



Reward climate and its impact on service quality orientation and employee attitudes

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ABSTRACT

This study examined the mediating role of service quality orientation (SQO) on reward climate and employee attitudes. Using a sample drawn from the hotel industry in Hong Kong, we found that reward climate was significantly associated with job satisfaction and organizational commitment. Employees that perceived a strong service reward climate tended to exhibit a more pronounced SQO and in turn higher levels of job satisfaction and organizational commitment. These findings underscore the importance of reward climate to the process of service provision. Implications for the establishment of a service reward climate are discussed as are suggestions for future research in this promising new area.

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1. Introduction

Service excellence is a key differentiation strategy (Pizam and Ellis, 1999; Prince and Simon, 2009). For the hospitality industry in particular, it represents a primary source of competitive advantage (Davidson et al., 2002; Kim et al., 2003; Pfeffer, 1998). The alignment of employee service values and behaviors with an organization's strategic service priorities and the service expectations of its customers is therefore critical to organizational success (Boxall and Purcell, 2003).

Today, organizations and customers alike demand exemplary service. Yet, the service values or *service quality orientation* (SQO) that employees hold do not always coincide with those of the organization or its customers. Service is a highly interactive process in which certain dimensions are more tangible than others. The importance individuals attach to different dimensions of service is also subjective. Divergence between employees, organizations, and customers about which specific dimensions or attributes of service epitomize service excellence may ultimately lead to inferior service outcomes (Bitner et al., 1994; Wong et al., 1999). However, when fit exists, favorable service outcomes are more likely as are complementary employee attitudes, such as job satisfaction and organizational commitment (Babakus et al., 2003; Chiang and Birtch, 2009b; Kim et al., 2005).

SQO is influenced by employee perceptions about work environment or *climate* (i.e., organizational practices, policies and

procedures). For example, rewards signal to employees what behaviors are valued by the organization and are instrumental to the alignment of employee–organization interests (Eisenhardt, 1989). They have been used to direct, sustain, and motivate desirable values and behaviors, such as knowledge sharing (Bartol and Srivastava, 2002), creativity (Eisenberger et al., 1998), quality (Cowherd and Levine, 1992), and customer satisfaction (Delaney and Huselid, 1996). Hence, understanding the antecedent role that reward climate plays on employee SQO is essential to fostering service excellence.

Although scholars have recognized the importance of work climate, SQO, and employee attitudes, prior research is insufficient in several respects. First, it is mainly confined to examining the consequences of SQO (Kim et al., 2005; Saura et al., 2005). SQO is frequently treated as a dispositional antecedent to customer satisfaction, job satisfaction, and performance (Hogan et al., 1984; Brown et al., 2002). As a consequence, we know relatively little about how SQO is shaped or develops in the first instance (Hartline et al., 2000). Second, according to the interactionist perspective, employee values are influenced by their perceptions about work environment or climate (Lewin, 1951). Hence, the extent to which employees believe that certain service qualities and attributes (macroperceptions) are rewarded in their organization will strongly impact their perceptions (microperceptions) about the importance of such qualities and attributes (Dietz et al., 2004). Such a line of analysis is absent from the SQO literature despite repeated calls from scholars (e.g., Rogg et al., 2001; Susskind et al., 2003). As scholars (e.g., Schneider and Bowen, 1985; Zohar, 1980) contend, by measuring a specific dimension of climate (e.g., reward), we can more precisely detect its impact on employee SQO (Manning et al., 2004). Third, current SQO literature focuses

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predominantly on the customer at the expense of advancing our understanding about the role of employee attitudes (Jones et al., 2003; Saura et al., 2005). Since employee attitudes are critical to service, it is important to explicitly relate SQO to such employee outcomes. Finally, little, if any, empirical research to date has investigated the potential mediating role of SQO (e.g., Brown et al., 2002; Saura et al., 2005). Not only do the above shortcomings restrict continued theoretical advancement but also they inhibit the development of practical guidance for organizations pursuing service excellence strategies.

This study attempts to address the above gaps. We begin by briefly delineating reward climate and SQO. Following the development of our hypotheses and a brief overview of the methods employed, we present relevant analyses and findings. The findings demonstrate the important roles that reward climate, SQO, and employee attitudes (i.e., job satisfaction and organizational commitment) play in service excellence. They further reveal that SQO mediates the relationships between reward climate and employee attitudes. In doing so, this study extends the current literature and offers novel contributions to both theory and practice.

2. Literature review

2.1. Defining reward climate and service quality orientation

Organizational and behavioral scholars alike view climate as the perceptions that employees hold about their organization's practices, policies and procedures (i.e., work environment). Prior studies have examined climate in terms of job challenge and autonomy, leader support, communication, and group cooperation (e.g., Babakus et al., 2003; Kopelman et al., 1990; Lytle et al., 1998; Schneider et al., 1998). Reward climate is a specific dimension of organizational climate. It refers to employee perceptions about what values and behaviors are considered important and rewarded by the organization (Schneider et al., 1998). A positive reward climate can direct, reinforce, and strengthen the types of behavior desired by an organization (Chiang and Birtch, 2008; Stonich, 1981). It provides strategic focus and the context (macroperception) for motivating employee behavior (Dietz et al., 2004; Schneider et al., 2005). The stronger employees perceive that certain service values and behaviors will be rewarded, the stronger the service reward climate.

Service quality orientation (SQO) is "a set of attitudes and behaviors that affects the quality of the interaction between . . . the staff of any organization and its customers" (Hogan et al., 1984, p. 167). It is an individual level disposition, set of values, beliefs, and perceptions (microperception) (Dietz et al., 2004) characterized by a desire to provide a high standard of service in order to satisfy an organization's strategic priorities and customer needs and demands (Brown et al., 2002; Cran, 1994). It also reflects the service provider's level of commitment to the customer (Susskind et al., 2003). Empirical findings (e.g., Kim et al., 2005; Jeong and Oh, 1998; Oh, 1999) suggest that a high level of SQO engenders behaviors that foster service excellence and customer satisfaction. Thus, SQO plays a fundamental role in service delivery (Øgaard, 2006; Susskind et al., 2003).

2.2. The relationship between reward climate and SQO

Job activities take place within organizational contexts and as such, values in this context (reward climate) can shape employee perceptions about what is important (SQO). According to operant conditioning theory (Komaki, 2003; Skinner, 1969), a behavior (e.g., service quality) that is rewarded tends to be repeated, reinforced, and exhibited more frequently. Individual financial incentives, for example, are known to foster a performance-oriented culture in

which 'flexibility, dynamism, entrepreneurial spirit' are emphasized (Kessler and Purcell, 1992, p. 21). Non-financial rewards (e.g., work-life balance benefits) create a supportive and caring climate (Chiang and Birtch, 2009a), which enables employees to function more efficiently, reduces costly job-related mistakes, and improves morale (Johnson et al., 1986).

How employees perceive their reward climate plays an important role in shaping their SQO (Payne and Webber, 2006). Employees can be socialized by their organizational climate for service (Kelley, 1992). A reward climate signals the importance of service values and behaviors to an organization (Schein, 1985). It delineates what specific service objectives and behavioral standards are valued most (Schneider, 2000). According to Eccles (1991, p. 2), "what gets measured gets done, particularly when rewards are tied to the measures". When employees perceive that their organization values and rewards certain service behaviors, they will be more inclined to embrace such values and deliver the desired behaviors accordingly. However, if their service efforts go unrewarded, such orientations and behaviors may discontinue or diminish in importance. In their study of 243 employees from two hospitality organizations, Hinkin and Schriesheim (2004) found a positive relationship between contingent rewards and worker job effectiveness and satisfaction. Omitting rewards specific to particular organizational performance priorities resulted in a lack of role clarity, reduced worker effectiveness, and job dissatisfaction. Hence, reward climate reinforces organizationally valued behaviors and can encourage employee SQO.

Reward climate and SQO can also be understood in the context of social exchange theory (Blau, 1964). Social exchange theory posits that if employees perceive that their organizations accommodate their needs in the workplace, they will develop an implicit obligation to reciprocate with an increased willingness to perform the tasks and types of behavior that benefit their organization. Evidence suggests that employees reciprocate positive experiences in the workplace by performing tasks at a higher standard (Tsui et al., 1997). That is, when organizations reward service, employees will reciprocate by demonstrating desired service values, behaviors, and attitudes. The extent to which employees believe that their organizations value and reward service behavior (service reward climate) will have a strong influence on employee SQO. Thus,

Hypothesis 1. Reward climate will be positively related to SQO.

2.3. Reward climate and employee attitudes

Employee perceptions about reward climate influence employee attitudes (Babakus et al., 2003; Øgaard, 2006). Management's commitment to service is manifested through an organization's reward climate. A favorable appraisal and cognitive evaluation of one's environment (reward climate) can foster positive employee attitudes, such as job satisfaction and organizational commitment (Babakus et al., 2003). According to the norm of reciprocity (Gouldner, 1960), when organizations accommodate employees' needs and reward their efforts, employees should reciprocate with strengthened socio-emotional bonds to the organization manifested in job satisfaction and increased commitment. Job satisfaction arises from an employee's general affective evaluation of the degree to which he/she believes that a job meets his/her individual needs (Locke, 1976). Affective commitment reflects the psychological bonds an employee develops with their organization (Meyer and Allen, 1984). Hence, the stronger the perceived reward climate, the greater the affective responses in terms of job satisfaction and organizational commitment (Hartline and Ferrell, 1996). That is, feelings toward a job and organization are stronger and more positive when an employee believes that his or her duties are valued, rewarded, recognized, and in congruence

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