

## Social capital, customer service orientation and creativity in retail stores

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Received 16 February 2006; accepted 19 September 2006

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### Abstract

This paper argues that the structural, relational and cognitive dimensions of social capital within retail stores provide an insight into the antecedents of customer service orientation and store creativity. These three dimensions enhance a customer service orientation as a result of increased knowledge sharing, creation of information channels, and the facilitation of cooperative behavior. Secondly, because these factors foster the process of resource exchange and combination, they are also associated with an increased level of store creativity. Indeed, for a high level of creativity to take place at the store level, knowledge has to be shared and combined in an effective manner. Our proposed model is tested on a sample of 112 stores within a large national retail chain. We find partial support for our hypothesized model.

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**Keywords:** Social capital theory; Customer service orientation; Creativity; Retail stores

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### 1. Introduction

Retail organizations have recently made considerable leaps in their level of market orientation and customer responsiveness. This is particularly true of the global retail chains. It is well understood that responding to customer needs more efficiently and effectively than competitors is an important source of advantage for retailing organizations. While responding to customers' expressed needs and preferences is critical for competitive advantage in retail industries, a balance needs to be struck with the need to be innovative, which improves the retailer's ability to anticipate and cater to customers' emergent or latent needs (Narver et al., 2004). Accordingly, retailers must be both market driven and market driving (Jaworski et al., 2000; Kumar, 1997).

On the surface, these two objectives might appear in conflict. Being market driven largely implies incremental innovation as customers' expressed needs will be largely anchored within an existing business model or framework (Tuominen et al., 2004). Market driving innovation, on the other hand, implies larger

steps forward and leads to more radical changes in the way people shop. Accordingly, market driving innovation involves greater risk (Kumar et al., 2000). Although they may require competing business logics (Tuominen et al., 2004), both objectives are pursued successfully by many retail organizations. Clothing retailer Zara, for example, consistently exceeds customers' expectations of contemporary, fashionable design (evidence of being market driven), while having also changed the way customers buy fashion (evidence of market driving).

If retail stores are to attempt to be both market driven and market driving, they must, at a minimum, combine high levels of creativity with superior customer orientation. Creative ideas provide the seed for all innovation (Amabile et al., 1996), while customer orientation helps to channel innovative activity toward the provision of superior customer value. But this in turn raises questions about the sources of, and preconditions for, organizations achieving both high levels of creativity and customer orientation. Accordingly, one of the major questions we seek to answer in this paper is: what kind of organizational context encourages retail firms to be simultaneously creative and responsive to customers?

We contend that having access to, and leveraging, valuable information is central to the achievement of this dual goal. Information must also be disseminated efficiently and accurately,

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so that members of an organization can respond to customer needs quickly and at the same combine multiple insights to generate new ideas. As a consequence, retail organizations must comprise relationships between members that facilitate both efficient response and a degree of organizational introspection capable of yielding more radical innovation.

Social capital theory (Nahapiet and Ghoshal, 1998)—with its emphasis on relationships, networks, and information flows—is a framework that is especially useful for understanding and analyzing the challenges facing retail stores in being simultaneously market driven and market driving. An organizational commitment to meeting customer needs (i.e., being market driven) will be partly dependent on the level and nature of information flows; something which social capital theory reminds us is driven by the nature of relationships and networks of store employees. Market driving, by contrast, is about ‘escaping the tyranny of served markets’ (Hamel and Prahalad, 1991); something which may be done by encouraging experimentation and trialing new ideas that change customers’ perceptions of the nature and purpose of retail stores. Social capital theory is crucial here too because it highlights the importance of two building blocks in organizational creativity: social interaction and diverse resource inputs (Kogut and Zander, 1992; Tsai and Ghoshal, 1998). Our aim, then, is to demonstrate how the creation of social capital allows retail stores to achieve superior performance in both customer service orientation (evidence of being market driven) and store creativity (evidence of market driving).

The paper is organized as follows. First, we discuss the conceptual foundation of our study. Second, based on this theoretical background, we propose a model that specifies the dimensions of social capital—communication openness, trusting culture and shared vision—as antecedents to customer service orientation and store creativity which, in turn, affect the overall performance of the retail store. Third, we describe the research method and present our findings. Finally, the paper concludes with a discussion of the results and implications for management and future research.

## 2. Theoretical background

Bourdieu (1983, p.250) defines social capital in terms of resources linked to group membership, and highlights the importance of ‘durable obligations subjectively felt (feelings of gratitude, respect, friendship, etc.)’. Tsai and Ghoshal (1998) investigated the impact of social capital on the internal functioning of firms, focusing on the extent to which social capital facilitates a firm’s ability to create value through innovations. Central to these studies is the idea that networks of relationships and interactions between individuals can facilitate the creation of value within firms. Accordingly, we anchor our hypothesized model in a resource-based view of the firm in which social capital, and its constituent elements, are considered valuable, inimitable, and non-substitutable assets that underpin key processes and values—in our case retail store creativity and customer service orientation—that lead to competitive advantage (Wernerfelt, 1984).

We employ Nahapiet and Ghoshal’s (1998) conceptualization of social capital, where three dimensions are argued to facilitate the combination and exchange of resources within firms. The first dimension is *structural*, which emphasizes the importance of the location of an actor’s contacts in a social structure of interactions. This dimension is articulated in this study in terms of the degree of *open communication* facilitated by a social network infrastructure, which enables retail employees to combine or share resources. The second dimension is *relational*, and is conceptualized here in terms of a *trusting culture*, which is a key relationship asset, as it is capable of increasing cooperation and support among service employees. The third dimension is *cognitive*, which is embodied in shared codes and commonality of goals. This dimension is reflected here in the concept of *shared vision*, which represents the shared values that facilitate individual and group actions.

We adopt Woodman et al.’s (1993, p. 293) characterization of organizational creativity, which is defined as the ‘the creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social system’. While the creativity literature is replete with various definitions, tenets, and measures of creativity, we find *meaningful novelty* to be the most pervasive theme (e.g., Andrews and Smith, 1996; Sethi et al., 2001). We focus, therefore, on the key processes indicative of creative organizations: experimentation and risk taking (Sethi et al., 2001; Tiwana and McLean, 2005), the generation of new ideas (Paulus and Yang, 2000), and the translation of new ideas to valuable or meaningful outputs (Im and Workman, 2004).

In sum, we consider social capital within retail stores as an organizational resource, which will be a significant determinant of a retail store’s market driven and market driving performance. Specifically, we expect the structural, relational, and cognitive dimensions of social capital to be antecedents of the level of creativity and the intensity of the customer service orientation within retail stores. In turn, we expect both creativity and customer service orientation to lead to superior retail store performance.

## 3. Hypothesized model

We argue that open communication, a trusting culture and a shared vision—key components of social capital within organizations—will improve retail store performance. The benefits of social capital are not simply manifested in incremental improvements but also in more dramatic advances in business processes. For this reason we look at the mediating effects of customer service orientation (evidence of market driven improvement) and store creativity (evidence of market driving innovation). Fig. 1 outlines our proposed model.

### 3.1. Social capital, customer service orientation and store creativity

*Open communication.* Open communication captures the idea of employees within stores sharing information and learning from the experiences of other employees. It improves

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