

# A Study of Key Success Factors of Service Enterprises in China

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**Abstract** This paper reports a study of the key success factors of what have been recognized as successful service enterprises in China, each considered representative of its respective industry. The grounded theory approach was used to analyze information collected from these enterprises, resulting in the identification of the attributes shared by these enterprises: customer-oriented service, service management, service innovation, and corporate social responsibility. Based on these attributes, a survey was conducted to verify the relationships among these attributes and important outcomes, namely customer satisfaction, perceived service quality, and enterprise reputation. The results of the statistical analysis indicate that the four attributes have positive impacts on service outcomes. The findings are of far-reaching importance in view of the vast potential service markets in China.

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#### Introduction

With the increasing competitions in the global market, there is a constant effort on the part of forward-looking enterprises to enhance their competitive advantage and attract new customers, at the same time retaining existing regular customers. As pointed out to various works on the subject (see Mathieu 2001; Oliva and Kallenberg 2003; Chang et al. 2009; Hu et al. 2009; Qin and Prybutok 2009), the service industry is most sensitive to customer satisfaction and customer loyalty. This has resulted, on a global scale, in services receiving increasing attention from enterprises. As far back as 1968, American economists Fuchs and Leveson noted in their work, The Service Economy, which employment growth was the greatest in the service industry, thus, making the service industry a key player in the global economy. This role has continued to the present day. Service has also become an academic focus; scholars from different countries have focused on finding the factors contributing to the success of service enterprises (see Enquist et al. 2008; Brown et al. 2011; Chang et al. 2009; Hu et al. 2009; Markova et al. 2008; Mamalis 2009; Qin and Prybutok 2009; Sahney 2009; Shieh et al. 2010). Representative research includes identification of common characteristics in service companies such as Walt Disney and Southwest Airlines, known for their excellent service. As different companies have different economic and cultural backgrounds, findings on success factors and management methods from developed countries may not be applicable to enterprises in



developing countries: for example, it has been argued that American management methods may not work in Asian countries (see Mendonca and Kanungo 1996; Ueltschy et al. 2009; Metters et al. 2010).

As the service economy in China lags behind that of developed countries, it would be meaningful for service enterprises in China to develop their own approach to service improvement. The research reported in this paper is one step toward understanding the success factors of enterprise services and the direction for improving China's service economy. The objectives of the work are as follows:

- Finding representative Chinese enterprises that are considered by Chinese customers to have provided excellent services;
- (2) Finding common characteristics of these Chinese enterprises related to service quality;
- (3) Developing a survey to assess these characteristics for such service enterprises; and
- (4) Investigating and verifying whether these common characteristics are positively correlated with service outcomes such as the quality of service (QOS), customer satisfaction, and enterprise reputation perceived by the customers.

This paper is organized as follows. A literature review on service success factors in relation to national culture is presented, followed by a study to understand the factors contributing to service excellence in Chinese service enterprises, using the grounded theory approach. We then report results of a series of hypothesis testing based on a survey that is designed with the factors identified in the grounded theory study. Lastly, we provide a conclusion and a discussion on the limitations of this study.

#### Literature Review

The intangibility of the output of service does not make the service industry any less important for the success of an enterprise. In fact, in the manufacturing industry, services are a significant determinant of the buyer's attitude toward the supplier and the buyer's eventual purchase decision (Cunningham and Roberts 1974). Good quality of service or QOS is very helpful for enterprises to improve customer satisfaction, customer loyalty, and other customer feelings (see Chang et al. 2009; Hu et al. 2009; Qin and Prybutok 2009). Service has been found to contribute significantly to manufacturing success. For example, General Electric and IBM have incorporated development of services in traditional product manufacturing as an inevitable trend. Cunningham and Roberts (1974) divided enterprise services into two categories according to service focus: (1)

service is central to a transaction rather than a product or (2) a product is central to a transaction, but service is supplied in conjunction with it. Most manufacturers provide the second category of service, e.g., furnishing a guarantee that the product will be repaired or replaced if it fails. Therefore, all businesses are service businesses in some form. In this sense, manufacturing companies are, in fact, also service companies (Berry 2004). In the light of the above discussion, the service enterprises mentioned in this paper include all enterprises providing services.

#### Success Factors in Service-Related Concept

Once the importance of service is realized, achieving and providing excellent service become an essential concern of an enterprise. Researchers in various regions and countries have used various research methods and found important factors contributing to service successes. Some factors are related to management policies, for example, managing each "moment of truth," that is, the period of time when the customer interacts with the service provider (Chandon et al. 1997) and the service environment (see Bittner 1990; Lloyd and Luk 2011). Others put emphasis on customers, such as attention paid to each customer and basic courtesy (Arnfield 1968) and using new technologies in providing services (Gebauer et al. 2008).

Although these studies focused on manufacturing industry, and some are relative to service companies, the factors contributing to service success can potentially benefit all enterprises. In the literature review, we have identified multiple factors contributing to enterprise service success as listed in Table 1. In general, successful service organizations understand well the importance of carefully monitoring and managing customer satisfaction. Success in service firms is more dependent on organizations being responsive to changes in customer values and realizing the centrality of employee commitment to service interactions (Simmons 2009).

As Table 1 shows, factors contributing to service success vary by country. National culture can not only impact enterprise organization and management by influencing enterprise culture but also affect human resource management with influences on the employees (see Rosenzweig and Singh 1991; Crotts and Erdmann 2000). From the customers' perspective, national culture can also affect the way customers perceive service quality such as customer satisfaction and the way they respond to service failures as well as the resulting determination and behavior (see Malhotra et al. 1994, 2005; Chang et al. 2009; Hu et al. 2009). Moreover, research also shows that the criteria used to evaluate enterprises' service performance vary across different cultures (Michelle et al. 2010). As a result, the criteria for defining and achieving enterprise service



Table 1 Factors contributing to enterprises service success in the existing literature

Countries!	
Country/ region	Factors
Canada	Knowledge transfer to new or less experienced workers (Chamberlina et al. 2010)
	Satisfying existing clients (Chamberlina et al. 2010)
Finland	Customer benefit (Markova et al. 2008)
	Reaction to new technologies (Markova et al. 2008)
Greece	Sales incentive program (Mamalis 2009)
	Adaptation to locality (Mamalis 2009)
India	Availability of competent representatives (Sahney 2009)
	Individualized attention (Sahney 2009)
	Reengineer core business processes (Singh-Toor 2009)
	Exploiting technology (Singh-Toor 2009)
Taiwan	Service personnel with good communication skills (Shieh et al. 2010)
UK	Empowerment in cross-functional teams (Holden 1997)
	Being technology led (Holden 1997)
	A customer-driven strategy (Holden 1997; Ford and Heaton 2001; Solnet and Kandampully 2008)
USA	A customer-driven strategy (Holden 1997; Ford and Heaton 2001; Solnet and Kandampully 2008)
	Managing each "moment of truth" in the service experience (Ford and Heaton 2001)
	Relevant service competencies (Brown et al. 2011)
	Strong buyer–seller relationships (Brown et al. 2011)

success are seen to subject to national culture, and different countries can have different definitions. However, most of the existing studies on service success factors shown in Table 1 were conducted in developed countries and regions. The conclusions of those studies cannot be applied to a new cultural context such as that in China without any validation.

# Corporate Social Responsibility and Service Enterprises

Services are intangible, perishable, heterogeneous, and inseparable in terms of production and consumption (Ghorbani et al. 2013). Thus, the evaluation of services quality is generally not simple (Mandhachitara and Poolthong 2011). Customers do not evaluate service quality only on its outcome but on one or more cues (Poolthong and Mandhachitara 2009). Another recently identified factor is corporate social responsibility (CSR) seen in the creation of many successful companies and for developing a sustainable competitive advantage (Berens et al. 2007; Pirch et al. 2007; Del Mar Garcia de los Salmones et al. 2005; Mandhachitara and Poolthong 2011; Porter and

Kramer 2006; Kang et al. 2010; Maurer et al. 2011). CSR has been defined as "voluntary activities taken by corporations to enhance economic, social, and environmental performance voluntarily" (Lai et al. 2010).

Poolthong and Mandhachitara (2009) believe that CSR is powerful in building customer perceived quality and brand effect, sometimes referred to as attitudinal loyalty. Walsh and Bartikowski (2013) argue that service firms with active CSR initiatives can increase customers' psychological attachment to the firm, which translates into high levels of satisfaction. They also find that customers in Germany and USA appreciate socially responsible firms. Customer expectations toward CSR activities lead to stronger evaluation of service quality. Thus, credence qualities, such as reliability and confidence, play a dominant role in customer evaluation. Additionally, in a high-involvement service industry such as financial services, service quality is perceived to be a function of trust by customers (Lewis and Soureli 2006).

Service industry research verifies the relationship between CSR and customer assessment of customer satisfaction, customer loyalty, brand identification, and brand equity (del Mar Garcia de los Salmones et al. 2005; He and Li 2011; Poolthong and Mandhachitara 2009), such as the airlines industry in Taiwan (Chen et al. 2012), the retailing firms in Germany and US (Walsh and Bartikowski 2013), the retail banking sector in Thailand (Mandhachitara and Poolthong 2011), mobile service in Thailand (Onlaor and Rotchanakitumnuai 2010), mobile telecommunications sector in UK (He and Li 2011), the hotel industry in Spain (Martinez and Rodriguez del Bosque 2013), and financial institutions in Spain (del Mar Garcia de los Salmones et al. 2005; Perez et al. 2013).

# CSR in China

China has gone through more than three decades of rapid economic growth and is now in a period of economic restructuring and enjoys the fruit of economic prosperity. However, the profit-maximization-oriented myopic-vision behavior of most enterprises in China has caused various social problems, such as food security, illegal operation of the market, ignoring the safety of employees and customers, seriously environment pollution, and so on (Yuan et al. 2006; Zhu et al. 2008; Xu and Yang 2010; Tsoi 2010). All these problems will hinder the sustainable development of Chinese enterprises and China's economy. Hence, nowadays CSR issues attract much wider attention from the academic circles, business, and government in China than before (Saich 2000; Wang and Juslin 2011; Noronha et al. 2013; Miao et al. 2012). National and provincial governments and enterprises have counted on CSR to rebuild their social legitimacy.



With a strategic view, enterprises use CSR as a public relations platform to increase firm reputation and competitive advantages, attract customers and employees, build political relations, and further increase profit (Brammer and Pavelin 2006; Zhang et al. 2009; Moon and Shen 2010; Wang 2011). CSR is growing as a management issue in China. A special survey, A Questionnaire of China's Enterprisers in 2007, shows that most Chinese enterprisers agree that excellent enterprises must have a strong sense of social responsibility (Xu and Yang 2010). Business leaders and entrepreneurs also have a very positive opinion of the relationship between CSR and business success and its long-term significance for China (Ip 2008). As a result, Chinese companies are increasingly keen to report on their social and environmental responsibility (Noronha et al. 2013).

However, research about CSR in China has been mainly focused on the values and importance of CSR (Shafer et al. 2007), CSR behavior and dimensions (Rodriguez et al. 2006; Xu and Yang 2010), and the managerial perception of CSR (Zu and Song 2009). There are a few studies that investigated the customers' perception and valuation of CSR in China (Ramasamy and Yeung 2009; Chu and Lin 2013; Li et al. 2012). However, none of them is focused on the service industry. Therefore, it is important to understand the relationship between CSR and customers' perception of service quality in the Chinese service industry. Particularly, we are interested in knowing whether CSR has a positive and important influence on Chinese customers' perception of service quality. To the best of our knowledge, this study is the first CSR-related research that is focused on the Chinese service industry.

# **Understanding Service Success Factors in China**

In this study, we aim to study the success factors of Chinese service industry. Our contributions will be two-fold. First, we apply and verify the service success factors that have been commonly observed in the Western countries in China, which has unique sociocultural and political characteristics. Second, we study the role of CSR in determining customers' perception of service quality in China.

We use the grounded theory or GT method, a qualitative research method, to study service enterprises in China and to generate theories on their service success. Instead of beginning with research hypothesis, GT begins with data collection. Concepts embedded in the data are identified through a coding process. Broad groups of similar concepts formulate key constructs that are used to generate a hypothesis or a theory about the subject of research. GT provides researchers the freedom in generating new theories without being constrained by existing literature; it has

been applied to different research fields such as customer involvement in product development (Hoda et al. 2011), management accounting (Alberti-Alhtaybat and Al-Htaybat 2010), and information system research (Urquhart et al. 2010). To generate theories based on data analysis, GT involves a number of steps including data collection, coding analysis, and making comparisons on selected subjects. In the rest of this section, we report our GT study results via these three steps.

#### Data Collection

To study service success factors in Chinese service enterprises, we selected the best service enterprises in China. The China Best Customer Service Selection Event, started in 2005, provided rankings of service enterprises by industry. The event was co-sponsored by five institutes including China Information Industry Association, Guangdong Information Industry Association, Asia Customer Service Consortium, Southern Metropolis Daily, and Beijing News. This annual event not only had received attention from mainstream media including CCTV, People's Daily Online, and Xinhua net, but also enjoyed the support from national government agencies such as the Ministry of Science and Technology, the Ministry of Commerce, and the Ministry of Industry and Information Technology. The China Best Customer Service Selection Event had achieved high public credibility and recognition and caught considerable attention from businesses and customers. It adopts a mysterycustomer evaluation method to fully evaluate the customer service. The evaluation could also be made through various channels including each enterprise's service hotlines, business offices, and the Internet. Evaluations are made on three categories including service response, basic service specifications, and service capacity covering nearly 30 indicators. Each enterprise entering the reevaluation step had at least 100 secret samples with the recorded or videotaped materials. In the final step, enterprises were reevaluated with the use of a comprehensive, objective evaluation system of service level. Finally, a ranked-order list of the top service enterprises in China would result.

The first six "China's Best Service Selection Event" awards lists were used to determine the enterprises included in this research. In the preliminary data collection, we ordered the enterprises by the total number of awards (see Table 2).

We selected a representative enterprise for each industry that appears in Table 2 except the online gaming industry. We excluded the online gaming industry from this study, because its target customers are limited to a certain age group. Research findings in this industry may not be able to be generalized to other industries. We chose China Mobile,



Table 2 Top 15 enterprises in China

Rank	Enterprise	Industry	Awards
1	China Mobile	Communication	86
2	China Merchants Bank	Banking	24
3	China Guangfa Bank	Banking	19
4	Haier Group	Home appliance manufacturing	13
5	China Construction Bank	Banking	13
6	China Minsheng Bank	Banking	12
7	China Southern Asset Management	Asset management	9
8	China AMC	Asset management	8
9	China Telecom	Communication	7
10	Harvest Fund Management	Asset management	7
11	Giant Interactive Group	Gaming	7
12	Lenovo Group	High-Tech manufacturing	6
13	Value Communication Services (Shanghai) Inc	Communication	6
14	China Unicom	Communication	5
15	China CITIC Bank	Communication	5

China Merchants Bank, Haier Group, and Lenovo Group as representative enterprises in the communications, banking, home appliance manufacturing, and high-tech manufacturing industry, respectively. All were ranked at the top in their representative industry. Although China AMC was not the top-ranked asset management enterprise, we selected it to be the representative enterprise in the asset management industry, because it has more public information available than China Southern Asset Management. In addition, there is only a slight difference in terms of the number of awards between the two enterprises. In summary, China Mobile, China Merchants Bank, Haier Group, China AMC, and Lenovo Group are the subjects of this research.

We firstly collected 45 news articles published on popular domestic web portals, journals, and magazines that are openly available for the five selected enterprises. The researchers then conducted more theoretical samples focusing on various aspects of five enterprises after a preliminary analysis of the 45 articles to ensure theoretical saturation. Finally a total of 61 transcripts were acquired.

#### Coding

The coding process is used to identity key concepts embedded in the collected news articles. In the rest of this section, we demonstrate the coding process using the China Merchants Bank as an example. The same coding process was applied to the other four enterprises.

#### Open Coding

Open coding, also known as substantive coding, is the first step of the coding process. It is used to identify all the concepts embedded in written data. Its purpose is to find categories, identify the attributes of each category, and name and categorize the phenomenon. Categorization of concepts is accomplished by selecting the most significant code (Charmaz 2006).

After analyzing the information transcripts of China Merchants Bank using open coding, we manually identified 87 concepts and 11 categories (see Table 3). Since enterprises would choose the most appropriate words to fit and express their management philosophy and service methods, many native codes were used in the open coding process to retain the original intention of the views and actions of research objects.

# Selective Coding

Selective coding is used to track categories developed in open coding so as to relate them to each other (Charmaz 2006). It will reveal relationships between categories. Relationships between *Management practice* and other categories, for example, are shown in Fig. 1. We manually specified the relationships based on descriptions related to the concepts in the data collection. For instance, we found a causal relationship between *strategic and tactical* and *brand management*, because an article says "China Merchants Bank takes creating a brand image as the strategic core." So the *strategic and tactical* consideration caused an action in *brand management*.

We identified five higher-order categories based on the eleven categories in Table 4, by comparing the attributes of categories and relationships between categories. The purpose is to increase the level of abstraction and conceptualization and to help generate a theory.

# Theoretical Coding

Theoretical coding is the third stage of coding analysis, which results in the formulation of a theory. The aim is to create some inferential and/or predictive statements in the form of hypothesis about the phenomenon. In order not to restrict the development of the theory, we did not force the theory into one of the coding families (Glaser and Strauss 2012). After the theoretical coding analysis, we propose the research model illustrated in Fig. 2. Enterprise culture, as the guiding ideology, leads the launching of service innovation and the establishing of management system. Management system is the institutional guarantee for service innovation and regulates the implementation of CSR. The sense of CSR impels enterprises to supply new service and products in some degree. Finally, enterprises achieve praise



Table 3 Open coding excerpts for China Merchants Bank

Concept	Category
"Five security," The first SMS transaction service reminders, Foolproof security feature of lost cards, The first online banking, First of all to build electronic services network, Providing special services not only for VIP clients, Placing milk in the living room, Late-night service for the real estate, The first credit card SMS menu service, Developing the customer service interface independently, The red-umbrella service, Gathering high-end clients by promoting high art, Introducing ideas of environment protection or family to activities	New service
"All in one card," The first integrated gold business brand "All for gold," "All in one net," Mini card like earring	New product
Always focusing on change in customer demand, Ongoing research and analysis on the Chinese market and customers, Golden 48 h after loss of cards, satisfaction survey, Analyzing major customers, Various customer segmentation	Focus on customer market
"Do the best retail bank in China," Pitching on the private business, Integrating social responsibility into the corporate DNA, Avoiding their own weakness in the network channel, Taking creating a brand image as the strategic core, Core values: service, innovation, robust, "A little earlier, faster and better," Five brand positioning transformation, One step ahead, Culture is a bank's core competitiveness, "Change for tendency, change for you"	Strategic and tactical
Focusing on service, Customer demand oriented, Meeting customers' need is the nature of service, Rigorous process and work attitude of customer service, "Several identical"	Service philosophy
Market share of issuance volume maintained at more than 30 %, the highest proportion of the total assets among commercial banks in 2008	Operating performance
Top brand awareness, Credit Card elected to the classic cases of the Harvard Business School, Ranked first in the appraisal of financial innovation ability in 2009, Ranked second in the mobile banking service capacity rating, The best private bank in China at present	Social repercussions
Training for their own account manager, Vertical management and centralized training mechanism, The Whampoa Military Academy of the banking sector, Employee pride, Personal development consistent with the interests of the company, Interactive culture, Harmonious teamwork, Simple relationship between the colleagues, Front-line customer service personnel authorized, customer service staff having college degree or above, Full-time training for 2 month, Focusing on changes in management thinking	Human resource management
Driven banking brand awareness and brand management action, Hierarchical brand segmentation, International brand image, word-of-mouth, The first bank advertised at prime-time of CCTV, Communicating the brand of China Merchants Bank as a whole	Brand management
Safety precautions of international standards, Strengthening risk management, More than 20 indicators developed for the Customer Service Centre, Strong second-line tracking and information integration inquiry, Whole process of quality management mechanisms, VOC project appoint, four unification, Adoption of international accounting standard	Management practice
Social responsibility reflected in the economic responsibility, Strict information disclosure, Emphasis on environmental awareness, Focusing on resource conservation, Attention to the development of green financial credit, Joining the United Nations Environment Program Finance Initiative, Taking environmental standards as the basic conditions of the credit, Strict control of loan on high-performance and high-polluting industries, Social Responsibility Report, Detailed disclosure of use of donations, earthquake relief effort, Assist to two poverty-stricken counties in Yunnan province	Corporate social responsibility

and approval from customers and public by standardized management, innovative service, and full implementation of the CSR. Thus reputation is the ultimate goal of service enterprises.

# **Comparing the Five Enterprises**

We completed theory construction for the five enterprises, that is, Haier Group, China Merchants Bank, China Mobile Communications Corporation, Lenovo Group, and China AMC, after the coding analysis. We then compared the concept categories across different enterprises in order to find those concepts shared by all these enterprises. There were some differences among the five enterprises in terms of

enterprises culture, operating strategy, management method, and many other aspects. But similarities did exist among these outstanding service enterprises. The detailed categories are shown in Table 5. All five enterprises appeared to have those concepts including customer-oriented service philosophy, service and products innovation continuity, and management systems aiming at service management. Moreover, they all did well in implementing CSR as well as gaining social approval and customers' trust as favorable outcomes.

#### Customer-Oriented Service

Customer-oriented service is a vital operation philosophy. It is important for service design and product development to focus on customers and their requirements to acquire



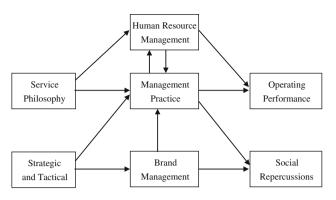


Fig. 1 Relationships between concept categories for China Merchants Bank

Table 4 Higher-order concept categories for China Merchants Bank

Categories	Higher order categories
New service	Service innovation
New product	
Focus on customer market	Enterprise culture
Strategic and tactical	
Service philosophy	
Operating performance	Enterprise reputation
Social repercussions	
Human resource management	Management system
Brand management	
Management practice	
Corporate social responsibility	Corporate social responsibility

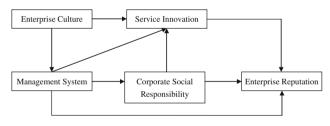


Fig. 2 Theoretical coding for China Merchants Bank: the model of winning enterprise reputation

their approval and thus achieve good performance. Based on the existing literature, the customer-oriented service philosophy is shared by both Western and Chinese enterprises. Making every decision with the customer in mind (Song et al. 2009) is consistent with the concept of customer-oriented services. For example, Haier Group is one of the first enterprises in China that emphasize service quality. It promoted the idea that service is to satisfy customers; this idea took root in minds of employees and customers through many practical service initiatives. Disney is a pioneering Western enterprise in customer-

oriented services; it coined the term "guestology" to require the whole company to look systematically at what the guests want, need, expect, and value from the guests' point of view instead of simply focusing on organization design, managerial hierarchy, and production systems to maximize organizational efficiency. This is a challenge to traditional management thoughts and modern enterprises have to face it in a service economy.

#### Service Management

In a narrow sense, service management is to manage service processes and the results. Nonetheless, service management is to manage the whole organization taking service as core competence in the age of service economy. Thus, the attention paid to the service management of the five identified enterprises is not to deny their performance in organizational management, human resource management, performance management, or other aspects.

China Mobile Communications Corporation launched the "gold service, total satisfaction" activity in 2008 after the "integrity service, total satisfaction" initiative of 2007. Besides these, there was the "five with-heart" action, ten series of projects, and five service levels improved. All these were to put the focus of enterprises management on service and to take customer satisfaction as a business development goal.

Most service processes are related to human interaction. Enterprises implant the importance of service in minds of employees by educating them the customer-oriented philosophy and supervising them with customer-oriented management system. Thus, the employees would offer service as intermediary between enterprises and customers. The service level of enterprises will improve only if the service consciousness and capability of employees improve.

#### Service Innovation

Service innovation makes use of new ideas and new technologies to improve and change the existing service processes and service products. Regardless of their new service mode or new product, these five enterprises are offering, they are all considered to be implementing service innovation. Such service innovation should contribute to improving service quality, bringing new value to customers, and also expanding the competitive advantage of enterprises.

As the most innovative stock commercial bank, China Merchants Bank created many precedents for other banks in China. It was the first to start internet banking all-in-one net and created the "all in one card" which is the first bank card with various functions including functions of a bankbook. It launched "all for gold" which is the first gold business brand with comprehensive service function. China



Table 5 Categories summary of five companies

China AMC	China Merchants Bank	Haier group	China mobile communications corporation	Lenovo group
Service philosophy	New service	New service	Customer-oriented	Service philosophy
Service mode	New products	New products	Services beliefs	Corporate strategy
Ability to respond	Focus on customer market	New business models	Internal management	Service network
New service model	Strategic and tactical	Management system	Service process management	New service model
Corporate Social Responsibility	Service philosophy	R&D strategy	Customer feedback collection	Service operating mechanism
Corporate qualifications	Operating performance	Product quality	New services	Service deeds
Investment and research capacity	Social repercussions	Service philosophy	Tariff management services	Social evaluation
Customer service management	Human resource management	Service deeds	Corporate responsibility	Customer response
Management system and method	Brand management	Customer response	Public welfare contribution	Corporate social responsibility
Social evaluation	Management practices	Social evaluation	Customer response	
Operating performance	Corporate social responsibility	Corporate social responsibility	Social evaluation	

Merchants Bank kept changing the perspective of service innovation and in one instance even provided support services for a real estate developer that opened at one o'clock in the middle of the night.

Research in service innovation indicates that service innovation can exist in both traditional service industry and manufacturing service industry. There are many approaches and strategies to service innovation (see Castro et al. 2011; Selden and MacMillan 2006; Gallouj and Weinstein 1997). In order to enhance service attractiveness to customers as well as competitiveness, enterprises should develop new service or products according to their own characteristic.

#### Corporate Social Responsibility

Compared to other strategies, such as service innovativeness, operational excellence, or consumer intimacy, companies' CSR actions always are considered as the "soul" and "heart" of a company or a brand by stakeholder (Chen and Zhang 2009). Many researches have suggested that the more companies expose their ethical and social ambitions, the more likely they are to attract critical stakeholders' attention (de los Salmones et al. 2005; Bhattacharya et al. 2009).

As the top PC maker in the world and an emerging PC Plus leader serving customers in 160 countries, Lenovo holds the social responsibility notion of "Better World with Lenovo" and its Corporate Sustainability Policy clearly states that each business unit at Lenovo is expected to incorporate measurable sustainability objectives in their

strategies and to continually improve their performance in CSR. By creating a CSR cell within the organization, a "six-for" CSR practice roadmap, that is, for customers, for partners, for investors, for employees, for environment, and for society, was developed to actively manage the corporate responsibility initiatives. Lenovo is committed to ethical corporate citizenship and to promoting CSR in all of its activities, such as product quality and safety, safe and healthy workplaces, the highest ethical standards, contributing to local communities, concern for the environment, donating time and resources to philanthropy. Lenovo was in Forbes' "World's Top 100 Most Reputable Companies" in 2011 and ranked No. 1 among the Chinese enterprises. This award reflects the brand loyalty of customers to the Lenovo group and the long-lasting linkage between customers and enterprise reputation. In 2013, the Lenovo group won the award of 2012 CSR Brand under the auspices of China Brand Communication Alliance. The Lenovo Group CSR cases were also chosen to be in the electronics information industry CSR practice cases in 2013.

The other four enterprises also pay constant attention and actively respond to stakeholders' requirements to fulfill their responsibilities. We will not introduce their detailed CSR initiatives here for brevity of this paper.

# Survey and Verification

Attributes shared by these five enterprises had been obtained through the grounded theory. However,



relationships between these attributes and service quality, customer satisfaction, and enterprise reputation were not confirmed. A survey was therefore conducted and regression analysis used to verify the relationship between these elements.

# Hypotheses

Based on the results of grounded theory and comparative studies, the following hypotheses were proposed:

- **H1** Customer-oriented philosophy has a positive impact on service quality.
- **H2** Customer-oriented philosophy has a positive impact on customer satisfaction.
- **H3** Customer-oriented philosophy has a positive impact on enterprise reputation.
- **H4** Service management has a positive impact on service quality.
- **H5** Service management has a positive impact on customer satisfaction.
- **H6** Service management has a positive impact on enterprise reputation.
- **H7** Service innovation has a positive impact on service quality.
- **H8** Service innovation has a positive impact on customer satisfaction.
- **H9** Service innovation has a positive impact on enterprise reputation.
- **H10** CSR has a positive impact on service quality.
- H11 CSR has a positive impact on customer satisfaction.
- H12 CSR has a positive impact on enterprise reputation.

# Measures

There were 29 items set according to related literatures and the advice of specialist in the questionnaire illustrated in Table 6: 26 items were utilized to measure the performance of the enterprise in aspects of CSR, service philosophy, service management and service innovation; item 27 to item 29 were to measure customers' synthesize appraisal and overall impression on the enterprise. A large number of cross-national researches state that CSR dimensions vary from time to time in different social and cultural backgrounds (Welford 2005; Xu and Yang 2010). A special survey, A Questionnaire of China's Enterprisers in 2007, suggests that the main dimensions of CSR in China are economy, law, ethics, and social welfare. Moon and Shen

(2010) investigated the salience, focus, and nature of CSR in China research. They found that the Environmental focus has been the dominant one, and the Social welfare replaced the Ethical focus as the second most significant focus in China CSR research. Besides, it should be noted that Chinese governments are key actors in CSR (Moon et al. 2010). Enterprises have to take up legal responsibility which requires corporation to operate within the bounds permitted by law, abide by and maintain law and order. Statistics show that Chinese corporations have taken tax payment as a very important dimension of CSR (Xu and Yang 2010). Thus, in this survey, we choose environment, public morality, public welfare, and law-abiding as the four items of CSR in China. The customer-oriented service philosophy was measured by 8 items (see Bartley et al. 2007; Macaulay and Clark 1998). Service management was measured by 8 items. Service innovation was measured by 6 items (see Song et al. 2009; Gremyr et al. 2010). All respondents were requested to respond to these items with a five-point Likert scale, ranging from strongly disagree (1) to strongly agree (5), according to their experience with the enterprise.

#### Data Collection

We selected China Mobile Communications Corporation as the example enterprise for its existing large number of customers, and customers at age from 20 to 30 as respondents for their broad experience and sensibility on service. 223 samples were gathered by paper questionnaire and online questionnaire, but 12 of them were unusable. As a consequence, 211 samples were found usable finally.

#### Analysis and Results

# Validity and Reliability

Validity and reliability tests were performed to further refine the measurements. Cronbach's alpha was used to assess the reliability. The reliability of this survey was satisfactory with Cronbach's alpha of 0.95. Then the Cronbach's alpha after deleting each item was computed separately. If the Cronbach's alpha after deleting one item was higher than 0.95, this item would be deleted. However the Cronbach's alpha of the whole survey did not increase after deleting any item; so no item should be deleted to improve the overall reliability. Then each of the four aspects was taken as an independent whole to assess the reliability of each one of them. The Cronbach's alpha of the aspect of service management would increase from 0.832 to 0.835 if item 12 was deleted; thus, item 12 was deleted to improve the reliability.

Factor analysis was used to measure the construct validity of the scale. If items assigned to the same aspect



#### Table 6 Ouestionnaire

#### Items

- 1 The enterprise cares about environment
- 2 The enterprise has public morality
- 3 The enterprise cares about public welfare
- 4 The enterprise is law-abiding
- 5 The enterprise offers service according specific system of standard
- There's no duty confusion or blame-shifting in the service process of the enterprise
- The service level of the enterprise will not fluctuate with the changes of the service personnel
- 8 The enterprise pays great attention to the collection of evaluation and feedback of service results
- The enterprise makes effort to build lasting interactive relationship with customers
- 10 There is remedial measure when there's service failure of the enterprise
- 11 The front-line service personnel of the enterprise are fully authorized to make decision during service
- 12 Customers can't often see symbolic things of poor service, such as a long line in front of service counter, in the enterprise
- 13 Customer-oriented philosophy can be found in slogans of the enterprise
- 14 The enterprise will collect customers' expectations and suggestions before designing service/products through some channels
- 15 The enterprise takes customers' opinions and suggestions reflected through various channels seriously
- 16 The enterprise makes effort to collect customer information
- 17 The enterprise will provide personalized service according to customers' characteristics
- 18 Customers can get in touch with the enterprise easily and effectively through various ways
- 19 The enterprise can understand customer's requirement accurately by a brief communication
- 20 The enterprise will show what the customers have right to know to customers fully and truly
- 21 There's application of new technology in the service of the enterprise
- 22 The enterprise provides new service/products that other similar enterprises haven't provided
- 23 The service/product of the enterprise has functions that other similar enterprises don't have
- 24 The enterprise improves the service process to benefit customers
- 25 Fashion elements are infused into service of the enterprise
- 26 The enterprise can handle service problems flexibility
- 27 The service quality of the enterprise is high
- I am satisfied with the service of the enterprise
- I am inclined to evaluate the enterprise positively when it is mentioned

While experiencing the service of China Mobile Communications Corporation, I feel that... (Please show the extent to which you agree with the following items, according your experience with China Mobile Communications Corporation. The number from 1 to 5 means "strongly disagree," "I can't tell," "agree," and "strongly agree," respectively)

have high loadings on the same factor and have low loading on other factors, the survey has adequate construct validity. Table 7 shows that items assigned to the same aspect have high loadings, nearly, on the same factor. Item 1 to item 4 which are to measure CSR have high loading on factor 4. Item 5 to item 11 which are to measure service management have high loading on factor 2. Item 12 to item 19 which are to measure customer-oriented service philosophy have high loading on factor 1. Item 20 to item 25 which are to measure service innovation have high loading on factor 3. However, some loadings were not high enough (above 0.5) (Hair et al. 1998). Thus, item 4, item 9, item 11, item 19, item 23, and item 25 were deleted for their low loading (below 0.5) on the aspect they were assigned to. After such improvement, the rate of total variance explained increased from 57.4 to 61.9 %, and all items

have loading higher than 0.5 on the aspect they were originally assigned. The construct validity became adequate.

# Correlation Analysis

Seven sets of data from every questionnaire were obtained. The first four were the mean score of items within each aspect. They were taken as the scores of each aspect. Then the score of item 27 was taken as service quality score. The score of item 28 was taken as customer satisfaction score. The score of item 29 was taken as enterprise reputation score. These data were employed as variables to test the hypothesized relationships (H1–H12). Correlation analysis was performed between each one of the first four variables and each one of the last three variables. Results of the



Table 7 Rotated component matrix

Items	Component				
	1	2	3	4	
Item 1	.212	.165	.047	.732	
Item 2	.140	.314	.254	.738	
Item 3	.235	.250	.233	.705	
Item 4	.248	.410	.224	.481 <sup>a</sup>	
Item 5	.159	.726	.099	.136	
Item 6	.006	.728	.322	.217	
Item 7	.225	.673	.075	.142	
Item 8	.266	.628	.166	.344	
Item 9	.448	.460 <sup>a</sup>	.108	.295	
Item 10	.386	.537	.051	.338	
Item 11	.410	.332 <sup>a</sup>	.034	.151	
Item 12	.629	.173	.266	.225	
Item 13	.733	.116	.203	.265	
Item 14	.667	.305	.156	.308	
Item 15	.637	.029	.155	.262	
Item 16	.514	.210	.313	.191	
Item 17	.578	.331	.353	.027	
Item 18	.644	.361	.255	069	
Item 19	.422 <sup>a</sup>	.384	.322	.148	
Item 20	.474	.008	.631	.024	
Item 21	.145	.094	.809	.209	
Item 22	.110	.265	.755	.097	
Item 23	.367	.176	.497 <sup>a</sup>	.375	
Item 24	.386	.102	.572	.161	
Item 25	.346	.330	.466 <sup>a</sup>	.315	

The significance of factor loading is 0.5

Table 8 Correlation matrix

		Service quality	Customer satisfaction	Word- of-mouth
Customer- oriented	Pearson correlation	0.675	0.595	0.639
	Sig. (2-tailed)	0.000	0.000	0.000
Service management	Pearson correlation	0.611	0.591	0.582
	Sig. (2-tailed)	0.000	0.000	0.000
Service innovation	Pearson correlation	0.572	0.497	0.458
	Sig. (2-tailed)	0.000	0.000	0.000
Corporate social responsibility	Pearson correlation	0.584	0.545	0.554
	Sig. (2-tailed)	0.000	0.000	0.000

correlation analysis can be found in Table 8. The significance level for each analysis was less than .05, and the values of *Pearson Correlation* were all above zero. These

indicate that there is a statistically significant correlation between these variables, and all the relationships hypothesized were confirmed.

#### Discussion

This research established that fact that top Chinese service enterprises are associated with the key factors of their success, namely customer-oriented service philosophy, service management, service innovation, and CSR. Some of these success factors can be applied to enterprises globally, for example, customer-oriented service philosophy and service management have been verified by the existing literature (see Shieh et al. 2010; Mamalis 2009; Sahney 2009; Chamberlina et al. 2010; Holden 1997; Ford and Heaton 2001; Solnet and Kandampully 2008), while service innovation is also confirmed by results of researches in some references (see Toor 2009; Holden 1997; Markova et al. 2008). However, the positive correlation of CSR and Chinese service enterprises success has not been obtained before in the literature. We will discuss this conclusion in detail from three perspectives, that is, employee, customer, and government.

First, in general, the selection, training, and motivation of employees can make a significant difference in service quality and customer satisfaction, because most services are provided by people. The empirical findings show that firm's CSR initiatives provide a competitive advantage in attracting job seekers (Terjesen et al. 2007; Lin et al. 2012). On the other hand, when a firm engages in CSR, it can take good care of its employees or other stakeholders (Turker 2009). Consequently, it is more likely to provide good working conditions, training, education, and payoff to the employees (i.e., forms of economic responsibility); as a result, employees will feel satisfied with their job. Services are different from physical products in that the personal interactions and relationships between the employee and the customer are key elements in most service operations. There is a significant, positive correlation between internal employee satisfaction and external customer satisfaction (Mandhachitara and Poolthong 2011). Furthermore, an empathetic service employee can recognize the customer's perception of the received service and therefore can adjust and adapt to offer a quality service performance, which is crucial to the overall success of a service organization.

Second, previous marketing research shows that CSR initiatives impact consumer attitudes toward a company and its offering (Mandhachitara and Poolthong 2011; Martinez and Rodriguez del Bosque 2013). If a consumer perceives a company as being socially responsible, he or she would feel a high level of trust in it and its products (Mohr and Webb 2005; Piercy and Lane 2009). Moreover,



<sup>&</sup>lt;sup>a</sup> Factor loading is smaller than 0.5

satisfied consumers served by skilled and satisfied employees tend to be more loyal and committed to a socially responsible company; they are willing not only to repeatedly purchase its products, pay more for them, but also to get involved in positive word-of-mouth and resilience to negative company information (Lee et al. 2012; Martinez and Rodriguez del Bosque 2013; Jose et al. 2012). Thus, CSR initiatives become a key element in managing a closer long-term consumer relationship (Piercy and Lane 2009; Assiouras et al. 2011) and significant channels for building consumer loyalty (Piercy and Lane 2009).

Third, CSR has captured the Chinese government's imagination and concern, and the government-led concept of Harmonious Society (Wang and Juslin 2011; Miao et al. 2012; Noronha et al. 2013) is not only to achieve economic prosperity, but also to ensure that society's resources are distributed in a reasonable, balanced, and sustainable way. Following the official advocacy of "building harmonious society and pursuing scientific development," businesses are picking up the momentum through CSR efforts, taking it as a legitimization strategy to win favorable regulatory treatment or minimize government interference at least (Yin and Zhang 2012).

In summary, CSR is one of the key factors contributing to successful service enterprises in China, which is also consistent with the previous CSR literature on company performance in developed countries.

#### Conclusion

The research reported in this paper is first of its kind. To summarize, we selected five representative good service enterprises in China based on results of the China Best Customer Service Selection Event. We found four common characteristics contributing to their successful service business, that is, customer-oriented service philosophy, service management, service innovation, and CSR. Finally, we verified that these four common characteristics are positively correlated with the service results (service quality, customer satisfaction, and enterprise reputation) by means of questionnaire. The conclusion indicates that these characteristics did really help Chinese service enterprises improve level of service and are key factors of their successful service business. Such factors can and should be studied and learned by other service enterprises in both China and many emerging economies.

CSR which apparently is unrelated to service concept has been found to be a key factor in present-day China with the use of grounded theory. Previously reported research on service management largely focuses on direct service processes alone. More factors besides service processes should be developed in the future research to construct a more comprehensive evaluation methodology. Furthermore, as the grounded theory requires the users not to make use of any foresight, we can try to use this approach to break away from constraints in further understanding service processes in novel situations in future research.

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