moral of the story is to focus on both ability and personality (Ployhart, Schneider, and Schmitt 2006). And it is quite clear that people who are high on customer orientation can be selected (Frei and McDaniel 1998).

In sum, the people hired by companies are the foundation on which they can build a service-centric work place. This is true at all levels of the firm and in all jobs, no matter how seemingly removed the job is from direct service delivery to customers. But hiring is the first step in the input process and input is only the first step in the creation of a service-centric organizational climate.

3.2 Input via Socialization of Employees

It is one thing to hire people with the right attributes and it is another thing to socialize them to the service ethos during entry. In the best case scenario socialization serves to reinforce the attributes that served as the basis for the hiring decision. Socialization is the process through which people come to "learn the ropes" of their new job and company (Louis 1990). There is formal socialization in the form of training and there is informal socialization that takes a more natural form as people introduce themselves to each other, as people are influenced by their daily interactions with their immediate supervisors, and as people simply observe what happens to them and around them.

Research has long shown that:

- informal socialization can either negate or enhance what is learned in training (Fleishman 1953).
- people who come to a job with realistic expectations about what the job and the organization will be like are more satisfied, less absent and less likely to turnover than those who are "sold a bill of goods" about what their experiences will be (Phillips 1998).
- people who receive interpersonal support from co-workers and leaders adjust more rapidly and perform in superior ways (Trice and Beyer 1993).
- people who are in an environment where their co-workers display more service-oriented behaviors to customers will do the same themselves (Lam and Schaubroeck 2000) and produce higher levels of customer satisfaction (Schneider et al. 2009).

Although we know of no such research we propose that such findings would apply also to those who support front-line service delivery employees because research shows that support from staff people is important for service delivery employees in their interactions with end-user customers. For example, a paper by Ehrhart, Witt, Schneider and Perry (In Press) studied the service quality experiences of customers in branch banks and showed that in branches where employees reported they received superior service from corporate headquarters it was those branches in which customers responded most positively to the service climate created in the branches. In other words no matter what the branches did internally, if they did not receive superior service from corporate staff then customers did not have positive experiences.

In sum, both the formal and informal environment newcomers encounter has consequences for their behavior in their direct service delivery roles and in the ways in which they will support those who directly service customers. Companies that ignore these issues forget the maxim that early experiences in the work place have long-term consequences for the ways people will behave long after they are newcomers.

3.3 Input via Customers

Customer inputs come from their roles as both consumers and co-producers in the open systems model (Lovelock and Wirtz 2004). The fact that there exists diversity in both customer demand and customer disposition to participate pose input uncertainty for service firms that must be managed in the design of the throughput stage (Larssson and Bowen 1989). As consumers, for example, they bring both expectations, e.g. reliability and responsiveness (Parasuraman, Zeithaml, and Berry 1994), as well as human needs to be satisfied, e.g., the needs for security, fairness, and esteem (Schneider and Bowen 1999).

In their role as co-producers, customers, like employees, input their abilities and personality traits that can used in co-producing the services they consume. For co-production to be performed well, customers need to be "managed as human resources" in the sense that they must be carefully selected and socialized, just like employees, as has been described by numerous commentators (e.g., Bowen 1986; Lengnick-Hall 1996; Lovelock and Young 1979; Mills 1986).

Perhaps the clearest explication of the issues involved in conceptualizing customers via a systems perspective is the one developed by Larsson and Bowen (1989). In their thinking customers are involved simultaneously in input, throughput and output. That is:

- customer attributes (abilities, expectations) are important input information for the design of a system that will satisfy them
- customers as co-producers are essential for fully understanding throughput issues for the service firm
- the service quality that yields customers satisfaction is of course a key output for service organizations.

Larsson and Bowen (1989) note that customer input uncertainty is highest when diversity of demand is high and customer disposition to participate is high. In turn, this affects the throughput stage, to which we will turn soon, in that differing levels of input uncertainty must be matched to different interdependence patterns amongst the customer, front-line service delivery people, and back office employees, who in turn must be matched to different portfolios of coordination mechanisms. For example, with low diversity of demand and low customer disposition to participate in producing the core service (e.g., ATMs in banks, co-production in fast food restaurants) coordination concentrates on standardization and limited, tightly specified scripts. In the high-high condition (e.g., psychotherapy and higher education), coordination of throughput relies upon customer/employee mutual adjustment and large, loosely specified scripts (Meuter, Ostrom, Roundtree and Bitner 2000). The challenge for the firm of course is to manage this diversity perhaps treating customers as if they were also (partial) employees. In an open systems perspective, then, inputs can readily become throughputs since, in service delivery the customer can be a co-producer in service production as a throughput process—to which we will turn after summarizing input.

3.4 Input Summary
Selection and socialization practices can be applied to both employees and customers (market segmentation and advertising to the segment(s) of interest are essentially customer recruitment and selection) but there is no doubt that firms have more control over the selection of employees than they do over the selection of customers. The result is that the customers of organizations reveal great variability with the resultant uncertainty and management challenges such variability produces. How firms manage this variability will be discussed in the section on throughput.

With regard to the input issues related to employees there are useful tactics available for making hiring decisions that will bring to companies people with the ability and personality required in service jobs (Ployhart et al. 2006). These tactics (tests, interviews, simulations) are applicable to all levels for which hiring decisions must be made. They are also applicable as aids in making decisions with regard to hiring those who will support those who deliver service directly to customers. The latter point is one we wish to doubly emphasize because to date those who support service delivery have not been the target of service-centric hiring but should be, based on the data (Schneider et al. 1998; Ehrhart et al. In Press). Those data reveal the support front-line delivery people receive is critical for the quality of service they deliver to customers and those customers' satisfaction.

Evidence also exists to show that socialization experiences have an important impact on employees both in the short and long term. Information processing theory offers a way to understand this impact. Information processing theory says that what people believe is true requires huge amounts of countervailing information before those beliefs will change (Newman, Hanges, Duan, and Ramesh 2008). Newcomers are blank slates on which their early experiences write what they believe their new job and organization is all about. Those early experiences fill a void and when that void is filled it is difficult to change it. By implication, companies that ignore who they hire and how they socialize them do so with great long-term risk.

4. Throughput: The Role of Service Climate

Throughput is the stage during which inputs are transformed to outputs via various conversion activities and processes. Katz and Kahn (1966; 1978) highlight the social-psychology of organizations (e.g., roles, relationships, and norms) in explicating the input-throughput-output model. Similarly, our emphasis in this overview of throughput is on establishing the psycho-social nature of throughput. Specifically, and as we have noted several times, the focus is on service climate as that context and on some of the key processes that create and maintain a service climate (see Figure 1).

What are the initial origins of an organizational climate for service? Most customer-centric companies are born that way; few organizations can change who and what they are (Burke 2008) and those that do manage to change do not maintain the change over time (Burke 2009). An excellent case example of this phenomenon is Southwest Airlines and the customer-centric culture created by Herb Kelleher, the founder. His perspective was that by hiring the right people at the outset and socializing them to his service-centric values, and by designing efficient operational systems (baggage handling, loading planes, refueling planes, and so forth) a new kind of airline with both a service climate and an efficiency climate could be created—and it happened. Competing older airlines that attempted to replicate this model failed in those attempts—and they failed because they did not begin with these foci but tried to add them on an already existing model which did not accept the changes required.

Companies become who and what they are because companies mirror the abilities and personality of their early founders who set in place by their behavior how the organization behaves vis a vis everything it does and the ways it does things, particularly relative to how the organization will go about coping with the challenges it faces. These include such human organizational issues as the ways decision-making hierarchies of authority are created, the creation of jobs with more or less autonomy and variety, the tactics adopted for sensing the larger environment, and so forth. And the more successful the company is early on the more fixed will become what the founder and his or her early cohort create (Aldrich and Ruef 2006; Schein 2004; Schneider 2008).

So, founders face an uncertain world and they must cope. Think of the ambiguities of starting a company as the equivalent of an inkblot and the responses to that inkblot give a picture of who the founder is, what his or her abilities are and his or her personality also. Some will be skilled at organizing people, some will be skilled at technology, and some may have both skills. Some will be extroverted and some introverted and some will be agreeable and others dogmatic. What and who they are will serve to result in the hiring and socializing of others with similar attributes in a natural cycle and the cycle will repeat itself for so long as the organization is successful yielding people who approach the world in somewhat similar ways. And it is the ways people in organizations cope that is actually what other people call climate and culture. It is climate because founders put in place the practices, policies and procedures by which the firm runs and founder and his or her cohort reward, support and expect particular kinds of behaviors. They do this by what they attend to and by what they dedicate scarce resources to—these send a clear message about what is important (Schein 2004). These also send a clear message about what the founder and everyone else values and believes in—the very definition of organizational culture (Martin 2002).

This description of how organizations come to be the way we observe them—we rarely see organizations evolve and develop over time but see them as we find them (Aldrich and Ruef 2006)—helps us understand the intimate connection between the ways organizations work internally and the inputs they continue to gather in the way of people. Later we will show how this throughput image also affects the output of organizations. For now it is important to carry throughput processes to a finer level of detail to present an image of what actually happens to and for people as they work.

But before we do that, it is very important to note that we will here focus on the human throughput issues internal to organizations; we fully understand that customers encounter more than people when they deal with a service firm. For example, they encounter information technology (telephones, web sites, kiosks), printed matter (balance statement, e-tickets), the physical property (the bank facility, the hotel registration desk and the restaurant; so-called "servicescape;" Bitner, 2000), and these also have an impact on their experiences and their satisfaction. Our central important point is this: All of these seemingly non-human issues are also under the direct decision-making control of the management of firms and the degree to which they commit the time and resources necessary to have them connote quality. Information technology that fails to work well for employees who serve customers is not the fault of the technology (as much as it is blamed) but the fault of those who purchased it and/or led the development of and approved the software. Restaurants that fail to accurately monitor reservations, have dirty tables, and torn carpets are the fault of management not paying attention to the details. So, in what follows we focus on the human issues with the understanding that they also get played out in more than face-to-face service delivery ways.

4.1 Leadership

Leadership occurs at all levels of an organization from the very top level to the work unit level. It follows from the discussion of the founding of firms that the stronger the climate and the tighter the cycle of founder attributes and selection and socialization that is put in place the more similar will be the focus of leadership throughout a company. Obviously the more service-centric the founder the more he or she behaves in ways that create a service climate for others and this cycle is repeated at all levels and in all jobs in the company. Leadership must constantly monitor this service-centricity (Shah, Rust, Staelin, Parasuraman, and Day 2006) and this can happen best both formally and informally. It happens formally through continuous performance monitoring that includes assessments of service

delivery competencies and outcomes and it happens informally through services managers who wander around and serve as a role model for service-oriented behavior (Katz and Kahn 1978; Lam and Schaubroeck 2000).

Research clearly shows how leadership at the front line results in customer satisfaction (as well as lower employee turnover and higher productivity). Harter, Schmidt and Hayes (2002) collected employee descriptions of their supervisors' behavior for more than 1,000 work units in many industries and then related those employee descriptions to data they also obtained on customer satisfaction. They showed using sophisticated statistical analytic techniques (technically called meta-analysis) that when employees have a supervisor who recognizes their competencies, rewards them for superior performance, and in other ways supports them in doing their work, customer satisfaction follows (as does productivity and lower turnover).

Leadership is an influence process and leaders are most effective when followers identify with the leader and his or her behavior and goals. Leaders are most identified with when they create in followers a sense of fairness and trust (Graen and Uhl-Bien 1995). In addition, when employees feel fairly treated, this tends to spillover so that customers also feel fairly treated, positively influencing their satisfaction (Bowen, Gilliland, and Folger 1999; Masterson 2001; Maxham and Netemeyer 2003).

Leaders help engender employee feelings of fair treatment by empowering (trusting) followers in the first place (Lau and Liden 2008), by showing clearly how followers can achieve their own personal goals by working to achieve company service goals (Schoorman, Mayer and Davis 2007), and by showing they understand follower expectations and needs (called the "psychological contract;" Rousseau 1995). The more these leader behaviors revolve effectively around service excellence—again at all levels and in all jobs not just face-to-face service delivery jobs—the more likely the company is to have a strong and positive service climate, a key to customer satisfaction.

4.2 Motivation

Leadership in some ways is all about motivation but it is not the act of motivating employees but the act of *releasing* the motivation that is in employees in the pursuit of service excellence. So, imagine that the company hires new employees who have a positive service orientation and the skills to do their jobs and further imagine that new employees are socialized both formally and informally to behave in service-oriented ways. The question becomes: Why does leadership have to motivate these people? The answer is that they do not have to motivate such people. What they must do is create conditions in which the inherent motivations people bring with them will be displayed (Berry 1999; Schneider and Bowen 1995).

It is true that face-to-face delivery people will likely bring to the firm a higher degree of customer orientation than will software programmers and information technology "geeks." The former will have more positive social interests rather than technical interests (Holland 1997) and will be more skilled from an emotional or social intelligence standpoint (Goleman, Boyatzis, and McKee 2002) but the paradox of course is that organizations pay the *least* attention to creating conditions that will promote a service orientation for those who would benefit from it the most.

There are two important conditions to create for such people. First, leaders of such people must display in their behavior the expectations that in doing their jobs they will be service-oriented. This is not something that people are told but it is something they are lead to believe—to believe that the expectation is for them to do their work at the highest levels of service as well as technical quality. The reason this is so important has been demonstrated in a series of field experiments by Eden (1990). Eden shows that when leaders have expectations of followers—unspoken expectations—that those followers perform in superior ways to those who are lead by leaders without such lofty expectations; a self-fulfilling prophecy is created and fulfilled. The second condition such leaders create follows from the first: they set specific difficult goals to deliver high quality service products and services to those who will use them. The rule is that specific difficult goals are the most reliable motivational technique for which we have evidence (Latham 2007).

4.3 Employee Engagement

Employee engagement refers to the feelings of enthusiasm, urgency, intensity and focus people can experience at work (Macey, Schneider, Barbera, and Young 2009; Schaufeli and Salanova 2007). Firms that have motivational strategies of the kind we have noted earlier as well as leadership that is seen as fair and trustworthy have employees who feel more engaged in their work. Early conceptual work on engagement was done by Kahn (1990) who identified the engaged worker as someone who felt that their work permitted them to reveal their true selves; that they felt completely immersed in their work. The early empirical work somewhat paradoxically emerged form work on burnout—with engagement being thought of as the direct opposite (Schaufeli and Bakker 2004).

Employee engagement is a part of what has come to be called "positive organizational scholarship" (Bakker and Schaufeli 2008; Luthans, Avolio, Avey, and Norman 2007). This movement is similar to the one reviewed earlier by Eden (1990) on the self-fulfilling prophecy as it is built on the idea that approaching the work from a positive vantage point has positive consequences. Indeed, evidence suggests that employees experience higher levels of engagement when they are treated positively and fairly by their leaders and trust them, when they work at jobs that are challenging and in which they have relative autonomy, and in jobs where they feel appreciated for what they do (Harter, Schmidt, and Hayes 2002; Kahn 1990; Macey et al. 2009). In sum, employee engagement is an outcome of socialization to work, and the leadership and motivation practices, procedures and rewards people experience at work and when those combine to produce an engaged work force, there are positive consequences indeed. But the positive consequences might be directed in many ways, of which satisfying customers through a focus on service quality *might* be one. The question is: What can organizations do to ensure that on both the horizontal and vertical dimensions of the framework in Figure 1 this sharing of the service imperative will come to pass? The answer is that they must have a strong Human Resources Management (HRM) system to make it happen.

4.4 Strength of the HRM System: Human Issues Accumulating from Individual to the Organization Level

Processes associated with a founder's legacy—leadership, motivation, and employee engagement—collectively influence how individuals all come to share a view of their company's service imperative. The strength of all these processes will shape the strength of the service climate. The meaning of this can be understood from Bowen (1996) and Bowen and Ostroff's (2004) description of the "strength" of the HRM system relative to its capability to create a strong organizational climate out of potentially variable individual psychological climates. A strong HRM system, as a whole, includes the following characteristics:

- "Visibility" such that HRM practices, e.g., performance criteria, are salient and readily observable
- "Consistent HRM messages" such that service quality is not just discussed in meetings but is fostered uniformly through selection, socialization, training, performance management systems, and so forth
- "Legitimacy of authority" such that HRM agents and practices are taken seriously in a setting, as opposed to a belief that only other subsystems such as finance and marketing really are of consequence
- "Validity" such that hiring the right people and training them effectively is supported by validation and evaluation studies that clearly link these practices to the display of desired service behaviors
- "Agreement among principal HRM decision makers" such that top executives and senior HRM managers are sending the same signals about service as a strategic imperative and how to pursue it.

In sum, a "strong" HRM system is essential to the vertical dimension of our model in order to create shared perceptions of service imperatives among all organizational members regardless of job or rank.

There is a recent description of how one company, Harrah's Entertainment, Inc., integrated their efforts across these various issues to create and foster employee engagement focused on customer service (Schneider, Macey, Barbera and Martin (2009). The approach outlined by Schneider et al. reveals a multi-faceted approach to customer-centricity. In brief, Harrah's decided in 2006 to focus on employee engagement for the potential it had as competitive advantage. Their logic was that engaged employees would be the employees most likely to behave in customer-centric ways when a service climate was created because their own needs and expectations had been met. The model they followed had the following components:

- Hire employees with a customer orientation
- Treat employees well (e.g., offer flexible scheduling, ensure co-worker cooperation and support, be competitive on pay)
- Develop leaders to be engagement role models through coaching, training, development through appropriate experiences, and upward feedback from employees.

The consequences have been positive at the properties adopting this effort including reduction in employee turnover, improvements in customer satisfaction, and awards as a Best Place to Work.

4.5 Throughput Summary

Before summarizing the employee issues that are our primary focus, we again offer the reminder that customers are a part of the human side of the throughput stage as well. And some of the same processes we have outlined for employees apply to customers. The more customers are involved as co-producers, then they, too, must be trained, motivated and led to perform their roles well. Actually, when both employees and customers participate heavily in throughput activity, there can even be contests between the parties, including management, as to which party actually controls the functioning of the throughput stage (Bowen 1983; Rafaeli 1989).

Delivery of quality service to customers is obviously a result of what happens inside the firm in the way of throughput. When throughput focuses on service quality then a service climate is created for employees brought in as input and the behaviors necessary to satisfy customers are revealed. We built up to service climate by first focusing on input processes and then focusing on more micro details (motivation and leadership) of throughput. The logic for developing the presentation this way is to ensure that readers understand there is no silver bullet for the creation of a service-centric firm but that many issues require simultaneous attention if employees in all functions and at all levels are to be engaged by the service climate that is produced.

An interesting finding in the service climate research literature makes the point nicely. The point is that if the service climate experienced is not a *strong* climate—one where everyone pretty much agrees that the raison d'être of the business is service quality to customers—then service climate does not predict customer satisfaction (Schneider et al. 2002). Thus, firms that only do hiring or only do socialization or only motivate for service quality cannot create a strong service climate; the service climate must exist in all the nooks and crannies of the business at all levels and in all functions whether or not they immediately touch or only indirectly touch the customer.

5. Output

Output is the outcome yielded by the throughput processes. Our discussion will center on a satisfied customer as the outcome, relative to having received core benefits that alter them and/or their possessions, as well as their feelings about the experience of being "served." This outcome is strongly influenced by two factors which we next describe: (1) the "linkage" between the throughput stage, e.g., service climate and employee engagement, and the outcome of customer satisfaction, which has been extensively examined through linkage research (Dean 2004), and (2) customer co-production and co-creation of value in creating a satisfied customer.

5.1 Linking Throughput and Output Stages: Employee Experiences and Customer Satisfaction
There is a tendency to think about all of the employee issues that get reflected in customer satisfaction as simply "employee satisfaction." This tendency, myth if you will, emerged from the influential work on the service profit chain (Heskett, Sasser and Schlesinger 1997). This perspective on customer satisfaction in the world of services has been very important in many ways—especially its systems perspective—but the authors unfortunately reached the conclusion that evidence—all manner of evidence data—gathered from employees that related to customer satisfaction was evidence on employee satisfaction. While this was conceptually convenient, e.g., in proposing the "satisfaction mirror," it did not necessarily reflect the wide range of employee survey data that have been related to customer satisfaction. Thus, satisfaction connotes satiation and contentment but satisfaction and contentment do not in turn connote energy nor do they connote the experiences employees have of the service climate in which they work. We explore each of these as features of the throughput system that have an impact on service quality and customer satisfaction.

We earlier described the evidence reported by Harter et al. (2002) in our discussion of leadership and Macey et al. (2009) have produced similar results at the firm level of analysis. They studied 44 *Fortune* 200 service companies in diverse service industries (including airlines, telecommunication, and retail firms) and obtained employee engagement data from the employees of those companies and related those data to customer satisfaction. Customer satisfaction was indexed by the American Customer Satisfaction Index (ACSI; Anderson and Fornell 2000) a nationwide measure used for the largest companies in the U.S. Their results reveal significant relationships between the employee engagement data and the ACSI across the firms. In addition, they collected indicators of financial success for the companies they studied (ROA, profits as a percent of revenues, market value) and showed that employee engagement also predicted those. This latter finding was nice to have but understandable because the evidence is clear that customer satisfaction predicts a variety of financial outcomes for companies (Anderson and Fornell 2000; Gruca and Rego 2005).

As noted earlier, reviews of the literature on service climate find reliable results in the understanding and prediction of customer satisfaction both for units of organizations (e.g., branch banks) and for organizations themselves. Indeed research shows that employee feelings of engagement most strongly relate to customer satisfaction when a service climate exists (Salanova, Agut, and Peiro 2005) and that customer-focused engagement behavior is also the result of a positive service climate (Schneider, Ehrhart, Mayer, Saltz, and Niles-Jolly 2005).

5.2 How to Understand the Linkage/Spillover Effect
The spillover effect emerges especially cleanly in service organizations because the service quality experiences employees have lead to their service quality delivery behavior and it is this behavior that yields customer satisfaction

(Schneider et al. 2005). Occasionally it might sound like it is the employee experiences themselves that yield customer satisfaction but this cannot be true because customers experience behavior they can observe not experiences which are internal to employees. So, the experiences created for employees are in fact the "surround" in which they behave, and this "surround" continuously sends messages to both employees and through employees to customers through the ways in which the input and throughput processes are carried out and their focus. When the input and throughput processes focus on service quality then the chances are high that a strong service climate is created and it is this climate that yields the service delivery excellence that results in customer satisfaction and competitive advantage (Payne and Webber 2006)

5.3 On Customer Co-Production and Co-creation of Value

Employees and customers in service firms are physically close but perhaps more importantly they are psychologically close (Bowen and Schneider 1988). They are psychologically close because service delivery is a social relationship no matter how fleeting it might be. Indeed, research shows that, even when fleeting, a relationship exists between employees and customers (Sutton and Rafaeli 1988). The relationship becomes stronger the more intense and frequent the contact between employee and customer suggesting that when contact is higher and more frequent the connection becomes stronger (Mayer, Ehrhart, and Schneider 2009). We hypothesize this effect is a function of the customer not only being present but possibly co-producing the service itself and always co-creating value.

Schneider and Bowen (1995) devoted an entire chapter in their book to co-production and indications of co-creation of value—customers co-producing the outputs they receive, as well as customers acting as organizational consultants to the throughput process, e.g., customers participating with the HR staff to select flight attendants or account executives, how best to market the firms services, and more. The essential point of this unique facet of service production and delivery is that *in an open systems model like the one presented here customers co-produce and co-create value through activities that are various bundles of input, throughput, and/or output.* This systems model fits well, then, with the Service-Dominant logic paradigm (Vargo and Lusch 2004) that customer value is only fully created at the point of consumption; it can not just be embedded in the production/throughput process.

5.4 The Cycle of Inputs Renewed

It may be obvious but the obvious frequently demand specific identification: Satisfied customers are more loyal meaning they return for additional services (Chandrashekaran, Rotte, Tax, and Grewal 2007) thus beginning the open systems cycle all over again. Indeed, service organizations *are* the cumulative effect of how well this repetitive cycle is managed, over time. *Customers* then are, in the best case, involved actively in input, throughput and output processes in organizations. When customers encounter a service system that has created a service climate with its employees through active attention to input, throughout and output then the result is obviously the successful service firm.

6. Conclusion

A closing observation is that our model of the human side of service delivery is, we believe, a necessary complement, even counterweight, to what seems to be the emphasis in service science on modeling the technical side of service delivery. We all would do well to heed the lessons from the socio-technical system perspective advanced some 40 years ago (Trist 1973). The socio-technical system explicitly viewed organizations as collections of people and technology structured to produce specific outcomes. The challenge, though, is that the behavior of technology is governed by one set of laws while people and the social systems in which they work are governed by another set of laws (Vail 1973 as cited in Cummings and Shrivistava 1977). We hope we have helped model through the open system perspective the laws that shape the human side of service delivery and have suggested how they might be integrated with the technical side, as well.

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