Service Climate, Employee Identification, and Customer Outcomes in Hotel Property Rebranding

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Abstract

Rebrandings have become commonplace on the hotel landscape. Research has not directly examined rebrandings from the employee's perspective, nor has previous research considered the impacts of rebranding on service quality and customer outcomes. In this paper we discuss the role of service climate and employee identification in hospitality organizations and propose a conceptual model that links service climate and employee identification with customer service and related outcomes such as word of mouth communication behaviours. As part of a larger project, 228 employees in three hotels in Australia completed a self report survey. At the time of the survey, the hotels were undergoing rebranding processes. Hierarchical multiple regression analysis investigated the relationships between the variables of interest. Preliminary findings demonstrate the significant role of customer-contact aspects of service climate and the role of employee identification with their department in predicting employee perceptions of customer outcomes. Future research is proposed.

Much has been made of 'climate for service' and its role in enhancing customer experiences in service environments. Research has revealed how employee attitudes towards and perceptions of customer service quality contribute to customer evaluations of the service experience (Johnson, 1996; Schneider & Bowen, 1985; Schneider, White, & Paul, 1998). Furthermore, we know that the more satisfied the customer, the higher likelihood of retention, and the subsequent likelihood of advocacy, or word of mouth behaviour (Reichheld & Sasser, 1990). Consequently, managers of service-oriented businesses direct their efforts towards ensuring that employees deliver the best possible service experience to their customers in order for customers to become word of mouth advocates for the business.

Many factors influence the delivery of consistently high levels of customer service. Researchers have sought to identify aspects of the organizational context that contribute to the development of service excellence, such as service leadership, rewards and recognition, and human resource practices (e.g., Johnson, 1996; Lytle, Hom, & Mokwa, 1998; Schneider, Wheeler, & Cox, 1992). A business with a *esprit de corp* toward service excellence has been shown to lead to higher levels of customer satisfaction – a known precursor for repeat visits, enhanced revenues and profits (Pugh, Dietz, Wiley, & Brooks, 2002; Schneider, Bowen, Ehrhart, & Holcombe, 2000; Wiley & Brooks, 2000).

The hotel industry represents one context in which services form a critical component of organizational success. The hotel industry is often characterized by high rates of failure and poor performance (Blanck, 2003; Dimond, 2004; Enz, 2002; France, 2002), and rebrandings (or 'reflaggings') are frequently employed as a strategy to help turn around performance. Rebranding can be defined as an act of changing the name or brand affiliation, or to take a product, rename it and re-market it as something new or different (The American Heritage Dictionary, 2000). Although rebranding can also be utilised as a strategy to expand into new markets, boost revenues, provide additional growth opportunities or repositioning, it is often

used as a 'turnaround' strategy (Selwitz, 1999). Whilst there are many 'turnaround' approaches on offer - such as changing top management, discounting, cost-cutting, revamping marketing plans - rebranding has become a lynchpin for whatever specific turnaround strategy will subsequently be utilised.

The maintenance of service quality during organizational change processes such as rebranding is a particular challenge for managers. During a rebranding, employees are particularly affected. This is significant because employees often *are* the product in services, so it follows that negative effects on employees during a rebranding can be particularly damaging to the likely success of the rebranding attempt, and in particular the maintenance of service quality. However, if the views and attitudes of the workforce are taken properly into account while creating a new brand identity, the process will have a far better likelihood of success and will allow the existing strengths within the organization to remain (Richey, 2002).

Rebranding a hotel is like creating a new hotel – often with many of the same staff, but with new rules, polices, marketing plans, distribution, and customer base and, of course, the physical changes associated with a new brand (signage, uniforms, and/or colours). In other words, the organization takes on a new image or identity. Rebranded hotels provide a useful context in which to explore employee attitudes toward service and customer outcomes while the hotel embarks on this 'change of identity'. Rebranding is in effect a large scale organizational change process. Furthermore, employee perceptions of service orientation are likely to be affected because of the uncertainty inherent during change. In turn, change is likely to have an impact on employee perceptions of customer outcomes.

Research in the organizational behaviour literature highlights the relevance and importance of employee identification (at various levels) during change (Fiol, 2001; Fiol & O'Connor, 2002). Drawing on perspectives developed from Social Identity Theory (SIT;

Hogg & Terry, 2000; Tajfel, 1982), some theorists argue that we must do more than study individuals *as individuals* and focus on a group level of analysis in understanding organizational behaviour. SIT proposes that an individual's concept of self is built on personal identity based on one's unique characteristics, and social identity which is derived from membership of salient social groups. Under given conditions, social identity becomes more salient than personal identity, and this leads to attitudes and behaviour that are based on group memberships (Haslam, 2001). In organizational contexts, employees may identify with various organizational groups and their strength of identification with those groups becomes a relevant and important predictor of employee outcomes.

These perspectives have not been previously applied to research in service organizations such as the hotel industry. Specifically, we examine the role of employee identification in influencing employee perceptions of service orientation, service quality and customer outcomes in the context of a hotel rebranding processes (see Figure 1).

Figure 1: Conceptual model linking employee identification and climate to customer outcomes

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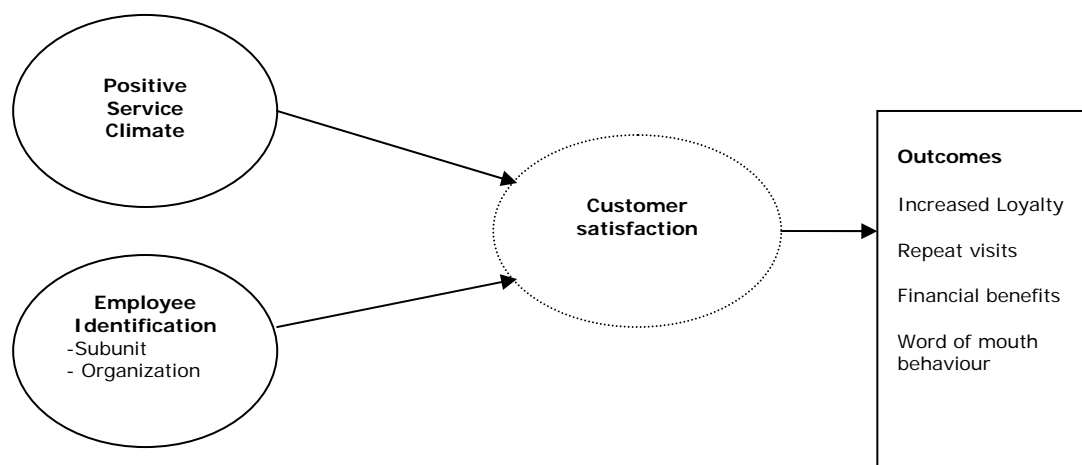
Customer Satisfaction and Word of Mouth Communication

This paper does not address directly the word of mouth (WOM) communication argument. We acknowledge the research that establishes WOM as a major influence on what people do, feel, know, and even purchase (Buttle, 1998). We frame this paper from the established position that WOM communication is fuelled by excellent customer experiences and that these excellent experiences, particularly in service-related businesses, are at least partially a reflection of an organization's orientation toward service quality. If the orientation of a service organization is squarely directed toward customers and excellent service, it follows that customer outcomes will lead to WOM communication. Our focus in this paper is on the employee aspect of this chain, arguing that our further understanding of the nature and components of a service climate will lead, inexorably, to more consistently satisfied customers and a higher likelihood of WOM communication. While not directly addressing the WOM arguments, we do however offer some relevant insights into the WOM literature before addressing our primary constructs and arguments.

One of the well-accepted notions in the fields of marketing, services management and consumer behaviour is that WOM communication plays a significant role in consumer attitudes and buying behaviours, and that satisfied customers become loyal customers (Anderson & Sullivan, 1993) and engage in positive WOM communication (Reichheld & Sasser, 1990). (For a good historical review of word of mouth communication, see Brown & Reingen, 1987; Buttle, 1998) The common belief among researchers is that consumers rely more on informal personal communication as a decision-making trigger than on traditional marketing efforts alone. WOM is more credible because the sender of the information generally has nothing to gain from the receiver's subsequent decision to buy (Bansal & Voyer, 2000).

In services, WOM is seen to be even more important, as the significant intangibility of services creates a higher purchase risk (Bansal & Voyer, 2000; Zeithaml & Bitner, 1996). Parasuraman et al. (1988) found positive and significant relationships between customers' perceptions of service quality and their subsequent willingness to recommend the company to others. It has been demonstrated that customers who were initially dissatisfied with a service can end up spreading positive WOM communication provided they were satisfied with the way the organization handled the recovery process (Blodgett, Wakefield, & Barnes, 1995). Other research has shown that interpersonal relationships between employees and customers are a strong determinant in WOM communication (Gremler, Gwinner, & Brown, 2001).

The services marketing literature asserts the principle that employees in service organizations are the front line marketing staff - that customer contact personnel are 'part-time marketers', and these employees are the front line offensive in creating a marketing and customer-focused orientation (Gummesson, 1991; Hartline & Jones, 1996; Silverman, 1997; Zeithaml & Bitner, 1996). While the marketing function in an organization traditionally belongs to marketing professionals, it is the employees in service-intensive businesses with direct customer contact who play a very significant role in marketing the product or service, as well as in overall customer satisfaction and customer perceived quality (Gummesson, 1991).

Other research has shown that employee performance 'cues' have a direct effect on WOM intentions. Some consumers may depend on global assessments, but many others base their recommendations on specific aspects of employee performance (Boulding, Kalra, Staelin, & Zeithaml, 1993; Hartline & Jones, 1996). While an organization, such as a hotel property, is undergoing a rebranding process, it may take some time before customers adjust to the new brand and 'spread the word'. Similarly, if customers take cues from employees and those employees are not 'convinced' of the new brand, this may have a further negative effect

on WOM communication behaviours. During organizational change, employees experience high levels of uncertainty (Bordia, Hunt, Paulsen, Tourish, & DiFonzo, 2004), and are required to adjust to the new organization and to realign their identification with it (Ashforth & Mael, 1998). For managers of the change process, the challenge is to maintain the quality of service delivery while working to win the hearts and minds of staff to become part of the 'new' organization.

A Service-Oriented Organizational Climate

The term 'service orientation' (first introduced by Hogan, Hogan, & Busch, 1984) refers to a specific dimension of an organization's overall climate. Because multiple climates simultaneously exist within organizations, climate is most effective when used as a specific construct – a climate for something (i.e. innovation, safety or service) (Schneider, Gunnarson, & Niles-Jolly, 1994). A 'service climate' is said to exist when an organization has a particular focus on service and customer satisfaction. A service climate represents a 'gestalt' of an organization's orientation towards service and customer satisfaction outcomes. Service climate is simply a very specific or strategic focus of an organizational climate (Schneider & White, 2004).

Organizational climates are measured by soliciting employee's collective perceptions and opinions as to those events, practices, procedures, and behaviours in a workplace that are rewarded, supported and expected. A climate helps individuals determine how to behave based on the way they think and feel about various aspects of the work environment. Employees rely on cues from the surrounding environment to interpret events and develop attitudes (Liao & Chuang, 2004). In the case of a service climate, the focal point is the degree to which employee efforts are directed towards service quality and customer satisfaction. (Hogan et al., 1984; Schein, 1985; Schneider & Bowen, 1993; Schneider, Brief, & Guzzo,

1996; Schneider et al., 1998). In other words, service climate is the extent to which everything an organization does, as perceived by those in contact with the organization, demonstrates its commitment to customers and to service.

Researchers have attempted to define the fundamental themes that constitute a climate, or orientation toward service (for example, Albrecht & Zemke, 1985; Johnson, 1996; Lytle et al., 1998; Schneider, Parkington, & Buxton, 1980; Schneider et al., 1992). However, little effort has been made in the literature toward developing a universal set of service climate dimensions (in comparison to the service quality literature, where the parallel question has received much attention). In addition, testing across various organizational settings has been neglected (Lytle et al., 1998). In one example of a rigorously constructed service climate scale, Lytle et al. (1998) reviewed the extant literature in order to identify 'best in class' service practices that represent a service climate (which they termed organizational service orientation). The review resulted in a framework that outlines four dimensions and ten fundamental elements of service orientation (see Table 1), and the authors describe the development of an instrument (SERV*OR) designed to measure the construct.

Table 1: Dimensions of Service Orientation (SERV*OR; Lytle, et al., 1998)

Dimension and Elements	Description
Service leadership	
- Servant leadership	Management setting the example and providing excellent service 'internally' (internal service quality) (Berry, Parasuraman, & Zeithaml, 1994)
- Service vision	Clear and effective articulation of the vision for service excellence (Albrecht, 1988)
Service encounter	
- Customer treatment	The ability of staff to enhance customer satisfaction through their 'service performance'. Positive customer perceptions of service enhance customer satisfaction, loyalty and profits (Bitner, 1990)
- Employee empowerment	Do employees have the responsibility and the authority to meet customer needs and to please customers? (Bowen & Lawler III, 1995)
Service systems	
- Service failure, prevention	Systems designed to prevent failure
- Service recovery	Systems respond to failure and avoid double disappointment (Berry et al., 1994)
- Service technology	The business (where appropriate) uses cutting-edge technology designed to enhance service quality (Heskett, Sasser, & Schlesinger, 1997)
- Communication of service standards	Service standards are communicated and understood by all members of the organization (Hallowell, Schlesinger, & Zornitsky, 1996)
Human resource management	

- Service training	Human relations skills are emphasised in the organization (Albrecht & Zemke, 2002). Investment is made into training and developing the workforce (Schlesinger & Heskett, 1991)
- Service rewards	Link between service performance and compensation (Berry et al., 1994). Links between reward for service behaviour and customer satisfaction (Johnson, 1996)

Service climate dimensions are contextual factors that support the delivery of personal service. The dimensions are geared closely towards aspects of customer satisfaction that are related to person-to-person service encounters rather than other aspects of satisfaction, such as hours of operation, billing, and location (Johnson, 1996). Because so much of the experience in the hospitality industry is directly linked to person to person interaction, service orientation is particularly relevant to the study of service within the hotel industry, and can be generalised across a range of other hospitality industries (such as full-serve restaurants, country clubs and others). This leads to our first research question:

> *Research Question 1 – Which dimensions of service climate are particularly salient in predicting customer outcomes during a change process in the hotel industry?*

Service Climate and Links to Customer Outcomes

The idea of a service-oriented climate is particularly important as it strongly relates to customer satisfaction, a suggested antecedent of referral and WOM communication. A series of research projects created a link between employee perceptions of management practices (climate) matched against data from customers during a similar time period (Johnson, 1996; Schmit & Allscheid, 1995; Schneider & Bowen, 1985; Schneider et al., 1980; Schneider et al., 1998; Wiley, 1991). This research demonstrated a correlation between what employees say, customer's experience and what customers report, and, the specific aspects of employee experiences that most strongly relate to customer satisfaction. These findings were noticeably robust in businesses where customer-employee contact is a key aspect of the offering, and

where intangibility levels are particularly high, as is the case in most hospitality businesses (Kandampully, 2002).

Other research (Schneider et al., 1998) has applied the concept of relationship marketing to service climate research, showing that businesses which emphasise customer relationships report a stronger direct relationship with customer perceptions of service than those businesses where transactions and efficiency are the primary focus. It is generally accepted that in service organizations where the level of contact between employee and customer is high (physically and/or psychologically), the relationship between customer and employee perceptions of service quality is logical and makes sense (Schneider et al., 2000).

The links between employee attitudes, service quality, customer satisfaction and other outcomes (such as profits and other financial ramification) is neither straight-forward nor simple (Zeithaml, Berry, & Parasuraman, 1996). A number of researchers have attempted to establish the link, including the work on the well-recognised Service Profit Chain (SPC) (Heskett, Jones, Loveman, Sasser Jr., & Schlesinger, 1994; Heskett et al., 1997). According to the SPC, a company's operating strategy and service delivery systems, coupled with the quality of services offered within the organization (internally) are all determinants of an employee's service capability. With the ability to serve more effectively, productivity increases along with customer perceptions of service and service value. Service value then links to satisfaction which leads to loyalty, repeat business, increased revenues and finally to financial performance. What is most important about the SPC is that it regards service organizations as composed of people and processes and that those people and processes directly impact on the external customer (Schneider & White, 2004).

Another line of research known as 'linkage' research brings together aspects of employee perceptions, customer perceptions and organization outcomes. Linkage research focuses primarily on the non-financial components of the SPC – mainly the links between

internal organizational practices, employee perceptions of these practices and customer satisfaction. (Pugh et al., 2002; Schneider et al., 2000). Linkage research creates a conceptual chain that connects employee perceptions to customer perceptions (whereas the service profit chain takes this concept further by adding a focus on the specific determinants of customer loyalty and financial performance). The linkage research model essentially implies that leadership and management practices directly precede employee behaviour, which precedes customer results (which include WOM communication) (Zeithaml et al. 1996) which precedes business performance measures (Wiley & Brooks, 2000).

A number of studies provide a strong foundation for linkage research. Johnson (1996) measured a series of climate for service dimensions against a range of customer satisfaction criteria, and found that all climate for service components were significantly related to at least one facet of customer satisfaction. The dimensions most highly related to customer satisfaction of service quality were information sharing (about customer needs and expectations, service training and rewards, and recognising excellent service. Thompson (1996) examined similar characteristics in the utility services industry, focusing on employee perceptions of progressive human resource practices, and found that those units with the highest perceived human resource practices were also the units with higher customer commitment, satisfaction and profit (as well as lower grievances, absenteeism and safety issues).

A study of the relationship between employee attitudes and customer satisfaction in a service industry revealed that top management must take an active role in establishing and nurturing a service climate by showing direct support for employee welfare and service imperatives (Schmit & Allscheid, 1995). The study supports Schneider and Bowen's (1993) contention that when an organization promotes a quality atmosphere for service and for its employees, these efforts will result in positive customer experiences. Schneider and Bowen

(1993) also contend that two related climates must be created in the pursuit of service quality: a climate for service and a climate for the well being of employees (through quality human resources practices). In other words, employees who feel as though their well being is considered are a vital component of a service climate. Enthusiastic, satisfied employees lead to enthusiastic care for customers. More recently, longitudinal research into the linkage model concluded that the key to positive customer perceptions of service quality is found in those practices within the organization that emphasise and demonstrate conviction toward listening to customers and creating conditions that will meet and exceed customer expectations (Schneider et al., 1998).

These lines of research have taught us that there are a number of links that tie spects of organizational climate and practices, employee perceptions, customer satisfaction, customer behaviours and business performance. However, to date, the research has omitted to review the this relationship in the context of organization change. In addition, the role of employee identification has yet to be studied in relation to employee perceptions of service climate. Yet recent research indicates that employees react more favourably to having supportive peer groups by their side when serving customers than supportive supervisory support (Susskind, Borchgrevink, & Kacmar, 2003). Furthermore, in organizations that are departmentalised, employees often develop loyalty toward the other employees within their own work area and not towards the entity for which they work (Neuhauser, 1988; van Knippenberg & van Schie, 2000). The service climate literature fails to consider the role of identification as a key aspect in the attitudes and behaviour of employees. This paper investigates the milieu in which interactions between organizational actors, internal service quality processes, service capability, employee identification and a number of related dimensions serve as antecedents to customer service outcomes.

Employee Identification

In this section we outline the key ideas of employee identification and discuss the potential links between service orientation, employee identification and customer outcomes. According to social identity theory (SIT), an individual's concept of self is built on personal identity (one's unique characteristics as an individual) and social identity (derived from memberships in salient social groups and categories). Through categorization processes, people order and simplify their social environment by forming meaningful groups or categories of individuals. Furthermore, individuals identify with the groups or categories in which they see themselves as members, and identify with other persons they perceive as prototypical members of that group or category. Consequently, an individual's identity is based in part on the groups to which he or she belongs, and identification with these groups forms part of an individual's self-concept. An individual's membership of, and identification with, such social groups is crucial to understanding that person's attitudes and behaviour.

Within organizational contexts, employees are members of a number of groups, all of which are potential targets of identification. These groups include the organization itself, divisions, departments, or work units, as well as management teams, project teams, professional groups, or other informal groups (Paulsen, 2003). It follows that organizations can be the object of identification, just as other social categories based on nationality, race, class, occupation, sex, and religion. That is, organizational identification is a specific form of social.

Organizational groups provide the basis for many nested identities within an organization (Ashforth & Mael, 1989; Hennessy & West, 1999), with each of these identities being a potentially salient source for social identity-driven affect and behaviour. Employees form prototypes of organizational membership, which both describe and prescribe organizationally based perceptions, attitudes, feelings and behaviours (Hogg & Terry, 2000).

The more strongly that employees identify with the organization, the more likely it is that this will guide their behaviour within the organization, and that they will act in the organization's best interests (Dutton, Dukerich, & Harquail, 1994; Mael & Ashforth, 1992). In service environments such as the hotel industry, managers require employees to act in the best interests of the organization by delivering excellent customer service in line with hotel procedure. It is likely that the degree to which employees identify with the organization is a key factor in this process.

Given the interdependent nature of organizational arrangements, employees rarely function in isolation from their group or team contexts. In a service organization such as a restaurant or a hotel, dynamics such as these are inevitable. The patterns of employee identification are likely to influence attitudes, perceptions and commitment to customer service. Whilst numerous studies have been undertaken to explore employee adaptation to changes in organizations (such as Jimmieson, Terry, & Callan, 2004), this current research investigates the effects of service climate and employee identification during organizational change. In particular, we are interested in whether employee perceptions of service climate and employee identification with the organization predict perceptions of customer service during a hotel rebranding process.

Research Question 2 – Does employee identification with the organization predict employee perceptions of customer service?

Research Question 3 – Does employee identification with their department predict employee perceptions of customer service?

Method

For the current research, data were collected from employees in three hotels undergoing a rebranding. At the time of the survey, each of the hotel properties was

embarking on a rebranding strategy in order to turn around or improve performance and profitability. In the first, the hotel was repositioning itself from a four-and-a-half star rating to a three-and-a-half star rating hotel. The second hotel was privately owned and is now joining a four-and-a-half star international hotel chain while retaining the same ownership. The third hotel, also privately owned, was sold to a well recognised regional chain at the same star level (four-star).

Sample

This study was conducted as part of a larger research project that investigates the effects of service climate and employee identification on employee perceptions during hotel rebranding processes. Surveys were distributed to 350 employees in three different hotels. In total, 228 responses were received from the employees of different departments in each of the hotels. This represents a response rate of 65%. The sample includes 85 males (or 37%) and 140 females (or 61%; 3 did not identify their gender). This compares favourably with the total population of staff in the hotel which consists of approximately 40% males, thus indicating that our sample is representative of the total population by sex. A similar check of human resource records indicates that the sample is also representative of staff employed in different areas of the hotels (e.g., housekeeping, kitchen, front office).

Measures

Our survey was designed to capture employee perceptions of various dimensions of the climate for service in each of the hotels. In addition to service climate, the survey also included measures of employee identification and employee perceptions of customer service. Respondents scored the items on a 7-point scale (1 = strongly disagree, 7 = strongly agree).

Service climate

In this study, we used the SERV*OR instrument developed by Lytle et al. (1998). This instrument contains 34 items and purports to measure the ten dimensions of service orientation described in Table 1. The instrument captures aspects of service climate that are likely to impact on customer satisfaction and perceived service quality. Furthermore, the current research context provided an opportunity to test the usefulness of the SERV*OR instrument in the hotel industry.

To our knowledge, this measure has not previously been applied to the hotel industry. Consequently, we checked the dimensionality of the SERV*OR instrument on our particular sample of respondents. We subjected all 34 items of the original measure to a factor analysis (principal factors, varimax rotation, eigenvalues > 1). A five factor solution explained 68% of the variance in the item set. The first factor contained items related to a number of elements in the original measure - customer treatment (e.g., 'employees go the extra mile for customers'), empowerment ('decisions are made close to the customer'), service vision ('there is true commitment to service, not just lip service'), and service failure prevention ('we actively listen to our customers'). While these are listed as separate elements of two different dimensions in the original SERV*OR framework, closer inspection of the items loading on this factor indicates that they are worded to reflect various aspects of customer contact and customer relations. We labelled this factor 'customer-centricity', and the 11 items were used to create a scale with a high level of internal reliability (alpha = .93, N=186).

The second factor included items measuring the servant leadership element of the SERV*OR measure (6 items, alpha = .95, N=221; items include 'management constantly communicates the importance of service'). The third factor to emerge contained the two items related to human resource management practices (service rewards and three service training items, alpha = .92, N=214). The fourth factor contained three items designed to measure

service recovery and three items related to service standards communication (6 items, alpha = .89, N = 213). The final factor to emerge from the analysis contained the items for the SERV*OR dimension of service technology (3 items, alpha = .93, N = 219).

*Links to SERV*OR dimensions.* As indicated above, the SERV*OR instrument purports to measure four dimensions and ten fundamental elements of service orientation. The analysis of our survey data did not directly replicate this structure. However, the five factors to emerge in our analysis are similar to the dimensions identified by Lytle et al. (1998). For example our 'customer centricity' factor consists primarily of items related to customer treatment, empowerment, failure recovery, and service vision. As indicated above, the items used to measure these elements have direct reference to customers and customer contact processes. The items measuring service rewards and service training relate closely to the human resource management dimension of SERV*OR. Similarly, elements that are linked to the idea of service processes and systems (standards and recovery) load on our fourth factor. Servant leadership (six items) loaded on a single factor in our study, as did service technology (three it

Employee identification

Employee identification with the organization and with the work unit were measured using a four item scale developed by Doosje, Ellemers, and Spears (1995), which has demonstrated reliability in previous research (alpha = .83). Two of the questions relate to membership of the group of interest and the other two items reflect strength of identification with the group. We included two sets of questions, each set containing four identical questions with one word changed to reflect the different sources of identification of interest to the study (e.g., 'I am pleased to be an employee of this *hotel'* and 'I am pleased to be a member of my *department'*). Our analysis of these items as a set indicated that the four items

were not uni-dimensional. The two items relating to membership of the organization loaded on one dimension and the two items relating to strength of identification loaded on the other. Consequently, we combined these items to form two sets of indicators. In this particular sample of respondents, it appears that these items measure two aspects of identification – perceived membership of the group and strength of identification with the group (see Tajfel, 1982).

Perceptions of customer service

The survey also included two questions asking employees to estimate their customers' satisfaction levels. Previous research has shown a positive correlation between employee and customer perceptions of service quality (Borucki & Burke, 1999; Johnson, 1996; Schneider & Bowen, 1985; Wiley, 1991). Zemke (2002) highlighted a range of areas where employee perceptions and evaluations can be particularly valuable and accurate in creating a quality customer service focus. These include the employee perceptions of service focus, knowledge of customer expectations, as well as listening to and learning from customers. The two questions asking for employee perceptions ('in my opinion, customers of this hotel are generally very satisfied,' and 'in my opinion, customers of this hotel receive excellent customer service') were highly correlated ($r = .78$) and were combined to form a scale to measure employee perceptions of customer service (alpha = .88).

Table 2: Descriptive statistics – study variables

Variable	Mean	SD	Correlations									
			1	2	3	4	5	6	7	8	9	10
1. Customer centricity	5.08	1.05	(.92)									
2. Human resource practices	4.26	1.54	.58	(.92)								
3. Service systems	4.40	1.39	.68	.72	(.89)							
4. Service leadership	4.90	1.48	.66	.71	.66	(.95)						
5. Service technology	4.15	1.60	.67	.51	.62	.58	(.93)					
6. Department membership	6.22	1.00	.45	.33	.32	.45	.30	(.87)				
7. Strength of ID (Department)	6.00	1.05	.37	.22	.29	.29	.22	.65	(.92)			

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8. Organizational Membership	6.12	1.10	.51	.34	.25	.45	.35	.62	.32	(.78)		
9. Strength of ID (Organization)	5.71	1.03	.46	.29	.37	.35	.25	.45	.66	.36	(.80)	
10. Perceptions of customer service	5.23	1.33	.69	.49	.48	.58	.47	.46	.25	.49	.31	(.88)

Note: All correlations are significant at the 0.01 level (2-tailed). Coefficient alphas on the diagonal

Results and Discussion

Descriptive statistics and intercorrelations for the study variables are included in Table 2. Coefficient alphas for each variable are included on the diagonal. An inspection of the correlation matrix reveals that there are significant correlations amongst all of the variables used in the analysis. In particular, we found positive correlations between perceptions of customer service and customer centricity, as well as service leadership. The service climate dimensions are positively correlated with each other. The correlations between organisational and department membership variables and perceptions of customer service are moderate, but significant.

To explore our main research questions, we conducted a hierarchical multiple regression analysis with perceptions of customer service as the dependent variable. This technique was employed to determine whether employee perceptions of service climate dimensions and then employee identification with department and organization, improved the prediction of customer service perceptions beyond that afforded by demographic variables. In the first step of the analysis, we included the demographic variables age, sex, and tenure. These variables were entered in the second step because we were interested in the degree to which service climate dimensions predicted perceptions of customer service. Finally, we entered the employee identification variables. Results of the regression analysis are summarised in Table 3.

Results indicated that the prediction of employee perceptions of customer service was significantly improved at each step of the analysis. A major improvement to the prediction over and above demographic variables occurred on the second step when service climate

dimensions were entered into the equation (R^2 change = 0.48). In other words 48% of the variance in perceptions of customer service was explained by dimensions of service climate. Inspection of the standardised beta weights indicates that customer centricity (beta = .47; p < .05) was the only significant predictor while service leadership (beta = .14; p = .072) approached significance. The addition of the employee identification variables also significantly improved the prediction. However, the variance explained by the addition of these variables was relatively small (R^2 change = 0.03) with a significant beta weight on department membership (beta = .21; p < .05).

Table 3: Hierarchical regression of service climate variables and employee identification on perceptions of customer service

Variables		B	Beta		
Step 1	Age	.02	.01		
	Sex	.39	.14*		
	Tenure	-.06	-.07	R^2 change =.05	$F_{3,213} = 3.81$*
Step 2	Customer centricity	.61	.47**		
	Human resource practices	.08	.10		
	Service systems	-.07	-.07		
	Service leadership	.13	.14		
	Service technology	.03	.04	R^2 change =.48	$F_{5,208} = 42.34$**
Step 3	Department membership	.28	.21*		
	Strength of ID (department)	-.16	-.13		
	Organizational membership	.08	.06		
	Strength of ID (organization)	.01	.01	R^2 change =.03	$F_{4,204} = 3.75$*

Note: Regression weights when all variables entered in the equation; * p < .05; ** p < .01; N = 228

These results provide tentative insights into our research questions. It is not surprising that the elements of service climate most related to customer outcomes were those that relate directly to aspects of employee contact. Our 'customer-centricity' dimension includes such customer-related aspects as service encounter practices, degree to which employees are empowered to respond to customers, service failure prevention, and service vision. This result highlights the importance of maintaining a focus on customer service during a hotel

rebranding process in order to ensure high levels of customer service. The dimension of service leadership approached significance as a predictor of customer service perceptions and indicates that managers have a critical role in ensuring that high levels of service are maintained. The more peripheral dimensions, such as service technology, service recovery and training did not predict employee perceptions of customer service. Because employees in service organizations see direct contact moments, or moments of truth (Carlzon, 1987) as 'pure', direct service opportunities, it is not surprising that these predict customer outcome perceptions. Employees do not often see the process components of service (such as service systems, technology and training) as direct contributors to immediate customer outcomes (Gronroos, 1998), and this may explain why employee perceptions of these dimensions did not predict employee perceptions of customer outcomes in this study.

While employees identify with their employing organization to some degree, we know from prior research that the work unit or department is a primary source of identification for employees in many organizations. Not only that, we also know from SIT that, when a higher order identity is under threat (such as an organization undergoing change) individuals focus on lower order identities (such as the work unit or professional group) as a primary source of identification. In many hotels or hotel chains, attempts are made to develop a strong image and organizational identity; however hotels are also strongly departmentalized service environments. In our research study, the degree to which hotel employees perceived themselves as members of their department contributed to the prediction of customer service perceptions. Thus it appears that the department is a more salient source of identification for employees than the organization itself during rebranding and that this identification predicts the assessment of customer satisfaction.

Implications

The results of this study suggest two important implications for service organizations undergoing change – the need to focus on service climate dimensions and the need to consider employee identification processes during change. This paper has focused on the need to better understand service climate within the context of organizational change, and to ascertain which dimensions of service climate are more salient in predicting customer outcomes. We have shown that the elements of service environment related to customer focus (or 'customer-centricity') are effective predictors of employee perceptions of customer service (Johnson, 1996; Susskind et al., 2003). The implication for managers is to ensure that the focus on customer-centric elements of service climate is unfailing. In hotel rebranding processes, managers may lose sight of the importance of maintaining commitment to service levels, particularly in the early stages of change. In their discussion of excellence, Peters and Waterman (1982) highlight the importance of remaining 'close to the customer' and maintaining an 'obsession' for service excellence. However, managers should not neglect 'behind-the-scenes' aspects of service that are for a holistic service quality approach (Gronroos, 1998, 2000).

When an organization promotes an atmosphere for its employees that is fundamentally conducive to serving customers, this effort will result in higher levels of positive customer experiences, which in turn will lead to other positive customer outcomes (Schneider & Bowen, 1993). Results from our study support this contention. Our findings are consistent with research from the linkage model, which suggests that positive customer perceptions of service quality are found in those organizations that emphasise and demonstrate conviction toward listening to customers and creating conditions where exceeding customer expectations is the norm (Schneider et al., 1998). Managers cannot afford to ignore these elements of service orientation during a rebranding process and other forms of organizational change.

The focus on employee identification in organizations is of particular interest to this research. Organizational change, by definition, threatens a person's fundamentally held beliefs and assumptions (Huy, 1999), making clear the reasons why individuals or groups would not necessarily engage in change unless they were forced to do so. Organizational change processes are threatening to people for many reasons, including the effects the process may have on employee self-esteem and stability, but also because it disrupts a person's sense of identity with or belonging to those around them (Hogg & Terry, 2000). Rebranding is a common form of organizational change in the hotel industry. As indicated above, rebranding involves a change of image and organizational identity. In the process, employees are often required to leave behind their commitment and attachment to the 'old' hotel and identify with the 'new' hotel. However, in order to reduce uncertainty during a rebranding process, employees are likely to 'play down' their identification with the organization as a whole and identify more strongly as a member of their department (Ashforth & Mael, 1998). This process may assist employees to adjust to the 'new' hotel, and it may also assist them to maintain their focus on customer service. While we might expect that employees would identify with the hotel or the hotel company, our findings demonstrate that identity at the departmental level, rather than the organizational level, plays a predictive role in how employees perceive a firm's capacity and capability to provide customer service. Even when employees may be uncertain about the changing identity of the hotel, they can still focus on producing effective outcomes at the department level.

Managers of change processes in people-intensive service businesses would be well-served to use this finding to their advantage. Managers cannot afford to ignore the importance of the connections employees feel to the departments in which they work, especially during change. Managers need to acknowledge the contribution that each department makes to the desired outcome and to validate the importance of each department to the change process.

During a rebranding process, not only is it important to emphasise the 'new' hotel as a valued source of identification for employees, but also to acknowledge the importance of the commitment employees have to their departments, which in turn influences their desire to maintain standards of excellence. In fact, Fiol (2002) proposes a co-evolutionary identity change model that takes account of the shifting identification of employees during change. The model suggests that disparate beliefs can coevolve over a period of time, leading to a new identity for the organization with which employees can identify. Eventually, the strengthened identity becomes a platform for further enhancing the change process.

The goal of any hotel rebranding process is to ensure successful business performance. One of the critical factors in this process is to ensure that customers continue to receive excellent customer service. We already know from prior research that customers who experience high levels of service are likely to return and are more likely to engage in WOM communication. The ways in which hotel owners undergo a rebranding process can be instrumental in the speed and likelihood of a successful outcome. Many rebranding processes focus heavily on changes to physical artifacts, to systems and procedures, and to rules and company guidelines. Whilst these aspects of rebranding are important, we suggest an additional perspective that considers the role of service climate during the process, the particular relevance of customer-related climate dimensions, and the processes of employee identification.

Future Research

The research framework in this study needs to be applied in a longitudinal research design. In such a design, research could explore the nuances of employee perceptions about service climate and identification from the earliest point of a rebranding process through the period until the new brand is established. Qualitative research should be used to complement the findings and to offset limitations of self-report, cross-sectional survey designs. It would be

instructive to know whether significant changes occur in the pattern of employee perceptions of service climate and in patterns of employee identification over time. In the early stages of a rebranding process, some aspects of the service climate may deteriorate and then recover as the new brand takes shape. Similarly, as the 'new' hotel develops a distinctive reputation and image, the patterns of employee identification may also shift. Such changes are likely to impact on customer service perceptions in different ways.

While service climate has been a topic of academic research for many years, it has yet to be applied to diverse settings and contexts. The study in this paper is one attempt to do this. Future research into service climate should continue to refine the dimensions of service climate and the scales used to measure them. For example, our analysis of the SERV*OR measure did not directly replicate the structure developed by Lytle et al. (1998). Nevertheless, while we did not find the ten elements of service orientation identified by Lytle et al. (1998) in our analysis, the five dimensions to emerge were not inconsistent with that framework.

Research seeking to link internal process issues directly to the 'bottom line' is gaining empirical strength. Research in this field demonstrates that a service organization is a 'process' organization whereby employee attributes, attitudes, behaviour and consequences are part of the service process. This process adds to the atmosphere for customer service and has subsequent impacts on sales and profits (Schneider & White, 2004). However, a further extension to our work would be to link the research on service climate dimensions with employee and customer perceptions of satisfaction and quality simultaneously (see earlier studies by Schneider & Bowen, 1985; Schneider et al., 1980). Employees have shown the ability to offer a reasonable assessment of customer satisfaction (Johnson, 1996), however, a direct link to customer perceptions of service would allow for direct examination of this link. Similarly, this work needs to be extended to include measures of business outcomes, such as

profitability, customer repeat business (or repurchase intentions), and customer WOM communication.

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