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**Services Marketing and Management:
Implications for Organizational Behavior**

**CEO Publication
G 87-6 (97)**

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May 1994

The authors contributed equally to this paper. We had the help of a number of other people who contributed their time in commenting on earlier versions of this paper: The ROB series editors, Art Brief, Richard Chase, Betty Clemmer, Tom Fitzgerald, Tom Gillett, Gary King, Duncan Knowles, Gene Remoff, Caren Siehl, Boas Shamir, Mary Ann Von Glinow, and Verlie Zeithaml.

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SERVICES MARKETING AND MANAGEMENT:
IMPLICATIONS FOR ORGANIZATIONAL BEHAVIOR

Abstract

The marketing of services and the management of service organizations have been understudied relative to the marketing of goods and the management of organizations that produce goods. The emergence of services marketing as an area of study within marketing is briefly reviewed with special emphasis on conceptualization of the attributes of service. This is followed by an examination of how these attributes of service pose unique organizing contingencies for service firms that, in turn, require some distinct organizing principles. These principles are seen as goals to be achieved by the management of service organizations if their organizations are to be effective in delivering quality service to the organizations' consumers.

Services Marketing and Management:
Implications For Organizational Behavior

There is a major revolution occurring in American society: we are becoming a service society. Two-thirds of both employment and the Gross National Product comes from the service sector (Albrecht and Zemke, 1985). Our images of work, however, remain associated with the production of goods: the organizational behavior literature is framed primarily by the study of manufacturing organizations (Bowen and Greiner, 1986; Mills, 1986; Schneider, 1985a); the GNP collapses all services into one category creating a blur of personal services, electricity, information, and management consulting.

In marketing, however, there has been a minor services revolution in which generic models of the marketing function are viewed as possibly inappropriate for the marketing of services. Historically, the science and practice of marketing has rested on a number of assumptions about effectiveness in marketing, assumptions that treat a bank service as if it were a box of cereal, i.e., a packaged good (Shostack, 1977a,b). In the past decade, though, some marketing professionals both in and out of academe have challenged these assumptions while thinking through a series of questions:

1. What are the attributes of services?
2. What are the implications of the attributes of services for the way they should be marketed?
3. How should the marketing function be organized to maximize the payoff from the marketing enterprise?

There now exists some fairly good agreement among service marketers on answers to these questions:

1. Prototypical services have three defining attributes: services are more intangible than products, customers tend to participate more actively in the production of a service than in the production of a good, and services tend to be produced and consumed more simultaneously than goods (Maister, 1982).

2. A major implication of these attributes of service concerns the role of employees in the marketing of services. Thus, because of the intangibility of services, how the service is delivered becomes critical in consumers' evaluations of service quality (Czepiel, Solomon, and Surprenant, 1985). Given that how a service is delivered is frequently dependent upon an employee, services marketers have made the role of the service deliverer a central feature of their research and practice (Vankatesan, Schmalensee, and Marshall, 1986).

3. It follows from the above that the marketing function in a service organization needs to be dispersed throughout the organization. That is, if employees are the key to effective services marketing, then wherever employees work, a services marketing orientation is required. This focus on a dispersed marketing emphasis has come to be called internal marketing (Gronroos and Gummesson, 1985).

The purpose of the present paper is to further energize the services revolution that has only recently begun to emerge in organizational behavior. In this paper we discuss the implications of services marketing and management for thinking and research in organizational behavior. We do this by drawing upon our own work and the work of others in the organizational sciences who have been attracted to this area ripe for interdisciplinary study. We first provide a contemporary frame of reference for how service evolved as a

subject of study. We then provide an expanded discussion of the attributes that define the nature of services. Next, we consider how these attributes of service pose unique organizing contingencies for service firms that, in turn, may require some distinct organizing principles. In this vein, we describe how service firms deal with a number of organizational behavior issues ranging from the establishment of organizational boundaries to recruitment and selection. We close our discussion with some future directions for the study of service in organizational behavior.

The Emergence of the Study of Service

Although service as a topic of study remains largely unrecognized, the past decade has witnessed futurists (Ackoff, Broholm, and Snow, 1984; Naisbitt, 1982) and popular writers on organizational effectiveness (Peters and Waterman, 1982) highlighting the role of service in the management of service organizations and in the economy as a whole. The futurists, particularly, have noted a significant transformation in the nature of work and organizations. The transformation has been one in which the focus of work effort has moved over time, from a "game against nature", through a "game against fabricated nature", to a "game between persons"--to use Bell's (1973) metaphors from his book, The Coming of Post-Industrial Society.

Bell suggests that for millenia man's existence depended upon the ability to cope effectively with nature. Brawn and energy were the necessary skills in the vocations of farming and fishing. The game against nature lasted until the middle of the 19th century with the advent of the industrial revolution.

The game against fabricated nature changed the relationship of man to work and required new forms of organization for the coordination of worker activities. First, no longer was the game between man and nature but between man and machine--between man and fabricated nature. Second, new forms of organization and new skills were required for coordinating the efforts of labor segmented by function and level. Especially in the areas of management science (anticipated by scientific management) and marketing, models of organization and the delivery of goods became quite sophisticated. Both the fabrication, and the marketing of what was fabricated, can be said to characterize this period of the game against fabricated nature.

Beginning with the early 1970s a network of influences seems to have focused increasing public attention on the game between persons. First, in society in general there was more concern with people and their emotions than there had been prior to the Second World War. In the work world these thoughts had been promoted by writers like Argyris (1957) and McGregor (1960), but it was not until the 1970s that actual interventions and concern for the quality of work life became a fact of life (Kanter and Stein, 1979).

Organization development (OD) and worker participation became everyday concepts in understanding organizational behavior and, in marketing, it became clear that the output of organizations had become dominated by services (Shostack, 1977a; 1977b). We believe that the change in OB and the change in marketing occurred concurrently because of an implicit sense that the game was now between persons, not against nature or fabricated nature. In Normann's (1984, p. 16) straightforward terms: "A typical feature of service companies is that one of their

outputs is new social relationships and that they have to extend their organizing capability well outside their own company." Indeed, both within OB (Schneider, 1973) and within marketing (especially in Europe; Eigler and Langeard, 1975) recognition of the simultaneous role of employee and consumer in the production and receipt of services emerged at about the same time.*

In marketing, progress in ideas and constructs regarding how services and products differed has been quite rapid (cf. Parasuraman, Zeithaml, and Berry, 1985) and that field has moved beyond mere definitional differences to the creation of models of service management and organization (Normann, 1984). Conversely, theories of organization and management emerging from outside of marketing, theories purporting to provide generic description and models of organizational functioning, ignore not only service but the consumer as well. In Nystrom and Starbuck's (1981) Handbook of Organization Design, for example, only one chapter exists on the consumer. In that chapter Danet (1981) indicates the customer's absence from organizational theory by noting that organizational theorists view organizations from the top looking down (management's perspective) or from the inside looking around (employee's perspective) but rarely from the outside looking in (Danet, 1981, p. 328). Thus, it is not until one has the construct of service as a Game Between Persons that the importance of the consumer in organization behavior becomes apparent. McCallum and Harrison (1985, p. 35), capture this well: "Service encounters are first and foremost social encounters."

*For a more thorough treatment of this issue, Hollander (1984) presents an insightful overview of early studies demonstrating this evolution.

The Nature of Service

Only after we understand how services differ from goods can we begin to conceptualize how organizations need to be designed and need to behave in order to be effective deliverers of service.

The prototypical service has three major defining characteristics (Maister, 1982; Schneider and Bowen, 1984):

1. It is relatively intangible.
2. It tends to be produced and consumed simultaneously.
3. It tends to involve the consumer in its production and delivery.

Intangibility

Services are intangible or much less tangible than physical goods/products (Levitt, 1981). Whereas products are tangible objects that exist in both time and space, services consist of acts or processes and exist in time only. Services are experiences that are rendered; products are objects that are possessed (Berry, 1980). Services cannot be possessed; they can only be experienced, created or participated in (Shostack, 1981). Bateson (1977) maintains that services are characterized both by "palpable" intangibility, i.e., they cannot be touched; and "mental" intangibility, i.e., it is difficult to envision precisely what has been obtained when receiving a service. Shostack (1977a) notes that because of intangibility more than one version of a "reality" may be found in a service market. She notes, ". . . the reality of a service varies according to the mind of the beholder" (1977a, p. 42).

Simultaneous Production and Consumption

Goods tend to be produced, inventoried, sold, then consumed; services are usually sold first, then produced and consumed simultaneously because they can't be inventoried (Berry, 1980; Maister, 1982). In services there typically are no middlemen or intermediate distribution linkages between production and consumption. Consequently, service operations frequently involve direct face-to-face interactions between the customer/client and producer/employee to complete the transaction (Chase, 1978; Czepiel, Solomon, and Surprenant, 1985; Fuchs, 1968; Mills and Margulies, 1980); the service provider is often physically present when consumption takes place (Berry, 1980). As Mills, Hall, Leidecker and Margulies (1983a) note, there is a mutual influence inherent in the direct face-to-face interaction between the customer and the service employee (Pickle and Friedlander, 1968; Schneider, Parkington, and Buxton, 1980). With respect to service quality, in particular, simultaneous production and consumption is a critical feature of service: ". . . quality in services is not engineered at the manufacturing plant, then delivered intact to the consumer. In labor-intensive services, . . . quality occurs during service delivery. . . ." (Parasuraman et al., 1985, p. 42).

Customers Participate in the Service Operation

Service operations depend upon the customer to provide the information that is the raw material to be transformed to service output, as well as making use of the clients' efforts in the transformation process (Mills and Moberg, 1982). The reliability of a physician's diagnosis may depend on patients' ability and willingness to describe their illness; service organizations having any element of

self-service, like banks and the use of automatic teller machines (ATMs), require considerable self-discipline and autonomous action from customers (Eiglier and Langeard, 1977). In other words, the economic market and division of labor is more clear with respect to goods than it is for services (Gersuny and Rosengren, 1973).

The participatory role of customers in the service production process is the rationale for recent works labelling customers as "partial employees" of the service organization (Bowen, 1986; Bowen and Schneider, 1985; Mills, 1985; Mills, Chase, and Margulies, 1983), consistent with earlier works by Barnard (1948) and Parsons (1956) that argued for the inclusion of the customer into the social system boundaries of organizations. Customers can fill partial employee roles during the input, throughput, and transformation stages of service production (Mills, 1983). Customers as partial employees can function either as "co-producers" with the service employee or as "sole producer," in the case of self-service alternatives (Bowen, 1986).

We view these three attributes (intangibility, simultaneous production and consumption, customer participation) as general features of services; there is still no strong consensus regarding precise distinctions between services and goods (Mills et al., 1983a). Clear delineation is difficult, if not impossible, given that the output of goods is typically accompanied by a facilitating service and service output is sometimes accompanied by a facilitating good (Sasser, Olson, and Wyckoff, 1978).

But clear delineation is not the goal. The purpose of specifying attributes of services is to offer a conceptual map for locating not only where goods and services differ but where services differ from each

other. For example, services have been categorized as being either consumer services or professional services (Fitzsimmons and Sullivan, 1982; Sasser et al., 1978). Consumer services (department stores, for example) most often have a facilitating good so the service can be more tangible, there is less simultaneity, and less participation of the consumer in the production of the service compared to professional services. Professional services are offered by professionals such as doctors and lawyers. There is frequently no tangible good exchanged, the service is produced and consumed relatively simultaneously for each consumer, and the consumer is an important part of what is actually delivered. For example, in a physical examination or in the preparation of a will, the consumer is an integral part of his or her service; he or she is a co-producer.

Services have also been conceptualized as "help-me" services, "fix-it" services, and "value-added" services (Albrecht and Zemke, 1985). Services in the help-me category are traditional personal services (household help) while fix-it services concern everything that breaks and needs repair--cars, computers, air-conditioners, and so on. Help-me and fix-it services tend to be relatively tangible, but they require some consumer participation. Value-added service is the most intangible kind of service in that it refers to the experience, for example, of going on a cruise or hearing an opera; it refers to the value assigned to the service by the actively participating recipient. Value-added service is service over and above what is deemed merely adequate by the consumer; a cruise is not the way one chooses to just get from one place to another. Ackoff et al. (1985) see value-added service as having to do more with the quality of life than with necessity. Value-added

service refers, then, to how people experience what is produced and what is delivered--and in the world of service, it is the consumer who determines quality and it is the employees who determine what the consumer experiences.

Albrecht and Zemke (1985, p. 16) put the complexity of the relationship between products and help-me, fix-it, and value-added services as follows:

The product purchased isn't simply an item with a set, intrinsic value the buyer is invited to take or leave. It is rather a bundling of the item: the product, the seller, the organization the seller represents, the service reputation of the selling organization, the service personnel, the buyer, the organization he represents, and both organization's images in the market place.

The point is that services differ on continua not only from goods but from each other and the organization by which, and in which, the service is delivered is a part of the service experience the consumer has.

Other differences between goods and services and the differences among services themselves are outlined in numerous other definitional frameworks of services (e.g., Lovelock, 1984; Mills and Margulies, 1980; Shelp, Stephenson, Truitt, and Wasow, 1985; Zeithaml, Parasuraman, and Berry, 1985). Although the frameworks differ in the importance they assign to intangibility, simultaneity of production and consumption, and consumer participation, they all conclude with the thought that if the prototypical service differs from a prototypical good then the systems by which goods and services are produced may also differ.

In the next section of the paper, we probe more deeply into the meaning of these three defining attributes by explicating the contingencies they pose for organizations and by outlining ways

organizations can cope in order to be effective in delivering quality service to consumers. The operative hypothesis, in keeping with the literature and what is developed below, is that the more an organization is dealing with services characterized by the three defining attributes, the more the attributes serve as important design contingencies for the organization.

Design Contingencies for Service Production and Delivery

Figure 1 shows that the three defining attributes of service suggest a set of organizing contingencies that must be coped with if the organization is to deliver high quality service to consumers. After discussion of these contingencies, we will suggest some principles organizations can use in response to those contingencies.

Insert Figure 1 Here

Intangibility

The intangibility of service output limits the objective reference points customers can use in perceiving the value of the services they receive (Mills and Moberg, 1982). The more intangible the service, the greater the performance ambiguity facing customers as they attempt to assess the equity of service exchange (Bowen and Jones, 1986). Services possess qualities that make them more difficult to evaluate than goods, forcing customers to search for cues and focus on processes when evaluating services (Zeithaml, 1981).

Drawing on the classification of qualities of goods proposed by Nelson (1970) and Darby and Karni (1973), Zeithaml proposed that goods

and services vary in their search, experience, and credence qualities. The intangibility of services leads them to possess few easily-observed search qualities (e.g., color and hardness), and more credence qualities that are difficult to evaluate (e.g., characteristics customers may need to accept on faith like the adequacy of a will or the necessity to repair or replace a carburetor). Consequently, customers may rely heavily on tangible cues not directly related to the service per se (e.g., physical setting of a law office) when evaluating services that, due to lack of knowledge, opportunity or time are highly intangible (e.g., a will). In marketing, this is called "tangibilizing services" (Levitt, 1981) or the creation of "atmospherics" (Kotler, 1973); the latter is a topic we will discuss more fully later.

Intangibility leads to difficulty in the development of valid output measures in service-organizations--(Ward, 1973). And, as the service is more intangible, the problems are more severe. Without valid output measures, some of the ~~techniques of~~ productivity improvement possible in manufacturing are difficult to apply in services (Mills et al., 1983b). Obviously there is debate over this issue (Levitt, 1972; Skar, 1971) but the debate concerns the categorization of all services as being highly intangible; the latter is not our position.

Regardless of the position taken, however, the critical measurement problem centers on the definition of service quality. This issue has been addressed in the marketing literature in a handful of writings (Lehtinen, and Lehtinen, 1983; Gronroos, 1982; Lewis and Booms, 1983; Sasser et al., 1978), and has been summarized by Parasuraman, Zeithaml, and Berry (1985). They suggest three underlying themes to the service quality literature: (1) service quality is more difficult for the

consumer to evaluate than goods quality because of the relative absence of tangible evidence; (2) consumers' service quality perceptions result from a comparison of their expectations with what they actually experience (this literature is usually based on the disconfirmation paradigm; Churchill and Surprenant, 1982); and (3) quality evaluations are not made solely on the outcome of a service, they also involve evaluations of the process of service delivery, e.g., physical setting, personnel, etc.

Given difficulties in defining and measuring service quality, the use of goal-setting to guide service employee behavior becomes very difficult (Mills et al., 1983b). That is, because services tend to be intangible and service quality is based on the service experience, the specification of tangible difficult goals is problematic (Thompson and McEwan, 1958). This condition holds more so for professional service organizations like medical groups and financial planners than for consumer service organizations like fast-food restaurants. In the latter case, routinized technology and physical offerings can allow both behavioral and output control of employees and, since consumer services tend to be more tangible than professional services, of consumer experiences as well (Ouchi and Maguire, 1975).

Simultaneous Production and Consumption

In contrast to manufacturing workers, service workers tend to be minifactories unto themselves because they not only help produce the output, but they are simultaneously involved in selling it as well (Sasser, 1976). In other words, it is difficult to decouple production, distribution, marketing and sales in service operations. Service employees in service encounters are said to function as a "service

trinity" (Lovelock, 1981): they run the service operation, market the service, and are equated by customers with the service. These service employees typically occupy boundary spanning roles (BSR) in which two functions are performed: information processing and external representation (Aldrich, 1979; Aldrich and Herker, 1977). In sum, the close organizational-client interface arising from simultaneous production and consumption requires BSR service employees to act as a "service trinity," "gatekeeper of information," and "image maker" (Bowen and Schneider, 1985).

From the logic of assembly line manufacturing, the simultaneity of production and consumption makes it difficult to balance the supply and demand sides of the service operation (Sasser, 1976). Because services cannot be inventoried, demand peaks cannot be accommodated simply by taking goods off a shelf (Berry, 1980). Simultaneity dictates that when the demand for service is present the service must be produced and this makes staffing extremely difficult since staffing to demand is less predictable than staffing to the pace of the assembly line (Chase, 1978). Demand peaks can occur during certain times of the day (airlines, restaurants) during certain days of the week (movies, hair styling), and during certain months of the year (income tax services, beach resorts; Sasser, 1976). Lovelock (1981) summarizes the consequences of the supply of services exceeding demand: "Unused capacity in a service organization is rather like a running tap in a sink with no plug; the flow is wasted unless customers . . . are present to receive it."

From the logic of the service organization, however, so-called slack time can be useful for a host of productive activities including

training, socialization, psychological and emotional support, the education of consumers who happen to be present, participation in community activities to expand the concept of service into the community at large, and so forth. The point here is that if only the manufacturing model is adopted as a frame of reference for interpreting the problems associated with staffing to demand, one is left with a short-sighted view of service and the needs of service workers. Katz and Kahn (1978, p. 150) put the issue this way:

The central error of the machine theory of organization is the assumption that people are tools for accomplishing a given purpose and that their work can be planned without consideration for human variability and reactivity. Machine theory is highly appropriate for the processing of material objectives through the use of tools. Its weakness in applying the same logic to human instruments in factory production is often compensated for by its efficiencies in dealing with the processing of materials. Where the materials being processed are human beings, this compensatory factor is missing.

Simultaneous production and consumption results in front line service employees often being as close physically and psychologically to the organization's customers as they are to the organization's management or even to other employees (Parkington and Schneider, 1979). This derives from proximity, the orientation toward providing good service that most employees possess upon entering service jobs (Schneider, 1980), and the empathy employees feel for customers since they, the employees, have at some point occupied the customer's role (Schneider, 1986). Indeed, service employees have been found to be more satisfied with the supportive behaviors displayed to them by their customers than by the supportive behaviors of their immediate supervisor, suggesting that customers might be viewed as "substitutes for leadership" (Bowen, 1983). Research shows that when service employees work in environments that fail to manage the divided loyalties

of boundary spanners, they experience frustration, dissatisfaction, ambiguity, and intentions to quit (Parkington and Schneider, 1979; Schneider and Bowen, 1985).

Customer Participation

In the service management system, the client appears twice: as a consumer in the market segment and as part of the service delivery system (Normann, 1984, p. 51).

The diversity and unpredictability of customer demands, and the on-site participation of the customer, which is often necessary for the performance of the service, are major sources of uncertainty (Argote, 1982). Consider, for example, a dentist's office or even a branch bank. Uncertainty involves the lack of predictability of client arrival, the services they may need, and the time they may take to exit the system. Uncertainty also derives from a lack of specific knowledge about what to do for different clients to effect client satisfaction since, in the dentist patient's case, in particular, each customer requires a unique service (Mills and Moberg, 1982). Customer participation in service operations--for example, the bank customer completing deposit and withdrawal tickets--coupled with the labor intensiveness typical of many service operations, adds to the heterogeneity and nonstandardization of services, which in turn, intensifies quality control problems.

The uncertainties posed by customer participation suggest that service systems with high customer contact are more difficult to control and standardize than those with low customer contact (Chase, 1978), in which the technical core is buffered, allowing the application of closed systems logic (Thompson, 1967). However, total sealing off of the technical core in service operations is problematic. For example, although some client arrival can be scheduled and queued:

. . . once in the workflow, the cycling, aborting, and serendipitous processes remain a major source of residual uncertainty. It is common for patients to cancel scheduled surgery, entering freshmen to drop out after a few weeks, and real estate customers to balk at the final stage (Mills & Moberg, 1982: p. 472).

Service operations may be more successful in incrementally sealing off the core via (a) client selection and socialization, and (b) routinization of the conversion process. Both alternatives represent attempts to convert service operations into a long-linked system, using selection or socialization on the input side so that subsequent subsystems may attain lower levels of task uncertainty (Mills & Moberg, 1982).

Buffering the core may not only be impossible but also undesirable. "Sealing off the core" is basically a goal of manufacturing, and while it may allow a greater number of clients to be served, the amount and quality of services produced for each client may decrease (Gartner & Reissman, 1974; Holland, 1973; Matteis, 1979). This is particularly the case when each consumer requires a unique service. More broadly, efforts to buffer the organization may alienate customers who do not appreciate the application of manufacturing logic to the delivery of service:

In taking our cue from the production management disciplines of manufacturing enterprises--a necessary first step, to be sure--we had tended to blur the difference in what a customer expects from a manufactured product as distinct from a service delivered. In gaining the control needed to achieve production efficiency, we had perforce homogenized the service that we processed. By imposing a kind of product uniformity on our [check] processing, we had sacrificed what is the very essence of a financial transaction service: its uniqueness. (Matteis, 1979: p. 150)

In a different slant on the issue of customer participation, the notion that customers may be both information and labor inputs to

service operations have led theorists to suggest that customers be viewed as "partial employees" of the service organization. In this vein, Lovelock and Young (1979) argue that, rather than viewing the consumer as an enemy and a source of uncertainty, shaping the customer's interactions with the organization can be a mechanism for improving service firm productivity. That is, in addition to the three means for improving productivity available to manufacturing organizations: [(1) improving the quality of the labor force, (2) investing in more efficient capital equipment, and (3) automating tasks previously undertaken by labor], Lovelock and Young (1979) indicate that the design of systems that capture consumers as partial employees can yield important productivity increases. Examples frequently cited for these include consumers clearing their own tables at McDonalds and the use of automatic teller machines.

Summary

Figure 1 and the accompanying text have shown some of the organizational design contingencies posed by the nature of service. Each service attribute creates an organizing contingency with which service organizations must cope. Next we propose a series of organizing principles to facilitate that coping.

Organizing Principles for Service Organizations

Figure 2 presents an outline of the principles of design necessary for effective service organizations, as guided by the attributes of service and the organizing contingencies they pose. Thus, what is presented here are the kinds of issues organizations need to manage to be effective.

Insert Figure 2 about here

Intangibility

The intangibility of service results in customers defining and evaluating service quality through summary impressions of evidence found in the service environment. Shostack (1977a) cites two kinds of service evidence: peripheral evidence which the customer can physically possess, such as an airline ticket; and essential evidence, which the customer cannot possess, such as office appearance, employees' dress, manner of speaking, etc. In similar terms, Sasser et al. (1978) differentiate the service environment into the service concept, which is the facilitating good, and the service delivery system, which includes atmosphere and image of facilities, attitudes of employees, etc., what Kotter (1973) calls "atmospherics" and Normann (1984) calls "image."

Schneider and his colleagues have referred to the employee-relevant portion of atmospherics and image as the climate for service, i.e., the cues about service quality that employees display to customers in the act of service delivery. Their research has shown: employees and customers have similar perceptions of service quality (Schneider, Parkington, and Buxton, 1980; Schneider and Bowen, 1985); employees and customers who experience superior service quality also intend to remain with the service organization (Parkington and Schneider, 1979; Schneider, 1973); and employee reports about the delivery of service are related to bottom line profit figures (Moeller and Schneider, 1986).

The service quality issues isolated by Schneider and Bowen (1985) in this line of research (management behavior, MIS and personnel systems

support, logistics support in the form of material and machinery, and customer attraction and retention) are reminiscent of the generic subsystems Katz and Kahn (1978) say are necessary for effective organizational functioning (managerial, maintenance, support, adaptive, and production). These climate for service dimensions emerged from factor analysis of employee responses to survey items dealing with organizational activities that facilitate or inhibit the delivery of quality service.

Because the Katz and Kahn (1978) generic subsystems emerged rationally from this research and appeared as valid correlates of customer quality perceptions and bottom line profitability, they have subsequently been pursued with respect to other customer service issues, including consumer satisfaction with repair services (Moeller, 1977), sales unit effectiveness in a financial sales organization (Moeller, Schneider, Schoorman, and Berney, 1987), and student evaluations of teacher effectiveness for departments in a university (Moeller et al., 1987). In each of these studies, application of the Katz and Kahn framework to the development of service climate diagnostics has yielded valid data against these diverse criteria of service effectiveness. What is perhaps most important about these results is that, as in the earlier research cited above (Moeller and Schneider, 1986; Schneider et al., 1980; Schneider and Bowen, 1985) employee perceptions of service delivery were significantly related to various indices of consumer behavior. Thus, in the study concerning student evaluations of teaching effectiveness, college professors were asked to report on the climate for teaching that existed in their departments; in the project on sales unit effectiveness, employees were asked to report on the degree to

which their unit facilitated meeting consumer requirements for information and understanding as well as the degree to which their sales efforts were facilitated by the equipment and personnel with which they worked. In each study, employee reports of the degree to which the various subsystems promoted service (teaching, sales) were significantly correlated with consumer behavior (evaluations of teaching effectiveness, purchases of financial services). Examples of items used for the diagnosis of the Katz and Kahn subsystems are provided in Table 1.

Insert Table 1 Here

The examples come from the Moeller et al. (1987) study of the climate for teaching in departments and student evaluations of teaching effectiveness. As is clear from Table 1, the items designed to assess each of the Katz and Kahn subsystems have a flavor of inhibiting or facilitating teaching. All of the work under this program, in fact, concerns facilitating and inhibiting the delivery to consumers of whatever it is the organization is supposed to deliver. Much of the thinking on work facilitation and inhibition is reviewed in Schoorman and Schneider (1987). Suffice it to say here that the Katz and Kahn framework has proved very useful as a vehicle for the conceptualization and development of measures of the extent to which service is facilitated.

A summary conclusion from this line of research is that the climate for service created in service firms "show" to both employees and customers. Service firms, then, need to manage and enhance their

internal climate for service to positively impact the attitudes and behaviors of the employees who serve the customers. Since it is employees who provide the service to consumers, organizations need to manage all the evidence consumers may use in appraising service. Indeed, as the intangibility of what the consumer receives is increased, the need to pay attention to the details of service delivery probably also increase. As this occurs, management must market the concept of service internally (Gronroos, 1982) so that service becomes the raison d'etre for all organizational activities, so that service becomes an organizational imperative (Schneider and Rentsch, 1987). It must become an organizational imperative precisely because of intangibility and the difficulty of specific behavioral specification and control.

The research just reviewed tends to focus on employee perceptions of the climate for service showing how this, in turn, is related to consumer evaluations of service quality. It is important to focus on what service quality means to consumers. In the marketing field, consumer evaluations of product quality have been a way of life, focusing particularly on the concept of value (cf. Oliver, 1980). However, research on service quality has only recently begun. This research has been summarized by Parasuraman et al. (1985) and been extended by them through an intensive interview study of service operation consumers. The results of their efforts are shown in Table 1, where the ten dimensions of service quality they have identified are shown.

Table 2 about here

What the Parasuraman et al. research has permitted is the development of measures of service quality, a first step in the quest for quantifying service quality (Parasuraman et al., 1986). As is clear in Table 1, the issues that have been isolated are comprehensive indeed, ranging from the seemingly less tangible (credibility) to the more tangible (physical facilities). What is important is that Parasuraman et al. (1986) have specified the issues in behavioral terms permitting the development of behaviorally anchored or behavioral observation scales (Landy and Farr, 1984). Given this level of accomplishment, the management of service delivery will have moved one small step from intangibility to tangibility (Fitzsimmons and Sullivan, 1982).

Reliable and valid specification of service quality output would facilitate the management of employees in both consumer service organizations (CSOs) and professional service organizations (PSOs). In CSOs, output measures, together with clear means-ends relations supporting routine technologies, can make both output and behavioral control appropriate (Oudri & Maguire, 1975). However, in PSOs, only output control may be appropriate, given that professionals typically insist on engaging in role-making rather than role-taking (Bucher & Stelling, 1969). Output control in PSOs is realized primarily through self-management and entrepreneurial type responsibilities (Mills, Hall; Leidecker & Marguiles, 1983). Self-management may even become decoupled from output control if increasing levels of intangibility make valid and reliable output measures unfeasible. Then "ritualized control" as found

in the foreign service, for example, (Ouchi and Maguire, 1975) become central.

It is important to add, however, that even self-managed employees are still subject to control (Hackman, 1986; Mills, 1985). Substitutes for leadership (Kerr, 1977; Kerr and Jermier, 1978) such as a professional orientation and collegial maintenance of norms are powerful sources of control. Also, research has established that close supervision and self-supervision can co-exist (Mills and Posner, 1982) when the focus of the supervisor's contact is to stay current with the employees work situation rather than to directly control it. In this situation, employee self-supervision takes place together with a supervisory style termed "consultative management" by Slocum and Sims (1980).

In summary, the fact that services tend to be more intangible leads to a number of organizing contingencies and organizing principles. As shown in Figure 2, the principles have a contemporary OB flavor. By this, we mean that the organizing principles following from the intangible nature of services address contemporary OB issues for the design of work settings. More specifically, the design issues concern: (1) the creation of climates for service for employees who, we hypothesize in turn create quality service climates for consumers; (2) the specification of the role of the employee in service delivery; and (3) conditions that facilitate self-management and worker role-making and autonomy.

Simultaneous Production and Consumption

The above discussion begins to highlight the limitations of conventional mechanisms in controlling organizational behavior at the client/firm interface. Task complexity; high input uncertainty; and task interdependence stemming from customer involvement in the production process; and the difficulty in specifying specific goals make it difficult to specify a priori how employees are to behave in the generally unpredictable range of circumstances that may arise during service provision. Consequently, core cultural values, e.g., "the customer is king," "the customer is always right" are particularly important sources for guiding and perhaps thereby controlling service employee behavior (Bowen, Siehl, and Schneider 1986; Schneider, 1986).

Service firms need to create and sustain cultures that enhance employee attachment to organizational service goals. When employees identify with the organization's service values, as revealed by its practices and procedures, employees have been found to be less inclined to quit and customers more satisfied with the service they receive (Schneider and Bowen, 1985). Additionally, when employee turnover is minimized, service values and norms are more easily transmitted to newcomers and successive generations of service employees.

A service-oriented culture is shaped through multiple mechanisms. At a general level, Schneider (1985b) has argued that organizations, and their cultures, are a function of the kinds of people in them who, in turn, are a function of an attraction-selection-attrition (ASA) cycle. Different kinds of organizations attract, select, and retain different kinds of people, which is one of the primary reasons that organizations look and feel different (i.e., have different cultures). In other

words, occupational choice is not a random process (Campbell and Hansen, 1981; Holland, 1985). The nature of persons who enter service jobs and service organizations is different from people who enter other kinds of jobs and work environments. For example, socially-enterprising types tend to view themselves as "people persons" attracted to customer contact work, unlike those who become controllers, quality assurance experts, and so on. The importance of this insight is that service workers at least initially approach their job from a service vantage point, desiring to provide service and desiring an organization designed to promote it, because they chose a service-oriented occupation (Parkington and Schneider, 1979).

Service firms must manage the recruitment, selection and training issues supporting the ASA cycle to insure they have service-oriented personnel. In recruitment, firms need to be sensitive to how their overall service culture attracts certain personalities as applicants. In many cases, the firm's personality and public image is a reflection of the firm's founder (Schein, 1985). In addition, the inculcation of strong service norms, like any other norms (Bennis and Nanus, 1985; McCall and Kaplan, 1985) requires strong top-down support to be effective (Albrecht and Zemke, 1985; Normann, 1984).

Some service firms (and industrial-organizational psychologists) need to invest more in developing selection and training techniques for improving the interpersonal skills of their customer contact personnel. This would be especially true because people who have strong service interests and values may not have strong service skills. Although techniques have recently been developed for selecting persons with service-oriented skills and competencies (Schneider and Schmitt, 1986),

the majority of validated selection tests tap cognitive and motor aptitudes, to the relative exclusion of interpersonal skills. Furthermore, our perception is that most interpersonal skill development training programs have been used with managers, not first-line employees. Overall, many personnel practices are still geared to the needs of manufacturing firms where it may be less important for front-line lower level employees to possess interpersonal skills to perform their production tasks well (Bowen, 1986).

We need to be clear here, as we have tried to be throughout, that we are not suggesting that all service firms need to devote all of their energies to enhancing the interpersonal competence of all of their employees. We are especially not suggesting that service organizations ignore other relevant technical competencies in pursuit of interpersonal competence. Most people would rather fly safely with a competent nasty so and so than with an incompetent sweetheart. At issue here is one of enhancing the quality of the service delivered through improved interpersonal sensitivity and, thus, to the enhancement of the consumer's service experience.

Research in branch banks by Schneider and Bowen (1985), for example, demonstrates the linkage between personnel practices and the culture they support, and employee and customer satisfaction. They found that when employees described their training, supervision, and so on as service-oriented, customers had favorable views of the quality of service they received. This suggests that a service-oriented culture can be enhanced by treating front-line employees as "partial customers," individuals deserving the same treatment that management wants the

organization's customers to receive (Bowen, 1986; Bowen and Schneider, 1985; Schneider and Bowen, 1984).

On the other hand, managing customers as "partial employees" is an effective organizational response to the difficulty of coordinating supply and demand. Increasing customer participation in service production and delivery offers service managers one mechanism for adjusting capacity to fluctuating demand (Sasser, 1976; Sasser, Olsen, Wyckoff, 1978). For example, the availability of automated teller machines (ATMs) that customers use to serve themselves can reduce the load on bank tellers during peak business hours. As Sasser observes, the more the consumer does, the lower the labor requirements of the producer. Alternative means for managing supply include using part-time employees and sharing capacity with other firms; some alternatives for managing demand include offering incentives for consumers to use services during non-peak demand times and the use of reservation systems (Sasser, 1976). In the latter case, for example, dentists smooth demand peaks through advance "reservations." Such systems permit both the organization and the consumer to plan.

A view of "employees as partial customers" and "customers as partial employees" underscores the physical and psychological closeness between employees and customers; it suggests that front-line employees should participate in decisions about what new services to offer and how to deliver them (Schneider and Bowen, 1984). In essence, the use of "service quality circles" is an important response to front-line employees' strong identification with the customer. The use of participative decision making (PDM) in this setting is consistent with normative prescriptions for PDM that claim it is desirable when:

(1) employees possess relevant information the manager lacks, and
(2) employee acceptance of the decision is critical for its implementation (cf. Vroom and Yetton, 1973). Relative to the first requirement, it has been demonstrated that front-line employees and their customers share similar views of service quality and the climate for service (Schneider et al., 1980; Schneider and Bowen, 1985). In contrast, bank branch managers have been found unable to accurately identify customer preferences (Langeard, Bateson, Lovelock and Eiglier, 1981). With respect to the second requirement, given that services are often evaluated based on how they are delivered, a participative decision style that enhances employee ownership of the new service is desirable since it may lead to employees being more satisfied and enthusiastic in service delivery.

The Issue of Control in Service Organizations. The above discussions of the design principles for intangibility and simultaneity of production and consumption highlight the problematic nature of control in the delivery of complex services. Our emphasis on control mechanisms such as self-management and cultural norms and values indicate the limited direct control service management may have over the quality of service that is delivered. In other words, when employees are delivering highly intangible services that are produced and consumed simultaneously, they are essentially acting alone. There is not a supervisor physically present in the employee-customer dyad who can exercise ongoing, immediate quality control. Additionally, intangibility complicates individual-level goal-setting and performance feedback as already mentioned.

At the same time, it hardly seems sufficient to depend exclusively upon the so-called "common sense" of employees to deliver services in ways that will simultaneously satisfy employees, customers, and management. Management must take control of the situational variables influencing employees to provide them with implicit direction; management must surround employees with a service imperative by emphasizing and facilitating service through all available subsystems. The objective is to very rigorously directly control the service environment in which employees work, moreso than directly controlling employees themselves.

We are advocating, then, that service organizations need to holistically design all organizational subsystems to create an organizational environment permeated with cues about the organization's emphasis on the delivery of service and acceptable means for providing it. Employee behavior is then controlled via this service climate or culture. For example, in the Katz and Kahn (1978) model, creation and maintenance of a climate for service requires at least the following:

1. Production systems that facilitate client access to the persons most likely to be able to satisfy their needs. Many service operations fail to provide a satisfactory service experience because it takes so long to find the persons who can provide the service. Additionally, these customer contact personnel need to be selected and trained against interpersonal as well as other skills criteria so when a customer can find them, a positive service experience can be the result.
2. Maintenance systems for the acquisition and maintenance of both personnel and equipment. It is often forgotten that people need

maintenance, too, just as machines and equipment do. Organizations purchase maintenance contracts on equipment, why not on people? One aspect of maintenance would be the development of service-oriented performance appraisal criteria which, in turn, lead to employees acquiring valued rewards. Appraisal and reward systems could be built around the determinants of service quality offered by Parasuraman et al. (1985). That is, contact personnel identifying customers by name, keeping their waiting lines short, calling customers back quickly, could define one dimension of superior performance and differentiate between those deserving alternative levels of rewards.

3. Support systems to provide information and material so that the service function can be carried out. In some research it has been shown that services are advertised before employees are even aware of them, much less trained to deliver them (Schneider, 1986). In addition, organizational support for dealing with exceptional cases must be in place (Thompson, 1967). In the consumer behavior literature, for example, it has been shown that as the volume of consumer complaints increases relative to other consumer communications consumer complaints units get increasingly isolated from marketing decision making (Fornell and Westbrook, 1984). Such isolation is not supportive of customer service.
4. Adaptive systems that anticipate the future and sense the nature of the larger environment in which the organization functions. A unique feature of service enterprises is that front-line lower level customer contact employees are continual sensors of the environment and they are likely to have access to information

unavailable to other members of the firm. However, organizations rarely seem to take advantage of the information lower level boundary spanners have for use in planning and decision-making (Schneider, 1986). Participative decision making would be a vehicle for tapping this expertise lower in the organization (Schneider and Bowen, 1984). The reason why information from the environment is so critical in service organizations concerns the issue of the attraction of consumers by service innovations. One unique characteristic of innovations in service organizations is that they are rarely patentable (Murphy, 1984). In fact, in banking there is considerable sentiment arguing that it is more profitable to be a follower than a leader (Murphy, 1984) because of the huge costs involved in being a leader and the ease and low cost of being a follower. Innovation in the service sector is not an easy issue with which to grapple and there is essentially no research on contrasting innovators with followers vis-a-vis important criteria of organizational success. However, if a service organization wants to be an innovator it must have access to its larger environment, especially the consumers who may be the targets of the innovation.

5. Managerial systems that are charged with coordinating the other systems for service delivery throughout the organization. The key word is "coordinate" because an organization is coordination of activities (Schein, 1980). Because of intangibility and simultaneity, management can best be a coordinator by insuring that all facets of the organization serve to create a service climate, imperative or ethic (Bowen and Schneider, 1985). An important

starting point for senior management in this effort is to clarify the meaning of service quality it wants organizational members to share. This can take the form of specifying which of the Parasuraman et al. (1985) determinants of service quality it really wants the organization to stand for. Further, we would hypothesize that the more intangible the service, the more important it is for the organization to strive to reduce ambiguity by conceptualizing and measuring the facets of service quality important to the client constituency. That is, as intangibility increases, the tendency will be to avoid specification and measurement but this will be dysfunctional and will result in increased ambiguity on the part of service providers. However, only through specification and measurement of the dimensions of service quality can service oriented selection, training, performance appraisal, and reward systems be implemented. Again, we see the behaviorally-anchored Parasuraman et al. (1986) scales as a useful step toward "tangibilizing" the "intangible."

In sum, our emphasis is that service quality is not the outcome of one or two strategies, but reflects a myriad of management decisions relative to recruitment, selection, training, performance appraisal, participation in decision making, exercise of power, and senior management statement of the service mission. These decisions must involve all organizational subsystems rather than an isolated few. Again, the objective is to manage the overall environment in which service is delivered, given constraints on controlling service employees themselves.

Customer Participation

Control issues are also involved in offering design principles for customer participation. However, although services often entail a close personal interface between employees and customers, this indicates only that it is difficult to buffer the core technology. It is not necessarily impossible--if services are provided off-site. Services can be provided to off-site customers, e.g., mail order retailing, resulting in employees and customers being neither physically nor psychologically close. This potential variability in customer participation is a reminder of Chase's (1978) question: "Where does the customer fit in service operations?"

Chase and his colleagues (Chase, 1978; Chase, 1981; Chase, 1985; Chase and Tansik, 1983; and Chase, Northcraft, and Wolf, 1984) have developed a prescriptive model for the design of service operations that distinguishes between high and low customer-contact systems. The model attempts to balance the competing implications of customer contact: direct customer contact is negatively correlated with production efficiency and positively correlated with marketing effectiveness. The model prescribes operations management principles such as how to distribute work between front and back office operations, the type of personnel required, and so on, for high versus low contact systems.

Transaction cost analysis has also been utilized in addressing how service organizations respond to customer participation (Bowen and Jones, 1986). They illustrate how transaction cost analysis can be used to examine the properties of service exchange and to provide a typology for matching governance mechanisms with the level of transaction costs of different service operations. The appropriate governance mechanism

establishes the efficiency maximizing boundary between customer and service organization by economizing on the negotiating, monitoring, and evaluating costs of both parties. It provides an answer to under what conditions service organizations will include (i.e., hierarchy) or exclude (i.e., markets) customers from their boundaries in order to control input uncertainty.

Regardless of normative principles favoring customer participation, service managers may be reluctant to assign customers producing roles given the uncertainty about how to insure that customers will perform their roles as the firm desires. It has been suggested that strategies for managing customer behavior in service production and delivery can be drawn from models of employee behavior (Bowen, 1986), and that service firms need to motivate the client/employee system as a service production strategy (Mills et al., 1983b). That is, service firms need to shape the individual-level performance determinants of motivation, role clarity and ability (e.g., Vroom, 1964) of customers for any "partial employee" behaviors expected of them (Bowen, 1986). For example, before customers can be expected to perform a self-service role well, such as operating an ATM, they must: be convinced of the rewards for doing the work themselves, eg. less time-consuming than using personal tellers (motivation), know what they are expected to do, e.g., clear instructions posted on the ATM (role clarity) and be capable of fulfilling those instructions eg. service personnel being available to train customers in how to use the ATMs when first introduced at a branch (ability). Overall, strategies need to be developed for recruiting, selecting, training, and rewarding customers as partial employees.

Some Concluding Thoughts

The main purpose of this paper was to reveal and extend the points of integration between thinking and research in services marketing and organizational behavior. By illuminating some unique attributes of service (intangibility, simultaneity of production and consumption, and participation of the consumer in the production process) it was shown that providing service to consumers can present unique challenges to organizations. In turn, these challenges suggested some organization design principals that would be important for service organizations to implement.

Perhaps the major challenge the provision of services presents to the management of organizations is the fact, in the more extreme service case, that each employee who provides service is relatively non-controllable. This is true because, in the extreme, the provision and receipt of service occurs simultaneously; management cannot step in and have a quality control check in the middle of production. In addition, because of the intangible nature of services, the deliverer is frequently equated with the service itself, making the nature of the experience provided for the client extremely important. This circle or web of issues created by the unique attributes of service suggested a number of design issues requiring attention if high quality service is to be an organizational imperative.

While specific examples of these design issues were elaborated (e.g., selection and training for service), the continual message presented was that, in the absence of the ability to directly control service delivery, management must create an image, the atmospherics, the climate, the culture or the ethic in which service is a or the

predominant guiding theme. In this light, the Katz and Kahn (1978) subsystems model of organization functioning was used to show how all of the facets of organization design need to be focused on service if service quality is going to be high.

In closing, we offer some directions for future thought and research in the service area, clustered by the attributes of service themselves.

Intangibility

- Given that most services possess accompanying goods, this raises the research question of the relative contribution of each to customer satisfaction and organizational effectiveness. Are customers willing to make trade-offs to obtain superior quality in one or the other, or do they require both? The Schneider et al. line of research has closely examined the relationship between climate for service and service quality, or in other words, the impact of "front office" operations (Chase, 1978) on consumers' evaluations, but has less closely analyzed how "back office" operations, e.g., timely mailing off error-free bank statements, affects customer perceptions of service quality. More generally, what differing proportions of variance in service quality perceptions is explained by back versus front office operations, tangible versus intangible offerings?

- Given that most goods possess accompanying services, suggests a vast area of study concerned with the role service plays in manufacturing firms. How can the meaning of service we have articulated in this paper for the service sector be extended to customer service in the manufacturing sector? Peters and Waterman (1982), for example, suggest that customer service requires staying close to the customer.

This would seem to translate into manufacturing organizations not sealing customers off from the technical core as is the case with service organizations (Bowen, Siehl, and Schneider, 1986). Also, as in the preceding point, there is the issue of tradeoffs between goods and services, in the manufacturing sector. Takeuchi and Quelch (1983) suggest that excellent customer service can rarely compensate for a weak product but poor customer service can quickly negate a superior product. Albrecht and Zemke (1985) argue that industries that emphasize manufacturing to the relative exclusion of the service needed for maintenance and upkeep are likely to fail. Based on a study by Arthur Andersen and Co., they indeed show that in the information and telecommunications portions of the service sector, fix-it services can be expected to account for 30% of revenues for so-called manufacturers. At IBM, for instance, this is already true (Schrage, 1986).

- Given that highly intangible services are often evaluated based on the attributes on the service provider, which attributes are most consequential in which situation? To answer that customer-contact personnel require interpersonal skills is, obviously, incomplete. Which interpersonal skills? In this vein, Tansik (1985) has demonstrated the importance of strong self-monitoring, and behavioral sensitivity skills for customer contact personnel. Interesting, also, would be research on how the consumer of professional services, e.g. legal, consulting, weight their perception of service providers' interpersonal skills versus competence in forming an overall evaluation of service quality.

Simultaneous Production and Consumption

- In general terms, there is a need to better understand the customer-firm interface and how to best manage the service transactions occurring there. We have emphasized the difficulty of directly controlling employees at the organizational interface. How do service organizations respond to this? Broad, and very different, alternatives include giving boundary role staff greater decision-making authority or automating and routinizing the client interface area (Mills and Turk, 1987). If the former, how does service management effectively rely upon mechanisms such as self-management and substitutes for leadership in balancing employee autonomy and the control requirements of service production and delivery? Which alternative do customers prefer--an automated or interpersonal interface?

- Service research still needs to develop an operational taxonomy of service delivery operations (Chase, 1986). Chase's point is that service systems require an analogue to the Hayes and Wheelwright (1979) matrix that has become the standard framework for analyzing production systems. The Hayes and Wheelwright matrix shows how various production options (job shop, flow shop, continuous production) come into play as product demand increases. Chase (1986) is developing a services design matrix that relates alternative service delivery options to production efficiency, sales opportunity, and worker requirements. The call for an operational taxonomy says that although alternative classification schemes for services help define the meaning of service, they do not specify how to combine the organizational resources necessary to support alternative service delivery options.

Service Production and Marketing

- The difficulty of decoupling production and marketing in service operations underscores the need for an interdisciplinary study of service, drawing on both organizational behavior and marketing scholars. To date, marketing has been the heaviest contributor to the literature on service (cf. Czepiel et al., 1985; Lovelock, 1984). More fundamentally, general calls for interdisciplinary approaches in the social sciences often go unheeded for lack of a specific focus. Service can provide such a focus.

- The closeness that exists between service organizations and customers argues strongly for the collection of both employee and customer data when studying services operations. The Schneider et al line of research demonstrates a method for and the utility of this recommendation. Of particular interest here would be identifying and explaining the origins of a customer's "service ideal," the general expectations defining quality service that a customer uses to judge service quality (Schneider and Bowen, 1985).

- If the climate for service shows, how do organization changes affect the quality of service customers receive? In brief, if there is internal turmoil, does such turmoil extend somehow to consumers? For example, with the increase in merger and acquisition activities, how do consumers respond when their service provider and/or the ways service is provided changes?

Customer Participation

- The different forms of customer contact and participation need to be defined. For example, Chase defines customer contact as the duration of time the customer is present in the service system and that it is

inversely related to the potential efficiency of the service facility. However, Schmenner (1986) argues that this logic is incomplete, that contact needs to be segmented into the degree to which the customer interacts with the service and the degree to which the service is customized for the consumer. In brief, coarse labellings of customer participation need to be refined to elaborate the diverse participatory roles customers may fill in the service system and the implications of each.

- Relative to implications, both the organizational-level and individual-level consequences of customer participation need to be explored. Organizational-level implications have received some attention, for example, relative to the efficiency and sales opportunity tradeoffs involved in customer contact (Chase) and the governance mechanisms appropriate for alternative levels of customer inclusion (Bowen and Jones, 1986). The consequences of customer contact and participation for individual employee satisfaction and productivity are less well understood. On the one hand, client feedback is a strategy for effecting job enrichment and, thus, higher job satisfaction (Hackman and Purdy, 1975). On the other hand, customer contact can be a source of emotional labor that leaves employees feeling stressed and burned out (Hochschild, 1982; Parkington and Schneider, 1979). More broadly, it would seem that employee/customer service encounters offer a fertile arena for exploring the recent interest in the expression of emotion as part of the work role (Rafaeli and Sutton, 1987).

- At a more psychological level, the symbolic meaning of service as a relationship between customer and service deliverer needs exploration (Shamir, 1984) especially when the distinction between server and served

becomes increasingly blurred. In the consumer behavior literature, the symbolic nature of the consumption of goods has received some attention (Hirschman, 1985; Levy, 1981; Sirgy, 1982; Solomon, 1983). However, with respect to services, there is little previous research on what it means to deliver services (e.g., the feelings of power associated with controlling a loan in a bank; Murphy, 1984), or to receive services (e.g., the sense of dependency one experiences when under a physician's care; Krantz and Schultz, 1980).

- More research is needed on the mechanisms available for controlling the behaviors of customers as "co-producers" or "sole producers." Whereas organizations can control employee behavior through hierarchical mechanisms such as legally-binding employment contracts or their dependence on the job, customers are much more "free actors" in their production roles. How can service management insure that customers will perform on the organization's terms? Bateson (1985) even raises the concern that participating customers may contest management for control of the service operation. Some suggestions for managing customer behavior are found in recent discussions of how to select and socialize customers as partial employees (Bowen, 1986; Mills and Morris, 1986). A promising line of work here is on how to "script" the service encounter, cueing customers to what sequence of actions they should follow in various service situations (Abelson, 1976).

- Who is the customer? Why only think of service in terms of an organizational member serving an outside consumer? In all organizations people in them provide service to each other, e.g., staff units serving the line. What are the implications of the present thoughts for internal organizational design? In this vein, Bowen and Greiner (1986),

for example, have suggested how the human resources function in companies could be organized to provide quality service to internal clients. To complicate issues even further, if our conceptualization of service moves beyond a two-party dyadic focus on an organization and one set of customers (the predominant one in the OB and Marketing services literatures, e.g., Solomon, Surprenant, Czepiel, and Gutman, 1985), additional questions emerge. For example, many services emerge from a network of organizations (interstate banking, large real estate transactions involving banks, real estate companies, insurance companies). Further, many service firms provide institutional services (e.g., to schools and hospitals) where there are two clients, the institutional administrator and the end-use consumer. In these situations who is the client/consumer? Who is responsible for service quality? To whom does the client look for satisfaction?

- Finally, if customers are to be thought of as partial employees and employees are to be thought of as partial customers, will it be necessary to rethink what we mean by equity in the exchange between employee and customer? For example, who is the relevant "other" when one compares one's inputs and outcomes to others'? What is fair treatment when you are both an employee and a customer? Perhaps recent theory and research on procedural fairness can be used as a frame of reference for answering these kinds of questions (cf. Sheppard and Lewicki, in press).

Summary

We have attempted to overview some of the unique organizational behavior issues in the service sector. A significant portion of what has been shared suggests that a lot of our "old pictures" fail to

accurately portray service marketing and management. The logic of closed systems, formal mechanisms of control and coordination, clear division of labor between producer and consumer don't easily apply. We hope we have piqued the curiosity of those interested in organizational behavior to learn more about the complex phenomenon of service.

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Figure 1

SERVICE ATTRIBUTES → ORGANIZING CONTINGENCIES

Intangibility

Customers lack objective reference points for assessing value of services

Difficult to measure service output and service quality

Difficult to set performance goals for employees

Simultaneous Production and Consumption

Difficult to uncouple production and consumption; performance of employees in front-line, boundary spanning roles significantly affects organizational effectiveness

Difficult to coordinate the supply and demand of services

Front-line employees may identify as strongly with the customer as the organization

Customer Participation

Difficult to buffer core technology from input uncertainties posed by customers

Customer behavior may need to be managed in addition to employee behavior

Figure 2

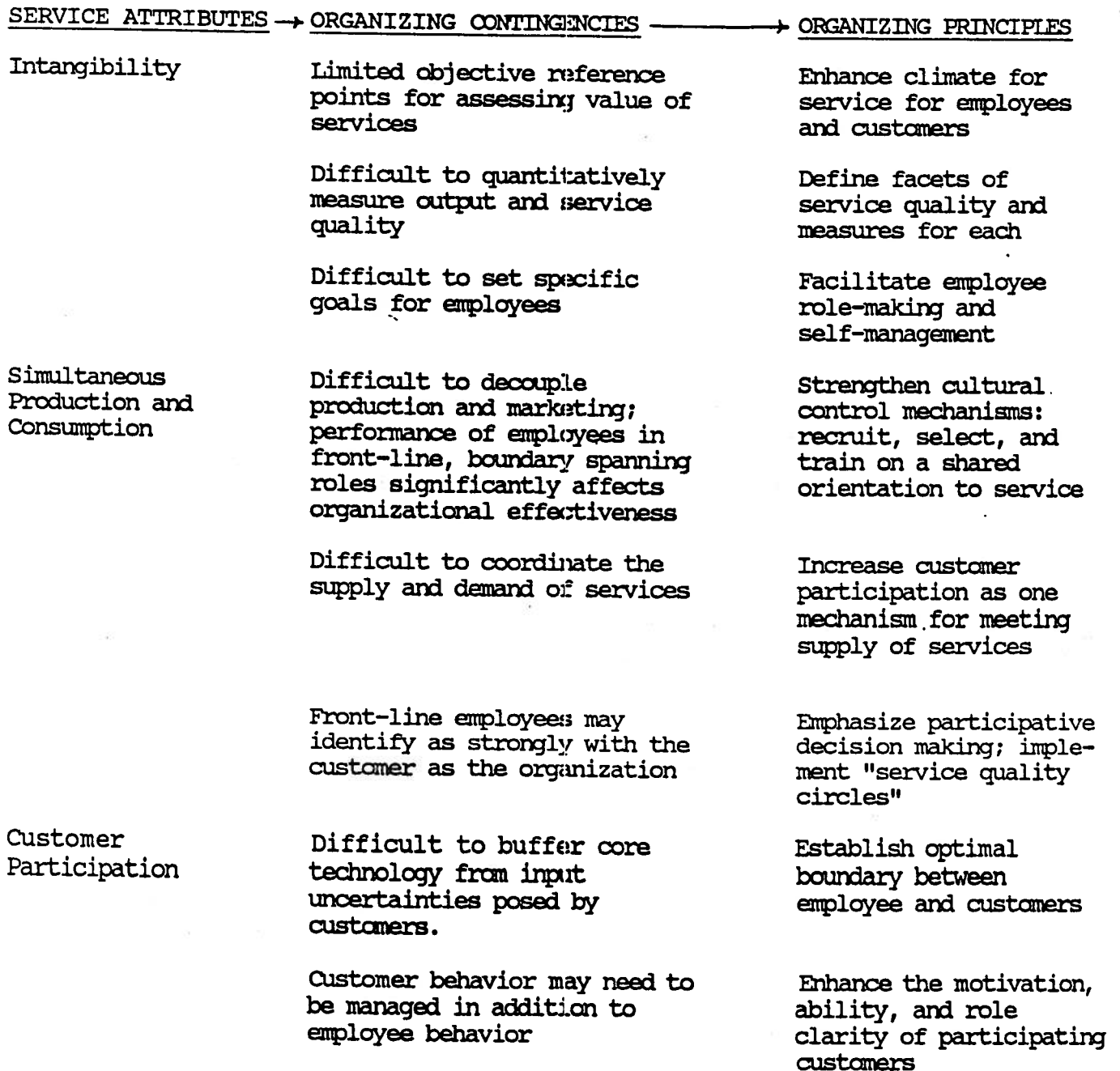


TABLE 1
Determinants of Service Quality*

RELIABILITY involves consistency of performance and dependability.

It means that the firm performs the service right the first time.

It also means that the firm honors its promises. Specifically, it involves:

- accuracy in billing;
- keeping records correctly;
- performing the service at the designated time.

RESPONSIVENESS concerns the willingness or readiness of employees to provide service. It involves timeliness of service:

- mailing a transaction slip immediately;
- calling the customer back quickly;
- giving prompt service (e.g., setting up appointments quickly).

COMPETENCE means possession of the required skills and knowledge to perform the service. It involves:

- knowledge and skill of the contact personnel;
- knowledge and skill of operational support personnel;
- research capability of the organization, e.g., securities brokerage firm.

ACCESS involves approachability and ease of contact. It means:

- the service is easily accessible by telephone (lines are not busy and they don't put you on hold);
- waiting time to receive service (e.g., at a bank) is not extensive;
- convenient hours of operation;
- convenient location of service facility.

COURTESY involves politeness, respect, consideration, and friendliness of contact personnel (including receptionists, telephone operators, etc.). It includes:

- consideration for the customer's property (e.g., no muddy shoes on the carpet);
- clean and neat appearance of public contact personnel.

COMMUNICATION means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust its language for different consumers - increasing the level of sophistication with a well-educated customer and speaking simply and plainly with a novice. It involves:

- explaining the service itself;
- explaining how much the service will cost;
- explaining the trade-offs between service and cost;
- assuring the consumer that a problem will be handled.

CREDIBILITY involves trustworthiness, believability, honesty. It involves having the customer's best interests at heart. Contributing to credibility are:

- company name;
- company reputation;
- personal characteristics of the contact personnel;
- the degree of hard sell involved in interactions with the customer.

SECURITY is the freedom from danger, risk, or doubt. It involves:

- physical safety (Will I get mugged at the automatic teller machine?);
- financial security (Does the company know where my stock certificate is?);
- confidentiality (Are my dealings with the company private?).

UNDERSTANDING/KNOWING THE CUSTOMER involves making the effort to understand the customer's needs. It involves:

- learning the customer's specific requirements;
- providing individualized attention;
- recognizing the regular customer.

TANGIBLES include the physical evidence of the service:

- physical facilities;
- appearance of personnel;
- tools or equipment used to provide the service;
- physical representations of the service, such as a plastic credit card or a bank statement;
- other customers in the service facility.

* From Parasuraman et al (1985)

Table 1

Sample Items from the Teaching Facilitation Survey

Managerial Subsystem Items

- Faculty choose the courses they teach.
- Faculty teach courses within their area of expertise.
- Faculty teach 3 or more classes per semester.

Personnel Maintenance Subsystem Items

- Teaching ability is considered in the selection of new faculty.
- Attempts to improve teaching performance (e.g., attending teaching workshops) go unnoticed by the Department.
- This Department offers programs (workshops, discussions, special colloquia, speakers) that help faculty improve their teaching.

Equipment Maintenance Subsystem Items

- Audio-visual equipment breaks down during classes.
- The physical environment (lighting, ventilation, noise, temperature, cleanliness) of the teaching facilities is conducive to good teaching.
- Laboratory facilities and equipment for teaching are well maintained.

Adaptive Subsystem Items

- The Department collaborates with other Departments in the development of new courses.
- Faculty lines are increased with increasing enrollments.
- The curriculum is reviewed to keep it current.

Production Subsystem Items

- The size of the classes limits the use of certain teaching methods (Discussion, group exercises, one-to-one interaction).
- There are unqualified students (lacking the formal prerequisites, lacking good language skills) in classes who inhibit teaching effectiveness.
- Research activities leave little time and/or energy for teaching.

Supportive Subsystem Items

- Clerical help is available for preparing (typing, duplicating) course materials (syllabi, examinations).
- Faculty have the laboratory facilities and equipment they need for teaching.
- Junior faculty have access to information (discussion with senior faculty, prepared lectures, course syllabi) that help them with their teaching.