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*Success is the ability to go from failure
to failure without losing your enthusiasm.*
Winston Churchill

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1. Introduction

During the last decades the incidence of intercultural service encounters has increased enormously due to huge growth in international traveling and migration (Sharma, Tam and Kim 2012). For instance, in 2011 around 3 million people migrated to, respectively between the 27 member states of the European Union (Eurostat 2013). Even more impressive is the number of international tourists: in 2012 more than one Billion people traveled worldwide (World Tourism Organization 2013). Intercultural service encounters are defined as service encounters where “...*the service provider and the customer involved belong to different cultures*” (Stauss and Mang, 1999, p.331). Generally service encounters are of increasing importance, especially for industrialized economies that evolve to service economies (Sizoo, Küpper and Agrusa 2011). As the service industries have to deal with an ever-increasing number of culturally diverse customers, it is inevitable to know how to serve these customers at best. At the same time the workforce in many countries throughout the world is characterized by growing cultural diversity, which affects service companies’ human resources management (Hopkins, Nie and Hopkins 2009). Due to the increased frequency of intercultural service encounters, this topic has attracted scholars’ interest for more than one decade. Nevertheless there is so far neither a comprehensive overview about these studies nor an existing theoretical framework illustrating intercultural service encounters. This research gap is insofar a serious matter as existing research shows inconsistent findings that are partially even contradictory. Through a synthesis of research it can be illustrated what has already been explored about intercultural service encounters and which issues still have to be explored in future.

A systematic and comprehensive analysis of the existing literature and the development of theoretical framework should contribute through various ways. First of all it provides a profound basis of knowledge to investigate intercultural service encounters in a more holistic, organized and coherent way in future. Therefore it should help to explain the mixed findings of previous research and determine the multitude of factors that influence intercultural service encounters. Secondly, the literature review helps to determine the degree of maturity of this area of research. Finally this approach should assist scholars to identify research gaps and establish future research questions.

Basically the investigation and understanding of service encounters between culturally diverse participants are due to their high frequency not only relevant and interesting for scholars but also for service organizations. These days service companies throughout the world have to deal with culturally diverse customers and a multicultural workforce. Consequently it is inevitable for these companies to have a thorough understanding of intercultural service encounters in order to achieve positive interactions between culturally diverse participants. Therefore the findings of this study should help service organizations to enhance their understanding of intercultural service encounters and so their ability to provide appropriate services.

In order to close the existing research gap the objective of this thesis is twofold: on the one hand the theoretical perspective will be examined, through capturing the current status of existing literature regarding intercultural service encounters. On the other hand the managerial perspective of service encounters in a migration context will be analyzed, which is still an under-researched area.

The structure of this thesis will be as follows: after a short introduction into the theoretical background of intercultural service encounters, a comprehensive literature review will illustrate the status quo in this field of research. Based upon this, a theoretical model will be presented, that depicts intercultural service encounters from a theoretical perspective and comprises the findings of the existing studies. Furthermore the managerial perspective will be discussed on the basis of a qualitative study that indicates issues, problems and characteristics that service providers face when serving and interacting with culturally diverse customers. For this purpose, in-depth interviews were conducted in the context of financial services. More specifically, financial advisors and other employees, working with customers with migration background were interviewed to gain insights into the research problems. The last part of this thesis includes an elaboration of future research questions. Subsequently commonalities and differences between the two investigated perspectives will be discussed and finally, the thesis ends with a conclusion.

1. Theoretical Background

1.1. Definitions

1.1.1. Services

Marketing has shifted from a goods-dominant view to a service-dominant one (Vargo and Lusch 2004). Basically the exchange of service, which is defined as the application of resources like knowledge, information or skills, is in the centre of the service-dominant logic. In general service is exchanged for the benefit of another party. Additionally specialized competences like certain skills and knowledge enable the achievement of a competitive advantage (Vargo and Lusch 2008). According to the service-dominant logic marketing should put an emphasis on value creation instead of value distribution. Generally organizations do not deliver value but rather offer and facilitate the creation of value. While organizations support value creation through offering their resources, customers have to be integrated in the value-creating process and have to participate. Through the participation during the service process, customers always act as co-creators of value. Owing to the customer's involvement, service offerings can be customized and should meet the customer's needs (Vargo and Lusch 2004; Vargo and Lusch 2008).

1.1.2. Service Encounter

In the center of this thesis is the service encounter. Generally one can describe the service encounter as “...*the dyadic interaction between a customer and a service provider.*” (Suprenant and Solomon 1987, p. 87) or in other words “*a period of time during which a consumer directly interacts with a service*” (Shostack 1985, p. 243). Depending on the type of service “*the service provider often is the service to the customer*” (Suprenant and Solomon 1987, p. 87). Since the service encounter is from the customer's perspective “*the most immediate evidence of service [quality]*” (Bitner, Booms and Mohr 1994, p.95), scholars frequently use the metaphor of the “moment of truth” (Bitner et al. 1994). Ultimately the customer's perceptions during the interaction with the service provider influence the perceived service quality (Bitner 1990; Stauss and Mang 1999).

In sum one can say that the service encounter is a dyadic interaction between a service provider and a customer. Generally customers and service providers have to interact due to the services' inherent inseparability, i.e. simultaneous production and consumption. In consequence of the dyadic nature of service encounters characteristics, attitudes and behavior of the service provider have an impact on the customer and vice versa. Since many services require the customer's participation, customers can actively influence the service outcome (Stauss and Mang 1999). Consequently the service outcome and evaluation of the service experience depend upon both participants' inputs. Basically service encounters can be examined from two different perspectives. On the one hand, there is the customer's point of view and on the other hand, there is the service provider's perspective.

1.1.3. Service Quality

One way of assessing service performance regarding service quality and customer satisfaction is through comparing customers' expectations with their perceptions (Parasuraman, Zeithaml and Berry 1985; Zeithaml, Berry and Parasuraman 1993). More specifically customers evaluate service quality through comparing their expectations of the service with the actually perceived performance (Parasuraman et al. 1985). If the service provider is able to meet or even exceed the customer's expectations, perceived service quality is high. Therefore customers are most probably satisfied on condition that situational and personal factors are positive and the price/quality relationship reasonable (Lovelock and Wirtz 2007). Regarding customer expectations, there are basically three different levels to consider: the desired service, the adequate service and the predicted service. At the top of the expectation levels is the desired service which is the level the customer wishes or hopes to receive. The desired service level is a combination of the customer's beliefs about what can and should be delivered. However, as customers know that services cannot always be delivered in the best way they have a lower expectation threshold. The adequate service is the minimum level customers are still willing to accept without being dissatisfied. Since services are heterogeneous, the delivered performance can differ between various service providers and even between different service encounters of the same service provider. As illustrated in Figure 1, between the adequate service and the desired service is the zone of tolerance located. This zone represents the degree to which customers accept

variations in service delivery. The size of the zone of tolerance illustrates the difference between the desired and adequate service level and can vary among different service encounters. The predicted service is the level of service customers think they will probably receive. The predicted service directly influences the adequate service level and consequently the zone of tolerance (Zeithaml et al. 1993; Hopkins, Hopkins and Hoffman 2005). When customers anticipate a high level of predicted service, the level of adequate service will be high as well. Generally customer expectations, i.e. all of the above mentioned expectations levels, are influenced by a plethora of factors like personal and situational factors including alternative services, price, past experience or word-of-mouth (Zeithaml et al. 1993).

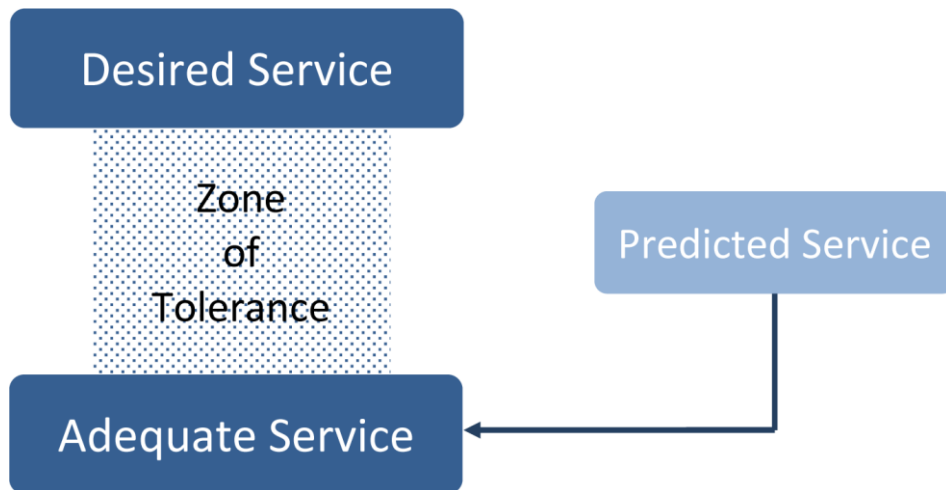


Figure 1: Service Expectations
Source: Adapted from Zeithaml et al. (1993)

As long as the performance falls within the zone of tolerance customers do not explicitly react to it. However, if the perceived service falls out of this zone, customers show either positive or negative reactions. For instance, when the perceived service exceeds the desired service level customers will be pleased. Otherwise, when the perceived service does not even meet the adequate service level, customers are most probably dissatisfied (Lovelock and Wirtz 2007). The fluctuation of the zone of tolerance's size is mainly due to changes of the adequate service level. While the desired service level only slightly changes respectively tends to gradually increase with enhanced experience, the adequate service always varies depending on the context (Zeithaml et al. 1993; Lovelock and Wirtz 2007).

1.1.4. Customer Co-Production

According to the service-dominant logic customers have to participate during the service delivery process in order to create value (Vargo and Lusch 2004). Customer co-production can be regarded as “*engaging customers as active participants in the organization's work*” (Lengnick-Hall, Claycomb and Inks 2000, p. 364). Alternatively Lusch and Vargo (2006, p. 284) define it as “*the participation in the creation of the core offering itself*”. Basically there are three determinants that enable effective co-production: customers need to possess the required ability, task clarity and eventually motivation to co-produce (Lovelock and Young 1979; Lengnick-Hall 1996).

First of all customers need to possess task clarity, that means customers know and understand what tasks have to be done and what service providers expect of them (Lengnick-Hall et al. 2000). Increased task clarity has a positive influence on co-production, as customers have a better understanding what and how they have to contribute (Auh, Bell, McLeod and Shih 2007). Secondly, it is required that customers have the ability or competence to co-produce. Ability concerns the inputs that customers can provide and whether they are able to contribute in a high qualitative way. Customers with a higher ability can participate in a better way and provide inputs of better quality during the service encounter (Auh et al. 2007). Finally motivation is the third crucial factor for an effective co-production. In the end it is insufficient if customers know and are able to co-produce but are not motivated to do so. Consequently customers have to be motivated and willing to participate and jointly co-produce (Lengnick-Hall et al. 2000). While some customers might be intrinsically motivated, i.e. due to pleasure or prestige, others might be extrinsically motivated, i.e. due to time or money savings (Meuter, Bitner, Ostrom and Brown 2005).

Generally both, service organizations as well as customers can benefit from the customer's co-production during the service delivery. On the one hand service organizations can experience increased productivity levels and lower costs. Additionally co-production is positively related with customer loyalty and relationship between the customer and the company which should eventually have a beneficial impact on the service organization's performance (Auh et al. 2007). On the other hand service outcomes may be uncertain to a higher degree as companies do not have as much control about the customers' contributions as about the service providers'. Therefore

customer participation can potentially increase job stress and impede job satisfaction due loss of power and control (Auh et al. 2007; Chan, Yim and Lam 2010).

Through participating during the service process, customers can make their choices, can receive better customized offerings and have increased control (Chan et al. 2010). Besides, customers can have a direct impact on the final outcome of the service through co-producing (Auh et al. 2007). Furthermore, customer participation increases customers' economic value and has a positive impact on the interaction comfort and relationship with the service provider. In the end, enhanced value creation should lead to higher quality perceptions and higher satisfied customers (Chan et al. 2010).

1.2. Intercultural Service Encounters

1.2.1. Culture

Since intercultural service encounters include participants with different cultural backgrounds it useful to briefly discuss frequently used categorizations of cultural dimensions. Generally there are several different definitions of culture that are used in literature. Probably one of the most frequently used definitions of national culture is Hofstede's (1991) which states that "*Culture is the collective programming of the mind which distinguishes the members of one group or category of people from of another*" (Hofstede 1991, p. 5). According to the author cultures differ in the dimensions of power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance and time perspective (Hofstede 1980; Hofstede and Bond 1988). Another frequently used way to analyze and distinguish different cultures is through comparing high-context and low-context cultures (Hall 1976). Since language is an important aspect of culture, these cultural dimensions compare how important verbal respectively non-verbal communication as well as the context is (Hall 1976). Additionally, according to Riddle (1986) cultures can be distinguished regarding their achievement orientation, time orientation, activity orientation and relationship orientation. Irrespective of the used definition of culture, people with diverging cultural backgrounds can differ in a plethora of ways including manners, customs, values, attitudes, religion or language (Hollensen 2011). Therefore a variety of customs, values and habits interact when

customers and service providers belong to different cultures (Warden, Liu, Huang and Lee 2003).

Frequently studies use Hofstede's (1980) or Hall's (1976) cultural dimensions in order to determine the cultural distance, i.e. the degree of similarity or dissimilarity between two or more cultures (e.g. Stauss and Mang 1999; Weiermair 2000; Warden et al. 2003; Lin, Tu, Chen and Tu 2007). The cultural distance between China and USA is commonly used as an example for a large cultural distance (e.g. Lin et al. 2007) as these two cultures differ extensively regarding language, physiognomy, habits and traditions. Besides these two countries score opposite at most of Hofstede's (1980) cultural dimensions (Lin et al. 2007). Eventually inherent differences enable that cultural identities occur between groups of people (Hopkins et al. 2005).

1.2.2. Relevance of Intercultural Service Encounters

The frequency and importance of intercultural service encounters have increased throughout the last decades among other things due the following reasons: On the one hand a multitude of service encounters can be referred to international tourism. In 2012 more than one Billion people traveled abroad whereof more than half traveled to Europe. Altogether international travel generated around \$1.3 Trillion earnings, which accounts for approximately 6 percent of world's exports. In other words, 9 percent of the global GDP as well as every eleventh job can be ascribed to worldwide travel (World Tourism Organization 2013). On the other hand there is an increasing amount of migration worldwide. In 2010 it was estimated that 3.1 percent of the total world population respectively around 214 million were international migrants, nearly 60 million people more than in 1990 (United Nations 2011). In 2011 an estimated number of 3.2 million people migrated to the European Union or from one member state to another. By the end of 2011 more than 50 million residents of the European Union, approximately 10 per cent of the total population, were born abroad (Eurostat 2013). Furthermore the growth of the service sector corroborates the occurrence and importance of intercultural service encounters. For instance, worldwide exports of services increased in 2011 by 11 percent to US\$ 4.2 Billion (World Trade Organization 2012).

Combined all these figures illustrate the prevalence and importance of intercultural service encounters. In the end the growth of the service sector, the increasing amount of global tourism as well as the growing amount of culturally diverse populations lead to an immense growth of intercultural service encounters. Due to the inflow of foreign people, service companies constantly have to deal with an increasing number of culturally diverse customers and employees. Consequently, today it seems to be ordinary to encounter employees from various nationalities. Although there are some challenges when dealing with a variety of culturally diverse customers and employees, it is crucial for service companies' success (Lin et al. 2007). Regarding intercultural service encounters, the interaction may be compared to intra-cultural service encounters insofar more complex as both participants have different cultural backgrounds that intermingle. More specifically, if the customer and service provider belong to different cultures, the interaction might be affected by different customs, habits, attitudes, languages etc. (Warden et al. 2003; Hopkins et al. 2005). Therefore the parties involved might face different behaviors of their counterpart during intercultural service encounters compared to intra-cultural service encounters. The findings in the next chapter will show how existing cultural differences influence the interaction between service providers and customers.

2. Literature Review

Nowadays intercultural service encounters have a big proliferation, as the numbers in the previous chapter have shown, but yet they have received relatively little attention in academic research so far. Although there have been several calls for more research in the area of intercultural service encounters (e.g. Pires and Stanton 2000; Lin et al. 2007, Wang and Mattila 2010), there exists still a relatively limited amount of empirical work. Besides there is so far no existing overview that can be used to systematically analyze the existing studies. In order to close this gap and to assess the current status of research in this area, a literature review is provided that clarifies the current body of knowledge and which topics still have to be explored in future research. In this chapter a review of studies about intercultural studies that have been published until now will be presented.

2.1. Methodology

The aim of the literature review is to capture the current status-quo of research in this specific area. Consequently all relevant work, including published articles and conference papers, had to be detected. Basically in the literature review located work is only included if it examines any kind of service encounter that involves service providers and customers that belong to different cultures.

At this stage it should be stated, that the selection of included articles was a somehow challenging task as the topic under investigation is very multifaceted. Additionally the effort to systematically analyze the existing literature about intercultural service encounters was impeded by several factors: Generally some articles examine intercultural service encounters but label it differently. Many researchers are rather flexible using the diverse terms like intercultural and cross-cultural service encounters as synonyms (e.g. Lin et al. 2007). So in this research area, a distinct terminology is still missing. Finally, owing to the interdisciplinary nature of intercultural service encounters, there are a lot of related topics that are associated with each other. Although these topics influence to some extent intercultural service encounters, they actually are separate research areas (e.g. outsourcing of call-centers, use of (foreign) language during service encounters, internationalization of services, etc).

In order to detect academic work about intercultural service encounters three different information resources were used. This approach is in line with previous studies conducting literature reviews (e.g. Zhang, Beatty and Walsh 2008; Hogueve and Gremler 2009).

- First of all I started with a set of 25 academic journals including journals about (international) marketing, services etc. like the Journal of Marketing, Journal of Consumer Research, Marketing Science, Journal of Service Research, Journal of Services Marketing, Journal of Business Research or Journal of International Marketing. The list of the included journals was based upon Zhang et al.'s (2008) literature review about cross-cultural consumer services research and was amended by further relevant journals. The complete list of included journals with the corresponding number of located articles is shown in Table 1.

Name of journal	Number of articles
Journal of Services Marketing	7
Managing Service Quality	5
Journal of Business Research	4
Journal of Service Research	3
International Management Review	2
International Journal of Service Industry Management	1
International Journal of Research in Marketing	1
Journal of International Marketing	1
International Business Review	1
Journal of International Consumer Marketing	1
International Marketing Review	0
Journal of Retailing	0
Journal of Consumer Marketing	0
Service Industries Journal	0
European Journal of Marketing	0
Journal of Marketing	0
Journal of Marketing Theory & Practice	0
Journal of Consumer Psychology	0
Journal of Consumer Research	0
Journal of International Business Studies	0
Journal of Marketing Research	0
Journal of the Academy of Marketing Science	0
Marketing Science	0
Psychology & Marketing	0
Journal of World Business	0

Table 1: Included Journals

- Additionally electronic databases like ABI Inform, Emerald Insight, JSTOR or EBSCO Host were screened to detect relevant articles. These databases were systematically scanned using keywords such as “intercultural”, “cross-cultural” or “service encounter”. The complete list with all included keywords is attached in Appendix A.
- Finally the references of all included articles were scrutinized regarding further potential work.

2.2. Study Settings

In total 41 relevant articles could be located that have been published between 1999 and April 2013. In Table 2 all included articles are illustrated including the most important aspects of them. At the beginning of this section the current status of research will be analyzed regarding different characteristics like research type, research setting, context etc. Afterwards the most important findings of the literature review will be discussed and summarized. Through this approach the current status quo of research can be comprehensively determined and future research directions extracted.

Author(s)	Research question	Theory	Empirical vs. Conceptual	Quantitative vs. Qualitative	Geographical setting	Industry	Domestic vs. international setting	Unit of analysis	Impact of cultural distance	Discussed Issues
Arora, Rohmetra (2010)	Influence of cultural intelligence on intercultural interactions		conceptual			Hospitality	n.a.	service providers	n.a.	Cultural specifics/differences; Service failures; Cultural competence
Bailey (2000)	Misperceptions due to divergent communicative patterns		empirical	qualitative	USA	Retail	Domestic	customers	negative	Communications; Cultural specifics/differences; Discrimination; Stereotypes/pre-existing attitudes
Baker, Meyer, Johnson (2008)	Attribution of service failures to discrimination	Solo theory; Self-attention theory; Distinctiveness theory	empirical	quantitative	USA	Hospitality	Domestic	customers	n.a.	Contextual cues/factors; Discrimination; Service failures; Service recovery; Stereotypes/pre-existing attitudes; Word-of-mouth; Perceived ethnicity; Other customers; Attribution
Barker, Härtel (2004)	Cultural influence on service encounters	Similarity attraction paradigm; Social identity theory	empirical	qualitative	Australia	Transportation; Financial services; Retail;	Domestic	customers	n.a.	Communications; Cultural cues; Discrimination; Stereotypes/pre-existing attitudes
Bianchi, Drennan (2012)	Drivers of (dis-)satisfaction of international customers		empirical	qualitative	Australia	Education	International	customers	n.a.	Communications; Previous experience; Other customers
Bianchi (2001)	The effect of cultural differences on service encounter satisfaction	Role theory	conceptual				n.a.	customers	negative	Communications; Cultural specifics/differences; Cultural competence
Bianchi (2011)	Drivers of performance of inward internationalization of services		empirical	qualitative	Australia	Hospitality; Education; Transportation	International	service providers	n.a.	Communications; Cultural specifics/differences; Cultural competence; Word-of-mouth; Other customers

Boshoff (2012)	Impact of ethnic group similarity on consumers' emotional responses to service recovery behaviors	Social identity theory, Similarity-attraction paradigm	empirical	quantitative	n.a.	Hospitality	Domestic	customers	positive	Cultural cues; Service recovery; Stereotypes/pre-existing attitudes; Shared ethnicity
Chung-Herrera, Gonzalez, Hoffman (2010)	Impact of service providers' and consumers' demographic differences on service failure and recovery perceptions	Role theory; Script theory; Social identity theory	empirical	qualitative; quantitative	USA	Hospitality	Domestic	customers	n.a.	Discrimination; Service failures; Service recovery; Stereotypes/pre-existing attitudes; Attribution
Etgar, Fuchs (2011)	Impact of ethnic/cultural dissimilarity on service quality perceptions		empirical	quantitative	Europe (Israel)	Health care	Domestic	customers	both	Communications; Cultural specifics/differences; Perceived ethnicity; Shared ethnicity
Hill, Tombs (2011)	The effect of service provider's accent on customer service evaluations	Cultural congruency theory	empirical	qualitative	Australia	Hospitality, Transportation, Retail	Domestic	customers	both	Communications; Contextual cues/factors; Stereotypes/pre-existing attitudes; Cultural distance
Holmqvist (2011)	Consumers' language preferences in service encounters		empirical	qualitative; quantitative	Europe (Finland); Canada	Financial services; Health care; Hospitality; Retail; Crafts	Domestic	customers	n.a.	Communications; Interaction comfort
Holmqvist, Grönroos (2012)	Influence of the language used during service encounters		conceptual				n.a.	customers	n.a.	Communications; Word-of-mouth; Perceived ethnicity; Initial vs. subsequent encounter
Hopkins, Hopkins, Hoffman (2005)	An integrated model of domestic intercultural service encounters	Attribution theory; Social identity theory	conceptual				Domestic	customers	n.a.	Communications; Cultural cues; Stereotypes/pre-existing attitudes; Cultural distance; Initial vs. subsequent encounter; Attribution

Hopkins, Nie, Hopkins (2009)	Cultural effects on customer satisfaction with service encounters	Role theory; Script theory; Social identity theory; Categorization theory	conceptual				n.a.	customers	negative	Communications; Cultural specifics/differences; Cultural cues; Cultural competence; Perceived ethnicity
Hultén (2010)	Expatriates' perceptions of service encounters in foreign environments	Attribution theory; Role theory; Script theory	empirical	qualitative	Europe (France & Sweden)	Crafts; Public services; Telecommunications	Domestic	customers	n.a.	Communications; Cultural specifics/differences; Previous experience; Initial vs. subsequent encounter; Attribution
Johnson, Grier (2013)	The Influence of cross-cultural consumer-to-consumer interaction on consumer service satisfaction	Allport's contact hypothesis; Distinctiveness theory	empirical	qualitative	Africa (South Africa)	Hospitality	Domestic	customers	n.a.	Communications; Cultural cues; Discrimination; Stereotypes/pre-existing attitudes; Other customers; Shared ethnicity
Kim, Mattila (2011)	The Impact of language barrier and cultural differences on service experience		empirical	qualitative	USA	Hospitality	International	customers	negative	Communications; Cultural specifics/differences; Previous experience; Initial vs. subsequent encounter
Kwon, Nick, Kirk, Laffin (2003)	Differences of service providers' and customers' perceptions of service quality		empirical	quantitative	Europe (UK)	Hospitality	Domestic	customers & service providers	n.a.	Cultural specifics/differences
Lin, Tu, Chen, Tu (2007)	The impact of cultural characteristics and norms on service providers' and customers' expectations formulation		empirical	qualitative	USA; Asia	Retail; Hospitality; Health care; Financial services	International	customers & service providers	n.a.	Cultural specifics/differences
Montoya D.Y., Briggs E (2013)	The impact of shared service provider-customer ethnicity on face-to-face service encounters	Social identity theory; Resource exchange theory	empirical	qualitative; quantitative	USA	Financial services	Domestic	customers	n.a.	Cultural cues; Word-of-mouth; Perceived ethnicity; Shared ethnicity

Paswan, Ganesh (2005)	Cross-cultural interaction comfort and service evaluations		empirical	qualitative	USA	Education	Domestic	customers	negative	Cultural specifics/differences; Word-of-mouth; Other customers; Cultural distance; Interaction comfort
Pires, Stanton (2000)	Specifics of marketing services to ethnic minorities		conceptual				Domestic	customers	n.a.	Communications; Previous experience; Cultural competence; Word-of-mouth
Pullman, Verma, Goodale (2001)	Service design and operations strategy formulation in multicultural markets		empirical	quantitative	USA; Europe; Asia	Hospitality	International	customers	n.a.	Communications; Cultural specifics/differences; Adjustments to ICSE
Ryoo (2005)	Service encounters between culturally diverse (minority) customers		empirical	qualitative	USA	Retail	Domestic	customers & service providers	n.a.	Communications; Cultural specifics/differences; Discrimination; Stereotypes/pre-existing attitudes
Sharma, Tam, Kim (2009)	Comprehensive conceptual framework of intercultural service encounters	Similarity attraction paradigm; Role theory; Expectation - disconfirmation theory; Cultural identity theory	empirical	qualitative	Asia (Hong Kong)	Hospitality; Retail; Transportation; Entertainment	Domestic	customers & service providers	negative	Communications; Cultural specifics/differences; Stereotypes/pre-existing attitudes; Cultural competence; Shared ethnicity; Cultural distance; Interaction comfort; Attribution
Sharma, Tam, Kim (2012)	Influence of perceived cultural distance on satisfaction	Similarity-attraction paradigm, Role theory, Social identity theory	empirical	quantitative	Asia (Hong Kong)	Hospitality	Domestic	customers & service providers	negative; neutral	Cultural specifics/differences; Service failures; Stereotypes/pre-existing attitudes; Cultural competence; Cultural distance; Interaction comfort
Sichtmann, von Selasinsky, Diamantopoulos (2011)	Influence of quality control mechanisms on service quality	Control theory; FTU framework	empirical	quantitative	Europe (Germany)	Cross-industry	International	service providers	n.a.	Communications; Cultural specifics/differences; Service failures; Adjustments to ICSE

Sizoo (2008)	Service providers' performance during intercultural service encounters	Role theory	empirical	quantitative	USA (Hawaii & Florida); Europe (Great Britain)	Hospitality	International	service providers	negative	Cultural specifics/differences; Cultural competence
Sizoo, Küpper, Agrusa (2011)	Identification of cross-cultural service failures	Role theory; Script theory	empirical	qualitative	USA; Europe (Germany); Asia (Japan)	Cross-industry	International	customers	negative	Cultural specifics/differences; Service failures; Cultural competence; Word-of-mouth
Sizoo, Plank, Iskat, Serrie (2005)	The effect of intercultural sensitivity on employee performance in intercultural service encounters	Role theory; Script theory	empirical	qualitative	USA (Florida)	Hospitality	International	service providers	negative	Cultural competence
Stauss, Mang (1999)	Occurrence of "culture shocks" during intercultural service encounters due to culturally-bound expectations and perceptions	Attribution theory; Role theory; Script theory	empirical	qualitative	USA; Asia (Japan), Europe (Germany)	Transportation	International	customers	positive	Communications; Cultural specifics/differences; Previous experiences; Service failures; Cultural competence; Other customers; Initial vs. subsequent encounter; Cultural distance; Adjustments to ICSE; Attribution
Thelen, Yoo, Magnini (2011)	Examination of consumer sentiment toward offshored services		empirical	qualitative; quantitative	USA	Telecommunications	Domestic	customers	negative	Communications; Stereotypes/pre-existing attitudes; Word-of-mouth
Walsh, Gouthier, Gremler, Brach (2012)	Influence of call center location on customer evaluations	Attribution theory; Homophily theory	empirical	quantitative	Europe (Germany)	Telecommunications; Retail	Domestic	customers	n.a.	Communications; Cultural cues; Word-of-mouth
Wang, Mattila (2010)	Service providers' stress, emotion, and coping during intercultural service encounters	Role theory; Social identity theory; Similarity-attraction paradigm	empirical	qualitative	USA	Hospitality	International	service providers	negative	Communications; Cultural specifics/differences; Contextual cues/factors; Previous experience; Cultural competence

Wang, Arndt, Singh, Biernat, Liu (2013)	Customer biases relating to service provider accents during voice-to-voice service encounters		empirical	quantitative	USA	Financial services	Domestic	customers	both	Communications; Previous experience; Service failures; Stereotypes/pre-existing attitudes; Attribution
Warden, Liu, Huang, Lee (2003)	Differences in the seriousness of service failures and the effectiveness of recovery strategies	Attribution theory	empirical	quantitative	Asia (Taiwan / Outside Taiwan)	Hospitality	International	customers	positive	Previous experience; Service failures; Service recovery; Cultural distance; Attribution
Weiermair (2000)	Consumers' perceptions towards and satisfaction with service quality in intercultural service encounters		conceptual				International	customers	positive	Cultural specifics/differences; Contextual cues/factors; Cultural distance
Weiermair, Fuchs (2000)	The impact of cultural distance on perceived service quality		empirical	quantitative	Europe (Austria)	Hospitality	International	customers	positive	Previous Experience; Cultural distance; Attribution
Ye, Qiu, Yuen (2012)	Perceived Discrimination in service encounters	Social identity theory	empirical	qualitative	Asia (Hong Kong)	Health care industry; Hospitality	International	customers	negative	Contextual cues/factors; Discrimination; Service failures; Service recovery; Stereotypes/pre-existing attitudes; Perceived ethnicity; Other customers; Cultural distance; Attribution
Zhang, Beatty, Walsh (2008)	Review of cross-cultural consumer services research		conceptual				n.a.	customers	n.a.	Cultural specifics/differences

Table 2: Overview about intercultural service encounter studies

Actually it was intended to include all relevant work that has been published during the last 20 years. However no article could be detected that has been published before 1999. Probably one of the most important articles in this research area is Stauss and Mang's (1999) "Culture shocks in inter-cultural service encounters?". On the one hand this paper includes the commonly used definition of intercultural service encounters and on the other hand the authors initiated to some extent the beginning of this research area. Until now, the peak of research was reached in 2011 when 10 articles were published. This year, until April 2013, three articles have been published so far. The complete development of published articles is highlighted in Figure 2.

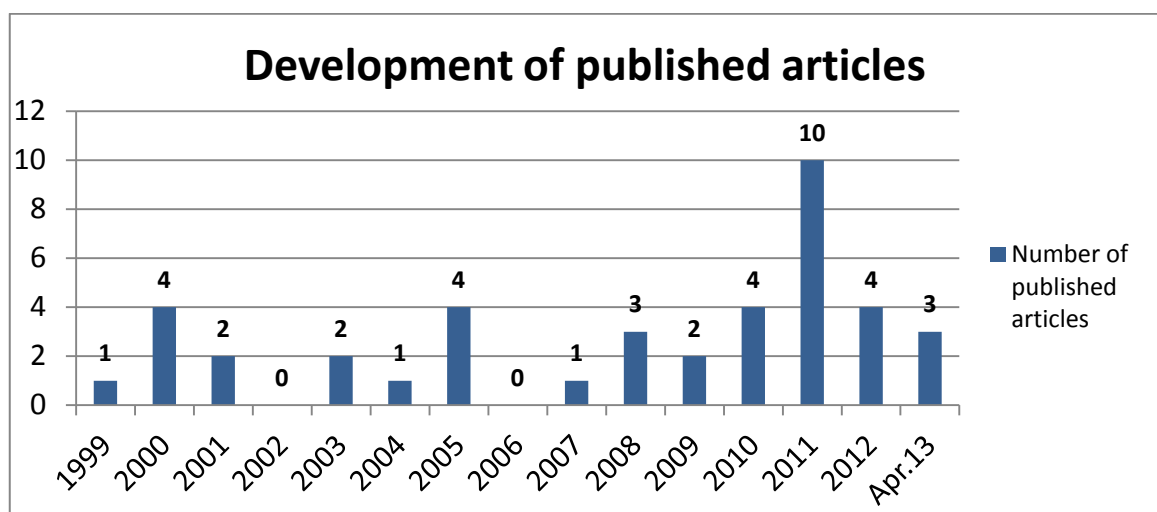


Figure 2: Development of published articles

Out of the 41 located articles, two are conference papers and the rest was published in 21 different journals. Regarding the research design, approximately 80% of the studies (33) conducted empirical research while the rest (8) employed a conceptual design. Among the empirical studies 17 used a qualitative, 12 a quantitative approach and 4 used a mixed approach.

Interestingly only the minority of the depicted studies (18) labeled the service encounter as an intercultural, while the majority (23) did not characterize the service encounter as intercultural. This number reflects to a certain extent the multifaceted nature of these service encounters.

As the findings reveal, often intercultural service encounters are only examined from one perspective. Until now, the vast majority of covered papers focused on the customer's point of view. More specifically 30 out of the 41 studies or in other words

73% regarded the customer's perspective. Only six studies investigated the service provider's perspective and further five included both participants' views. In this respect definitively exists a big gap that future research should try to close.

In terms of the research context numbers are slightly unbalanced. 21 studies investigated intercultural service encounters in a domestic context and 15 in an international context. The remaining five studies did not explicitly mention the research context. For the purpose of this study, a domestic context describes the situation where the service provider and the customer reside permanently in the same country but belong to different cultures. This situation can result due to various possibilities. For instance, one of the two participants migrated to a specific country and serves domestic customers or vice versa, i.e. an immigrant customer is served by a domestic service provider. Additionally an intercultural service encounter in a domestic context can also comprise a minority customer/service provider and a culturally different counterpart. However this situation is not only limited to minority or immigrant groups but can also include sojourners that live in a specific country for a certain period of time (e.g. exchange students, expatriates) and interact either as customer or as service provider with culturally different people. The decisive point is that both participants, the service provider and the customer, live virtually permanently in the specific country. In contrast intercultural service encounters in an international context, for the purpose of this study, denote situations, where either the customer or the service provider goes only for a short period of time abroad and experiences the service encounter there. In fact, nearly all of the 15 studies in this research that have examined intercultural service encounters in an international context investigated the situation where the customer goes abroad on vacation and experiences a service encounter as a tourist.

As the above mentioned examples have shown, there are several different ways how intercultural service encounters can be composed. Nevertheless, so far researchers hardly distinguish between the different compositions. In fact, there is at the moment no existing classification of the different types or compositions of intercultural service encounters. So far only Hopkins et al. (2005) have introduced the specific term domestic intercultural service encounter. This is a service encounter *“where the service customer is from the domestic country (e.g. the USA) and the service provider is from a foreign country (e.g. Mexiko), but is employed by a service organization (e.g.*

McDonald's) indigenous to and located in the domestic country (e.g. USA)" (Hopkins et al. 2005, p.331). However this definition only comprises one out of several different possibilities how intercultural service encounters can be composed in a domestic context. Therefore one has to distinguish between Hopkins et al.'s (2005) definition and the above explained domestic context. A lot of empirical studies examine a different case (e.g. Stauss and Mang 1999; Weiermaier 2000; Sizoo, Plank, Iskat and Serrie 2005; Sizoo et al. 2011), where a customer from one country (Country B) travels to another country (Country A). There the customer has as a tourist a service encounter with a native service provider (from Country A), who works for a domestic service company. This composition corresponds with the above mentioned case of intercultural service encounters in an international context. Potentially it could also be labeled as a foreign intercultural service encounter (Wang and Mattila 2010) or also inward internationalization, as stated by Bianchi (2011), which means that foreign customers have to move to the service firm's domestic market. Consequently the service is produced and consumed in service firm's cultural environment. As some consumer services like tourism, education or entertainment are location bound, these services have to allure foreign customers since the service has to be provided on the firm's premises (Bianchi 2011).

Closely related with the differentiation between a domestic and an international context are other contextual factors including the status of the two involved parties and the corresponding length of stay. Table 3 exhibits the corresponding numbers of the contextual factors including the status of either the customer or the service provider. In total 13 papers analyzed service encounters where tourists were involved, i.e. people that stay only for a short period of time abroad. While 13 papers examined service encounters with minority customers or service providers only 3 studies encompassed immigrants. Consequently 16 papers examined situations where the participant stays permanently in a foreign environment (i.e. minority groups and immigrants). Further 6 studies included the role of sojourners that remain temporary in a non-domestic surrounding into their research. As these numbers reveal, irrespective of their relevance, intercultural service encounters including either immigrant customers or service providers have so far received only limited attention.

Status of Participant / Context	Tourists	Minorities	Immigrants	Sojourners
Domestic context*	-	13	3	6
International context*	13	-	-	-

Table 3: Contextual factors

* Studies that examine two different situations are counted twice; Numbers exclude studies that do not determine the status of the participants

An additional imbalance exists in terms of the geographical setting where previous research has been executed. Figure 3 displays the geographical settings of previous studies. Apparently the majority of studies has been conducted in North America (17). However Europe, where until now only 11 studies exist, seems to be an ideal research setting due to its high numbers in migration and tourism (Eurostat 2013; World Tourism Organization 2013). By all means future research might be more balanced and especially Australia with so far only four studies and Africa with a single one, might be more frequently considered as research settings in future studies. Generally Australia seems to be an ideal setting to study the different aspects of intercultural service encounters. On the one hand Australia has a culturally diverse population. In 2011 it was estimated that 27% of Australian residents were foreign born (Australian Bureau of Statistics 2012). On the other hand Australia attracts a multitude of tourists with nearly 6 million visitors in 2011 (Tourism Australia 2013). Similarly Africa attracts millions of tourists each year, with more than 50 million visitors in 2012 (World Tourism Organization 2013). Although these continents have been considered to a lesser extent so far, they provide a big opportunity to research intercultural service encounters in future.

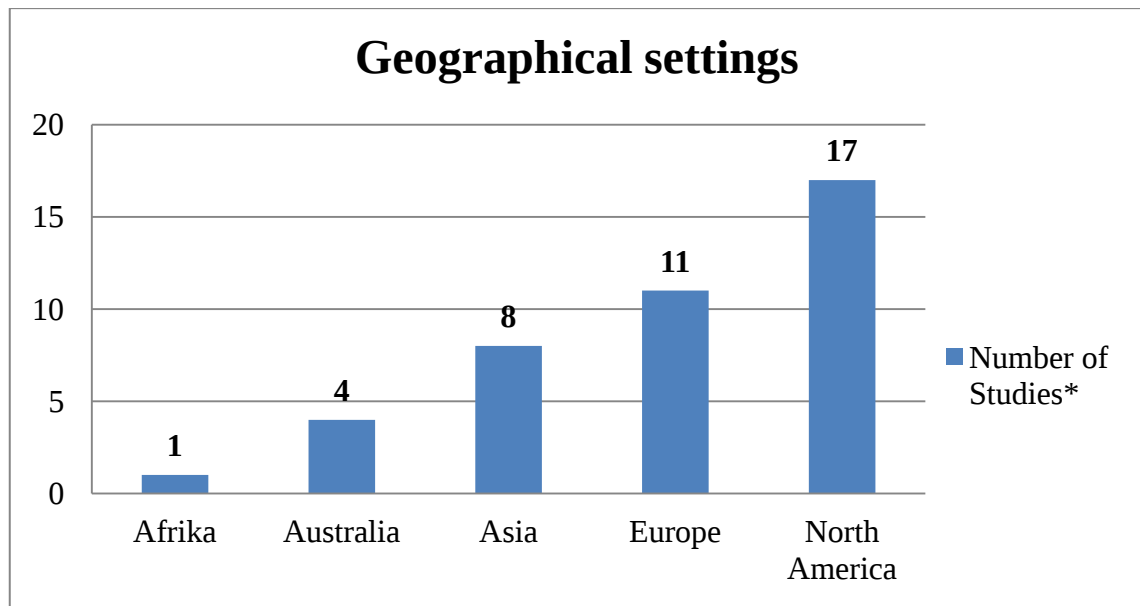


Figure 3: Geographical settings of included studies

**Studies that cover more than one geographical setting are counted multiple times*

Generally most studies have their theoretical foundations in one (or more) of the theories that are illustrated in Figure 4. The most frequently applied theory was role theory that 11 studies included. Role theory is based on the dramaturgical metaphor and states that service quality should be higher when service providers and customers act according to their assigned roles (Solomon, Surprenant, Czepiel and Gutman, 1985). Basically both participants are seen as social actors who learn appropriate behaviors and act according to a certain role (with a defined script). If one of the participants deviates from the scripts it might negatively hamper the performance and cause dissatisfaction (Bitner, Faranda, Hubbert and Zeithaml 1997). Especially during service encounters the adherence to these roles should positively influence the interaction between the participants (Auh et al. 2007). Since intercultural service encounters involve participants with different cultural backgrounds, cultural differences might manifest among other things in diverging role expectations (Hopkins et al. 2009). If customers and service providers have different expectations about each other's role due to lack understanding or agreement, the service encounter might be negatively affected in the end (Sharma, Tam and Kim 2009). Therefore role theory is frequently used to explain different role expectations among culturally diverse participants (e.g. Stauss and Mang 1999; Wang and Mattila 2010; Sharma et al. 2012).

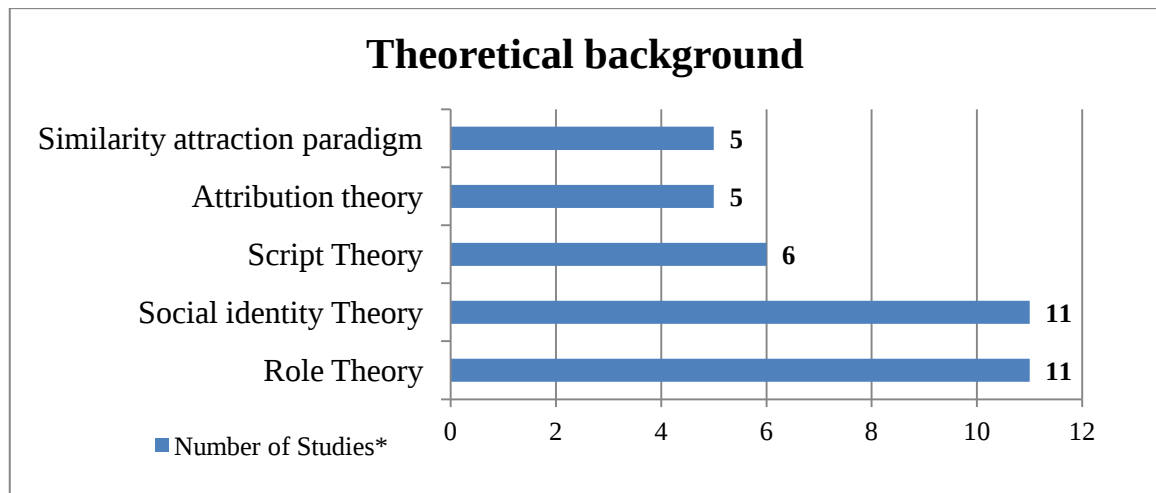


Figure 4: Theoretical background

* Studies that apply more than one theory are counted several times

Closely related with this theory is script theory that has been used in 6 of the detected studies. Just as role theory, script theory is based on the dramaturgical metaphor (Solomon et al., 1985). Generally a script contains information about a role that has to be performed and how to behave in certain situations. An effective application of a service script assures the quality of the interactions that eventually influences customer satisfaction during the service encounter (Hopkins et al. 2009). If customers and service providers have the same cultural background, they likely behave according to a script that meets each other's expectations (Bianchi 2001). During intercultural service encounters service providers and customers potentially read from different scripts (Hultén 2010) since the participants have learnt the scripts in their home cultures (Stauss and Mang 1999). Ultimately the diverging scripts can impede the interaction between the culturally diverse parties (Hultén 2010).

The second most frequently used theory is social identity theory. In sum 11 studies indicate that the theoretical foundations of intercultural service encounters might be located in social identity theory. According to this theory, people tend to categorize other people into groups, in particular into in-groups and out-groups. As a consequence members of one group favor their in-group at the expense of another group, i.e. they discriminate against out-group members (Tajfel and Turner 1979). Regarding intercultural service encounters social identity theory can be used to explain potential discrimination against others (Montoya and Briggs 2013). Basically people tend to categorize other people based on salient cultural identity cues like physiognomy, language differences or demeanor. Ultimately these categorizations can elicit either

positive of negative reactions, depending upon pre-existing attitudes (Sizoo et al. 2005; Hopkins et al. 2009).

Each time five studies included the similarity attraction paradigm or attribution theory. Briefly speaking similarity attraction theory posits that people like and are attracted to others who appear being similar, rather than dissimilar, to themselves (Byrne 1971). Since culturally dissimilar people have to interact during intercultural service encounters, one might question how people react to culturally diverse counterparts. Based on the similarity attraction paradigm some researchers (e.g. Sharma et al. 2009; Wang and Mattila 2010; Boshoff 2012) suggest that cultural similarity should positively influence the interaction and ultimately the service outcome. In other words, service encounters between dissimilar participants should probably lead to difficulties.

Finally a few studies apply attribution theory to explain customers' respectively service providers' reactions to intercultural service encounters (e.g. Stauss and Mang 1999; Hopkins et al. 2005; Hultén 2010). According to attribution theory people interpret behavior or events according to its causes and these interpretations determine how they will react. More specifically controllability, locus of causality and stability determine how people explain events and attribute them to a certain cause (Weiner 1985). In fact attribution theory might especially play an important role to explain customers' reactions to service failures during intercultural service encounters. As the discussion in a later section of this thesis will show, intercultural service encounters provide a unique opportunity to move the locus of causality (c.f. Stauss and Mang 1999).

2.3. Research Issues

Finally it might be useful to have a look at the most frequently discussed issues in previous studies. The corresponding numbers are highlighted in Figure 5. In order to analyze intercultural service encounters in a systematic way, research issues are divided into three different groups. The first group includes all issues that concern the antecedents of intercultural service encounters. The second group comprises issues and factors that emerge during the interaction. Finally the third group covers issues that are associated with the outcomes of intercultural service encounters. As it can be seen, most frequently issues concerning antecedents of intercultural service encounters were

discussed. Most often, in 24 studies, issues related to communications and language like language differences, accents or misunderstandings were stressed. Hardly surprising cultural specifics and differences were also discussed in a lot of studies (22). Also the impacts of cultural competence and sensitivity have been reviewed quite often, in 11 studies. While the role of previous experience was included in 9 studies, 14 papers pointed out how stereotypes or pre-existing attitudes can affect intercultural service encounters. With respect to the interaction, the most frequently discussed topic was cultural distance, in 10 studies. Each time 7 studies comprised the role of other customers respectively existing discrimination and social conflicts. Regarding service outcomes, service failures and attribution were entailed in 10 studies. Finally 9 works contained word-of-mouth and further 6 involved service recovery strategies into the research.

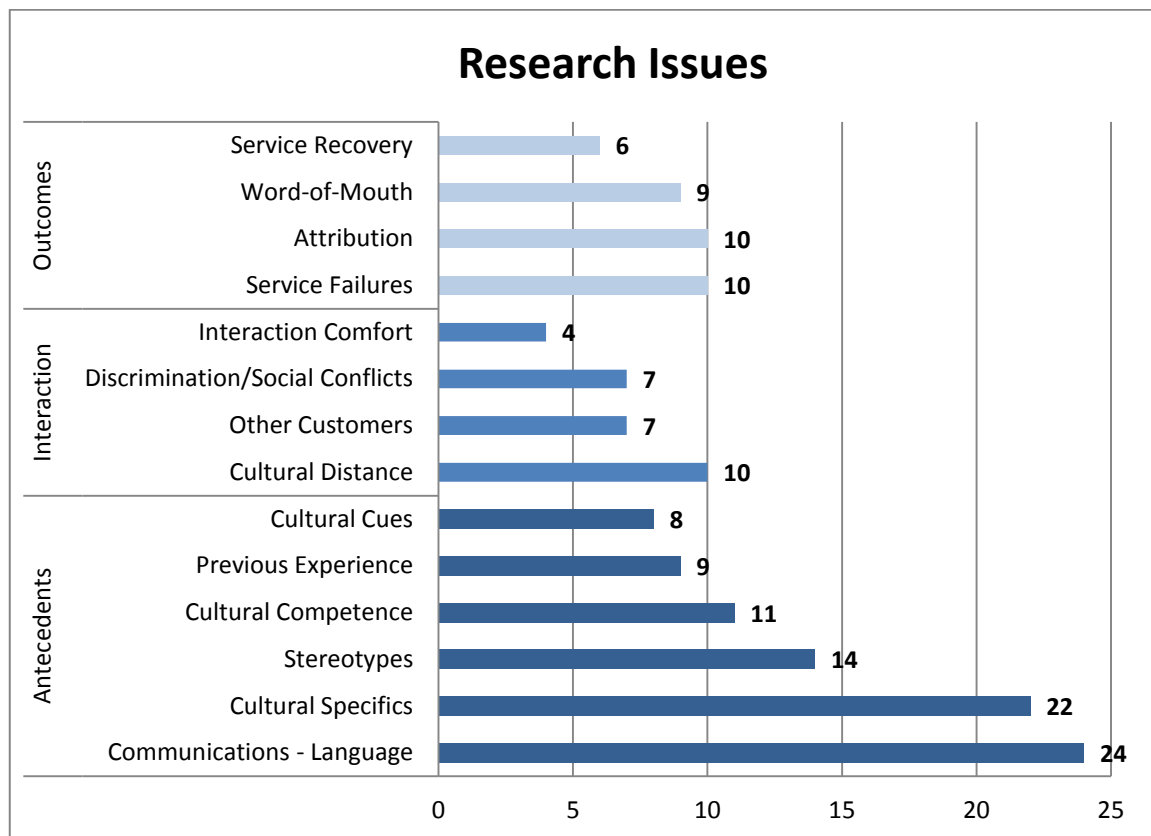


Figure 5: Research Issues

Findings about all of the above mentioned issues will be explicitly discussed in the following section of this chapter.

2.4. Antecedents of Intercultural Service Encounters

2.4.1. Cultural Specifics

Inherent to intercultural service encounters are cultural differences between the service provider and the customer. Consequently it is hardly surprising that more than half of all studies of the literature review addressed cultural differences to some extent. Due to the inseparable and intangible nature services are especially susceptible and sensitive to cultural influences. Particularly services that are highly intangible and are characterized by a close and intensive interaction between service providers and customers, like financial services, are affected by cultural differences (Bianchi 2001). Since cultural differences concerning behavior, attitudes, perceptions or communications are substantial and of utmost importance (Reisinger and Turner 1998), unavoidable costs might be caused and the competitiveness harmed by neglecting the preferences of culturally diverse customers (Lin et al. 2007). Regarding international customers it is kind of difficult to attract and serve customers from a variety of different countries respectively cultures as tourists' needs are culturally determined and diverse (Reisinger and Turner 1998). For consumer services that are provided to foreign customers in the company's home market, cultural differences are one of the three major barriers (Bianchi 2011).

Zhang et al. (2008) showed that there exist cultural differences concerning service expectations, evaluations and reactions to services. Inherent to different cultural backgrounds are diverging expectations, preferences, norms and communication styles that might occasionally even be incompatible, serve as stressors and finally result in a performance gap (Wang and Mattila 2010). Similarly Bianchi (2011) states that cultural differences like culturally determined expectations, for instance concerning the preferred way of getting things done, can cause problems and finally dissatisfaction. Basically foreign customers' expectations are based upon similar service experiences in their home countries (Hultén 2010). Therefore it is suggested that expectations of service quality are internalized, constant and so they will not change in a different cultural setting (Warden et al. 2003).

Cultural problems between service providers and customers are sometimes related to differences in the participants' expectations of the service encounter, especially

regarding the way things should be done. Depending on the cultural background, customers have different expectations regarding the personal interaction or the service provider's role in the decision making process (Pullman, Verma and Goodale 2001). In some situations customers, lacking expertise or experience, may need a disproportionate amount of advice or even expect from the employee to make the decision for them. Though other customers want to decide on their own and feel frustrated or patronized, if the service provider contributes too much. So if the customer and employee have diverging expectations this might result in an unsatisfying service encounter (Lin et al. 2007; Hultén 2010). When the behavior of a culturally diverse customer deviates from the typical behavior of a domestic customer, service providers have to evaluate the incident, undergo emotional reactions and finally generate a coping strategy (Wang and Mattila 2010).

Ultimately the acknowledgment and understanding of cultural differences should help achieving a positive intercultural interaction, customer satisfaction and consequently repeat business (Reisinger and Turner 1998). In order to succeed in the long run, research suggests that it is vital to understand the needs and preferences of the different international customer segments and adapt accordingly (Bianchi 2011). Concerning this matter, an important question researchers should ask is whether and under which circumstances these expectations are adjusted during intercultural service encounters. If expectations are adjusted, which is suggested by some studies (e.g. Stauss and Mang 1999; Warden et al. 2003), the conclusion that cultural differences imply different expectations between customers and service providers and probably cause misunderstandings or problems, is to some extent not valid. Instead it might be especially interesting to identify to which extent the participants' cultural backgrounds determine adjustments of service expectations when interacting with different cultures. In addition to this it should be clarified which other factors have an impact on the level of adjustment. In the end it is inevitable that service providers who have to deal regularly with culturally diverse customers understand the impact of existing cultural differences in order to achieve satisfying service encounters respectively to avoid dissatisfying ones. Otherwise diverging attitudes, beliefs, expectations or norms can possibly cause misunderstandings and consequently service failures (Bianchi 2001).

2.4.2. Language and Communications

One important issue that has to be considered when researching intercultural service encounters is the impact of the language-used during the service encounter (Holmqvist 2011). Effective communication between service providers and customers should facilitate accordance regarding the expectations and consequently the probability of a positive service outcome (Bianchi 2001). However, customers and service providers frequently differ not only in their cultural background, but also in their native language. When international customers have insufficient language skills and face problems to communicate in an effective way with local service providers, miscommunications and misunderstandings can occur that frustrate both participants. So especially during intercultural service encounters language plays a decisive role since language differences between the customer and service provider can impede and hamper the interaction (Bianchi 2011; Hultén 2010; Kim and Mattila 2011). These unpleasant incidents can cause frustration and are one of the most severe drivers of dissatisfaction when experiencing services abroad (Bianchi and Drennan 2012). Besides, when customers lack language skills, they have problems to express themselves or to understand the service provider, they do not feel comfortable during the interaction and so the use of a foreign language leads to stress (Holmqvist 2011; Kim and Mattila 2011). Consequently, language barriers may result in negative emotional and cognitive reactions and inhibit foreign customers (Kim and Mattila 2011). In Wang and Mattila's (2010) study, service providers perceived language barriers with culturally distant customers as the most urgent challenge during intercultural service encounters.

Even if customers fluently speak a foreign language they prefer to interact in their first language as language is not only a communicational tool but also represents certain emotional connotations (Holmqvist 2011). Besides, when foreign customers interact with domestic service providers, the customers' personal performance is a driver for satisfaction and dissatisfaction. Since they have to actively participate as co-producers (Vargo and Lusch 2004) language barriers and resulting insecurity can have impeding effects (Bianchi and Drennan 2012). When culturally diverse participants interact during a service encounter, not only the language per se can cause communication difficulties but also diverse communication patterns. Inherent to cultural differences are also linguistic differences that are reflected in diverging communication styles. Frequently people assess their counterpart's behavior in terms of their own standards

and through a certain cultural lens so the existing differences can lead to misunderstandings that might be perceived as inappropriate and eventually insult the parties involved (Bailey 2000). Additionally the findings of Bailey (2000) have shown that due to pre-existing assumptions, miscommunications were not automatically attributed to insufficient language skills but rather to disrespect and negative attitudes like racism.

Furthermore disaccords might occur due to differences in non-verbal communications like body language or tone of voice, even if foreign customers or service providers are competent in speaking the local language (Hopkins et al. 2009; Bianchi 2011). During face-to-face interactions non-verbal cues seem to play an important role. Some research suggests (e.g. Stauss and Mang 1999) that these cues might be misinterpreted and consequently cause misunderstandings, while other research highlights that non-verbal communication can help to overcome verbal communication problems during intercultural service encounters. Even if customers are not able to interpret non-verbal cues always exactly, it can facilitate communication (Hultén 2010).

In voice-to-voice service encounters customers have to rely on the language as there are no visual cues. Therefore it is anything but surprising that communication is one of the most important dimensions customers are worried about when interacting with non-domestic service providers during voice-to-voice encounters. During voice-to-voice encounters non-domestic accents can negatively influence the quality perceptions through prejudices (Thelen, Yoo and Magnini 2011; Wang, Arndt, Singh, Biernat and Liu 2013). However, as the findings of Wang et al. (2013) show, the influence of accent biases depend on the service outcome, i.e. whether the service outcome is consistent with the prejudices or not. Holmqvist and Grönroos (2012) provide several propositions how the language used during a service encounter impacts customers not only during the interaction but also before and afterwards. For instance, it is argued that the language provided in the service setting might influence customers to avoid certain service companies. Besides the language used might have an impact on customer co-production, as it determines to some extent the customer's ability and willingness to interact during the service encounter. In order to reduce potential uncertainties and to feel more confident about the service outcome, customers might prefer to use their native language during service encounters and select their service provider accordingly.

Generally the effect of accents might differ for speakers of the majority language in contrast to speakers of the minority language. While majority speakers might react negatively, being served with a strong accent, minority speakers might react positively being served in their native language, even with an accent (Holmqvist and Grönroos 2012). Finally previous research has shown that culturally diverse customers perceive inequitable service and low satisfying service experiences due to the service provider's verbal and non-verbal behavior. For instance, when service providers try to avoid culturally distant customers or are lacking efforts to ensure customers' satisfaction, these customers perceive inequitable service. Additionally the service provider's voice including the volume, speed and tone, exhibits its attitude towards the specific customers (Barker and Härtel 2004).

2.4.3. Cultural Identity Cues

Usually cultural differences between people are detected through discernible traits like physiognomy or physical appearance. Visual cues like physical appearance indicate that the participants of the service encounter have different cultural backgrounds and so further dissimilarities, like language differences, may exist between them. Possibly these differences may lead to a non-satisfying experience for the customer (Hopkins et al. 2009). Additionally visual cues like physical appearance can evoke stereotypes and so certain characteristics might be attributed to the counterpart (Chung-Herrera, Goldschmidt and Hoffman 2004). If customers perceive a high similarity due to the service provider's physical appearance, they emotionally react in a more negative manner if service failures happen (Boshoff 2012). In fact, during voice-to-voice service encounters, the service provider's voice including a certain accent is the only salient identity cue customers have (Walsh, Gouthier, Gremler and Brach 2012). Hopkins et al. (2005) suppose that salient cultural identity cues like differences in physiognomy, language or demeanor may bias customers' and service providers' expectations even before the encounter happens and eventually can have an impact on the service encounter's outcome. In case of a service failure, salient identity cues may be activated and induce the customer to attribute the service gap to cultural differences. In subsequent service encounters with culturally diverse service providers, customers may use the cultural identity cues to screen the provider in order to minimize the risk of repeated service gaps (Hopkins et al. 2005). Hopkins et al. (2009) propose to pursue strategies that

diminish the perceptions of cultural differences since such strategies may enhance customer satisfaction during intercultural service encounters. The less salient cultural differences are, the less influence they should have on the service script effectiveness. Ultimately, if inherent cultural differences are apparent and can be realized, both participants can use specific communicative behaviors in order to accentuate certain social identities and consequently to differentiate from one another (Bailey 2000).

However, in certain situations, salience of culture is explicitly requested and desired by customers. It might be the case, that domestic customers are explicitly seeking for a foreign service company, for instance when customers want to enjoy foreign food etc. Consequently customers are explicitly looking for cultural cues. If for example a customer visits a Chinese restaurant (with a Chinese name) “*culture would be mission critical*” (Hopkins et al. 2009, p. 51). Customers would expect to experience a specific cultural theme and service would be designed accordingly to meet their needs (Hopkins et al. 2009). In the described situation customers may even expect to interact with a service provider with a certain accent. When customers are experiencing authentic, culturally distinct services, they tend to be less critical and more tolerant (Weiermair 2000). In addition, if the service provider has special offers, that domestic providers do not have, customers seem to be less price-conscious (Lin et al. 2007). Similarly the findings of previous studies suggest that customer appreciate non-domestic accents when they perceive a cultural congruence between the service provider’s accent and the context of the service encounter as the accent enhances an authentic experience (Hill and Tombs 2011; Holmqvist and Grönroos 2012). In the end the service-country image might have an impact on the customers’ evaluations of services as they believe that service providers from certain cultural backgrounds are particularly qualified for offering the specific service (Hill and Tombs 2011).

2.4.4. Intercultural Competence – Sensitivity

Generally intercultural competence respectively sensitivity seems to be a valuable skill not only for service providers that deal on a regular basis with culturally diverse customers but also for their employers. Literature suggests that the service provider’s interpersonal skills are of particular importance for the performance of service companies, which serve international customers (Pires and Stanton 2000; Styles,

Patterson and La 2005; Bianchi 2011). Since the service personnel have to interact with culturally different customers and solve potential problems, culturally sensitive employees that are open-minded about other cultures are additional performance drivers (Bianchi 2011).

According to Friedman and Antal (2005) intercultural competent people are sensitive to cultural differences and are able to adapt their own behavior accordingly in order to act in an appropriate way. In this way interactions between culturally diverse people should be facilitated and misunderstandings diminished, as these people are aware of their own and open to other cultures. Similarly Sharma et al. (2009) stress the importance of intercultural competence. This competence seems to be especially important if there is a large cultural distance between the two participants. Since culturally competent people are better able to realize cultural differences regarding behavior and expectations, these people should more likely agree with each other's roles. Finally, if customers and service providers understand and agree with their opponent's role, service levels should probably be adjusted in an appropriate way. Therefore intercultural competence should help to reduce discomfort and uncertainty during service encounters (Sharma et al. 2009). In the end this competence can have a positive impact on satisfaction (Sharma et al. 2012). Also the findings of Sizoo et al. (2005) suggest service employees with enhanced intercultural sensitivity skills, could result in more satisfied customers as these employees are more attentive and can achieve enhanced service levels via adjusted service. Besides such service providers seem to benefit from the heightened sensitivity as they exhibit a higher job satisfaction and higher social satisfaction when interacting with culturally distant customers. Although Arora and Rohmetra (2010) label this competence in a different way, they also suggest that cultural intelligence is one of the most important competencies that service providers should possess in order to serve culturally diverse customers effectively. Cultural intelligence is defined as *"a person's capability to function effectively in situations characterized by cultural diversity"* (Arora and Rohmetra 2010, p. 217). Similarly Reisinger and Turner (1998) depict the importance of intercultural sensitivity. When tourists interact with culturally distant service providers, it is not required to have matched value systems but both need to undergo new cultural experiences. When both parties know and understand the cultural differences, they acquire mutual understanding, are better able to assess each other's

performance and finally it is more likely that they are satisfied (Reisinger and Turner 1998).

Basically research has shown that intercultural sensitivity is higher among service providers who have foreign language skills or who have experience in living abroad (Sizoo et al. 2005). When service providers are lacking intercultural intelligence, there is a higher probability that they do not meet customers' expectations and consequently achieve negative service experiences (Arora and Rohmetra 2010). If at least either the customer or the service provider exhibits a certain degree of cultural competence, the influence of culture on the service encounter would be attenuated (Hopkins et al. 2009). Otherwise, if both parties are lacking intercultural understanding, customers and service providers might have diverging expectations that probably are not met during the service encounter (Kwon, Nick, Kirk and Laffin 2003).

Since the lack of understanding of cultural differences is a main obstacle for meeting customers' needs, it is of utmost importance to train service providers (Reisinger and Turner 1998). If service providers have no formal training in dealing culturally diverse customers, they have to rely on previous experiences to develop and enhance their intercultural sensitivity (Wang and Mattila 2010). Ultimately it should be beneficial for service organizations to invest into intercultural sensitivity training, as better service experience should lead to higher satisfaction through enhanced service levels, positive word-of-mouth, repeat business and ultimately higher earnings (Sizoo et al. 2005).

2.4.5. Previous Experience

Previous experiences are an additional factor that emerges when participants with diverging cultural backgrounds interact during a service encounter. When customers interact in a non-domestic environment they probably encounter a new and uncertain situation with little or no existing knowledge and experience in the specific context. Hence they may struggle to determine appropriate expectations without previous experience (Bianchi and Drennan 2012). Due to the interactive nature and credence qualities of services, inexperienced ethnic customers face difficulties during the service encounter and in evaluating services. Frequently inexperienced customers do not possess the specific knowledge that is required and expected during the service

encounter. Additionally they might have difficulties to precisely express their needs to culturally distant service providers (Pires and Stanton 2000). Even if a customer wants to follow local conditions during a service encounter in a foreign environment, without previous experience it is nearly impossible to know the cultural specifics as well as common behaviors. Consequently, customers have to rely on their knowledge and hope to behave correctly in a distant culture. Sometimes this can cause unexpected problems (Warden et al. 2003).

In contrast customers that have already gained high levels of experiences in a certain environment tend to be more critical regarding their expectations and exhibit lower service evaluations (Weiermair and Fuchs 2000). Besides one has to consider that, with regard to cultural dimensions, consumers might change to some extent their tendencies and attitudes. The longer customers are exposed to foreign cultures, for example by way of frequent traveling, or staying abroad for a long period, the more experience they gain. Therefore it might be possible that these customers modify their expectations as well as perceptions during intra- and intercultural service encounters (Pullman et al. 2001; Lin et al. 2007). While inexperienced service providers might be nervous when dealing with culturally distant customers, these feelings may disappear with increasing experience. Besides service providers can benefit from previous experiences and may develop service scripts for subsequent service encounters in order to perform better or to avoid uncomfortable situations in future service encounters (Arora and Rohmetra 2010; Wang and Mattila 2010). Additionally the findings of Hultén (2010) indicate, that service failures are not seen as problematic when customers are used to similar experiences in their home countries. In sum, previous experience seems to be an important success factor as it enhances intercultural competence through learning from specific events for future encounters (Friedman and Antal 2005). Ultimately gained experience can increase the probability of appropriate expectations to and behavior during intercultural service encounters on condition that people are willing to accommodate to some extent (Bailey 2000).

2.4.6. Stereotypes, Pre-Existing Attitudes and Discrimination

When culturally diverse participants interact, physical appearance and communications are two attributes that service providers can use to assess their customers. Pre-existing

attitudes influence these assessments and eventually affect service providers' behavior. Ultimately the service providers' pre-existing attitudes appear through their verbal and non-verbal behavior towards culturally diverse customers (Barker and Härtel 2004).

When culturally distant customers face difficulties during service encounters they sometimes perceive unfair treatments and attribute these incidents to discrimination (Ye, Zhang Qiu and Yuen 2012). Additionally, when minority customers are confronted with communication difficulties or misunderstandings, they frequently perceive it as a discriminatory behavior of the service provider (Bailey 2000). When customers perceive some kind of ethnic discrimination they tend to attribute potential service failures to the service provider instead of any other reason (Chung-Herrera, Gonzalez and Hoffman 2010). Similarly, the findings of Baker, Meyer and Johnson (2008) indicate that minority customers tend to attribute service failures in ambiguous situations to discrimination instead of any other reason. Depending on contextual factors and the relative group status, customers tend to be more respectively less sensitive to discriminatory behavior. Also the level of interaction can influence the customers' perceptions of discrimination (Ye et al. 2012).

When customers interact with a service provider that speaks with a non-domestic accent, certain accents automatically induce pre-existing attitudes, stereotypes and ultimately discriminatory reactions. However accents per se are not problematic but rather the triggered stereotypes that negatively influence the interaction as customers expect a priori problems like communication difficulties or the service provider's lack of competence (Baker et al. 2008). Basically the type of accent and the context of the service encounter determine whether customers react in a positive or negative way (Hill and Tombs 2011). Obviously customers suppress negative prejudices unless they are confirmed to some extent. When the service outcome is consistent with the accent-induced prejudices, these prejudices can be justified and eventually the service outcome can be attributed to the service provider instead of any other reason. For instance accents that are related to negative prejudices negatively influence the evaluation of service encounters if the outcome is unfavorable. In contrast positive prejudices are not suppressed until they are disconfirmed. Eventually, if the outcome is favorable, these prejudices positively bias service evaluations (Wang et al. 2013). Negative stereotypes are especially prevalent for service encounter that do not require face-to-face

interactions and where customers do not have any other external cues. Consequently the customer's zone of tolerance is reduced, the perceived competence of the service provider decreased and finally the evaluation of the service quality biased (Hill and Tombs 2011). As previously stated, culturally distant participants can reveal their attitudes and potential stereotypes towards each other during the interaction through communication (Barker and Härtel 2004). However, even if the involved cultural groups usually have negative stereotypes and attitudes towards each other, interactions between them do not have to be problematic or result in negative outcomes. Instead, culturally diverse customers and service providers sometimes make efforts to establish and maintain social and personal relationships and consequently overcome negative stereotypes (Ryoo 2005).

2.5. Influential Factors during the Interaction

2.5.1. Interaction Comfort

During intercultural service encounters service providers and customers have to interact. Since the performance of the interaction influences the service evaluation, one has to consider whether participants feel comfortable when interacting with culturally diverse counterparts, i.e. whether they perceive high levels of interaction comfort or not (Paswan and Ganesh 2005). On the one hand social interactions with different cultures can result in pleasing and valuable experiences but on the other hand cultural differences may induce difficulties that lead to dissatisfying experiences (Reisinger and Turner 1998). Service providers may experience unpleasant emotions like stress, uncertainty, frustration or intimidation during intercultural service encounters (Wang and Mattila 2010). Similarly customers might be anxious or insecure regarding the service outcome as they perceive to have little control about it (Weiermair 2000). According to the service-dominant logic, customers have to participate during the service encounter (Vargo and Lusch 2004). Therefore it is important that customers feel comfortable during the interaction. Otherwise, if they feel uncomfortable, customers might be unwilling to participate in a proper manner (Sharma et al. 2009). Generally the cultural distance between the service provider and the customer seems to have an impact on the interaction comfort. For instance, when customers have to interact in a non-native language during intercultural service encounters, they might feel

uncomfortable due to potential misunderstandings (Holmqvist 2011). According to Paswan and Ganesh (2005) interaction comfort is largely determined by cultural distance. They suggest a negative relationship between interaction comfort and cultural distance. Similarly Sharma et al. (2009) propose that large cultural dissimilarities between customers and service providers reduce the interaction comfort. Additionally these authors conclude that interaction comfort is influenced by cultural competence. People with high levels of cultural competence should feel more comfortable during intercultural service encounters (Sharma et al. 2009). Ultimately customers that feel comfortable during the interaction with the service provider should be more satisfied and be more willing to spread positive word of mouth (Paswan and Ganesh 2005). Consequently the interaction comfort is an important aspect that should be considered when researching intercultural service encounters.

2.5.2. Cultural Distance

During intercultural service encounters, service providers and customers belong to different cultures. The differences respectively similarities between the two participants' cultures are reflected in the cultural distance (Sharma et al. 2009). In fact, cultural distance is a crucial aspect of intercultural service encounters (Ye et al. 2012) as it influences service levels, interaction comfort and finally satisfaction (Paswan and Ganesh 2005; Sharma et al. 2009). Therefore it is of utmost importance to understand whether cultural distance has a positive or negative impact on the service encounter.

Generally the existing studies show mixed findings about the impact of cultural distance and to some extent they are even contradictory. In fact, some of the findings concerning intercultural service encounters seem to be contradictory to theoretical foundations. For instance, according to the social identity theory (Tajfel and Turner 1979) one would expect that the lack of identification with another cultural group would have a negative influence and consequently there should be a lower chance of success for service encounters between culturally distant participants (Wang and Mattila 2010). Besides, according to the similarity attraction paradigm (Byrne 1971) people should prefer to interact with others who appear to be culturally rather similar. Similarly, with regards to role and script theory (Solomon et al. 1985), one would expect that people behave according to experiences they have gained in their domestic setting and so service

encounters between culturally distant people should potentially cause misunderstandings and problems. Based on these theories one might expect that a large cultural distance has negative effects on the service outcome. These considerations are indeed reflected in many studies of the literature review. The majority of researchers (14) suggests that there exists a negative relationship between the cultural distance and customer perceptions, i.e. the larger the cultural difference, the higher the probability of misunderstandings, problems, conflicts etc. (e.g. Sizoo et al. 2005; Paswan and Ganesh 2005; Hopkins et al. 2009; Sharma et al. 2009; Wang and Mattila 2010). If the participants are rather dissimilar in terms of language, behavior and attitudes, they potentially do not agree with each other's role during the service encounter. Consequently they might not feel comfortable during the interaction and are probably dissatisfied in the end (Paswan and Ganesh 2005; Sharma et al. 2009).

In contrast 5 papers of the literature review are not in line with theoretical foundations and indicate that the opposite might be true, i.e. a large cultural distance has a positive impact on the service encounter (e.g. Stauss and Mang 1999; Weiermair 2000; Warden et al. 2003 Boshoff 2012). If customers interact with culturally dissimilar service providers they potentially exhibit lowered expectations and have heightened tolerance levels (Stauss and Mang 1999; Warden et al. 2003). In other words, if the participants are culturally rather similar, they might have increased expectations (Weiermair 2000). The specific consequences of cultural distance regarding satisfaction respectively service failures and recovery will be discussed in the corresponding chapters. Summed up, one can state that the cultural distance between the participants is a crucial aspect of intercultural service encounters. Basically previous studies show that an increasing cultural distance has indeed an impact the interaction respectively the service outcomes. Obviously it can have both, either positive or negative effects on the service encounter. In fact, the ambiguous findings of previous studies “...highlight[s] the complexity of the relationship between cultural distance and customer satisfaction” (Sharma et al. 2009, p. 233).

An additional aspect that should be considered when examining service encounters that involve ethnic minorities is the effect of shared ethnicity. As previously described, there are several different ways how intercultural service encounters can emerge. One possibility are service encounters between immigrants or expatriates and natives.

Associated with immigrants are of course all of the above mentioned topics like experience, language and accents. Usually people determine the shared ethnicity via surnames, physical appearance or a common language. Inherent with shared ethnicity among subcultures are high levels of ethnic identification that seem to foster in-group favoritism. Consequently customers have shifted expectations during face-to-face encounters, expecting and frequently perceiving better particularistic resource exchanges as well as preferential treatments (Montoya and Briggs 2013). Additionally it is argued that it might be an incentive for service providers to provide preferential treatment (and so allocating a disproportionate amount of resources) to other in-group members, as minority subcultures compete with the dominant out-group for a limited amount of resources. These effects are more distinctive among people from traditionally collectivist cultures and minority subcultures (Montoya and Briggs 2013). Perceived cultural (dis-)similarity between the service provider and the customer may serve a priori as some kind of indicator or cue for a certain service level. Consequently service quality evaluations might not only reflect the objective service experience but might be biased due to cultural differences. The findings of Etgar and Fuchs (2011) indicate that compared to dissimilar service providers, cultural similarity to the service provider results in higher service quality perceptions. Also the findings of Jamal and Adelowore (2008) suggest that customer-employee congruency can have a positive impact on personal interaction, relationship satisfaction as well as on loyalty towards employees. Customers value the group exclusive benefits and react accordingly with positive word-of-mouth, expressions of satisfaction and enhanced loyalty. Nevertheless these preferential treatments might be a double-edged sword. If out-group members feel some kind of injustice or unfairness, they might avoid the specific service provider in future (Montoya and Briggs 2013). In any case service providers should be aware of potential influence of a shared or similar cultural background (Boshoff 2012).

2.5.3. Other Customers

Basically other customers that are present during the interaction between the service provider and the customer are part of the service encounter. Consequently culturally diverse co-customers can influence the perception and experience of the service encounter (Stauss and Mang 1999). Cultural differences between customers, as for example differences in consumption behavior or language, can be responsible for

difficulties and influence overall satisfaction. However some foreign customers might explicitly seek for cultural diversity, i.e. experiencing encounters with domestic customers (Bianchi 2011). When service failures occur during intercultural service encounters contextual cues influence the customer's perception and evaluation of the service encounter. One important aspect of these contextual factors is the presence of other customers as they influence the service experience. Generally customers are more satisfied with services if they perceive a high compatibility with other customers. As opposed to this customers that do not perceive a cultural congruence with other present customers might be anxious and less satisfied with the service experience (Johnson and Grier 2013). However cultural incongruence does not automatically have negative effects on the service encounter. Instead this effect is moderated by the customer's contact with other culturally diverse people and previous experiences (Johnson and Grier 2013). Obviously majority as opposed to minority customers react differently to the presence of culturally diverse customers. On the one hand Johnson and Grier (2013) suggest that minority customers are used to the solo status and consequently react less intensively to a culturally diverse service setting. On the other hand, if there are no other culturally similar customers present, minority customers tend to perceive service failures as more severe and request higher levels of service recovery compared to majority customers (Baker et al. 2008). In the end service providers should not only consider the customer's cultural background but also the other customers' backgrounds in order to employ the appropriate recovery strategy.

2.6. Outcomes of Intercultural Service Encounters

2.6.1. Service Quality and Satisfaction

Generally the findings of previous studies show that intercultural service encounters can result in both – better or worse service experiences compared to intra-cultural service encounters. While some researchers like Stauss and Mang (1999) or Warden et. al. (2003) suggest a positive influence of perceived cultural distance on the service outcome, others (e.g. Hopkins et al. 2005; Paswan and Ganesh 2005; Sharma et al. 2009) suggest the opposite. Irrespective of the effect's direction, it seems to be undisputable that both, the customer's as well as the service provider's cultural background, have an impact on customers' assessments of the service encounter

(Boshoff 2012). Basically the achievement of satisfying experiences during intercultural service encounters does not depend solely on the service provider but also on the customer and the service organization (Hopkins et al. 2009; Sharma et al. 2012). Ultimately service organizations should seek to achieve satisfied and happy customers. However in an international context, this goal might be hampered through the service provider's behaviors and attitudes towards culturally diverse customers (Barker and Härtel 2004). In addition, if customers and service providers have different cultural backgrounds, it is suggested that these differences may have an impact on the effectiveness of the service script, which again is related to customer satisfaction.

In a previous chapter the model of perceived quality from the customer's point of view has already been introduced. According to this model customers perceive service quality through comparing their expectations with their actual perceptions (Parasuraman et al. 1985; Zeithaml et al. 1993). From the customers' perspective service quality is reached if service providers meet or exceed the expectations regarding quality attributes (Stauss and Mang 1999). Therefore it should be useful to consider the different expectations standards that customers use, when examining service quality and satisfaction in an intercultural context (e.g. Stauss and Mang 1999; Warden et al. 2003; Hopkins et al. 2005). It might be especially interesting to know how the different service expectation levels are affected during intercultural service encounters. Since previous experiences, among other things, influence service expectations (Zeithaml et al. 1993), adequate and desired service level are partially determined by previous experiences from intra-cultural service encounters and consequently to some extent culturally biased (Stauss and Mang 1999). Probably the most important expectation level is the predicted service, the level customers estimate to receive and which is situation specific. This level has an impact on the adequate service, influences thereby the size of the zone of tolerance and ultimately service evaluation. When customers expect a high service performance they will elevate the level of adequate service and so reduce the zone of tolerance (Zeithaml et al. 1993). The amount of previous experience in the specific cultural service environment as well as other information gained through media, advertising or word-of-mouth determine how influential the predicted service is (Stauss and Mang 1999). Several researchers (e.g. Warden et al. 2003; Hultén 2010) suggest that expectations are based upon previous experiences in the customer's domestic culture. However the conclusion, that a larger cultural distance implies widely

diverging expectations and hampers perceived service quality is only valid on the premise that expectations are constant and are not adjusted in a foreign environment.

As already stated, cultural distance has an impact on the customer's expectations and attitudes towards services, service quality and experiences (Weiermair and Fuchs 2000). Potentially customers can over- or underestimate certain service providers, if the service provider's cultural background acts as an indicator for service quality. When customers seek for quality references, they eventually assign their objective or subjective perceptions of the service provider, which might be determined by the cultural background, to the service quality evaluation (Etgar and Fuchs 2011). In fact customers may have validation and attribution problems during intercultural service encounters: if there is a high cultural distance between the two parties, customers may struggle to set the predicted service level. Due to vague expectations customers may lower the predicted and adequate service level and in this way they broaden the zone of tolerance. According to this reasoning, with an increasing cultural distance customers are less critical and have a bigger zone of tolerance regarding service quality which should positively influence their satisfaction in the end (Weiermair and Fuchs 2000). Similarly the findings of Sharma et al. (2012) partially support the notion that customers lower the adequate service when they have to interact with a culturally distant service provider. Aside from that customers may have biased expectations and perceptions if the service provider has a certain accent (Hill and Tombs 2011). In the end it might be easier to achieve a positive outcome and satisfied customers if they already have lowered their expectations a priori. In contrast if there is only a small cultural distance, customers might have enhanced expectation levels, be more demanding and critical regarding their perceptions and evaluations of service quality (Weiermair 2000).

2.6.2. Service Failure and Service Recovery

When the customers' expectations are exceeded, they will be satisfied, but when the expectations are not reached there will be a gap, which leads to dissatisfaction (Zeithaml, Parasuraman and Berry 1990). This means, if the perceived service level is below the adequate service level, the customer will be dissatisfied as the minimal requirements have not been met (Zeithaml et al. 1993; Stauss and Mang 1999). As culturally distant customers and service providers might have deviating service scripts

and role expectations, they frequently do not meet their counterpart's expectations and so problems and service failures are likely to occur during the interaction (Kwon et al. 2003; Hultén 2010). Service failures increase expenses while diminishing quality and profitability (Sizoo et al. 2011). Therefore service providers have to understand customers' expectations in order to meet and exceed them, since they should try to achieve satisfied customers. However these expectations are determined by culture (Zhang et al. 2008).

When service failures happen during an intercultural service encounter, service providers should always consider that the customer's cultural background has an impact on the perceived severity of the failure and the perceived recovery effectiveness (Chung-Herrera et al. 2010). Customers that have already experienced similar problems in their home country perceive service failures in a foreign environment as less problematic (Hultén 2010). Literature has shown that it is useful for service companies to detect and categorize service failures in order to improve the services offered to international customers, the employees' satisfaction and finally the organizations' results (Sizoo et al. 2011).

Against the predictions of social identity theory and similarity-attraction paradigm, Boshoff (2012) has shown that compared to dissimilarity, physical similarity (i.e. same ethnicity) between service provider and customer results in more negative emotional reactions when service failures and recovery occur. In addition, Stauss and Mang (1999) have found that service failures happen more frequently in intra- compared to intercultural service encounters. Similarly, Sizoo et al.'s (2011) findings indicate that during intra-cultural service encounters customers experience more frequently service failures and also more severe ones than during intercultural service encounters. On the one hand perceived similarity might increase pre-encounter expectations, i.e. a higher level of adequate service, and consequently customers are dissatisfied and exhibit highly negative emotions if their expectations are not met (Boshoff 2012). On the other hand, during intercultural service encounters, customers might change their expectations afterwards. According to attribution theory (Weiner 1985) customers are looking for an explanation after a negative service encounter. When customers perceive an unfavorable service, they usually tend to blame the service provider for the service failure. However if a failure occurs during an intercultural service encounter, customers might move the

locus of causality and possibly attribute the failure to themselves respectively to cultural differences. When customers realize that their expectations were not appropriate due to lack of understanding or knowledge, they might change their expectations ex-post. Hence customers lower the adequate service level and consequently enlarge their zone of tolerance. While customers estimate to have matched expectations with service providers during intra-cultural service encounters, this might not be the case during intercultural service encounters and their tolerance might be increased (Stauss and Mang 1999).

Warden et al. (2003) extended Stauss and Mang's (1999) model by including service recovery strategies after failures. In response to service failures, a recovery attempt is the service provider's chance to still create satisfaction (Warden et al. 2003). Bitner, Booms and Tetreault (1990) suggest that the employees' responses to failures are crucial as apologies, explanations or compensatory actions can diminish the customer's dissatisfaction. Therefore, if managers want to reduce service failures to the minimum, they should consider the customers' point of view, since their *"perception of reality is the key factor"* (Chung and Hoffman 1998, p.67). Obviously customers tend to attribute service failures that happen during intercultural service encounters to exceptions if successful service recovery strategies are employed. In other words, the customer perceives that the service provider usually delivers good service and the specific failure is an unusual incident. Additionally, service failures may be referred to misunderstandings caused by cultural differences and not to the service provider's fault. These considerations are especially valid for customers that only stay temporarily in a foreign cultural environment, like tourists (Warden et al. 2003). However, when service recovery strategies are insufficient customers as opposed to service providers perceive that ethnicity is to a greater extent accountable for service failures and recovery (Chung-Herrera et al. 2004). Furthermore Warden et al. (2003) empirically showed that service recovery strategies are more effective in intercultural encounters than in an intra-cultural context. In fact service failures can be retrieved and the customer's goodwill kept. However it is questionable whether the same situation is valid in the case of immigrants. These customers may have more references and are able to attribute the failure more appropriately, as they have better knowledge of usually delivered service levels. Finally Warden et al. (2003) suggest that the degree of the ex-post facto change of the perceived service and reactions to recovery strategies may depend on the cultural

setting. Similar to a country-of-origin effect, customers may attribute more or less effectiveness to recovery attempts depending on whether they perceive the particular culture as more or less advanced than their home culture. While the authors propose a positive relationship, i.e. recovery attempts are perceived more effective in more advanced cultures, the opposite might be true as well. When customers interact in a less valued culture, where they have a lower level of predicted service and are more tolerant. Therefore a recovery attempt might boost a positive reaction. Additionally stability should foster the assumptions of the ex-post facto change when customers perceive low service quality. When foreign customers observe that they have not been served in a different way but rather everybody is treated in the same way, regardless of the cultural background, they will anticipate having similar experiences in future. As a result the predicted service will be adjusted in future intercultural service encounters, thereby lowering the adequate service level and influencing the zone of tolerance (Stauss and Mang 1999). Additionally, the language used during the service recovery can positively influence the recovery success. If service providers try to interact in the customer's native language it should surpass customer's expectations and so support service recovery (Holmqvist and Grönroos 2012).

Through combining the findings of the existing literature one might tentatively conclude that perceived similarity between service provider and customer has indeed a positive influence as long as the interaction proceeds smoothly and without any difficulty (e.g. Paswan and Ganesh 2005; Etgar and Fuchs 2011; Boshoff 2012). However if there occur any difficulties or service failures, they are perceived as less severe and recovery is more effective in service encounters among dissimilar participants (e.g. Stauss and Mang 1999; Warden et al. 2003; Boshoff 2012). Additionally customers might be more tolerant when interacting with culturally distant service providers and have lower expectation levels a priori (Weiermair 2000; Weiermair and Fuchs 2000).

2.6.3. Word of Mouth

Generally customers that are comfortable when interacting with culturally distant people, are more satisfied with service encounters and are also more willing to spread positive word-of-mouth (Paswan and Ganesh 2005). For instance, when customers have sentiments toward off-shored services they are likely to spread negative word of mouth

about companies that provide such services (Thelen et al. 2011). Although Warden et al. (2003) claim that bad word of mouth can have negative effects locally as well as internationally, it is questionable how “influential” international customers can be. In case of immigrant customers, bad word of mouth can spread locally and have a direct impact on the business, but people from abroad have a limited range. Nevertheless it is suggested that positive word of mouth among foreign customers is crucial for domestic service providers (Bianchi 2011). Ethnic minority groups can use word of mouth to exchange their experiences and information about certain service providers. In order to gain risk-reducing information prior to service encounters, inexperienced minority customers might use recommendations from other customers from the same cultural background (Pires and Stanton 2000).

3. Theoretical Model

One of the objectives of this thesis, providing a comprehensive theoretical model, could be achieved through examining the existing literature about intercultural service encounters and integrating the findings. Similar to Moeller's (2008) FTU framework the model distinguishes between three different stages: antecedents, interaction and outcomes of intercultural service encounters. All three stages and their elements will be now separately discussed and are illustrated in Figure 6. The first stage, antecedents, provides the basis for the intercultural service encounter. It comprises cultural specifics as well as personal characteristics of both participants. Combined, these factors determine the cultural proximity respectively distance between the customer and the service provider. During the second stage, the interaction, all antecedents intermingle and interact. This stage is indeed crucial for the success or failure of the service encounter (Stauss and Mang 1999). The final stage encompasses the outcomes of the service encounter. Regarding the outcome it is important to determine whether it is a positive or negative service encounter respectively whether the participants are (dis)satisfied in the end. Each service encounter takes place in a specific context. The contextual factors encompass all three stages, i.e. the antecedents, the interaction as well as the outcomes.

Basically all of the discussed issues have been discussed to some extent in the previous chapter (e.g. use of foreign versus native language) but now they will be combined and related to each other. In the following chapter I try to explain how they should interact from a theoretical perspective. However, as it is a theoretical model, the direction for some the proposed relations cannot be determined until now.

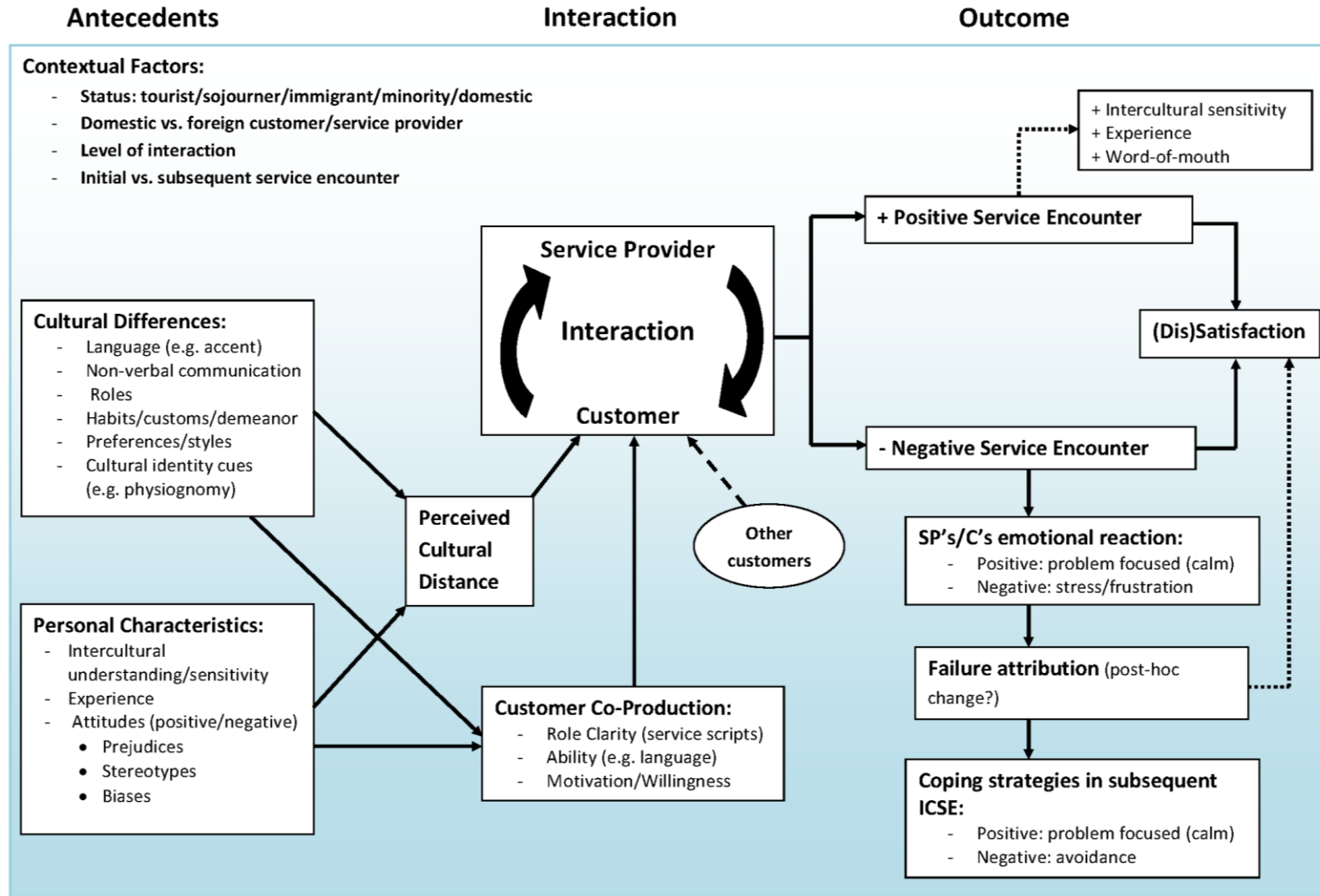


Figure 6: ICSE Theoretical Model

3.1. Contextual Factors

Generally the whole service encounter is embedded in a certain context. The contextual factors include the affiliation or role of the two participants. In this respect one has to consider whether the service provider or the customer is native respectively foreigner. Closely related with this is the status of the two parties: is the customer a tourist, a sojourner, an immigrant or member of a minority group? Similarly the service provider might be a sojourner or an immigrant, working abroad and serving domestic customers. This factor also determines the length of stay that means how long the customer or service provider already stays in the specific country and consequently the already acquired experience. Unfortunately previous research has ignored these differentiations widely. However the different compositions of intercultural service encounters might be one reason for the inconsistent findings in literature. Possibly these factors have an impact on both, the customer and the service provider, as they should determine which expectations they have and how the service encounter is evaluated. Generally tourists' travel motivations may be various and can have an impact on the service encounter (Ye et al. 2012). For instance Weiermair and Fuchs (2000) suggest that foreign tourists might on the one hand explicitly seek for new experiences or on the other hand might strive for habitual experiences that are not very different from similar service experiences in their home country. Previous research indicates that acculturation might have an impact on the interaction, but the length of stay seems to have only a weak influence on the interaction comfort (Pires and Stanton 2000; Paswan and Ganesh 2005). I suggest that a customer might evaluate the same service encounter differently depending upon the setting where it takes place, i.e. a domestic versus an international setting. For instance, an Austrian customer is served by an Italian waiter in a restaurant in Italy with poor German skills. Even if the waiter's language skills are not perfect, the customer might be pleased to talk in his native language, as it is not usual and somehow unexpected to communicate in the native language abroad. However the customer would probably experience or evaluate the same service encounter differently if it happened in a domestic setting (i.e. the Italian waiter is an immigrant or sojourner and works in Austria).

An additional factor inherent to a specific service encounter is the level of interaction. The higher the level of interaction is the more likely are potential misunderstandings between the parties involved. For instance self-services reduce the level of interaction

between service providers and customers and hence the probability of communication problems and participants' stress (Wang and Mattila 2010). In other words, if there is a low level of interaction, a customer may not even have to talk to the culturally diverse service provider, but can communicate in a non-verbal way. On the contrary a high level of interaction requires a certain level of verbal communication that is influenced by the diverging cultural backgrounds. Besides the level of involvement and the level of perceived risk should be considered as customers' perceptions and reactions might depend upon them (Thelen et al. 2011).

Finally the frequency of the specific service encounter is an additional contextual factor. It might be an initial or a subsequent service encounter. If it is an initial service encounter in a specific setting, the customer or service provider does not possess any previous experience and so it might be difficult to build appropriate expectations. If it is a subsequent service encounter, the participant should have proper experiences to rely on and so be able to have appropriate expectations.

3.2. Antecedents

3.2.1. Cultural Differences

According to the definition of intercultural service encounters both parties involved belong to different cultures (Stauss and Mang 1999). Consequently cultural differences are inherent and crucial to such service encounters. Basically there are several different possibilities where cultural differences can exist. First of all there might be language differences between the service provider and the customer (Holmqvist 2011). If people speak in a non-native language they might have some kind of accent. Similarly there might be differences in the way how they talk, in which context they talk (e.g. high versus low-context cultures). Additionally there might be cultural differences regarding the non-verbal communication including body-language, space etc. Moreover, service providers and customers might also have diverging expectations regarding the role they have to perform during the service encounter and their counterpart's role as these roles might be culturally determined. For instance, several authors (e.g. Weiermair 2000; Bianchi 2001; Zhang et al. 2008) suggest that customers have culturally determined expectations of service providers' performance during the service encounter. However it

has to be questioned whether these expectations are adjusted in a non-domestic environment or not. Consequently, when service providers and customers use different scripts during the interaction, diverging expectations can result in misunderstandings. Otherwise adjusted expectations might facilitate interactions. Similarly different cultural backgrounds can result in varying habits, customs and demeanors. Depending on the cultural background, customers can have diverse preference or expect different styles (Reisinger and Turner 1998).

Ultimately, there exist most probably some kind of cultural identity cues. The most obvious cultural identity cue might be physiognomy, like skin color, facial expression etc., that is easily perceptible. According to the similarity attraction paradigm and social identity theory visual cues (e.g. physical appearance of the service provider) influence customers' perceptions, behavior and evaluations of service encounters and consequently their (dis-)satisfaction (Boshoff 2012). Moreover, language differences or accents can serve as cultural identity cues (Walsh et al. 2012).

3.2.2. Personal Characteristics

Apart from cultural differences, the participants' personal characteristics are also an important antecedent. Barker and Härtel (2004) suggest that both, the service provider and the customer, possess a certain and unique makeup that is determined by pre-existing attitudes, knowledge, previous experience as well as demographic characteristics like the cultural background. The combination of all these factors affects the parties' communication and interaction with each other (Bianchi 2001; Barker and Härtel 2004). Obviously a crucial personal factor is the intercultural competence or sensitivity (Sizoo 2008; Sharma et al. 2012). In the intercultural service encounter literature are several different labels for this factor like intercultural sensitivity (e.g. Sizoo et al. 2005; Hultén 2010), cross-cultural understanding (e.g. Barker and Härtel 2004), intercultural competence (Sharma et al. 2009), or cultural intelligence (e.g. Arora and Rohmetra 2010). Basically it is important to be open-minded and unprejudiced towards different cultures, to know and understand potential cultural differences, to be able to realize them, and eventually to act accordingly. It is certainly especially helpful for service providers to possess this characteristic, as a high level of intercultural sensitivity should facilitate serving and interacting with culturally diverse customers.

Through high levels of cultural competence service providers should be able to meet the specific needs of their culturally diverse customers, achieve effective interactions and finally positive service outcomes (e.g. Barker and Härtel 2004, Sizoo et al. 2005; Arora and Rohmetra 2010; Sharma et al. 2012). Even if the service provider lacks in intercultural sensitivity, it is beneficial if at least the customer owns a certain level such understanding as it should improve the interaction. One way of achieving increased levels of intercultural sensitivity is experience. Through interacting in a cultural diverse setting, customers and service providers can gain experience that increases their knowledge about and sensitivity to cultural differences. Furthermore previous experiences should enable an appropriate adjustment of expectations prior to the interaction, which should positively influence the service outcome in the end. Gained experiences can also influence personal attitudes. While positive attitudes are desirable as they can have a positive impact on the service encounter, negative attitudes can have an adverse effect. Negative attitudes can result in stereotypes, prejudices and biases that are detrimental to the interaction and consequently to the service outcome. Due to prejudices or stereotypes customers can have biased expectations (Wang et al. 2013), which might be a challenge but also an opportunity for the service provider: If a customer has a negative attitude it might be problematic to achieve an effective and positive interaction. Though, if the service provider is able to deliver a positive service experience, the customer should be highly satisfied with the unexpected service outcome. Additionally, service providers should exhibit high levels of customer orientation as it should eventually have a positive impact on the service encounter (Walsh et al. 2012). Generally the personal factors are important as they determine the participants' mindset and abilities to interact effectively during intercultural service encounters.

Actually all of the above discussed elements, i.e. intercultural competence, experience and attitudes interact and intermingle to some extent. For instance a positive experience can enhance the intercultural competence and the attitude which should positively influence the interaction of future service encounters in the end. Then again a high intercultural competence should lead to better experiences when interacting with culturally diverse counterparts. Combined they are a crucial factor for the service encounter success in an intercultural context.

3.3. Interaction

Embedded in a certain context, the actual interaction between the culturally diverse participants finally takes place. Generally the inter-personal interaction between the service provider and the customer is a crucial factor for the customer's evaluation of the service encounter (Paswan and Ganesh 2005). During the interaction all of the above mentioned components emerge and encounter each other. At this stage both, the service provider's and the customer's personal factors, cultural differences and consequently the perceived cultural distance collaborate and determine whether it will be a positive or a negative interaction. At this stage the customer has to co-produce in order to achieve a positive service outcome. According to the model, the proceedings of the service encounter depend on the compatibility of the two participants' settings.

3.3.1. Perceived Cultural Distance

All the previously discussed factors illustrate the plethora of cultural differences that can exist between the participants of intercultural service encounters. Both, cultural differences as well as personal factors determine the perceived cultural distance of service provider and customer. According to the illustrated model it is suggested that the perceived cultural distance has an impact on the interaction. Unfortunately, due to the insufficient status of research, it cannot be stated whether there is a positive or negative relationship between perceived cultural distance and the service outcome. On the one hand it can be argued that a higher perceived cultural distance increases the probability of misunderstandings, communication problems etc. which can hamper the interaction in the end. For instance Sharma et al. (2009) as well as Paswan and Ganesh (2005) suggest that an increasing cultural distance between the two participants' cultures negatively influences the interaction comfort during intercultural service encounters and finally the evaluation of the service, i.e. the smaller the cultural distance the higher the interaction comfort. On the other hand customers might have higher expectations, as they do not expect problems to occur, if there is only a small perceived cultural distance. In other words this means, the higher the perceived cultural distance, the bigger the zone tolerance, as customers anticipate some kind of deviations compared to intra-cultural service encounters. Consequently an increasing cultural distance should positively influence the service encounter (e.g. Stauss and Mang 1999). Additionally the

impact of the perceived cultural distance might be specific to different cultures i.e. while people with certain cultural backgrounds are more open-minded and appreciate cultural diversity, people from other cultures might prefer not to interact with members of other cultures (Etgar and Fuchs 2011). In any case, the cultural distance between the service provider and the customer influences the interaction.

3.3.2. Other Customers

Although the interaction takes place between the service provider and the customer, it might be useful to consider the role of other present customers. Even if the customer does not interact with them directly they might have a positive or negative influence on the interaction (c.f. Paswan and Ganesh 2005; Baker et al. 2008; Nicholls 2011). While a cultural compatibility with other customers can positively influence the service experience, customers might feel anxious and perceive lower levels of satisfaction if they perceive incongruence with their co-customers (Johnson and Grier 2013). This seems to be especially valid for service encounters in an international setting, where, for instance, the foreign customer might be pleased or else irritated and disturbed by other domestic customers.

3.3.3. Customer Co-Production

Also in an international context, customers' perceptions of (dis-)satisfaction depend partially on their own performance during the service encounter (Bianchi and Drennan 2012). In a previous chapter the three determinants of effective co-production have already been mentioned, i.e. ability, task clarity and motivation (Lovelock and Young 1979; Lengnick-Hall et al. 2000). Potentially all three factors are affected during intercultural service encounters. If customers face difficulties with one or more of these factors, they probably do not contribute in an expected and proper manner, due to insufficient skills or knowledge (Stauss and Mang 1999).

First of all customers have to possess role clarity, that means that they need to know and understand what they have to do during the service encounter. Of course customers cannot co-produce effectively if they do not have the required knowledge. When customers interact in a foreign environment they may have unclear ideas about the role

to perform, as this role may deviate from the familiar one that they perform in a domestic setting. Otherwise they may try to co-produce to some extent but actually it will not be very useful as it deviates from the service provider's expectations. Consequently weak role clarity negatively influences the co-production. Secondly customers need to own the required ability or competence. The ability determines the quality of the customer's input and whether they are able contribute and participate during the service process (Auh et al. 2007). In case of intercultural service encounters language skills can be seen as an example of the required ability to co-produce. If both participants have different native languages, this can affect their ability to interact. In fact the language used during the service encounter has a huge impact on co-production as it influences not only the ability but partially also the willingness to participate (Holmqvist and Grönroos 2012). If customers are not able to communicate at least to some extent with the service provider, it is more or less impossible to co-produce. Therefore language barriers and uncertainties are one of the most severe barriers hindering effective co-production (Bianchi and Drennan 2012). Finally customers should also own motivation and willingness to participate during the interaction. In the end it is insufficient to possess merely the ability and role clarity, if customers are not willing and motivated to co-produce. According to Schumann, Wunderlich and Zimmer (2012) customers' motivation to co-produce depends on their cultural background respectively their cultural values. Similarly Chan et al. (2010) have shown that both, the service provider's and the customer's cultural background have an impact on the customer participation during the service process. In the end, there should be a higher probability of a positive service outcome if customers are able to contribute in a good and proper manner. Therefore all three factors of co-production should ideally be as high as possible, i.e. customers know which role they have to perform, they are able to do so and finally are motivated to co-produce.

3.4. Outcome

3.4.1. Positive Service Encounter

In the end the interaction results ideally in a positive outcome. In fact, if the interaction leads to a positive service encounter, it should have several favorable consequences. Most importantly, the customer should be satisfied, which should be the service

organization's ultimate goal. Besides a positive service outcome should also have a bearing on both participants' personal factors. In any case the experience is amplified through a pleasant event. As a result of the positive experience, the intercultural sensitivity should also be augmented. Additionally satisfied customers might spread word of mouth after experiencing a positive service encounter.

3.4.2. Negative Service Encounter

If the interaction results in a negative service encounter, there are several aspects that have to be considered in order to determine the final consequences. Even if it is a negative service experience at first, the customer does not automatically have to be dissatisfied in the end. First of all it is crucial how the service provider and the customer react emotionally. On the one hand they can react positively, staying calm and trying to solve the problem. On the other hand it is possible that they show negative emotional reactions that result in stress and frustration. Next it is essential to which reason the failure is attributed. After each interaction, both involved parties try to attribute the outcomes to certain causes (Barker and Härtel 2004). In case of intercultural service encounters it is actually a unique opportunity to blame neither the customer nor the service provider for potential failures but rather hold the existing cultural differences responsible for the problems. Thereby it might be possible, that customers change their expectations post-hoc. More specifically that means that the expectations are lowered afterwards, i.e. the adequate service level is reduced and consequently the zone of tolerance increased (Stauss and Mang 1999; Warden et al. 2003). Finally the customer might be satisfied if the service provider is problem focused and able to solve the failure, or if the problem is attributed to the cultural distance. Otherwise the negative service encounter results in dissatisfaction. In any case both participants will apply a certain coping strategy in future intercultural service encounters. Again such a strategy could be in a positive way, i.e. staying calm and problem focused in future service encounters. Then again the coping strategy could be in a negative manner. This means that both the customer and the service provider try to avoid future service encounters with culturally diverse counterparts if possible.

Regarding the whole model it should be considered whether and to which extent (customer's) expectations are adjusted before, during or after such an encounter (c.f. Stauss & Mang 1999; Warden et al. 2003). As it was described above, it might be for

instance the case that evolved problems are attributed to cultural differences respectively to the perceived cultural distance and consequently the adequate service level is lowered afterwards. On the contrary customers might have very high expectations when interacting in a certain foreign environment and so the accepted minimum service level might be heightened. Irrespectively of the direction, it is important to examine whether customers adjust, i.e. lower or heighten, the accepted service level when interacting with cultural diverse service employees and consequently change the zone of tolerance. Additionally it is vital to explore which factors are responsible for such adjustments.

4. Qualitative Study

The following part of this thesis deals with the managerial perspective about intercultural service encounters. As the findings of the literature review have shown there is hardly any study that investigates these encounters from the service provider's perspective. Besides there are only a few studies that analyze service encounters where immigrant service providers respectively immigrant customers interact with a domestic counterpart. However the paucity of research seems somehow surprising as migration is one of the main reasons for the increasing frequency of intercultural service encounters (c.f. Sharma et al. 2009). Therefore the study concentrates on service encounters involving immigrant customers and service providers in high contact services (i.e. financial services).

4.1. Research Objectives

The primary objective of the qualitative study is to gain insights into the managerial perspective about intercultural service encounters, including issues, problems, characteristics etc. that service providers face during their day-to-day job routine. An additional objective is the examination of customer co-production during such service encounters, including the identification of factors that facilitate customer co-production during intercultural service encounters. Specifically the study investigates whether intercultural service encounters differ with regard to customer co-production and if so, which factors influence the co-production during these encounters, aspects that have not been the focus of previous studies, yet. Previous studies that have examined customer co-production in a cross-cultural context (e.g. Chan et al. 2010; Schumann et al. 2012) suggest that culture has an impact on drivers and outcomes of co-production. Especially factors having a positive impact on co-production should be of particular importance for service providers that deal with culturally diverse customers, as increased co-production can positively influence the service outcome (Auh et al. 2007). Therefore the aim of this study is to partially close the existing research gap by investigating whether and how co-production differs during encounters between service providers and customers with migration background. Finally the exploratory study aims to reveal the relevance of such service encounters and how they are actually addressed and handled in practice.

4.2. Research Questions

Basically the aim of the qualitative study is to provide answers to the below-mentioned questions. These questions evolved from the literature review, as they have not been addressed in previous studies yet.

- Which specific problems do service providers encounter when interacting and serving immigrant customers?
- With regard to the service encounter, is it different when immigrants are involved?
- Do immigrants co-produce differently than non-immigrants? If they do so, why?
- Which factors influence or enhance co-production of these customers?
- In which way are the diverse cultural backgrounds of the customers considered and taken into account during the service encounter?
- Regarding service encounters involving immigrant customers: does it make a difference whether there is a cultural match/mismatch between the customer and the service provider?
- Which influence does the language used (i.e. use of native versus second language) have on the service encounter?

4.3. Methodology

In order to be able to answer the research questions an exploratory study design was employed. Similar to the methodology of previous studies in this research area (e.g. Barker and Härtel 2004; Wang and Mattila 2010; Bianchi and 2012), semi-structured interviews were conducted with frontline employees and marketing employees. Generally qualitative research techniques are a useful method to gain understanding about specific topics and to enhance theory building (Srnrka and Koeszegi 2007). The exploratory approach seems to be the appropriate instrument as the study aimed at gaining insights into the research topic and especially improving the understanding of service providers' behaviors, attitudes and perceptions during intercultural service encounters. As in-depth interviews are characterized by high levels of flexibility, they allow further probing which can be useful to explore deep insights. Besides, during in-depth interviews, respondents should be more open and willing to speak straightforwardly even about sensitive topics that they would not talk about in the

presence of others (Wilson 2006). First of all an interview guideline was developed in order to assure that all relevant topics are covered in each interview. The topics and research questions were based upon the findings of the literature review. On the one hand, topics that have not been addressed in past studies have been included and on the other hand unsolicited questions of previous research have been added.

Before conducting the final study, a pre-test with two employees working in the area of financial services was conducted. Thereupon the interview guideline was accordingly adjusted (e.g. adjustment of terminology including banking-specific expressions etc.). As the sample included financial advisors and employees working in the marketing department, two adapted versions of the guideline were used that differ slightly. The semi-structured interview-guideline for the financial advisors consists in total of 18 open-ended questions regarding the service providers' experiences with culturally diverse customers, comparisons between domestic versus foreign customers, co-production during the service delivery etc. In order to have a sufficient amount of time for each session, appointments that were convenient for the respondents were made. Before conducting the interview, each respondent was introduced into the research project. In addition the objective, usage of data (i.e. diploma thesis) as well as the format of the interview-session were explained. Since the area under investigation is a somehow sensitive topic, including statements, judgments and opinions about culturally diverse people, respondents were assured that they can and are encouraged to speak in an honest and free way, without being anxious that answers appear discriminatory or derogatory. Furthermore respondents were assured that all data is treated as confidential and analyzed anonymously. Otherwise there would be the potential hazard that answers are biased due to social desirability or self-flattering reasons. In order to ensure a smooth conversation-flow, all interviews started with four general, easy answerable questions about immigrant customers. Subsequently the other 14 questions were discussed. Depending on the preceding answers and the situation, further probing questions were asked. The guideline for the marketing employees covered partially additional topics and included 11 open-ended questions regarding strategic challenges and measures. For the full version of the guidelines, please see Appendix B and C. Additionally further information about the interviewees were captured, including their cultural origin, years of profession, etc. All interviews were conducted at the branches respectively in the head office. For conducting the interview, each session was

undertaken in a separated venue where a calm and undisturbed atmosphere could be achieved.

4.4. Research Setting

The qualitative study was conducted in the area of financial services as these services require a high level of interaction between the service provider and the customer. Like all high contact services, financial services involve a high degree of face-to-face interaction between (culturally diverse) customers and frontline employees (Sharma et al. 2009). Furthermore financial services are an appropriate setting to examine customer co-production during the service delivery process, as the participation is highly required in order to provide adequate service offerings that are customized to the customer's needs (Auh et al. 2007; Chan et al. 2010). Vienna was chosen as the research setting as this city seems to possess perfect conditions for conducting a study about service encounters in a migration context. In Austria and especially Vienna there is a heterogeneous population with an increasingly amount of citizens with migration background. Approximately 19% of the total population respectively 1.6 million people have a migration background, with a buying power of 20 billion Euro (Bräuhöfer and Yadollahi-Farsani 2011). More than half a million people have a migration background with roots in the former Yugoslavian countries (about 6% of the total population) and an additional quarter million are of Turkish descent (Bräuhöfer and Yadollahi-Farsani 2011; Statistik Austria 2013). The corresponding numbers are even more impressive for Vienna. In Vienna there live around 1.7 million people from which approximately 21% have a foreign citizenship. Besides, more than 500.000 residents were born abroad (around 31% of the total population). Altogether 49% of the Viennese residents have a migration background, that means that they immigrated themselves or that at least one parent was born abroad (Stadt Wien - MA 17 2012).

Nationality	Reporting year				
	2008	2009	2010	2011	% 2011
Total employees	771.158	762.891	764.310	777.174	
Austrian	628.745	619.768	616.068	617.654	79,5%
Foreign	142.413	143.123	148.242	159.520	20,5%

Table 4: Employment in Vienna according to nationality
Source: Stadt Wien - MA 23 (2012a)

As the numbers in Table 4 illustrate, there are similar high numbers regarding the Viennese workforce. Around 20% of the Viennese workforce are foreign citizens, excluding employees with migration background but with an Austrian citizenship. As all these examples illustrate, one does not have to go abroad in order to experience intercultural service encounters. Instead it is nearly inevitable to interact with culturally diverse people in a city like Vienna. Austria's capital city provides not only an ideal setting due to its culturally diverse population and workforce but also due to tourism. Generally Vienna attracts and accommodates high numbers of foreign tourists: in 2012 about 4.4 million foreign tourists traveled to Vienna which resulted in more than 10 million guest-nights (Stadt Wien – MA 23 2012b). Actually it is usual that domestic customers are served by immigrant service providers, and that immigrant customers and foreign tourists interact with Austrian service providers on a daily basis. In sum, baring all these figures in mind, it seems to be nearly impossible in a city like Vienna to avoid intercultural contacts since this city has evolved to a cultural melting pot. Due to the high numbers of foreign inhabitants as well as the percentage of migrant (service) employees, intercultural service encounters are ensured. Hence, as all these figures and examples illustrate, the city seems to be an ideal setting for conducting research in the field of intercultural service encounters.

4.5. Sample

In total 13 in-depth interviews with frontline employees and marketing employees were conducted. As the aim of the study was to interview people who work on a daily basis with immigrant customers in the financial sector and to include frontline employees with different cultural backgrounds, judgmental sampling was applied. Through this sampling method the selection of proper interviewees for the research study was possible: The interviewees were selected based on their representativeness (i.e. cultural background), knowledge and experience with intercultural service encounters as well as their willingness to participate. Besides this sampling method is especially suitable for studies that include only a small number of respondents (Wilson 2006). The amount of respondents seems to be appropriate to the exploratory study design and is similar to the sample sizes of other studies in the same research area (e.g. Hultén 2010; Wang and Mattila 2010; Bianchi 2011; Ye et al. 2012).

The sample was designed to obtain as many different perspectives as possible. On the one hand the sample represents a strategic as well as an operative perspective. This could be achieved through including 10 interviewees who work as frontline employees and 3 interviewees who are employed in the marketing department. The frontline employees, who work and interact on a daily basis with immigrant customers, can provide useful information about the investigated topics from an operative point of view. Additionally the interviewed marketing employees can reflect strategic challenges and how to approach them, as they have to support the financial advisors and indirectly interact with immigrant customers through supportive materials, advertising, public relations etc. The profiles of all interviewees including their cultural background, their position, as well as years of experience in the specific position are illustrated in Table 5. For purposes of anonymity the real names of the respondents were changed and interviewees were given alias names that will be used in the analysis.

Interviewee	Gender	Culture/Ethnicity	Years of Profession	Job/Position
Ivana	F	Serbian	2	Frontline employee
Jelena	F	Serbian	4	Frontline employee
Aylin	F	Turkish	1,5	Frontline employee
Sinan	M	Turkish	3	Frontline employee
Michael	M	Austrian	10	Frontline employee
Sanja	F	Croatian	4	Frontline employee
Anna	F	Austrian	8	Frontline employee
Marina	F	Serbian	4	Frontline employee
Ebru	F	Turkish	4	Frontline employee
Andreas	M	Austrian	3	Frontline employee
Paul	M	Austrian	7	Public Relations
Walter	M	Austrian	11	Marketing
Marie	F	Austrian	2,5	Marketing

Table 5. Interviewee profiles

On the other hand, regarding the frontline employees, the sample was composed in such a way, that as many different compositions of intercultural service encounters are included, as possible. This could be achieved through interviewing both domestic

financial advisors as well as financial advisors with a migration background. As it can be seen in Table 5, three of the frontline employees are domestic (i.e. of Austrian origin) while the other seven have migration backgrounds: three have their cultural roots in Serbia, one in Croatia and the other three are of Turkish descent. These immigrant groups were included as they represent the two biggest groups among the Viennese immigrants. In 2012, out of the 590.845 immigrants that lived in Vienna around 18,5% (~109.000) were of Serbian and nearly 13% (~75.000) were of Turkish descent (Stadt Wien MA 23 2012c). Of course all of the frontline employees work in branches that serve a disproportionally high degree of immigrant customers. Since all of the included financial advisors have experiences in serving both, domestic and foreign customers, they all know the differences between intercultural and intra-cultural service encounters. On average the interviewees had five years experience in their current position. According to Hopkins et al. (2009) one way of facilitating encounters between culturally diverse people is matching people that have similar cultural backgrounds or that do not exhibit salient cultural differences. In order to examine this argument, respondents were asked to compare their experiences between intra- and intercultural service encounters involving immigrants. In Table 6 the different types of intercultural service encounters that were covered through the sample are highlighted.

Customers/Service Providers Culture	Austrian (3)	Serbian/Croatian (4)	Turkish (3)
Austrian	—	ICSE	ICSE
Serbian/Croatian/Bosnian	ICSE	—	ICSE
Turkish	ICSE	ICSE	—
Other	ICSE	ICSE	ICSE

Table 6: Types of ICSE covered by the sample

In total the sample represents nine different compositions of intercultural service. While Austrian financial advisors have intercultural service encounters with all different immigrant groups, Serbian, Croatian and Turkish frontline employees can compare interactions with culturally close versus distant immigrant customers. For instance respondents of Serbian/Croatian descent have intercultural service encounters with Austrian customers but also serve culturally distant immigrants from Turkey or from other countries. At the same time these employees have of course intra-cultural service encounters with other immigrant customers from Serbia, Croatia or Bosnia. Similarly the Turkish interviewees cover several different kinds of intercultural service

encounters. Altogether the sample enables to explore the research topic from a variety of perspectives.

4.6. Qualitative Analysis Process

In order to structure, analyze and interpret the collected data, a qualitative analysis process was employed. More specifically content analysis was used, a method that enables the organization and interpretation of qualitative data (Wilson 2006). Basically content analysis allows to systematically analyze communication through following specific theoretical guidelines with the objective of drawing conclusions out of the gathered data (Mayring 2010). The sequence of the different stages of the analysis process is illustrated in Figure 7.

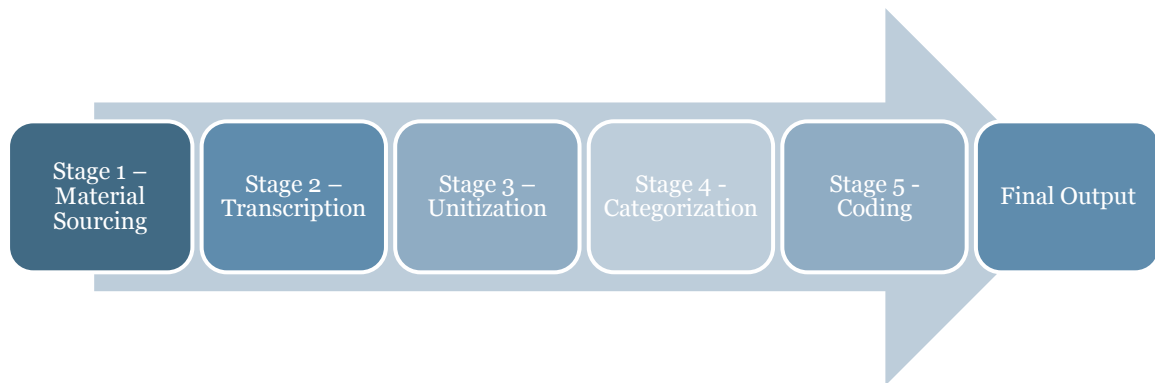


Figure 7: Qualitative Analysis Process
Source: Own representation based on Srnka & Koeszegi (2007)

The analysis process of the qualitative study is based upon the methodological recommendations of Srnka and Koeszegi (2007) that provide a procedure to transform qualitative data into quantitative results. Through systematically analyzing the gained data, a high quality of the actual outcome should be ensured. Besides, this approach enables to gain useful insights into the research problem that facilitate the building of new theory (Srnka and Koeszegi 2007). The application of the integrated approach with all five involved stages will now be explained step-by-step before the results are presented in the next chapter.

The first stage contains the material sourcing which provides the qualitative material and consequently the basis for the qualitative analysis (Srnka and Koeszegi 2007). The qualitative material was collected through 13 in-depth interviews. All interviews were

conducted by the same interviewer (i.e. by myself). In preparation for the interviews a guideline including the topics and questions that have to be covered was developed out of the findings from the literature review. The interviews were conducted during a two month-period and lasted on average 23 minutes (ranging from 11 to 38 minutes). Of course all interviews were digitally recorded.

The second stage included the transcription of the interviews. After the material was collected, it was verbatim transcribed into text form in order to prepare the data for the actual analysis. After finalizing the transcripts, they were rechecked against the audio recordings in order to check the accuracy of the data.

The third step involves the unitization of the data. Therefore the unit of analysis has to be determined and thereupon the data can be split into units. Generally this part of the analysis process is an essential stage and the unit of analysis should be in line with the research objectives (Srňka and Koeszegi 2007). As the existing material included partially long text chunks, it had to be further unitized. I decided to divide the text into thought units, i.e. each thought unit represents one particular idea. Each unit can either comprise one or more sentences, some words or even only a single word. According to literature, this kind of unitizations provides a good basis for the next steps of the analysis process (Srňka and Koeszegi 2007).

The next stage of the analysis process is concerned with the categorization. According to Mayring (2010) this stage is a crucial step of the content analysis. At the centre of this stage is the development of a category scheme. I applied a deductive-inductive procedure: first of all the majority of the categories were derived from the findings of the literature review. The category scheme was then inductively extended, i.e. categories that evolved out of the material were included. Through the application of this approach, both validity as well as reliability of the category scheme could be enhanced: on the one hand, through the usage of deductive categories the criterion of reliability is met and on the other hand, inductive categories comply with the validity criterion. Besides the developed category scheme is rather detailed, which makes the coding of the units more difficult, but increases the validity (Srňka and Koeszegi 2007). The initially category scheme consisted of 17 different categories and can be seen in Appendix D. After one round of preliminary categorization of the first interviews

additional categories evolved and were included in the category scheme. Subsequently the interview was revised with the updated categories. Since two of the initial categories were eliminated, the units labeled with these codes were reassigned to more adequate categories. In Table 7 the final category scheme including descriptions of the various elements is illustrated. One category, labeled as “general talking”, is excluded from the analysis and consequently not included in this overview, as this category includes only statements that were required for the proceeding of the conversation and do not contribute to the research topics at all.

Category	Description
1 Cultural specifics	Culturally determined differences (regarding interaction and product/service offerings)
2 Cultural diversity	Implications and statements concerning cultural diversity in the marketplace including the importance of cultural diversity for service companies as well as potential drawbacks
3 Consideration of cultural background	To what extent do service providers consider the customer's cultural background; how do they approach diverse cultures? Which specific adjustments are made for immigrant customers
4 Cultural match	Statements about the cultural (mis-)match between customers and service providers (including advantages like enhanced understanding, better communication, higher levels of trust, etc.)
5 Customer co-production	General statements about customer co-production, facilitating factors, differences and specifics, etc.
6 Role clarity	Statements about immigrant customers' role and task clarity; whether they are generally used to common service scripts and business habits
7 Instructions	Specific instructions/education for immigrant customers regarding co-production
8 Intercultural understanding	Importance and consequences of cultural understanding/competence when interacting with culturally diverse customers
9 Role of language	Importance and consequences of the language used (e.g. use of customer's native language)

10	Conversation	Specifics of conversations with immigrant customers including the role and importance of small talk during the interaction
11	Trust	Role of trust when serving immigrant customers
12	Word of mouth	Role and importance of word of mouth regarding culturally diverse customers; differences between immigrant and native customers
13	Complaint handling	Statements about complaint handling/differences regarding complaint handling when culturally diverse customers are involved
14	Customer retention activities	Special activities in order to achieve customer satisfaction and customer retention among immigrant customers
15	Supporting material	Role and importance of supporting material (e.g. product brochures in native language etc.)
16	Strategic challenges	Strategic challenges that service organizations face when targeting immigrant customers
17	Customers' background	Cultural background of the served customers
18	Association	Customer's associations with intercultural service encounters (in general)
19	Others	Auxiliary category: Diverse statements that are not conversation proceedings and that do not fit into any other category

Table 7: Final Category Scheme

The sixth and last stage of the analysis process is related with the coding of the data. In this stage the previously developed codes are systematically assigned to each unit (Srnrka and Koeszegi 2007). In principle each unit was labeled with one code. However, if a single unit included two different categories and was inseparable, two codes were assigned. The whole process of coding was conducted by a single coder. Through the application of the pre-defined definitions and rules, a consistent coding could be achieved. Finally this step provides the final output of the data analysis (i.e. nominal data) and the findings will be presented in the next chapter.

4.7. Findings

As previously stated, the survey comprehends 13 in-depths interviews. Essentially the above described content analysis process creates two main outputs, new theoretical insights into the research topic and coded data (Srnska and Koeszegi 2007). To finally provide answers to the underlying research questions the findings of the study will now be highlighted. In order to facilitate the reasoning and to illustrate the respondents' thoughts some representative quotes of the interviews will be included.

First of all it might be useful to have a look at the descriptive data. In total 862 thought units could be gained out of the 13 interviews. Actually this number would be slightly higher (1059 units), however the auxiliary category "general talking" has been excluded from the analysis as this category does not provide any additional information that can be used for the research topic. The relative frequencies of all categories are illustrated in Figure 8.

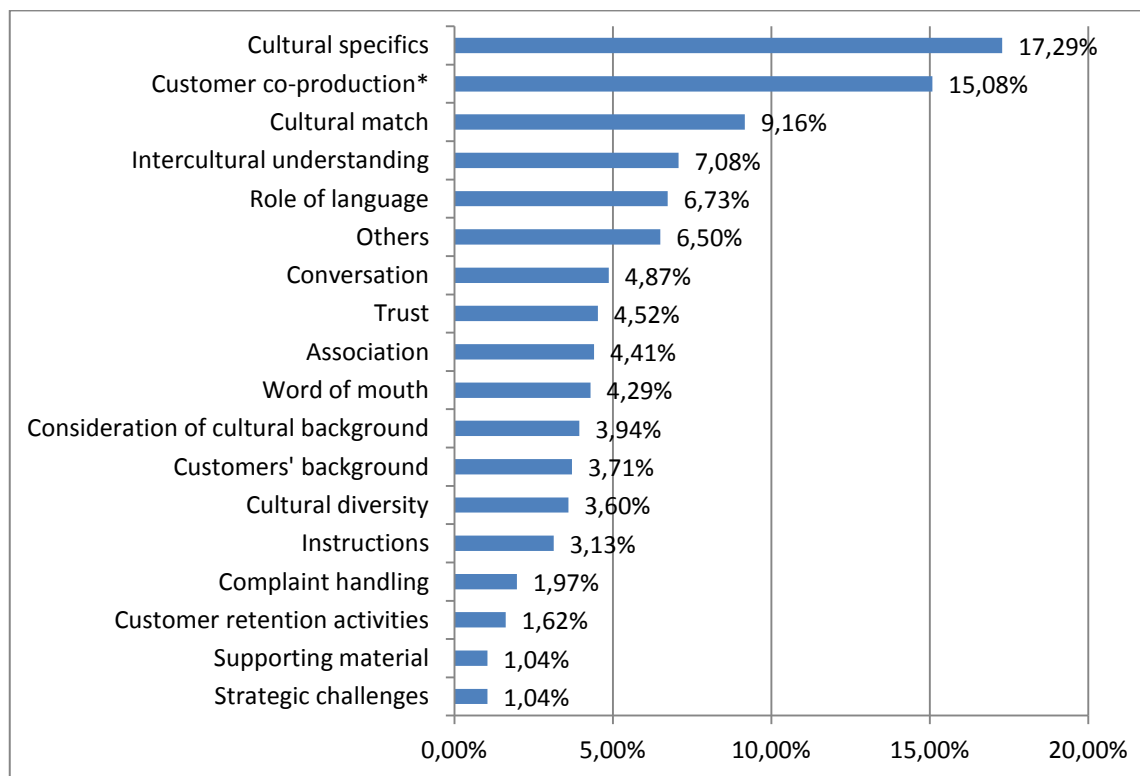


Figure 8: Relative frequency of categories

* "Customer co-production" includes the category "Role clarity"

As it can be seen, the five most frequently discussed categories were "Cultural specifics" with more than 17%, "Customer co-production" with 15%, "Cultural match" with approximately 9%, followed by "Intercultural understanding" with 7% and finally

“Role of language” with nearly 7% of the total statements. The high frequencies of these categories, compared to the others, is all but surprising as they reflect the focus of the study, which is about specifics of immigrant customers including their co-production during the service encounter as well as differences between intra- and intercultural service encounters and how to approach these customers best. At the same time the low frequencies of the two least mentioned categories (i.e. “Supporting material” and “Strategic challenges”) are a consequence of the fact that they relate to questions specific to the three marketing employees. While the descriptive analysis provides a first overview about the relative importance, deeper insights can be gained through discussing the most important findings of the categories:

- Cultural specifics (17,29% of total statements): The most frequently discussed category was about cultural specifics of immigrant customers and actually includes a variety of diverse issues, including particular needs of diverse segments (i.e. different immigrant groups), etc. However, in this category two issues came up several times: First of all financial advisors have a better reputation among immigrant customers compared to domestic customers. As a consequence immigrant customers exhibit a higher degree of trust in their advisors, which again facilitates selling. Besides immigrant customers, compared to domestic customers, tend to have closer relationships with their financial advisors, irrespective of the cultural background. Again, the enhanced relationship positively influences the selling. In fact both, the higher reputation and the closer relationship are favorable specifics of immigrant customers. Therefore service companies should try to realize and take advantage of these opportunities. Regarding the service delivery, all frontline employees claimed that all customers, regardless of their cultural background, are served at the same, standardized level and that there exist no specific differences.
- Customer co-production (11,95% of total statements): Obviously immigrant customers co-produce in a different way and to a different extent than domestic customers. In financial services customers can co-produce in a variety of ways like being prepared for appointments with the financial advisor, contributing to the decision-making process or like providing the advisor with the required information in a timely and proper manner (Auh et al. 2007). Since immigrant

customers tend to have close relationships with their advisors and provide them with a lot of information through making frequently long conversations, they automatically participate and enhance the interaction, as it is highlighted in the following statement:

- „Regarding private clients, [immigrant customers] participate in a more intensive way. Additionally these customers reveal a lot of personal information...“ (Michael)

On the contrary sometimes these customers do not know what exactly is expected of them, how to contribute and so they co-produce in an insufficient way, like the example below shows.

- „Concerning loans, immigrant customers are usually not as well-prepared as Austrian customers. Probably it is due to their mentality that these customers want to close a deal only by handshake.“ (Andreas)

If immigrant customers co-produce worse than domestic customers, it seems to be due to lack of role or task clarity, which is one of the three determinants of effective co-production (Lengnick-Hall 1996). While these customers are motivated to participate, they simply do not know which tasks they have to perform and so co-production is poor at times.

- Cultural match (9,16% of total statements): Although this category seems to be somehow contradictory or inappropriate for the research topic, it is indeed an important aspect that should be considered when examining intercultural service encounters involving minority groups respectively immigrants. Basically in multicultural societies service companies might benefit from employing service providers that have the same cultural background as their customers. In fact, for service firms that are targeting ethnic minority customers it is recommended to recruit employees from these minority groups, as shared ethnicity can have a positive impact on the customers' perceptions (c.f. Montoya and Briggs 2013). The findings of this study support the positive perceptions of shared ethnicity and emphasize this recommendation. This suggestion is similar to the one of Hopkins et al. (2009). These authors state that in a perfect situation both participants are matched, thereby cultural differences are suppressed and consequently the service encounter is made more predictable. In fact the

interviews demonstrated that many immigrant customers prefer to avoid intercultural service encounters. Instead these customers frequently prefer to interact with a culturally matched frontline employee. Below three different examples exemplify the benefits of culturally matched service encounters.

- „*[The customer thinks that] ...the advisor has a better understanding. Not only concerning the language but also his reasoning and thoughts are the same. He is able to assume the customer's thoughts*“ (Sinan)
- „*I am thoroughly convinced that the same cultural background facilitates frankness. There is obviously a difference whether people interact with me or with Ms. XY. I notice this difference all the time.*“ (Anna)
- „*[Shared ethnicity] is a way of getting your food in the door. It is quite easy when people have the same cultural background as they have a common ground.*“ (Marina)

Apparently the mutual cultural background facilitates the relationship between service provider and customer as the latter might feel better understood (e.g. through common native language). Several times interviewees emphasized the importance of shared ethnicity for some customers. Obviously customers are more comfortable due to a shared cultural background. Since Turkish as well as Serbian customers represent minority groups in Austria respectively Vienna, they might feel psychologically closer to employees with the same cultural roots or background and so they might expect to receive preferential treatments from other in-group members (c.f. Montoya and Briggs 2013).

- Intercultural understanding (7,08% of total statements): Aside from the cultural match, there is another way to convey a sense of being well understood. A high level of intercultural understanding and sensitivity seems to be of utmost importance for intercultural service encounters. As the following example demonstrates, it is crucial for (immigrant) customers that the service providers has a basic understanding about their cultural background and has an open mind.
 - „*It is important that the customer knows that the advisor has cultural understanding and is open-minded.*“ (Marie)

As suggested in the theoretical model, experience influences to some extent the level of intercultural understanding. The following statement highlights that in fact service providers can benefit from previous experience with immigrant customers and can enhance their sensitivity thereby.

- „...*I try to adopt the things that are according to my experiences important for the customers*“ (Martin)

The importance of a high degree of intercultural sensitivity was several times mentioned and is illustrated through the following quotes in a good way. Although language plays a crucial role, a basic understanding of the customers' cultural background seems to be highly relevant.

- „*It is not about language. Actually it is about the cultural understanding.*“ (Walter)
- „...*it is not only about the language. Instead the language beyond the language matters...*“ (Sinan)

As stated by one respondent, this competence even appears to be the most important for frontline employees serving culturally distant customers. Ultimately this competence reduces potential prejudices and avoids misunderstandings inherent in cultural differences.

- „*In my opinion, it is the most important competence for financial advisors.*“ (Marie)
- „...*with increasing knowledge about the counterpart, there is a lower probability of potential prejudices or misunderstandings.*“ (Walter)

The importance of this competence is mirrored in the intercultural sensitivity training that the company provides to all employees who serve a high amount of culturally diverse customers. Besides this corresponds with Sizoo et al.'s (2005) suggestions, that service companies can benefit from investing into intercultural sensitivity training of their employees. Regarding the organizational perspective, it was mentioned that the intercultural sensitivity refers not only to the customers but also to culturally diverse employees. This is an important issue for service companies that employ multicultural staff.

- Role of Language (6,73% of total statements): As the literature review has already shown and the theoretical model suggests, language is a central point of

intercultural service encounters. Still this issue seems to be complex as the different findings exhibit. On the one hand, as it was exemplified in the previous category, it is more important to possess a basic understanding for the culturally diverse customers than speaking the same (native) language. On the other hand customers are frequently matched with service providers in order to avoid communication problems, which seems to be a logical consequence. The findings of the qualitative study show that the language used has in principle two influences when serving immigrant customers. First of all it enables and fosters the communication, so customers can better interact and better understand their advisor.

- *„It's easier for customers to understand everything when they get advised in their native language.“ (Sinan)*

Additionally the use of the native language during the service encounter influences customers' trust and openness as all the examples below illustrate. These findings are in accordance with previous research that suggests that even if customers fluently speak a second language, they prefer to interact in their first language as they associate emotional connotations with it (Holmqvist 2011). Since financial advisors need a lot of information in order to provide appropriate services, service organizations with huge amount of immigrant customers should benefit from offering services in the most frequently required languages.

- *„Since we speak the same native language, it quickly gets quite familiar and friendly.“ (Jelena)*
- *„...they have this feeling of being in good hands because of the same language. They can talk about everything, about any matter...Actually customers are more comfortable when they know that they can speak in their native language in the branch.“ (Aylin)*
- *„You are able to better understand the customer. Simply because the customer is more open when he speaks in his native language.“ (Ebru)*

- Conversation (4,87% of total statements): Findings of the qualitative study show that service encounters involving immigrant customers differ with regards to the conversation. As the below stated examples show, small talk is an important aspect for immigrant customers. Consequently these customers provide their

advisors automatically with a plethora of information that can be useful source for service offerings as they contain and exhibit partially the customers' needs. From this vantage point they co-produce to a larger extent. Furthermore small talk has a social function, i.e. through sharing feelings and attitudes people can build and maintain personal relationships with others (Ryoo 2005).

- „*For instance we know that it is important to make small talk for a long time... small talk is important. Most of the time you talk about personal things and only a short period of time about business.*“ (Anna)
- „*We know that small talk is usually made in the native language and the actual consulting in German. After the consulting the conversation is again conducted in the native language.*“ (Paul)

- Trust (4,52% of total statements): One specific issue that was mentioned by most respondents, is the role of trust. Service encounters with immigrant customers are characterized by an increased level of trust. Partially the implications have been already examined in the previous parts, as this fact is closely related to co-production and conversation. Due to the enhanced trust, these consumers tend to take more the employees' advices which facilitates the interaction and selling. By way of illustration, two different examples are quoted.

- „*Actually I can say that customers with migration background like Serbian, Croatian or Turkish customers put a greater emphasis on trust.*“ (Aylin)
- „*...customers with migration background trust their advisor right from the beginning.*“ (Jelena)

As the second citation indicates, immigrant customers strongly trust their advisors from the very first. Interestingly this effect is true for intra- as well as intercultural relations, but specific for immigrant customers.

- Word of mouth (4,29% of total statements): Another specific of immigrant customers is the comparatively high recommendation rate. As it is illustrated below, satisfied immigrant customers spread positive word of mouth more often. When they are highly satisfied, they recommend their service provider to their

whole family, relatives and friends, which of course has a positive impact on the service organization. Furthermore financial advisors do not have to ask them to do so, instead they do it automatically.

- „...*recommendation is vital for us. Especially among customers with a migration background. When customers are pleased with the advice, they recommend their advisor to their whole family and relatives.*“ (Andreas)
- „*Due to the fact that we’ve grown up as a network in Austria, one gladly involves other people into the network and combines them.*“ (Marina)

Since the study involved only service providers, it cannot be stated whether minority groups limit the positive word of mouth to other in-group members as shown in literature (c.f. Montoya and Briggs 2013). Nevertheless the second citation adumbrates that in fact this might be true. Again this peculiarity applies irrespective of the cultural (mis-)match, i.e. for intra- and intercultural relations. Ultimately one might call into question why the same advisor has different recommendation rates with different customer groups, i.e. why do domestic service providers have higher recommendation rates among immigrant customers compared to domestic customers. It might be related to the above mentioned in-group favoritism but this reasoning is with respect to the provided data rather subjective. Regarding Hopkins et al.’s (2005) question, whether domestic customers’ retention rates differ depending on the service provider’s cultural background, the findings of the qualitative study indicate no differences. However to clarify this question quantitative analysis should be employed.

- Consideration of cultural background (3,94% of total statements): Basically service providers consider the different cultural backgrounds through being responsive to all cultural specifics like making specific conversations etc. Regarding the service delivery, as it is shown below, service providers try to serve all customers at the same level.
 - „...*irrespective of the cultural background, each customer gets the same consulting*“ (Ivana)
- Cultural diversity (3,60% of total statements): As the previously presented numbers have shown, Austria and especially Vienna are characterized by a culturally diverse population. Service companies have hardly any chance as to

deal with the increasing cultural diversity. On the one hand cultural diversity is reflected in multicultural customers. Inherent to these customers are cultural specifics that service companies have to consider. On the other hand cultural diversity has also an impact on the staffing policy. In order to attract minority respectively immigrant customers, service organization can benefit from recruiting employees with corresponding cultural backgrounds. Despite the challenges that are inherent to intercultural service encounters (e.g. potential language barriers, weak role clarity), service organizations operating in a multicultural marketplace should embrace diversity and try to take the existing chances. Similarly the company under investigation tries to gain a competitive edge over the competing companies through targeting minority customers. As the quote illustrates, the company realizes the huge potential of the immigrant customers.

- *„In our opinion, Vienna is shaped and characterized by migration. Also in future the city will benefit from migration. We consider migration as an opportunity and realize the potential“ (Paul)*

- Role clarity (3,13% of total statements): Sometimes the interaction with minority customers is impeded through an insufficient role clarity. As the following examples show, immigrant customers occasionally do not know what is expected of them or how they should behave. Unfortunately this fact adversely affects co-production.
 - *„Sometimes customers have some problems with local processes. For instance, they have problems to keep arranged appointments.“ (Ivana)*
 - *„Maybe they don't understand the local procedures completely. However, it is important to comply with these procedures.“ (Andreas)*
- Instructions (3,13% of total statements): In response to the poor role clarity service providers have to instruct these customers how to behave and contribute. As the data demonstrates, service providers in fact provide their customers with specific instructions. Basically both, domestic as well as customers with a migration background have to be instructed if they do not contribute in a proper manner. Irrespective of the cultural background, all customers are instructed in a

similar way. However, immigrant customers seem to need instructions more frequently.

- Customer retention activities (1,62% of total statements): The findings of this category are very specific to the targeted customer groups. As immigrant customers are a certain target group of the service company, special events are organized in order to demonstrate the appreciation for these customers. Thereby customer retention should be encouraged. This strategy is similar to recommendations found in literature. Through engaging in certain community events positive feedback can be achieved and so a positive relationship to important ethnic customer groups can be achieved (Pires and Stanton 2000).

4.8. Limitations

Regarding the findings of the exploratory qualitative study, one has to consider that there are some limitations and one has to interpret the results with some caution. First of all some of the findings are specific to immigrant customers. As previously discussed, the status and length of stay abroad (e.g. migrant customers versus tourists) are contextual factors that probably have an impact on intercultural service encounters. Nevertheless it was one objective of this thesis to conduct an exploratory study in a migration context. So the findings are valid for this certain context but cannot be directly deployed to another context. Secondly the study was conducted in a single service industry, the financial services. Although the financial services seem to be an ideal research setting for the given research questions, the findings are only partially transferable to other service industries as they are to some extent specific to financial services like e.g. normally long-ranging relationships between the financial advisor and the customer, high involvement, customer co-production may be regarded as more productive and value-creating than in other services (Auh et al. 2007). Despite it is a one country and single source study with a rather small amount of interviews, which is sufficient for the purpose of the study, but insufficient for making generalizations. As intercultural service encounters include people from different cultures the topic is sensitive to a certain degree and so biases owing to social desirability might be inherent in the answers. Although all interviewees were ensured about the anonymity and the

confidential treatment of data, there is still the hazard that they answered partially in self-serving and flattering way. Finally the findings of the qualitative study only consider the service providers' point of view and so the customers' perceptions are missing.

5. Discussion

In order to combine the theoretical and the managerial perspective, commonalities and differences between the findings will now be discussed. Basically both perspectives revealed that communication, intercultural competence and cultural specifics are important topics regarding intercultural service encounters.

First of all, the literature review as well as the qualitative study have shown that communication respectively the language used is a crucial aspect of intercultural service encounters. Basically literature suggests that customers prefer to interact in their native language especially during services that involve high risk, like financial services as the service outcome is highly important and customers do not want to risk potential misunderstandings (Holmqvist 2011; Holmqvist and Grönroos 2012). However the findings of the qualitative study are somehow mixed. Similar to the research of Holmqvist and Grönroos (2012), the findings show that immigrant customers who feel uncertain in the local language prefer to get served in their native language. Additionally the findings indicate a positive influence of using the customers' native language on their trust and frankness during the service encounter. Otherwise service providers with migration background favor to interact in the local language and to switch into their native language only when making small talk. Interestingly interviewees mentioned several times that the language used (i.e. native versus foreign language) is not as important as intercultural understanding concerning the way how to interact with each other. However, it has to be regarded that most of the interviewees do not frequently have to interact with customers that have weak language skills. In fact, if customers have weak language skills they are assigned to another advisor who is able to speak in the customer's native language. So it might be true that it is indeed especially important to have cultural understanding but most importantly the participants must be able to communicate with each other. Anyway, in order to diminish communication barriers it might be useful for some service companies to provide visual cues, like restaurants could display their menus so culturally distant customers are less dependent on language per se (Pullman et al. 2001).

Generally the language used during the service encounter influences customer's perceptions and consequently the propensity to return to the service provider and spread

word of mouth (Holmqvist 2011; Holmqvist and Grönroos 2012). Again these findings are partially supported by the qualitative study. Immigrant customers have a disproportionally high recommendation rate. However the recommendation among these customers is equally high for intra- and intercultural service encounters. Not only the language used but also the communication styles and activities differ between intra- and intercultural service encounters. Consistent with findings from previous research (e.g. Bailey 2000) the findings of the qualitative study show, that minority customers have different communicative behaviors in intra- versus intercultural service encounters, i.e. interactions among minority participants involve more personal topics and more small talk compared to intercultural service encounters.

A second important aspect of intercultural service encounters is the relationship between perceived cultural distance and the service outcome. Neither the literature review nor the empirical study could clarify which factors determine whether intercultural service encounters are generally regarded as more positive or negative compared to intra-cultural service encounters. While some studies suggest a negative relationship (e.g. Hopkins et al. 2009; Wang and Mattila 2010; Sharma et al. 2009) others claim the opposite (e.g. Stauss and Mang 1999; Warden et al. 2003; Boshoff 2012). As the findings of previous research (e.g. Stauss and Mang 1999; Weiermair and Fuchs 2000; Boshoff 2012) partially contradict similarity-attraction paradigm and social identity theory, these theories have to be reconsidered in situations that involve complaints, service failures and recovery. According to these theories it is suggested that customers prefer a priori to interact with culturally similar service providers, as this appears to be the best way to achieve an effective interaction. In fact, this seems to be true as long as the interaction proceeds in a positive way. However, due to high expectations, customers react in a very negative way if any difficulties arise (Boshoff 2012). Therefore intercultural service encounters can be in fact less problematic if problems or failures occur, since both participants can attribute potential problems to cultural differences.

As previously shown expectations and perceptions are to some extent culturally-bound (e.g. Weiermair 2000; Bianchi 2001; Zhang et al. 2008). Regarding service expectations it should be clarified whether and to which extent these expectations are adjusted during intercultural service encounters. If customers lower their expectations during

intercultural service encounters, it should be easier to achieve a positive service outcome. For example, the findings of Weiermair (2002) indicate that an increasing cultural distance increases the customers' tolerance. Anyway, service providers (or rather service companies) have to meet the culturally diverse expectations. As the findings of the managerial perspective as well as the existing literature show, there are several different ways of doing this. One way of dealing with these differences is through employing a culturally diverse workforce. Thereby intercultural service encounters are actually avoided through a cultural match between the service provider and the customer. Again the interviews confirm suggestions of the literature: through hiring employees that have the same cultural background as the customers, service companies can differentiate from competitors (c.f. Sizoo et al. 2005).

Another possibility is to improve the intercultural competence or sensitivity of the workforce through training. Again both, findings of the literature review as well as findings from the qualitative study highlight the importance of intercultural sensitivity and competence. Obviously this factor facilitates the interaction during intercultural service encounters and possibly influences the service outcome positively. Additionally, from an organizational perspective, intercultural competence is valuable skill regarding a culturally diverse workforce. Intercultural competence can help to remove potential prejudices and eventually improve the working atmosphere among culturally diverse colleagues. In fact, during the interviews, intercultural competence was designated as the most important characteristic for service providers that deal with culturally diverse customers. While literature suggests that this competence is a crucial characteristic for service providers that serve multicultural customers (e.g. Sizoo 2008; Sharma et al. 2012), it should be beneficial if the customer possesses this competence as well. If at least one of the two participants has positive attitudes towards culturally diverse counterparts and is willing to respond appropriately to cultural differences, there should be a higher probability of an effective interaction and consequently a positive service encounter. Similar to the suggestions of the theoretical model, the interviews showed that one way of improving the intercultural understanding is through experiences. In fact both, service providers and customers should benefit from experiencing service encounters with culturally diverse counterparts. In the end these experiences should increase the knowledge about other cultures and ultimately reduce the probability of potential misunderstandings. Figures in a previous chapter have shown that cities like

Vienna are characterized by a growing multi-cultural society. Additionally experience should help improving intercultural sensitivity and understanding. Therefore one might raise the question, whether there is a growing intercultural sensitivity in societies as a whole due to the increasing cultural diversity.

Since customers have to co-produce during the service process in order to create value (Vargo and Lusch 2004), it seems inevitable to consider this topic when researching intercultural service encounters. However, during intercultural service encounters problems can occur if customers do not perform their roles in a proper manner and thus do not meet the culturally-determined expectations of service managers and employees (Bianchi 2001). While research indicates that customer co-production is influenced by the customer's cultural values (Chan et al. 2010; Schumann et al. 2012) also the findings of the empirical study support this view. Immigrant customers co-produce in a different way and a different amount compared to domestic customers. Although these customers seem to be motivated to participate, they sometimes are lacking task clarity and ability which impedes their co-production. Especially customers that migrated recently to Austria have problems with local procedures (e.g. providing accurate information or meeting appointments). Consequently it is crucial to instruct customers how to co-produce during the service encounter. Frequently interviewees mentioned that immigrant customers strongly trust their advisors which positively influences co-production and the interaction in the end. Thereby advisors are able to build stronger relationships with immigrant customers due to the high levels of trust. Similar to the suggestions of Etgar and Fuchs (2011) customers may use the service provider's cultural background as some kind of quality reference. Consequently customers assign their objective or subjective perceptions of the service provider to the service quality evaluation.

As it is illustrated in the theoretical model, I suggest that the context in which the service encounter is embedded is an important aspect to consider. Probably it makes a difference whether a tourist, an immigrant or a minority customer/service provider is involved in the service encounter. Unfortunately previous studies have only insufficiently distinguished between different contexts respectively compositions of intercultural service encounters. The differentiation of the various contexts is insofar important as they implicitly determine various factors like the length of stay, previous

experience in the specific setting, initial versus subsequent service encounters, etc. In fact, the different contexts might be one reason for the inconsistent findings of previous studies. When customers, for instance as tourists, have a service encounter in a new cultural context without any previous experience, they might lower the adequate service level due to uncertainty or absent knowledge. Due to the lowered service level there should be a higher probability that these customers are satisfied. However, as already mentioned in a previous chapter, the customers might evaluate the same service encounter differently in another context. In domestic context they should likely have higher expectations, i.e. a higher level of adequate service. In contrast to tourists, people that live for a long period of time or permanently in a specific country, like minority or immigrant customers, have the possibility to gain more experience in the certain cultural context. Therefore these customers should probably be able to determine appropriate expectations as they have some kind of reference service encounters they can use to compare with. Similarly the attribution of service failures might be different for tourists compared to immigrant or minority customers. According to Warden et al. (2003), in case of intercultural service encounters, service failures can be attributed to exceptions respectively to misunderstandings due to cultural differences. While this consideration seems to be reasonable in case of tourists, customers with a migration background might attribute the service failure in a different way. For instance, these customers might attribute to the service provider as they should know which service levels are usually delivered.

5.1. Managerial Implications and Contributions

As the numbers presented in this thesis have shown, intercultural service encounters are highly relevant for service companies as in many countries throughout world one can experience them on a daily basis. Service companies that are facing an increasingly amount of cultural diversity across their customers or their employees should realize the importance of intercultural service encounters and the associated issues. The findings of the study are relevant for all service companies that deal with either culturally diverse customers (e.g. tourists or immigrants) or with a culturally diverse workforce. Service organizations operating in countries with a high rate of immigration have hardly a choice as to interact (either as customers or as employees) with different cultures. Therefore companies should try to successfully manage the service encounter in order

to create a compelling service experience that can be of high economic value. The ever-increasing diversity probably does not make the development of a compelling service experience much easier. Persons in charge should proactively manage the service experience bearing potential cultural differences in mind so that all participants can profit (Hopkins et al. 2005). As it emerged during the interviews service organizations should benefit from training their employees in cultural awareness and cultural competence. Similarly the findings of previous studies suggest to train service providers in these competences (c.f. Bianchi 2001; Sizoo et al. 2005; Etgar and Fuchs 2011). In order to design successful strategies in multicultural markets, service companies should regard the differences and similarities between different cultural segments. Although culturally diverse customers have specific needs and expectations (Zhang et al. 2008), certain service attributes are universal across various cultural groups. In the end, service organizations operating in multicultural markets have to decide which strategy best serves their customer groups. If service organizations are dealing with a limited number of different cultures, it might be feasible and economically justifiable to customize and adapt certain service attributes to specific cultural segments (Pullman et al. 2001).

Even if the findings of the qualitative study are not sufficient to define specific strategies, there are some generally recommended procedures for service companies that deal on a daily basis with culturally diverse customers. First of all they should of course create an open-minded business culture and be proactive with regard to avoidance of service failures. Besides it should be beneficial to train service providers regarding high levels of flexibility and tolerance in order to react calmly if customers behave in an unusual matter. Services that require a high level of customer co-production such as financial services should not take culturally distant customer's role clarity, ability and motivation for granted. Instead they should try to improve these factors and educate their customers through the provision of required information.

Insufficient language proficiency is one problem that might occur during intercultural service encounters and sometimes the resulting communication problems are not attributed to the lacking skills but to any other reason such as negative attitude (Bailey 2000). Consequently it is of utmost importance to ensure effective communication between the service provider and the customer through removing potential communication barriers. Besides service organizations that require high involvement service like financial services

should benefit from recruiting employees that are able to serve customers in their native language (Holmqvist and Grönroos 2012). Additionally it might be beneficial not only to speak the same language but rather to have culturally matched service providers and customers. Actually the interviewees emphasized several times the importance of shared ethnicity for some customers. Obviously customers are more comfortable and feel better understood if they have a shared cultural background. In order to avoid negative perceptions it is crucial that customers do not perceive prejudices or pre-existing assumptions as the misunderstandings' cause but rather language barriers. Service organization that serve minority customers should try to inhibit any kind of discriminatory behavior as it upsets customers, negatively influences their satisfaction and eventually impedes future patronage (Ye et al. 2012). Ultimately service organizations should try to detect factors that are most likely to cause problems and try to resolve potential service failures in order to provide high levels of service quality during intercultural service encounters.

5.2. Future Research

Societies in many countries throughout the world have evolved into heterogeneous, multicultural societies and so it increasingly important that research keeps pace with these changes including the influence of cultural diversity on services. Through employing a dyadic approach with a theoretical and empirical part, several recommendations for future studies as well as concrete research questions could be identified. First of all it should be clarified what should be considered when examining intercultural service encounters and how to conduct studies in this research area best. Basically for future research I suggest to include the following aspects: As intercultural service encounters are dyadic processes, researchers should consider both sides of the service encounter, i.e. the customer's and the service provider's perspective. Unfortunately previous studies have largely neglected the latter's point of view. However, as stated by Wang and Mattila (2010), it is crucial to scrutinize the service provider's perspective as well, in order to gain a better understanding of such service encounters. Due to the dyadic characteristic of service encounters, it is inevitable to examine them from both perspectives. More specifically every behavior of the customer leads to a certain reaction of the service provider and vice versa. Therefore it is important to know how the cultural backgrounds of the diverse participants influence

each other's expectations, behavior and perceptions during the service encounter. So far, most research issues have been examined from the customer's perspective (e.g. reactions to cultural identity cues, etc...). Hence it should be clarified what kind of behavior of the customer leads to positive/negative reactions of the service provider as well. Perhaps it would provide useful insights to examine service encounters from the customer's and service provider's perspective simultaneously. Thereby both perceptions could be compared and reactions towards each other determined. Ultimately, through understanding the customer's and the service provider's perspective during intercultural service encounters, service companies should be able to develop and provide better service experiences (Sizoo et al. 2005).

In order to gain universal findings, studies have to control contextual factors and try to conduct studies in different contextual situations. Therefore it might be useful to exactly determine which aspect of intercultural service encounters is examined and to use distinct notations (e.g. "domestic intercultural service encounters" (Hopkins et al. 2005)). Potentially these studies can use the developed theoretical model in order to select specific compositions of intercultural service encounters. One problem of researching these encounters is the determination of culture. Most studies of this literature research used countries as surrogate for cultures. However one has to consider that the culture cannot simply be exchanged as the unit of analysis (Davies and Fitchett 2004). As both, research and practice, could profit from understanding how culture and consumer behaviors are related, it is suggested to precisely "*examine the cultural tendencies of their target consumers*" (Lin et al., 2007, p.33). Several different countries can have cultural dimensions in common, just as a single country can be culturally heterogeneous by reason of subcultures. Since cultural values might change over time (Weiermair 2000) it is crucial to measure them together with the ethnic identification on the individual level instead of using the country as proxy. Additionally it should provide interesting insights to measure the perceived cultural distance instead of using the cultural background as surrogate for cultural distance (Paswan and Ganesh 2005).

Future studies might use experimental study designs in order to examine intercultural service encounters, as it was suggested in literature (e.g. Chung-Herrera et al. 2010; Hill and Tombs 2011; Ye et al. 2012). In addition future studies that investigate intercultural

service encounters might benefit from employing neurophysiological measurements. Thereby scholars can examine whether and when customers' emotional states change during the service encounter and additionally gain useful insights through revealing unconscious thoughts and feelings. Ultimately neurophysiological measurements seem to be a promising methodology as they are not influenced by methodological issues in cross-cultural research (Boshoff 2012). Owing to the assessment of culturally diverse people, this field of research is somehow sensitive and so researchers should try to prevent biased responses.

Depending on the point of view, some service categories tend to be limited to certain types of intercultural service encounter (e.g. immigrant customers) while other categories, such as food or lodging services, potentially have to deal with a huge amount of different cultures. As stated by Warden et al. (2003) eating is a basic need of all tourists and so it is a perfect starting point for conducting intercultural research. So the choice of service setting should be in line with the research question. Additionally research should also be extended to a variety of different service types.

In the end the literature review as well as the qualitative study helped to clarify some future research questions. Future studies might deal with one or more of the following questions:

- Probably one of the most important questions is related with the role of the perceived cultural distance. As the findings of previous studies are inconsistent, it cannot be stated whether an increasing cultural distance has a positive/negative impact on the service encounter. Therefore it should be clarified which relationship exists between cultural distance and the service outcome. Additionally it might be worthwhile to determine which factors are responsible for a positive respectively a negative effect.
- Another relevant question is concerned with service levels. In fact, it is decisive point to know whether service provider/customers adjust their service levels up- or downwards during intercultural service encounters. The existing research partially indicates that service providers and customers are more tolerant when interacting with culturally counterparts (i.e. the zone of tolerance widened during intercultural service encounters). Future studies should try to determine the factors that drive these adjustments.

- Since service organizations seek to achieve positive service outcomes, it is crucial to know which factors determine whether intercultural service encounters are regarded as more positive compared to intra-cultural service encounters. In contrast, in order to prevent negative service encounters, it is vital to identify factors that most probably cause service failures during intercultural service encounters.
- So far, previous research has hardly distinguished between different contexts. However, as the theoretical model suggests, intercultural service encounters are influenced by the context in which they are embedded. Therefore it should be explored which role contextual factors play. Does it make a difference whether the customer is a tourist or an immigrant? Does a customer evaluate the same service encounter differently whether it is experienced in a domestic versus an international context? For instance, one might compare a situation where an Austrian customer is served by an Italian waiter in Italy with bad German skills with the same situation in Austria. Similarly it might have an impact on the customer's perceptions if he looks for an authentic experience. A customer might for example expect a Chinese waiter in a Chinese restaurant maybe even appreciate a Chinese accent. Consequently it should be clarified whether the same server (with an accent) would be evaluated differently in another context (for instance in a domestic restaurant).
- Generally one should ask whether the effects and consequences of intercultural service encounters depend upon the evaluating culture. For instance European or American participants might be more or less open-minded or flexible compared to Asian participants.
- As the findings of the qualitative study have shown, some customers try to avoid service providers with a different cultural background (via self-selection of a matched service provider). Consequently it has to be clarified which circumstances are responsible for the avoidance of intercultural service encounters.
- The previously presented numbers have illustrated that is ordinary in many countries throughout the world to experience intercultural service encounters on a daily basis. Therefore one might ask whether these encounters will always be regarded as exceptional or whether they are viewed as "normal" after experiencing a number of intercultural service encounters.

6. Conclusion

The objective of this research was to comprehensively analyze intercultural service encounters from a theoretical and a managerial perspective. Both, the theoretical part of this study including the literature review and the development of the model, as well as the managerial part including the qualitative study, addressed existing research gaps and consequently helped to partially diminish them. Through integrating the existing literature with a qualitative study, the overall understanding about the role of culture during intercultural encounters was enhanced. In fact the empirical part of the thesis was required by reason of the inconsistent and partially contradictory findings of the literature review. Nevertheless there are still a lot of topics that have to be addressed and resolved.

Using an exploratory research design with a qualitative approach, I conducted 13 in-depth interviews with employees with different cultural backgrounds who are currently working in the area of financial services. The aim of the exploratory method was to get a preferably big amount of in-depth information regarding the multifaceted topic. As the literature review and the theoretical model show intercultural service encounters are complex processes that are influenced and determined by a plethora of factors. Since there are several cultural as well as other factors like the context a comprehensive analysis of intercultural service encounters is somewhat difficult. Nevertheless the findings of this study contribute to academic research by providing a comprehensive overview about intercultural service encounters including an attempt of categorization of these encounters and showing relevant topics in this area of research.

As the figures in an earlier section have shown, today there is an increasing amount of intercultural service encounters and as international tourism, trade, migration will continue to grow, so will do the importance of intercultural service encounters. In certain cases, for instance on a plane or in a restaurant, costumers have hardly a chance to self-select their service provider. So even if customers or service providers seek to avoid service encounters with cultural diverse counterparts, it is in some cases completely inevitable to do that (Hopkins et. al. 2005). Since the service industry is getting more and more globalized, academic researches and practitioners should place more emphasis on examining intercultural service encounters (Wang and Mattila 2010).

Both perspectives of the thesis indicate that service encounters between culturally diverse people provide certain opportunities but also unique challenges. Thus all related issues will become even more relevant and hopefully attract more attention among researchers. As it is essential to understand and meet the needs of customers with diverse cultural backgrounds, research in this area will definitively get increasingly important.

As the service encounter is a dyadic interaction, the customer's as well as the provider's cultural background have an impact. As the two participants have to interact it is actually inevitable that their cultural backgrounds intermingle to some extent. The service providers' role is definitively crucial for the success of intercultural service encounters since *"the service provider often is the service to the customer"* (Suprenant and Solomon 1987, p.87). Besides service providers are representatives of the service organization as well as part and parcel of the service experience and consumers obtain benefits through this experience (Hokpins et al. 2005). Consequently it seems to be of utmost importance to have highly skilled employees that are able to serve multicultural customers in an effective way. Basically service providers should exhibit a certain level of intercultural competence. Probably one of the most important success drivers during intercultural service encounters is the service provider's service orientation. Generally intercultural service encounters seem to be problematic if communications problems exist or if one of the two participants performs an unexpected role during the encounter. Research has shown that even if communicational barriers exist, positive service outcomes can be reached by high levels of service orientation (Hultén 2010; Walsh et al. 2012). Eventually service providers that are highly customer oriented and possess a certain degree of intercultural sensitivity should be able to achieve positive interactions and relationships with culturally diverse customers.

During intercultural service encounters language seems to be a crucial factor as it determines how effective the interaction proceeds and on the other hand it can serve as a cultural identity cue. When dealing only with a limited number of different cultures, it is definitively a useful approach to identify the cultural specifics of these segments and to meet their needs. However nowadays a lot of service companies have to deal with a plethora of different cultures, so it is practically impossible to understand and consider all existing specifics and differences. So service companies serving multicultural

customer segments should identify the least common denominator between all the different cultures and formulate a universal strategy. Similarly Chung and Hoffman (1998) suggest concentrating on service errors that harm business most.

Besides, as the findings have shown intercultural service encounters partially exhibit specific advantages that managers should be aware of and utilize. For instance, service recovery attempts are more effective and result in more positive reactions in inter-compared to intra-cultural service encounters (Warden et al. 2003). Additionally customers might lower their expectations when dealing with a culturally diverse service provider (Stauss and Mang 1999). Consequently it might in fact be easier to achieve a positive service encounter.

Basically customers should not be treated differently because of their cultural background, neither better (e.g. in-group favoritism) nor worse (e.g. discrimination). Instead everybody should receive the same service quality. However this could be problematic since service quality expectations are culturally-determined (Zhang et al. 2008). Of course service providers should try to meet the customers' expectations however service companies that operate in a culturally diverse setting should try to avoid any kind of in-group favoritism among subcultures as this might have a negative impact on other customers (c.f. Montoya and Briggs 2013).

Even if the existing literature is not conclusive, there is no doubt that cultural differences between the service provider and customers interfere during service encounters and influence them. The current state of research provides a foundation for researchers and paves the way for systematically examining the relevant aspects of intercultural service encounters. Future research should try to provide answers to the elaborated research questions and clarify all identified issues that might affect this kind of service encounters. The understanding of these issues should help service companies to gain deeper insights into intercultural service encounters and to improve offered services. Probably the most important question to clarify is under which circumstances (high versus low) perceived cultural distance positively influences the service encounter. However systematic research in this area is still insufficient and has to develop further in order to comprehensively understand intercultural service encounters. Ultimately this area of research is a somehow complex one and research is still in its

infancy. Consequently there is still a plethora of open questions and topics that have to be explored in future.

7. References

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8. Appendix

Appendix A: Keywords

Keywords	In combination with
Intercultural	Services
Cross-cultural	Service encounter
Cross-national	Communications
Inter-ethnic	Negotiations
	Service exchange
	Conflicts
Cultural diversity	
Cultural distance	
Acculturation	
Multiculturalism	

Table 8: Keywords

Appendix B: Interview Guideline (Frontline Employees)

1) Generally, what do you associate with immigrant customers?

Is service delivery different when immigrant customers are involved?

Which cultural backgrounds do your customers have?

How do you consider the cultural background of your customer? In which way are you responsive to it?

2) What do you associate with customer co-production?

3) Do you think that the customer's culture has an impact on the service process?

4) Regarding the interaction between customer and advisor, is it different when immigrant customers are involved?

a) If so, which reasons are responsible for these differences?

5) Do immigrant customers co-produce in a different way than non-immigrants?

a) How does their co-production differ?

6) When do immigrant customers perform better in co-production, when worse?

7) Which characteristics do immigrant customers have that co-produce better?

- 8) In which way does culture have an impact on...
 - ...the willingness to reveal personal information?
 - ...the choice of products and service features?
 - ...degree of active participation?
 - ...the degree to which customers take advices?
- 9) Are customers and employees matched according to their cultural background? If so, why?
- 10) Are immigrant customers able to self-select their financial advisor (e.g. according to the cultural background)?
- 11) What special actions are taken in order to avoid (immigrant) customer dissatisfaction? If there are none, do you think certain actions are needed?
- 12) Are complaints of immigrant customers handled in a special way?
- 13) To which extent is co-production desired in an intercultural context? To which extent does it cause job stress?
- 14) Is there a specific need to instruct or train immigrant customers how to co-produce (in order to improve role clarity)?
 - a) If so, do advisors already instruct them and how?

Appendix C: Interview Guideline (Marketing Employees)

- 1) Generally, what do you associate with immigrant customers?
- 2) Are customers and employees matched according to their cultural background? If so, why?
- 3) How important is intercultural understanding/competence/sensitivity for your employees? Do employees get trained in these competences? Are advisors more tolerant when interacting with immigrant customers?

- 4) How important is the offering of multilingual consulting respectively consulting in the customer's native language? Which role does the language used play during the service encounter?
- 5) To which extent do you think that cultural assimilation respectively integration influences the interaction with immigrant customers?
- 6) How important are supporting material and multilingual brochures regarding the product offerings and services?
- 7) Which role does word of mouth play with respect to immigrant customers?
- 8) Which way, do you think, is the best one to approach immigrant customers? Is it crucial to have the same cultural background?
 - a) Generally, how important is a shared cultural background of the customer and advisor?
- 9) How important is the segment of immigrant customers for the company? Is there any potential drawback due to a focus on immigrant customers?
- 10) What special actions are taken in order to avoid (immigrant) customer dissatisfaction? If there are none, do you think certain actions are needed?
- 11) What is the biggest challenge regarding immigrant customers?

Appendix D: Initial Category Scheme

Category		Description
1	Ability	Customers' ability to co-produce in an effective way
2	Motivation	Customer's motivation to co-produce in an effective way
3	Cultural specifics	Culturally determined differences (regarding interaction and product/service offerings)
4	Consideration of cultural background	To what extent do service providers consider the customer's cultural background; how do they approach diverse cultures? Which specific adjustments are made for immigrant customers
5	Cultural match	Statements about the cultural (mis)-match between customers and service providers (including advantages like enhanced understanding, better communication, higher levels of trust, etc.)
6	Customer co-production	General statements about customer co-production, facilitating factors, differences and specifics, etc.
7	Role clarity	Statements about immigrant customers' role and task clarity; whether they are generally used to common service scripts and business habits
8	Instructions	Specific instructions/education for immigrant customers regarding co-production
9	Intercultural understanding	Importance and consequences of cultural understanding/competence when interacting with culturally diverse customers
10	Role of language	Importance and consequences of the language used (e.g. use of customer's native language)
11	Conversation	Specifics of conversations with immigrant customers including the role and importance of small talk during the interaction

12	Trust	Role of trust when serving immigrant customers
13	Word-of-mouth	Role and importance of word-of-mouth regarding culturally diverse customers; differences between immigrant and native customers
14	Complaint handling	Statements about complaint handling/differences regarding complaint handling when culturally diverse customers are involved
15	Customers' background	Cultural background of the served customers
16	Others	Auxiliary category: Diverse statements that are not conversation proceedings and that do not fit into any other category
17	General Talking	General talking in order to proceed the conversation

Table 9: Initial Category Scheme

Appendix E: Abstracts

English Abstract

The incidence of intercultural service encounters, i.e. service encounters between culturally diverse customers and service providers, has increased enormously due to migration and international tourism. Despite their relevance, there exists only a relatively limited amount of previous research. Besides, existing studies indicate inconsistent findings how cultural differences between the service provider and customer influence the interaction. In order to provide a comprehensive overview about this topic, this thesis examines intercultural service encounters from two different perspectives. On the one hand, a literature review captures the current body of knowledge and enables the development of a theoretical model. On the other hand, a qualitative study shall show how service companies handle intercultural service encounters in their daily business. The findings of the 13 interviews as well as the findings of the literature review reveal that service encounters between culturally diverse participants provide certain challenges but also unique opportunities. Generally intercultural service encounters seem to be problematic if communications problems

exist or if one of the two participants performs an unexpected role during the encounter. However, if service failures occur, they can be attributed to cultural differences and consequently they are perceived as less problematic. Obviously it is crucial that service providers, who deal with culturally distant customers, possess a certain level of cultural competence in order to achieve positive interactions.

German Abstract

Die Bedeutung von interkulturellen Service Encountern, das heißt Dienstleistungen bei denen Personen unterschiedlicher Kulturen interagieren, ist in den letzten Jahrzehnten durch internationalen Tourismus und Migration stark gestiegen. Trotz ihrer weiten Verbreitung haben interkulturelle Service Encounter bis dato relativ wenig Beachtung in der Forschung erhalten. Außerdem zeigen bisherige Studien teilweise widersprüchliche Ergebnisse wie sich kulturelle Unterschiede zwischen Dienstleistungsmitarbeitern und Dienstleistungskunden auf die Interaktion auswirken. Um ein möglichst umfangreiches Verständnis zu bekommen, versucht diese Diplomarbeit interkulturelle Service Encounter von zwei unterschiedlichen Perspektiven zu beleuchten. Einerseits soll durch eine Literaturrecherche aller bisherigen Studien der momentane Stand der Forschung erfasst werden um daraus ein theoretisches Modell ableiten zu können. Andererseits soll durch eine qualitative Studie festgestellt werden, wie Dienstleistungsunternehmen interkulturelle Service Encounter im Alltag handhaben. Die Ergebnisse der 13 durchgeführten Interviews zeigen ebenso wie die Literaturrecherche, dass interkulturelle Service Encounter zwar besondere Herausforderungen darstellen, allerdings auch bestimmte Chancen bieten. Insbesondere können Probleme auftreten, falls Kommunikationsschwierigkeiten vorherrschen oder sich einer der Teilnehmer während der Interaktion unerwartet verhält. Allerdings können Probleme auf kulturelle Unterschiede zurückgeführt werden, wodurch deren negative Auswirkungen gemindert werden. Letztendlich ist es notwendig, dass ein gewisses Maß an interkulturellem Verständnis vorhanden ist, um eine erfolgreiche Interaktion zu erzielen.

Appendix F: Curriculum Vitae

Personal data

Name: Peter Patak, Bakk.

Citizenship: Austria

Education

since February 2011	University of Vienna - Faculty of Business, Economics and Statistics Master degree program in Business Administration Specialization: International Marketing and Controlling
2007 – January 2011	University of Vienna - Faculty of Business, Economics and Statistics Bachelor degree program in Business Administration
1998 – 2006 June 2006	Bundesgymnasium GRG 3 Hagenmüllergasse A level, modern-language side