

# Concept of service quality in call centre industry

[Business](#), [Call Center](#)



This chapter of dissertation consists of literature review, which is collected from several journals, articles and books. I have divided it into two parts. First part defines the concept of service quality, its importance and then will exemplify how different researchers have measured service quality by dividing it into different dimensions. This part further reviews role of call centers, how call centers are managed and what role call center employees play in delivering quality services. Second part of literature review considers theories from literature such as, Total quality management (TQM), six sigma, investor in People (IIP) and Continuous Performance Improvement, in order to measure quality management system of call centers.

## **1. 2 Service Quality:**

According to Berry et al.(1988 cited in Amy and Amrik, 2003) “ service quality has become a significant differentiator and the most powerful competitive weapon which many leading service organizations possess”.

Further cronin and taylor, (1992 cited in Agens K, Y law, 2003) state that by improving service quality, service providing firm can differentiate itself from its rival firms and thus occupy strong positioning in the relevant market..

Lee et al. (2003) said, now days leading service firms consider service quality as the most sustainable basis for:

Differentiation ( Zeithaml and Bitner, 1996);

Leveraging customer satisfaction and value (parasuraman, 1997);

Driving market share and profitability (Buzzel and Gale, 1987); and

Developing strategy (Gronroos, 2000).

Service quality can be defined as the perceived judgment, which customer develop by comparing their expectation about services with the services they actually perceived to receive ( Gronroos, 1984 cited in Amy and Amrik , 2003).

Bolton and Drew (1991a) and Parasuraman et al.(1988a) argued that although evaluation of service quality will help customers to form an attitude towards service provider, customer satisfaction is not obvious and satisfaction level is based on how well the delivered service meet customer's expectation.(cited in Agnes K. Y, 2002).

Service quality is dependent on two variables perceived services: service customer actually receives from organization and expected services: which comes from the customer's previous experience or overall perception of the service( Gronroose, 1984cited in amy amirk, 2003)

When expected service is higher than perceived service, service is said to be of low quality and when service expected is less than perceived service, overall service quality is considered to be high.

Quality is a subjective concept and it is difficult for the customer to evaluate service quality than product quality (Parasuraman et al., 1985). Author further suggests that there are three main features of services: intangibility, Heterogeneity and Inseparability, which construct service quality an elusive and abstract concept.

There are five main determinants that customer consider to evaluate service quality such as reliability, responsiveness, empathy, tangible and assurance. Customer's perception and evaluation of quality can be different due to different needs and wants, it could be satisfactory for one customer while other may experience it in different way (Venetis and Ghauri, 2004)

### **1. 2. 1 Importance of service quality:**

In today's highly competitive business world- where customer's needs and wants are highly influenced by global competition and where customer has large number of firms to satisfy their needs, organizations are forced to change their focus from profit maximization to maximize profit through customer satisfaction( nithin seth and S G deshmkh, 2004). Author further state that subject of service quality is of great importance; because it has strong impact on business performance, lower costs, profitability, customer satisfaction and customer loyalty. In other words service quality is the main driver of firm's marketing and financial performance.

An extensive research from services marketing, services management and organizational psychology has proved that an improved service quality can help organization in attracting, satisfying and retaining customers( Heskett et al., 1997; Schneider et al., 1998 cited in Alison M Dean, 2002). Firms that fail to provide quality services not only loose their customers to its competitors but it also resulted as declining of profit and finally firms withdraw from competition.

In service marketing, terms service quality and customer satisfaction are used interchangeably. Rust and Oliver, (1994) said service quality is the one

dimension on which customer satisfaction is based. In fact service quality is considered as antecedent to satisfaction (Agens K. y ???). According to Iacobucci et al., (1995) Service quality is concerned with the firm's service delivery, while satisfaction is the post consumption experience which reflects customer's overall experience and perception with firm's service (cited in Eugene Sivadas, 2000).

Zeithaml et al. (1996, cited in Eugene Sivadas, 2000) suggest that customer's relationship with the firm is strengthened, when that customer has favourable attitude towards a firm's service quality and relationship is weakened when customer's attitude represent his dissatisfaction with firm's services quality. He further argued that positive attitude towards firm's service quality will lead customer to develop favourable behavioural intentions such as preferring company over its competitors, making repurchases and recommending firm's service and product to others.

According to Agens K. Y(??), loyalty comes from customer's repurchase behaviour. It is satisfaction with the services that construct brand loyalty and encourages customer for repeat purchases. Zeithaml,(1996, cited in Amy Wong??) suggests that loyalty is the main determinant that service organization are using to measure their long term success and by maintaining superior service quality, firms are retaining and expanding their loyal customer base.

Johnston, (1995 cited in Amy Wong??) further argued that firm's service quality has strong impact on customer' loyalty, therefore in order to measure, control, and improve service quality from customer perspective,

management should identify what factors of service quality influence customer loyalty. Customer's loyalty is important for firm's profitability, as loyal customers are ready to pay premium price (Gronroose, 2000). Similar to satisfaction, loyalty is also comes from high service quality. Customer satisfaction is often viewed as mediator that link service quality with service loyalty (Agha, K. Y???)

### **1. 2. 2 Measures and dimensions of service quality:**

Today, whether it is developed country or developing country their economic conditions are largely influenced by globalisation and liberalization. Due to rapid change in needs and wants, firms are forced to develop constant standards for measuring the quality of services offering. Measuring service quality on regular basis will help firm to evaluate and analyse the needs and requirements of customers. These measures will also facilitate firm to provide services quality that encounters customer expectations, by improving both aspect of service quality: WHAT (technical quality) service should be delivered and HOW (functional quality) service should be delivered.

In order to measure service quality numerous researchers have suggested different models. GI, DU Kang, (2006) said, many of scholars agreed that service quality is based on multiple dimensions (Gronroos, 1982, 1990; Parasuraman et al., 1985), but there is no consensus on the exact nature and content of these dimensions (Brady and cronin, 2001).

Lehtinen and Lehtinen, (1982) has given three dimensions of service quality.

Physical quality- tangible aspect of services,

Corporate quality- company's image by its current and potential customers and

Interactive quality- two way interaction between customer and service provider.

By ignoring physical features of product in the consumption of services, Gronoos (1982, cited in GI-DU Kang, 2006) decomposed service quality into two dimensions:

Technical quality- " what" service is provided.

Function quality-" how" service is provided.

Technical (outcome) quality is concerned with what customer actually receives from service. Functional (process) quality is concerned with how the outcome of the process is delivered to the customer such as speed of service and behaviour of customer service staff.

Gronoos model of service quality also recognises that customer's perceived quality is largely influenced by the firm's image customer already have in his mind. Gronroos further suggest that when customers evaluate expected services with the services experienced they bring their prior experiences and overall perception of service firm.

Parasuraman et al., (1985), also considered service quality into two dimensions: outcome and process quality and state that evaluation of

service quality can not be made solely on outcomes of services, it should also evaluate service delivery process( GI-DU Kang, 2006/).

He further argued that these two dimensions (process and outcome quality) are Interco related therefore it is necessary to consider that when evaluation occurs. In case of process quality: evaluation of service occurs while it is being delivered; however in outcome quality, evaluation takes place after the delivery of service.

Swart and brown (1989), by considering established work on the dimensions of service quality identified by gronroose(1982), lenthin(1982) and parasuramn(1985), suggested two dimensions of service quality: WHAT ( evaluation of service after its performance) and HOW( service evaluation during performance).

Rust and Oliver, (1994) proposed three-component model of service quality, which evaluates customer's perception of service quality by considering three dimensions:

1. Customer-employee interaction (functional or process quality);
2. The service environment; and
3. The outcome (technical quality)

Although there is no generalized model of measuring service quality, GAP model of (parasuraman et al., 1985) has received adequate support from the researchers of various field ( nitin seth and desh much, 2006). In 1988 this model was then proposed as SERVQUAL. Parasuraman et al. (1988) state that:



“ The SERVQUAL provides a basic skeleton through its expectations/perceptions format encompassing statements for each of the five service quality dimensions. The skeleton, when necessary, can be adapted or supplemented to fit the characteristics or specific research needs of a particular organization”.

He further suggests that SERVQUAL is valid and reliable tool that service provider can use to understand the customer’s expectations and perceptions about service quality and thus improve services. The SERVQUAL is multiple item scale that consists of 22 statements which measures customer expectations and perceptions along five dimensions: Tangible, Responsiveness, Assurance, Empathy and Reliability.

SERVQUAL instrument is the original formulation of Parasuraman et al., (1985, 1988, 1994) which measured service quality by undertaking extensive investigation in four service areas: Bank, credit card company, long distance telephone company and a firm offering appliance repair and maintenance services.

From exploratory investigation of 1985, Parasuraman et al., conclude that there are ten main determinates which customer consider when evaluating service quality:

- Reliability:
- Responsiveness
- Competence
- Access

- Courtesy
- Communication
- Credibility
- Security
- Understanding the customer
- Tangible

In later study of 1988, Parasuraman et al., found that some of determinates are correlated, therefore he refined the list of dimensions and presented five high order dimensions which subsume previous ten( Amy wong????).

Parasuraman et al., (1988) defined these dimensions as follows: Reliability: ability to deliver or perform the promised services dependably and accurately. Responsiveness: willingness to help customers and provide prompt services. Assurance: it is concerned with the knowledge and courtesy of employees and their ability to inspire trust and confidence. Empathy: caring and paying individualized attentions/services to each customer. Tangible: physical features of service as appearance of equipments, facilities, personnel and communication material.

SERVAQUAL is conceptual model, which is based on the view that customer's perception of service quality is the result of gap between expectations and perceptions ( parasuarman et al., 1985, 1988 cited in Patrick????).

Parasuraman et al., (1985) developed Gap model of service quality to identify where gap exist and to what extent:

GAP 1: Gap between customer's expectations and management's perceptions about those expectations.

GAP 2: Gap between customer's expected standards and specifications of service and management's perceptions of customer's expected service standards. ( specification gap)

GAP 3: Gap between service quality standards and actual service delivered to customer. (Service performance/delivery gap)

GAP 4: Gap between actual service delivered and service quality organization promised to deliver. (Communication gap)

GAP 5: Gap between customer's expected and perceived services. ( perception gap)

Parasuramne et al.,( cited in dr Arash) state that gaps in service quality can help firm to identify the areas where performance is lacking. Author further state, a negative service gap would facilitate firms to prioritise the performance improvement of those service features where expectations are high. If any of service gaps is turning positive, indicating that expectations are exceeding the perceptions, firm can review service feature, which they are oversupplying and can, redeploys resources into those features, which are performing below the expectations. Gap five (Perception gap) given in the above model is main driver behind SERVQUAL methodology.

Although SERVQUAL model has been widely used in service industry, it has received criticisms from many authors on both theoretical and operational grounds. Francis buttle,(1996) has criticised SERVQUAL on the following basis: SERVQUAL focuses only on the service delivery process and neglects outcome quality; no adequate evidence that consumer consider expectations

and perceptions gaps when assess service quality and finally five dimensions of SERVQUAL are not universally accepted. Besides huge criticism, Parasuraman et al., (1991, 1994) argued that SERVQUAL is the most valid tool for measuring service quality than any other method because it uses expectation/perception gaps and with little modification, SERVQUAL can be use across business services.

## **1. 2 Role Of Call Centre.**

Intensive global competition and increased emphasis on customer satisfaction has enhanced the role of call centres in service industry. Today call centre is the main source that links the organization with its customers. Call centre, by serving high volume of customers at low cost and within less time span, has become the integral part of firm's marketing and customer service strategies (olukemi O sawyer, 2009).

David Holman (2002) state that rapid growth of call centres in service industry is attributable to its capability of reducing the cost of existing functions; provide new means of generating revenues and improving customer service quality.

According to Taylor and Bain (1999) call centre:

“ is a dedicated operation in which computer utilising employees receive inbound, or make outbound, telephone calls, with those calls processed and controlled either by an Automatic call distribution(ACD) or predictive calling system”.

Taylor and Bain (1999 cited in Alison M. Dean, 2002) has further described call centre in three essential parts: first the call centre is dedicated operation where employees are focused entirely on customer service function, second those employees are using phones and computers simultaneously and third the calls are processed and controlled by an automatic distribution system. Environment of call centre is very complex in nature, as it requires smooth blend of technology, human talent and process in order to work efficiently.

Like other business, work in call centre also involves interaction with the customers, yet it is unique in its features. Houlihan (2001) contend that Call centres by using modern technologies facilitate management to determine the speed and volume of work. Hutchinson et al., (2000) further suggests that this system will also help firm to improve employee's performance by monitoring their work on regular basis.

In Call centre employees are acting as representative of the firm's services. Olukemi O. Sawyerr,(2009) state that it is a positive interaction between customers and call centre employees that helps firm to determine customer's perception of firm's services. Today call centres serve both business as well consumer clients and are accountable to perform various business functions such as taking order, handling client inquiries, resolving complaints, dispatching, telemarketing, pre-sale and post-sale services (Alan miciak, 2001).

Besides rapid growth, call centre are embraced with the challenges of retaining and attracting employees. Lack of trained staff, high workload and high level of stress are main attributes of call centre environment, which

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foster high turn over (Olukemi O. Sawyerr, 2009). “ Recruitment of staff of the wrong personality type” is also the endemic reason of high turn over in call centre industry (Barnes 2001, p. 3)

Taylor and Bain, (1998) has resembled the working environment of call centre with the assembly line production. Call centre environment rarely encouraged team working among employees as performance of employees is measured on the basis of individual interaction with the customers (olukemi O sawyer ( 2009) . Varca (2001) further argued that, in call centre employees have less control over a job, as information delivered by employees to customers is previously scripted and interaction take place between them is not face to face

### **1. 3 Call centre management:**

Complex nature of call centre environment poses great challenge for managers to control the operations of call centre. In call centre manager’s responsibility is two fold. In one hand they are responsible to take capital-intensive decisions and introduce latest technology to cope up with the technological development; on the other hand they are responsible for handling call centre employees who work on shift pattern (George Robinson, 2006).

Call centre operations are equipped with advanced technological features such as ACD, ANI (automatic number identification) and DNIS (number identification service). ACD (Automatic call distribution) controls inbound calls traffic; place these calls in queue and then transferred them to call centre agents according to priorities. Moreover ANI and DNIS technology

provide comprehensive database of customers and call handling statistics  
(Paul R. Prabhaker,)

By using above technologies, managers can track: number of calls answered per agent, average speed to answer call, number of calls abandoned and time taken to abandon, occupancy rate of agent, number of calls answered within standard time frame, calls waiting longest in queue, agents sitting idle, agents on calls and agents on breaks or completing post call wrap up work (George Robinson, 2006). This information enables manager to set targets for call centre agents and achieve desired results.

In call centre management, technology plays crucial role as it not only helps to determine the speed of work but at the same time it provides the means to measure quality of work and worker performance (Callaghan and Thompson, 2001).

According to Bain et al., (2002), call centre management requires both hard and soft measures; hard measures includes number of calls answered, while soft measures consist of relationship between call centre employees and customers.

Audrey Gilmore (2001) has described tangible and intangible dimensions of service quality offered by call centres employees. Tangible aspects are easy to measure and consist of number of calls answered, length of calls, average calls time and standardized response, while intangible dimensions are difficult to measure and include courtesy or empathy customer experiences from call centre service. Author further states that call centre management

often consider tangible dimensions of service delivery to judge the employees performance that result employee frustration and stress.

Retaining and attracting call centre employee having high performance calibre is the significant challenge in call centre management. It has been proved by research studies that selection criteria developed for hiring call centre staff is at the minimal attention of management.

When hiring call centre staff, it is imperative for management to consider personality traits of the employees in order to make sure that they will be high performer and can deliver quality services in stressful environment (Olukemi O. Sawyerr, 2009). Author has presented FFM (five factor model) that illustrate the relationship between five dimensions of personality (conscientiousness, agreeableness, emotional stability, extraversion, and, openness to new experience) and performance of call centre employees. Performance could be service performance, turn over intension or absenteeism.

It is often viewed that management of call centre is “ measuring what is easy to measure rather than what is important to measure” (Call Centre Management, 2000, p. 5). Alan Miciak, (2001) state that firms are more interested in measuring customer satisfaction with the product and service offered by business rather than customer satisfaction with call centre performance.

Author further argued that to assess call centre performance, manger often utilizes measures as: average talk time; abandon rates; calls per hour and



occupancy rate that are based on telephone technology and may not be true indicators of performance measurement.

Australian Council of Trade Unions (2002, p. 30) claims that measurements used by call centre to evaluate performance are highly focused on productivity rather than quality.

Research work of various author presented above has placed emphasis on soft than hard measures; tangible than intangible dimensions; quantitative than qualitative measures for evaluating call centre performance. These measures can only monitor and control efficiency of call centre in handling high number of calls, while measuring quality of service delivered by call centre agents is far away from these measures.

#### **1. 4 Role of call centre employees:**

“ What the business thinks it produces is not of first importance; what the customer thinks he is buying and considers “ value” is decisive; it determines what a business is” (Drucker, 1989). Customer satisfaction which usually comes at the cost of high service quality, is essential for organization’ success as it provides firm, profitable means to differentiate it self from others. Service quality is an important factor that, if delivered efficiently by firm’s front line employees, can be main driver of firm’s sustainability (Carlzon, 1987).

In call centre, employees play very essential role in delivering high customer quality and thus facilitate management to establish large customer relationship base (Frenkel et al., 1998). Call centre employees are also

recognized as front line employees, customer contact representative (CCR) or customer sales representative (CSR) as they are directly engaged in the process of service delivery and maintain high level of interaction with the customers.

Service organizations are now developing high number of measures, for reducing employee turn over as well as improving employee satisfaction. Robinson and Morley (2006) state that high turn over bring significant cost impact for both firms and shareholders. This cost includes direct cost of recruiting, inducting and training new staff and indirect cost that comes in form of reduced customer service.

Employee satisfaction is crucial for evaluating service quality from customer perceptions. Satisfied employees are highly motivated, perform job with efficiency, delivering high level of quality services (Prabha Ramseook-Munhurrun, 2009). Edvardsson et al., (1997) further suggest that employee satisfaction can reduce employee turn over, improve productivity and enhance commitment and creativity.

Call centres are now being criticized for their inadequate staff management practices. Research on service environment has concluded that some times call centre environment itself restricts the ability of employees to deliver high quality customer services. In call centre employees are called emotional labour and are forced to achieve productivity goal while delivering quality customer services (Alison M. Dean, 2009).

Audrey Gilmore (2001), state that call centre employees are under a continuous pressure of answering high number of calls as their performance is measured by how quickly they respond to customer's inquiry rather than quality of the call. MacDonald, (1998a, 1998b) further argue that excessive emphasis on quantitative rather than qualitative measures for judging employee's performance is the main cause of employee' unproductive behaviour.

## **1. 6 Quality Management System:**

Reeves and Bednar (1994) have defined the term quality as an excellence, value, conformity to specification, meeting customer expectation etc.

Excellence in service industry involves providing customers a desired satisfied service by knowing the demands of the customers at first instance.

Value involves gaining higher profit margins by maintaining quality as priority, which attracts customers to become the part of the system.

Conformity to specification and meeting customer expectations involves developing such a system, which guarantee error-free operations and delivering the desired and satisfied operation output.

A product is always valuable and acceptable if the quality standards set by customers are lined up with the product and this can be done by quality management system.

Establishment of the quality management system in an organisation provides a priority control over the organisations activities with continues improvement in its performance. Quality management system are mainly implemented for enhancement of the organisations work force and its

abilities in providing the product and services according to the customers expectations as well as optimising the resources in terms of value for money (VFM).

According to (Dean and Bowen, 1994; Prajogo and McDermott, 2005; Sousa and Voss, 2002..... infrastructure) quality management system provides key assurance in achieving the goals and objectives of an organization listed in its policy and strategy. Quality management system provides reliability, diligence and satisfaction in terms of process, procedures, equipment, etc and interacts with all other activities starting from customer's perceptions to customer's expectation for satisfying their requirement.

The term quality control and quality assurance are often mixed up in line discussion of quality management system but these two terms are exceptionally different in meaning. The word quality control is more over related to product and services which identifies the satisfactory of end result, where as quality assurance is process-oriented which identifies whether the process that was carried out is applicable to meet desired objective.

### **1. 6. 1 Quality control:**

Quality control is a commitment to quality; usually stressed more in organization to ensure that examination of quality is applicable to specified standards and can the current system follows the planned actions. Quality control not only includes material and process but also all those elements, which begins from raw material/service introduction to finished goods.

### **1. 6. 2 Quality Assurance:**

According to (James R. and William M. 1996) Quality assurance is the assurance of total efforts involved in planning, organizing, directing and controlling quality in production system with the objective of providing the consumer with product of appropriate quality.

Quality assurance is a systematic approach to pursuit the quality (Collins, 1994) and it approaches through quality assurances of product/services that determines whether the expected demands of the customers are satisfied according to their expectation. Usually organizations follows innovations and value added techniques to their plans and strategies in order to implement such system, which must outfit to the customers satisfaction. According to (Moreno-Lonzo and Peris, 1998) purpose of quality assurance is the conformance of the product, service and process with given requirement and standards.

### **1. 6. 3 Costs of Quality**

According to (Norman . G and Greg . F 1999) all those costs, which are lined up for managing quality, customer satisfaction, market share, profit enhancement can be identified as quality costs. Quality cost can be source to the identification of the opportunities and creating funding priorities for quality improvement through Pareto analysis. Further more (Dale H. Basterfield 1994) stated that Pareto analysis focuses on the quality problematic areas and once the quality issues are being resolved then it measures the effectiveness of the actions taken against quality issues. Following are the components to the cost of quality.

- Design Costs
- Appraisal Costs
- Internal Failure Costs
- External Failure Costs

### **1. 6. 3. 1 Design Costs:**

Design costs are those costs, which are specially designed to prevent the error, which leads to poor quality. Maintaining quality system and providing customers a desired service involves dealing with high prevention cost, which includes dealing with quality planning cost, maintaining process control cost, developing human skills by training cost etc.

### **1. 6. 3. 2 Appraisal Costs:**

All those costs which are attached in assuring the quality of products or services, are known as appraisal costs. Purchasing appraisal cost, operation appraisal cost, miscellaneous costs are the examples of the appraisal costs.

### **1. 6. 3. 3 Internal Failure cost:**

Before to deliver the product or service to the customer, the product is passed through various operation where quality is inspected many times, so at anytime if the quality is not proved to be satisfactory then the unfinished product or service is being used as scrapped item or in some case the product is again sent through the earlier process until product claims to be in desired quality. All those costs that are involved maintaining the product quality internally are headed under the internal failure cost this may includes product or service design failure costs, purchasing failure costs, operation failure costs etc.

### **1. 6. 3. 4 External Failure Costs:**

External Failure costs are often considered as high cost of quality management. When the product or services are ready to be delivered to the customers there are often some uncertainties attached that might includes customer found defects or product was unsatisfactory to the customer expectations, so all those cost which are incurred to correct the product or services can be headed as external failure cost. The real life example includes Toyota's Lexus safety recall 2010.

### **1. 7 Total Quality Management:**

Total qual