Does Internal Marketing Improve Service Quality in Call Centres?

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Abstract

Although internal marketing has been conceptually argued to improve service quality, empirical evidence in this respect has been limited. This research investigates the relationship between rewards, which are a key component of internal marketing paradigm, and service quality of frontline employees in banking call centres. In this context, the authors develop hypotheses with the help of literature review, and empirically examine the effects of various extrinsic and intrinsic rewards on service quality. The results indicate that intrinsic rewards have greater effect on service quality than extrinsic rewards, which offer managerial implications and directions for future research.

Introduction

Emerging services marketing concepts like 'cycle of failure' (Schlesinger and Heskett, 1991) and 'service-profit chain' (see Heskett *et al*., 1994; Heskett, Sasser and Schlesinger, 1997) establish the importance of 'internal marketing', which implies treating employees as 'internal customers', and jobs as 'internal products'(Berry and Parasuraman, 1991). The basic idea is that the organisation needs to sell the jobs to employees before selling its services to external customers (Gilmore and Carson, 1995), and motivate employees by satisfying their needs to achieve success on the external front (Gronroos, 1985; Gummesson, 1987; Greene, Walls and Schrest, 1994; Varey, 1995; Cooper and Cronin, 2000). This is important because from the 'internal customer –organisation' exchange perspective (March and Simon, 1958; Adam, 1965), the organisation exchanges with its employees the job and work environment for customer service orientation and motivation to deliver excellent performance (Glynn and Lehtinen, 1995). Since rewards are considered to be an important component of internal marketing (Foreman and Money, 1995; Rafiq and Ahmed, 2000), it is imperative that organisations understand the significance of various types of rewards offered, as part of internal marketing, to influence employees' performance. In this context, this research investigates the relationships between rewards (extrinsic and intrinsic) and service quality of frontline employees in banking call centres.

Motivation for Research

From a theoretical perspective, although the importance and components of internal marketing are highlighted in the literature on service management (Gronroos, 1985; Varey, 1995; Foreman and Money, 1995), the approach has been mainly conceptual, general and non-empirical in nature (Quester and Kelly, 1999; Rafiq and Ahmed, 2000). Researchers have argued, mainly conceptually, that internal marketing improves service performance (Gummesson, 1987; George, 1990; Berry and Parasuraman, 1991; Piercy, 1995; Brooks, Lings and Botschen, 1999). Since rewards are considered to be an important component of internal marketing (Foreman and Money, 1995; Rafiq and Ahmed, 2000), the role of

rewards for service quality management needs further empirical research (Boshoff and Mels, 1995; Hartline and Ferrell, 1996), especially because employees' perceptions of extrinsic and intrinsic rewards associated with the task can significantly influence their task performance like service quality (Steers and Porter, 1991).

From a contextual perspective, despite their growing importance, call centre jobs are becoming 'dead-end' jobs often characterised by "low status, poor pay and few career prospects" (Deery and Kinnie, 2002, p. 4). They are labelled as 'electronic sweatshops' (Garson, 1988), and are often criticised for 'low-cost HR practices' (Batt, 2000), which further exacerbates problems relating to service quality and customer satisfaction issues (Tuten and Neidermeyer, 2004). Thus, issues concerning rewards management for frontline employees in call centres need further investigation (Brown and Maxwell, 2002). Moreover, performance evaluation of frontline employees in call centres is usually done by their management using 'hard data'/productivity measures (Gilmore and Moreland, 2000; Brown and Maxwell, 2002), while there is a growing need to pay attention to service quality of frontline employees (Haymarket, 1998; Brown and Maxwell, 2002), given that productivity and quality have been identified as conceptually and empirically distinct aspects of frontline employees' performance in call centres (Singh, 2000). All this calls for further research relating to rewards management for improving frontline employees' service quality in call centres. Our research attempts to address these gaps in literature and investigates relationships between rewards and service quality of frontline employees in call centres, viewing these relationships from an internal marketing perspective.

Literature Review and Hypotheses

Extrinsic rewards are rewards that result from extrinsic, non-job-related factors. There are two types of extrinsic rewards: organisational rewards and social rewards. *Organisational rewards* (working conditions, pay, promotion opportunities) are those extrinsic rewards provided by the organisation which are aimed at motivating employee performance, eliciting commitment and maintaining membership (Zeithaml, Parasuraman and Berry, 1990; Jerome and Kleiner, 1995; LeBlanc and Mulvey, 1998). Good working conditions are generally considered as a pre-requisite for good service quality as employees perform better when organisations create a climate of concern and caring (Kinicki, Carson and Bohlander, 1992; Schneider, White and Paul, 1998). Since frontline employees in call centres spend the best part of their day at work, they perceive good working conditions as an important reward especially in environments labelled as 'electronic sweatshops'(Holman, 2002), which should make them deliver quality service. Companies with a high quality of work life generally show high levels of performance (Lau, 2000). Research has demonstrated that pay satisfaction and promotion opportunities also influence performance (Herzberg, 1966; Hallowell, Schlesinger and Zornitsky, 1996; Lau, 2000). Given the poor HR practices experienced in call centres (Deery and Kinnie, 2002), satisfaction with pay and opportunities for advancement are likely to motivate employees to deliver quality service. However, it is also felt that these extrinsic rewards may not have lasting effect. Hence, we hypothesise:
H1: Working conditions will have a significant positive effect on service quality.
H2: Pay satisfaction will have a significant positive effect on service quality.
H3: Job promotion opportunities will have a significant positive effect on service quality.
Social rewards like friendly, helpful and supportive co-workers, and considerate supervisors are those extrinsic rewards which are derived from interaction with others on the job. Research has demonstrated that, supportive and helpful team leaders significantly improve

frontline employee performance (Zeithaml, Parasuraman and Berry, 1990), and well-being of frontline employees in call centres (Holman, 2002). Team-work is also considered essential for the improvement of service quality in customer contact services (Berry, Parasuraman and Zeithaml, 1994; Sergeant and Frenkel, 2000). In order to serve customers effectively in call centres, frontline employees need to be continually interacting with their co-workers in terms of absorbing new information about customer services or new technology or ways of solving new customer enquiries (Batt and Moynihan, 2002). Team support acts as a medium through which practical knowledge and norms associated with the job roles of frontline employees are disseminated (Sergeant and Frenkel, 2000) since employees consider peer-based learning to be their most important source of additional work-related knowledge, especially in call centres (Korczynski *et al*., 1996). Hence, it is hypothesised:

H4: Supervision will have a significant positive effect on service quality.
H5: Team support will have a significant positive effect on service quality.

Intrinsic rewards are rewards inherent in the content of the job itself. Literature (Sergeant and Frenkel, 2000; Deery and Kinnie, 2002; Holman, 2002), indicates that call centre management needs to pay special attention to the 'job-design' aspect of call centre jobs, as this could have serious implications for service quality (Schneider and Bowen, 1995). Zeithaml, Parasuraman and Berry (1990) found lack of role clarity (role ambiguity) a key antecedent to the service performance gap. This is particularly true in call centres, where frontline employees are frequently subjected to conflicting demands of achieving efficiency and customer service at the same time (Korczynski, 2002; Tuten and Neidermeyer, 2004). Frontline employees who are clear about their roles are more likely to deliver better service quality than those who perceive role ambiguity. Skill variety, another intrinsic reward, is also likely to improve service quality (Hackman and Oldham, 1976; Schneider and Bowen, 1995), especially in call centres where routinised and repetitive work has been found to be positively associated with emotional exhaustion (Holman, 2002). Another antecedent to the service performance gap is 'lack of perceived control', in terms of lack of flexibility, discretion and freedom perceived by the frontline employees while servicing customers (Zeithaml, Parasuraman and Berry, 1990). It is argued that autonomy influences job design and improves service quality (Tax and Brown, 1998; De Ruyter, Wetzels and Feinberg, 2001). Feedback is considered to be a key motivational factor (Herzberg, 1966) that affects service quality (Schneider and Bowen, 1995; Frost and Kumar, 2001) of front line employees. In call centres, supervisors can listen to frontline employees' calls remotely (Holman, 2002; Broek, 2004) and provide constructive feedback, which helps frontline employees to cope with the pressures of call centre work (Stanton, 2000; Broek, 2004) and thus improve their service quality. Training is considered essential especially for technology-driven environments such as call centres (Korczynski *et al*., 2000; Dean, 2004), as frontline employees need training in technical and interactive skills to provide quality service to customers (Boshoff and Allen, 2000; Yavas *et al*., 2003). Call centres use training and induction programmes to instil values of good customer service in their frontline staff (Deery and Kinnie, 2002). Hence, we hypothesise:

H6: Role clarity will have a significant positive effect on service quality.
H7: Skill variety will have a significant positive effect on service quality.
H8: Autonomy will have a significant positive effect on service quality.
H9: Feedback will have a significant positive effect on service quality.
H10: Training will have a significant positive effect on service quality.

Methodology

This research was conducted in 4 'in-bound' telephone call centres of a major retail bank in the UK. Self-administered anonymous questionnaires were mailed to the 'Head of Customer Services' responsible for call centres who further arranged for their distribution to the respective call centre employees. A total of 710 questionnaires were distributed, of these, 342 useable questionnaires were returned, providing a response rate of 53.5%. The sample comprised 36% males and 64% females. The fact that majority of respondents were females was expected as females tend to be over-represented in frontline service positions (Boshoff and Allen, 2000). The mean age of the employees was 30 years and their average organisational tenure was 3.5 years. The similarity between population and sample profiles suggested that there was no significant non-response bias. All items were adapted from established scales in literature and were linked to five point Likert type scale ranging from 'strongly agree' to 'strongly disagree'. All items significantly loaded on their respective constructs, which displayed Cronbach's alpha values >.70. After having established the psychometric properties of the constructs, the relationships hypothesised were tested using multiple regression analysis.

Results and Discussion

The results in Table-1 show significance of internal marketing for improving service quality.

Table 1: Regression Results of Reward Variables on Service Quality

Dependent Variable	Independent Variables	Hyp.	Standardised Parameter Estimates	t-value	Model R^2
Service Quality	Working conditions	H_1	-.344	-3.417**	0.3 $F(10,341df)$ = 12.939
	Pay satisfaction	H_2	-.047	-.872	
	Promotion opportunity	H_3	.145	1.560	
	Supervision	H_4	.041	.737	
	Team support	H_5	.015	.264	
	Role clarity	H_6	.227	4.105**	
	Skill variety	H_7	.154	3.085**	
	Autonomy	H_8	.112	2.060*	
	Feedback	H_9	.131	2.398**	
	Training	H_{10}	.252	4.278**	

** Significant at the $p<0.01$ level, * Significant at $p<0.05$ level

However, our findings on extrinsic rewards are somewhat surprising. Despite literature highlighting the significance of extrinsic organizational rewards for performance, including service quality (Steers and Porter, 1991; Jerome and Kleiner, 1995; Bowen, Gilliland and Folger, 1999; Armstrong, 2001), our results indicate that they are not very effective for service quality in call centres. The lack of effect on service quality could be because the effectiveness of these extrinsic rewards depends on whether they can be tied to performance directly (Lawler, 1973). Of the five extrinsic organisational rewards, only working condition displays a direct significant effect on service quality, albeit negative. Although, this result seems less plausible, similar result has been noted by Boshoff and Tait's (1996) study, where these rewards were studied within a single construct, 'extrinsic job satisfaction', and was found to exert a negative direct effect on service quality. We are in agreement with the implications of their study that extrinsic rewards should be linked with organisational issues like employee commitment, instead of being linked directly with service quality.

The effectiveness of a call centre has often been characterised by the supportive environment created by considerate leaders (Cleveland and Mayben, 1997) and helpful co-workers (Batt and Moynihan, 2002). However, our results show that extrinsic social rewards are not effective in call centres with respect to service quality. The results, which are in contrast with the findings in past literature (Zeithaml, Parasuraman and Berry, 1990), could be attributed to the nature of work in which these frontline employees are engaged. In highly structured and standardised high-technology call centre environments, the interaction between frontline employees and their superiors and peers seems to be minimum during service encounters (Sergeant and Frenkel, 2000), as they primarily work on an individual basis (Frenkel *et al*., 1999). Hence, the amount of influence that quality supervision and team support could exert directly on their service quality seems to be limited.

On the other hand, our results indicate that all types of intrinsic rewards have direct significant positive effects on service quality. Role clarity emerged as a crucial variable in relation to service quality in a call centre environment. Although literature predicted a weak or no direct relationship with service quality (Wetzels, Ruyter and Bloemer, 2000), we felt it to be of utmost importance in a call centre setting, which is confirmed by the results of the study. In call centres, where supervisors and team members rarely participate in a call that is handled exclusively by the frontline employees (Sergeant and Frenkel, 2000), clarity of role is exactly what is needed while handling various types of calls and delivering quality service. The next important intrinsic reward to have a direct significant positive effect on service quality is training. This finding conforms to the arguments found in the literature suggesting that training improves the service quality of frontline staff (Schneider and Bowen, 1995; Dean, 2004). Although some studies conducted in face-to-face encounters have found no significant effect of training on performance (Boshoff and Allen, 2000), in technology-driven call centre environment, training is crucial for quality service (Korczynski *et al*., 2000; Dean, 2004). Skill variety in call centres also has a direct significant positive effect on service quality. Belt (2002) notes that low-skill, highly repetitive, monotonous, pressurised and 'dead-end' work is responsible and the high turnover in call centre industry. There is an increasing need to redesign call centre jobs by improving skill variety, thereby enhancing the quality of service delivered. Also, our results are in agreement with literature that found autonomy (Tax and Brown, 1998; De Ruyter, Wetzels and Feinberg, 2001) affects service quality significantly. Autonomy or discretion enjoyed by the frontline employees, in terms of being flexible while servicing customers, does affect service quality as employees feel more control over the service they deliver. Finally, in line with results of previous findings (Schneider and Bowen, 1995; Frost and Kumar, 2001), feedback has a significant positive effect on service quality. In call centres, where performance-based rewards are limited, there seems to be little doubt that feedback works as a motivating tool to encourage employees to consistently deliver quality service.

Summary and Conclusion

Our research provides insight into the application of rewards as part of internal marketing strategies for improving service quality. Intrinsic rewards emerge as the more powerful determinant of service quality as compared to extrinsic rewards. Also, results indicate that extrinsic organisational rewards should be employed cautiously as they should not be tied to service quality directly; rather these could be used to influence employee job attitudes like enhancing job satisfaction and organisational commitment, which, in return, improve employee's service quality, and this calls for further empirical investigation in future.

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