

2017 ISE Essay Competition

Laying the Foundation for Service-centric Businesses in Singapore

*Q3. **Culture.** Does Singapore have its own unique brand of service and how can we build a culture of service centricity in Singapore?*

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Accounting for over 70% of GDP (World Bank, 2017), the service sector and its well-being has always been extremely important to Singapore's economic growth and prosperity. Distinguishing oneself with a brand of service and a service-centric culture is key to prevailing in an increasingly competitive and interconnected world. The question of whether Singapore has its own unique brand of service is a complex one with no straightforward answer. In this paper, we argue that Singapore does not have a unique brand of service due to historical circumstances and social developments. We also adopt a needs-based approach to rationalize that to build a culture of service centrality, businesses should ideally first improve their financial positions and internal service standards before reviewing external service processes.

Even though the service sector is made up of a plethora of industries, customer needs across these industries are more similar than they are different (Thompson, 2004). While clients of an auditing firm would demand a greater degree of precision than customers at a casual food and beverage outlet; and the latter a greater degree of warmth due to experiencing more physical touchpoints - practically all customers desire responsive service and easy access to service providers (Thompson, 2004). A unique brand of service consistently exceeds these customer needs instead of merely meeting them.

A dominant school of thought is based on the belief that a country's service quality is highly dependent on historical factors. Singapore has grown primarily as a rules-based society with largely law-abiding citizens, deeply conscious of adhering to social norms in their daily lives (Chu, 2017). Economically, sociologist Goh Chor Boon also posits that Singapore's history as a transit centre and intermediary between Western and native traders (Boon, 2013) has contributed to a society characterized by a strong service-brokerage culture and middleman mentality, (Boon, 2016) lacking a unique brand of service. Proponents believe that such societal subservience leads to a service sector where employees see themselves as followers and do not go beyond the call of duty to serve customers (Chu, 2017). A handful of sociologists also propose that Singapore's high power distance culture can be attributed to its colonial past of autocratic British and Japanese rule (Ji, Phyllis & Teo, 2008) While such influence appears more indirect, high power distance can help explain the difficulty in meeting service expectations of Singaporeans consumers. In Western cultures that are characterized by narrower power distances, consumers tend to have more egalitarian views of service employees (Jeng & Kuo, 2012) and are comparatively less demanding than Asian consumers. Relatively high service expectations in Singapore thus play a part in forming the perception that service is incompetent.

Singapore is often contrasted with Asian countries that have distinct customer service philosophies. In Japan, service is strongly connected to the widely-known term '*Omotenashi*', meaning to 'entertain guests wholeheartedly' (Soh, 2017). Service in Japan strives to achieve a strong personal touch tailored to specific customer needs, an extension of cultural perspectives that have strong pride in selfless hospitality (Soh, 2017). In the Philippines, '*Pakikisama*' - a concept denoting congeniality and friendliness - is embraced seriously by Filipinos and is seen as a necessary Filipino trait to build harmonious and healthy personal relationships (Leoncini, 2005). While Singapore has tried to inculcate service-centredness through initiatives like the 1978 Courtesy Campaign and the Singapore Kindness Movement, Singaporeans are enduringly known for '*Kiasu-ism*': a distinct, prevalent trait of impoliteness that translates to a 'fear of losing out' (Cher, 2011). At the 2015 Singapore Service Excellence Medallion awards ceremony, Prime Minister Lee Hsien Loong lamented that Singapore's 'culture and DNA (was not) naturally service-oriented' (U-Wen, 2017). It is evidently a common line of thought that Singaporeans lack graciousness and service-like qualities.

Lastly, negative service perceptions are cemented by sectors that fare poorly in the eyes of consumers. For example, the Info-Communications and Land Transport sectors attained one of the lowest scores in the 2016 Customer Satisfaction Index of Singapore (Institute of Service Excellence, 2016). Estimations point to more than 40 train disruptions in Singapore in 2015 alone (Gallezo-Estaura, 2016) while a survey found that 32% of bad customer service complaints were lodged against telecommunications companies (Singapore Business Review, 2014). Service inconsistencies across sectors give credence to the view that Singapore is not associated with service excellence and does not have a unique brand of service.

Yet, companies like Singapore Airlines (SIA) and The Development Bank of Singapore Limited (DBS) are testament to the fact that service excellence is attainable, having received numerous international service accolades and displayed strong performance in measures of customer service. While need-based theories such as Alderfer's ERG theory are used limitedly within organizational psychology today (Jex, 2002), research applying these theories to corporate needs is scarce. Abhishek Seth, brand marketing manager of Tata Sky, casually applied Maslow's theory to corporate motivations and coined the 'Hierarchy of Corporate Needs' (Seth, 2013). Components like revenue and cash are seen as a business's physiological and safety needs; while components such as employee relations are classed as belongingness needs (Seth, 2013). Extrapolating from Maslow's framework, we posit that Singapore businesses need to fulfill its fundamental survival needs before it can transition to being truly service-centric.

Customer service is affected to a large extent by the internal operations of an organization (Bouranta, Chitiris & Paravantis, 2009). In a study on the Greek restaurant industry, customers perceived service to be of higher quality when employees worked more cohesively across departments (Bouranta et al., 2009), confirming the correlation between internal and external service quality. Workplaces where employees desire to be reliable co-workers and take an interest in their colleagues' roles are bound to deliver better service (Bouranta et al., 2009). Unfortunately, Singapore workplaces were found to be uncollaborative in nature. A 2016 survey of Singapore employees by Roffey Park Institute revealed that organisational politics was the most major working life stressor and barrier to greater organisational productivity (Gopal & Lucy, 2016). Workplace politics and unhealthy dynamics lower employee morale and are distractions to the central service objective of customer satisfaction.

Employees are able to serve customers optimally when their safety needs in the workplace are fulfilled. Contrary to popular belief, work atmosphere and good relations with colleagues and superiors were found to be factors of greater importance to job satisfaction than reward and recognition factors (Sypniewska, 2014). As a high power distance society, Singapore companies have strong authoritative management styles and feature wide communication gaps between managers and subordinates (Templer, Wan & Khatri, 2014). Rapport between managers and staff is lacking and Singapore employees were found to be one of the least engaged in the world, with only 20% feeling 'totally committed' to their current employer (Kelly Global Workforce Index, 2014). Leaders and managers play key roles in making working environments conducive to customer service (Chang, Chiou & Chen, 2004). The more relationships between supervisors and subordinates are based on mutual trust, loyalty and respect, the less likely employees are to engage in deviant workplace behavior (Chullen, Dunford, Boss & Boss, 2010).

While minimizing dysfunctional supervisor-subordinate relationships is key to making workplaces more hospitable, bridging the divide is easier said than done. A cluster analysis of Singapore companies found that those with unequal power structures and high power distances formed the largest clusters (Chew & Sharma, 2005). Changing organizational culture is challenging as it requires leaders across all levels to consistently align their behavior with the new values (Lawson & Price, 2003). Passion alone is insufficient and top leadership have to appeal to rational thinking to convince and obtain executive buy-in. For instance, winners of the 2015 Aon Hewitt Best Employers award not only scored high in employee engagement, they also had earnings that were substantially stronger than the market average (Chuang, 2015). This transforms facilitating leader-follower communication and reducing hierarchical distance into a business agenda, appealing to executive bottom-line mentality (Suleman, 2011).

Leadership can also create urgency for culture change by drawing comparison to industry best practices (Suleman, 2011). SIA has maintained its position at the pinnacle of service excellence by empowering employees, inculcating cost-effective service excellence across all company layers and most importantly, developing esprit de corps among staff (Heracleous, Pangarkar & Wirtz, 2009). By placing emphasis on collegiality across all company levels, service staff benefit from greater supervisor support and work interactions with their managers. Treating employees fairly and valuing their inputs not only increases perceived organisational support (Rhoades & Eisenberger, 2002), it also curtails perceptions of workplace politics (Beaugre & Liverpool, 2006), builds a secure work environment and spurs teams to focus on meeting customer needs and expectations.

In order to invest more in staff and upgrade service processes, businesses need to first and foremost have strong financials. Majority of Small and Medium Enterprises (SMEs) today are hustling to improve their bottom line and stay afloat. Known for being fiscally conservative, Singapore businesses are fixated with cost control as operating costs and manpower issues pose key challenges at present (Singapore Business Federation, 2016). Businesses are unable to innovate to improve service quality when they are in financial straitjackets. To ease financial pressures, the Singapore government has made substantial efforts to offer a host of debt and equity financing options for SMEs to finance their growth (Siow, 2011). In February 2017, the Monetary Authority of Singapore raised the limit of finance companies' aggregate uncollateralized business loans from 10 to 25 percent of their capital funds (Monetary Authority of Singapore, 2017). Despite sustained efforts to improve the availability of funds to SMEs, access to finance remains a pertinent concern among businesses (Shiao, 2017).

Objectively speaking, SMEs have not exactly considered all options before falling on government assistance. SMEs have shunned or overlooked establishing business presences out of Singapore and are fairly indifferent to the numerous Free Trade Agreements (FTAs) (To & Hooi, 2011). In 2008, Singapore had the lowest FTA utilisation rates among Japan, Korea, Philippines and Thailand with only 17.3% of firms utilizing FTAs (To & Hooi, 2011). Not much has changed today and only 21% of local businesses have claimed to benefit from trade agreements (SBF, 2016). For service sector SMEs, Singapore's wide coverage of FTAs offer a framework to enter untapped markets and explore revenue possibilities outside a small and saturated domestic market (Wong & Corr, 2004). Business sentiment is also aligned to this trend and 78% of companies are keen to venture into ASEAN (SBF, 2016). Despite strong interest in expanding overseas, unclear rules and regulations and a lack of knowledge on foreign markets are two major obstacles that deter businesses from expanding overseas (SBF, 2016). International Enterprise (IE)

Singapore currently provides online information and a range of financial and non-financial assistance to businesses. However, more needs to be done in order to plug the existing information gap.

Similar to Singapore, Korea had a dismal FTA utilisation rate of around 20% in 2008 (Cheong, 2014). In 2009-2010, Korea introduced a comprehensive package that included FTA business information, courses and programs for trade companies and free consulting for utilising FTAs - raising FTA utilisation ratios to up to 80% in specific sectors by 2013 (Cheong, 2014). In this regard, certain aspects of the Korean model can be emulated. Unlike large companies, SMEs lack the manpower and expertise in trade practice to navigate FTA complexities. Concepts such as Modes of Supply (services trade), Rules of Origin (goods trade) and the domestic regulations of FTA partners are difficult for SMEs to understand. A key recommendation is for IE Singapore to contract professional consulting firms to provide relevant trade advice to SMEs over its enquiry hotline, making FTA concepts comprehensible to the small and medium-sized business owner.

Also, more than half of businesses are not adequately informed about Singapore FTAs (SBF, 2016). IE Singapore should strengthen marketing efforts of its various assistance schemes to raise awareness of foreign expansion options and extend its reach. The Uppsala model of international business expansion is based on incremental decisions centred on learning about foreign markets and operations (Pandian & Sim, 2002). The earlier the entry into specific markets, the narrower the cultural distance between the home and host countries over time (Pandian & Sim, 2002). SMEs looking to establish a foothold in a foreign market would benefit from understanding the operations and building business contacts at an early stage. By engaging professional consultants and increasing marketing efforts, the salience of IE Singapore would be enhanced, influencing SMEs to leverage on Singapore's multi-layered FTAs to expand overseas. Internationalisation is a necessary long-term strategy to tap foreign markets for revenue growth to circumvent the limitations of Singapore's small domestic market (U-Wen, 2017).

Employees and cash flow are the lifelines of businesses. Applying Maslow's theory to a corporate entity's needs, service sector businesses must first have the basics of conducive workplaces and adequate cash flow in order to fulfill higher needs such as brand recognition and service differentiation. Top-down organisational culture change and internationalisation lay the groundwork for businesses to focus on providing the best customer experience and truly becoming service-centric entities.

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