

**THE HIGHER EDUCATION SERVICE INSTITUTION AND  
ITS DYNAMIC SUSTAINABILITY:  
A JOURNEY FROM CULTURE-STRATEGY RELATIONSHIP AND OPEN SYSTEM  
MODEL OF HUMAN RESOURCE SYSTEM REVIEWS TO MODIFIED SERVICE  
TRIANGLE MODELS.**

**Hermawanto**

Economics and Business Faculty, Airlangga University

**ABSTRACT**

*One of the important issues in competitive strategy is ensuring that corporate strategy is sustainable. Nowadays customer requirement evolve and, as result, operational capabilities also need to evolve, therefore, achieving sustainability also requires strategy to engage with the dynamic processes of innovation and change. Key to such sustainability and dynamism are innovation and change. In addition, the interplay between strategy and culture plays a crucial role in organizational performance. This inspects such relationships within the context of higher education institution.*

*Literature on innovation-based sustainability suggests three key elements: learning, appropriation, and path dependency. Drawing on such a paradigm in order to apply it to service institutions requires an integrated outlook that puts together a comprehensive look at all stakeholders (students, employees, operational system) as well as the understanding of an applicable and coherent service concept. For this, Davis' culture-strategy relationship, Albrecht's service triangle, and Wright & Snell's open system model of human resources management are reviewed and analyzed.*

*A modified service triangle approach is thereafter proposed, as a tenable recommendation for service delivery in higher education institutions. Implications are likewise drawn for the assessment of managerial competence and behavior in such a step.*

**Keywords:** *Dynamics sustainability, new roles of HRM, culture-strategy relationship, competence-behavior in open system model of the human resource system, modified service triangle model, higher educational institution.*

## **1. INTRODUCTION**

The fundamental purpose of strategy is not only to build competitive advantage but also to build 'sustainable' competitive advantage. Therefore, one of the important issues in defining and implementing strategy is to define actions that eliminate the erosion mechanisms or that at least slow down their deployment or effects (Heene, Van Looy, & Van Dierdonck, 2003). The formulation and pursuit of a strategy involves the allocation of an organization's resources, including human resources, and attention to a specific set of long-term purposes. The relation between culture and strategy has crucial role in organization performance. The beliefs, values, norms, and philosophy of top management should guide the strategy formulation (Hodge, Anthony, & Gales, 2003). Culture and strategy interact with other aspect of organization, including individuals' relevant beliefs and behavior, to produce performance. Culture and strategy interact with other aspects of the organization to produce performance.

Sustainability is maintaining fit while extending operations capability and the requirement of the market (Slack and Lewis, 2003). Strategies will be formed repeatedly over time in order to take into account

changes in both operations resources and market requirements. Dynamics sustainability involves innovation and change. Three important issues in dynamics (innovation-based) sustainability are learning, appropriation, and path dependency. The organizational learning is important because the process of innovation involves increasing one's understanding of both market and capabilities even when they are themselves changing over time. Appropriation means making sure that the value of innovation is captured within the firm. The idea of path dependencies stresses the importance of past decisions about its future. In adopting this new paradigm in educational services, the human element, both employees and customers, is absolutely crucial. Educational service institution managers, for example, who conceptualize their service offerings as being essential offerings conducted in framework of human relationship will gain a new understanding of their services, and will be well placed to design, re-engineer, and market their offerings to meet the demands of this millennium (Foster, 1993).

The questions proposed in this article: (a) "what are the strategic challenges for dynamic sustainability in educational service institution as a part of service industry?", and (b) "how to answer the challenges in order to be dynamically sustainable competitive advantage in the higher education institution?" In order to answer these questions, the explanations of Davis' culture-strategy relationship, Wright & Snell's open system model of the human resource system, Lengnick-Hall & Lengnick-Hall's new roles—new challenges for human resource management, Barney's sources of sustained competitive advantage, and Albrecht's service triangle are needed; and then the modified service triangle is proposed.

## **2. STRATEGIC CHALLENGES FOR DYNAMIC SUSTAINABILITY IN SERVICE ORGANIZATION**

Services, including educational services, are confronted with specific strategic challenges resulting from the intangibility and simultaneity inherent in the service process (Heene, Van Looy, & Van Dierdonck, 2003). We looked at these challenges systematically: how to overcome limits to earnings due to capacity constraints, how to anchor the intangible offer within the service company, how to use intangible nature and technology to create and sustain competitive advantage over time and space, and how to deal with the role of customer in the value-adding process. What becomes clear is the need for integrated approach towards service management to provide the answer of the dynamic sustainability challenges.

Dynamic (innovation-based) sustainability involves innovation and change (Slack and Lewis, 2003). Three important issues in dynamic sustainability are learning, appropriation, and path dependency. Organization learning is important because the process of innovation involves increasing one's understanding of both market and capabilities even when they are themselves changing over time. The important distinction here is in the double-loop learning which questions and learns the stable objectives in the single-loop learning. Appropriation means making sure that the value of innovation is captured within the firm. A danger to the innovative organization is that other player in a market can gather the value of innovation to themselves. The idea of path dependencies stresses the importance of past decisions about its future.

Customers, employees, and the whole operational system have to be combined into a coherent service concept or value constellation to provide the answer of the dynamic sustainability in their organization. From the strategic challenges the firm has to decide: (a) what added value will be embedded in the tangible components of its offering to the marketplace, (b) what added value will be embedded in the intangible component of its offering to the marketplace, (c) how synergy can be created between the added value in the tangible component and intangible component, and (d) whether and how the mix of tangible and intangible components itself can become an added value for its customer.

### 3. THE NEW ROLES OF HRM IN SERVICE ORGANIZATION

Much current thinking in HRM suggests that its practices must be integrated around common themes (Ulrich, 1999). HRM roles can provide a logical basis for constructing common themes that support an organization's ability to adapt to the demands of the knowledge economy. Roles provide more flexibility than functions. Roles reduce rigid functional boundaries and facilitate adaptation and adjustment.

In goods manufacturing, the department of operations, marketing, and human resources are separate entities with separate functions. In contrast, in the service sectors, these functions can never be separated (Kandampully, 2002). The human element plays such a significant role in every aspect of services that it is impossible to separate out these traditionally distinct functions in any meaningful way. Production, consumption, and marketing are all dependent on the personality of employees, and the way in which they interact with customers; therefore, the firm needs to have employees with organizationally relevant beliefs and behavior.

Many of the practices and perspectives traditionally found in HRM units are well suited to matching people to jobs, and jobs to strategies, and motivating people to make a variety of different kinds of contributions to value creation expertly and efficiently. Human resource management has become adept at responding to the firm's established strategic intent. It is time for HRM to take the initiative in designing the basis for competitive value creation. HRM will provide a greater contribution from maintaining creative tension than from aligning talented people with established tasks, although in service organization such as in hospitality services.

To effectively compete with their competitors, hospitality organization will need new roles of HRM that contribute directly to the creation of organization capabilities. Barney (1986) said that "a firm's culture can be a source of sustainable competitive advantage if that culture is valuable, rare, and imperfectly imitable". This needs the evaluation on four attributes as the sources of sustained competitive advantage. Then triangle service model is needed to contribute to the attainment of sustainability. Furthermore, it needs the discussion about the creating and sustaining a competitive advantage that includes building barrier to entry, keeping track of possible substitutes, reducing the intensity of rivalry and building a stronger structural negotiation position towards both buyers and suppliers. At the end of the article, the discussion about the culture-performance path is expected playing the role well in explaining the creation and maintenance of sustainability in the hospitality business, and how the modified service triangle model should contribute to the sustainability in the hospitality service.

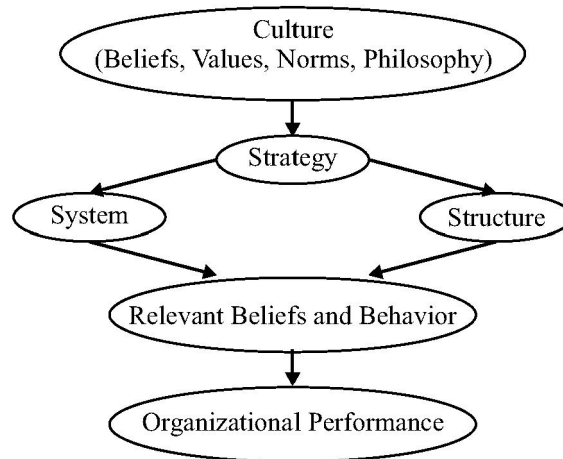
### 4. A JOURNEY TO A MODIFIED SERVICE TRIANGLE MODEL

The modified service triangle model originated by combining Davis' relationship or culture to strategy, Wright & Snell's open system model of the human resource system, strengthened by Lengnick-Hall and Lengnick-Hall's new roles of HRM and Barney's sources of sustained competitive advantage, and Albretch's service triangle model.

#### *The Davis' Relationship of Culture to Strategy*

Management can use two basic approaches to the task of culture change: top-down change and bottom-up change (Hodge, Anthony, and Gales, 2003). With top-down change, top management plays the lead role in the changing the culture. With bottom-up or participative approaches to change, organizational members are involved in the change process. The beliefs, values, norms, and philosophy of top management should guide the strategy formulation. These might include such fundamental beliefs as being an innovation leader or price leader in a particular market, the fair and equitable treatment of employees and customers, and doing no harm to the environment.

The formulation of a strategy will set a context or agenda for organizational action. Individuals' beliefs are the rules, norms, values, and assumptions that members observe when engaging in behaviors directed at the fulfillment of the strategy. Managing the culture and strategy so that they are consistent and congruent is a managerial task. As can be seen in Figure 1, culture and strategy interact with other aspects of the organization to produce performance.



**Figure 1**—The Relationship of Culture to Strategy

Source: From B. J. Hodge, W. P. Anthony, & L. M. Gales. *Organization theory: Strategic approach* (Upper Saddle River, NJ: Prentice-Hall, 2003), p 269.

From the strategic system view of the organization above, culture is both an input that guides the strategic formulation and implementation process and part of the throughput process. Culture provides guidelines for strategy formulation and implementation, and culture provides a context for the organization to pursue the strategy.

#### *Wright & Snell's Open System Model of the Human Resource System*

In their open system model of the human resource system, Wright and Snell (1991) state that the system depicted in Figure 2 can be thought of as being comprised of inputs, throughput, outputs. The human resource system inputs consist of the knowledge, skills, abilities, and motives of the employees in the organization. Employees move into, through, and out of the organization while in the organization they exhibit behavior which may or may not be in the organization's best interest. The distinction between competencies and behaviors of individuals similarly distinguishes between inputs and throughput components of the system. The inputs in the system focus on the characteristics of the individuals coming into the system. The throughput, however, focus on the behaviors of those individuals. Although some methods of control may focus on competencies, it is important to recognize that it is the behavior of individuals which the organization ultimately seek to control.

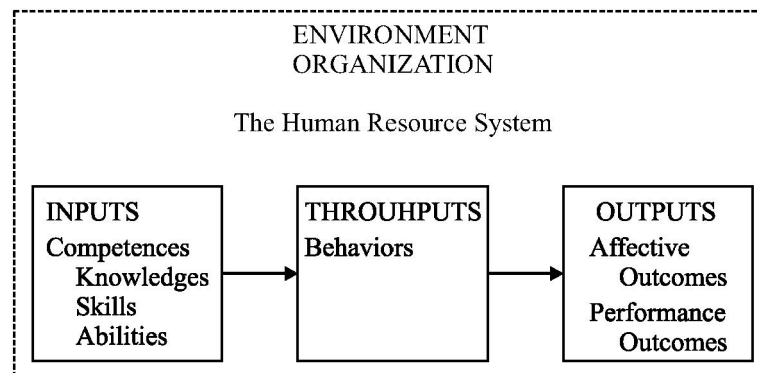


Figure 2: An Open System Model of the Human Resource System

Source: P. M. Wright & S. A. Snell. Toward an integrative view of strategic human resource management  
(*Human Resource Management Review*, 1 (3).

The outcomes of the human resource system are fully determined by the input and throughput processes. Two basic set of outputs can be considered (Wright and Snell, 1991): (1) Affective outcomes are comprised of any feelings that employees have as a result of being part of the organization, including group cohesiveness and job satisfaction, (2) Performance outcomes include all aspects of performance such as a tangible product, the quality of the product, or a service.

The Strategic Human Resource Management function has two major foci: Competence and Behavior (Wright and Snell, 1991). Competence management strategies consist of competence acquisition, competence utilization, competence retention, and competence displacement. Behavior management strategies consist of behavior control and behavior coordination.

#### *Lengnick-Hall & Lengnick-Hall's New Roles for HRM and Barney's Sources of Sustained Competitive Advantage*

A customer orientation in HRM has typically emphasizes its internal customer, that is, the employees who enable the firm to create value for the external customer and thus enhance organizational performance and profitability (Lengnick-Hall and Lengnick-Hall, 2003). This can be achieved in several ways:

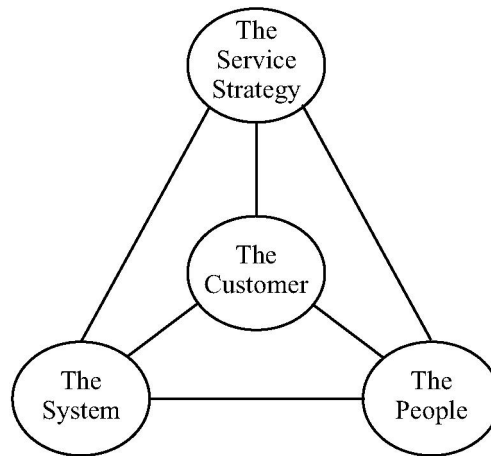
- (a) using HRM to guide customer behavior for the benefit of both the customer and the organization;
- (b) using HRM to facilitate the inclusion of customers in the creation and distribution of products and services;
- (c) using customers as organizational auditors, providing feedback on what practices to start, stop, or continue; and
- (d) using customers as quasi HR managers who directly participate in the management of employees.

In 1991, Barney presented a more concrete and comprehensive framework to identify the needed characteristics of the firm resources in order to generate sustainable competitive advantage. Four criteria were proposed to assess the economic implications of the resources: value, rareness, inimitability, and substitutability. Value refers to the extent to which the firm's combination of resources fits with the external environment so that the firm is able to exploit opportunities and/or neutralize threats in the competitive environment. Rareness refers to the physical or perceived physical rareness of the resources in the factor markets. Inimitability is the continuation of imperfect factor markets via information asymmetry such that resources cannot be obtained or recreated by other firms without a cost disadvantage. Finally, the framework also considers whether the organizations are substitutable by competitors.

From the explanation above, management by his or her beliefs, values, norms, philosophy and styles can choose strategy, structure, and system that influence beliefs and behavior relevant to organization.

#### *The Albrecht's Service Triangle*

Just as the cycle-of-service model clarifies the customer's perspective, a company-oriented model help managers think about what they need to do (Albrecht and Zemke, 2002). We think of the company and customer as intimately engaged in a triangular sort of relationship, like the one shown in Figure 2.



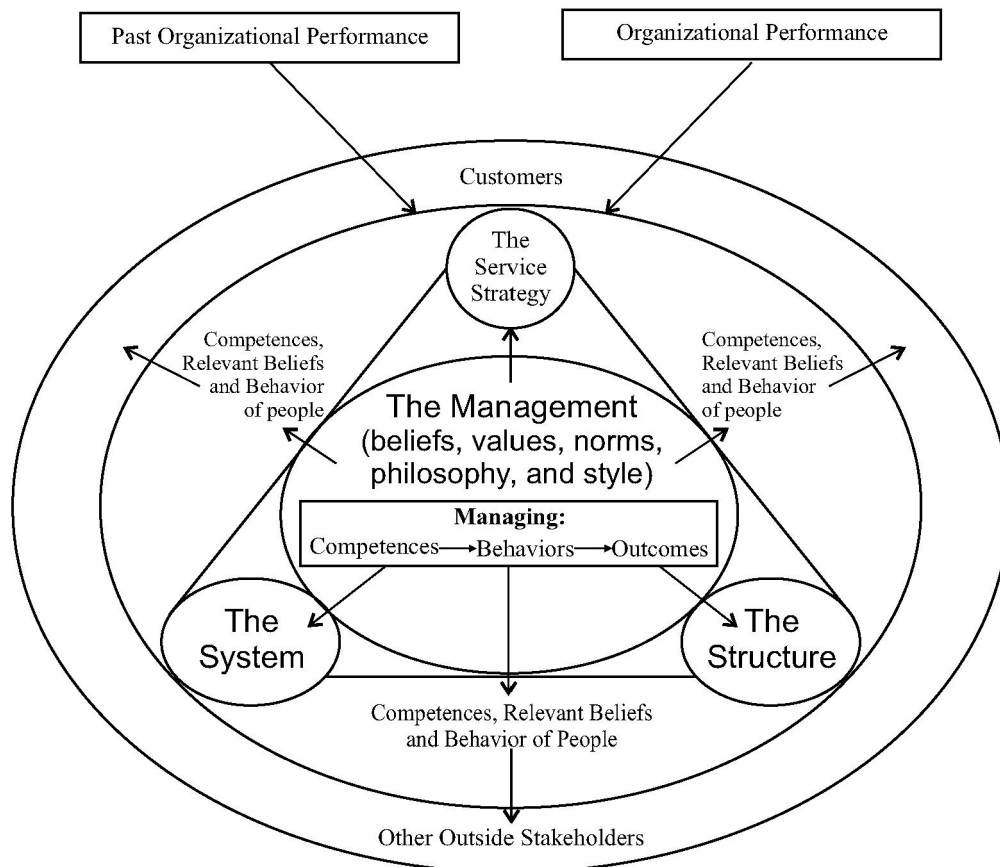
**Figure 3—Service Triangle**

Source: K. Albrecht and R. Zemke. *Service America in the new economy* (New York, NY: McGraw-Hill, 2002), p 61.

The service triangle represents the element of service strategy, systems, and people that that revolve around the customer in a creative interplay. The triangle model is radically different from the standard organization chart that is used to depict business operations. It represents a process rather than a structural approach, and it puts the customer squarely at the center of the business.

#### **5. A MODIFIED SERVICE TRIANGLE MODEL PROPOSED**

In the modified model, the management, including his or her beliefs, values, norms, philosophy, and style, is located in the center of the model. The equifinality—a system can reach the same final state from differing initial conditions and by a variety (Doty, Glick, and Huber, 1993)—among the style of management, the service strategy, the system, and the structure will be expected to influence the relevant beliefs and behavior of people in the organization in serving the customers and the stakeholders; and therefore, influence the organizational performance. Equifinality assumption, broader than fit assumption, is about the assumption that states ‘there are several organizational forms that have about the same effectiveness’ (Doty, Glick, and Huber, 1993; Meyer, Tsui, and Hinings, 1993).



**Figure 3—A Modified Service Triangle**

The modified service triangle, derived from Albrecht's service triangle and Davis' relationship of culture to strategy and strengthened by Barney's sustainable competitive advantage, is proposed to contribute to dynamic sustainability in the educational service, as the closing end. From Figure 3, it is proposed that relevant beliefs and behavior of people in the organization in serving customers and other stakeholders be influenced by the equifinality among management beliefs and style, service strategy, structure, and system; and then influence the organizational performance. The beliefs and behavior of people in the organization will contribute the dynamically sustained competitive advantage to the organization. In service industry, the relevant beliefs and behavior of people in the organization are more especially addressed to internal customers in charge to external customers and outside stakeholders communicating and to public contacting. In addition, past organizational performance usually is considered to influence organizational strategy and the beliefs and the behavior of people in serving the customers are expected to influence the organizational performance.

## 6. CONCLUSION

The questions proposed in this article: (a) "what are the strategic challenges for dynamic sustainability in service industry?", and (b) "how to answer the challenges in order to be dynamically sustainable competitive advantage in the educational service institution?" are tried to be answered. In order to answer these questions, the explanations of Davis' culture-strategy relationship, Albrecht's service triangle, Lengnick-Hall and Lengnick-Hall's new roles—new challenges for human resource management, and Barney's sources of sustained competitive advantage are needed; then, the modified service triangle is proposed. The modified

service triangle proposed in hospitality service is expected to contribute the new nuance to service delivery framework.

Many of the practices and perspectives traditionally found in HRM units are well suited to matching people to jobs, and jobs to strategies, and motivating people to make a variety of different kinds to contributions to value creation expertly and efficiently. Human resource management has become adept at responding to the firm's established strategic intent. It is time for HRM to take the initiative in designing the basis for competitive value creation. HRM will provide a greater contribution from maintaining creative tension than from aligning talented people with established tasks, although in service organization such as in hospitality services.

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From the modified service triangle proposed, it is proposed that the relevant beliefs and behavior of people in the organization in serving customers and other stakeholders will be influenced by the equifinality among management beliefs and style, service strategy, structure, and system; and then will influence the organizational performance. The beliefs and behavior of people in the organization will contribute the sustained competitive advantage to the organization. Managing competencies and behaviors as in the open system model of HRM will contribute the dynamically sustained competitive advantage to that organization.

Thus, the management's belief, values, norms, philosophy and style has crucial preliminary roles in the quality of customer, employee, and stakeholder services for sustainability of the education service institutions, especially in the higher education service institutions. The next step is the quality of managing the competence and the behavior of the servicing peoples. Therefore, the modified service triangle is a very important model proposed to educational service institution.



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