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**At the core of service: interdependency**  
***A bridge between services and sustainability***

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## ***A bridge between services and sustainability***

### **Introduction**

In his key note speech at the VU symposium “Diagnosis of a society” Doekle Terpstra, the chairman of the Christian Workers Union, named as one of the main achievements of the 20th century the emancipation of the Dutch citizens. Naturally following this he saw as one of the biggest challenges for the coming period: how do we socialize individuality.

Emancipation, autonomy and independence are highly valued in modern, western societies. In this speech I will side with Doekle Terpstra and contend that we have to go beyond the independence to find a way to bridge the gap between individuals and society. In this speech I will argue that interdependency is a higher value than independence and constitutes a fundamental feature of life. In my vision, interdependency is also a precondition for economic exchange in general and services in particular<sup>1</sup>. Finally, I will also try to demonstrate that interdependency can form a bridge towards sustainable services. I use this term here in its technical sense, to refer to those organisations that strive for profit (or for a financially sound situation) and at the same time create value for the people involved and for the world (our planet)<sup>2</sup>.

Therefore, I would like to invite you to embark with me on a journey towards the core of services. We will complete our journey by four stages. The first stage will be dedicated to the concept of interdependency. This concept will then, in the second stage of our journey, be connected with sustainability. The third stage will bring us to the service industry: here I will contend that at the core of services we find the value of interdependency. As interdependency requires a sustainable approach to business (as I hope to have shown in the first two stages of our journey), the service industry has to choose for sustainability. At least, if it wants to live up to its core value. The fourth and last stage of our journey will therefore focus on service and sustainability.

Before we start our journey together I would like to warn you. It is a dangerous journey; a journey that will lead us to explore new territories; that will force us to look further than the knowledge we possess; that will lead us to subjects as far from each other as services, philosophy, anthropology and human psychology. All this in the short time span of thirty minutes. And, most dangerous of all, is the fact that your guide’s experience is limited and that the paths she would like to follow are not well known.

You might still leave this room now or, if you are reading the text, close this booklet. However, I do hope you will not. Actually, I expect you not to do it. As professionals in the world of hospitality, retail, leisure and tourism... in a word, in the world of services, you all possess an entrepreneurial spirit and are therefore not afraid of new and difficult challenges.

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<sup>1</sup> As my colleague Jan Schulp observed, economy is just a special case of biology.

<sup>2</sup> One of the pillars on which the CHN wishes to build its identity is a value-driven, i.e. a sustainable approach. See: CHN (2003) *A Clear Identity, once again* (internal publication).

## Interdependency

All present here (and all readers of this booklet) have a basic understanding of what we mean when we use the word ‘services’. I will then take advantage of this basic understanding and start my journey with you from a closer look at the concept of interdependency.

The easiest way to approach this concept is to look at the development of individuals from infants to adults, technically speaking to look at the development of human psyche<sup>3</sup>. This is the first territory we enter that for the most of us is probably unknown.

When we were born, we were extremely defenceless and completely dependent upon others for our survival. We could not feed ourselves; we could not keep ourselves warm or clean; we could only cry. As we grew, we became more and more independent: we learnt to drink from a bottle; we learnt to walk; to speak and as we became more and more conscious of the world around us, to interact with others.

Being able to interact with others (in short, relationship formation) is seen as a universal task of human development alongside with knowledge acquisition, the development of our intellectual capabilities. Knowledge acquisition plays an important role in children’s growth. Thanks to the knowledge they absorb from their parents, their peers and their teachers, children become more and more independent. In the end, they are not children any more, but adults: a formed person who is able to take care of him- or herself. In the words of The Beatles: they “do not need anybody’s help in any way”<sup>4</sup>.

It is therefore not surprising that human development is often described as a linear growth from dependency to independence. Independence or autonomy is then seen both as the ultimate goal and as the end of the process of development.

However, is it true that independence is the ultimate goal of human development? Some scholars answer this question with a “yes”<sup>5</sup>. I do not agree with them. In this, I follow those psychologists who consider as the third universal task of human development (after relationship formation and knowledge acquisition) the task to find a balance between autonomy on the one side and relatedness to the group on the other side. If we follow this view, it means that the end goal of human development is not autonomy or independence. The end goal is finding a balance between autonomy and relationship. This is in my vision exactly the meaning of the word interdependency.

My colleague George Curiel and I have tried to visualise this point [see figure 1]. As I said earlier, relationship formation is one of the universal tasks of human development. In the model, the verb ‘to love’ in the inner triangle refers to this task. With ‘to learn’ we connote knowledge acquisition (the second task) and we use the verb ‘to live’ to indicate the necessary (material) basis of life. George Curiel and I use the form of a triangle to convey the idea that these three aspects are equally important to a harmonious development of the individual. This is at the same time our interpretation of the third task of human development: to find a balance between autonomy and relationship with others. Concluding, at the level of individuals, interdependency might be defined as the final phase of development. When an ‘autonomous’ individual recognises that his or her prosperity (live)

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<sup>3</sup> See Grenfield, P.M., Keller, H., Fuligni, A. and Maynard, A. (2003) “Cultural pathways through universal development”, in *Annual Review of Psychology*, 54, pp.461-490. They not only offer a clear explanation of the main theories on the development of human psychology, but point also to their bias towards the independence paradigm. The authors present and defend interdependency as a different pathway through human development.

<sup>4</sup> In *Help!* (1965).

<sup>5</sup> See, for example, Maslow’s pyramid of needs in Maslow, A.H. (1970) *Motivation and Personality*, New York, Harper & Row, 2nd ed. At the top of the pyramid Maslow puts self-actualisation. Self-actualisation is the development of my own skills and capacities. It is centred on “me” and might therefore be understood as a paradigm of independence.

depends upon the prosperity of others (social and physical environment) and acts upon this insight, then that individual is acting interdependently<sup>6</sup>.

I use the sentence “acting upon this insight” on purpose. Acting upon the insight that my prosperity depends on the prosperity of other people and on an healthy environment, means for example not harming others or the environment. Do you imagine a reason why I would harm someone who (or something that) renders my life possible or makes my life worth living?

## Interdependency and sustainability

To illustrate this point I will briefly tell you the story of John and Karen Lewis, “a Minnesota couple driven by a vision”<sup>7</sup>. Till 1990, the life of John and Karen Lewis was not very different from the life of other American couples. They divided their time between their jobs, their friends and their work for the Peace Corps<sup>8</sup>. Their love for unspoilt nature brought them in contact with the ecotourism movement. This movement propagates a form of tourism that is more respectful for the nature and the local communities than mainstream tourism. Gradually, John and Karen Lewis developed a dream: to help preserve for future generations one of Central America’s last remaining tropical rainforest and to help people understand how important it is to protect nature. In 1990 John and Karen Lewis liquidated all their assets to finance the purchase of 1,000 acres of rainforest in Costa Rica and to build a small tourism project, Lapa Rios. They realised their dream through letting tourists experience their sense of beauty in unspoilt natural surroundings and have them pay for the access to it. Have people paying to access a natural reserve was a revolutionary step in 1991. However, John and Karen Lewis were convinced that this step was a necessary condition for the survival of their project. They needed a financial sound company if they wanted to protect the unique natural environment of Lapa Rios then and in the future.

I could quote more examples of people with a vision who founded companies that changed the way business was carried out before them. I could introduce to you Anita Roddick, the founder of The Body Shop, the well-known health and care retailer. The Body Shop could never have existed without Anita Roddick and her vision of a cosmetic industry without animal testing and without exploitation of workers in developing countries. I could also introduce to you Ben Cohen and Jerry Greenfield, who brought on the market a premium ice-cream produced from organic ingredients and in a socially responsible manner<sup>9</sup>. I could also quote the example of Adrian Gardiner, one of the partners of the CHN in our campus in South Africa. A successful businessman, Adrian Gardiner came to the insight that something had to be done at the divide between the black and white population in South Africa. During his visit to the CHN in 2003, he told us how he gradually understood that his own future as man and

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<sup>6</sup> Till now I was not able to find a clear definition of the concept of ‘interdependency’ in the literature. The definition here proposed has therefore to be seen as a first attempt from my side to define this concept on the basis of works as that of S. Covey (2003) *The seven habits of highly effective people*, New York, The Free Press (p.49-52) and P.M. Grenfield *et alii* (1997). One issue connected with my definition of interdependency is that concerning the limits of my responsibility. I hope to be able to come back to this issue in my future research. For useful insight on this topic, I would like to refer again to Covey and his distinction between a circle of influence and a circle of concern (*op.cit.*, pp.81-88).

<sup>7</sup> I would like to thank Christ Inman for this example. He got involved in the Lapa Rios project in 1996, on request of John and Karen Lewis themselves. For more information see [www.laparios.com](http://www.laparios.com).

<sup>8</sup> In 1961, President John F. Kennedy established The Peace Corps as an agency of the US federal government devoted to world peace and friendship. See [www.peacecorps.gov](http://www.peacecorps.gov).

<sup>9</sup> Cohen, B. and Greenfield, G. (1997) *Ben&Jerry’s® double-dip, Lead with your values and make money, too*, New York, Simon & Schuster. For The Body Shop, see their web-site: [www.thebodyshop.com](http://www.thebodyshop.com).

as businessman was not only in his own hands, but also in the hands of the black population of South Africa. He therefore decided to use part of his money to found projects that have as goal one the one side to enable the poorest to create a living for themselves and on the other side to restore and preserve South-African nature. Adrian Gardiner, too, realised that his dream would have to show a return on investment. His solution was to establish the Shamwari Game Reserve in an area that had been one of the richest wild-life zones in Africa for hundreds of years<sup>10</sup>. This until 1853 when settlers killed most of the game and cleared the forest to create pastures for their cattle. By the turn of the century the land had been degraded and the soil depleted of its nutrition, through overgrazing and overstocking. When Adrian Gardiner bought the land in 1990, nothing remained of the once so green forest. Since that year Adrian Gardiner started different projects to rehabilitate over-grazed land, to re-seed the plains with indigenous grass and to breed and re-introduce game. Paying tourists made these projects profitable and today Shamwari Game Reserve employs 250 people, among which many locals, and has become the jewel in the crown of Adrian Gardiner's businesses.

Although I cannot dwell longer on this point now, I hope that these examples have made clear that we need interdependent individuals to build and lead companies where profit is seen as an important responsibility, but not as the only responsibility. Interdependent entrepreneurs recognise to have a responsibility also towards people, as it is clear in the example of Ben Cohen and Jerry Greenfield, and towards our planet, as in the Lapa Rios example. In other words, they do not consider profit that is gained through a loss for our planet or through exploitation of people as a real gain. And this is exactly the technical definition of a sustainable company. A sustainable company is a company that creates value on the financial level (profit); the social level (people) and the environmental level (planet) at the same time<sup>11</sup>. To use my own words these organisations recognise that profit, people and planet are interdependent.

As you might have noticed, we are entering the second stage of our journey, the stage where I promised you to discuss the relationship between interdependency and sustainability. At the level of companies, the link of interdependency between people, planet and profit might also be visualised using a triangle. Profit is for an organisation what 'to live' is for an individual; people corresponds to 'love' and planet to 'learn'. An organisation that is able to create value on all three aspects is a sustainable organisation. In a similar way, George Curiel and I propose to call an interdependent individual a sustainable leader<sup>12</sup>.

The figure that we now see consists of two triangles, one representing the level of the individual and one representing the level of the organisation. However, neither organisations nor individuals operate in an empty void: they both are embedded in a community, in society. Is it possible to apply our vision on interdependency to this broader level too? to the level of national and international communities?

Those of you who are familiar with the concept of sustainable development will immediately see the connection between this concept and that of interdependency and answer this question with a clear "yes". However, an example could be useful to clarify this point.

I am sure you all have heard of Easter Island, at least because of the huge mysterious statues that are scattered on its surface. This island is situated in the Pacific Ocean and is one of the most isolated places on our globe. Easter Island is more than 3000 kilometres away from the

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<sup>10</sup> For more information see <http://www.shamwari.com>.

<sup>11</sup> It was John Elkington who first underlined the necessity for business organisations to evaluate their performance on a triple bottom line, the financial bottom line of profit; the social bottom line of people and the environmental bottom line of our planet. See Elkington, J. (1997) *Cannibals with forks, The triple bottom line of the 21st century*, Oxford, Capstone.

<sup>12</sup> George Curiel and I are writing a book on this concept and on our idea of the Three Levels of Sustainability®.

Chilean coast, the nearest continental coast, and more than 2500 kilometres away from the nearest archipelago. In this it offers a true image of our own Earth: the Earth is lost in space as Easter Island is lost in the Pacific Ocean<sup>13</sup>.

A human community lived for centuries on Easter Island. Their economy was a subsistence economy, dependent on fishing and a little farming for the fulfilment of basic needs. This subsistence economy left enough space for the pursuit of other needs, including religious needs. The huge statues that still cover the land were erected as offers to the gods. Life ran smoothly on Easter Island till a sharp increase in population led to an overexploitation of the island's natural resources. Trees were cut at a faster pace than they could reproduce themselves and so the basis was laid for the drama that was to follow. When the last tree was cut the inhabitants of Easter Island became prisoners of their own island. They could not emigrate and they could (after a time) no longer repair the boats they needed for fishing. When the Dutch Jacob Roggeveen discovered the Island on the 5th of April 1722 he found a society where the population was reduced to cannibalism<sup>14</sup>. The social texture was literally torn apart as a consequence of what we would now call a man-made ecological disaster<sup>15</sup>. The dramatic example of Easter Island illustrates in my opinion very clearly the existence of a relationship of interdependency between the social system and the economic system. At the same time, this example forces us to recognise that both the social and the economic system are related to the ecological system. These three systems are equally important for a community to prosper. And this is also the basic insight of sustainable development<sup>16</sup>.

At this level, too, the interdependency between the economic development, the social development and the environment might be visualised using a triangle. Economic development is for a society what 'to live' is for an individual and 'profit' for an organisation; social development corresponds to 'love' and to 'people' and environmental development or environmental protection to 'learn' and to 'planet'.

The figure we now see consists of three triangles: the triangle representing the individual; the triangle representing an organisation and the triangle representing the wider community, a region or a country. We have already seen that each triangle gives expression to the idea that all three points in each triangle are equally important for an individual; an organisation or a country to prosper. In this respect the model illustrates Three Levels of Sustainability®: the individual level; the level of organisations (both profit and not for profit) and the national level. However, the three triangles are conceived of as concentric, and purposely so. Interdependency is at work not only in each triangle; but also between the three triangles. I have already given examples of the interaction between the individual and the organisation when I discussed the work of Anita Roddick, Ben Cohen and Gerry Greenfield, Anton Gardiner and John and Karen Lewis. Especially this last example can help us to understand the interaction of the third level, the national or international level, with the other two levels (the level of individual and the level of companies). John and Karen Lewis chose for Costa Rica because Costa Rica is one of the few countries in Central and South America with a stable government and the only country without an army. When Karen and John Lewis started their project they benefited from the growing attention being paid in the

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<sup>13</sup> The Easter Island is so far away from normal ship routes that after its discovery (in 1722) it took 48 years before a second ship was able to locate the Island again. See Büch, B. (1992) *Eenzaam*, Den Haag, Pandora, p.139 and p.148.

<sup>14</sup> Jared M. Diamond used this example in an interview with Sander Voormolen (NRC-Handelsblad, 19.06.2004, p.43) when discussing his new book (*Collapse: How societies choose to fail or to succeed*, forthcoming in January 2005). For a different view, see Jan J. Boersema (2002) *Hoe groen is het goede leven*, Amsterdam, VU.

<sup>15</sup> The example of Haiti in our own times illustrates that this type of dramatic processes are not confined to the past.

<sup>16</sup> For the standard definition of sustainable development see World Commission on Environment and Development (1987) *Our Common Future*, Oxford, Oxford University Press, p.8 and p.40.

country to the devastating effects of deforestation and the necessity to save what was left of the national rain forest.

And the reverse is also true: nations that are trying to develop in a sustainable way, need sustainable companies for the creation of jobs; the offer of service and products and so on.

We may trace back the awareness of interdependency between the three levels (individuals; business organisations; society) to Adam Smith, the same Adam Smith who is seen as the founding father of modern liberalism. Smith insists on the importance of moral values and a firm social texture for the healthy development of business organisations. Empathy is a key word in this context<sup>17</sup>. Thanks to empathy human beings relate positively towards each other and have positive expectations from human intercourse. A baker bakes bread in the expectation that clients will come and pay for his bread with good money; the client goes to the baker and expects that the bread he buys has been baked with good flour and can therefore fulfil his needs.

Smith's view on the social and moral basis of the economic activity is not very different from the views of modern scholars such as Francis Fukuyama and Amartya Sen. Both of them insist on the fact that economic activity depends on a healthy social and political system in order to function optimally<sup>18</sup>. But (as I have already noticed) the reverse is also true; society depends on business for the creation of jobs, for the satisfaction of needs and wants through the production of goods and the delivery of services. As we now know, this is a typical situation of interdependency.

In short, three conclusions might be drawn from the discussion so far: first that interdependency is an essential feature of life, at the individual level; at the level of organisations and at the level of society. Second that these three levels are themselves in a relation of interdependency with each other, and, third, that interdependency requires equal attention to the three points of every triangle. In other words, interdependency calls for sustainability at all levels represented in this model.

## Services and interdependency

If I am right in drawing these conclusions, then the next issue I have to deal with is what this conclusion means for the service industry. With the discussion of this topic we open the third part of our journey, the stage dedicated to service and interdependency. During this stage, I will contend that interdependency is part of the nature of services and that services must choose a sustainable approach to business if they want to live up to this value<sup>19</sup>. In other

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<sup>17</sup> Smith, A. (1759) *The Theory of Moral Sentiments*, Part I: Of the Propriety of Action Consisting of Three Sections, Section I: Of the Sense of Propriety, Chap. I: Of Sympathy. In the text I use the word 'empathy' instead of the Smithian 'sympathy', because in modern English this last word has a narrower meaning than in Smiths' times.

<sup>18</sup> Fukuyama, F. (1995) *Trust, the social virtues and the creation of prosperity*, New York, Free Press; Sen, A. (1987) *On Ethics and economics*, Oxford, Blackwell. For example, as Sen points out, corruption in a political system brings extra costs for the company that is interested in doing business in that particular country. Fukuyama comes to similar conclusions in his analysis of trust. If there is no trust between business partners, then stricter and more formal control systems have to be put in place. Strict and formal control systems (as very detailed contracts) are costly to design and require control and checks. Control and checks cost time and thus money. This system is less efficient than a system based on trust. Societies where trust is almost completely lacking cannot develop a healthy economic life.

<sup>19</sup> In arguing this I follow the road traced by scholars such as Leonard Berry, who in his *Discovering the soul of service* (1999) already pointed to the fact that successful service organisations live up to values such as trust and generosity (p.17). I would like here to thank my colleague Eef Heinhuis: she brought me in contact with Berry's work and helped me to understand the link between the values Berry recognised in services and the values of (small) human communities.

words I will try to show that interdependency and sustainability are compatible with the values intrinsic to the service industry, for example with the focus on clients' satisfaction.

To reach this goal, we will need to analyse and question our common understanding of the word 'services'.

It is not difficult to give some examples of services. Retailing, hospitality, leisure and tourism are all part of the modern service industry. To make the list complete, at least for the area of the chair I accepted today, I would like to add media, entertainment and office management. I could even contend that actually you and I are now engaged in a typical service situation. Education, from kindergarten to post-graduate courses, is service. The realm of services is clearly a vast one<sup>20</sup>. But: what is exactly a service? The best way to answer this question is to look for a definition of 'services'.

The classic definition of a service contrasts it to products. Products are tangible; may be stored and transported; do not need a direct contact with the final consumer to be produced. Services, on the contrary, are intangible or immaterial<sup>21</sup>; cannot be stored or transported<sup>22</sup>; and are the result of a co-production between the service provider and the client<sup>23</sup>.

This standard definition of services points to qualities that services possess and that distinguish them from products. However, a list of qualities is not yet a definition. Imagine that I do not know what coffee is and that I ask you to explain to me what coffee is. Suppose then that your answer is: coffee is black and smells good. My reaction would then be: Oh yes, I understand, it is the same stuff we call chocolate! Chocolate is also black and smells good, isn't it<sup>24</sup>?

As you can see, a list of qualities does not make a definition. To use the terminology of the ancient Greek philosopher, Aristotle, a definition should indicate the essence of the concept defined<sup>25</sup>. In our case, a definition in the Aristotelian sense should indicate what makes all different types of services a service. I agree with Aristotle on this point, and not only because ancient Greek philosophy was my first academic passion. Only if we grasp the essence of services will we really understand what a service is, what qualities belong to it and what the prerequisites for successful services are.

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<sup>20</sup> Of course, there are other services than the ones listed in my text. For a taxonomy of services see Normann, R. (1984) *Service Management, Strategy and Leadership in Service Business*, Chichester-New York, John Wiley & Sons, chapters 4 and 7.

<sup>21</sup> The first mention of this characteristic of services might be traced back to Adam Smith. In modern times, see Say's work quoted by Gadrey, J. (2000) "The characterisation of goods and services: an alternative approach", *Review of Income and Wealth* 46 (3) p.370. This issue has been made available to me by Blackwell Publishing. I would like to thank them here for their courtesy.

<sup>22</sup> As a characteristic of services, firstly in Stanback, T. (1979) *Understanding the Service Economy: employment, productivity, location*, Baltimore, John Hopkins University Press and Stanback, T. (1981) *Services: the new economy*, Totowa, NJ, Allanheld, Osmun.

<sup>23</sup> Firstly in Fuchs, V.R. (1968), *The Service Economy*, New York, Columbia University Press.

<sup>24</sup> For a classical example see Plato, *Hippias maior*, 287e- 289c; *Eutyphro*, 6d-e; *Meno*, 71d-73c. In the last quoted dialogue, Socrates asks to Meno, an aristocratic and wealthy man, what virtue is. Meno's answers enumerating different sorts of virtue: for men, for women, for children and so on. To Meno virtue for a man is to serve his country and to use his power to help his friends and fight his enemies; for a woman to run her house well, to take care of the family's goods and to obey her husband. As it is his custom, Socrates does not take this definition at face value, but at the same time he does not criticise it directly. A direct criticism would for example be that, following Meno's definition, a Mafia godfather will be a virtuous man: what does a Mafia boss do other than using his power to help his friends and fight his enemies? Socrates criticism of Meno's definition of virtue is full of irony but at the same time very, very serious. Socrates replies that he considers himself a fortunate man: he was looking only for one virtue and found a swarm of virtues! What he intends to say is that defining the concept "virtue" is something else than listing different virtues.

<sup>25</sup> Aristotle is here building upon Plato's theory (see note 24).



The best attempt to go beyond an enumeration of qualities and to come up with a comprehensive definition of services is (to my opinion) the attempt made by Jean Gadrey<sup>26</sup>. This is the reason why I would like to share his definition with you. The first step will then be to quote Gadrey's words.

*Any purchase of services by an economic agent B (whether an individual or organisation) [is] the purchase from an organisation A of the right to use, generally for a specified period, a technical and human capacity owned or controlled by A in order to produce useful effects on agent B or on goods C owned by agent B or for which he or she is responsible<sup>27</sup>.*

It is a rich and complex definition. If you have the feeling it is difficult to understand Gadrey's definition and its implications directly, do not despair; we will take some time to analyse it<sup>28</sup>.

Gadrey states that a service takes place when the client (B) buys the right to use a technical or human capacity of the service provider (A in his definition) for a specific period. B, the client does so in order to prevent or solve a problem he (or she) may be confronted with. In other words B, the client, rents skills and capacity of A, the service provider, in order to cope with a certain problem.

For example, if I am visiting London for business or for pleasure, I will probably need a place to stay (the problem I have to solve). I will then go to a Hotel and make use of the technical ability of the hotel management and staff to make a clean and comfortable room available to me; to provide me with information (where the hotel is situated; how to reach it; costs) and to actually serve me on my arrival (check in etc.). And this for a specified period, a limited time – in my case, say three days.

I prefer Gadrey's definition above the standard definition because it helps us recognise that interdependency is a central element of services.

First of all, Gadrey's definition makes clear that clients actively participate in the service process<sup>29</sup>. A service takes place during the (either direct or indirect) interaction between the service provider<sup>30</sup> and the client. This is a fundamental characteristic of services and it is therefore right that it finds a place in its definition. From this fundamental characteristic all other qualities that are usually attributed to services (and are seen as differentiating services from products) can be deduced. For example: services cannot be stored, because they

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<sup>26</sup> Gadrey, J. (2000) "The characterisation of goods and services: an alternative approach", *Review of Income and Wealth* 46 (3) pp.369-387. As Gadrey himself recognises, his definition builds upon Peter Hill's work. On the same line are also Lovelock, C. and Gummesson, E. (2004) "Whither service marketing? In search of a new paradigm and fresh perspectives", *Journal of Service Research*, vol.7, nr.1, pp.20-41. Interesting is that even if the authors of this article disapprove of the fact that American scholars seem not to read the work of European scholars, they do not quote the article by Gadrey we discuss here.

<sup>27</sup> Gadrey (2000) pp.382-383.

<sup>28</sup> In analysing this definition I will follow the path set by Callon, M., Méadel, C. and Rabeharisoa, V. (2004). "The economy of qualities", in A. Amin, & N. Thrift, (eds.) *The Blackwell Cultural Economy Reader*, (pp.58-79) Malden USA, Oxford UK, Carlton Aus., Blackwell Publishing, pp.58-79.

<sup>29</sup> Gadrey is neither the first nor the only author to notice this. After Fuchs (quoted above) see e.g. R. Normann (1984) p.16 ("The moment of truth") and S.E. Sampson (1999) *Understanding Service Business, Applying principles of the unified service theory, s.l.*, Brigham Young University, p.16.

<sup>30</sup> The service provider or the service provider's capabilities. Take again the example of my journey to London. It is at the moment I phone the hotel to make a reservation and at the other side the phone call is answered, that 'service' takes place. The management of the hotel has may be invested in training for his front desk employee (and hopes that this knowledge is 'stored' in employees' minds) but it is only at the moment I call that the employee can show his capabilities or not. That is, again, when client and service provider meet at the so called moment-of-truth.

'happen' the moment the service provider interacts with the client<sup>31</sup>. The service provider and the client need each other in order to 'produce' a service. This clearly points in the direction of a mutual dependency or interdependency between client and service provider.

As I have already said, the service provider and the client need each other in order for a service to take place. However, the two will never interact if the service provider does not possess or control what the client needs.

Think, for example, of the service provided by investment banks. Their knowledge of the national and international financial markets, of the stock markets and of financial instruments is bigger than the knowledge of the client. That is exactly why we ask for their service: because they know something better than we do; they have abilities and skills we do not possess. The same can be said of other forms of services, as retailing. A supermarket, for example, does not only offer to the client a place to shop. He offers to him the possibility to cross space and time with his offer of a wide range of products from different regions of the world; he offers him the possibility to save time and space because the food retailer stores products for his client and has in offer a big variety of products 'under one roof'. And this thanks to knowledge the retailer possess on consumer demand; supply chain management; international markets and so on. Knowledge the client does not possess. As a third and last example, I would like to use the service I am in, education. In education, at least as we at the CHN understand it, the know-how gap between lecturers and students concerns both knowledge in the classic sense of the term and the capacity of the lecturers to build an environment where students are their own teachers<sup>32</sup>.

I leave it to you to translate this to other lines of business.

Please consider that not all services require a gap in knowledge or in know-how between clients and providers. However, for the sake of the argument and because of the limited time at our disposal, I will focus this afternoon on those types of services where there is very often a difference in know-how, such as in investment banking and education<sup>33</sup>. In short I will restrict myself to professional services, where by definition there is a gap in know-how between clients and providers<sup>34</sup>. This gap is known as information asymmetry<sup>35</sup>. Information asymmetry is to professional services what the negative and the positive pole are to electricity. Without a difference in poles, there is no current; without a difference in knowledge, capacities and skills there will be no need for professional services.

However, whenever there is information asymmetry, there is also risk. The risk is that service providers will take advantage of the information asymmetry and talk the clients into something they do not really want or do not really understand, for example advising client to

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<sup>31</sup> Gadrey will probably not agree with the use I make here of his definition, as he firmly criticise the idea that services cannot be stored; are immaterial or are the result of a co-production between client and service provider. I partially agree with his criticism, but only in so far as I do not consider an enumeration of qualities to be the right way to define a concept. I am moreover convinced of the impossibility of giving a definition of service that will cut it neatly from all other economic activities (including production). Gadrey himself has to recognise this at the end of his article. But with this recognition his criticism to the traditional 'definition' of services as opposed to products loses power.

<sup>32</sup> In Norman's terminology CHN lecturers are enablers, not relievers (*op.cit.*, chapters 1 and 2).

<sup>33</sup> I am indebted to Klaes Eringa for noticing that there are service situations in which no information asymmetry is present. In these situations the client has the same knowledge as the service provider; however the client might still be in need of the service due to (for example) lack of time. It is an issue worth investigating what kind of risk is connected with this form of asymmetry.

<sup>34</sup> R. Norman (1984) p. 89.

<sup>35</sup> On the consequences of information asymmetry for banks see Leys, D.-J. (2003) "The spotlight, the microphone, the stage and the table. Four mechanisms in the sustainable development of business", (unpublished; courtesy of the author himself). Marion Troia pointed to me that information asymmetry plays an important role in Lev S. Vygotsky's pedagogical theories. I would like to thank her here for this insight.

take a loan they cannot afford on the long run<sup>36</sup>. In these cases, the service provider is taking advantage of the information asymmetry and deals with the clients without taking into account their real interests. As a consequence, the service provider is acting as if the outcome of the service encounter could be either positive or negative for the client and as if the client has to accept even a negative outcome.

It is undeniable that cases of unfair advantage are part of the real world of services. However, taking advantage of the client is at odds with the definition of the purchase of services we are discussing here. In order to prove this, I will return to Gadrey's definition.

*Any purchase of services by an economic agent B (whether an individual or organisation) [is] the purchase from an organisation A of the right to use, generally for a specified period, a technical and human capacity owned or controlled by A in order to produce useful effects on agent B or on goods C owned by agent B or for which he or she is responsible<sup>37</sup>.*

I would like to ask your attention for the underlined words, "useful effects". Clients go to service providers not only because they think that the providers have something (knowledge; skills; time) that they do not possess, but also in the expectation that the providers will use their skills and capacities to solve problems clients have. A mechanic can repair my car; a hairdresser can restore to my hairs the golden colour they had in the past. That is the reason why I ask for their service.

This means that essential to services is that they offer a solution for a problem (or prevent that a problem occurs), that they have a "useful effect"; that they enhance the well-being and the quality of life of the client<sup>38</sup>.

Even though people say that words like "well-being" or "quality of life" are unrealistic in this context, I still maintain that there is nothing unrealistic about making this connection<sup>39</sup>. It is already present in the definition of services: my contribution consists in making the connection clear and stating that a service that fails to contribute to the well-being of the client is not perceived as a service and is NOT a service as defined above.

This conclusion, that the goal of services is to enhance the well-being of the client, helps us to understand better the relationship between clients and service providers. As we have seen above, the service encounter will never take place if the client had no need for the service provider. This means that clients depend on service providers in the sense that they need the providers to solve problems. Take, for example, education where (as we have seen) information asymmetry is part of the game. The clients, here students, depend on the learning environment created and sustained by the school for their learning experience. However, this 'depending on' has not to be understood as absolute dependency. The client 'depends on' the service provider in the sense that the client 'relies on' the service provider for a correct use of the service provider's knowledge, skills and capacities so that the problem the client might have will be solved (in Gadrey's words: "useful outcomes"). If this does not happen the relationship between the client and the service provider will be undermined. The client needs the service provider's skills and capacities and thus in this sense depends on the

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<sup>36</sup> That this happens, is proved also by legislation, e.g. on 'time for reflection'. A recent example in The Netherlands is the case of Dexia-Legio Lease that was offering a complex financial instrument, when money was lent to the client to buy stocks, without ascertaining if the client did really understand the risk he was taking.

<sup>37</sup> Gadrey (2000) pp.382-383.

<sup>38</sup> I would like to thank my former colleague Henk Vijver for this insight.

<sup>39</sup> Till very recently most economists agreed on the view that economics should not concern itself with issues as human well-being or quality of life. In the already quoted *On Ethics and economics*, Amartya Sen stressed that another view is possible. In this view economics is seen as one of the sciences needed to reach a good life and is therefore concerned with the study of wealth not for its own sake, but for the sake of something else, i.e. a good life (as Aristotle already noticed, *Nicomachean Ethics*, I,1 – I,5).

service provider<sup>40</sup>. But (in our western market economy) the service provider is equally dependent on the client. Where should we as teachers be without our students? Again and again we see that the relation between the client and the service provider is not a relation of sheer dependency of the first on the second, but of mutual dependency or interdependency<sup>41</sup>.

This is the third and most important reason why I decided to share Gadrey's definition with you. Gadrey does not actually go so far as seeing service as a contribution to the quality of life and as based on the value of interdependency. He leaves it to us to make this step. I made this step with you when I insisted on the role of the client in the production process of services; on the risks connected with information asymmetry in professional services and on the responsibility of providers to design their service in order to produce useful effects for their clients. With this, we may close this stage of our journey affirming that indeed interdependency is compatible with services.

### **Conclusion: sustainable services and the challenges for the Research Committee in Service Studies**

A last issue still needs to be discussed, that is, the link between services and sustainability. Even if we agree that services are based on the value of interdependency, this might not directly imply that sustainability is compatible with the nature of services. If we embrace the idea that the goal of services is to enhance human well-being, we will have to conclude that a service should not enhance the well-being of a client now and at the same time jeopardise his or hers well-being in the future. What would you say of a doctor who prescribes a medicine that cures a headache now but whose side-effect is heavier headaches in the future? I suppose you will not appreciate his 'service'. I surely would not. The same may be said of a solution that enhances the well-being of a client at the expenses of the well-being of others, other clients, for examples, or employees. I am not denying that in the real world services are offered that have negative side-effects for the client, or the employees and the natural environment. What I am stating is that these services are not services as we defined them, because they fail to truly enhance the well-being of the client<sup>42</sup>.

All these consequences might be deduced from the value we encountered at the core of services: interdependency. And they all point in the direction of a sustainable approach to

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<sup>40</sup> I am not denying that there could be a conflict of interests between the client and the service provider. What I am saying is that it is because there could be a conflict of interests between the two, that the client appreciates a real 'service' attitude. This implies that the service provider has the duty to organise and manage the service encounter in a way that makes a 'real service' possible and thus that minimise the situation of conflict between client and service provider.

I will make this clear through an example, a negative one. Take a situation where the salary of a selling associate is for a big percentage made up by bonuses. If he sells more, he will earn more. This system is usually seen and promoted as a very good way to make selling associates responsible for the turn over, but has also a dark side. Selling associates may push the client to make purchases that are against the interests of the client; they may suggest that your bicycle or car is worse than it is; that you need to make costly repair. See the discussion of the Dale's Auto Repair case by Sharp Paine, Lynn (2003) *Value Shift, Why companies must merge social and financial imperatives to achieve superior performance*, New York, McGraw-Hill.

<sup>41</sup> Important to note in this context is that because of the existing information asymmetry it is on the service provider that rest the burden to show an understanding of this and design their service for interdependent (and not for dependent) clients. See for suggestions in this direction R. Normann (1984) chapter 7.

<sup>42</sup> Technically speaking, my vision on services is not purely descriptive, but prescriptive.

services, an approach where value is created now and in the future and where besides profit, also people and planet are taken into account.

This means that the question we asked ourselves earlier, whether sustainability is compatible with the nature of services, has to be answered with a firm 'yes'. Interdependency is the bridge we were looking for between services and sustainability.

Let me end my speech by saying that I am conscious of the fact that in this speech I have suggested a lot and offered only little proof of the relationship between services, interdependency and sustainability. This is precisely the reason why I am convinced that further research is needed in this direction. It is also the reason why I am very grateful to the CHN that they offer to me and to my colleagues George Curiel, Klaes Eringa, Jan Schulp, Sjoerd Gehrels and Albert Postma the possibility to do research on the link between services, interdependency and sustainability. As members of the Research Committee in Service Studies, they will present the outlines for their research for the next two years. Therefore I will only briefly touch upon it.

By now it will not surprise you if I say that their research is connected with the three levels of sustainability and their interaction with each other distinguished earlier.

Klaes Eringa's research is concerned with the relationship between the inner (the individual, in his case CHN students) and the middle triangle (in his case, the service organisation called CHN). The goal of his research is to find a way to assess whether the change students undergo when they are confronted with an international climate and international experiences has a positive or negative effect on their development towards becoming interdependent individuals.

The interrelation between the inner and the middle triangle is also central to the research of Sjoerd Gehrels. He will investigate how far the value systems of restaurants owners are reflected in the way they design their operations and conduct their business.

Albert Postma will focus on the middle and the outer triangle with his research on sustainable tourism and on quality of life in community tourism.

Last, but not least Jan Schulp will investigate the position of the client inside the middle triangle using food retailing as his example.

We have reached the end of this journey. The Research Committee in Service Studies and I will go further on the path I have traced today, a path towards sustainable services in an interdependent world.

*Dixi.*

Figure 1: The Three Levels of Sustainability © G. H. Curiel

# Three Levels of Sustainability©



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