



**Antecedents of Service Climate: Local vs. Foreign
Service Firms in an Emerging Market Context**

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Hung Trong Hoang

B. BA (Hue University), M. Management (Monash University)

The University of Adelaide Business School

Adelaide, Australia

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Abstract

Service climate has attracted attention from both academics and practitioners in recent years. However, there exist two major research gaps in this literature domain. First, service climate research to date has predominantly focused on its outcomes, with few studies investigating its antecedents. These few studies have primarily relied on a resource-based approach and have focused on certain organisational resources and practices that can enhance service climate. Second, there is limited knowledge of how service firms foster a service climate in emerging markets where much of the economic growth is currently occurring. Therefore, this study seeks to gain a more comprehensive understanding of (1) the antecedents of service climate and (2) the extent to which service firms, both local and foreign-owned, create a favourable service climate in an emerging market. The broad research problem investigated in this study is: *How do service firms, local and foreign-owned, create a favourable service climate in an emerging market context?* To examine the broad research problem, this study draws upon the resource-based view, social exchange theory and the eclectic paradigm to address the following two research questions:

Research question 1: What are the antecedents of service climate in an emerging market context? How do the antecedents interact and influence service climate?

Research question 2: How do service climate and its antecedents differ between local and foreign service firms in an emerging market context? How do the antecedents influence service climate differently across the ownership types?

To address these research questions, this study was conducted in two phases: exploratory and explanatory. The exploratory phase yielded new insights into the antecedents of service climate of local and foreign service firms in an emerging market context. It also helped clarify the antecedents of service climate and the potential relationships among them. Based on the findings of this exploratory phase, a conceptual framework was developed and hypotheses were derived. The conceptual framework and hypotheses were then tested in the second phase of the study using Structural Equation Modelling (SEM). Survey data from a total of 549 usable responses from service employees in both local and foreign service firms in Vietnam allowed the researcher to test the proposed hypotheses.

Findings for the first research question suggested that three groups of antecedents contribute to creating a favourable service climate in an emerging market context: firm-based, market-based and culture-based. In terms of firm-based antecedents, the study identified five antecedents positively related to service climate: (1) leadership commitment to service quality, (2) internal customer service, (3) internal processes and service standards, (4) service-oriented human resource management (HRM) and (5) work facilitation resources. In addition, there are significant inter-relationships among these firm-based antecedents in fostering a service climate. The data analysis also demonstrated that competitive intensity in emerging markets and employees' cultural orientation moderate the impacts of the firm-based antecedents on service climate.

Findings for the second research question showed that there are significant differences in the antecedents and service climate between local and foreign firms. Foreign-owned service firms outperformed local firms on all firm-based antecedents and in service

climate. In addition, the influence of leadership commitment to service quality and service-oriented HRM on service climate was found to be greater in foreign firms than that in local firms. In contrast, the influence of internal customer service on service climate in local firms was greater than that in foreign firms.

This study contributes in several ways to our knowledge concerning service climate. First, it proposes and tests an integrated model of the antecedents of service climate in an emerging market context, which have not been fully examined in prior literature. Second, the study contributes to knowledge about the antecedents of service climate from a market perspective by suggesting the impact of competitive intensity in emerging markets. Third, it extends the literature on the antecedents of service climate from a cultural perspective by investigating the impact of employees' cultural orientation on their perception of service climate. Fourth, this study enriches international services research by investigating the factors associated with service climate in internationalised service firms (versus those of domestic ones) from an Asian emerging market perspective. Finally, this study has practical implications because it provides a framework that enables managers of service firms to take action and invest resources to improve their service climate and enhance their competitive advantage in the global marketplace.

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Statement of declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution to Hung Trong Hoang. To the best of my knowledge and belief, the thesis contains no material previously published or written by other person, except where due reference has been made in the text.

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Publications

The following publications are based upon the research presented in this thesis, and may contain results and material presented herein.

- Hoang, H.T., Rao Hill, S., Freeman, S., Lu, V.N., Imrie, B.C. (1st revision), *Drivers of Service climate: Local vs. foreign firms in smaller Asian emerging markets*, International Journal of Human Resource Management
- Freeman, S. & Hoang, H.T. (forthcoming), The nature of relationships within supply networks and their role in the delivery of services in East Asian emerging markets, in Findlay, C. (Eds), *Asean and regional free trade agreements: Consolidation or creation?*, to be published by Routledge
- Hoang, H.T., Rao Hill, S., Freeman, S., Lu, V.N. (2014), *Drivers of service climate in an emerging market: Local vs. foreign firms perspective*, accepted for presentation at Australian and New Zealand International Business Academy (ANZIBA) conference, Auckland, New Zealand
- Hoang, H.T. (2013), *Factors affecting a favourable service climate: A study of service firms in Vietnam*, Proceedings of the Vietnam Economist Annual Meeting (VEAM) Conference, Hue city, Vietnam
- Hoang, H.T., Rao Hill, S., Freeman, S., Lu, V.N. (2012), *Antecedents of service climate: An exploratory study of local and foreign service providers in Vietnam*, Proceedings of the Academy of International Business (AIB) Conference, Washington DC, USA
- Hoang, H.T., Freeman, S., Rao Hill, S., Lu, V.N. (2012), *Creating a favourable service climate in emerging markets*, Proceedings of the Consortium for International Marketing Conference, Taipei, Taiwan
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