

Implementing and Adapting Services Marketing to the Company's Structure, Systems and Culture

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Abstract

Services marketing, by definition, focuses on the external stakeholders, and principally on the customers. By managing the interactions and relationships with the customers, value is created. Successful value-oriented services marketing is determined by strong interdependencies between all stakeholders within the service firm. In order to be able to produce value, it is not enough that a marketing manager takes some decisions. The employees and above all the customer contact employees play an important role in service delivery. However, a service employee is not an isolated individual, focused only on individual interactions and relationships with the customer. In most service industries, service employees' behaviour is even more influenced by internal factors, e.g. the colleagues' and supervisors' behaviours, as well as the systems and the culture of the firm. All these are factors of *services marketing implementation* which *support the realisation of the services marketing concept* in the firm.

Key words: *Structural Organisation, Marketing Function, Service Value Chain, Interaction, Customer Retention, Relationship, Service Employees*

JEL Classification: L21, L22, L80, M21, M31

The firm not only supports services marketing implementation, conversely, services marketing supports the firm's efforts to create value. Services marketing contributes to a firm's value creation in many diverse ways. Since financial resources are frequently scarce in companies, service providers conduct an *examination of services marketing activities according to their value contribution*, as an all-firm activity. This is the task of controlling a firm. Implementation and control support the systematic realisation of the activities in the value processes of the provider. More specifically:

- Considering and managing *implementation factors of services marketing* not only facilitates the realisation of value-oriented marketing, it also makes it possible. To illustrate this, take one important implementation factor as an example: company culture. When a service firm is characterised by a company culture which is not customer-oriented and where the top management ignores the opinions of the subordinates, it is unlikely that the employees will behave in a value-oriented sense. At least, they will not aim to contribute to a realisation of the firm's objectives. Furthermore, they will not behave in a customer-oriented manner as they are not motivated to be customer focused. The consequences are dissatisfied customers, slower service processes with the respective negative consequences for firm value.
- *Services marketing control* is the core of a recursive process: controlling both examines the value creation by services marketing activities and, through this, delivers the basis for the planning of future value-oriented measures. Services marketing control provides value-oriented performance figures which allow the management to assess whether the activities of the service firm contribute to firm value and the reasons for the value effects. Since knowledge is an important determinant for management decisions, controlling delivers the fundamentals for value creation through services marketing.

Value-oriented services marketing underlies the principle that all activities aim to create value for the firm. According to the interdependence between the Service Value Chain and the service profit chain, value creation through marketing is realised when the firm is successful in delivering value to the customers whose behaviour in turn helps create financial value to the firm. Based on this premise, the services marketing decisions consider the value implications of marketing activities. Interactions and relationships with customers are supposed to create value, as are the secondary value activities which concern the definition, delivery and communication of service value as well as the value-oriented employment of service resources.

These decisions and activities are not isolated from other decisions in the firm. For example, the budget for services marketing represents the frame within which services marketing managers can take decisions. Consequently, when the top management pursues other strategically important topics, services marketing might have to manage on a reduced budget. This argument concerns the support of the service firm for the *implementation of value-oriented services marketing*. The design of the service firm in general determines the possibilities for value-oriented services marketing. There are three main features of this 'design':

- structure of the service firm;
- systems of the service firm;
- culture of the service firm.

The design of these features can take on a variety of forms; from a value perspective, their design can be more or less value-oriented. Being value-oriented means in this context, whether a firm's structure, systems and culture are designed in such a way as to enable or support value creation by services marketing, i.e. whether the implementation drivers support services marketing's ability to deliver value to the customers and in turn create financial value for the company. Consequently, service firms which follow a value-oriented strategy regularly audit their structures, systems and culture regarding their value-orientation and undertake adaptations if necessary and possible.

Value-oriented company organisation

The company organisation describes first who is responsible for what tasks in a firm, e.g. who is responsible for measuring service quality, and how the different tasks are prioritised, e.g. does the person who is responsible for service quality measurement report to the person who is responsible for managing service quality or vice versa or are they both independent from each other? These questions concern the company structure as a first part of a company's organisation. The organisation structure arranges the different tasks in a firm. Since tasks often

overlap, a second important part of a firm's organisation concerns the links between the different tasks. These links are defined by the process organisation of the firm.

The **structural organisation** of the firm describes how the activities and responsibilities in a firm are arranged. Typical aspects of structural organisation are the definition of organisational entities, e.g. departments, the allocation of responsibilities to these entities and the authorities between and within these departments. Over the course of time, three *basic types of organisational structures* have emerged:

- functional organisation;
- object organisation;
- matrix organisation.

When a **functional organisation** is applied in a service firm, the second level of the organisational chart under the top management is determined by homogeneous groups of activities. Typical functional activities in a service firm are human resources, controlling, operations, service, IT or marketing. Functional organisations result in clear company structures. It is well defined who is responsible for which tasks, such as who is responsible for managing customer interactions and relationships. This clear definition of responsibilities generally facilitates the fulfilment of services marketing tasks. By the centralisation of decisions, synergies can be realised and coordination costs reduced. The centralised decision-taking also results in standardised decisions. There are behavioural rules defined for many conceivable situations. Especially in service industries, due to the direct contact between provider and customer, unplanned situations are frequent, e.g. when failures happen in the service delivery and the customer is annoyed. The standardisation of decisions can be diminished by increasing the decisionmaking authorities of service employees e.g. by empowerment.

Another type of structural organisation is an **object organisation**. Typical 'objects' which are used for structuring a firm are service products, customer groups or geographical regions. Typical examples are a bank's division into private and corporate clients or a consultancy's division into regional areas and consulting topics, such as strategic consulting, marketing consulting or process consulting. This type of organisation results in quasi-independent subdivisions of a service firm, which are often profit centres or even independent companies. These entities then have direct profit responsibility. At some level within the structure, there will also appear a functional organisation. But then, for example, the marketing for private clients is managed by the private client division and the marketing for corporate clients by the corporate client division.

As a third type of organisational structure, the **matrix organisation** combines at least two other organisational forms, optimally both functional and object organizational forms. By this, the matrix organisation aims to integrate the advantages of the two other organisational types. The basic principle of a matrix organization is that, should coordination conflicts occur, there is no dominant organizational level, neither the functional nor the object organisation. The two sides are supposed to resolve conflicts.

Process organisation of a service firm

The major organisational criteria of a **process organisation** are not the functions or objects or both, but processes, the entities of workflows in a service firm which are connected with each other. This connectivity concerns the chronological order of workflows, i.e. the sequences of activities. A process orientation does not replace other organisational forms. A firm still might be functionally organised with a marketing and a controlling department.

A process-oriented organisation uses the core processes of a firm as an organisational criterion. Processes are managed according to their value creation. For processes where several organisational entities are involved, often process owners are defined. These are individuals who are responsible for the effectiveness and efficiency of a specific process. The process owners

often assemble process teams in order to coordinate the participation of different entities at the process. Overall, the processes are coordinated by a managing team. The team members define the core processes and the process owners. From the perspective of value-oriented services marketing, a process organisation is an important tool to realise the aim of value creation by services marketing.

The Service Value Chain defines the primary processes 'interaction process' and 'relationship process' which are supported by secondary processes. By organising the service firm around these processes, value creation by them can be optimised.

Then, a firm's process organisation is built around the single processes of the relationship process, i.e. customer acquisition, customer retention, relationship enhancement and customer recovery. Out of every functional unit, representatives are affiliated into organisational teams for each process step in order to jointly manage the respective phase of the relationship process. An institutionalisation of the relationship process within the firm's organisation is often found in direct marketing oriented service firms such as mail-order businesses. These often have clearly defined 'customer acquisition', 'customer retention' and 'customer recovery' departments.

Value-oriented company systems

A further driver of services marketing's implementation are a company's systems. Systems describe how certain processes (e.g. complaint management process or reservation process) are organised, i.e. which individual steps the respective process contains. Sometimes, the expression 'systems' is perceived as being synonymous with 'technology'. Even though there are also systems which use technologies which are important for services marketing, a system (e.g. complaint management system) is not necessarily synonymous with technology. There are three types of company systems which are closely connected with value-oriented services marketing. These are:

- *Information systems* - utilised in order to generate, process and transfer information regarding aspects which are relevant for services marketing.
- *Communication systems* - design the communication processes with relevance for services marketing.
- *Management systems* - support a service provider's management to take decisions and are utilised to structure and initiate as well as control services marketing activities.

Summary and conclusion

The focus of value-oriented services marketing is the value of the firm and the contribution of marketing activities to this value. Regarding the determinants of a firm's value, there is a mirror-like relationship regarding the value concept: value to the customer leads to value for the firm.

Perceived service value is the link between services marketing and value creating customer behaviours. The more a customer values a service the more likely it is that they will use the service. Services marketing implementation affects value creation by enhancing and supporting value-oriented marketing activities. Regarding company structure, the structural organisation (e.g. functional, object or matrix organisation) and the process organisation influence the value-orientation of services marketing. The realisation of value-oriented services marketing is supported by three implementation factors: company structure, systems and culture.

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