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Co creation of value: an explorative study of a service dominant orientation in the conservatory industry.

An explorative study in the field of HRM of a service-dominant orientation is performed in this thesis. This was done via a multiple case study approach in which 9 people in 3 organizations have been interviewed. Via interviews conducted in the conservatory industry, and a general survey to measure presence of S-D capabilities, multiple forms of intellectual capital theory and HR practices have been found in support of the 6 S-D capabilities. In particular human and social capital seems to be supportive of S-D capabilities. A lack of organizational capital can be considered industry specific and should be more thoroughly investigated in the future.

INTRODUCTION

Creation of value is predominantly focused on the created value of the tangible product itself. Customers are buying a couch, a table etc. The switch which is occurring at the moment is that customers instead buy comfort. People are no longer buying a car, but they are buying experiences. This switch in focus is from a goods-dominant logic (G-D logic) towards a service-dominant logic (S-D logic). This is interesting because G-D logic is trying to manage its customers and views units of output as the focus point of exchange (products or goods) (Lusch, Vargo, & O'Brien, 2007).). While S-D logic is about the co-creation of value and is in this regard different from G-D logic.

Building on the logic that customers and service providers co-create value, Karpen, Bove and Lukas (2012,) specified six strategic capabilities of service providers that allow them to co-create value with customers. This is being called a S-D orientation. Karpen et al. (2012, p. 25) define this as “a portfolio of organizational capabilities that facilitate and enhance the reciprocal integration of resources through individuated, relational, ethical, developmental, empowered, and concerted interaction”. Karpen et al. (2015) found a positive relationship between the six S-D capabilities on the one hand, and customer trust, perceived value by the customer and affective commitment of customers on the other. This seems promising, but research on the antecedents of these six capabilities is still in its infancy (Kemper, Schilke & Brettel, 2013). Specifically, we lack an understanding of the organizational conditions that advance the development of an S-D orientation (Karpen et al., 2012). In this regard it is advantageous to investigate human resources, revolving around human resource practices. It is a useful addition for practice and important for organizations to have a better understanding of how to manage their people and research in the past already found a link between HR practices and organizational capabilities. Human resource management is a “fundamental activity in any organization in which human beings are employed” (Boxall, Purcell, & Wright, 2007, p. 1). Therefore human resources is in particular important because of the service orientation, which inherently involve more employees and more stakeholders in the process opposite the goods orientation in which the finalized product stood on and sold its self.

An important tool for organizations can be found in organizational capabilities. This can help directly in the value creation of organizations for both G-D as well as SD logic. Capabilities are made up of resources that describe organizational structures and managerial processes that support productive activity (Maatman, Bondarouk, & Looise, 2010). Overall, it is considered that the purposeful and repeated development and integration of different resources will lead to capabilities. Therefore, it is important to have a better understanding of organizational capabilities when looking into S-D capabilities.

To better understand capability development it is beneficial to use intellectual capital theory. It is accepted that organizational usage of capabilities is closely tied to its use of intellectual capital (Subramaniam & Youndt, 2005). Even further, Inspired by the intellectual capital theory, we can distinguish between three organizational capabilities: human capabilities, social capabilities and organizational capabilities

Research into the antecedents of a S-D orientation has not been conducted as of yet. Antecedents can yield applicable insights for practitioners and become another building block for researchers to better grasp a S-D orientation.

This leads to research question one:

“Which human, social, and organizational capital forms are used by organizations to build S-D capabilities?” It is unclear how these resources can be developed and integrated, and therefore it is needed to understand how organizations can develop their S-D capabilities.

An organizational condition that might prove to be useful in developing an S-D orientation are human resource management (HRM) practices. Indeed, research of Saá-Pérez and Garcia-Falcon (2002) indicates that HRM practices and policies have a significant positive influence on the construction and development of organizational capabilities. Whereas, Yang and Lin (2009) found evidence that increased use of specific HRM practices will lead to higher degrees of intellectual capital. Therefore a link between the six capabilities of a S-D orientation and the HR practices of an organization is likely to exist via human, social and organizational capital.

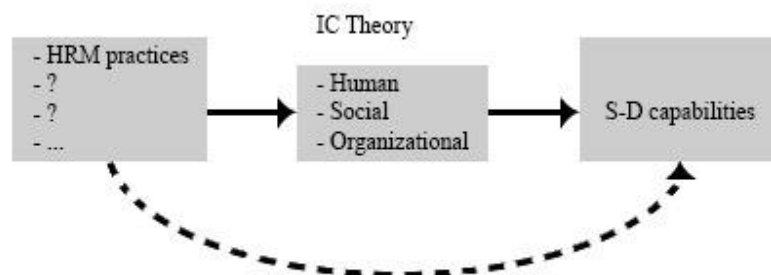
The second research question of this thesis is: “Are there HR practices which mediate between IC theory and S-D capabilities for the building of the 6 identified S-D capabilities?”.

These research questions lead to the conceptual model presented in figure 1.

The aim of this thesis is to enhance the understanding of which resources are important for organizations for either of the 6 specified S-D capabilities. This could help researchers in better

understanding the organizational development of S-D capabilities and provide practitioners with meaningful guidelines when implementing S-D orientation.

Figure 1.



This thesis is structured as followed: first,

relevant literature and theory which can be useful in answering the questions will be introduced and explained. Second, methods to gain more information will be discussed. Third, results will be given together with limitations and future research directions.

LITERATURE REVIEW

This section will delve deeper into the theories introduced at the beginning of this paper. Firstly, S-D logic will be discussed, followed by an S-D orientation, and finalized with a discussion on organizational capabilities, IC theory, and HR practices. S-D logic is a revised logic of exchange that is more about competing through service with at its core the requirement that management should understand that value-creation for the customer and the firm requires collaborating with customers (Lusch, Vargo, & O’Brien, 2007). From here, the S-D orientation was developed. The focus of a S-D logic lies in the added services and interaction customers can receive when buying simple commodities as a television nowadays. In the past, you mostly just bought a television and the interaction with the shop would end there and then without after service. Whereas nowadays people and organizations pay more attention to the interaction process which entails more than just the finished tangible product.

S-D logic stresses the importance of the collaboration between service providers and customers for the co-creation of value (Lusch et al., 2007) as it helps the organization to gain a competitive advantage (Karpen et al., 2012). Value is mainly determined by the customer when considering S-D logic (Lusch & Vargo, 2006). The definition of value in this thesis is the

definition of value proposed by Grönroos and Voima (2013, p. 144): “we define value as value-in-use, created by the user (individually and socially), during usage of resources and processes (and their outcomes).” Usage can be physical, virtual, mental process or it can be just a possession (Grönroos & Voima, 2013). Co-creation is the view that all actors, both customers and firms, work together and exchange information to create value in the production process (Grönroos & Voima, 2013; Lusch & Vargo, 2006). The second component of co-creation involves the participation of the creation of the offering itself, which can occur via shared inventiveness, co-design, or shared production of related goods (Lusch & Vargo, 2006). This is important, because no longer the producer tells its customers what is useful and important, it happens both ways in tandem where the customer also has certain power and input in determining what is important and useful in a product offering.

SERVICE-DOMINANT ORIENTATION

S-D orientation consists of 6 capabilities which when combined is considered a higher-order co-creation capability. Karpen et al. (2012) believed that managers need limited guidance when wanting to implement S-D practices and therefore wanted to bridge this gap between literature and practice by proposing the S-D orientation concept. This concept reflects a higher-order co-creation capability which consists of individuated, relational, ethical, empowered, development, and concerted interaction capabilities.

All 6 capabilities should be constructed via a combination of human, social and organizational resources which are combined and integrated, in a repeated and purposeful manner.

The 6 capabilities are explained by Karpen et al., (2012, p. 25) as followed:

1. individuated interaction capability. This capability is about understanding individual customers’ service processes, contexts, and desired outcomes; for example analyzing search patterns to better service customers where the customer will determine what actually adds value. For example with what purpose someone buys a product will greatly determine what the value entails. When buying a car for example, it is important if the car is to bring your children to school, or to impress colleagues at work, or if it is to ride along a beach without a rooftop. All these completely different uses lead to a different value (proposition). Is about understanding individual customers’ service processes, contexts, and desired outcomes.

2. relational interaction capability. Because S-D orientation is about co-creation it is by default relational and customer oriented. That makes this capability about enhancing the connection of social and emotional links with customers in service processes and communication and joint problem solving; for example to give interaction opportunities with your customers via twitter and YouTube which can lead to enhanced feelings of closeness and affection and when performed correctly can become a part of the perceived value by customers. It is important to note that the interaction should be done at the customers desired frequency and intensity, so also here it is mainly an accommodating role for the organization. It is about the connection of social and emotional links with customers.

3. ethical interaction capability. The ethical interaction capability is about supporting fair and non-opportunistic customer service processes. In this regard, it should focus on operant rather than operand resources. Operand resources are static and usually tangible resources that must be acted upon to be useful (Lusch et al., 2007) whereas operant resources are dynamic as for example competences (eg. skills and knowledge) that are able to act and produce effects in other resources (Lusch et al., 2007). By default, S-D logic emphasize fair and good practices from

organizations towards customers. S-D logic has competing through service at its core, and collaboration with customers. When an organization is not supporting fair and good practices towards its customers, the collaboration can become at risk. To support fair and good practices organizations can for example have a clear corporate responsibility programme (CSR), or communicate clearly and honestly with customers and be open to exchange of ideas and feedback. When organizations fail to meet this, it can result in all kinds of damages. For example the emission scandals in the automotive industry, where multiple brands have suffered greatly for inaccurate information sharing and deceiving of customers and regulative institutions. Ethical interaction is therefore about supporting fair and non-opportunistic customer service.

4. empowered interaction capability. The fourth capability is about enabling customers to shape the nature and content of service processes. This can span from seeking customers opinions and suggestions to letting them shape the final outcome and is mostly outside-in focused (Karpen et al., 2012). For example to allow network partners to interact with you on their own terms and to involve them to co-construct the individual experience if they desire to do so. The customer feedback is key for this capability. It is important to note that it seems as if organizations are still considered the main focus point of exchange, whereas it should be that organizations should try to become involved in the customers life instead of focusing how customers can be involved in co-creating (and by extension the organization) (Grönroos & Voima, 2013). Customers have more to offer organizations than mere financial resources, they have ideas in how to use, and knowledge about the efficient integration of resources (Karpen et al., 2009). To be more precise, organizations can create platforms were it is possible for customers to design their own integration process. This can result in feedback for the organizations by responding to new ideas and suggestions to giving customers a feeling how the product can be used by specific customers if possible. For example taking a car for a test-drive before committing to buying the car. Empowered interaction is about letting customers be in control of the integration process and allows the organization to learn from the customer.

5. developmental interaction capability. Is about making the customer more suited to use or operate the product as an initiative from the organization. Overall, about educating customers.

6. concerted interaction capability. This capability is about facilitating coordinated and integrated service processes among value network partners that include customers. Value network partners is wide ranging, and includes everyone being affected or involved by the product. Facilitating coordinated and integrated service processes is for example to not unnecessarily burden the value network partners with overly complex, hassling, time-consuming or time-wasting interfaces and interactions but to keep the exchange simple and to the point which also allows for integration of resources with minimal efforts. An opportunity would be to structure the organization in a way which is not too complex, time-consuming, or time-wasting for the value network partners. value network partners are the organizations, people and more involved in the production or utilization of the product. For example a driving license or gasoline which is necessary to use a car but not (always) provided by the seller. Concerted interaction is thus about providing interaction with all value network partners including awareness of stakeholders.

It is possible for firms to focus their investments efforts on multiple of these six mentioned capabilities and reach minimum investment efforts for the other capabilities when strategically considering potential trade-offs (Karpen et al., 2012). Thus still leading to organizational

benefits. In order to see how capabilities in general are constructed and made off, the focus shifts to capabilities itself in the next section.

ORGANIZATIONAL CAPABILITIES

Capabilities come to be when resources are purposefully integrated and developed which can lead to a competitive advantage. Capabilities are considered as being critical success factors in organization and nowadays every organization wants to at least excel in one thing (Schreyögg, & Kliesch-Eberl, 2007). The presence of organizational capabilities is important for organizations. Studies have shown that organizational capabilities have a positive effect on organizational performance (Kemper et al., 2013). It is important to note that organizational capabilities are not an end but rather that they evolve through a dynamic process of interactions of technologies, techniques, and people which emerge, grow, mature and decline (Bhatt, 2000). To form capabilities, multiple resources have to be combined, which consecutively can lead to higher order capabilities which can impact organizational performance (Grewal & Slotegraaf, 2007). Resources are defined as the assets available to an organization during the production process. Four types can be distinguished normally: human, monetary, physical, and information.

A concrete account of how organizational capabilities come into existence remains missing (Kemper et al., 2013) although the pattern of interaction is mostly determined by an organization's foreground knowledge and background knowledge (Bhatt, 2000). Foreground knowledge consist of knowledge which can be imitated, transferred and replicated without much effort by other organizations. Background knowledge however is more difficult to imitate, transfer or replicate by other organizations and remains more elusive. Even imitating foreground knowledge is often not very important because foreground and background knowledge need to be matched, reconfigured, and recombined with each other (Bhatt, 2000). This can prove useful when thinking about the integration of resources. When taking into account the existence of fore- and background knowledge it is more important to look for background knowledge, since the replicability will be easier. Collis (1994) argues that there is a lexicographic ordering to capabilities which comes down to the fact that until one level is understood by companies, companies cannot compete on the next level. One of the most important aspects of capabilities are that they are purposeful and repeatedly employed by organizations. Purposeful has a degree of intent behind, which implies the organizations knows what it is doing and does so willingly and intentionally (Maatman et al., 2010). With being able to repeat the activity multiple times, as should be the case with capabilities, it implies that it is not a one-time hit for the organization (Helfat et al, 2003), but that they can actively replicate the process to keep an advantage with it. Capabilities thus consist of resources, existing of fore- and background knowledge, which are combined and are used to perform a coordinated set of tasks repeatedly, purposefully and relates either directly or indirectly to a firm's capacity for creating value with a particular end result in mind. These capabilities should be honed to a user's need, and be difficult to replicate and follow a lifecycle approach. The main contribution of this section is that capabilities are built from resources which are developed and integrated.

The classification of resources in human, social and organizational capabilities can help with the building of capabilities and provide a more simple platform for developing and integration of resources. This takes from intellectual capital theory. Organizational uses of capabilities is linked to its use of intellectual capital (Subramaniam & Youndt, 2005).

INTELLECTUAL CAPITAL THEORY

Intellectual capital is about an organizations knowledge resources where knowledge can be utilized through different approaches in the organization (Subramaniam & Youndt, 2005). This makes it very applicable in dealing with organizational capabilities since organizational capabilities are about the development and integration of resources. Intellectual capital theory provides a useful model for doing so due to their division of resources in three distinctly different capitals and it is likely that besides other capabilities intellectual capital can also be helpful in building S-D capabilities. Especially due to the relational and personalized approach of S-D capabilities.

Intellectual capital is considered to be the sum of all the knowledge companies utilize for competitive advantage (Youndt, Subramaniam & Snell, 2004). Three different aspects of intellectual capital have been identified. These three are human, social and organizational capital. Human capital is the primary foundation for organizational learning by influencing a companies' ability to acquire new knowledge (Kang & Snell, 2009) and is defined as the knowledge, skills, and abilities resident with and utilized by individuals (Subramaniam & Youndt, 2005; Meijerink, Bondarouk, & Looise, 2013). Social capital is the knowledge embedded in and available through relational networks among employees, provides a conduit for knowledge exchange and combination within the organization (Kang & Snell, 2009). It is utilized by interactions among individuals and their networks of interrelationships (Subramaniam & Youndt, 2005) and provides organizations with the collectivity owned capital, a credential which entitles them to credits which can help employees feel more bonded with their organization (Nahapiet & Ghoshal, 1998).

Organizational capital describes the knowledge captured in processes, systems, and structures (Kang & Snell, 2009). This happens via the codifying of experiences and utilized through databases, patents, manuals, and structures (Subramaniam & Youndt, 2005).

Intellectual capital describes the presence of resources in an organization and divide them in three distinct parts. When putting human, social, and organizational capital together in (differing) compositions, this constitutes a capability when it performs a coordinated set of tasks repeatedly and purposefully. In particular human knowledge (gathered via experience, exchange of information, presence of systems or training), networking, and sharing of information and codifying of this information in systems will help in building S-D capabilities. In particular information and knowledge related to customers, and stakeholders will be important for a S-D orientation. When using intellectual capital theory, it becomes apparent that it is mainly about background knowledge which will be used in capability building. And while it is possible for employees to switch organizations, the interaction with other employees will change as well, just as relationships which has to be newly formed. This will still limit the replicability of existing relations or processes by another organization. This is particularly the case with human and social capital. In addition organizational capital is embedded in the organization and not easy or quick imitable by competitors. Therefore, it is important to understand the relationships between human, social and organizational capital. A link between IC theory and capabilities can be found in the purposeful knowledge utilization by organizations to make use of human capital (Hsu & Sabherwal, 2011; Gao, Li, & Nakamori 2002). Grant (1996) stated that knowledge is an integral part of capabilities in general. Furthermore, in order to make repeatedly use of IC it is important to codify knowledge gained from employees and interaction between employees, thus interrelating human, social, and organizational capital. Possible relationships are expected between IC theory and S-D orientation. For example, human capital, with its foundations in organizational learning and focus on the knowledge, skills, and abilities resident with and utilized by individuals. A link between human capital and individuated interaction is likely to exist. Due to the focus of individuated interaction on

understanding the customer. To understand customers, you have to be able to have knowledge of the customer, skills to gather more information and act on gathered information. Social capital is expected to lead to better forms of relational interaction capability. Relational networks and conduits for exchange of knowledge is argued to increase relational links with customers. Organizational capital links to empowered interaction. To be able to let the customer in control of the integration process, it is important to have knowledge captured in processes, systems and structures. This can lead to databases or manuals for example, which is helpful for the customers.

As determined earlier capabilities are inside organizations and can be explained via IC theory. When looking at capabilities and IC theory, it is important to look at human resource (HR) practices and how they facilitate the organization and capabilities. HR practices can be important in developing and integrating human, social and organizational capital. To develop and integrate organizational resources it is useful to include different HR practices which can strengthen the development and integration of the three mentioned capitals. It is increasingly recognized that organizational capabilities are important for swift and efficient adaptation which requires strong emphasis on the human resources of the organization, and by extension for human resource management (HRM) (Delery, 1998). Evidence was already provided by Lado and Wilson (1994) that there is potential for HRM to support the development and utilization of organizational capabilities. In particular concerning HR practices, it is important to take into account that individual practices do never function in isolation but always work in concert with each other (Jiang, Lepak, Hu, & Baer, 2012). Therefore, the next section centers around these HR practices likely relevant for an S-D orientation.

HUMAN RESOURCES

To classify HR practices, the AMO framework will be used. This framework already provides a useful division between different HR practices and forms an useful framework for connecting certain HR practices with performance. The AMO framework is an individual performance theory. It is also possible that different compositions of the AMO framework adheres to different IC aspects or S-D capabilities configurations.

This theory divides practices in ability-enhancing, motivation-enhancing, and opportunity-enhancing HR practices (Jiang, Lepak, Han, Hong, Kim & Winkler, 2012; Lepak, Liao, Chung, and Harden, 2006). Conceptualizing HR practices in one of these three dimensions (these are ability-enhancing HR practices, motivation-enhancing practices, and opportunity-enhancing dimension) can be useful in predicting which HR practices can be useful in the building of intellectual capital and in the integration of the three different capitals. In developing intellectual capital with support of HR practices, in particular in developing and integrating human, social, and organizational capital, capabilities can be formed. In the right configuration, this can lead to support of the six S-D capabilities and can be an important antecedent. Previous research already found that HR practices is a useful method for aligning human, social and organizational capital and it is becoming more important in developing an organization's human and social capital (Lepak & Snell, 1999)

The ability-enhancing dimension consist of different recruitment practices (for example, extensive, intensive, electronic recruitment, job posting and headhunting), selection practices (for example employment tests, extensive interviews, promotion from within, referrals), training practices, which can be generic or firm specific (for example, ongoing, on-the-job, off-the-job, formalized teaching, hours of training, socialization, team training, leadership training, workshops, e-learning) (Lepak et al., 2006).

The motivation-enhancing dimension consist of different performance management practices (for example formal evaluation, annual appraisal, 360 degrees feedback, result oriented appraisal, management by objectives), compensation practices (for example, hourly pay, merit-based pay, lead, match, or lag the market, job based versus skill based), incentive and rewards practices (for example, percentage of contingent pay, individual bonus, profit sharing, gain sharing, stock options) (Lepak et al., 2006).

The opportunity-enhancing dimension consist of different involvement practices (for example participation, voice, empowerment, formal grievance mechanisms, information sharing), job design practices (for example, job rotation, job enrichment, job enlargement, autonomy, flex working), team practices (for example semi-autonomous teams, quality circles, project teams, off-line teams) (Lepak et al., 2006).

Human capital benefits the most from ability- and motivation-enhancing HR practices. Examples of HR practices that influence the human capital of organization can be found in Lepak and Snell (1999): practices as team-based production and unique operational procedures that lead to enhanced social complexity, causal ambiguity, and the development of tacit knowledge will enhance the uniqueness of a firm's human capital.

With regards to S-D capabilities and human capital, it can be easily argued that recruitment, selection, training, compensation (eg. result-based incentives) and appraisals are important practices which can influence human capital. Yang and Lin (2009) already found links of human capital with recruitment and training practices where recruitment and training directly influence human capital of organizations. Recruitment and selection have a direct influence on the employees who work in your organization and thus on the knowledge, skills, and abilities present in the organization. Training lets your employees develop themselves in a way most useful for the organization and has a direct result on human capital. Even more, via training it is possible to guide employees towards a certain way of working which suits the organization the most. Compensation can provide a good incentive for your human capital to utilize their knowledge, skills and abilities useful for the organization in the most efficient way. Appraisals are important for human capital because it offers feedback to employees which can adjust their behavior accordingly and might even form an incentive to continue with task relevant training, and thus influencing your human capital.

Social capital seems to benefit therefore most from motivation and opportunity enhancing HR practices. Research further supports the possibility that HR practices can have an important influence on the social capital of organization (Kang, Morris, & Snell, 2007; Leana & Van Buren, 1999; Yang & Lin, 2009). For example, Kang et al., (2007) found that HR practices can help build social relations between employees by improving their motivation, ability and opportunity. Practices useful for this are for example flexible work structures, and result-based incentives (Kang et al., 2009). Other practices include job security, team work, compensation, learning (Leana, Van Buren, 1999), team training (Yang & Lin, 2009).

With regards to S-D capabilities and social capital, it is argued that in particular training, selection, recruitment, job design (eg. teamwork), compensation (eg. result-based incentives) will be of importance. Combined with motivation and opportunity enhancing practices, social capital can also benefit thus from opportunity enhancing practices. Training employees in dealing with each other and to get the most out of relational networks is important for social capital. Not in the least because training can also lead to increased combination of knowledge and thus increasing value for the organization. The correct appraisal tactics can let employees know if they are performing up to par and it can be a good means of feedback to let them know

if they are performing as desired by the organization. Here this can also lead to increased training for the employees in order to better contribute to a conduit for knowledge exchange and combination within the organization. This is therefore important for social capital and can be of high importance. Already during recruitment and selection organizations can select and recruit people with good social skills, used to work in teams, and used to exchange information and utilize this information. Selection is already mentioned as an influence on human capital as well, but this does not preclude it as an support on social capital as well. Leana and Van Buren (1999) already found that selection can support both human and social capital. Job design can be argued to be important as well for social capital. Depending on the organizational structure and design of jobs, people can be more open towards relational networking. Here it is most important if the job design takes into account relational networking and if this networking is limited to an employee's department or if supports cross-departmental networks to form.

Organizational capital seems to benefit most from motivation and opportunity enhancing practices. Research by Kang and Snell (2009) indicate already multiple HR practices which support organizational capital. These include behavior and result based evaluations and rewards, performance programmes employee participation. With regards to S-D capabilities and organizational capital, it is argued that in particular organizational capital can be supported by job design, and participation. Further, indirectly, it can be argued that due to an influence on human and social capital, training, and appraisals can have a distinct impact on organizational capital as well as these will also have the distinct possibility of supporting knowledge captured in processes, systems and structures (eg. the writing of manuals). A link of appraisals with both organizational and human capital is already found by Yang and Lin (2009) and is likely to exist for S-D capabilities as well. Job design has a direct influence on organizational capital because it involves structures and can change the way things are done at an organizations as well as underlying processes. The way someone has to perform a bundle of tasks will also influence the needed knowledge which is captured in processes, systems, and structures within an organization. Participation increases employee involvement and can lead to organizational changes which can result in changes in processes, systems, and structures and thus organizational capital. For example employees who want more guidelines in performing their tasks or want less guidelines.

Three distinctly different forms of knowledge resources have been identified. Combined with the building of capabilities, which happens via resource development and resource integration, it is possible to find how S-D capabilities are formed and to find which HR practices can support this development and integration.

It is showed in this section that the AMO framework and intellectual capital can be good starting points in finding antecedents of S-D capabilities. Human capital can benefit greatly from ability and motivation enhancing HR practices. Social capital seems to benefit most from motivation and opportunity enhancing HR practices. Social capital can also benefit from opportunity enhancing practices. Organizational capital seems to benefit most from motivation and opportunity enhancing practices

METHODOLOGY

For the purpose of this study, an explorative research approach was chosen. An explorative research approach was necessary to test the assumptions posed in the research questions. There was no research conducted towards the antecedents of SD capabilities, thus explorative research was most valuable. Via an embedded multiple case study approach both surveys and interviews were conducted. The embeddedness in this regard can be found in the added value surveys will

bring to the case studies beforehand to indicate performances of each conservatory (Yin, 2009). This approach was chosen because at the moment it is unclear what human, social and organizational capital for S-D capabilities there are in which IC automatically serves as the contextual factors in which this research will take place. In addition, although a link between HR practices and the building of S-D capabilities is strongly expected, it is unclear as of yet what this link will entail. The focus was on finding both communal patterns as well as on different patterns in the case studies. Differences can be explained via the survey which were before the interviews. The survey was based on the measurements put forward by Karpen et al. (2015) on the S-D capabilities. The choice for a multiple case study approach was based on the three conditions mentioned in Yin (2009) this method seems most appropriate. The questions that were being asked in this thesis (which type... etc.) for one, further, there is no requirement to be in control of behavioral events and the focus of the research is contemporary in nature. The reason for conducting a multiple case study is that if two or more cases are shown to support the same theory, focusing on analytic generalization instead of statistical generalization is possible (Yin, 2009).

Semi-structured interviews are most suitable for exploratory research (Drever, 1995). Due to the semi-structured nature, interviewees were able to express their opinions and views more clearly, without having to answer in pre-determined ways providing more insights. Furthermore, it allowed for flexibility for interviewees to answer more spontaneously (Brinkmann, 2014). An unstructured interview would not have been feasible. Due to the nature of the research, specific questions about the S-D capabilities, IC and HRM activities had to be asked and explanations given of certain topics covering more than just the viewpoints and opinions of the interviewee (King, Cassell, & Symon, 1994). These are specific questions regarding HRM practices, and S-D capabilities. Ranging from what the organization was doing at that moment, to if this is a deliberate focus of the organization or a one-time attempt. The added benefit is that due to the explorative nature of this research, it was difficult to predict outcomes and relationships purely based on surveys. In this case, interviews favor brainstorming sessions or other group activities. Brainstorming sessions can lead to one vocal person imposing his opinion on the rest of the group, also the presence of managers can hinder the expressions of front line employees.

In addition, it was important to not impose beforehand any gathered knowledge on the interviewee. This could have led to interviewee shutting down, and becoming less clear in their answering and in the end producing less natural or trustworthy responses (Belk, Fischer & Kozinets, 2013). The interviews were carried out in Dutch, located at the organization. Due to the nature of the information needed for the research, it was decided to interview first line managers, and frontline employees.

Replication logic will be used in determining the case studies to be performed. This means that “each case must be carefully selected so that it either (a) predicts similar results (...), or (b) predicts contrasting results but for anticipatable reasons (Yin, 2009: p. 54).” This research will favor comparable cases which can have different results. What is meant with this is that hopefully based on the survey results it is possible to concretely pinpoint S-D capabilities with organizational antecedents. However, this is difficult to predict before the initial surveys have been carried out. After analysis of the surveys, predictions could be made regarding IC and HR practices for each case. The number of approached conservatories was 3.

The most suited organizations were expected to be service oriented organizations. In this thesis, conservatories were chosen for multiple reasons. Conservatories are organizations where people

can apply for lessons in a music instrument of their choosing. It is possible to extend this to dancing and singing. You do not need to have any prerequisite knowledge before applying. Conservatories were expected to be very suitable because it is argued that their interaction with customers entails the main value conservatories create. Therefore and thus should have their resources honed to the needs of the customers especially. Conservatories need human capital on a daily basis in their offering to customers. Also, it has to be advanced and skilled enough to offer appropriate lessons towards their customers. furthermore, conservatories also need a certain degree of social capital, not in the least to provide for good utilizations for the human capital. Employees will need to exchange information with regards to customers, teaching methods, and encountered problems. In the ideal situation, employees can support each other in solving problems or difficult cases. Organizational capital is important as well because of the service they are offering. Although highly individuated, it will have to resemble a certain level of quality and combined with this a certain amount of comparability from one lesson to the other. Organizational capital will have to be present to make sure this actually is the case. Organizational capital can entail lesson plans, behavioral rules and general guidelines. In addition it can involve systems regarding customer progress, and interests. four different cases will be researched. For every case a survey was conducted followed up with two to three interviews per case.

OPERATIONALIZATION

	First-order concept	Second-order concept	Third-order concept
Capabilities	Build via the combination and integration of resources	Resources: Resources are defined as the assets available to an organization during the production process. Four types can be distinguished: human, monetary, physical, information.	Physical: the man-made resources, such as buildings, technology, and products
			Information: data and knowledge used.
Intellectual capital	Human	the knowledge, skills, and abilities resident with and utilized by individuals	
	Social	the knowledge embedded in and available through relational networks among employees, provides a conduit for knowledge exchange and combination within the organization	
	Organizational	knowledge captured in processes, systems, and structures	Captured via codifying of experiences and utilized through databases, patents, manuals, and structures
S-D capabilities	individuated interaction capability	Human, social and organizational resources which are combined and integrated to	Individuals define their own value of a product.

		understand individual customers' service processes, contexts, and desired outcomes <u>in a repeated and purposeful manner.</u>	Service processes: analyzing search patterns to provide most value to customers
	relational interaction capability	Human, social and organizational resources which are combined and integrated to enhance the connection of social and emotional links with customers <u>in a repeated and purposeful manner.</u>	Connection: can be via social media, email etc. as well as via joint problem solving.
	ethical interaction capability	Human, social and organizational resources which are combined and integrated to support fair and non-opportunistic customer service <u>in a repeated and purposeful manner.</u>	Fair and non-opportunistic: honest communication about warranty, products, and services is important.
	empowered interaction capability	Human, social and organizational resources which are combined and integrated <u>to let the customer be in control of the integration process and allows the organization to learn from the customer in a repeated and purposeful manner.</u>	
	developmental interaction capability	Human, social and organizational resources which are combined and integrated to educate customers <u>in a repeated and purposeful manner.</u>	
	concerted interaction capability	Human, social and organizational resources which are combined and integrated to provide interaction with all value network partners including awareness of stakeholders in a repeated and purposeful manner.	Value network partners: wide ranging, and includes everyone being affected or involved by the product
AMO	ability enhancing	Consist of different recruitment, selection, training HR practices	
	motivation enhancing	Consist of different performance management, compensation, incentive and reward practices.	
	Opportunity enhancing	Consist of different involvement, job design, and team practices.	

RESULTS

Approached conservatories were all located in Twente, a region located in the eastern part of the Netherlands. The three approached conservatories are considered to be a good representation of this region. They included a bigger organization with multiple locations, a conservatory which is part of a bigger community center, and a reasonable stand-alone conservatory. General characteristics related specifically to the conservatory industry in Twente are observed to have a reducing number of applicants and students, reducing budgets (in part caused by reduction of government funding) and overall less appreciation and interest for the music arts. This leads to a near complete lack of movement of employees in organizations, impacting the amount of recruitment and selection. Overall, these characteristics can be considered as having a big impact on general HRM practices.

The results of the survey are displayed in Table 1. 0 indicates no presence of mentioned capability, whereas 5 indicate presence of mentioned capability. Overall, results indicate a substantial presence of S-D capabilities. This presence is comparable for organization A, B and C. Notable exceptions are relational interaction,

Table 1.	A	B	C
Individuated interaction	4,25	4,67	4,75
Relational interaction	4,75	4,67	3,25
Ethical interaction	4,13	4,33	4,5
Empowered interaction	3,125	4,08	3,5
Developmental interaction	4,5	4,42	4
Concerted interaction	3,5	4,08	4,75

Summary of survey results

empowered interaction and concerted interaction. In these three instances bigger differences exist. Intellectual capital mainly consisted of human and social capital. Organization A believes it is “too difficult and time consuming to store more data than just name, address, city of residence.” Organizational capital was not extensively used in any organization due to a lack of considered benefits. Organization B sees it mostly the same as organization A “we believe the costs are higher compared to the benefits of implementing any form [of organizational capital]”. Organization C has one big difference with organization A and B, organization C have a dedicated customer service department. Regarding the AMO framework. The following observations were made: Opportunity enhancing practices are not overly important in regards to S-D capabilities, and thus not for IC capital influencing S-D capabilities. Ability and motivation enhancing practices have their place in influencing S-D capabilities, either directly or via IC capital.

Now the results will be given per capability.

1. individuated interaction capability.

Organization B scores slightly higher for individuated interaction compared to organization A, and organization C scores highest of all three the organizations. Organization A is changing their organizational capital and overall offering to students. This is done to “be more prepared for the future, since demand is decreasing in our [this] industry” (organization A; interviewee 1). For the moment this could lead to being less able to service their students compared to other organizations. In the future organization A hopes to record more useful information from their students and pursue a more demand-driven practice. In this regard, organization A will most likely supersede organization B in the long run and might reach organization C. Organization B only reacts towards students when they file a complaint against the organization or a specific teacher. Organization C has a dedicated customer service in place. Organization C is trying to anticipate wishes from customers, in this regard, organization C is further compared to organization A and B. Complaints are being recorded by the customers service of organization C and followed up. Market research is performed once every other year, and these results are

slightly being checked via customer service. Organization C is sending out these surveys with the wish to “know what our current and past customers think of our organization, and the way we offer our lesson”. Different to organization A and B, organization C believes the website to be most important, and a lot of attention goes towards the website (Organization C; interviewee 1).

Human capital is considered to be important to organization A, B and C, but not the responsibility of the organization. Conservatories in Twente heavily rely on the initial education of their employees. Organization A is at the moment implementing a customer journey in order to let all their employees know what a student is doing and when at their organization. They say: “We believe this customer journey is very important, in particular for our non-teaching employees, in order to understand better what we are doing here” (Organization A; interviewee 1). This leads to an increased effectiveness of human capital. It helps employees to be better able to handle specific demands from customers and increase the focus of employees more towards their students. However, this is still work in progress. Organization B encourage an open and flexible attitude towards students, combined with good empathic skills of their teachers. For organization C “it is important [for us] that the customers knows what he or she wants when coming to organization C. In addition, it is our task to create our offer in a way best suited for the customer (Organization C; interviewee 1).” First contact is often via customer service, from the customer service customers go to a teacher, here the customer can decide if there is a good match, otherwise customer can often go to a different teacher. Both customer service, and teachers need to be open towards customers and being able to listen and anticipate the customers’ needs. A bit of psychology is this, however, they do not actively train these skills amongst our employees. Although organization A is still transitioning towards a new way of working, it is possible to note that from the basics, it is important for employees to have open and flexible attitudes towards students, combined with good empathic skills when looking at human capital. It can also be thought off that the work is changing of being a craft (the teacher is going to teach something to a student) towards a more negotiating way of working (consultation both ways, what does a student want, what does teacher expect of student etc.).

At the moment, organization A, B and C are acting the same in relation to social capital. All three use formal meeting and in addition employees have informal meetings or contact with colleagues to better anticipate wishes of students. Overall, social capital is important for organization C. Both informal as well as formal meeting take place. For example when customers are not achieving to the best of their possibilities, teachers discuss possible problems and solutions. In some cases a customer will change teachers. However, this is mostly customer driven. Due to the part-time nature of the employees (0.5FTE max per employee.) it is difficult to offer a lot of training and guidance to their employees worth the associated costs. For example Organization B believes the offering of training is not their job, nor expected: a teacher for organization B say “I work here 24 hours a week, I have my own students, and the same is true for my colleagues, some work here even less then I am. Why would the organization pay for my training? While I am also working at other organizations? No, I do not expect more from the organization.”(Organization B; interviewee 3)

It seems social capital is most important for the individuated interaction capability. All organizations utilize the same social capital instruments, and are achieving their goals with it. Organizational capital does seems less responsible for a change in individuated interaction capability. Mainly due to being almost non-existent at the moment. It is possible that the supreme performance of organization C is the result of the customer service organization C have in place.

Organization A uses training to increase the knowledge of employees. Organization B also uses training to change the way employees think or work in addition to increasing knowledge. Also teachers are differently compensated. When they volunteer to do some extra work, they get a bonus for this at organization A. Recruitment and selection is not a big part of the dealings of both organization A and B. Both mention lack of flow as an important reason as well as budget constraints. However, when new employees are needed, they have to adhere to strong demands. Organization B trains employees to attract better employees via team work. HRM practices for organization C consist mainly out of sparse training, as with organization A and B, organization C relies to a big extent on the previous education of its employees. Also organization B promotes team work between teachers, as well as teachers and customer service. For individuated interaction, it mainly draws from ability and motivation enhancing practices.

2. relational interaction capability.

Both organization A and B measure more or less the same for relational interaction and organization C scores lower. Although organization B seem to store more information of their students compared to organization A, organizational capital does not seem to impact S-D capabilities with regards to relational interaction capability. Organization B mainly uses organizational capital to keep track of complaints and not much more. As mentioned in multiple interviews, “my lessons are too individually focused to let it be of much use to any other teacher or student in general [to record any data]” (Organization B; interviewee 2,3). Organizational capital is not employed by organization C in regards to relational interaction.

Regarding human capital, both organization A and B encourage their teachers to include students more in the process, and utilize empathic skills, in addition to an open and flexible attitude towards their students. Both organizations see human capital as a key role in their organization, but also stress the trust they have in the former education of their employees. This could lead to an increased presence of relational interaction capability. Contrary to organization A and B, organization C does not actively encourage teachers to include customers more in the process. Organization C, however, also depends completely on the initial education of their employees. Organization C has the following to say: “we believe continued education and training is important for our teachers, however, there is no time or budget. We expect during the week before lessons resume that teachers sign in for multiple workshops we offer, these range from music workshops to communicating workshops. However, this is about all we offer our teachers” (organization C; interviewee 1).

For social capital, organization A and C relies mainly on formal meetings. The importance of these meetings is believed to be great in order to treat their students the same, and give them necessary support. Informal meetings do not take place often. Organization B believes that both formal as well as informal meetings and communication can be important with regards to relational interaction capability. According to organization B “these meetings normally consist of what goes well, what could be approved, and to give advice and support to each other relating to our students” (Organization B; interviewee 1). The added value of communication and exchanging information is important for both relational and ethical interaction. Presence of informal meetings can lead to increased presence of relational interaction capability.

Organization B uses training to let employees be better prepared in dealing with mentally challenged students in order to offer the best possible education. This is followed up with 360 degrees feedback in which a teacher for example ask to the student, and colleagues how he or she is doing now. Also use of team work in regards to relational interaction is considered

important to let teachers exchange information. Organization A mostly relies on the previous education of employees, just as organization C. For relational interaction all three parts of AMO can be seen with a clear focus on ability, and motivation enhancing practices.

3. ethical interaction capability.

Both organization A and B measure more or less the same for ethical interaction, organization C scores slightly higher. Interaction is mostly based on teacher/customer relationship. However, there are communal evenings in which all customers get the chance to play for an audience if they desire to do so. organizational capital does not seem to impact S-D capabilities with regards to ethical interaction capability anymore.

Regarding human capital, all three organizations encourage their teachers to include students more in the process. Organization B also beliefs empathic skills, in addition to an open and flexible attitude serve students in the best way. Previous education of employees are considered by all three organizations to be very important with regard to dealing with ethical interaction. Although organization B mention empathic skills, combined with an open and flexible attitude is important, organization A beliefs in much in depth communication with students, since “you can be open for feedback of your student, if you do not challenge them to be open and discuss the lesson, you will not gain everything you could gain” (organization A; interviewee 3). Furthermore, organization A believes human capital in particular is important to deal with mentally disabled, very intelligent students, or in another way challenged students. This is something important for organization A, because they feel they have to be available to everyone in the municipality it is located in. Organization C consider it important to judge the character of customers in order to be of the best service to customers. The general view of organization A, B and C could be generalized to the same characteristics: in order to treat students equal and ethical constructive in-depth communication with students is important. To do so a teacher is supposed to have trained emphatic skills, and have an open and flexible attitude in these dealings with students combined with listening skills.

For social capital there exist some differences. Organization A and C rely mainly on formal meetings. The importance of these meetings is believed to be great in order to treat their students the same, and give them necessary support. Informal meetings do not take place often. However, organization A is confident they are approaching customers equally in all cases. Equally does not mean the same, this is virtually impossible to do due to all the different learning goals, backgrounds and age of the customers. Equal from the viewpoint of organization A is with the same amount of effort and perseverance to help customers in the best way they can. Organization B beliefs that both formal as well as informal meetings and communication can be important with regards to ethical interaction. These meetings normally consist of what goes well, what could be approved, and to give advice and support to each other. Organization B stresses the importance of feedback: “although we believe we are thinking in the best interest of students, we need feedback from those students to adapt” (Organization B; interviewee 2). The added value of communication and exchanging information is important for both relational and ethical interaction. The added value of informal meetings seems to exist though its effect is small.

Organization B is actively trying to offer students the best service possible. In one case organization B received a request for specialized lessons for a mentally disabled. In order to adhere to these wishes they recruited a new employee which was previously trained to teach this person. Organization A and C have feedback sessions in which functioning of employees is being judged, when there are complaints this can result in a formal warning. For ethical

interaction, both ability enhancing and motivation enhancing practices seem to be most valuable.

4. empowered interaction capability.

Organization B scores higher for this however this is not because of differences in organizational capital, which is not used for this at the moment by one of the organizations. Organization B used lesson plans/structures in the past but “it is so outdated, we only deviate from those at this point in time” (Organization B; interviewee 1).

This leads to the following differences with regards to human capital. Organization B see it as important to also include students in the process, whereas organization A relies mostly on the open attitude of teachers towards students combined with patience regarding students. Organization C believes they have to facilitate as good as possible to demand of students. If the previous characteristics of employees does not facilitate certain customers, manager will see if another teacher is able to facilitate a customer’s demand better with his or her skillset. Besides including students more in the process, organization B also beliefs empathic skills, in addition to an open and flexible attitude serve customers in the best way. A specific teacher said “besides these skills, listening skills are the most important in my line of work” (organization B; interviewee 3). Listening skills could be seen as a result of having an open and flexible attitude towards students.

There is only one difference in social capital to be found. Informal meetings are considered to be important input for the dealing with students according to organization B. Organization B beliefs that due to the inherent nature of the business, which is highly individualized and focused per student, informal meetings between teachers can definitely enhance the interaction between students and teachers. This is most important with regard to empowered interaction capability. However, these informal meetings do not always lead to better performance because of the nature of the product. Organization B believes that “the product is inherently about an individualized approach of students and copy paste approach of one teacher with a student to other students with the same results is not possible. (organization B; interviewee 1).” Organization A and C rely on formal and informal meetings between employees. Both are considered equally important, however, organization C could not exist without the formal meetings, whereas informal meetings are not necessary for day to day business and merely leads to increased benefits.

There are feedback sessions in place for organization B to see how teachers perform and if this performance is increasing or decreasing over time. Feedback is given and teachers are supposed to do something with the feedback. With bad feedback over time, teachers will be fired. For empowered interaction, motivation enhancing practices seems to be most beneficial.

5. developmental interaction capability.

Both organization A and B score equally with regards to developmental capability, organization C scores less. However, not one of the three organizations use organizational capital to advance developmental capability as it seems. Developmental interaction has a sparse use of organizational capital in that organization B has some standard exercise available to student to practice with when encountering difficulties, organization C has talent classes which promising customers can join.

Human capital is formed via the open and flexible attitude of teachers, and their inherently developed empathic skills. Organization A, B and C advocates that in particular teachers need

to know a bit of background information from students. Besides this, it is not specifically utilized with regards to developmental interaction capability by either organization. Organization C adds that “Especially when dealing with talented customers, it is our job [of the teacher] to see this talent, and in consultation with the customer to let the customer join talent classes which are specifically focused towards better development of talented and dedicated customers.”(Organization C; interviewee 2).

Organization B does contribute informal meetings to exchange information partly with regards to developmental interaction capability, however, organization A does not. Organization C uses mainly formal and informal meetings about both talented customers, and more troublesome customers.

Employees are not specifically trained, hired or compensated for. Neither they receive feedback focused around developmental capability.

6. concerted interaction capability.

Concerted interaction is slightly higher for organization B compared to organization A, while organization C scores best. Contrary to survey results, organization A makes more use of organizational capital than organization B. Organization A is transitioning their organization to communicate completely uniform towards customers and has constituted house rules for every visitor and employee to adhere to. This is considered important with regards to dealing equally and honestly with all stakeholders. Organization C is already communicating with stakeholders under one umbrella. All communication has to adhere to the same layout and style. Organization C has an advantage compared to organization A and B.

Organization B considers it very important for their employees to be up-to-date- and well-known in the municipality with regards to human capital this means that employees are expected to and responsible for reading local news, follow additional lessons to increase their own knowledge and use this when dealing with students. The same applies to organization C. However, no specific skills are considered to be involved. To be up-to-date, both job specific and in being knowledgeable about dealings in the municipality seems to be most important for human capital for concerted interaction. For organization A it completely revolves around being generally open, flexible, and empathic. Which is most important with regards to any of the 6 capabilities differs, but is an interaction of these skills most likely. teamwork has become a key word for organization C. In the broadest sense. Organization C works together with municipalities, management board, customers and all other stakeholders.

Social capital is utilized in the following way. Concerted interaction is slightly higher for organization B compared to organization A. Organization A believes informal meetings on the management level will undoubtedly play a role in regards of concerted interaction, organization A does not actively promote these meetings. Although organization A is not much more formal in demands with regard to concerted interaction, it does encourage employees in both formal and informal meetings to put forth ideas or even contact details when they encounter something or someone interest for organization A. For organization C a lot revolves around informal meetings, employees have a lot of freedom. For example to the extent that employees can offer discounts to customers in specific cases.

Organization A is involving all their employees in their transition process. Organization B actively trains their employees in how to deal with stakeholders and all value network partners whereas organization C relies to a big extent on team work between employees and also with

other stakeholders. It seems ability enhancing and opportunity enhancing practices are most used for concerted interaction.

CONCLUSION

Overall, it can be concluded that multiple forms of IC are used by organizations to build S-D capabilities in answer to research question one: “Which human, social, and organizational capital forms are used by organizations to build S-D capabilities?”

This is in particular true for human and social capital. Organizational capital is not specifically used or implemented except for the most necessary forms. The answer is twofold. First, it is possible that a dedicated customer service center will lead to overall increase of S-D capabilities. Further, appears that organizational capital does not influence S-D capabilities in any significant form. Reasons for this can be found in the type of industry. The conservatory industry is a very specific industry, wherein employees (teachers) have very close dealing with customers (students). Furthermore, these customers vary in both age as well as education level. Students vary in age from 6 to 66 for example. Education range from primary school to doctorates. This makes the value of organizational capital slim. Storing of information besides general information is time-consuming and often not relevant. This does not conclude that in other industries organizational capital can be of great importance.

Second, social and human capital differs between S-D capabilities although some general patterns exist. Human capital demands certain characteristics in regards to S-D capabilities. All organizations considers it important to include customers (students) in the process proactively. To include customers, employees (teachers) have to be able to listen to customers and have good overall empathic skills, be open and flexible towards customers. This leads to be able to truly ‘listen’ to customers and accommodate customers best. It seems that a good understanding of the region leads to increased value of S-D capabilities, in particular for concerted interaction. Bringing this to the attention of employees and to let them be up-to-date with the dealing in the municipality is very useful. When extending this, it could very well be that increased awareness of customers’ world view could lead to a better understanding and anticipation of customers’ need.

Social capital seems to be most important for the building of S-D capabilities. This extends to both formal and informal meetings. Based on empowered interaction. It seems informal contacts, combined with regular feedback between employees is most important. Concerted interaction provides further insights regarding social capital. Freedom of employees, either via freedom to come forth with business proposals for organizations, or to offer discounts to customers when applicable seems to lead to increased S-D capabilities.

As expected, intellectual capital theory can mostly give a good explanation of the antecedents of S-D capabilities. The lack of organizational capital in this regards can be explained by industry specific factors, while human and social capital are present.

Prior research already indicated that a link between IC theory and capability building exists via the purposeful knowledge utilization by organizations to make use of human capital (Hsu & Sabherwal, 2011; Gao, Li, & Nakamori 2002). The research conducted in this thesis offer support to this link, and can extend it towards social capital.

The second research question was about the (mediating) relationship of HR practices with either IC theory and or S-D capabilities: “Are there HR practices which mediate between IC theory and S-D capabilities for the building of the 6 identified S-D capabilities?”.

It is difficult to establish a direct link between HRM practices and S-D capabilities based on the research conducted in this thesis, contrary to Saá-Pérez & Garcia-Falcon (2002) who indicates that HR practices and policies have a significant positive influence on the construction and development of organization capabilities. However, there seems to be a link between the presence of ability and motivation enhancing practices and human and social capital which is good in understanding capability development.

In particular social capital: formal, and informal meetings, feedback sessions are vital in order to treat customers equally, ethically, and provide the best overall experience for customers. This draws from motivation enhancing practices, just as compensation and result-based incentives is deemed important to attract more work for organization A. This is in line with Leana and Van Buren (1999) and Kang et al. (2009).

Human capital is influenced by ability enhancing practices. However, industry specific factors hinder the employed practices greatly. Most employees work less than 0.5 FTE at one organization, therefore, a lot of training is the responsibility of the employees according to organizations. Limited training take place. Recruitment and selection is a strange case. Employees rarely leave the organization. The main reasons are because the industry seems to be shrinking and employees cannot easily switch between organizations. On the other hand, organization B is aware of the aging workforce and have hired someone to see how they can select future employees with the right DNA for organization B. The influence of this practice cannot be measured at the moment, organization B started with this during the writing of this thesis. These results support Lado and Wilson (1994) in that there indeed seems to be potential for HRM practices to support utilization of organizational capabilities. Furthermore, these results confirm research from Yang and Lin (2009) that recruitment and training practices directly influence human capital.

Organizations have most use of ability and motivation enhancing practices when implementing S-D capabilities. This can be in the form of training, which is mostly generic, off-the-job, with formalized teaching hours and supplemented with team training via workshops. Socialization is another factor which is used to gather more knowledge. Recruitment and selection, in the form of job posting, and extensive tests, referrals and interviews is very important. This makes sure that organizations have the most suitable people in their organization. Besides these ability enhancing practices, motivation enhancing practices are equally important for S-D capabilities. Via compensation (in the form of hourly pay) an incentive or rewards in the form of individual bonuses. Also feedback in the form of 360 degrees, or formal evaluations, annual result oriented appraisals is of value for S-D capabilities. Opportunity enhancing practices are not as important as ability and motivation enhancing practices. This could be because the researched conservatories do not have tremendous use of organizational capital, which could be linked to opportunity enhancing practices. However, team work and involvement practices has its limited value for S-D practices.

Human capital is considered very important, and more important than social capital. Human capital is probably most important, however, conservatories do not necessary contribute to human capital. Employees overall work for multiple organizations and mostly not more than 20 hours for one conservatory. This makes it not feasible for organizations to contribute a lot

to a teachers training or education. Organizational capital is merely used as a facilitator for S-D capabilities. It serves the role of data collection and storage for individual teachers, and to store membership information (eg name, address, bank account etc).

Social and human capital differs between S-D capabilities although some general patterns exist. Human capital demands certain characteristics in regards to S-D capabilities. All organizations considers it important to include customers (students) in the process proactively. To include customers, employees (teachers) have to be able to listen to customers and have good overall empathic skills, be open and flexible towards customers. This leads to be able to truly 'listen' to customers and accommodate customers best. It seems that a good understanding of the region leads to increased value of S-D capabilities, in particular for concerted interaction. Bringing this to the attention of employees and to let them be up-to-date with the dealing in the municipality is very useful. When extending this, it could very well be that increased awareness of customers' world view could lead to a better understanding and anticipation of customers' need.

DISCUSSION

Research in the conservatory industry of Twente was till now not performed in this way. There it bears fruit to recap some general characteristics of the conservatory industry in Twente, the Netherlands. The conservatory industry of Twente faces difficult and specific challenges. Employees are often employed by different conservatories at the same time, thus hindering training benefits. The customer base is limited to the city of residence mostly, thus limiting recruitment efforts of customers to a small geological region. The number of customers is decreasing for years now. In light of the industry characteristics, this research was performed and results of this research shows that intellectual capital theory can add value and perspective to S-D capabilities. This in particular holds true for human and social capital. Organizational capital is merely a facilitator in this regard.

IMPLICATIONS THEORY AND PRACTICE

The findings in this thesis add significant to existing literature. It adds antecedents for S-D capabilities via the AMO framework. This is important for practice because it adds handles when implementing an S-D capabilities. Furthermore, while the effect of S-D capabilities in organizations was researched, in the literature however, how to implement S-D capabilities was not. This thesis suggests a link between IC and S-D capabilities. A link between AMO and S-D capabilities has been established, however, a link between AMO and IC was not conclusively or exclusively found in this thesis.

Practice can now provide evidence when focusing on AMO framework to guide their HR practices when implementing S-D capabilities. Even more, IC theory, in particular human and social capital have a direct influence on the degree of S-D capabilities being implemented. So both AMO and IC theory will help practitioners in developing S-D capabilities in their organization.

LIMITATIONS AND FUTURE RESEARCH

Future research should replicate this research design, and apply it to a different industry. A good industry can be any industry with a tangible product at its core in which services can be a decisive factor. For example the automotive industry. This thesis focused on a completely service oriented industry. In hindsight, this was probably not the best suited industry. Due to exclusive characteristics for the Twente conservatory industry, it is difficult to generalize these findings without further research. In particular a lack of organizational capital might be completely industry specific, further research is needed to see if there is or is not a lack

organizational capital in regards to S-D orientation with an exception for concerted interaction. Another possibility for future research is to develop a questionnaire based on the results presented here. Whereas in the past a link was found between capability development and HR practices, the research presented here clearly demonstrate this also is true for S-D capabilities. Although not definite, the results of this thesis can be a solid starting point for more research in the antecedents of S-D orientation in which I suggest to focus on the relation with HR practices and IC theory in particular.

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Appendix I

Adapted from Karpen et al. (2015)

Relational interaction (RI):

RI1: we make customers feel at ease during our dealings.

RI2: we try to establish a rapport with customers.

RI3: we encourage two-way communication with customers.

RI4: we try to genuinely show interest to engage customers.

Ethical interaction (EI):

EI1: we try do not take advantage of customers.

EI2: we do not try to pressure customers in any way.

EI3: we do not mislead customers in any way.

EI4: we try not to manipulate customers in any way.

Individuated interaction (II):

II1: we make an effort to understand customers individual needs.

II2: we are sensitive to individual customers situations.

II3: we make an effort to find out what kind of offering is most helpful for our customers.

II4: we seek to identify the personal expectations of customers.

Empowered interaction (EI):

EI1: we invite customers to provide ideas or suggestions.

EI2: we encourage customers to shape the service they receive.

EI3: we provide customers with control over the experience.

EI4: we let customers interact with us in their preferred way.

Concerted interaction (CI):

CI1: we try to work together seamlessly in serving our customers.

CI2: we act as one unit in our dealings with our customers.

CI3: we provide messages to our customers that are consistent with each other.

CI4: we try to ensure that we have smooth procedures in dealing with customers.

Developmental interaction (DI):

DI1: we share useful information with customers.

DI2: we help customers become more knowledgeable.

DI3: we provide customers with advice they need to use our offerings successfully.

DI4: we offer customers expertise they can learn from.

Appendix I (continued)

Dutch translation of survey questions.

Relational interaction (RI):

RI1: we proberen onze klanten zich op hun gemak te laten voelen tijdens de interactie met ons.

RI2: we proberen een goede verstandshouding te creëren met onze klanten.

RI3: we moedigen een wederzijdse communicatie aan met onze klanten.

RI4: we proberen oprechte interesse te tonen in het betrekken van klanten bij de dienst.

Ethical interaction (EI):

EI1: we proberen geen gebruik te maken van onze klanten.

EI2: we proberen op geen enkele manier om onze klanten onder druk te zetten.

EI3: we misleiden onze klanten op geen enkele manier.

EI4: we proberen niet om onze klanten te beïnvloeden.

Individuated interaction (II):

II1: we doen ons best om onze klanten individuele wensen te begrijpen.

II2: we zijn gevoelig voor individuele situaties van klanten.

II3: we doen ons best om uit te zoeken welke dienst op welke manier het best past bij onze klanten.

II4: we proberen de individuele wensen en verwachtingen van klanten in kaart te brengen.

Empowered interaction (EI):

EI1: we moedigen klanten aan om ideeën en suggesties te doen.

EI2: we moedigen klanten aan om de dienst die ze afnemen zelf aan te passen aan de wensen die ze hebben.

EI3: we geven de klanten keuze over de gebruikservaring.

EI4: we laten klanten met ons contact opnemen op de manier die hun voorkeur heeft.

Concerted interaction (CI):

CI1: We proberen met alle stakeholders zo goed mogelijk samen te werken met het van dienst zijn van onze klanten.

CI2: we treden op als één entiteit wanneer we werken met onze klanten.

CI3: communicatie met onze klanten doen we op een consistente manier.

CI4: we proberen ervoor te zorgen dat we soepele procedures hebben voor het omgaan met klanten.

Developmental interaction (DI):

DI1: we delen belangrijke informatie met klanten.

DI2: we helpen klanten om meer kennis te verkrijgen.

DI3: we bieden klanten advies hoe ze het meeste uit onze dienst kunnen halen.

DI4: we bieden onze klanten kennis waar ze van kunnen leren.

Appendix II

Interview

Human, social and organizational resources which are combined and integrated to understand individual customers' service processes, contexts, and desired outcomes in a repeated and purposeful manner:

1: Bent u als bedrijf in staat om te begrijpen wat uw klanten willen en in staat hier op in te spelen? Probeert u dit als bedrijf ook zo goed mogelijk te doen? Op welke manier probeert u dat?

2: gebeurt dit doelbewust en herhaaldelijk?

3: Wat moeten uw medewerkers weten, kennen, kunnen om uw klanten te kunnen begrijpen? Kennen, kunnen zij dit ook? Wat doet u als organisatie hier aan om dit te bevorderen? (HC)

4: Welke kennis dienen medewerkers onderling uit te wisselen om klant beter te begrijpen. Welke kennis moeten zij uitwisselen met klant en welke kennis/informatie moeten zij van klant hebben om de wensen van de klanten het best te kunnen inschatten en begrijpen? (SC)

5: Wat voor kennis is er nodig in processen, systemen en organisatie structuur om te helpen bij het bepalen wat klanten willen? (OC)

6: Maakt het bedrijf gebruikt van training, recruitment, selection, job design (eg. team work), compensation (eg. result-based incentives) of appraisals om dit te bevorderen? Zo ja, hoe zien deze activiteiten eruit?

Human, social and organizational resources which are combined and integrated to enhance the connection of social and emotional links with customers in a repeated and purposeful manner:

1: Bent u als bedrijf in staat om uw klanten zich op hun gemak te laten voelen, en heerst er een goede verstandshouding tussen klant en u als bedrijf? Hoe doet u dit?

2: gebeurt dit doelbewust en herhaaldelijk?

3: Wat moeten uw medewerkers weten, kennen, kunnen om uw klanten zich op hun gemak te laten voelen? Is er voor het tonen van oprechte interesse in klanten nog specifieke kennis nodig? Kennen, kunnen zij dit ook? Wat doet u als organisatie hier aan om dit te bevorderen? (HC)

4: leidt kennis verkregen uit interacties tussen werknemers tot het beter kunnen binden van klanten? Helpen deze interacties met het binden van klanten? Is wederzijdse communicatie van klanten en medewerkers nog belangrijk hiervoor? (SC)

5: Wat voor kennis is er nodig in processen, systemen en organisatie structuur om te helpen bij het creëren van een goede verstandshouding met klanten, klanten zich op hun gemak te laten voelen? (OC)

6: Maakt het bedrijf gebruikt van training, recruitment, selection, job design (eg. team work), compensation (eg. result-based incentives) of appraisals om dit te bevorderen? Zo ja, hoe zien deze activiteiten eruit?

Human, Social and organizational resources which are combined and integrated to support fair and non-opportunistic customer service in a repeated and purposeful manner:

1: Bent u als bedrijf in staat om uw klanten op een eerlijke en gelijkwaardige manier te behandelen?

2: gebeurt dit doelbewust en herhaaldelijk?

3: Wat moeten uw medewerkers weten, kennen, kunnen om uw klanten op een eerlijke en gelijkwaardige manier te behandelen? Kennen, kunnen zij dit ook? Wat doet u als organisatie hier aan om dit te bevorderen (HC)

4: leidt kennis verkregen uit interacties tussen werknemers tot het beter omgaan met klanten? Is interactie tussen werknemers een reden/oorzaak/incentive voor een eerlijker en gelijkwaardiger behandeling? Doet u als bedrijf hier nog iets aan? (SC)

5: Wat voor kennis is er nodig in processen, systemen en organisatie structuur om ervoor te zorgen dat klanten op een eerlijke en gelijkwaardige manier behandeld worden (OC)

6: Maakt het bedrijf gebruikt van training, recruitment, selection, job design (eg. team work), compensation (eg. result-based incentives) of appraisals om dit te bevorderen? Zo ja, hoe zien deze activiteiten eruit?

Human, social and organizational resources which are combined and integrated to let the customer be in control of the integration process and allows the organization to learn from the customer in a repeated and purposeful manner:

1: In hoeverre hebben klanten de mogelijkheid om zelf ideeën in het dienstverleningsproces te implementeren ten behoeve van de gebruikerservaring of het integratieproces van de klant?

2: gebeurt dit doelbewust en herhaaldelijk?

3: Wat moeten uw medewerkers weten, kennen, kunnen om van uw klanten te leren? Kennen, kunnen zij dit ook? Wat doet uw als organisatie hier aan om dit te bevorderen? (HC)

4: leidt kennis verkregen uit interacties tussen werknemers tot het beter kunnen leren van klanten? Worden hierdoor vaak zinvolle verbeterpunten aangedragen? Doet u als bedrijf hier nog iets aan om dit te bevorderen? (SC)

5: Wat voor kennis is er nodig in processen, systemen en organisatie structuur om ervoor te zorgen dat uw als bedrijf zoveel mogelijk van uw klanten kunt leren en ideeën implementeren? Zijn er bijkomende eisen voor processen, systemen en organisatie structuur om de klant te betrekken bij zijn eigen gebruikservaring en integratieproces? (OC)

6: Maakt het bedrijf gebruikt van training, recruitment, selection, job design (eg. team work), compensation (eg. result-based incentives) of appraisals om dit te bevorderen? Zo ja, hoe zien deze activiteiten eruit?

Human, Social and organizational resources which are combined and integrated to educate customers in a repeated and purposeful manner:

1: Bent u als bedrijf in staat om uw klanten te onderwijzen? (=delen jullie belangrijke informatie, en geven jullie advies aan klanten om het meeste uit de dienst te halen? Helpen klanten meer kennis te krijgen waar ze van kunnen leren of hoe het beste te leren)

2: gebeurt dit doelbewust en herhaaldelijk?

3: Wat moeten uw medewerkers weten, kennen, kunnen om uw klanten te onderwijzen (door informatie te delen)? Kennen, kunnen zij dit ook? Wat doet uw als organisatie hier aan om dit te bevorderen? (HC)

4: leidt kennis verkregen uit interacties tussen werknemers tot het beter onderwijzen van klanten? Worden hierdoor gebrekkige kennis van klanten duidelijker? Doet u als bedrijf hier nog iets aan? Is er een vorm van contact tussen werknemers hier extra belangrijk voor? Zo ja, wat? (SC)

5: Wat voor kennis is er nodig in processen, systemen en organisatie structuur om ervoor te zorgen dat klanten zoveel mogelijk kunnen leren van uw als bedrijf? En wat voor kennis is er nodig in processen, systemen, en organisatiestructuur om deze kennis te delen? (OC)

6? Maakt het bedrijf gebruikt van training, recruitment, selection, job design (eg. team work), compensation (eg. result-based incentives) of appraisals om dit te bevorderen? Zo ja, hoe zien deze activiteiten eruit?

Human, Social and organizational resources which are combined and integrated to provide interaction with all value network partners including awareness of stakeholders in a repeated and purposeful manner:

1: Bent u als bedrijf in staat om om te gaan met alle stakeholders / in ieder geval bewust te zijn van alle stakeholders? Kunnen jullie samenwerken met alle stakeholders met het van dienst zijn van u klanten? Communiceren jullie en partners van jullie consistent richting de klant?

2: gebeurt dit doelbewust en herhaaldelijk?

3: Wat moeten uw medewerkers weten, kennen, kunnen om bewust te zijn van de stakeholders en hier consistent en goed mee om te gaan? Kennen, kunnen zij dit ook? Wat doet u als organisatie hier aan om deze bewustwording te bevorderen? (HC)

4: leidt kennis verkregen uit interacties tussen werknemers tot betere omgang en/of bewustwording van stakeholders? Doet u als bedrijf hier nog iets aan om dit te bevorderen? Wat is meest effectief om ervoor te zorgen dat deze interacties leiden tot goede en consistente omgang met klanten en andere stakeholders?(SC)

5: Wat voor kennis is er nodig in processen, systemen en organisatie structuur om ervoor te zorgen dat uw als bedrijf optimaal bewust bent van de betrokken stakeholders en hier zo optimaal mogelijk mee om kan gaan? Zijn er nog procedures voor het omgaan met klanten die ervoor zorgen dat dit soepel verloopt? (OC)

6? Maakt het bedrijf gebruikt van training, recruitment, selection, job design (eg. team work), compensation (eg. result-based incentives) of appraisals om dit te bevorderen? Zo ja, hoe zijn deze activiteiten eruit?