Service Management: An Evaluation and the Future

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Introduction

The future has its roots in the past and the present. It can be shaped by incremental changes as well as by sudden quantum leaps. It is not determined by democratic voting. It will not even become what most "experts" think. The future of service management will not just happen; it will be the outcome of human acts. The past, the present and the future are social constructs and subjective opinion, although the interpretations can be more or less systematic, innovative and rich in insights.

This presentation is based on my own judgement and my involvement in service management as a practitioner and an academic researcher since the late 1960s. A number of issues have been selected for treatment, some overriding and some on a hands-on level. First, the article presents general management paradigm shifts and their connection to services. Second, specific service management issues for the future are addressed. Third, a societal macroperspective on services supplements the management microperspective. Fourth, there is a call for basic research. The article ends with concluding remarks.

Management Paradigms and Paradigm Shifts

In approaching the service management of the future, I would like to share a series of management paradigms and ongoing paradigm shifts with the reader. Paradigms consist of values and procedures that control our thinking and behaviour. In organizations they represent an organizational culture; in academe they constitute the foundation of scientific research. In order to initiate innovation and change, the paradigms must be made explicit; it is the first step towards questioning their adequacy and taking full advantage of new approaches and techniques.

Changing Values of Management

In order to emphasize the importance of values, three management paradigms have been identified (Gummesson, 1993a): the manufacturing paradigm, the bureaucratic-legal paradigm and the service paradigm. They should not be mixed up with the type of organization where they historically originated. They are meant as archetypes that make the management values more distinct.

The manufacturing paradigm is focused on goods. It is technology-oriented and R&D, design, engineering, mass manufacturing, mass marketing, large-scale operations, automation, computers and specialization are important.

Productivity plays a major role and consequently there is an orientation towards costs and capital employed. Quality means complying with technical standards and specifications.

The bureaucratic-legal paradigm is found not only in public services but also in the private sectors. Regulations and rituals are often more important than the end result. Legal rights and equality of treatment are major quality dimensions. The paradigm is linked with monopoly. Customers are indistinctly defined and may even be a residual in the system. The rate of change is low and historical phenomena, inadequate laws, obsolete regulations and practices as well as dysfunctional organizational structures may control activities. The computer is extensively used for mass data processing. Services are treated as administrative routines. Power is formally exercised by representative democracy through politicians, civil servants and experts.

The service paradigm has grown out of service management, primarily the marketing area, but is also supported by modern quality management. Typical features are an interest in the customer and the customer's interaction with the provider's personnel in delivering the service and creating value. The customer is a partner and value creation is a balance between human input and technology, between cost and revenue, and between customer perceived quality and productivity. Process thinking is in the core of service delivery.

The three paradigms emphasize different aspects of management. The discipline, orderliness and standardization of the manufacturing paradigm can partly be used in service operations as can the effort for equal treatment of customers of the legal-bureaucratic paradigm. A shift towards the service paradigm is taking place in all types of organizations, but the transition period is long. Management in the spirit of the service paradigm is still more often lip service than actual performance. I can only express a desire that the service paradigm will be in the centre of all types of businesses in the future.

From Goods-focused to Service-focused Management
The service sector has grown steadily since the 1950s. The growth is due to many factors, among them the automation and robotization of manufacturing and the introduction of electronics and information technology (IT). More services can now be rendered by machines; office work has become internal services; and outsourcing of services is becoming more frequent.

However, customers do not buy goods or services in the traditional sense. They buy an offering which renders services which create value for the customer. The offering and the value consist of many components, some of them being activities (services), some being things (goods). As a consequence, the traditional division between goods and services is long outdated. Instead, it is a matter of redefining services and seeing them from a customer perspective: activities render services, things render services. I have chosen to use the term service society and see services as the vantage point. The terms information society and knowledge society promote means, not outcomes. The term post-industrial society indicates that we are departing from manufacturing, which

we are not. Manufacturing as well as the production of raw material, including agricultural products, are conditional for services. Without goods, the economy dies. The shift to services in focus is a shift from the means and the producer perspective to the utilization and the customer perspective.
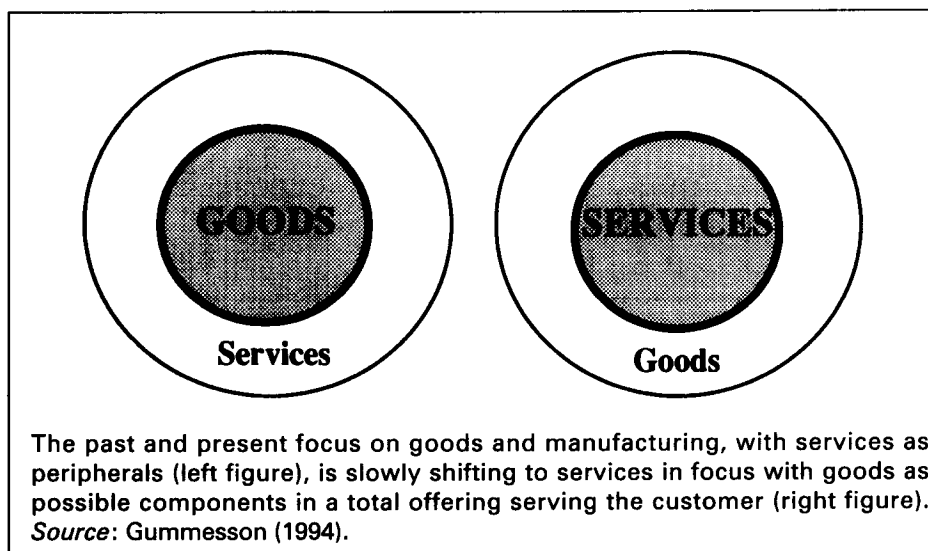
Several thinkers emphasize the importance of services and value in focus for the future. Schneider (1994) argues that service management, involving customer-focused human resource management, may enhance competitiveness. For Grönroos (1994a) service management is a perspective that fits contemporary society and its economy. In the eyes of Giarini and Stahel (1989), the future society is a service economy and the division in agriculture, manufacturing and services is no longer viable. In the value constellation approach by Normann and Ramirez (1993), the customer is an interactive co-producer of value, but value is also created independently by the provider and the customer. For Quinn (1992), the future society derives value from managing knowledge in service based systems, irrespective of whether this value is created through the traditional notion of manufacturing or services. According to Vandermerwe (1993):

> The inroads made by services will continue...bringing success to those corporations which have made the transition from...an industrial to a service ethos... But whereas the service ethos is now the competitive differentiator, it will become the condition for corporate survival in the future (p. 224).

It is time to acknowledge the service society in which we already live and shift from a goods-focused paradigm to a service-focused paradigm (Figure 1).

From the Citadel to the Network and Virtual Corporation
Gustavsson (1992) warns against the reification of the organization –making it a tangible object by juxtaposing it to a building or an organizational chart.

The past and present focus on goods and manufacturing, with services as peripherals (left figure), is slowly shifting to services in focus with goods as possible components in a total offering serving the customer (right figure). *Source*: Gummesson (1994).

Figure 1.
Shifting from a Goods-focused to a Service-focused Paradigm

Badaracco (1991) describes the transition away from the the clearly defined traditional corporation, "the citadel":

> Firms were... islands of managerial co-ordination in a sea of market relationships... Companies are now breaking down barriers which, like the Berlin Wall, have endured for decades. Their managers are now working in a world that consists not simply of markets and firms, but of complex relationships with a variety of other organizations (p. ix).

These companies could be called *network organizations* as they consist of a web of relationships. *The virtual corporation* is another designation that is becoming increasingly frequent.

This is the beginning of a new type of firm where the future possibilities of IT have only just begun to be exploited. Organizing a network business requires continuous creation, transformation and maintenance of amoeba-like, dynamic processes and organizational structures (Figure 2). Management must defend a new type of citadel which successively changes character and whose boundaries differ depending on which stakeholders look at the organization. Its strength is the ability to combine own resources with resources from other organizations and its ability to grow and shrink more quickly than the traditional organization.

In order to exist in the long term, a network organization must have a "heart", a core of competence that is illustrated by the black centre in the right part of Figure 2. This core is usually associated with a unique product or service, an ability to innovate, a unique marketing method or a financial strength. From that core, a texture of alliances and contacts can be woven and the boundaries of the organization fade away into thinner shades of grey and merge with other organizations.

The network and virtual organizations have been here for a long time, although our ability to define them and communicate their true content is still limited. Examples of existing virtual organizations in services are franchises
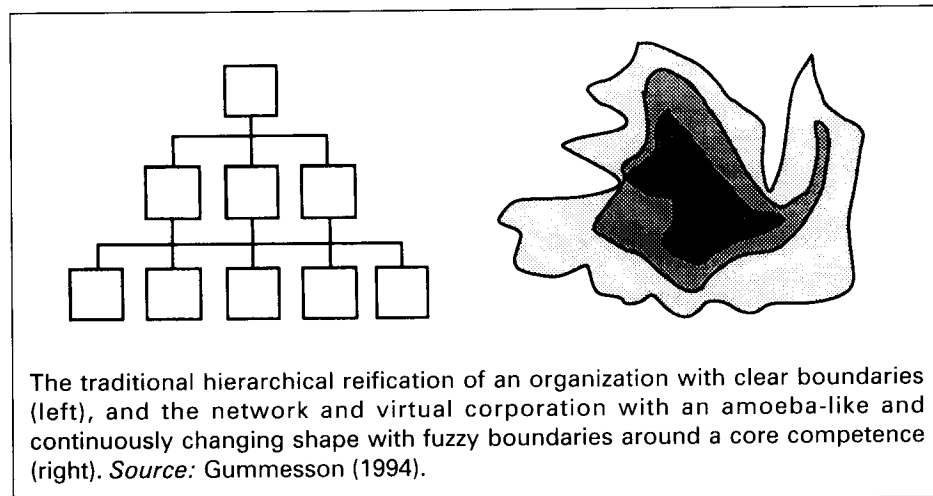

The traditional hierarchical reification of an organization with clear boundaries (left), and the network and virtual corporation with an amoeba-like and continuously changing shape with fuzzy boundaries around a core competence (right). *Source:* Gummesson (1994).

Figure 2.
Core of Competence

and the project organization used by consulting firms. The network and virtual organization paradigm will grow in importance for service management. Or rather, its development is intertwined with new approaches to service management and applications of the service paradigm.

From Marketing Mix to Relationship Marketing
The concept of relationship marketing is a recognition of the network and virtual organization. It has a chicken-and-egg connection with the network and virtual corporation; the direction of causality is not evident. In my view, relationship marketing will constitute the future paradigm for all types of marketing.

My definition of relationship marketing is as follows:

> Relationship marketing is marketing seen as relationships, networks and interaction (Gummesson, 1994).

Relationship marketing emphasizes a long term interactive relationship between the provider and the customer and long term profitability. It recognizes that everyone is a part-time marketer and that marketing is not confined to a marketing and sales department. It recognises that both the customer and the seller can be active parties. They should see each other as equal partners in a win-win relationship. Ritz-Carlton Hotels, winners of the Malcolm Baldrige National Quality Award for services in 1992, express this spirit in their motto: "We Are Ladies and Gentlemen Serving Ladies and Gentlemen".

It is particularly obvious in the relationship approach that services marketing is embedded in the whole service management process. In order to recognise this embeddedness, it is more appropriate to speak of marketing-oriented service management than of services marketing.

The most innovative and theoretically developed contributions to relationship marketing come from the network approach to industrial marketing which has been developed systematically in Europe since the mid-1970s (Ford, 1990), and from services marketing. Gradually, a more general approach to marketing management based on relationships is gaining ground (Berry and Parasuraman, 1991; Grönroos, 1994b; Gummesson, 1987, 1994; Kotler, 1992).

The reigning paradigm of marketing management is the *marketing mix theory,* mostly described as 4Ps: *product, price, promotion* and *place.* The marketing mix approach has been criticized for being incomplete and manipulative, not bearing in mind properly the needs of the customer and disregarding services and industrial marketing. In order to overcome some of its deficiencies, the 4Ps have been expanded into 7Ps, adding three "service Ps": participants, physical evidence and process (Booms and Bitner, 1982). Kotler (1986) has suggested two additional and general Ps, political power and public opinion formation as part of megamarketing.

Although the addition of Ps incorporates to some extent relationships and interaction into the marketing mix theory, relationship marketing provides a

more radical paradigm shift. Unfortunately there are indications that the basic values of the manipulative marketing mix theory have not changed and that relationship marketing is comprehended by some as getting a firmer grip on the customer. If buzz words such as "captive customers", "customer retention" and "zero defection" are seen in the light of the marketing mix paradigm, the inherent strengths of relationship marketing will not be exploited.

I have for many years perceived a gradual shift in the marketing paradigm as shown in Figure 3. This has been visible in practice, but in Europe also in scholarly research and theory since the 1970s and later also in the US. I foresee an international breakthrough for relationship marketing in the mid-1990s.

From "Marketing Myopia" to "Services Marketing Myopia"
When Levitt (1960) introduced the term "Marketing Myopia", he referred to managers who watched their own navel, looked inward and followed the established rules of the industry. Marketing Myopia in this sense is still omnipresent in services and very much so in public services. Professional and industrial knowledge easily degrades into expert foolishness and trade myths. Competitors become colleagues and obsolete business missions are preserved. The customer is offered no genuine choice. We can only hope that Marketing Myopia in this sense will vanish in the future.

By introducing Services Marketing Myopia I intend to highlight the opposite. Instead of watching one's own navel without reflection, those who suffer from Services Marketing Myopia watch the customer's navel, still without reflection. They passively rely on what the customer says; give the customers what customers say they want; have no real closeness to the customer; and manipulate the customers into an eternal state of ignorance.

Myopia has thus moved from one extreme to the other, from the inside to the outside. New thinking and paradigm shifts become just as rare as before. We
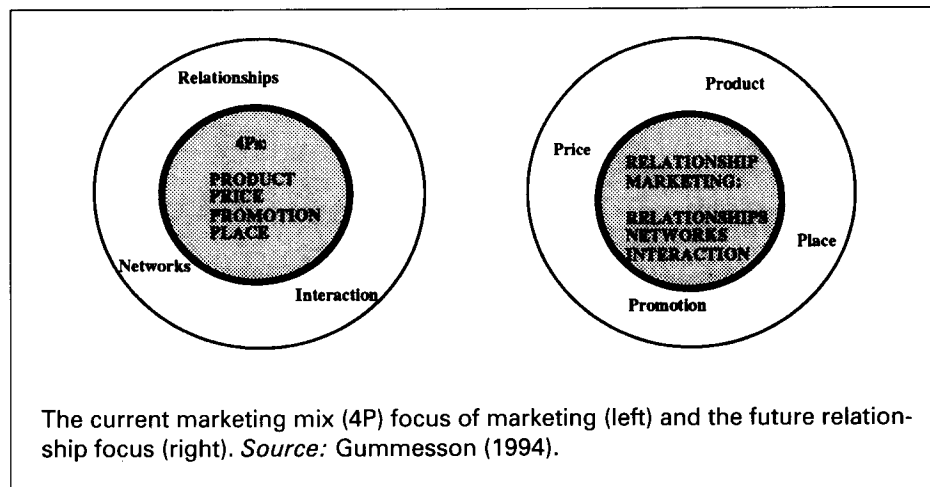
Figure 3.
The Gradual Shift in the Marketing Paradigm

The current marketing mix (4P) focus of marketing (left) and the future relationship focus (right). *Source:* Gummesson (1994).

keep on offering incremental teasers for the customer. Customer satisfaction research becomes myopic. The knowledge about customers is often based on market research, with a preference for statistical studies as allegedly being more scientific. Yet we know that asking the customer, particularly through structured questionnaires, only reveals a superficial layer of attitudes and behaviour, not the roots. We accept a customer's statement as a phenomenological fact, but the interpretation is loaded with uncertainties.

In a widely quoted study, it is claimed that customers find it more difficult to assess service quality than goods quality (Zeithaml, 1981). The reasons should be that services are intangible and non-standardized and service consumption is closely intertwined with production. A distinction is made between "search qualities" (features that the customer can examine in advance and thereby establish quality), "experience qualities" (the product must be experienced before it can be assessed) and "credence qualities" (customers cannot assess the product even after the purchase). Allegedly high in search qualities are clothing, jewellery, furniture, houses, and automobiles; high in experience quality are restaurant meals, vacations, haircuts, and child care; high in credence qualities are TV repair, legal services, root canal dentistry, auto repair, and medical diagnosis. The first half of the examples are mainly goods, the second mainly services. The first half is the easier to evaluate according to consumers, the latter half is difficult to evaluate.

The classification reflects the ignorance of the customer and the gap between quality in fact and quality in perception (in the terminology of Townsend, 1990). Cars should, according to the classification, be easy to assess in advance. It is possible that customers claim so in a questionnaire, but there is not much in the car that the customer can easily assess in practice. It is even difficult, not to say impossible, for consumers to assess the quality of everyday basics, such as a potato. Customers can easily get cheated when buying jewellery. Blumberg's (1989) studies reveal established cheating practices in all types of businesses, among them retailing, restaurants, nursing homes, auto repair and other service industries.

We accept the ignorance of the customer. We are afraid of educating the customer; that is not the business of business. In my view it is not only an option but a privilege to educate the customer. It opens up the means for improved services and innovations. For example, IKEA – with 120 furniture stores in 25 countries and financially successful since it was founded – has taught customers how to transport and assemble furniture. It sends back part of the gains to customers, thus increasing the value for both parties. It has changed the roles of customer and provider. It has made furniture purchasing more productive and more fun.

Going from Marketing Myopia to Services Marketing Myopia is no advancement. But the modern quality concept – if properly understood and implemented – can provide eye surgery resulting in normal eyesight. In my view, the major contribution of the quality concept is bridging the gap between

technical aspects of goods/services and customer aspects. It is bringing systems builders and engineers together with marketers and customers.

For the future, I see a great potential in a paradigm shift from maintenance of customer ignorance to a more educational role of marketing; from institutionalized cheating to improved ethical standards; from superficial market research to genuine insights into customer's needs and the value creation process; from marginal cosmetic changes to innovative and value-enhancing offerings.

Two-legged Paradigms

It seems to be the belief of many economists, financial analysts, politicians and members of the general public that the future is driven by objectively identifiable factors in an impersonal market. Yet we know that change is brought about through leadership and entrepreneurship and that the initiative, motivation, zest and stamina of individuals create the future. Jan Carlzon, former Scandinavian Airlines President, acquired world fame in the 1980s and influenced not only the global airline industry but service businesses of all kinds. Britain's Anita Roddick (The Body Shop with 800 franchise shops selling ecologically friendly cosmetics), America's Sam Walton (WalMart with 1,800 supermarkets), Sweden's Ingvar Kamprad (IKEA) and Italy's Benetton family (clothing and fashion accessories sold through 7,000 shops in 110 countries) have dramatically changed the global rules of retailing.

When these "two-legged paradigms" leap it is quantum leaps, and a paradigm shift takes place. Why they appear at a specific point in time and why they become successful, we cannot foresee. In retrospect, their road to success can be interpreted in memoirs and historical accounts, but their past cannot be used in forecasting. The cause and effect is not clear. Do these actors surf on a tide by triggering inherent developments in the collective consciousness of people – "the time is ripe" – or are they actually creating something new and educating the market to take advantage of it? Unfortunately, we could also erect a hall of fame for destructive personalities, dreamers as well as criminal minds. Some of them were hailed for greatness and innovativeness initially, but were eventually found to be hollow. During the 1980s, many countries experienced these in the financial and property services as well as in government service.

It is not only practitioners who make the world change. Thought leaders in academia as well as prolific writers and visionary politicians can exercise an impact by conceptualizing and promoting notions about the service society and future management. Their role is often to turn tacit knowledge into a language and lay bare what is happening. The importance of intitatives by individual scholars is clearly shown in an article on the history of services marketing (Berry and Parasuraman, 1993) and in the study of the growth and significance of service literature by Brown *et al.* (1994).

We are sure to meet these walking and leaping paradigms in the future – both the good guys and the bad guys – but we do not know where and when and what changes they will bring about.

Specific Service Management Issues

So far, the article has pointed to paradigmatic conditions that affect service management. This section will consider specific service management issues: service design; services purchasing; service internationalization; and finally service quality, service productivity and profitability. The list is not exhaustive. I have chosen to deal with the phenomena that concern me most in my research and practice and excluded others, for example, services pricing, the leadership and organizing of service operations, human resource management and internal marketing.

Service Design

Service design covers the hands-on activities to describe and detail a service, the service system and the service delivery process. This is part of the wider concept of service development (Edvardsson and Olsson, 1993). Inadequate service design will cause continuous problems with service delivery. Service design requires time and systematic approaches. Unfortunately, services are often launched without having been properly designed and tested. There is no general methodology for designing services; there is no profession called service designers. Individual companies, however, may have developed their own tradition in service design. During the 1980s, efforts began to find generally applicable service design methods. Such methods have gradually emerged, the most publicized being "service blueprinting" (Shostack, 1987). As the service part of an offering may be interactive with customers, a different type of design methodology is needed from that which is used for designing buildings, engines or drugs. The drawings and specifications must show activities, processes and interactions; they become "dynamic drawings", a type of flowchart. They must consider customers, staff, technology, the physical environment and the consumption goods which may be part of the service. They must rigorously design what can be designed, but give discretion to the employee to do what is best in situations that require flexibility. A methodology is needed both for original design of new services and the re-engineering of existing services.

A novelty of service flowcharts is the elucidation of the service delivery process, not only from the perspective of the provider's personnel, but also from the perspective of the customer. In doing these drawings, the service designer must understand customer logic ("the customer's path") as well as provider logic. Unfortunately, service design is often guided by a myopic staff and the manufacturing and bureaucratic-legal paradigms become too dominant.

The techniques are getting more advanced, among other things through computer applications (Norling, 1993), but they are not as yet sufficiently comprehensive and general to be applied except in special cases. They also require new mindsets of the users and they need to become part of the structure of the service organization.

Service production and delivery models have been suggested in the literature (Eiglier and Langeard, 1987; Grönroos, 1990; Gummesson, 1993a). As is pointed

out by Johnston (1994), service management must learn from operations management in the manufacturing area, and operations management must include services. For example, the Japanese contributions of Just-in-Time delivery, lean production, *poka-yoke* and *kaizen* are pertinent to services, too.

In my view, the development and use of service design methodology is a key, maybe even *the* key to the future of service management.

Services Purchasing

Services marketing and services purchasing must co-exist. It has puzzled me that marketing has a dominant status over purchasing. It may be a consequence of the marketing mix paradigm which takes the view of the seller as aggressively influencing and persuading the customer and the customer being a somewhat passive party. The approach to purchasing is different within relationship marketing, where both parties must be seen in an interactive and unified context.

The purchasing behaviour of consumers is being studied, particularly at the service encounter. Although researchers attempt to use a customer-focused and empathic approach – ask, observe, test – the consumers are still being investigated from the vantage point of the provider. By using contextual matrices (Gummesson, 1993a, pp. 108-10) which see the same service from two vantage points, that of the consumer and that of the provider, we can more easily appreciate that the context of each of them is radically different. For example, consumers encounter a number of services from various providers during a holiday: taxi, airport, airline, car rental, hotel, restaurant, telephone etc. and within those a series of sub-services. Providers and their staff live in another context; they encounter, for example, some 100 travellers at the hotel reception desk during one day, all in the context of checking in or out. For the consumers it is the totality of all the services – the chain of events – that bear on their perception, not hotels or airlines as isolated industries. For the provider it is an industry perspective. Both are relevant, but giving excess weight to either results in myopic behaviour.

In organizational purchasing, new elements have been introduced from the 1980s and onwards, for example, Just-in-Time delivery, single sourcing, ISO 9000 and advanced IT. There is a huge government sector in the EU (The European Union, formerly the European Economic Community, the EEC) that is now being deregulated, which opens up international competition for service contracts. Outsourcing of services has become more frequent. Service management literature does not as yet deal with the organizational purchasing practices of services.

Service Internationalization

Service management research is not geared to international business, although a number of international chains in hotels, retailing and other areas are being studied. Segal-Horn (1993) has pointed out that not even the literature on international business and global strategy shows particular interest in services.

But how do you"export" services? There are certain important differences to our traditional view of exports, for example:

- Services and goods – again – need to be seen as offerings. Exports of goods today are loaded with services and services thus follow goods abroad.

- Internationalization of services has been obstructed by national borders and regulations. The "four freedoms" of the EU – free movement across borders of goods, services, people and capital – have so far primarily been implemented for goods, while all four are essential in the service society.

- Service "exports" are often the diffusion of a concept, successfully implemented by franchise chains. The same rigorously defined and controlled pattern is multiplied in new locations.

- "Exporting" services can mean importing the customer, most evident in the case of tourism (although "virtual reality" might make this unnecessary in the future!).

Services will cross borders more frequently in the future. We will see previously sheltered services industries being attacked by international competition. There is certainly a need to address these issues both in future research and practice.

Courting the "Triplets": Service Quality, Service Productivity and Profitability
Looking back, one could argue that service quality has attracted so much attention that it needs its own section. Looking forward I argue that service quality must be viewed in conjunction with service productivity and profitability, and in the spirit that these are "Triplets", separating one from the other creates an unhappy family.

The interest in *service quality* has grown steadily since the early 1980s. My forecast is that it will grow even more and researchers in many countries will continue doing both basic and applied research. There is also a supportive momentum inherent in such recent phenomena as TQM; EFQM (European Foundation for Quality Management) and the European Quality Award; the Malcolm Baldrige National Quality Award in the US; the standards set by ISO 9000; ISQA (International Service Quality Association); and the QUIS (Quality in Services) bi-annual and international research conferences.

In 1992, I was alerted to the fact that *service productivity* was a virgin area, much like service quality a decade earlier (Gummesson, 1992). In order to review the state-of-the-art of productivity, researchers at Stockholm University consulted and analysed comprehensive sources of recent origin (Bylund and Lapidoth 1994). In summary, the sources treat services marginally; the interaction between productivity, quality and profitability is not addressed as a major issue; and service productivity figures are ill-defined and so uncertain that any interpretation of them becomes little but guesswork.

There seems to be a commonly held opinion that service productivity, both as regards internal and external services, has not developed, maybe even gone down, while productivity in manufacturing has gone up steadily. Whether this is true or not remains to be investigated. There is also a political and ideological debate on the productivity of the government service sector as compared with the private sector.

Quality and productivity, and consequently also profitability, are partly the outcome of a joint venture between the service provider and the customer. The service quality literature recognizes this interactive effect – although it has not fully drawn the conclusions from it – but the general productivity literature does not. Measures of productivity traditionally only refer to "provider productivity". They are internally oriented and the customer is not seen as a production factor. We must, however, also focus on "customer productivity", i.e. the customers' contribution to productivity (Lovelock and Young, 1979; Storbacka, 1993). Still better, we should talk about "interactive productivity", stressing the interdependence and mutual benefits from interaction.

The third triplet, *profitability,* is always in the centre of attention. The stock exchange and the media report daily on the financial status of companies. It may even be too much as the management of large companies is measured by short term results at the expense of long term results. Within companies there are financial reports that may in some service businesses even be daily, for example, in retailing operations. But there is no specific *theory of service accounting.* Traditional accounting is based on the manufacturing paradigm and the legal-bureaucratic paradigm. "Activity based costing" seems attractive for service management as it registers activities and processes instead of stereotype cost categories tied to departments and functions. However, activity based costing is still more concerned with cost than revenue, more interested in internal control than in the customer. The relevance of existing accounting practices is continuously being questioned (Johnson, 1992; Johnson and Kaplan, 1987). Although single companies can have good measures in their internal accounting and control systems, the lack of generality makes comparisons between service companies problematic.

The "Accounting Tribe" has not yet acknowledged the service society. A study by the Swedish Coalition of Service Industries (Tjänsteförbundet, 1993) addresses the issue of providing key ratios with relevance and validity for understanding the actual status of a service company. An essential conclusion is that service organizations cannot be correctly assessed by studying the traditional information in the balance sheet and the cost and revenue statements of the annual report. Efforts have also been made to develop an understanding for unique features of the knowledge intensive organization and to introduce measures of human capital, knowledge capital and structural capital (Arbetsgruppen, 1989). Traditions of the Accounting Tribe reflected in the mindsets of financial directors, chartered accountants, legislators, financial analysts, and investors have to be overcome. There are also considerable technical problems to be solved.

One example of an ongoing effort to change is AFS (Assurance and Financial Services), a subsidiary of the Skandia insurance group. They have a Director of Intellectual Capital. His job is to make their knowledge productive, make sure that they have a competitive advantage and also that there are key ratios measuring success and failure. AFS has achieved stunning results with regard to growth rate and profits; it has cut time to enter a new market from two years to six months.

The Triplets sum up all the other specific service management issues. They are the outcome of better service design, better delivery etc. All the Triplets are concerned with the same phenomenon and attempt to answer the same question: "How well is the company doing?" But they do it from three different perspectives, each with a different emphasis, and they all need each other. In 1994, service productivity stood where service quality stood in the late 1970s and service accounting is still an infant. There are 15 years to catch up with. There is an obvious need for basic research and conceptualization of service productivity and service accounting. Few studies as yet treat the interaction between two or all three of the Triplets (Kullvén and Mattsson, 1993; Lynch and Cross, 1991).

Societal Issues

The winners of the 1993 Nobel Prize in the Economic Sciences, Douglass C. North and Robert W. Fogel, have studied the significance of institutions and regulations as a necessity for a working market economy. Although there is an international wave of deregulation and privatization, the need for government controlled and government stimulated activities is significant. There is need for "good institutions" which support economic activity; the lack of them results in breakdowns as in the former Soviet Union and its colonies. There are necessary ingredients of the market economy that are not stimulated by competition and free market mechanisms.

Two such instances, which pertain directly to the service management of the future, will be addressed: service infrastructure and green service management.

Service Infrastructure

Infrastructure has gradually become more focused on providing favourable conditions for services. Traditionally, infrastructure is supportive to manufacturing through basic services, such as goods transportation. Despite its importance, analyses of service infrastructure are almost non-existent in the service management literature and although it is dealt with in economics, the macro and micro perspectives are not well integrated.

It is often claimed that IT will create the future service society. This is a scary prophecy and I emphatically reject the notion of IT determining our future, just as much as I reject gene technology turning our future into Jurassic Park. I can only accept IT as a servant and ourselves as masters. If we understand the mechanisms of the service society better, we can manage our future better, using IT as one of several components. IT can provide a fancy virtual reality; it

can offer old films at your own selection directly from the TV set and save visits to the video shop. But IT can also provide a base for a new infrastructure for more essential services. One example is mobile communications. The Nordic Mobile Telecommunication Network (NMT) has brought the Nordic countries to the forefront of mobile telephony. In 1993 Sweden, Finland and Norway were leading the penetration of cellular phones with 7-8 per 100 inhabitants, while the UK had 2.5 and France less than one. The new international digital standard makes it possible to build the more powerful GSM network (Global System for Mobile Telecommunications). At the end of the twentieth century, the same cellular phone can be used throughout Europe, in Australia and in certain parts of Asia and Africa. For the UK, it is forecast that the 18,000 GSM subscribers in 1993 will rise to one million in 1998.

Service infrastructure, however, is much more than IT. Examples are the Eurotunnel between England and the European continent and the planned bridge between Denmark and Sweden. Infrastructural services such as railways were long considered stagnant. Railway stations are now becoming service centres as is the case of the reconstructed Union Station in Washington, DC. In most countries few tracks have been built or improved for the past 40 years. Exceptions are Japan and France, where the trust in railways persisted and led to the construction of high speed train services. Within the EU, a new high speed train system is being constructed, cutting travelling time by half or more between major metropolitan areas.

There are other services that I would like to include in infrastructure, namely those that most people could not handle on their own, such as defence, security and road construction and maintenance. These have usually belonged to the public sector, but have sometimes not been extensive enough to cater for the citizens' basic welfare. The deregulation and privatization of services is an effort to save certain public services from the tyranny of the bureaucratic-legal paradigm, most obvious in the decay of services and infrastructure in ex-communist states (Nicholls, 1992; Vlásek, 1993). However, our knowledge of the management of deregulated and privatized services and its relationship to the welfare of a country is still limited. We may run into other problems, for example, that citizens cannot afford essential services. There are also new conditions in the service society: structural, long term unemployment is higher than ever; financial systems have become vulnerable; health care and hospital systems face systemic, structural and financial hardships; and unforseeable effects of the EU, NAFTA (The North American Free Trade Agreement) and other transnational alliances.

Drucker (1993) has pointed out that the non-profit organizations are America's biggest employer and that their importance is growing. They pick up where both the private and public sectors fail to serve. They are the churches that handle social services, the Red Cross, Alcoholics Anonymous and local groups and charities.

Although service management claims to be general, studies of its application on public services and infrastructure are limited. The Nordic School of Services

– emanating from nations with a comparatively large public service sector – seems to pay more attention to public services than, for example, US research. There is also limited multidisciplinary contact between management research and research with non-commercial perspectives, for example, emanating from political science, economics, the educational science and sociology.

Infrastructural services are services that matter. Unfortunately, the bureaucratic-legal paradigm has been predominating. Service management has to focus more on these types of services in the future.

Green Service Management: The Environmental and Health Impact of Services

Environmental problems are usually associated with manufacturing: smoky chimneys and dumps of chemicals and nuclear waste. However, service operations are just as ecologically involved. Smoke and chemical waste come from transportation services; the products sold through retailers fill the garbage cans of households; and the electricity services needed for IT are provided by nuclear plants.

At QUIS 3 in 1992, I introduced the notion of green service quality (Gummesson, 1993b), convinced that ecology has to be added to the list of general quality dimensions. The Baldrige Award and similar prizes do take the environmental impact of applicants into account, although I do not know if it has affected the service awards so far. Being green, however, is not just a quality dimension. Green considerations will have to permeate service management behaviour. This is beginning to happen in the 1990s and certain areas such as green marketing are emerging as subfields of management.

With the exception of a small group, individual consumers have not perceived ecological issues to be an individual responsibility and have left it to politicians, governments and environmental groups. The environmental issues become a societal and collective problem. Considering the environment may even be seen as lowering the individual consumer's freedom and increasing prices. It is an area for educational marketing, still with a pragmatic and business-like approach, seeing environmental issues as business opportunities. Unfortunately, few companies care about green aspects unless they are forced to do so; it is rarely a natural part of their business mission and their strategies. Table I characterizes three types of drive that make companies deal with ecological issues.

The majority of organizations are currently driven by legal and public relations considerations. Those who are driven by a genuine concern for the environment are usually small, such as health spas and organic food distributors. The Body Shop is a major exception. It is not only big but its growth rate and profitability are stunning. Its values are the same as the private values of its founder (Roddick, 1991). Products should be nature friendly and not tested on animals; packaging should be minimal and recycled. The company policy requires each shop manager and franchisee, as well as headquarters, to be continuously engaged in ecological programmes.

Operations management in the service society faces a new and radical challenge caused by environmental concerns. Traditionally, industry extracts raw material from virgin resources, produces basic material from these, manufactures and sells. The customer uses the product, leaving waste and scrap behind. Business is gradually getting forced by legislation to recycle the product, meaning an extension of operations management to a role after consumption. This role can be defined by four replenishing loops: (1) re-use of goods; (2) repair of goods; (3) reconditioning/rebuilding of goods; and (4) recycling of raw material. Even if service systems for waste and scrap handling already exist, the ecological factor will demand an extension comprehensive enough to institute a paradigm shift in operations management and demand new types of services.

The above presentation of recycling is based on Giarini and Stahel (1989) who go on to suggest that this new type of operations management is part of the service economy:

> Compared to the production-oriented fast-replacement system of the Industrial Revolution, the utilization-oriented product-life extension activities of the Service Economy are a substitution of transformation and service activities for extractive industries and base material production, and thus a replacement of large-scale, capital-intensive factories by smaller-scale, labour and skill intensive, independent, locally integrated work units (p. 51).

The principles of ecology and the health hazards of pollution are known. No more research is necessary to "prove" their existence and significance. Apart from changing the mindsets of managers, there are operational problems: How

Law driven firm	Public relations driven firm	Value driven firm
Defensive strategy	Utilizing an occasional opportunity	Offensive strategy
Cost to be avoided	Image enhancement	Basis for revenue
Consumers do not really care	Consumers want it to some extent	Consumers demand it
Resistance	Cosmetic add-on	Inherent in their business mission
Threat	Faddish	Opportunity for sustaining competitive advantage
Let the court decide what is a good citizen	Efforts to be perceived as a good citizen	Genuine desire to be a good citizen
Source: Gummesson (1993b)		

Table I.
Drives of Companies to Deal with Environmental and Health Issues

can it be achieved in practice and still be sound business? Green service management will not be an option in the future; it will be a necessity for survival.

A Call for Basic Research

Service management has contributed to both basic research and applied research. Reconceptualization – for example, "the service encounter" and the implications of the provider-customer interactions; services marketing being embedded in the whole management process; internal marketing; specific features of service quality – has dramatically changed our perception of service operations. Service research has also been empirically founded, through both qualitative and quantitative approaches. It has been applied by managers in co-operation with scholars and consultants. The dissemination of service knowledge through papers, books, conferences and business school courses has been extensive.

Brown *et al.* (1994) classify the development of services marketing in three stages: crawling out (1953-1979), scurrying about (1980-85) and walking erect (1986-present). The stages are sequential. I would like to add the notion of the hermeneutic spiral, which states that knowledge enhancement is an iterative process. It means that the crawling out, scurrying about and walking erect are concurrent events. It is not a straight accumulation of knowledge. Rather the deviation from an existing knowledge base is a necessary condition for development. Service management got off the ground by breaking with existing paradigms. When a science has reached maturity and becomes institutionalized in budgets, research institutes, curricula, buildings, conference series, the "publish or perish" ratrace, confession to mainstream knowledge and the need to relate to the international jetset of the discipline, it is closest to senility and petrification. Existing research results become so dominant that new thinking is inhibited and new paradigms and quantum leaps are killed by abortion. The newcomers are served knowledge which allows them to contribute with vertical thinking within an accepted paradigm, but they may also become victims of vertical thinking when lateral thinking is imperative. Preferably, but not prevalent in practice, is that both vertical and lateral thinking should co-exist. Otherwise there will be no scholarship, just research, and scientists are turned into mere technicians.

Service quality is much more than ISO 9000, The Baldrige Award and SERVQUAL (although all these are excellent contributions); it is more than saying that services are intangible and goods are tangible; it is more than claiming that goods quality is easy and service quality is difficult. Services marketing is more than saying "We focus on the customer. We ask them what they want". Service production is more than claiming that IT will solve all problems. Service development is more than conceiving creative ideas about new services; it is also the nitty-gritty work to design the details of a service delivery process. Finally, the very basic question "What is a service, what is a good and how do they interrelate?" has not been satisfactorily answered.

I advocate a need for genuine basic research in services. To many people this sounds scary and pretentious. It has a ring of being academic and allegedly impractical ivory tower mumbo-jumbo. However, I do not see a controversy between basic research and practical application; I see a bond. From academia and thinkers two things are demanded, whether it is long term basic research or short term operational.

One is *relevance,* i.e. what we try to find out should matter, it should bear a potential of changing our mindsets and our way of behaving, it should provide better maps of reality and contribute to welfare. This is broader than providing street-smarts and quick fixes. Basic research is often a prerequisite for quantum leaps; it is long term and it can mean failure. I believe we would not have these huge problems in the transition from the industrial era to the service economy if basic research had been more prevalent and more cherished. Just imagine what products would look like today had we not had basic research in technology. There would be no TV, no commercial airlines, no trips to the moon.

The other requisite is *validity*: Do the concepts, categories, models, theories, statistical data and statements that we provide really capture reality? Research must get access to reality, get close to the gist of a phenomenon, in order to develop insights and eventually wisdom. Scholars are too preoccupied with *reliability* and *objectivity.* Reliability is mostly used as a validity crutch; if people with the same background as myself come up with the same results when they repeat my study, it is reliable. In practice, objectivity is a euphemism for intersubjectivity, i.e. consensus among peers.

Concluding Remarks

During the 1980s, service management established its own identity. Moreover, it has become a driving force in the development of management thinking in general. Going back to the early 1800s, the gross national product and employment were dominated by agriculture. Gradually manufacturing took over. Services were referred to as the tertiary sector, a residual, intangibles and even invisibles. Beginning in the 1960s, we have slowly entered into a service society, where services constitute the major portion of economic activity. Consequently, it is natural that services have become the focal point for the new management, just as agriculture was surpassed by the management of manufacturing.

My initial ambition was to paint one or two scenarios of the future and suggest avenues to reach them. Now I realize that I am more likely to provide a brain teaser. Ronald Coase, the 1991 winner of the Nobel Prize in the Economic Sciences, referred in his Nobel Lecture to "our present state of ignorance", a humble way of describing the state of affairs in science. Service management may be walking erect. A human being walks after the first year and then lives for another 80 years. With emotional support from this metaphor, I conclude that the service management journey has only just begun. A certain, maybe naïve, hope for "good services" and "good people" in a "good society" is underpinning my interpretation of the future.

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