Studying Individual Understanding of Organizational Culture and Service-Oriented Strategy towards a Business Services Firm

Chen Zhongcao
City University, Malaysia, 202105060006@student-city.edu.my

ABSTRACT

The underlying beliefs, assumptions, values, and methods of interacting that contribute to an organization's unique social and psychological environment are referred to as organizational culture. In this study, the understanding of organizational culture in service-oriented strategy towards business services is questioned. The study also conducted empirical research on the revitalization of service orientation in a business model which is related to Peter Drucker, the theory of the business. The study was measured quantitatively using Jot Form distributed through social media – WeChat, Weibo, QQ and Douyin applications where around 200 respondents participated in this study. The service-oriented strategy had a significantly positive and direct influence on business services, while the higher service-oriented strategy had an additional influence on organizational readiness and respondents’ knowledge sharing. Researchers have achieved the desired objective where they can conclude that most individuals agreed that the organizational readiness and knowledge sharing fully mediates them.

Keywords: business, services, organizational, strategy, knowledge

1. INTRODUCTION

In competitive markets, business organizations are constantly under pressure to analyze and improve their performance in order to meet the ever-increasing expectations of investors, employees, and customers. Furthermore, during the pandemic recovery period, investors, employees, and customers want improvements in this field of business services. We found that during the COVID-19 pandemic many customers used services such as food and goods delivery such as Ele.me and Meituan. Therefore, companies should further strengthen their organizational culture and services-oriented strategy. However, in this study, the individual understanding of organizational culture in service-oriented strategy towards business services is questioned. This study was conducted to determine whether each individual who also as the customer knows what strategy is used by business services firms in terms of business processes, governance, process-aware information systems, business services nature, their organizational readiness, and knowledge sharing to perform the best service-oriented strategy for their consumers.

The problem in this study is that not all individuals know the organizational culture and service-oriented strategy that is used by business services firms but there are individuals who only complain and want improvement from the services provided. Such individuals do not try to understand the obstacles or strategy preparation of such firms in providing the best service for them. The individual doesn't really know the organizational culture that is very important to the business services firms to build spirits to their employees, brand awareness, and especially to
provide the best and unique service to their customers. Organizational culture has been identified as a valuable intangible resource as well as a barrier to imitation with significant performance implications. Schein (1985) stated that organizational culture has two functions: it adapts to changes in the external environment and facilitates internal integration. According to Colyer (2000), examining organizational culture might help us better understand performance since organizations respond to changing conditions depending on their existing culture. The objective of this study was to examine individuals' understanding of organizational culture and service-oriented strategy that support organizational internal business processes towards business services firms. The benefit of this study is to raise awareness of this issue and encourage curiosity by reaching how many individuals or our respondents know about the organizational culture and service-oriented strategy towards business services firms.

II. LITERATURE REVIEW

In this research, researchers found three variables consisting of (Independent Variable (X), Mediating Variable (Y), and Dependent Variable (Z).

X = Independent Variable is the characteristic of a psychology experiment that is manipulated or changed by researchers. In this research, the independent variables are Business Processes (BUP), Governance (GVN), and Process-Aware Information Systems (PAIS), Organizational Readiness (ORG) and Knowledge Sharing (KSH).

Y = Mediating Variable to identify and explain the mechanism or process that underlies an observed relationship between an independent variable and a dependent variable via the inclusion of a third hypothetical variable. In this research, the mediating variables are Business Services (BUS).

Z = Dependent Variable is the variable that is being measured or tested in an experiment. In this research, the dependent variable is Service-Oriented Strategy (SOS).

A. Theoretical Framework

The theory that we found suitable for this research is the theory of business by Peter F. Drucker, which was published in September-October 1994. This theory describes the assumptions used to build an organization's behavior or culture. According to Drucker, the theory of Business is connected to our research framework that is composed of three parts which are environment, mission, and core competencies. First, the assumptions about the environment of the business or organization that are connected between Independent Variables which are the business processes, governance, and process-aware information systems. These assumptions about the business environment define the business nature, the purpose of business, and business culture and ethics. Second, the assumptions about the specific mission of the business or organization are connected between Mediating Variable which is business services and Dependent Variable which is a service-oriented strategy. These assumptions about the business mission establish what the business objective perceives to be significant results in improving the economy and society at large/lifestyle.
The assumptions regarding the fundamental competencies required to achieve the corporate purpose are the third point to consider. This theory can be related to service-oriented strategy because we found the supporting statement that states “the second perspective on service orientation, for example, an organizational view, is required to study a firm’s service-oriented strategy, as business services are enabled within an organization. Service-oriented strategy is an emphasis on the extent to which an organization is internally connected with those three components which are environment, mission, and core competencies in order to maintain the leadership and the business goals.

B. Development of Hypotheses

In this literature review, it can relate that service-oriented strategy directly can be influenced by others in independent variables and mediating variables to build great business services for customers. Those literature reviews were collected from past research and hypotheses were made based on the research frameworks.

Business Services, the service oriented most related to the business services. Service-oriented companies will strive to satisfy customers, create and deliver customer value (e.g., service quality and service value) in the marketplace, and improve company performance and profitability through the business services they provide (Heskett et al, 1997; Hennig-Thurau et al, 2002). Evidence from anecdotal accounts, in-depth case studies and conceptual frameworks in service operations management has repeatedly suggested that business services examples take a holistic approach to service delivery. These apply “bundles of best practices” that underlie their operational competencies for consistently delivering outstanding services in order to gain stellar business outcomes (Heskett et al, 1990; Roth et al, 1997; Voss et al, 1997). Previous research has found that the availability and demand for a company's business services influences its service-oriented strategy (Murray et al., 2009; Wynstra et al., 2015; Holmlund et al., 2016). Business services, according to Wirtz et al. (2015), include a wide range of services (e.g., legal, accounting, product and end-user service design, research and development, and (information) technology support). Organizations fragment their enterprise and related business services into smaller independent business components that may interact with other business components to improve effectiveness. Thus, business services clearly need to follow business-oriented strategies to be competent in providing better services. Attitude loyalty to preferred brands has a positive relationship with behavioral brand loyalty to corporate services. Satisfaction with priority brands is positively related to loyalty to the attitude of business services towards priority brands. Participation in the product category is positively linked to loyalty to the priority brands of business services. Participation in the product category is positively related to satisfaction with the priority brands of business services (R Russell-Bennett, 2007). Therefore:

Hypothesis 1 (H1). Business services are positively influenced by a service-oriented strategy to create attitude loyalty to preferred companies.

Organizational Readiness, At the organizational level, two essential dimensions of readiness are suggested which are commitment that is defined as how much employees value and share a commitment to make a change and efficacy where is defined as employees’ belief in their own and their companies' ability to carry out the necessary changes (Weiner and colleagues, 2009). The ability to attend to the readiness needs of various groups provides a practical methodology for closing readiness gaps within the organization. Viewing readiness development as a stage-based process that takes place prior to implementation allows for adequate time and space for effective cross-organizational intervention (S. Vax, et al, 2021). Readiness is considered a necessary precursor for successful organizational change and is usually embedded in a larger project planning and implementation framework (Aarons, Hurlburt, and Horwitz, 2011; Damschroder et al., 2009; Greenhalgh et al., 2004; Powell et al., 2012). However, the organizational readiness could give competitive advantages to the business to prepare to build strong strategies or plans in future. Porter (1980) proposed that the entrepreneurial problem should be viewed as a product of how the firm creates value (i.e., differentiation or low cost) and how it defines its scope of market coverage (i.e., focused or market-wide). Walker and Ruekert (1987) synthesized these typologies of entrepreneurial behavior by discriminating between Low Cost Defenders and Differentiated Defenders. Therefore:

Hypothesis 2 (H2). A service-oriented strategy is effectively influenced by organizational readiness.
Knowledge Sharing. Knowledge sharing practices do not directly lead to improved performance of service organizations. On the other hand, organizational performance can be enhanced through intermediate outcomes caused by knowledge sharing practices (Choi & Lee, 2003; Davenport & Prusak, 1998; Hsu, 2008; Law & Ngai, 2008; Liebowitz & Chen, 2001). These fundamental differences also influence how knowledge is embedded and managed in business processes. Knowledge sharing may be unilateral, with the characteristics of one-way traffic. For example, in an outsourcing agreement, customers and their suppliers share knowledge to deliver products or services (Ko et al., 2005; Oshri et al., 2015). However, this does not necessarily mean that suppliers will share their knowledge with customers. Unilateral knowledge sharing usually occurs in organizations such as market researchers or news organizations, whose business is sales knowledge and expertise. In other cases, the basic logic of cooperation indicates bilateral or mutually beneficial knowledge sharing (Vlaar et al., 2008). Many authors have argued that service-oriented companies are more reliant on knowledge work and accordingly place more importance on the knowledge resources (e.g., Kianto et al., 2010). Particularly in the emerging distributed organizations, effectiveness is highly dependent on how well knowledge is shared between individuals, teams, and units (Alavi & Leidner, 2001; Argote & Ingram, 2000; Huseman & Goodman, 1998; Pentland, 1995). Knowledge sharing could give sources to meet the company's needs to develop effective business-oriented strategies. According to Vargo and Lusch (2004) define services as “the application of specialized competencies (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself”. Therefore:

Hypothesis 3 (H3). Knowledge sharing positively influences a service-oriented strategy.

Business Processes. In an organization, business process management is a management technique that focuses on optimizing how business processes are carried out. Business processes, according to Chesbrough and Rosenbloom (2002), should be based on how business activity is handled in a company that needs to create income to survive. A (business) process, according to Davenport (1993), is a systematic, measured set of actions designed to create a given output for a certain customer or market. It implies a strong focus on how work is done within a company, as opposed to what is done, as in a product focus. A process is thus a structured ordering of labor activities through time and location, with a beginning and an end and clearly defined inputs and outputs (Jünger, Mynarzová, 2009). Taking a process-oriented approach entails embracing the customer's perspective. Processes are the framework through which a business accomplishes its goals in order to provide value to its consumers. A business process is a comprehensive, dynamically coordinated series of activities or logically related tasks that must be completed in order to provide value to customers or meet other strategic objectives (Guha, Grover, Kettinger, Teng, 1997; Strnadl, 2006). The business process is important to deliver the services to the customers because it will align with the business goals. For decades, people have recognized that organizations need to redesign their business processes on a regular basis to keep their operating practices in line with their changing business needs (Ackoff 1962). The business process changes must be systematically understood and expressed, and their impact must be clearly defined (Morgan 2007). In order to achieve this understanding, business process models need to be created (Lindsay et al., 2003). Therefore:

Hypothesis 4 (H4). The business processes are positively aligned with a service-oriented strategy.

Hypothesis 4a (H4a). The relationship between business processes alignment for strategy implementation was integrated with business services.

Governance, Harishankar et al. (2005) states that the governance or management mechanisms required by the service component for autonomous operations, including metrics and procedures for motivation, performance and accountability for organizational and business success. Governance importance in business service-oriented strategy development to create a better business services performance. The investigation of the relationship between corporate governance and corporate performance is carried out by returning the variables of the corporate governance mechanism and the control variables of profitability (Z Naimah, 2017). Therefore:

Hypothesis 5 (H5). The governance influences service-oriented strategy effectively.

Hypothesis 5a (H5a). The relationship between governance and implementation of a service-oriented strategy is mediated by an aligned business services organization is mediated by an organization’s integrated business services.
**Process-Aware Information Systems**, Process-Aware Information System (PAIS) is a software system that organizes and executes operational processes involving people, applications, and data sources based on process models that can deliver efficacy in service-oriented environments (W.M.P. van der Aalst, 2003). PAIS helps automate the enactment and execution of business processes and services (Maria Leitner, 2013). A software system that manages and executes operational processes involving personnel, applications, and/or information sources based on a process model (Dumas et al., 2005, 7). Process-Aware Information System (PAIS) is one of the independent variables that could drive the services-oriented strategy because every business services need to use the technologies to deliver their services to a customer in this digitalization era. Organizations are investing in business environments that are enabled by technological solutions today, and as a result, possibilities to create business value through service partnerships have arisen (Arsanjani, 2002). As a result, a new service-oriented way of thinking is emerging, one that uses technology to adapt to changing conditions (Demirkan et al., 2008). Online services that are modular, accessible, and interoperable are produced using service orientation (Fremantle et al., 2002), allowing businesses to reinvent business processes by reusing and integrating existing (web) services. Not only are users allowed to deviate from predefined processes in exceptional circumstances, but they are also able to acquire and reuse knowledge of previously made changes. If similar instance deviations occur frequently, process engineers are supported to derive improved process models from them (B WEBER, 2009). Therefore:

**Hypothesis 6 (H6).** The Process-Aware Information System (PAIS) is positively aligned with a business-oriented strategy.

**Hypothesis 6a (H6a).** The relationship between Process-Aware Information System (PAIS) integrated and the implementation of a service-oriented strategy is mediated by an aligned business services organization.

### III. Conceptual Framework

![Figure 1: Research Model Framework](image)

Figure 1 shows the research proposed conceptual model and summarizes the path relationships. The theoretical model posits that service-oriented strategy is affected directly by business processes, governance, PAIS, organizational readiness, knowledge sharing, and business services. However, business processes, governance, and PAIS also have been mediated by the domain of the business services.
IV. METHODOLOGY

This study includes seven constructs. Each construct was measured with multiple items, all of which had been adopted or adapted from previous studies. To measure the determinants of the business processes (BUP), governance (GVN), process-aware information systems (PAIS), business services (BUS), organizational readiness (ORG) and knowledge sharing (KSH), and service-oriented strategy (SOS) were constructed. The research uses a quantitative approach. Data collection was done by distributing online questionnaires to the respondents. The questionnaires were distributed using social media designed in google forms to help gather respondents. In this questionnaire there are 5 Likert Scales used such as: (1) strongly disagree; (2) disagree; (3) neutral; (4) agree and (5) strongly agree. The questionnaire managed to attract 200 respondents.

This study examined an individual's understanding of organizational culture and service-oriented strategy towards a business services firm. We use google forms for decision-making, sampling, and obtaining samples from respondents to the study conducted. We obtained feedback from everyone as respondents whether they’re working from the government sector, private sector, self-employed, unemployed, retirement, or whether they’re a student. We asked all those respondents to answer the questionnaire because they’re consumers who use various types of services provided by business services firms to carry out their daily activities. On the first page of the online questionnaire, we stated the demographics of the respondents. This is about the background of our respondents. In the second part of this questionnaire, we stated seven variables that consist of several items for those variables. In this section, a statement about business processes, governance, process-aware information systems, business services, organizational readiness and knowledge sharing, and service-oriented strategy. Finally, at the end of this questionnaire, some open-ended questions were asked to the respondents. The feedback on this questionnaire, it is helpful in conducting this study.

In this research, demographic data were processed using SPSS while framework and hypothesis test using SmartPLS. In the social sciences, PLS structural equation modeling techniques have become one of the most important recent developments in multivariate analysis and are now widely used (Richter, Cepeda, Roldán & Ringle, 2015). The findings and results of SmartPLS for this research are provided in the following section. These methods used include t-test analysis, correlation analysis, factor analysis, path coefficients, etc.

V. FINDINGS

The questionnaires were distributed to two hundred respondents. Table 2 below shows the descriptive frequency for demographic profiles of the respondents. The majority 52.0% of respondents were male and 48.0% were female. Based on the age, the majority of respondents between 18-27 years old with 38.5%, while 33.5% of respondents from 28-37 years old, 15.0% from 38-47 years old, 10.5% within 28-57 years old and more than 58 years old were 2.5% of respondents. The majority of respondents based on education level were from undergraduate with 42.5%, followed by diploma level with 32.5%, respondents from postgraduate were 15.5% and 9.5% were from high school level. Looking forward to occupation, the majority 41.0% of respondents were from the private sector, while 26.5% of respondents were from the government sector. For the self-employed and unemployed shows that each of them almost shows the same percentage equation where self-employed with 17.5% of respondents and 13.5% of respondents were unemployed as well as 1.5% of respondents were from retirement. Next, the majority 29.5% were from respondents that come with monthly income below RM2000, 28.0% of respondents income were below CNY 4600, monthly income more than CNY 600 were 22.0% of respondents and 20.5% were below RM1100 of monthly income. In terms of work region, the majority 27.5% of respondents were from north, while 24.0% of respondents were from south, 23.0% were from central which are from Kuala Lumpur, Selangor & Putrajaya. Meanwhile, 21.0% of respondents were from the east coast and 4.5% of respondents were from the east which are Sabah, Sarawak and also Labuan. Based on work experience, the majority 45.5% of respondents have experience more than 6 years, while 24.5% of respondents have 1-3 years’ experience, 17.5% of respondents were below 1 year and 12.5% of respondents had about 4-6 years of experience in work. And in terms of the nature of job, the majority 74.5% of respondents were from permanent employment, 15.0% of respondents were temporarily employed and none were 10.5% of respondents.
In terms of monthly income we provided four categories and five categories of work region. So, based on work region, the respondent that work in the central were comprise 23.0% of the total, while in the east were comprise just 4.5%, those who work in east were comprise at 21.0%, and the highest of respondents from this survey were work in north that comprise 27.5% as well as the respondent from south comprise 24.0% of the total. Next, in terms of monthly income, the percentage of respondents which shows 9.0% who were paid a salary below CNY 4600 were from the east area which were larger than north area that come from the monthly income in the same group which were only 6.0%. The higher percentage of respondents from monthly income below CNY 3000 were from the work region in the north area and the working region from central and east shows the same percentage equation value 5.0% of paid salaries below CNY 3000.

The reliability test of measurement using Cronbach’s Alpha and it shows that the governance in the independent variable has the highest Cronbach’s Alpha value that stands at 0.813. Next, the second highest of Cronbach’s Alpha values was knowledge sharing that stands at 0.807. Based on the Cronbach’s Alpha value, the third highest in the independent variable were business processes that stands at 0.793, meanwhile for organizational readiness it stands with 0.775 and firstly is process aware information systems with 0.730. So, all of the independent variables were considered as good and acceptable. Then, in terms of business services in the mediating variable the Cronbach’s Alpha value stands at 0.768 and it is considered as acceptable. And lastly for the dependent variable which is service oriented strategy were 0.893 and it is considered as good. So, it can be concluded that all of the variables were considered as good and acceptable.

![Figure 2: Structural Model (Research Framework)](image)

The structural model analysis data were processed using SmartPLS to create a conceptual framework for this research. The findings and results of SmartPLS come from factor loading analysis, Pathway analysis (direct and indirect effect of variables), R-Square analysis, the significance of research (bootstrapping) and the goodness of FIT indexes.
VI. RESULTS OF HYPOTHESIS TESTING

This research shows the new pathway (hypothesis) from the bootstrapping model. Thus, in this hypothesis testing results show the standardized path coefficient and path significance for each path. Business services (p=0.044) had a positive and significant effect on service-oriented strategy. In this research, we hypothesized that H1 was supported. Albert Plugge et al (2020), our research contributes to service-oriented literature by operationalizing the implementation of an organization’s service oriented strategy. The authors found that a service-oriented strategy influences service-oriented project success positively. We extended these findings, based on a unique data set, by studying business services. Next, organizational readiness (p=0.000) had a positive and significant effect on service-oriented strategy. Therefore, H2 was supported. Knowledge sharing (p=0.183) had a negative and significant effect on service-oriented strategy. Thus, H3 was unsupported. Business processes (p=0.001) had a positive and significant effect on service-oriented strategy. We hypothesized that H4 was supported. Business processes (p=0.000) had a positive and significant effect on business services. In this research, we hypothesized that H4a was supported. Governance (p=0.288) had a negative and significant effect on service-oriented strategy. In this research, we hypothesized that H5 was unsupported. Governance (p=0.000) had a positive and significant effect on business services. In this research, we hypothesized that H5a was unsupported. Process-Aware Information System (PAIS) (p=0.858) had a negative and significant effect on service-oriented strategy. In this research, we hypothesized that H6 was unsupported. Process-Aware Information System (PAIS) (p=0.989) had a negative and significant effect on business services. In this research, we hypothesized that H6a was unsupported.

Business organizations are continuously under pressure in competitive marketplaces to examine and improve their performance in order to meet the ever-increasing expectations of investors, workers, and consumers. Furthermore, investors, workers, and consumers desire improvements in this area of company services throughout the pandemic recovery phase. During the COVID-19 epidemic, we discovered that many consumers used food and products delivery services such as Food Panda, Grab Food, Poslaju, GDX Express, and others. As a result, businesses should improve their corporate culture and services-oriented approach even further. However, the individual understanding of corporate culture in service-oriented approach towards commercial services is called into doubt in this study.

Specifically, this study was conducted because we wanted to analyze the relationship between Business Processes, Governance, Process Aware Information Systems, Business Services, Organizational Readiness, and Knowledge Sharing. The purpose of this study was to examine the individuals’ service oriented strategy during the covid-19 pandemic recovery in their business firms. The results of the study found that the observations support the proposed model. Here we include some of the key findings that have been obtained from this study.

Based on this table, the data has shown that all values for variables; Business Processes, Business Services, Governance, Knowledge Sharing, Organizational Readiness, Process Aware Information Systems and Service Oriented Strategy are more than 0.5. It can be said that the relationship of all variables is not poor. According to the table, BUP1 factor loading is 0.709, BUP2 factor loading is 0.677, BUP3 factor loading is 0.754, BUP4 factor loading is 0.701, BUP5 factor loading is 0.59 and BUP6 factor loading is 0.77. The highest factor loading is BUP3 with 0.754 where the item stated that; process owner responsibilities help business processes become more effective.

Secondly, we have the Business Services with BUS1 with factor loading 0.801, BUS2 with 0.829, BUS3 with 0.849. The highest is BUS3 with 0.849 where the item stated that; Business Geographical Scope Covering the Whole Business. Next, on Governance, the highest factor loading is GVN2 where the item stated that; Governmental Agencies Continuously Work on The Improvement of Their Service Delivery Through an Array of Channels.

Thirdly, the lowest for Knowledge Sharing is KSH6 with 0.648 where the item stated that; I agree With the Cultural Exchange in Business. For the next variable, we have the Organizational Readiness where we find that the highest for the Organizational Readiness is OGR4 with 0.794.

Additionally, the lowest factor loading for Process Aware Information Systems is PAIS 2 with 0.713 where the item stated that; I Agree That IT/Business Process Integration is Important in Connecting Information Systems Efficiently. And lastly, the highest factor loading for Service Oriented Strategy is SOS1 with 0.862 where the item stated that; Integration Of Business Services in Overall Business Strategy.
VII CONCLUSIONS AND RECOMMENDATIONS

The service-oriented strategy had a highly beneficial and direct effect on business services, while the higher service-oriented strategy had an extra influence on organizational readiness and respondents’ knowledge sharing. Researchers have attained the targeted objective where they can conclude that most individuals agreed that one organizational preparedness and knowledge sharing fully mediates them. the results of structural analysis that was improved based on the outer loading through SmartPLS. We stated that few items and variables need to be eliminated from this research because of the negative factor loading. The variables that have already been eliminated from this journal are Knowledge Sharing (KSH) and Process Aware Information Systems (PAIS). As for the items that have already been eliminated from this journal are BUP2 and BUP5 from the Independent Variable of Business Processes.

This study was recommended to any businesses that involved a service-oriented strategy. Therefore, the researcher suggested that the governance needs autonomous operations by the service component, including measurements and procedures for motivation, performance, and accountability for organizational and business success. Governance is critical in developing business service-oriented strategies in order to improve business service performance. Other than that, it also will help them with various elements that have been identified whether it has a role in affecting the trust and satisfaction.

Numerous limitations to this study suggest that additional research is warranted. To begin, surveying respondents precludes any interaction between researchers and respondents. Second, while this study makes use of a range of contexts and covers a variety of topics, these findings may restrict its generalizability. Individuals who have real or perceived time restrictions are less likely to reply to surveys, as they may feel overworked and simply lack the time necessary to finish the survey. Other than that, small sample size used in this study. The number of the sample we got is 200 respondents. If obtained a larger sample from another group with a different working situation, the findings and data collected will be different.

REFERENCES


