

MARKET ORIENTATION OF FRONTLINE EMPLOYEES AND ITS IMPACT ON SERVICE QUALITY AND PRODUCTIVITY WITHIN THE SOUTH AFRICAN CONTACT CENTRE INDUSTRY



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Abstract

The study of market orientation has received considerable attention in the marketing literature, and remains well debated. Despite numerous conceptualisations and approaches to understand the relationship between market orientation, service quality and productivity across diverse industries, few studies have considered it at individual level and within the South African contact centre industry. This study employs self reported data from frontline employees and their Key Performance Indicators (KPI) to empirically consider the notion that market orientation, service quality and productivity are related. A survey was used to collect data from 218 respondents and the hypothesised model was tested using Partial Least Squares (PLS) path analysis and Pearson correlation analyses. The results confirm significant and positive relationships between a number of market orientation components and those of service quality. Interestingly, a number of components of market orientation and service quality were found to be significantly correlated with only one of the productivity indicators - Average Handling Time. Counter to expectation, the components of service quality were not found to be negatively correlated with productivity. This finding contradicts the literature that argues that service quality and productivity are often in conflict, and highlights that the methods often employed to measure productivity in certain South African contact centres, do not correspond to service quality in the way that is commonly assumed.

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CHAPTER 1: ORIENTATION

1.1 INTRODUCTION

The business services environment has been characterised by marked change. Delivering superior service and ensuring higher customer satisfaction have become strategic necessities for companies to survive in competitive business environments (Reichheld & Sasser, 1990). Contact centres (commonly referred to as call centres) have emerged as an important tool to support company objectives of improving performance, whilst reducing costs and exceeding customer requirements (Barrett, 1997). As a result, the contact centre sector has experienced rapid growth over the last ten to fifteen years, with contact centres now forming a significant part of the global economy (Holman, 2007).

The South African Business Process Outsourcing (BPO) industry, of which contact centres are the most prominent sector, is currently estimated to be worth R13 billion, employs 180,000 people (10,000 of which support the offshore market), and accounts for 4.5 percent of the worldwide BPO market (Frost & Sullivan, 2012). Dwarf size compared to India, reported to be worth nearly R110 billion with over 700,000 people and accounting for 35 percent of the worldwide market (Nasscom-Everest, 2012), but it has potential for growth.

A call centre is an operation where a high volume of calls are placed, or received, for the main purpose of customer service; usually providing the first, if not the only, point of contact for customers to engage with their service provider (Armistead *et al.*, 2002). The term 'contact centre' is now gradually replacing the term 'call centre' because it more accurately describes the activities now taking place through numerous channels, including voice, email, texting and web chat.

Using contact centres for customer interactions is ideal for today's rapidly changing global markets (Prabhaker *et al.*, 1997). With a strong technological foundation, contact centres offer more flexibility and thus lower the costs of meeting customer needs and expectations (Barrett, 1997).

As contact centres reach a new level of importance for customer relationship management, frontline employees (contact centre agents) become increasingly important within the link between companies and customers (Burgers *et al.*, 2000; Houlihan, 2002). Miciak and

Desmanais (2001) point out that today's contact centres are complex operations that require a combination of systems, processes and human talent in order to succeed.

1.2 PROBLEM STATEMENT

Although contact centres have emerged as an important tool to exceed customer requirements, it is widely argued that in reality contact centres have failed to realise their full potential in this regard. Several studies in Australia, India, South African and the US have confirmed these reports. One study conducted by the Citizen's Advice Bureaux found that 97 percent of customers cringed at the thought of using a contact centre number, 90 percent of them had complaints, and 40 percent were totally dissatisfied (Jain & Shah, 2010).

As the contact centre landscape in South Africa has emerged so rapidly over the last ten to fifteen years, the right metrics, processes, practices and tools to effectively support customer service requirements are still lacking in most contact centres (Hart *et al.*, 2006). Contact centres also seem to miss the important link between service quality and productivity (Marr & Neely, 2004); with service quality often neglected in favour of productivity targets. Research has found that when faced with conflicting demands, frontline employees reduce service quality delivered to customers in order to maintain their productivity standards (Hart *et al.*, 2006, Singh, 2000). In order to deliver high levels of efficiency and service quality, managers need to rethink their approaches to service and productivity management.

Marketing literature suggests that market orientation, defined as the organisation culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for customers (Narver & Slater, 1990), could be the solution to the lack of stabilisation that exists in most contact centres today. Market orientation has been reported to be associated with many positive outcomes for service companies, including enhanced customer service (Cole *et al.*, 1993), profitability (Narver & Slater, 1990), employee commitment and esprit de corps (Jaworski & Kohli, 1993).

Market orientation has been researched extensively in the marketing literature. Yet, research that investigates market orientation in relation to service quality at individual level

within the South African contact centre landscape has largely been avoided by researchers to date. The debate of the market orientation-productivity and service quality-productivity relationships is still continuing in the literature. An examination into the complex nature of these relationships is therefore also warranted. This study aims to present findings that will encourage contact centre managers to break free from the historical operating models that confine them and do little to enhance the experience of today's savvy and demanding customer (Mosley, 2007).

1.3 RESEARCH OBJECTIVES

The primary objective of this research is to examine the relationship between market orientation and service quality at individual level within the South African contact centre landscape. An investigation into the market orientation components responsible for driving the service quality components at individual level, within the context of this study, will therefore be conducted.

A secondary objective of this study includes the examination into the market orientation-productivity relationship, also at individual level within the context of this study. An investigation into the correlation between the market orientation components and the KPI data provided by each participating contact centre will therefore be conducted.

Another secondary objective involves the examination into the largely debated relationship between service quality and productivity within the contact centre landscape. This will also be tested at individual level. Therefore, an investigation into the correlation between the service quality components and the KPI data provided by each participating contact centre will be carried out at individual level within the context of this study.

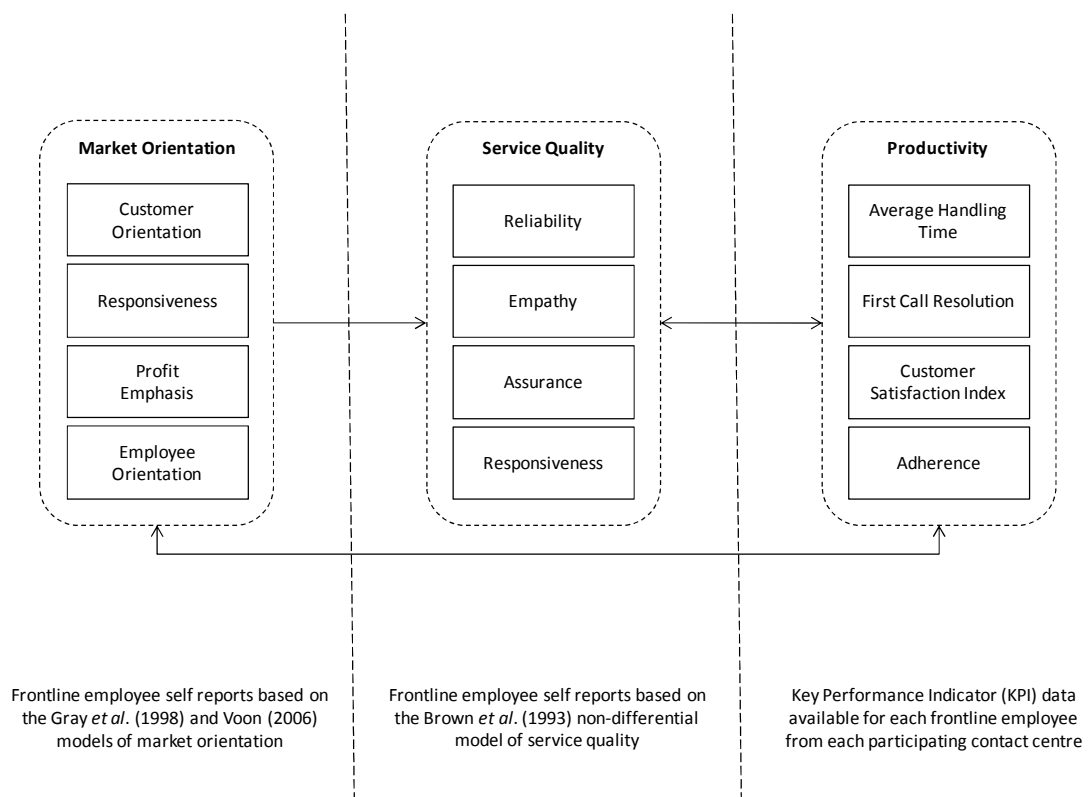
1.4 CONCEPTUAL FRAMEWORK

1.4.1 Concept

To achieve the stated objectives in this study, the conceptual model depicted in Figure 1.1 has been developed. The conceptual model denotes the constructs, latent variables and

associations to be considered in the examination of the market orientation, service quality and productivity relationships. In this approach, the market orientation components are positioned as independent latent variables, while the components of service quality and productivity are positioned as dependant latent variables. The study will use a combination of objective (Key Performance Indicators) and subjective measures (published scales available from the services literature) to define and measure the key constructs of market orientation, service quality and productivity.

Figure 1.1 Conceptual Model



1.4.2 Constructs

(a) *Market Orientation*

Accepted market orientation measurement tools include Narver and Slater's (1990) unidimensional construct, Jaworski and Kohli's (1993) three dimensional construct, Deng and Dart's (1994)'s multi-factor, multi-item approach, Gray's *et al.* (1998) five-dimensional model and Voon's (2006) service-driven (SERVMO) market orientation construct. The Gray (1998) model that replicates and extends earlier models, confirms market orientation as a multi-dimensional construct consisting of five sub-dimensions:

customer orientation, competitor orientation, inter-functional coordination, responsiveness and profit emphasis. Voon's (2006) service-driven (SERVMO) model of market orientation introduces employee orientation as a sixth component of market orientation. The results show that Voon's (2006) SERVMO construct has a significantly strong and positive relationship with service quality, but it eliminates the component of responsiveness in favour of long-term orientation. For the purpose of this research, the Gray *et al.* (1998) robust scales of customer orientation, responsiveness and profit emphasis will be used with the addition of Voon's (2006) employee orientation scale. The competitor orientation and inter-functional co-ordination scales will be removed as they are not relevant to this study which aims to measure market orientation at individual level within the South African contact centre landscape. Although the proposed scales exhibited good reliability and validity in both studies, their psychometric properties will be reassessed in the context of this study.

(b) *Service Quality*

Despite the various service quality measurement tools available, SERVQUAL still proves to be the most widely held instrument for measuring service quality. This model has, however, received numerous criticisms on a conceptual and operational level (Cronin & Taylor, 1992; Teas, 1993). The Brown *et al.* (1993) non-difference score measure of service quality overcomes several concerns relating to the SERVQUAL's difference score measure that have manifested empirically. Their empirical research shows that the reliability of SERVQUAL is below that of their model and that a non-difference score displayed better discriminant validity (SERVQUAL could not achieve discriminant validity). It also outperformed SERVQUAL on important psychometric and statistical considerations, while requiring subjects to respond to only half as many items. Cronin and Taylor (1992) agree that the non-difference measure produces better results than SERVQUAL. It is for this reason that the Brown *et al.* (1993) model will be used to measure service quality at individual level in this study. The reliability and validity of this model will be reconfirmed within the context of this study.

c) *Productivity*

Productivity evaluation and quality control in contact centres is frequently done on the basis of several operational measures, also referred to as Key Performance Indicators (KPI) (Miciak & Desmanais, 2001). Jaiswal (2008) indicates that these

measures are recorded at the individual level on a daily basis and that in cases where these centres are outsourced, the required productivity level varies based on the service level agreement (SLA) between the contact centre operators and their clients and the type of service provided. Contact centre scholars (Sparrow, 1991; Anton, 2000) provide evidence that a contact centre measurement framework must be simple, relevant and provide a balanced and comprehensive view of productivity. Balanced scorecards are used in most established contact centre operations to help monitor the quality and efficiency of contact centre services. These include measures that track operational efficiency, customer satisfaction, business value and people management (Marr & Parry, 2004). Within the participating contact centres in this study, the essential KPI that are used to track productivity include: Average Handling Time, First Call Resolution, Customer Satisfaction Index and Adherence. The measurement of these KPIs will be elaborated upon in Chapter 5 – Research Methodology, Section 5.6.

1.5 DEFINITION OF TERMS

Definitions of the key constructs and terms to be used in this research include:

Assurance: The knowledge and courtesy of employees and their ability to inspire trust and confidence.

Adherence: The measure of the total time a frontline employee is available for call work divided by the time they are scheduled to work, expressed as a percentage.

Average Handling Time (AHT): The average time taken to handle a customer call. In other words, it is the sum of average talk time and average hold time.

Frontline employees (otherwise referred to as contact centre agents): Individuals who handle either incoming or outgoing customer calls or contacts for a contact centre operation.

Competitor Orientation: The sufficient understanding of the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and potential competition.

Customer Orientation: The sufficient understanding of one's target buyers to be able to continuously create superior value for them.

Customer Satisfaction Index (CSI): The percentage of customers whose reported experience of the call exceeds specified satisfaction goals.

Empathy: The caring, individualised attention employees provide to their customers.

Employee Orientation: The sufficient understanding of employees so as to create continuous and superior employee satisfaction. Employee recruitment, training, motivation and rewards are greatly emphasised.

First Call Resolution (FCR): The percentage of customers who have satisfactory problem resolution on the first call (also a good indicator of customer satisfaction).

Inter-functional Co-ordination: The co-ordinated utilisation of company resources in creating superior value for target customers.

Key Performance Indicators (KPIs): A set of quantifiable operational measures that a contact centre uses to help monitor the quality and efficiency of contact centre services.

Marketing Concept: A business philosophy that holds that long-term profitability is best achieved by focusing the co-ordinated activities of the operation towards satisfying the needs of particular market segments.

Profit Emphasis: The organisation-wide emphasis on generating profit for the operation.

Reliability: The ability to perform the promised service dependably and accurately.

Responsiveness (in the market orientation context): The willingness to consider changes and adapt the service to meet customer expectations.

Responsiveness (in the service quality context): The willingness to provide prompt service and follow up on promises made.

1.6 DEMARCATION OF THE STUDY

This study considers the management literature that has, since the 21st century, been characterised by globalisation, deregulation of markets and aggressive competition (Walker, 2001). This marked change has given rise to a new long-term strategic market orientation (Webster, 1988) and service-dominant logic (Vargo & Lusch, 2004) that views the customer at the centre of a firm's strategic thinking. Delivering customer value and providing superior service quality have become accepted strategies for remaining competitive (Karmarkar, 2004). Market orientation and service quality have long been linked to productivity in the management literature. However, much debate still exists on the nature of these relationships. These three constructs and their relationships will therefore be further explored in the context of this study.

1.7 CONCLUSION

Chapter 1 covers the foundation of the study, including background information, the problem statement, research objectives and conceptual framework, as well as a definition of terms, demarcation of the study and research outline. Chapters 2-4 review the literature on market orientation, service quality and productivity; including definitions, key models and relationships, as well as an examination into the most recognized measurement tools. Chapter 5 describes the research methodology followed in this study, including the research strategy, detailed conceptual model, hypotheses, research design, sample, pilot study, as well as the measurement, data collection and data analysis techniques used. In Chapter 6, the results of the analyses are presented. These include the descriptive statistics providing insight into the demographic profile of the sample and the scale items, as well as the analysis to validate the measurement scales and test the hypotheses in the conceptual model. Chapter 7 concludes with the discussion, managerial implications, limitations and recommendations for future research.

CHAPTER 2: MARKET ORIENTATION

2.1 INTRODUCTION

Since the mid-1950s, researchers have argued that there is a clear need for market orientation in business management and administration (Drucker, 1954; Levitt, 1960). Recent research has shown that market orientation moderates service offerings and is positively correlated with productivity and business performance (Deng & Dart, 1994; Jaworski & Kohli, 1993; Maranto & Reynoso, 2003; Narver & Slater, 1990; Slater & Narver, 1994a, 2000; Silvestro, 2002; Singh, 2009).

To compete and survive in today's markets, characterised by globalisation and deregulation, aggressive competition and ever-rising expectations of customers, creating and delivering value for customers is believed to be a key source of competitive advantage (Gurău, 2009). Market-orientated organisations co-ordinate their activities around the goal of satisfying customers' unmet needs (Boyd & Walker, 1990). Leading scholars explain that market orientation is about continuous and organisation-wide gathering, disseminating and responding to market information to satisfy the target customers' needs profitably (Narver & Slater, 1990; Kohli & Jaworski, 1990; Porter, 1998).

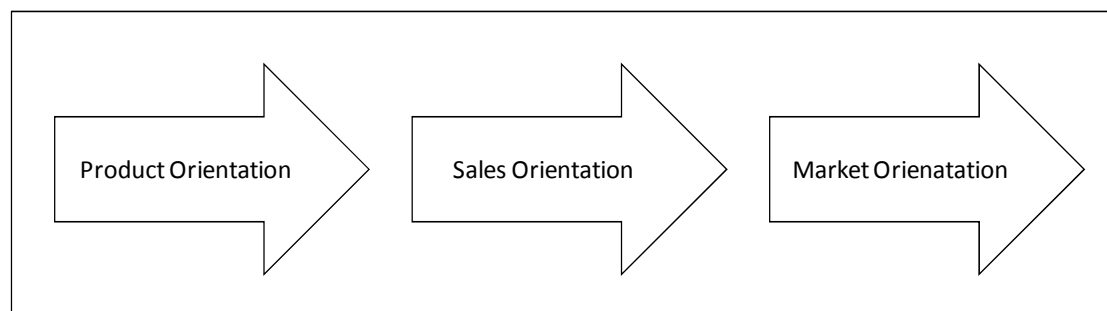
In this chapter, market orientation is introduced in both behavioural (Kohli & Jaworski, 1990) and cultural (Narver & Slater, 1990) terms, and then further explored in terms of its key antecedents and consequences (Kohli & Jaworski, 1990). The literature review also supports a number of relationships or consequences of market orientation, including learning, quality, innovation, marketing and business performance (Jaworski & Kohli, 1993; Hult & Ketchen, 2001; Im & Workman, 2004). Suggestions on how market orientation could or should be implemented are then examined. In conclusion, a number of accepted market orientation measurement tools are discussed.

2.2 DEFINING MARKET ORIENTATION

Prior to the middle of the 20th Century, the traditional view of marketing held that the key to profitability was greater sales volumes (Walker, 2001). Marketing efforts were therefore, orientated toward a short-term, tactical process of personal selling, advertising and sales

promotions (Webster, 1988). In the mid-1950s, as the post war condition of scarcity was replaced by an abundance of products competing for the support of an increasingly rich consumer, the “marketing concept” evolved. The short-term tactical sales approach was replaced by a long-term strategic orientation (Webster, 1988). Figure 2.1 shows the evolution of marketing thought.

Figure 2.1 The Evolution of Marketing Thought



Source: Webster (1988)

The marketing concept and the related idea of market orientation has been debated by many authors in the marketing literature for decades (Kohli & Jaworski, 1990; Narver & Slater, 1990; Jaworski & Kohli, 1993; Day, 1994; Cravens *et al.*, 1998; Hult & Ketchen, 2001; Im & Workman, 2004). Part of the problem is definitional with the terms marketing orientation (a business philosophy) and market orientation (implementation of that business philosophy) often confused and/or used interchangeably (Gray *et al.*, 1998).

Narver and Slater (1990, pg. 20) conceptualise market orientation as a culture, defining it as “the organisation culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and thus continuous superior performance for the business”. One of their major contributions was to broaden the original marketing concept to include customer needs and competitor actions, as well as strategic focus.

Deshpande *et al.* (1993) also believe market orientation to be a culture, but reduce its three competing scales down to a common customer orientation dimension (Deshpande & Farley, 1996). Hooley *et al.* (1990) sees market orientation as the implementation of the marketing

concept, but their study was limited to the differences between companies with dominant marketing, sales or product orientations.

Kohli and Jaworski (1990) view market orientation in terms of market scanning, information sharing and response activities (Gray & Hooley, 2002). Day (1994) argues that the marketing concept calls for companies to identify and satisfy customer needs more effectively than their competitors in order to succeed.

Deng and Dart (1994), in combining the models of Narver and Slater (1990) and Kohli and Jaworski (1990), define market orientation as the implementation of a business philosophy that maintains that long-term profitability is best achieved by directing the co-ordinated efforts of the firm towards satisfying the needs of a particular market segment.

Essentially, concerned with the operationalisation of the marketing concept, market orientation relates to the principles that directly affect the firm's performance through the actions of the company as a whole and not just the marketing department (Kohli & Jaworski, 1990). The underlying principle of market orientation is that a company listens, understands and responds to the market and competition; therefore managing customer satisfaction and creating strong competitive advantage (Cravens *et al.*, 1998).

Eight different approaches to the market orientation conception currently exist, including the decision-making perspective (Shapiro, 1998), the market intelligence perspective (Kohli & Jaworski, 1990), the culturally-based behavioural perspective (Slater & Narver, 1995), the strategic focus perspective (Ruekert, 1992), the customer orientation perspective (Deshpande *et al.*, 1993), the system-based perspective (Becker & Homburg, 1999), the market-based organisational-learning perspective (Sinkula, Baker & Noordewier, 1997) and the customer relationship perspective (Baker & Sinkula, 1999). This review will focus on the two most popular and widely used constructs, that of Kohli and Jaworski (1990) and Narver and Slater (1990).

2.3 MODELS OF MARKET ORIENTATION

The behavioural viewpoint of market orientation focuses on organisational activities that are related to the generation of market information about current and future customer needs, dissemination of this market intelligence across departments and individuals within a company, and organisation-wide responsiveness to this market intelligence (Kohli & Jaworski, 1990). Firm performance is central to this theory, but it also takes into account the effectiveness of organisational commitment and 'esprit de corps' (defined by Shoham *et al.* (2005) as a combination of employee commitment, job satisfaction and team work). The focus of this model is on the organisational forces of delivering value for customers rather than the individual characteristics (Pulendran *et al.*, 2000).

The cultural (or attitudinal) viewpoint focuses on the organisational norms and values that encourage behaviours that are consistent with market orientation (Narver & Slater, 1990). These are classified as customer orientation, competitor orientation and inter-functional coordination, with all components being of equal importance. The first component, customer orientation, uncovers the necessary activities for acquiring and disseminating information about customers; the second, competitor orientation, reflects the behaviours needed to acquire and disseminate information about competitors; and the third, inter-functional co-ordination, entails the firm's collective forces to create value from this knowledge. In other words, market orientation is a culture that influences the way employees think and act (Dobni & Luffman, 2000).

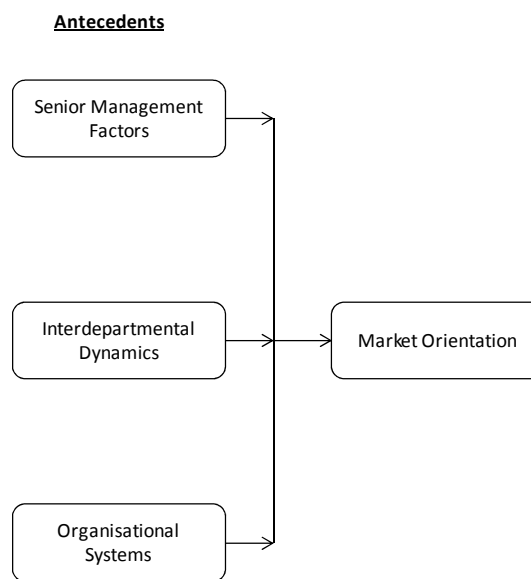
It is important to note, however, that these two constructs are not mutually exclusive as Martin and Martin (2005) point out that the successful development of a market orientated firm requires a change in employee behaviour, as well as attitude. Both models emphasise the importance of customer and competitor (market) knowledge, as well as departmental cooperation.

2.4 ANTECEDANTS OF MARKET ORIENTATION

Kohli and Jaworski (1990) propose a framework (see Figure 2.2) to understand the key antecedents of market orientation. Organisational variables (or antecedents) relating to

structure and management, either act as drivers of or obstacles to market orientation and explain why some firms are more market orientated than others (Pulhendran *et al.*, 2000). Narver and Slater (1990) introduce, and Kirca *et al.* (2005) confirm, three hierarchically ordered categories of antecedents to market orientation: senior management factors, interdepartmental dynamics and organisational systems.

Figure 2.2 Antecedents of Market Orientation

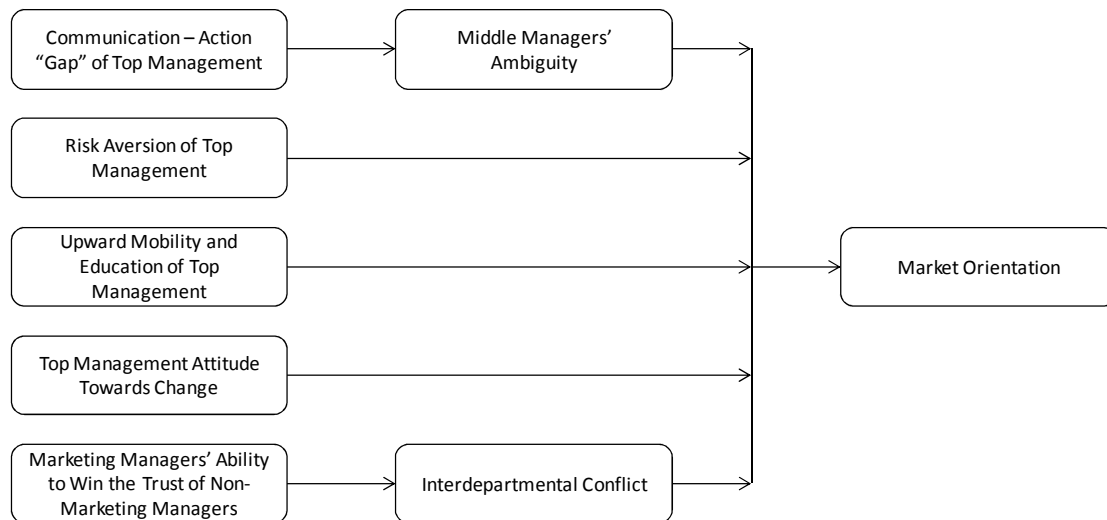


Source: Adapted from Kohli & Jaworski (1990)

2.4.1 Senior Management Factors

The role of senior management has emerged as one of the most important factors in fostering a market orientation culture. Senior management is responsible for shaping the values and orientation of the organisation and acting as the interface between the organisation and the environment (Kuada & Buatsi, 2005). Figure 2.3 shows the senior management factors and market orientation.

Figure 2.3 Senior Management Factors and Market Orientation



Source: Kohli and Jaworski (1990)

Shoham *et al.* (2005) assert that senior management needs to encourage all levels of management (through their communication and behaviour) to track market changes, share market intelligence and be responsive to the needs of the customer. Kohli and Jaworski (1990) add that the greater the variability in the gap between senior managers’ communication and actions relating to market orientation, the greater junior managers’ ambiguity about the organisation’s desire to be market orientated; and hence the lower the market orientation of the organisation.

Harris and Ogbonna (2001) suggest that management behaviour is the key to market orientation and the firm’s willingness to take risks. Competitive and ever-changing markets often require the development and introduction of new products, improvement of processes or to grow or scale down in a particular area. Kohli and Jaworski (1990) advocate that senior management needs to be tolerant and accepting of occasional failure and create an environment that encourages risk taking and organisational learning.

As market orientation involves being responsive to changing customer needs, it can be viewed as an innovative behaviour (Kohli and Jaworski, 1990). Hambrick and Mason (1984) propose that senior managers, who are young, have extensive formal education and are of

low socioeconomic origin, are more likely to pursue risky and innovative strategies; and hence the greater the market orientation of that organisation.

Senior management must also clearly communicate their commitment to the change in their behaviour and drive a sense of urgency for its implementation (Day, 1994). Chelariu *et al.* (2002) affirm that in order to facilitate implementation, leaders will need to identify and understand the key problem areas to be addressed, as well as the benefits that the change will bring to the organisation. This vision needs to be effectively and constantly communicated to all staff to reinforce and maintain momentum (Pulendran *et al.*, 2000).

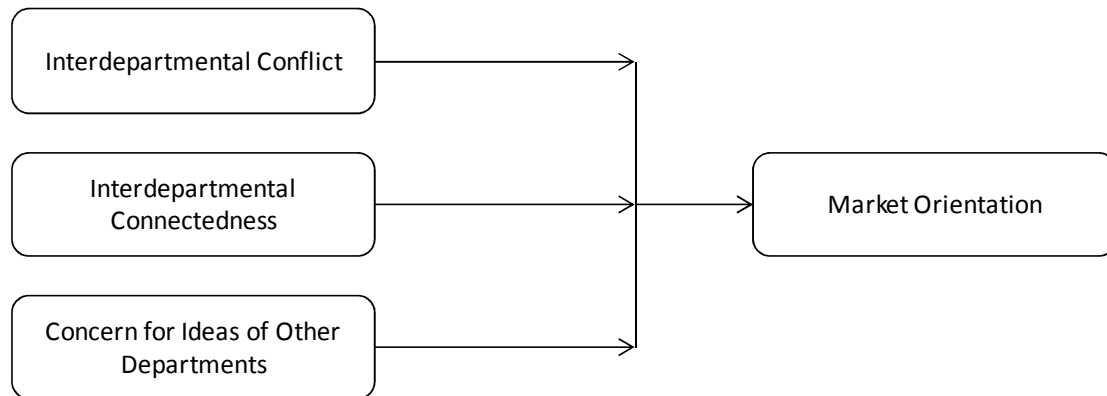
As early as the middle of the twentieth century, researches have stressed the importance of marketing executives winning the confidence and cooperation of their peers to minimise conflict and promote market orientation (Felton, 1959; Levitt, 1969). It is therefore argued that the greater the ability of senior marketing managers to win the confidence of senior non-marketing managers, the lower the interdepartmental conflict; and hence the greater the market orientation.

In a study of UK firms, Harris and Ogbonna (2001) found that leadership style accounts for 27 percent of the variance in market orientation development and subsequent effectiveness. They also noted that participative and supportive leadership styles were strongly associated with market orientation, whereas an overly formalised, conflictual or politically motivated style was not. Participative and supportive leaders provide a favourable environment in which market-oriented culture change can thrive. Harris and Ogbonna (2001) suggest appropriate selection and training of future senior managers is essential to the development of a market orientated culture.

2.4.2 Interdepartmental Dynamics

Kohli and Jaworski (1990) define interdepartmental dynamics as the formal and informal interactions and relationships among the various departments in an organisation (see Figure 2.4). Interdepartmental connectedness is believed to enhance market orientation by leading to greater sharing and use of information gathered (Kirca *et al.*, 2005). This connectedness promotes interdependency within an organisation and directs employees to act in a collaborative manner in the process of generating knowledge and responding to market needs (Jaworski & Kohli, 1993).

Figure 2.4 Interdepartmental Dynamics and Market Orientation



Source: Kohli and Jaworski (1990)

In contrast, interdepartmental conflict is considered to inhibit communication across departments, as well as the dissemination of market intelligence - an integral component of market orientation (Kohli & Jaworski, 1990). Pulendran *et al.* (2000) affirms that this conflict has the potential to contribute to breakdowns in communication, to build secrecy and reinforce silos and generate destructive competition. It has been shown, however, that task-related conflicts can sometimes be constructive as they help employees recognise and define problems, identify solutions and understand underlying issues involved (Kuada & Buatsi, 2005).

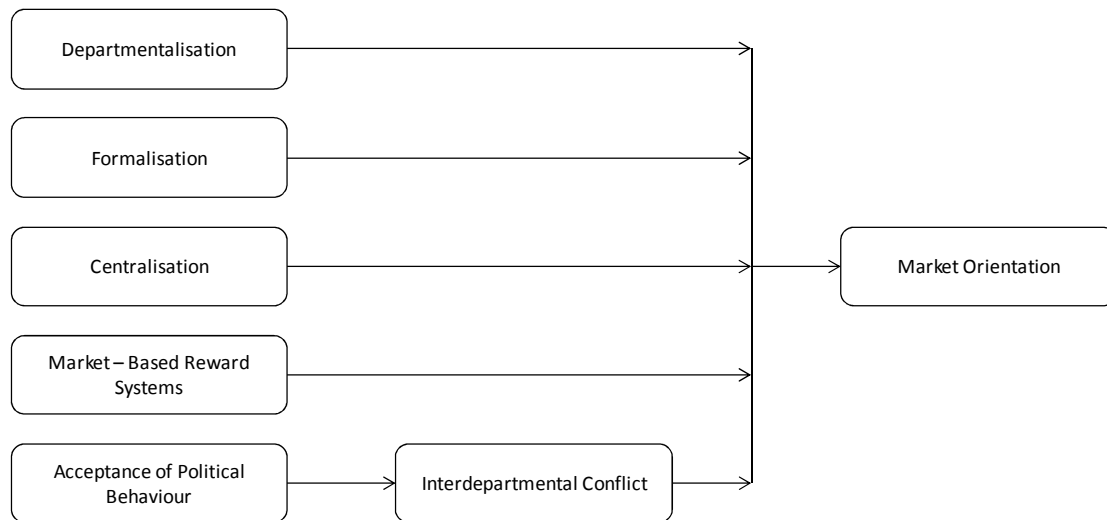
Concern for other's ideas, defined as the openness and receptivity to the suggestions and proposals of other individuals or groups, has also emerged as an antecedent to market orientation (Kohli & Jaworski, 1990). Low levels of concern are directly related to restricted information flows, distrust, and antagonism, which result in ineffective group processes (Jaworski & Kohli, 1993). Low levels of concern for the ideas of other individuals can therefore be expected to impede the dissemination of market intelligence across departments and individuals responsiveness toward it (Kohli & Jaworski, 1990).

2.4.3 Organisational Systems

The organisation wide characteristics or systems that positively or negatively affect market orientation are described as departmentalisation, formalisation, centralisation, market-

based reward systems and acceptance of political behaviour (Kohli & Jaworski, 1990). Figure 2.5 shows the organisational systems and market orientation.

Figure 2.5 Organisational Systems and Market Orientation



Source: Kohli and Jaworski (1990)

Early researchers argue that departmentalisation may have the inverse effect on innovation behaviour indicating that departmentalisation may hinder the initiation stage, but facilitate the implementation stage of innovation behaviour (Zaltman *et al.*, 1973). Hence, departmentalisation is described as being inversely related to intelligence generation, dissemination, and responsiveness to market needs, but positively related to response implementation (Kohli & Jaworski, 1990; Zaltman *et al.*, 1973).

Formalisation, the degree to which rules define roles, authority relations, communications, norms, sanctions and procedures (Hall *et al.*, 1967), tends to reduce effective market orientation. This is because it inhibits information utilisation and response time to changes in the external environment (Jaworski & Kohli, 1993; Harris & Ogbonna, 2001; Harris, 2000). Chelariu *et al.* (2002) point out, however, that formalising procedures may help in the initiation stage of market orientation as employees and management rely on existing models of adoption and established effective engagement protocols. Similarly, if formalised processes ensure that employees meet and discuss customer needs and complaints regularly, the development of market orientation is enhanced (Kuada & Batsui, 2005).

Harris (2000) and Matsuno *et al.* (2002) suggest that centralisation, the concentration of management and decision-making power at the top of an organisation, can negatively impact the development of market orientation as it inhibits a company's information utilisation. In contrast, decentralisation permits flexibility and variety in the choice of information gathering methods and employees interpretations of the knowledge generated (Kuada & Batsui, 2005). The effect of centralisation, however, can be mitigated through senior management emphasising the importance of knowledge sharing and encouraging interdepartmental connectedness (Kirca *et al.*, 2005).

Market-based reward systems that use market orientation behaviours as metrics have been shown to enhance actions that support market orientation. This type of reward system has also been shown to reduce role conflict and job ambiguity (Signauw *et al.*, 1994). Pulendran *et al.* (2000) argues that a firm should focus on customer satisfaction and service levels rather than on sales volumes, short-term profitability and rate of return, as the former encourages active intelligence generation and dissemination and responsiveness to market needs. In some instances, however, formal systems may not need to be implemented. In a study conducted by Chelariu *et al.* (2002), informal mechanisms were shown to be largely responsible for disseminating information and coordinating these activities across departments. Employees felt that they did not need to be rewarded to communicate amongst themselves as this process occurred naturally.

Although most organisation-wide characteristics involve formal systems within organisations, more recent management literature reflects an increasing awareness of the importance of informal systems in shaping organisational activities (Kohli & Jaworski, 1990). An informal mechanism that appears to be particularly relevant as a determinant of market orientation is political norm structure. Political behaviour is described by Porter *et al.* (1981) as individual's efforts to advance self-interests and threaten other's interests. Kohli and Jaworski (1990) assert that a highly politicised system has the potential to bring about interdepartmental conflict which in turn inhibits market orientation.

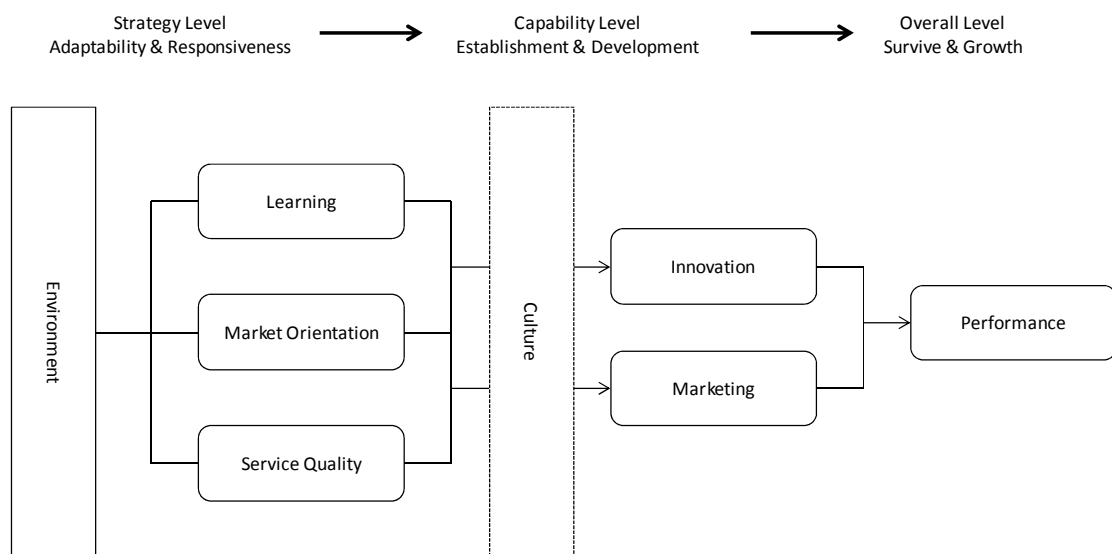
Additional barriers to effective market orientation are either people or resource related (Harris & Piercy, 1999). People factors that need to be managed are self-interest, resistance to change and overturning traditional practices. Lack of appropriate skills and training is also a concern as lower levels of staff that are not educated on market orientation may impede

its development and effectiveness during the customer interface (Harry & Piercy, 1999; Harris, 2000). Limited time and financial resources or the perception thereof are also seen to constrain market orientation (Harris & Piercy, 1999).

2.5 CONSEQUENCES OF MARKET ORIENTATION

The literature supports a number of key relationships or consequences of market orientation (Jaworski & Kohli, 1993; Hult & Ketchen, 2001; Im & Workman, 2004). By far the most common consequence or relationship investigated together with market orientation is business performance. However, learning, quality, innovation and marketing also have substantial research devoted to them. Figure 2.6 reveals the conceptual framework of market orientation related constructs proposed by Liao *et al.* (2011). What follows is an examination of these various relationships.

Figure 2.6 The Conceptual Framework of Market Orientation Relationships



Source: Adapted from Liao *et al.* (2011)

2.5.1 Business Performance

Business performance has been identified in the marketing literature as the most researched consequence of market orientation. Some earlier conceptual and empirical studies conducted in the US, provide support for a positive relationship between market orientation

and business performance (Jaworski & Kholi, 1993; Narver & Slater, 1990; Slater and Narver, 1994a, 2000). Several studies conducted in Canada, also demonstrate a positive link between market orientation and performance (Deng & Dart, 1994; Singh, 2009). However, in studies conducted outside the US and Canada, a weak association or no relationship at all was found between market orientation and performance (Bhuian, 1998; Diamantopoulos & Hart, 1993). These authors argue that business performance is a multi-dimensional construct and that further research is required to determine the complexities of the market orientation and business performance relationship.

In a survey of market orientation research conducted by Liao *et al.* (2011), it was discovered that between 1995 and 2008, 38 research papers were devoted to an investigation into the relationship between market orientation and performance covering a broad range of different contexts. Out of the 38 published articles, only two found no significant relationship between market orientation and performance, and two others found a weak relationship. Early researchers argue that the results are still not conclusive, but the evidence is overwhelmingly in favour of the relationship. These observations have allowed for the construction of the secondary hypotheses in the context of this study:

H17-H20: Market orientation and productivity are significantly and positively correlated

These hypotheses are expanded upon in Chapter 5 – Research Methodology, Section 5.3.

2.5.2 Learning

The research supports a strong relationship between a learning orientation and market orientation (Mavondo *et al.*, 2005; Santos-Vijande *et al.*, 2005). In an examination of a learning orientation in the market information processing activities of firms, Baker and Sinkula (1999) found that while market orientation impacts the reach of such an activity, a learning orientation would influence the higher order assessment and retention of the results.

Essentially market orientation is one aspect of a learning orientation in an organisation. Learning orientation refers to an organisation-wide activity involved in creating and using knowledge to enhance competitiveness (Liao *et al.*, 2011); whereas a market orientation refers to the organisation-wide responsiveness to market information. Celuch *et al.* (2002)

argue that a market orientation and a learning orientation should work together to generate competitive advantage. Liao *et al.* (2011) believe that a strong market orientation can encourage an organisation to absorb market knowledge from its customers and competitors. Thus, suggesting that market orientation can enhance market-based organisational learning.

2.5.3 Service Quality

Research has shown that market orientation is significantly and positively related to service quality. In an empirical study, Chang and Chen (1998) developed a model that identified market orientated efforts as important means to improve service quality and business performance in the retail stock brokerage industry. These observations have allowed for the construction of the primary hypotheses in the context of this study:

H1-H16: Market orientation significantly and positively influences service quality

This relationship is further explored in Chapter 3 – Service Quality, Section 3.3.1.

2.5.4 Innovation

Historically, many studies have discovered a positive relationship between market orientation and innovation. Han *et al.* (1998) argue that a market orientated firm is likely to be innovative, which is likely to lead to superior performance. Aldas-Manzano *et al.* (2005) affirm that market orientation and innovation are not isolated fields. Mavondo *et al.* (2005) argue that firms manifest their market orientation via the success of new innovation.

Innovativeness is defined as an aspect of an organisation's culture that encourages employees to be innovative and to some degree, is similar to entrepreneurial orientation - an organisation's willingness to encourage creativity, flexibility and support risk (Morris & Paul, 1987). Han *et al.* (1998) argue that market orientation increases innovativeness and new product performance as it rewards a positive attitude in the attainment of customer needs.

2.5.5 Marketing

Market orientation is often used as a central concept to indicate the extent to which a firm implements the 'marketing concept'. The marketing concept is a business philosophy that holds that long-term profitability is best achieved by focusing the co-ordinated activities of the operation towards satisfying the needs of particular market segments (Kohli & Jaworski, 1990). Market orientation can therefore be seen as the degree to which an organisation is successful in actualising the marketing concept (Agarwal *et al.*, 2003). Cravens and Guilding (2000) cite the market orientation approach as the ultimate expression of a focus on customer value.

In contrast to market orientation, internal market orientation represents the adaption of market orientation to the context of employer-employee exchanges in the internal market (Lings & Greenley, 2005). Conduit and Mavondo (2001) argue that companies need to focus on satisfying the requirements of their internal customers to provide superior value to the external customer. Market orientation provides employees with a sense of belonging, direction and feelings of contributing collectively towards achieving the common goal of servicing customers (Kohli and Jaworski, 1990). Committed employees are more satisfied and are less likely to resign or be absent from work. They are also more likely to over-perform in the attainment of company goals (Gruen *et al.*, 2000).

Kohli and Jaworski (1990) have shown that it is also critical for firms to know the needs of the distributors that market their product or service. Thus, in today's markets, more firms should place greater emphasis on relationship marketing (Yau *et al.*, 2000). Min *et al.* (2007) show that market orientation has a strong, positive impact on supply chain management. Within an ever changing business landscape, firms would do well to develop long-term collaborative relationships with both internal and external suppliers and channel members to exploit profitable new marketing opportunities (Hyvonen & Tuominen, 2007).

2.6 IMPLEMENTATION OF MARKET ORIENTATION

Market orientation researchers provide suggestions on how market orientation strategy could or should be implemented. Harris (2000) suggests that organisations first need to understand the organisation's culture before they develop market-oriented change. Harris

and Piercy (1999) highlight the importance of internal communication in implementing a market orientated strategy. In a study conducted by Day (1999) of four companies that successfully implemented market orientated strategies, it was found that key success factors were common. The market orientation transformations began with leadership commitment and a deep understanding of the need for change. Senior management then effectively communicated their vision, mobilised commitment on all levels, ensured an alignment of structures with systems and incentives, and lastly took steps to monitor and reinforce the change.

Day (1994) propose a six component programme for the implementation of market orientation, under the premise that a comprehensive change programme aims to increase market-sensing and customer-linking capabilities. The design was based on the principles of Total Quality Management (TQM) and includes the following stages:

1. Diagnosis of current capabilities
2. Anticipation of future needs for capabilities
3. Bottom-up redesign of underlying processes
4. Top-down direction and commitment
5. Creative use of information technology
6. Continuous monitoring of progress

Building on Kohli and Jaworski's (1990) framework, Martin and Martin (2005) propose an internal customer - internal supplier perspective to link the organisation's employees and its external market. This perspective was developed under the premise that the needs of internal customers need to be satisfied before those of their external customers. Thus, employees need to be aligned with the strategic goals of the organisation. At the centre of this construct is a performance management system that rewards appropriate behaviours that establish a market-oriented culture and suggests the following steps:

1. Educating employees on the need to develop an internal and external customer focus
2. Educating employees with regards to the dissemination of market intelligence
3. Communicating a system to reward responsive behaviour
4. Encouraging the gathering of market intelligence

5. Encouraging the dissemination of market intelligence
6. Rewarding responsive behaviour

It is imperative that the outcomes of the implementation are monitored and early successes are widely communicated and celebrated. According to Chelariu *et al.* (2002), this openness would enhance employees' trust in senior management, and give them a sense of pride and ownership in their attainment of organisation goals.

2.7 MEASURING MARKET ORIENTATION

Despite varying opinions on how to accurately measure market orientation, most agree that measures of customer orientation, inter-functional coordination and performance are necessary in the assessment of market orientation (Gray *et al.*, 1998; Deng & Dart, 1994; Kohli & Jaworski, 1990; Narver & Slater, 1990; Voon, 2006). Accepted market orientation measurement tools include Narver and Slater's (1990) unidimensional construct, Jaworski and Kohli's (1993) three dimensional construct, Deng and Dart's (1994) multi-factor, multi-item approach, the Gray *et al.* (1998) five-dimensional model and Voon's (2006) service-driven (SERVMO) market orientation construct.

2.7.1 Narver and Slater's Unidimensional Construct

Narver and Slater (1990) conceptualised a one-dimensional construct consisting of three behavioural components (customer orientation, competitor orientation and inter-functional coordination) and two decision criteria (long-term orientation and profit focus). In an effort to empirically test the effect of marketing orientation on business profitability, Narver and Slater (1990) adopted a 20-item scale. Although, the three behavioural components were supported by the empirical data, the two decision variables were not. The Narver and Slater (1990) scales have been validated to some degree in both Canadian (Deng & Dart, 1994) and UK (Greenley, 1995) environments. However, further testing of the instrument in a wider variety of business contexts is warranted.

2.7.2 Kohli and Jaworski's Three Dimensional Construct

Kohli and Jaworski (1990) suggest that market orientation consists of three core themes: customer focus, coordinated marketing and profitability. The authors also introduce a

conceptual framework of market orientation that discusses the antecedents and consequences of market orientation. Although offering complementary measures, the scales of Jaworski and Kohli (1993) have received relatively little attention from researchers attempting to develop market orientation measures in markets outside the US (Gray *et al.*, 1998).

2.7.3 Deng and Dart's Multi-factor, Multi-item Approach

Deng and Dart's (1994) measure of market orientation offers a four component construct based on a synthesis of the work of previous researchers (Jaworski & Kohli, 1993; Narver & Slater, 1990). Encompassing a more comprehensive variable set and using a more diversified sample, Deng and Dart (1994) achieved the first operationally-validated four component construct, with sufficient and adequate psychometric properties. Components of the multi-factor, multi-item construct include customer orientation, competitor orientation, inter-functional coordination and profit orientation.

2.7.4 The Gray *et al.* Five Dimensional Model

The Gray *et al.* (1998) model replicates and extends the most robust elements of the Narver and Slater (1990), Deng and Dart (1994) and Jaworski and Kohli's (1993) scales to create more managerially useful and parsimonious scales for measuring marketing orientation across a number of industry verticals. The Gray *et al.* (1998) model confirms market orientation as a multi-dimensional construct consisting of five sub-dimensions (customer orientation, competitor orientation, inter-functional coordination, responsiveness and profit emphasis), which are best measured by 20 items using a five-point Likert scale. All measures demonstrated good validity and reliability within the context of a large, multi-industry sample of New Zealand companies.

2.7.5 Voon's Service-driven Market Orientation Construct

Voon's (2006) service-driven (SERVMO) model of market orientation draws on the research of Narver and Slater (1990), Jaworski and Kohli (1993) Deng and Dart (1994) and Gray *et al.* (1998) to introduce a sixth component of market orientation - employee orientation. The six dimensions were measured by 32 items using a seven-point Likert scale, demonstrating good convergent and discriminant validity. The results show that Voon's (2006) SERVMO construct

has a significantly strong and positive relationship with service quality, but is yet to be tested in industries other than the higher education sector.

As contact centres are defined as complex operations that require a combination of not only systems and processes, but also human talent in order to succeed, Gray's *et al.* (1998) five components of market orientation will be combined with Voon's (2006) employee orientation component of market orientation to create a measure for this study.

2.8 CONCLUSION

Leading scholars maintain that the main role of marketing is to develop and deliver better value propositions for customers (Keefe, 2004; Payne & Holt, 2001; Woodruff, 1997). Market orientation, the organisation culture that most effectively creates the necessary behaviours for the creation of superior value for customers, has been reported to have a significant and positive relationship with business performance and service quality in the literature (Chang & Chen, 1998; Deng & Dart, 1994; Kholi & Jaworski, 1990; Jaworski & Kholi, 1993; Narver & Slater, 1990; Slater and Narver, 1994a, 2000; Singh, 2009). This study aims to confirm these relationships at individual level within the South African contact centre industry.

The notion of market orientation has also given rise to the service-dominant (S-D) logic that proposes that competitive advantage can be enhanced through superior service quality (Karmarkar, 2004). Service quality is particularly relevant to this study due to its strong association with market orientation, productivity and business performance (Chang & Chen, 1998; Singh, 2009). What follows in Chapter 3 is an exploration of the service quality construct, its key relationships and various measurement methods.

CHAPTER 3: SERVICE QUALITY

3.1 INTRODUCTION

With the evolution of marketing thought, the service-dominant (S-D) logic has emerged that views customers, partners and employees as collaborative partners who co-create value with the firm (Lusch & Vargo, 2006). In S-D logic, collaboration between the firm and its partners allows for a strategic orientation that modernises the Four P's. Products are viewed in terms of service flows, promotion is re-orientated towards conversation and dialog with the customer, price is replaced with a value proposition created by both sides of the exchange and place is supplanted with value networks and processes (Lusch & Vargo, 2006).

From the S-D logic, it follows that competitive advantage can be enhanced through superior service (Karmarkar, 2004). The extent to which a service meets or exceeds customer needs and expectations is characterised as service quality (Seilier, 2004; Zahari *et al.*, 2008). During the past two decades, service quality has become a key area of interest for practitioners, managers and researches due to its strong association with business performance, lower costs, return on investment, customer satisfaction, customer loyalty and profitability (Heskett *et al.*, 1994; Rust *et al.*, 1995; Wilson *et al.*, 2008; Zeithaml *et al.*, 1996).

In this chapter, service quality is presented as an abstract construct with many viewpoints differing regarding its origins. This will be evident in the variety of service quality dimensions and measurement models discussed. Service quality is then considered in relation to market orientation, customer satisfaction, loyalty, productivity, profitability, marketing culture, internal marketing, previous experience and consumer behaviour. In conclusion, a number of accepted service quality measurement tools are discussed.

3.2 DEFINING SERVICE QUALITY

Parasuraman *et al.* (1985, 1988, 1994) defines service quality as the comparison of service expectations with performance perceptions. This view is shared by Zeithaml and Bitner (2003) who define customer satisfaction as an assessment of a product or service in terms of whether that product or service has satisfied their needs and expectations.

Prior studies have defined service quality as an attitude. According to related literature in psychology, an attitude is made up of both cognitive (beliefs, judgements or thoughts) and affective (emotions, feelings or drives) components (Edwards, 1990). Parasuraman *et al.* (1985, 1988, 1994) delineate service quality in their definition, using more cognitive terms. However, Edwards (1990) found that affective attitudes exhibited more change than the cognitive components under means of persuasion. Hung-Chang (2002) and Teas (1993) emphasise the combined attitudinal construct of service quality and its cognitive and affective components.

Palmer (2001) identifies a two series approach to defining service quality; that of fitness for use and conforming to requirements. The former is primarily based on satisfying customer needs, and the latter on complying with specifications. This approach supports the concept of customer perceived service quality, demonstrating that quality can only be defined by customers. Researchers (Marr & Neely, 2004; Banks & Roodt, 2011) concur with this statement, acknowledging that service quality is an important determinant of customer satisfaction. Although service quality is defined differently in the services literature, the complex and multi-dimensional nature of the construct is emphasised.

3.2.1 The Dimensionality of Service Quality

O'Neill and Palmer's (2003) multi-dimensional view of service quality is supported by Groonroos (2000) who identifies both technical and functional quality. The early works of Berry, Zeithaml and Parasuraman (1985) provide a strong foundation for understanding the multi-dimensional nature of service quality. In their original study, ten key dimensions of service quality were identified. These included tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and empathy. These dimensions have been distilled by the authors over the years into five broader categories. According to Zeithaml and Bitner (2003), these dimensions represent how consumers perceive service quality, and may use all or a combination of dimensions. These five dimensions which together form the SERVQUAL model include: reliability, assurance, tangibles, empathy and responsiveness.

a) *Reliability*

The ability to repeatedly perform the promised service dependably and accurately and has been identified as the most important determinant of service quality (Heskett, 2002).

b) *Assurance*

The knowledge and courtesy of employees and their ability to inspire trust and confidence. Assurance is a particularly important dimension for services with high risk perceptions. Relationship management forms an integral part of the assurance dimension (Peck *et al.*, 1999).

c) *Tangibles*

The physical facilities, equipment and appearance of personnel. This dimension is important in face-to-face service encounters, particularly in respect of the service quality perceptions of new customers (Zeithaml & Bitner, 2003), but not as important in voice-to-voice service encounters (Gilmore, 2001).

d) *Empathy*

The caring and individualised attention given to customers. Showing customers that they are unique and special by customising or personalising service offerings to their unique requirements is described as the essence of empathy (Zeithaml & Bitner, 2003).

e) *Responsiveness*

The willingness of service providers to help customers and provide prompt service. This dimension encapsulates the notion of flexibility and emphasises attentiveness and promptness in dealing with a customer (Zeithaml & Bitner, 2003).

Zeithaml, Parasuraman and Berry (1990) believe that these five dimensions are a more accurate representation of the key criteria that customers use in assessing service quality. In service encounters occurring in contact centres, however, tangible factors such as physical appearance, the dress of employees and the physical surroundings arguably contribute less to service quality evaluations (Gilmore, 2001). Customers play a less active role in these encounters and the more intangible attributes such as verbal cues and interpersonal skills of employees become more important Jaiswal (2008).

3.2.2 The Gaps Model of Service Quality

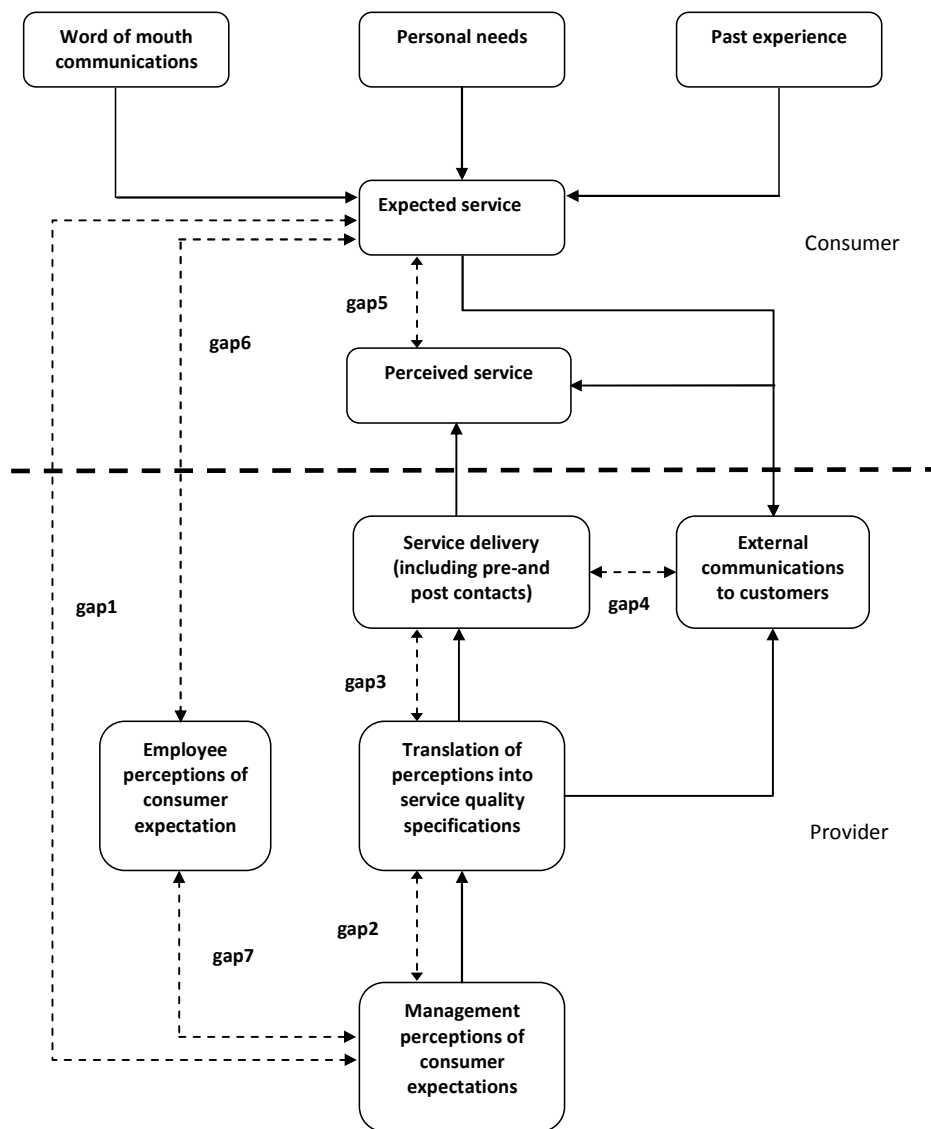
Over the years, marketers of tangible goods have defined and measured service quality with sophistication and increasing accuracy, yet marketers of intangible services have experienced difficulty in understanding and managing quality (Crosby, 1979; Garvin, 1983).

Parasuraman *et al.* (1985) presents a service quality model that helps explain the nature of service quality and how it is achieved. The model, referred to by the authors as the service quality gaps model is based on the premise that services are performed rather than manufactured, and thus uniform quality can rarely be achieved in service environments.

The model extended by Luk and Layton (2002) shows seven major gaps in the service quality concept (see Figure 3.1). By adding two more gaps, Luk and Layton (2002) reflect the differences in the understanding of consumer expectations by manager and frontline service providers.

The model is divided into two main areas, representing the customer and the provider. The central focus of the gaps model is Gap 5, the customer gap, being the difference between customer expectations and perceptions of service quality (Parasuraman *et al.*, 1994). In this case, customer expectations are influenced by the extent of personal needs, word-of-mouth recommendation and post service experiences. In order to enhance customer satisfaction, customer loyalty and generate customer value, companies need to work on closing the customer gap. In order to do this, the model suggests that six additional provider gaps need to be closed (Zeithaml *et al.*, 1990).

Figure 3.1 Model of Service Quality Gaps



Source: Parasuraman *et al.* (1985); Luk and Layton (2002)

The six additional provider gaps and the key factors leading to each include (Shahin, 2006):

a) Gap 1: Customers' Expectations versus Management Perceptions

Inadequate marketing research orientation, lack of upward communication and too many layers of management.

b) *Gap 2: Management Perceptions versus Service Specifications*

Inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardisation and an absence of goal setting.

c) *Gap 3: Service Specifications versus Service Delivery*

Role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

d) *Gap 4: Service Delivery versus External Communication*

The lack of integrated services marketing communications, over-promising and inadequate horizontal communications.

e) *Gap 6: The Discrepancy between Customer Expectations and Employees' Perceptions*

The difference in the understanding of customer expectations by frontline employees.

f) *Gap 7: The Discrepancy between Employee and Management Perceptions*

The difference in the understanding of customer expectations between managers and service providers.

Due to the nature of this study, gap three (the service performance gap) is of particular interest. In their research, Zeithaml and Bitner (2003) explain that the service performance gap occurs when employees are not capable or reluctant to perform the service at the required level. As described above, the main theoretical constructs proposed to account for the size of the service performance gap are teamwork, employee-job fit, technology-job fit, perceived control, supervisory control systems, role conflict, and role ambiguity (Parasuraman *et al.*, 1985; Zeithaml & Bitner, 2003).

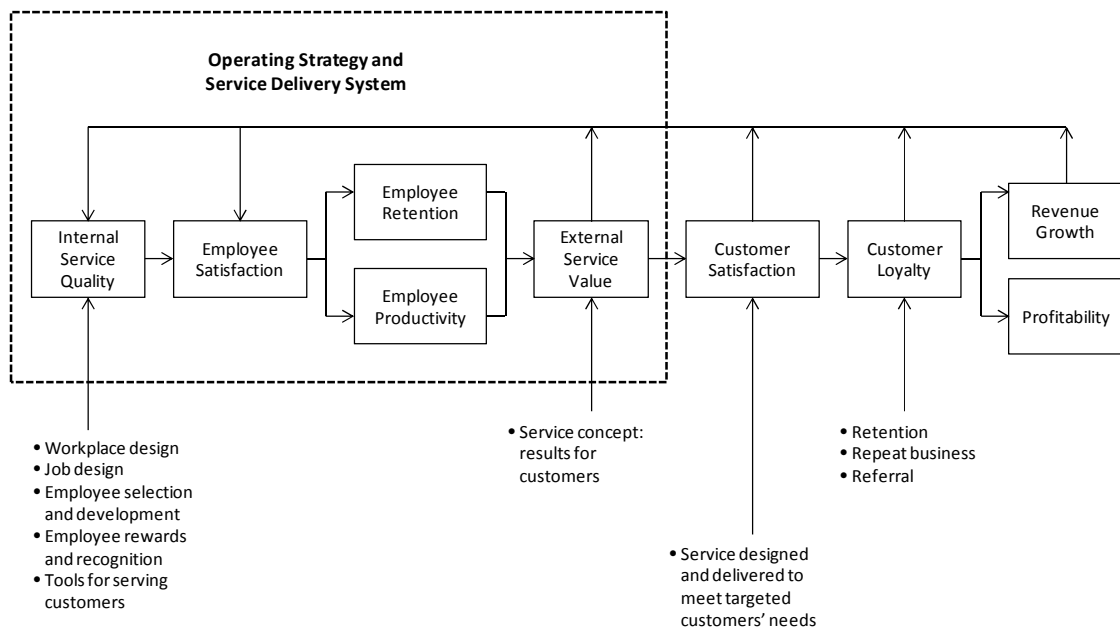
In a later study, Parasurman *et al.* (1994) found positive associations between team work, horizontal communication and service quality only. Chenet *et al.* (2000), in a similar study in the airline industry, found that only employee-job fit and perceived control directly affected service quality. In a study conducted in the contact centre industry, Dean (2005) identified six of the original elements of gap three, albeit with different meanings. Only technology-job

fit was not identified in the study. Hence, findings on the relevance and applicability of the gaps model have been inconsistent and have been very limited in contact centres, but they do attest to the intangible nature of service quality and the important role that employees play in the delivery of this construct.

3.2.3 The Service Profit Chain

Heskett *et al.* (1994) establishes relationships between profitability, customer loyalty, employee satisfaction, employee loyalty and productivity. These relationships are illustrated in what the authors call the Service Profit Chain and propose several links, shown in Figure 3.2.

Figure 3.2 The Links in the Service Profit Chain



Source: Heskett *et al.* (1994)

The authors suggest that internal quality support services and policies create satisfied, loyal and productive employees, which in turn largely influence the value of services provided to customers. Value then translates into customer satisfaction and loyalty, which in turn generates profit and revenue growth for an organisation. Internal service quality is of particular significance in contact centres because the Edvardsson *et al* (1997) study of service workers shows an inverse relationship between employee stress and employees' perceptions of internal quality.

In a study conducted by Dean (2005) in an Australian telecommunications contact centre, findings were consistent with the overall premise of the service profit chain. Employees reported that internal service quality affects their feelings and behaviours, and that the way they feel is transmitted to customers. These findings were consistent with previous studies (Gilbert & Parhizgari, 2000; Lewis & Gabrielson, 1998) but many factors important in other studies, such as managing customer expectations (Caruana & Pitt, 1997), were not identified. It is also important to note that although customer satisfaction is a necessary condition of customer loyalty, it is not a sufficient one. Research shows that even satisfied customers may change providers for a number of reasons including price, new opportunities, or simply want of variation (Storbacka & Lentinen, 2001).

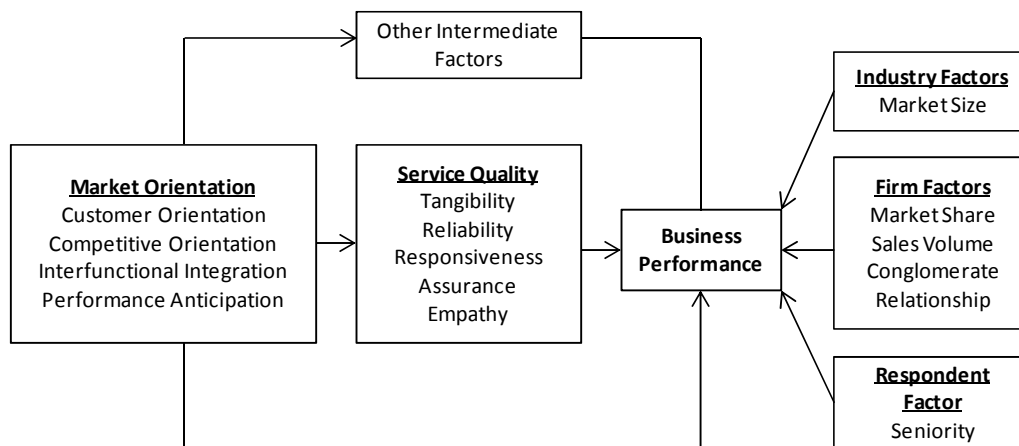
3.3 SERVICE QUALITY RELATIONSHIPS

The literature supports a number of relationships or consequences of service quality (Caruana *et al.*, 2000; Chang & Chen, 1998; Cronin & Taylor, 1992; Hartline & Farrell, 1996; Headly & Miller, 1993; Kang *et al.*, 2002; Parasuraman *et al.*, 1988; Schneider *et al.*, 2005; Webster, 1990; Williams & Visser, 2002; Wilson *et al.*, 2008; Yoon, 2001). What follows is a discussion of the most common relationships investigated together with service quality including, business performance, market orientation, customer satisfaction, loyalty, profitability, marketing culture, internal marketing, previous experience and future consumer behaviour.

3.3.1 Market Orientation

In an empirical study, Chang and Chen (1998) developed a model that identified market orientated efforts as important means to improve service quality and business performance in the retail stock brokerage industry. Figure 3.3 illustrates a direct effect of market orientation on business performance, an indirect effect via service quality and other indirect influences through other intermediate factors. The potential effects of other external factors that may affect business performance are also recognised in the model.

Figure 3.3 The Conceptual Model of Market Orientation Effects on Service Quality and Business Performance



Source: Chang & Chen (1998)

Chang and Chen (2008) also suggest that service quality has a stronger association with business performance than market orientation; therefore only when market orientation efforts produce a significant improvement in service quality, will an improvement in business performance occur. Singh (2009) concurs with these findings. In an empirical investigation of the relationship between market orientation and service performance in a library setting, Singh (2009) found that market orientation is an important determinant of its service performance. The author also points out that in addition to market orientation being an important tool in identifying customers' perceptions and creating competitive advantage, it is also strongly associated with customer satisfaction. These observations have allowed for the construction of the primary hypotheses in the context of this study:

H1-H16: Market orientation significantly and positively influences service quality

These hypotheses are expanded upon in Chapter 5 – Research Methodology, Section 5.3.

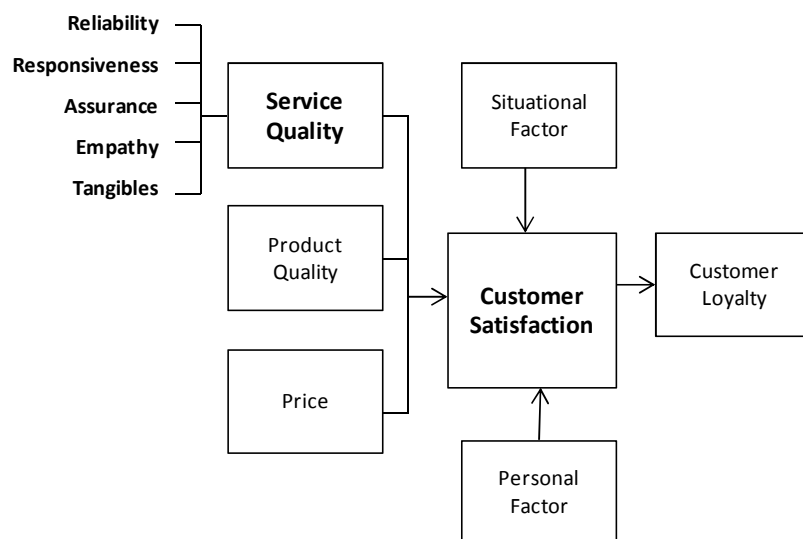
3.3.2 Customer Satisfaction

Although often used interchangeably, the literature reveals that customer satisfaction and service quality are in fact two very distinct, yet correlated constructs. Service quality differs from customer satisfaction in that service quality is an overall attitude towards an

organisation (Caruana *et al.*, 2000), whereas customer satisfaction is specific to an individual service encounter (Zeithaml & Bitner, 2003).

The literature presents service quality as a vital antecedent (Cronin & Taylor, 1992; Lee *et al.* 2000; Parasuraman *et al.*, 1988) to customer satisfaction; and indicates that the relationship between service quality and customer satisfaction is moderated by product quality and price (Zeithaml *et al.*, 2006; Caruana *et al.*, 2000). These findings are in agreement with the model created by Wilson *et al.* (2008), illustrated in Figure 3.4. Wilson *et al.* (2008) argue that service quality is a focused evaluation that reflects the customer’s perception of reliability, assurance, responsiveness, empathy and tangibility; while satisfaction is more inclusive and is influenced by perceptions of service quality, product quality and price.

Figure 3.4 Customer Perceptions of Quality and Customer Satisfaction



Source: Wilson *et al.* (2008)

3.3.3 Loyalty

Research on the relationship between service quality and loyalty in the service literature has been inconsistent. Zeithaml *et al.* (1990) report such a relationship; yet Cronin & Taylor (1992), focussing their research on repurchase intentions, failed to find one. Boulding *et al.* (1993) focused their research on willingness to recommend and repurchase intentions and confirmed a positive relationship between service loyalty and overall service quality.

Bloemer *et al.* (1999) point out that very few, if any, studies address the link between the individual dimensions of service quality and service loyalty. The relationship between overall service quality and individual service loyalty dimensions has, however, been empirically investigated (Cronin & Taylor, 1992; Boulding *et al.*, 1993).

In an empirical investigation into the relationship between service quality and service loyalty across four different service industries, Bloemer *et al.* (1999), drawing on the work of Zeithaml *et al.* (1996), identified four loyalty dimensions:

- a) *Word-of-mouth* - positively affected by responsiveness and tangibles
- b) *Prompt service* - a key factor in determining customer preferences and willingness to recommend the service to others
- c) *Reliability* - crucial in determining whether or not customers will return or not
- d) *Perceptions about the core service* - important in determining a customer's own behaviour

Bloemer *et al.* (1999) highlight the importance of a multi-dimensional and cross-industry approach to service loyalty. They highlight managerial implications indicative of the service quality-customer loyalty link; and provide actionable benchmarks that firms may use to guide their service policies with the objective of securing customer loyalty.

3.3.4 Productivity

The literature supports a strong relationship between service quality and productivity (Chang & Chen, 1998; Hart *et al.*, 2006; Singh, 2000; Singh, 2009). This view is supported by Parasuraman (2002), who introduces a dual company-customer perspective of productivity and proposes a conceptual framework for understanding the interplay between productivity and service quality. This relationship is explored in detail in Chapter 4 – Productivity, Section 4.3.3.

3.3.5 Profitability

Quality has long been established as an important determinant of a firm's performance (Bruzzell and Gale, 1987; Phillips *et al.*, 1983). Bruzzell and Gale (1987) propose that not only is quality related to profitability, but also to a firm's growth; and suggests that achieving superior quality has three competitive advantages: premium price, resources for research

and development and better customer value. In a study conducted by Rust *et al.* (1995) in which he proposed a model of service quality improvement and profitability, findings confirm that superior service quality helps to generate greater revenue and yield greater profitability. These findings provide a strong incentive for firms to improve service quality in order to maximise their profits.

3.3.6 Marketing Culture

Marketing culture, often referred to in the services literature as service culture, is defined as a set of unwritten decrees, rituals and a shared pattern of values and norms which filter through an organisation (Deshpande & Webster, 1989). Although not as strongly related to service quality as market orientation, Albrecht and Zemke (1985) suggest that a service culture or climate provides the only effect means to win employee commitments to serving customers.

The general service climate framework, introduced by the early works of Schneider and colleagues (Schneider & Bowen, 1985; Schneider, Parkington & Buxton, 1980), is based on the premise that those firms that create the right set of foundation conditions for employees to perform their work, provide the basis for an internal service climate that will, in turn, yield positive experiences for customers.

In two studies of retail banks, Schneider and colleagues (Schneider & Bowen, 1985; Schneider, Parkington & Buxton, 1980) found that in branches where service policies and practices were described by employees in positive terms, the service quality was also rated positively. Schmidt and Allscheid (1995) and Hartline and Ferrell (1993) present similar results in linking employee and customer perceptions; and Heskett, Sasser and Schlesinger (1997) report several studies that demonstrate a relationship between employee experiences and customer satisfaction.

Webster (1990) identifies six dimensions of service culture: service quality, interpersonal relationships, interpersonal communications, innovativeness, organisation and selling tasks. In an empirical study conducted by Luk (1997), it was found that superior service can only be delivered when organisations successfully foster a customer orientated marketing culture; confirming that service quality is a function of marketing culture.

3.3.7 Internal Marketing

Kang *et al.* (2002) introduce internal marketing as an important tool for fostering a service and customer orientated culture. Internal service quality is seen as a critical component of internal marketing. Research in the banking sector (Yoon, 2001), hospitality sector (Hartline & Farrell, 1996), as well as in the retail sector (Schneider *et al.*, 2005), identifies the employee satisfaction link with internal quality and higher levels of customer perceived service quality. Satisfied customers are more likely to put more effort into serving customers (Locke & Latham, 1990; Weatherly & Tansik, 1993), which in turn results in improved levels of customer perceived service quality (Bitner, 1990).

While many service quality attributes may influence an employee's perception of service quality, researchers (Kang *et al.*, 2002; Zeithaml *et al.*, 2006) suggest that some attributes like reliability and responsiveness are more critical to the overall internal service quality perceptions. It is therefore important to have knowledgeable and service orientated employees on the frontline providing services to customers accurately and quickly (Lau, 2000; Bassi & Vanburen, 1997).

3.3.8 Previous Experience

Van Der Wagen (1994) informs that customers' perceptions are largely influenced by their education, upbringing, experience and many other factors. In an empirical investigation into the role of experience on the dimensions of service quality, O'Neill and Palmer (2003) confirm that service quality is positively related to customers' experiences of that service. It is also implied that inexperience may limit the dimensionality of quality, intrinsic to consumers' evaluations.

Similarly, Williams and Visser (2002) suggest that experience influences and depends on customer evaluations. They state the reason for this being customers changes in behaviour which necessitate meaning and order being given to sensory data. Blythe (1997) refers to this process as cognitive mapping or a construct of imagination which involves customers analysing purchase and post purchase conditions and making evaluative judgements based on these experiences. In a service encounter, customers use all of their previous knowledge and experience to help them make sense of the mass of conflicting stimuli with which they are being bombarded (Chisnall, 1985).

3.3.9 Future Consumer Behaviour

In an empirical investigation into the relationship between perceived service quality and customers' intentions, Headly and Miller (1993) found that perceived higher service quality generated favourable intentions (such as repeat purchase and complementing), whereas perceived lower service quality led to unfavourable intentions (complaining, switching and non-use of services).

3.4 MEASURING SERVICE QUALITY

It is generally agreed that service quality, being distinct from customer satisfaction, is an attitude or judgement about the superiority of a service (Kang *et al.*, 2002; Parasuraman *et al.*, 1988). Despite varying opinions on how to accurately measure service quality, most agree that some measure of performance is necessary in the assessment of service quality (Robinson, 1999). Accepted quality measurement tools include SERVQUAL (Parasuraman *et al.*, 1988), SERVPERF (Cronin & Taylor, 1992), the Evaluated Performance (EP)/Normative Quality (NQ) models (Teas, 1993), the two-way model (Schvaneveldt *et al.*, 1991), the critical factor approach (Sureshchandar *et al.*, 2002) and the non-difference score measure (Brown *et al.*, 1993).

Despite various criticisms on the conceptual and operational level, SERVQUAL still proves to be the most widely held instrument for measuring service quality (O'Neill & Palmer, 2003). Cronin and Taylor (1992, 1994) and Teas (1993) are particularly critical of the SERVQUAL measurement, both having developed their own tools for the measurement of service quality.

Cronin and Taylor (1992), advocate that the unweighted SERVPERF measure performs better than the SERVQUAL measure of service quality. Teas (1993) proposes two alternative perceived service quality models that is alleged to outperform SERVQUAL. In response to criticism, Parasuraman (1994) defended and amended the SERVQUAL model, which is supported by a number of later researchers (Kang *et al.*, 2002; Lings & Brooks, 1998; Mehta & Durvasula, 1998). What is clear from the research is that the debate over how best to measure service quality is far from over (Robinson, 1999). What follows is an evaluation of the more common service quality measurement tools.

3.4.1 SERVQUAL

The SERVQUAL measurement tool identified by Parasuraman *et al.* (1985, 1988, 1994) proposes five service quality dimensions: reliability, assurance, tangibles, empathy and responsiveness that can be best measured by two sets of 22 statements using a seven-point Likert scale. The first set determines customers' expectations of a service firm, while the second, seeks to determine the customers' perceptions of the firm's performance.

Based on two decades worth of theoretical considerations and empirical tests with the instruments, Parasuraman *et al.* (1985, 1988, 1994) claim that SERVQUAL is both a reliable and valid measure of service quality; and that it is applicable across a wide variety of service industries. In support of the author's research, Kang *et al.* (2002) confirms the SERVQUAL instrument as an appropriate tool for measuring internal service quality. Lings and Brooks (1998) concur, proposing SERVQUAL as an appropriate tool to measure internal service quality and to assess the effectiveness of internal marketing. Mehta and Durvasula (1998) empirically tested the application of SERVQUAL, concluding that it was an appropriate tool to measure service quality in business-to-business (B2B) service environments. Nonetheless, the SERVQUAL model has received much criticism in the services literature.

Numerous criticisms of SERVQUAL are levelled on the conceptual and operational level. Buttle (1996) summarises the major criticisms of SERVQUAL in two broad categories.

Theoretical objections:

- a) SERVQUAL is based on the disconfirmation paradigm rather than an attitudinal paradigm and fails to make use of conventional economic, statistical and psychological theory (Cronin & Taylor, 1992, 1994).
- b) There is little evidence that service quality is assessed in terms of the perception expectation gaps (Zeithaml & Bitner, 2003).
- c) The model focuses on service delivery and not the outcomes of the service encounter (Cronin & Taylor, 1992).
- d) There is a high degree of inter-correlation between the SERVQUAL dimensions and they are not universal (Carman, 1990).

Operational objections:

- a) SERVQUAL fails to successfully measure absolute service quality expectations (Teas, 1993).
- b) Four or five items cannot accurately describe the variability within each service quality dimension (Bloemer *et al.*, 1999).
- c) The reversed polarity of items in the scale cause respondent error (Babakus & Mangold, 1992).
- d) Two administrations of the instrument may cause respondent boredom and confusion (Carman, 1990, Cronin & Taylor, 1994).
- e) The overall scale accounts for a proportion of item variances (Carmen, 1990; Bouman & Van Der Wiele, 1992).

3.4.2 SERVPERF

Cronin and Taylor (1994) believe that service quality is evaluated by perceptions of performance only and propose SERVPERF as an alternative to the SERVQUAL model.

The main feature of SERVPERF is that it focuses on customers' perceptions (Franceschini *et al.*, 1998). Lee *et al.* (2000), in an empirical investigation into the determinants of perceived service quality and its relationship with customer satisfaction across four service industries, found SERVPERF to be an appropriate measurement tool. McAlexander *et al.* (1994), through their research on service quality in relation to satisfaction and purchase intentions in the healthcare industry, found the SERVPERF model to be superior to the SERVQUAL model. This research implies that managers may need to place more importance on perceptions of performance than on the differences between perceived performance and prior expectations.

SERVPERF is similar to SERVQUAL in that it requires customers to rate an organisation's performance across a five point scale. It differs from SERVQUAL in that it is an absolute rating of perceived service quality and only requires respondents to complete a one-off set of items (Cronin & Taylor, 1994; O'Neill & Palmer, 2003).

3.4.3 Additional Measurement Methods

Although SERVQUAL and SERVPERF dominate service quality literature (Cronin & Taylor, 1994; Parasuraman, *et al.*, 1994), other measurement methods exist:

- a) Schvaneveldt *et al.* (1991) considered service quality from both an objective and subjective point of view. Their objective approach involves the presence or absence of a particular quality dimension, whereas their subjective approach involves the users' resulting sense of satisfaction or dissatisfaction. Identifying five dimensions: performance, security, completeness, ease of use and environment, across a five-point semantic scale, Schvaneveldt *et al.* (1991) developed a two-way model for the measurement of service quality. Unlike the SERVQUAL and SERVPERF models however, their two-way expectations and perception items are not declared.
- b) In an empirical investigation into the conceptual and operational issues associated with the perceptions-minus-expectations (P-E) service quality model, Teas (1993) proposes two alternative service models, the Evaluated Performance (EP) model and Normative Quality (NQ) model. The EP model incorporates the classic ideal point concept¹ into a perceived quality model while the NQ model integrates the classic ideal point concept with the SERVQUAL revised expectation concept (Lee *et al.*, 2000). Teas (1993) findings indicate that the EP model outperforms both the P-E and NQ models on criterion and construct validity.
- c) To improve the understanding of the way in which customers perceive service quality, Sureshchandar *et al.* (2002) developed the Critical Factor Approach. Tested in the financial services industry, 41 items were identified across the five factors: core service or service product; human element of service delivery, non-human element of service delivery (systematisation), service tangibles and social responsibility. The instrument tested empirically for unidimensionality, reliability and construct validity using a confirmatory factor analysis, and offers insights into the conceptual understanding of customer perceived service quality (Sureshchandar *et al.*, 2002).

¹ An interpretation of the service quality ideal standard is that it represents a feasible level of performance under ideal circumstances (Teas, 1993).

- d) Brown *et al.* (1993) propose a Non-difference score measure of service quality. Their empirical research shows that the reliability of SERVQUAL is below that of their model and that a non-difference score displayed better discriminant validity (SERVQUAL could not achieve discriminant validity). It also outperformed SERVQUAL on important psychometric and statistical considerations, while requiring subjects to respond to only half as many items. Cronin and Taylor (1992) agree that the non-difference measure produces better results than SERVQUAL.

In this research, the Brown *et al.* (1993) non-difference score measure of service quality will be used as it incorporates merits from the robust SERVQUAL model, yet overcomes several concerns relating to the SERVQUAL's difference score measure that have manifested empirically.

3.5 CONCLUSION

Five key dimensions of service quality have been identified representing how consumers perceive service quality. These include reliability, assurance, tangibles, empathy and responsiveness, and together constitute the Brown *et al.* (1993) non-difference score measure to be used in this study. For the purpose of this research, tangibles will be eliminated as it is not important in voice-to-voice encounters.

Service quality, defined as an attitude or global judgement about the superiority of a service (Edwards, 1990; Parasuraman *et al.*, 1985, 1988, 1994; Teas, 1993), has been reported to have a significantly positive relationship with market orientation; yet a significantly negative (inverse) relationship with productivity (Chang & Chen, 1998; Hart *et al.*, 2006; Parasuraman, 2002; Singh, 2000; Singh, 2009). This study aims to confirm these relationships empirically within the South African contact centre landscape. What follows in Chapter 4 is an exploration of the productivity construct, its key drivers and the various metrics used within the contact centre landscape.

CHAPTER 4: CONTACT CENTRE PRODUCTIVITY

4.1 INTRODUCTION

In light of the greater competition, evolution of marketing thought and emergence of the service-dominant logic in the global market place over the past few decades, contact centres have surfaced as an important tool to support company objectives of exceeding customer requirements and improving productivity (Barrett, 1997). However, it has been argued that most contact centres seem to miss the important link between service quality and productivity (Marr & Neely, 2004).

Research shows that the current measures of productivity in most contact centres are often counter-productive to achieving high levels of productivity together with service quality and customer satisfaction (Chang & Chen, 1998; Dean, 2005, 2007; Hart *et al.*, 2006; Parasuraman, 2002; Singh, 2000). In order to deliver high levels of efficiency and service quality, Dean (2005) maintains that managers need to rethink their approaches to productivity and service management, and the hiring of the right service staff.

In this chapter, productivity is defined and then further discussed within the contact centre landscape in terms of people (employees and leaders), processes (service quality and performance management) and technology (systems and tools). In conclusion a number of key metrics that monitor and track productivity are analysed and discussed.

4.2 DEFINING PRODUCTIVITY

Despite the fact that the term is commonly used by both practitioners and academics, productivity is often confused or used interchangeably with similar terms such as performance and profitability (Tangen, 2005). It is therefore important that a distinction is made within the context of this study.

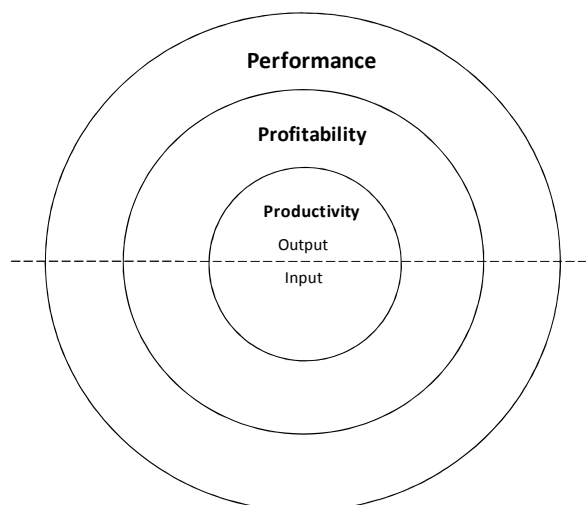
The literature defines productivity as a measure of the ratio of a producer's output to input (EANPC, 2005). In other words, how efficiently and effectively products or services are being produced. Efficiency in this context is seen as utilising the right resources to accomplish the desired result, whereas effectiveness refers to the extent to which customer requirements

are met (Neely *et al.*, 1995). According to Tangen (2005), productivity is closely related to the use and availability of resources as well as to value creation. This means that if a company's resources are not used properly or there is a lack of resources, the company's productivity will be reduced.

Like productivity, profitability is also seen as a relationship between output and input, but profitability takes into account monetary effects, whereas productivity relates specifically to a process that takes place among purely physical means (Tangen, 2005). Profitability is therefore defined as output volume times output unit price, over input volume times input unit costs (Bernolak, 1997), or profitability = productivity + price recovery (Miller, 1984). According to researchers (Miller, 1984; Tangen, 2005), productivity in the long-term is considered more suitable than profitability as a measure for monitoring service excellence since profits are influenced by many factors over the short-term that can give a misleading indication of long-term success.

Performance is described in the literature as a broader concept that covers both economical and operational aspects of an industry. Performance refers to excellence, and includes profitability and productivity amongst other non-cost factors such as quality, speed, delivery and flexibility (Tangen, 2005). Figure 4.1 illustrates how all of these concepts are related to one another. Productivity, performance and profitability are therefore three distinct, yet highly correlated constructs (Neely *et al.*, 1995).

Figure 4.1 Relationships of Performance, Profitability and Productivity



Source: Tangen (2005)

As this study is more concerned with the operational measures or variables (key performance indicators) used to track and measure efficiency within contact centre operations, productivity will be the focus. What follows is a discussion of productivity in relation to the people (employees and leaders), processes (service quality and performance management) and technology (systems and tools) employed to drive efficiency within contact centre operations.

4.3 DRIVERS OF PRODUCTIVITY IN CONTACT CENTRES

4.3.1 Employees

The services literature supports a strong link between productivity and employee satisfaction (Bowen & Lawler, 1992; Bennington & Cummane, 1998; Heskett *et al.*, 1994, 1997, 2002). According to the Service Profit Chain of Heskett *et al.* (1994), supported and satisfied employees are productive and loyal employees, who in turn increase the value of services provided to customers. This value then translates into customer satisfaction and loyalty, which ultimately leads to greater profit and growth for an organisation.

Research conducted by Bennington and Cummane (1998) produced similar results. Their research found that nearly 40 percent of the variance in customers' satisfaction with service is related to helpfulness of staff, accuracy, results obtained, age of recipient and whether recipients perceived that the staff were satisfied with their jobs. In a study that evaluated the quality of service delivered to customers, Bowen and Lawler (1992) found that customer perceptions were strongly influenced by the attitudes and behaviours of frontline employees.

According to contact centre researchers (Gilmore, 2001; Taylor & Bain, 1999), the levels of employee satisfaction in contact centres may be different to other situations because contact centres present unique work environments. Frontline employees are not only faced with managing customer interactions over the telephone on a day-to-day basis, but are also required to meet strict productivity targets. Houlihan (2002) concurs, claiming that managers subject employees to high levels of monitoring and control in contact centres in order to achieve productivity targets. As a consequence, contact centre work has been

shown to result in high levels of employee stress (Knights & McCabe, 1998; Wallace, *et al.*, 2000).

Dean (2005) also suggests that employee-job fit may take on greater importance in contact centres than in other contexts. If employee-job fit is good, employees enjoy their work but if it is poor, employees withdraw from customers and service levels decline (Dean 2005). Thus, within the highly monitored and controlled environment of a contact centre, it is imperative to recruit employees with the required skill set and to employ suitable human resources practices to develop, retain and motivate employees (Jaiswal, 2008). Despite this evidence, however, it seems that the human aspect is often ignored in today's contact centres. Tayles, Bramley and Farr (2002) claim that contact centres pay little attention to the qualitative employee characteristics that they believe create value for the organisation and its customers.

4.3.2 Leaders

The success of any organisation is reliant on the leader's ability to optimise human resources (Bass, 1997; Mullins, 1999). For an organisation to be effective, the people within the organisation need to be motivated to invest themselves in the organisation's mission (Wall, *et al.*, 1992; Maritz, 1995). Effective leadership behaviour facilitates the achievement of employee needs, which in turn results in employee productivity (Fiedler & House, 1988; Maritz 1995; Ristow *et al.*, 1999).

In a study conducted by Booyesen (1994), it was found that effective leaders have a strong and direct, but democratic and participative management style. They were also seen as agents of change and visionaries who increased organisational performance. Cummings and Schwab (1973) explain that effective leaders understand what motivates employees and how employees' strengths and weaknesses influence their decisions, actions and relationships in the attainment of company objectives.

Within a contact centre context, Gilmore (2001) suggests that the type of management practice used can significantly affect a frontline employee's ability to provide the required service level. The various types of management approaches used in contact centres, together with their impact on frontline employee productivity, include:

a) *Production Line Approach*

This is the most common approach used in contact centres, however, it has been criticised in the literature for its disposition towards control, often at the expense of service delivery (Banks & Roodt, 2011). Gilmore (2001) argues that although this approach promotes a standard and consistent approach to service delivery, it is too restrictive. When the standard measurements work against frontline employees satisfying customer queries, they begin to feel restrained and frustrated.

b) *Empowered Approach*

Bowen and Lawler (1992) suggest an empowered approach as a suitable alternative to the production line approach as it allows frontline employees the discretion to make the necessary decisions to satisfy immediate customers' needs. However, it has also been criticised in the literature for its inconsistency in terms of service delivery. This is largely due to the variability of both frontline employees and customers (Gilmore, 2001).

c) *Balanced Approach*

Frenkel *et al.* (1998) describes an approach where work is standardised but which includes some elements of flexibility and discretion. This in turn, is believed to contribute to longer term staff motivation and customer satisfaction.

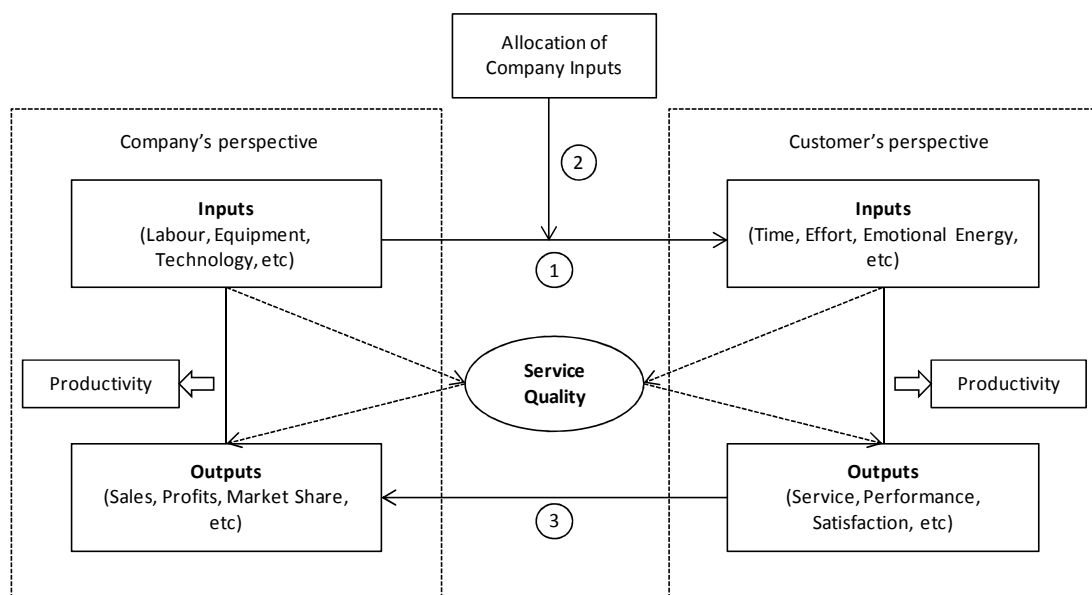
Despite the acclaim of modern day management approaches, researchers affirm that most contact centres today are still reluctant to compromise efficiency for service quality or employee well-being (Banks & Roodt, 2011; Dean, 2004). Taylor and Bain (1999) refer to the 'sweatshop' approach and suggest that contact centres are little more than a return to Taylorism². Few studies (Hart *et al.*, 2009; Gilmore, 2001), suggest that there may be a trend away from the production-line approach to one with more emphasis on staff empowerment.

² System of management characterised by closely monitored and controlled activities, typically very routine and monotonous with very little opportunity for personal discretion (Taylor & Bain, 1999)

4.3.3 Service Quality

The literature supports a strong relationship between service quality and productivity (Chang & Chen, 1998; Hart *et al.*, 2006; Singh, 2000; Singh, 2009). This view is supported by Parasuraman (2002), who introduces a dual company-customer perspective of productivity and proposes a conceptual framework for understanding the interplay between productivity and service quality (see Figure 4.2).

Figure 4.2 A Conceptual Framework for Understanding the Interplay Between Service Quality and Productivity



Source: Parasuraman (2002)

Parasuraman (2002) argues that the conventional view of productivity, representing a measure of the ratio of a producer's output to input, is insufficient for service contexts as it fails to consider customers' inputs in the process. Figure 4.2 illustrates the company and customer perspectives of productivity and reveals the central role that service quality plays in linking the two concepts. The dotted arrows leading into the oval at the core of the framework imply that inputs from both the company and customer perspective influence service quality. Service quality, in turn, influences outputs from both the company and customer perspectives. Parasuraman (2002) also argues that the components of productivity from the two perspectives are related to customer inputs and the customer's perception of productivity.

The link labelled 1 indicates that as more resources are channelled by the company into the service provision, the customer's input declines. For example, if a contact centre increases the number of frontline employees, customer waiting time should decrease. Similarly, as company inputs decline, the inputs required from customers increases. The moderating effect represented by link 2 depicts the manner in which (not just how much), a company allocates its service inputs will strongly influence productivity from a customer's perspective. For example, if a contact centre spends more resources on enhancing its facilities and not on more pressing issues such as employee training, the customer inputs will be lower than if the company inputs were allocated more appropriately. The relationship illustrated by link 3 reveals that outputs from a customer's perspective will have a positive impact on company outputs. For example, if the service is performed properly and as promised, it will affect the company outputs positively. The dual company-customer perspective depicted in Figure 3.2 highlights the potential synergy between service quality and productivity.

Parasuraman (2002) also suggests that service quality and productivity are in conflict when productivity is narrowly defined and viewed solely from the company's perspective. Hart *et al.* (2006) support this view that an improvement in one type of productivity is invariably accompanied by deterioration in another, offering some examples within the contact centre industry in South Africa. One centre felt that if frontline employees did not get through a certain number of calls per day, this could drive up costs and cancel out any benefits gained from improving service quality. Another centre was found to place a strong emphasis on service quality at the expense of productivity. Further studies conducted in Australia (Dean, 2005) and the US (Singh, 2000) also found a significantly negative (inverse) relationship between service quality and productivity. These findings have led to the construction of the secondary hypotheses in the context of this study:

H21-H24: Service quality and productivity are significantly and negatively correlated

These hypotheses are expanded upon in Chapter 5 – Research Methodology, Section 5.3.

4.3.4 Performance Management

Certain behaviours or actions are often necessary to drive productivity within an organisational context. For this reason, many contact centres employ performance management systems to effectively manage individual performance in the achievement of

productivity targets (Neely *et al.*, 1995). Hellriegel, *et al.* (2004) describe performance management as an integral part of effective human resource management and development, whereby the employee and manager work together to improve the individuals performance and his/her contribution to the organisation's wider objectives.

According to Temple (2002), two main objectives drive performance management: operational objectives, which lead and control the system and cultural objectives which seek to build an open relationship with employees and their employer. The literature (Armstrong & Baron, 1998; Foot & Hook, 1999) suggests that the aim of the performance management system is to communicate the link between an organisation's vision, mission and strategic objectives and the required employee behaviour. Performance management encompasses many different aspects within an organisation, including supervision and management control, training and development programmes, incentive programmes, appraisal programmes and measurement systems (Fisher *et al.*, 2003). These activities are explored within the context of a contact centre operation:

a) Supervision and Management Control

The role of team leaders is central to the development and maintenance of customer service quality, as well as the maintenance of frontline employee morale and motivation. Team leaders are required to have the ability to identify training needs of frontline employees, encourage beneficial dialogues, as well as coaching sessions. The duty of managers is to create the structure, turning the objectives of the organisation into action plans, setting the measures of achievement and establishing timetables (Armistead *et al.*, 2002).

b) Training and Development Programmes

Performance management provides an opportunity for management to refine and improve development activities within an organisation. Within a contact centre environment, two key features of performance management include the training of frontline employees and customer satisfaction. Leading contact centres invest in frontline employees through training which correlates to customer satisfaction (Miciak & Desmarais, 2001).

c) Incentive Programmes

Generally, employee incentives are those influences that serve to uplift an individual's attitudes and/or their productivity. These can be in the form of remuneration, rewards, recognition and even good leadership. In understanding motivation, it is necessary to recognise that people respond to others, situations or issues in different ways (Sutermeister, 1976).

d) Appraisal Programmes

Performance appraisals are formal programmes that exist in most established contact centres today. These appraisals enable supervisors to evaluate subordinates work and complete performance evaluations or ratings at regular intervals. These programmes serve as an opportunity to inform employees about their progress and to identify employees which need to be rewarded, motivated and retained. Through specifying requirements and how these are measured, employees are given clarity and power over their own productivity (Nash, 1985).

e) Measurement Systems

Setting realistic measures and attainable targets is essential in the development of a set of good practices that will lead to the ultimate goal of transforming performance measurement into performance management. Evaluations of performance measurement have focused on various features such as quality, time, cost and flexibility (Neely, Gregory & Platts, 1995). The challenge facing contact centres today is finding the right balance between call quality and call quantity (Parasuraman, 2002).

Within the performance management system it is imperative that employees find support and have confidence (Baird, 1986; Cherrington, 1994). Without removing any of the responsibility of the employee, a good performance management system promotes self-motivation, rewards personal development and builds and strengthens relationships between employees and managers; which in turn results in more employees meeting and exceeding their productivity targets (Baird, 1986).

4.3.5 Technology

Miciak and Desmarais (2001) maintain that the majority of contact centre productivity measures have to do with telephone technology (e.g. calls waiting, abandonment rates, etc). One explanation for this is that technology in contact centres enables team leaders and managers to easily track productivity (Feinberg *et al.*, 2000), which leads to automatic reporting (Silverman & Smith, 1995).

Hart *et al.* (2006) describes the key systems and tools used in most contact centres:

a) *Call Recording*

Allowing for the analysis of recorded calls to assist counselling sessions, training and business improvement.

b) *Call Logging*

Assisting in linking a call to a service request or contact history and then classifying the call/query type.

c) *Customer Relationship Management Systems*

Integrating all customer information into a single database to provide a single view of the customer.

d) *Contact History*

Providing access to all customer interactions, across all products and communication channels.

e) *Back-end Systems*

Ensuring that the query can be resolved first time, decreasing the chance of the customer calling back.

f) *Knowledge Base / Scripting / Guidelines*

Preventing frontline employees from making errors by detailing business processes or steps required to resolve a query.

g) *Interactive Voice Response (IVR)*

Providing self-service on simple queries and routing calls to frontline employees skilled to handle different query types.

According to a number of contact centres surveyed in the research of Hart *et al.* (2006), key contact centre technology systems help to track and improve productivity (either directly or indirectly). Technology plays an important role in the overall performance of a contact centre operation. However, Hart *et al.* (2006) argue that it must be fit-for-purpose and employed correctly. The effectiveness of the technologies is also reported to depend largely on the integrity and ability of the frontline employee (Hart *et al.*, 2006).

4.4 PRODUCTIVITY MEASURES IN CONTACT CENTRES

According to Miciak and Desmanais (2001), productivity and quality control in contact centres is frequently done on the basis of several operational measures, also referred to as Key Performance Indicators (KPI). Jaiswal (2008) indicates that these measures are recorded at the individual level on a daily basis and that in cases where these centres are outsourced, the required productivity level varies based on the service level agreement (SLA) between the contact centre operators and their clients and the type of service provided.

Contact centre scholars (Sparrow, 1991; Anton, 2000) provide evidence that a contact centre framework must be simple, relevant and provide a balanced and comprehensive view of performance. Balanced Scorecards, introduced by Kaplan and Norton (1992) are the most widely used measurement technique employed in most contact centre operations to help track the quality and efficiency of contact centre services. This technique includes measures such as customer satisfaction, operational efficiency, business value and people management (Marr & Parry, 2004). When the balanced scorecard measures are viewed one-by-one, the essential Key Performance Indicators (KPI) include (Jaiswal, 2008):

a) *Operational Efficiency*

Agency occupancy - represents how long agents spend answering or dealing with calls. Low occupancy can indicate overstaffing and high operational costs.

Average Handling Time (AHT) - measures the time agents spend handling individual calls. Long times can reveal poorly skilled agents or ineffective processes or tools.

Call Transfer Rate - indicates if calls are being routed to the right agent first time or whether too many are being redirected, thus wasting agents' time.

Cost Per Call - accounts for all fixed and variable costs expended in running the contact centre operation and provides an overall gauge of efficiency when compared with other operations.

b) *Customer Satisfaction*

The basic measures underpinning customer satisfaction include: *Percentage of Calls Abandoned, Answered and Average Time to Answer*. Internally, these measures can reveal suboptimal shift patterns or agent scheduling as either too little or too many frontline employees are available to take calls. Externally, long wait times result in frustrated customers.

First Call Resolution (FCR) - the percentage of callers who have satisfactory resolution on the first call; it is also a good indicator of customer satisfaction. A low FCR can indicate poor internal processes or inadequate staff training.

Customer Satisfaction Scores - provide direct feedback from customers. These scores are normally gathered from email based feedback surveys, but these shouldn't be the only data-gathering mechanism.

c) *Business Value*

Total Sales - directly measures the revenue contribution of the contact centre. If this is linked correctly to the reward structure, it can drive effective agent behaviour.

Sales Conversion - normally linked with Total Sales to make sure that quality leads are being converted.

Customer Retention - determines whether a contact centre is nurturing its agents to retain customers and lock in future profits for the organisation.

d) *People Management*

Attrition Rate - a key indicator often influenced by the local and national economy. High attrition rates result in an increase in recruitment and training costs, lower than average skills and a more costly operation offering inferior service.

Unapproved Absenteeism - closely related to Attrition Rate, measures the health of the contact centre. Higher unapproved absenteeism signifies less satisfied employees.

Agent Quality – the use of regular monitoring techniques such as live agent observation, remote call monitoring and call recordings are used in most established contact centres to ensure superior quality performance and to identify training needs.

The KPI that will be used to track productivity within each of the participating contact centres in this study, include Average Handling Time, First Call Resolution, Customer Satisfaction Index and Adherence. These will be further explored in Chapter 5 – Research Methodology, Section 5.6.

Despite the popularity of operational measures, the literature shows that many operational measures are poor predictors of customer service experience. Miciak and Demarais (2001) found low levels of customer satisfaction in contact centres despite their high ratings on operational variables such as Service Levels and First Call Resolution (FCR). Their study found that whilst their average Service Level and FCR scores were as high as 90 and 85.7 per cent, respectively, the corresponding customer satisfaction score was only 66 per cent.

Feinberg *et al.* (2000) studied the relationship between caller satisfaction and the 13 operational variables mentioned above. Their research showed that, out of the 13 operational variables, only average abandonment rate and FCR were statistically significant, albeit weak predictors of customer satisfaction. These studies suggest that most operational measures have little or no effect on customer satisfaction.

Marr and Parry (2004) argue that operational measures are only an indication of the efficiency level in contact centres and suggest that they may lead to negative outcomes such

as poor service quality, dissatisfied customers and lost revenue. Robinson and Morley (2006) explain that most contact centre managers assume operational measures to be the overriding key performance indicators. Their over-reliance on these measures actually results in focusing on the call rather than on the customer's expectation of the call.

Further studies concur with these findings. In a study conducted in UK contact centres, Gilmore (2001) points out that frontline employees become frustrated as operational measures do not allow them to satisfactorily handle customers' queries. In their study, frontline employees were expected to answer 90 per cent of calls within ten seconds and to finish any call within three minutes. Research conducted in Indian contact centres, asserts that operational measures such as Average Handling Time and Percentage of Calls Answered restrict the frontline employees' ability to answer customers' calls effectively (Jaiswal, 2008).

Despite evidence that proves that operational measures are poor predictors of service quality, many contact centres continue to use these measures in their quality evaluation system. Gilmore (2001) explains that most contact centres often lack the system for effectively measuring and monitoring service quality correctly. Miciak and Desmarais (2001) concur, stating that management often uses operational measures to make assumptions about satisfaction due to the intangible nature of service encounters. Silverman and Smith (1995) show that the ease of measurement leads to automatic reporting, which in turn, can create the false impression that reported measures are important measures. Feinberg *et al.* (2000) confirms that "we make important what we can measure."

4.5 CONCLUSION

In an exploration of productivity within the highly monitored and controlled environment of the contact centre, it was found that the recruitment, development and management of the right employees is imperative in the link between productivity and service quality (Dean, 2005, 2007). Research also reveals the central role that customers play in linking the two concepts (Parasuraman, 2002).

This study aims to confirm the relationships between market orientation, service quality and productivity within the South African contact centre landscape, as well as determine which factors are most responsible for the variance in productivity. The literature review represented in Chapters 2, 3 and 4 has provided the basis for the formulation of hypotheses

and the construction of the second major component of the study – the survey to collect empirical data for testing the hypotheses. What follows is a review of the research methodology, a discussion of the results, as well as the conclusions and recommendations for future research.

CHAPTER 5: RESEARCH METHODOLOGY

5.1 RESEARCH STRATEGY

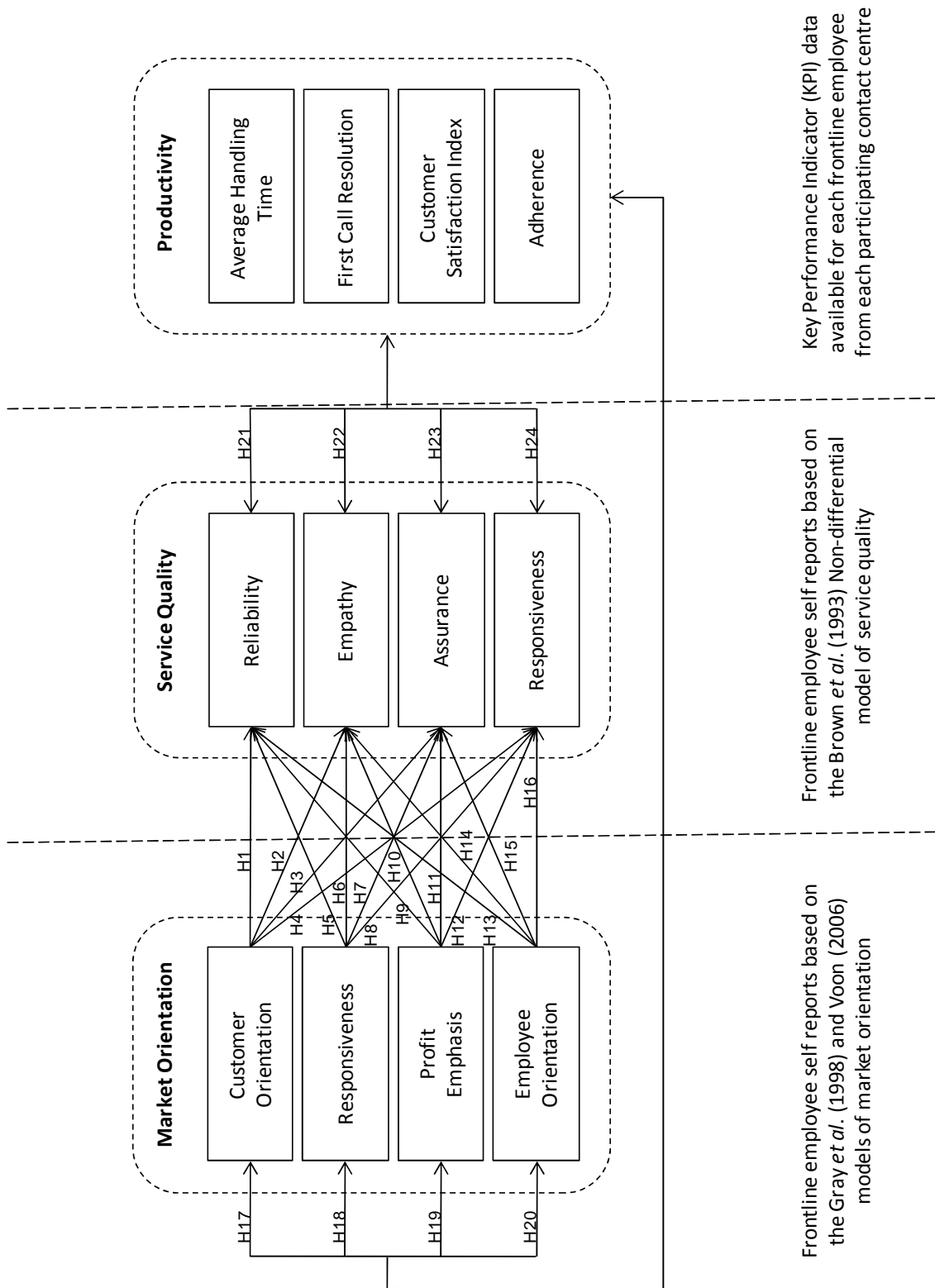
The study will make use of an inductive research design that will use a combination of objective (KPIs) and subjective measures (published scales available from the literature review) to define and measure the key constructs of market orientation, service quality and productivity. The analysis will be conducted in two phases. Firstly, a Partial Least Squares (PLS) path analysis, using SmartPLS 2.0 (Ringle *et al.*, 2005) will be employed to validate the measurement scales used within the context of this study and to test the nature of the relationship between the market orientation and service quality components. Secondly, correlation analyses using IBM SPSS Statistics for Windows, Version 21.0 (2012) will be performed to confirm if there is any correlation between market orientation and productivity, as well as between service quality and productivity.

The study sought the cooperation of a large, nationally prominent Company who had chosen to outsource its two contact centres of different call types to a leading third party Business Process Outsourcing (BPO) Company. At each contact centre, approximately 400 full-time frontline employees work under common contact centre management practices employed by the BPO Company. To control for confounding efforts due to variability in organisational (e.g. management) and contextual (e.g. practices) factors, a single company was chosen for participation.

5.2 DETAILED CONCEPTUAL MODEL

The literature review has provided the basis for a more detailed conceptual model. The detailed conceptual model depicted in Figure 5.1 denotes all the constructs, latent variables, associations and hypotheses to be considered in the examination of the key relationships in this study. In this approach, the market orientation components are positioned as independent latent variables, while the components of service quality and productivity are positioned as dependant latent variables.

Figure 5.1 Detailed Conceptual Model



5.3 RESEARCH HYPOTHESES

As explained in Chapter 1 – Orientation, Section 1.3, the primary objective of this research is to examine the relationship between the market orientation and service quality components at individual level within the South African contact centre landscape. Secondary objectives include the examination into the market orientation-productivity and service quality-productivity relationships. Based on Figure 5.1, the research sets out to test a number of hypotheses:

a) Market Orientation and Service Quality

Studies conducted in Canada (Singh, 2009) and the US (Chang & Chen, 1998) found that a high degree of market orientation is positively correlated with superior service quality. In an empirical investigation into the relationship between market orientation and service performance in a library setting, Singh (2009) found that market orientation is an important determinant of its service performance. The author also points out that in addition to market orientation being an important tool in identifying customers' perceptions and creating competitive advantage, it is also strongly associated with customer satisfaction. In an empirical study, Chang and Chen (1998) developed a model that identified market orientated efforts as important means to improve service quality and business performance in the retail stock brokerage industry. Figure 3.3 in the literature review illustrates a direct effect of market orientation on business performance, an indirect effect via service quality and other indirect influences through other intermediate factors. The potential effects of other external factors that may affect business performance are also recognised in the model. Chang and Chen (2008) also suggest that service quality has a stronger association with business performance than market orientation; therefore only when market orientation efforts produce a significant improvement in service quality, will an improvement in business performance occur.

A primary objective of this study is therefore to determine if a significantly positive relationship exists between market orientation and service quality, but in this case, at individual level within the contact centre landscape. The research will also attempt to isolate the antecedents of market orientation that are responsible for

driving the variance in each service quality component. This has led to the formulation of the following hypotheses:

- H1: Customer Orientation positively influences Reliability
- H2: Customer Orientation positively influences Empathy
- H3: Customer Orientation positively influences Assurance
- H4: Customer Orientation positively influences Responsiveness

- H5: Responsiveness positively influences Reliability
- H6: Responsiveness positively influences Empathy
- H7: Responsiveness positively influences Assurance
- H8: Responsiveness positively influences Responsiveness

- H9: Profit Emphasis positively influences Reliability
- H10: Profit Emphasis positively influences Empathy
- H11: Profit Emphasis positively influences Assurance
- H12: Profit Emphasis positively influences Responsiveness

- H13: Employee Orientation positively influences Reliability
- H14: Employee Orientation positively influences Empathy
- H15: Employee Orientation positively influences Assurance
- H16: Employee Orientation positively influences Responsiveness

b) Market Orientation and Productivity

Business performance has been identified in the marketing literature as the most researched consequence of market orientation. Some earlier conceptual and empirical studies conducted in the US, provide support for a positive relationship between market orientation and business performance (Jaworski & Kholi, 1993; Narver & Slater, 1990; Slater and Narver, 1994a, 2000). Several studies conducted in Canada, also demonstrate a positive link between market orientation and performance (Deng & Dart, 1994; Singh, 2009). However, in studies conducted outside the US and Canada, a weak association or no relationship at all was found between market orientation and performance (Bhuiyan, 1998; Diamantopoulos &

Hart, 1993). These authors argue that business performance is a multi-dimensional construct and that further research is required to determine the complexities of the market orientation and business performance relationship.

In a survey of market orientation research conducted by Liao *et al.* (2011), it was discovered that between 1995 and 2008, 38 research papers were devoted to an investigation into the relationship between market orientation and performance covering a broad range of different contexts. Out of the 38 published articles, only two found no significant relationship between market orientation and performance, and two others found a weak relationship. Early researchers argue that the results are still not conclusive, but the evidence is overwhelmingly in favour of the relationship.

A secondary objective of this study is therefore to confirm if the market orientation components and KPIs (at individual level within the context of this study) are significantly and positively correlated. Therefore, the following hypotheses are considered:

H17: Customer Orientation and Productivity are significantly and positively correlated

H18: Responsiveness and Productivity are significantly and positively correlated

H19: Profit Emphasis and Productivity are significantly and positively correlated

H20: Employee Orientation and Productivity are significantly and positively correlated

c) *Service Quality and Productivity*

The literature also supports a strong relationship between service quality and performance (Chang & Chen, 1998; Hart et al., 2006; Singh, 2000; Singh, 2009). This view is supported by Parasuraman (2002), who introduces a dual company-customer perspective of productivity and proposes a conceptual framework for understanding the interplay between productivity and service quality. Parasuraman (2002) argues that the conventional view of productivity, representing a measure of the ratio of a

producer's output to input, is insufficient for service contexts as it fails to consider customers' inputs in the process.

Parasuraman (2002) framework (highlighted in Figure 4.2 of the literature review) implies that inputs from both the company and customer perspective influence service quality. Service quality, in turn, influences outputs from both the company and customer perspectives. The author (Parasuraman, 2002) also argues that the components of productivity from the two perspectives are related to customer inputs and the customer's perception of productivity. Firstly, it is argued that as more resources are channelled by the company into the service provision, the customer's input declines. For example, if a contact centre increases the number of frontline employees, customer waiting time should decrease. Similarly, as company inputs decline, the inputs required from customers increases. Secondly, Parasuraman (2002) posits that the manner in which (not just how much) a company allocates its service inputs will strongly influence productivity from a customer's perspective. For example, if a contact centre spends more resources on enhancing its facilities and not on more pressing issues such as employee training, the customer inputs will be lower than if the company inputs were allocated more appropriately. In addition, Parasuraman (2002) also reveals that outputs from a customer's perspective will have a positive impact on company outputs. For example, if the service is performed properly and as promised, it will affect the company outputs positively. This framework points out a potential synergy between service quality and productivity.

Parasuraman (2002) suggests that service quality and productivity are in conflict when productivity is narrowly defined and viewed solely from the company's perspective. Hart *et al.* (2006) support this view that an improvement in one type of productivity is invariably accompanied by deterioration in another, offering some examples within the contact centre industry in South Africa. One centre felt that if frontline employees did not get through a certain number of calls per day, this could drive up costs and cancel out any benefits gained from improving service quality. Another centre was found to place a strong emphasis on service quality at the expense of productivity. Further studies conducted in Australia (Dean, 2005) and the

US (Singh, 2000) also found a significantly negative (inverse) relationship between service quality and productivity.

Another secondary objective of this study is therefore to confirm if the service quality components and KPIs (at individual level within the context of this study) are significantly and negatively correlated. Therefore, the following hypotheses are considered:

H21: Reliability and Productivity are significantly and negatively correlated

H22: Empathy and Productivity are significantly and negatively correlated

H23: Assurance and Productivity are significantly and negatively correlated

H24: Responsiveness and Productivity are significantly and negatively correlated

5.4 RESEARCH DESIGN

An inductive approach will be adopted in this research and will include two main components. The first will make use of a survey in the form of a 5-point Likert scale to collect empirical data for testing the relationship between the market orientation and service quality components. The data obtained from the survey will then be linked with the key performance data available from each participating contact centre to identify any correlation between the research constructs.

5.5 SAMPLE

5.5.1 Target Population

The two participating contact centres employ 347 and 417 full-time frontline employees, respectively. In terms of work roles, the frontline employees of the first contact centre are responsible for providing customer services for less complex call types and queries; whereas, the frontline employees of the second centre are expected to provide customer services for more complex call types and queries. Both sets of frontline employees are expected to meet daily performance targets and are monitored for service quality standards. They are both, therefore, included in the sample frame.

5.5.2 Sample Frame

The questionnaire was designed to include all frontline employees within the target population across both locations, Cape Town and Johannesburg. A non-probability, convenience sampling technique was used due to ease of access and permission granted (Malhotra & Birks, 2007). Participation in the survey was voluntary, as explained in the letter requesting consent (see Appendix 2), and it was anticipated that a good sample would complete the final questionnaire.

5.6 MEASUREMENT

To collect empirical data for market orientation and service quality, a questionnaire (see Appendix 2) was administered in the form of a 5-point Likert scale with answers ranging from 'strongly disagree' to 'strongly agree'. The major themes that influence these constructs were identified from the literature and used in the questionnaire. Some questions were used as is, but most were modified to suit the purposes of this research and the cultural context. The measurement instrument consisted of 30 items of three questions each to measure each of the latent variables of market orientation: Customer Orientation, Competitor Orientation, Inter-functional Co-ordination, Profit Emphasis, Responsiveness, Employee Orientation - based on the Gray *et al.* (1998) and Voon (2006) scales; and service quality: Assurance, Empathy, Reliability, Responsiveness - based on the Brown *et al.* (1993) scales. Although, it was necessary during the data collection phase to identify specific respondents in order to link their responses with their KPI data, confidentiality was assured in the cover letter attached to the questionnaire.

Productivity evaluation and quality control in contact centres is frequently done on the basis of several operational measures, also referred to as Key Performance Indicators (KPI) (Miciak & Desmanais, 2001). Jaiswal (2008) indicates that these measures are recorded at the individual level on a daily basis and that in cases where these centres are outsourced, the required productivity level varies based on the service level agreement (SLA) between the contact centre operators and their clients and the type of service provided. Contact centre scholars (Sparrow, 1991; Anton, 2000) provide evidence that a contact centre measurement framework must be simple, relevant and provide a balanced and comprehensive view of productivity. Balanced scorecards are used in most established contact centre operations to

help monitor the quality and efficiency of contact centre services. These include measures that track operational efficiency, customer satisfaction, business value and people management (Marr & Parry, 2004). Within the participating contact centres in this study, the essential KPI that are used to track productivity include:

a) Average Handling Time

Average Handling Time (AHT) is the measure, in seconds, of the time frontline employees spend handling individual calls. It is automatically generated by the system used by the two participating contact centres. An average of individual AHT scores over a three month period will be used to manage for call volatility.

b) First Call Resolution

First Call Resolution (FCR) is measured as a percentage of the number of callers who have satisfactory resolution on the first call. It is also automatically generated by the system used by the two participating contact centres. An average of individual FCR scores over a three month period will be used to manage for call volatility.

c) Customer Satisfaction Index

Customer Satisfaction Index (CSI) is measured as the percentage of customers who are satisfied with their experience of the call. It is based on a rating received from the customer in response to two system-generated questions at the end of the call: (1) were you happy with the overall level of service received? (2) was the query resolved to your satisfaction. At the end of each shift, the system automatically calculates the percentage of customers who are satisfied with their service experience. An average of individual CSI scores over a three month period will be used to manage for call volatility.

d) Adherence

Adherence (ADH) is the measure of the total time a frontline employee is available for call work divided by the time they are scheduled to work, expressed as a percentage. It is automatically generated by the system used by the two participating contact centres. An average of individual ADH scores over a three month period was used to manage for call volatility.

5.7 DATA COLLECTION

Personal contact was made with the BPO Company to explain the purpose of the study and to request permission to carry out the questionnaire within both of the identified contact centres. Permission to gain access to their productivity data was also requested (see Appendix 1). Once permission was granted and the pilot study was carried out, the paper-based questionnaire was administered during working hours in small groups of ten, with the researcher present to facilitate each session and answer any questions posed.

5.8 PILOT STUDY

The questionnaire was pre-tested on a pilot sample of 40 agents (5 percent of the total sample size) to refine the questions and format prior to proceeding with the data collection. Any questions that were irrelevant, unclear, too complex and/or ambiguous were removed or replaced with other questions. The questionnaire was also reduced to 30 questions (maximum of three questions per scale), to shorten the response time and encourage more subjects to participate.

5.9 DATA ANALYSIS

After the survey was completed, the data was captured and coded in an Excel spreadsheet (Microsoft, 2007). The data was checked for multivariate normality, reliability and validity using both descriptive and inferential statistical methods via IBM SPSS Statistics for Windows, Version 21.0 (2012). The measurement scales were validated and the nature of the relationship between the market orientation and service quality components was tested using a Partial Least Squares (PLS) path analysis using SmartPLS 2.0 (Ringle *et al.*, 2005). This method was selected as it is less sensitive to distributional abnormality and allows for smaller sample sizes (Albert *et al.*, 2013). Pearson correlation analyses, using IBM SPSS Statistics for Windows, Version 21.0 (2012), were then employed to test if the market orientation components and KPI were significantly and positively correlated; as well as whether the service quality components and KPI were significantly and negatively correlated.

5.10 CONCLUSION

In this chapter, the research strategy was described and the development of the conceptual model and hypotheses were discussed at length. Twenty four hypotheses in total were presented. The research design and the sample (including target population and sample frame) were then highlighted. A non-probability, convenience sampling technique was decided upon due to the ease of access and permission granted. The measurement techniques were then discussed, including a questionnaire in the form of a 5-point Likert scale and the type of KPI data to be used. The objective was to link the data obtained from the questionnaire with the KPI data available from each participating contact centre to test the hypotheses. In conclusion, the data collection, pilot study and data analysis techniques to be used were described. It was decided to use both a Partial Least Squares (PLS) path analysis and Pearson correlation analyses to test the hypotheses in the conceptual model. The results of the analyses are presented in Chapter 6.

CHAPTER 6: RESEARCH RESULTS

6.1 INTRODUCTION

In this chapter the researcher reviews the descriptive statistics, as well as the various analyses to validate the measurement scales and to test the hypotheses in the conceptual model. This study adopted a two-step approach to analyse the data.

The first step involved variance based structural equation modelling using Partial Least Squares (PLS) via SmartPLS 2.0 (Ringle *et al.*, 2005) to validate the measurement scales within the context of this study and to test the relationship between market orientation and service quality. The second phase involved testing the market orientation-productivity and service quality-productivity relationships using Pearson correlation analyses (IBM SPSS Statistics for Windows, Version 21.0, 2012).

6.2 DESCRIPTIVE STATISTICS

The questionnaires were administered to 764 frontline employees (see Table 6.1) from the two participating contact centres. From this, a total of 218 responses (28 percent) were suitable for analysis.

Table 6.1 Response Rate

	Number of agents approached	Number of responses received
Contact Centre 1	347	114 (33%)
Contact Centre 2	417	104 (25%)
Total	764	218 (28%)

Table 6.2 reveals that a good split of respondents was achieved across both service types: Contact Centre 1 (52 percent) and Contact Centre 2 (48 percent). A good split of respondents was also achieved across both locations: Cape Town (50 percent) and Johannesburg (50 percent). The majority of respondents were female (75 percent) and between the ages of 21-34 (88 percent).

Table 6.2 Distribution of Respondents per Service Type and Location

Service Types	Locations		Total
	Cape Town	JHB	
Contact Centre 1	62	52	114
Contact Centre 2	48	56	104
Total	110	108	218

Figure 6.1 shows that the majority of respondents were Black (74 percent), followed by Coloureds at 25 percent and Whites at only 1 percent. No Asians were represented in the sample. As the client requirement is that agents can support the 11 official languages of South Africa, the large sample of black individuals is congruent with our expectations.

Figure 6.1 Racial Composition of the Sample

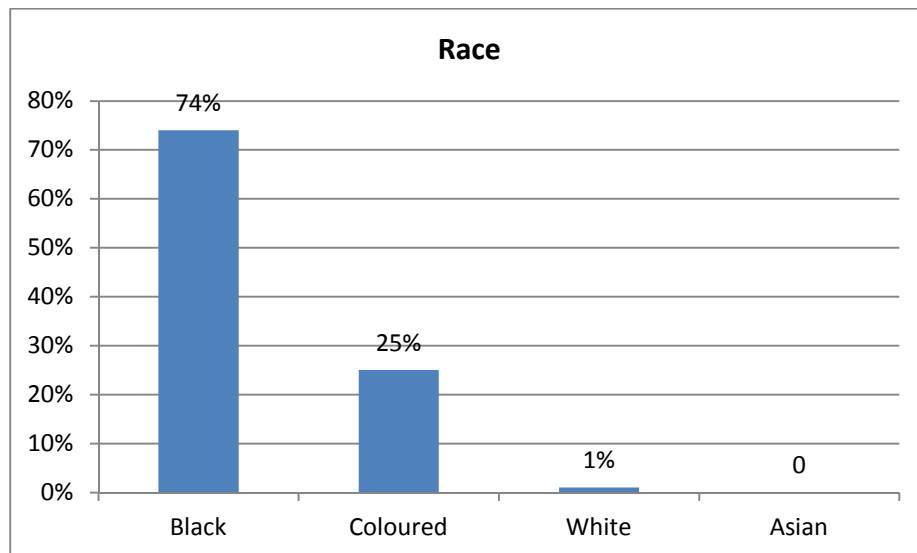


Figure 6.2 reveals that the majority of respondents only had a Matric qualification (78 percent), followed by 8 percent holding an undergraduate qualification, 5 percent holding a postgraduate qualification, 5 percent a NQF Level 2 qualification and 4 percent a NQF Level 4 qualification. BPeSA (2012) confirms that the minimum entry level requirement for most contact centres is a Matric certificate or NQF alternative.

Figure 6.2 Education Level of Respondents

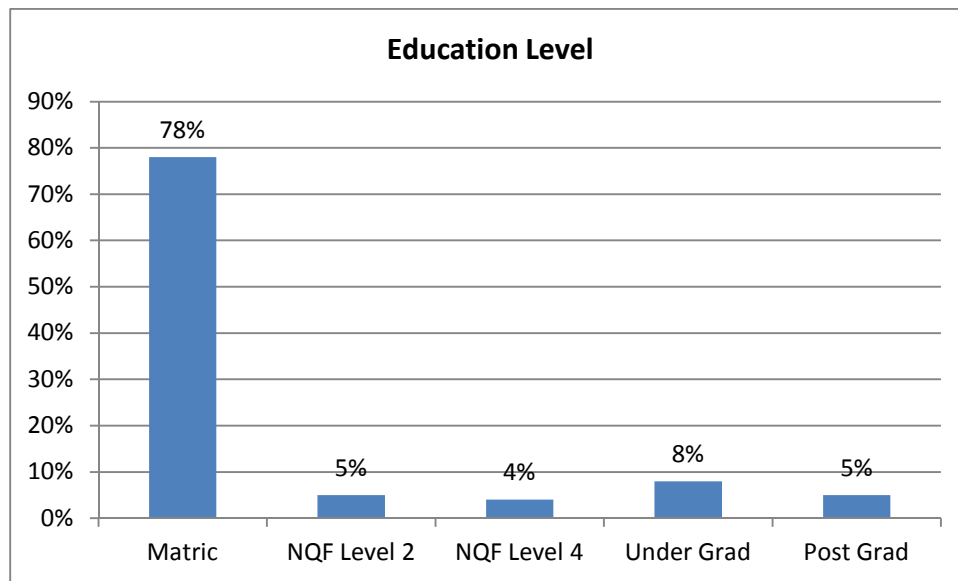
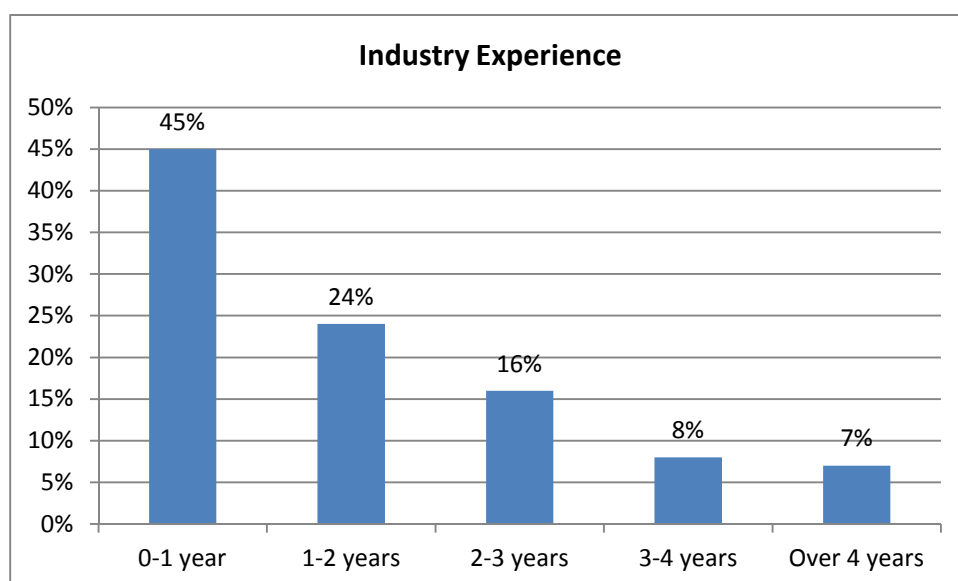


Figure 6.3 shows that almost half of the respondents had only up to one year of industry experience (45 percent), 24 percent had between one and two years of experience, 16 percent had between two and three years of experience, 8 percent had between three and four years of experience, and only 7 percent had over four years of experience. Studies show that a large number of contact centres are willing to employ matriculants with very little experience as they are equipped to provide in-house training for staff at various levels, with a special focus on frontline employee and team leader development (BPesa, 2012).

Figure 6.3 Industry Experience of Respondents



6.3 PARTIAL LEAST SQUARES PATH ANALYSIS

The majority of respondents either agreed or strongly agreed with the statements in the questionnaire. This indicates that the market orientation and service quality data exhibited non-normality. A Partial Least Squares (PLS) path analysis was therefore used to validate the measurement scales within the context of this study and test the relationship between the market orientation and service quality components. This approach was selected as it is less sensitive to distributional abnormality and allows for smaller sample sizes (Albert *et al.*, 2013).

6.3.1 Measurement Model

Table 6.3 shows that all latent variables exhibit good reliability as the Cronbachs Alpha coefficients were all greater or equal to 0.70. In addition, the Composite Reliability values, which are often preferred for PLS analyses (Hair *et al.*, 2006), are all greater than 0.70. The Average Variance Extracted for all latent variables exceeds the 0.50 benchmark (Fornell & Larcker, 1981).

Table 6.3 Reliability Indicators for the Measurement Model

	AVE*	Composite Reliability	Cronbachs Alpha
Assurance (ASS)	0.71	0.88	0.80
Customer Orientation (CUMO)	0.66	0.85	0.74
Empathy (EMP)	0.72	0.88	0.80
Employee Orientation (EO)	0.61	0.82	0.70
Profit Emphasis (PRO)	0.72	0.88	0.80
Reliability (REL)	0.74	0.90	0.83
Responsiveness (RESMO)	0.72	0.89	0.81
Responsiveness (RESSQ)	0.75	0.90	0.83

* AVE = Average Variance Extracted

Table 6.4 shows that the measurement model also exhibited significant convergent validity as the cross-loading matrix showed no cross loading that exceeded the within row and column loadings.

Table 6.4 Cross-loadings of Items

	Customer Orientation (CUMO1-3)	Responsive-ness (RESMO1-3)	Profit Emphasis (PRO1-3)	Employee Orientation (EO1-3)	Reliability (REL1-3)	Empathy (EMP1-3)	Assurance (ASS1-3)	Responsive-ness (RESSQ1-3)
CUMO1	0.89	0.46	0.45	0.26	0.53	0.52	0.42	0.36
CUMO2	0.92	0.45	0.42	0.21	0.57	0.53	0.52	0.42
CUMO3	0.67	0.22	0.12	0.18	0.19	0.23	0.21	0.16
RESMO1	0.37	0.83	0.37	0.32	0.52	0.31	0.48	0.49
RESMO2	0.39	0.84	0.33	0.31	0.45	0.38	0.40	0.40
RESMO3	0.47	0.87	0.41	0.23	0.43	0.54	0.57	0.60
PRO1	0.37	0.35	0.81	0.28	0.41	0.35	0.34	0.27
PRO2	0.41	0.36	0.87	0.17	0.38	0.46	0.37	0.34
PRO3	0.36	0.39	0.85	0.08	0.41	0.42	0.36	0.39
EO1	0.24	0.31	0.25	0.78	0.26	0.18	0.21	0.19
EO2	0.15	0.23	0.07	0.76	0.16	0.02	0.20	0.10
EO3	0.21	0.23	0.12	0.80	0.20	0.13	0.28	0.21
REL1	0.40	0.47	0.42	0.25	0.83	0.43	0.49	0.51
REL2	0.59	0.47	0.45	0.27	0.90	0.47	0.56	0.46
REL3	0.49	0.46	0.36	0.18	0.85	0.47	0.50	0.43
EMP1	0.49	0.51	0.43	0.16	0.46	0.90	0.53	0.52
EMP2	0.52	0.39	0.46	0.16	0.44	0.86	0.47	0.41
EMP3	0.41	0.34	0.34	0.05	0.45	0.78	0.46	0.37
ASS1	0.33	0.51	0.30	0.26	0.48	0.43	0.84	0.53
ASS2	0.46	0.49	0.35	0.26	0.49	0.47	0.87	0.55
ASS3	0.47	0.47	0.41	0.24	0.55	0.54	0.83	0.60
RESSQ1	0.34	0.53	0.38	0.25	0.49	0.42	0.61	0.89
RESSQ2	0.37	0.52	0.31	0.19	0.46	0.46	0.55	0.87
RESSQ3	0.37	0.49	0.33	0.15	0.45	0.46	0.57	0.84

Discriminant validity is considered in two steps. First, the Fornell and Larcker (1981) criterion is used to test whether the square root of the AVEs is greater than any correlations on the latent variable correlation table. Second, the loading of an indicator on its assigned variable should be higher than its cross loadings on all other latent variables. Table 6.5 shows the results of this analysis and suggests no evidence of multi-colinearity. The measurement model exhibited good discriminant validity and meets the Fornell and Larcker (1981) criteria.

Table 6.5 Latent Variable Correlation Matrix

	Mean	SE	1	2	3	4	5	6	7	8
Assurance (ASS)	4.45	0.51	0.84*							
Customer Orientation (CUMO)	4.28	0.60	0.50	0.81*						
Empathy (EMP)	4.45	0.53	0.57	0.56	0.85*					
Employee Orientation (EO)	3.70	0.85	0.30	0.26	0.16	0.78*				
Profit Emphasis (PRO)	4.35	0.66	0.42	0.45	0.49	0.20	0.85*			
Reliability (REL)	4.40	0.58	0.60	0.58	0.53	0.27	0.47	0.86*		
Responsiveness (RESMO)	4.33	0.54	0.58	0.49	0.49	0.33	0.44	0.54	0.85*	
Responsiveness (RESSQ)	4.43	0.52	0.67	0.42	0.52	0.23	0.40	0.54	0.59	0.86*

*Square Root of AVE on diagonal

6.3.2 Structural Model

The study estimated all the hypothesised paths between the latent variables to ascertain the predictive power of the model. The results of the analysis are reported in Table 6.6.

Table 6.6 Results of PLS Path Analysis

Hypothesis	Hypothesised Relationship	β	t-statistic	Result
H1	Customer Orientation (CUMO) -> Reliability (REL)	0.35	5.57	Significant
H2	Customer Orientation (CUMO) -> Empathy (EMP)	0.35	5.76	Significant
H3	Customer Orientation (CUMO) -> Assurance (ASS)	0.24	3.10	Significant
H4	Customer Orientation (CUMO) -> Responsiveness (RESSQ)	0.13	1.52	Not significant
H5	Responsiveness (RESMO) -> Reliability (REL)	0.28	4.53	Significant
H6	Responsiveness (RESMO) -> Empathy (EMP)	0.24	3.05	Significant
H7	Responsiveness (RESMO) -> Assurance (ASS)	0.37	5.18	Significant
H8	Responsiveness (RESMO) -> Responsiveness (RESSQ)	0.47	5.19	Significant
H9	Profit Emphasis (PRO) -> Reliability (REL)	0.19	2.39	Significant
H10	Profit Emphasis (PRO) -> Empathy (EMP)	0.24	3.72	Significant
H11	Profit Emphasis (PRO) -> Assurance (ASS)	0.14	1.74	Not significant
H12	Profit Emphasis (PRO) -> Responsiveness (RES)	0.13	1.10	Not significant
H13	Employee Orientation (EO) -> Reliability (REL)	0.05	0.89	Not significant
H14	Employee Orientation (EO) -> Empathy (EMP)	-0.06	1.21	Not significant
H15	Employee Orientation (EO) -> Assurance (ASS)	0.09	1.63	Not significant
H16	Employee Orientation (EO) -> Responsiveness (RESSQ)	0.01	0.19	Not significant

p < 0.05 is considered significant

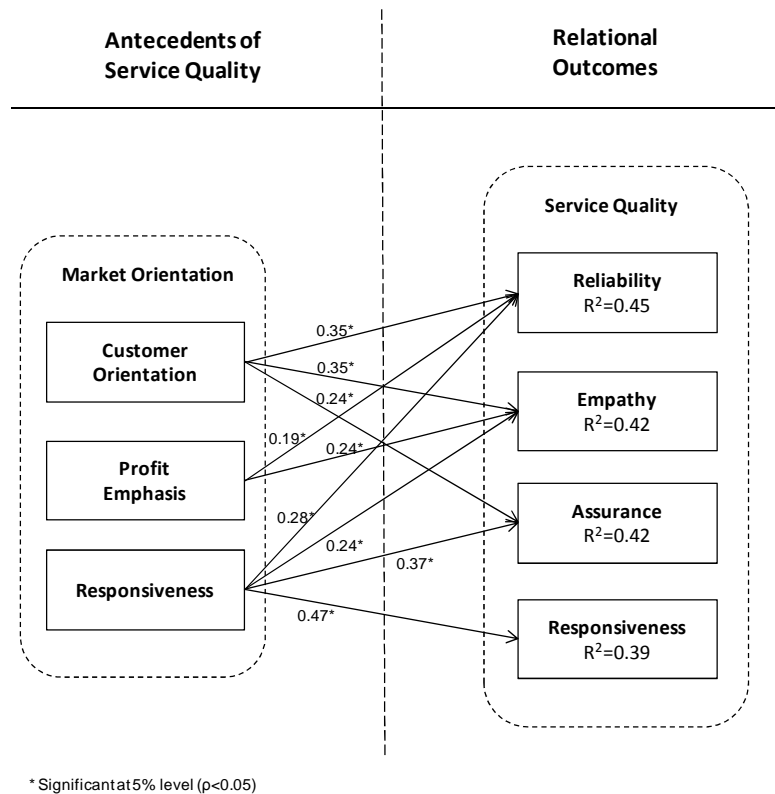
From Table 6.6, it is clear that the three market orientation dimensions of Customer Orientation, Responsiveness and Profit Emphasis drive the service quality dimensions of Reliability and Empathy. Hence, H1, H2, H5, H6, H9 and H10 are supported (the null hypotheses are rejected). Figure 6.4 shows that the three market orientation dimensions account for 45 percent and 42 percent of the variance in the service quality dimensions of Reliability and Empathy, respectively.

Table 6.6 reveals that only two of the market orientation dimensions (Customer Orientation and Responsiveness) are shown to drive the service quality dimension of Assurance. Hence, H3 and H7 are supported (the null hypotheses are rejected). Figure 6.4 indicates that these two market orientation dimensions account for 42 percent of the variance in the service quality dimension of Assurance.

The results also show (Table 6.6), that only the market orientation dimension of Responsiveness (the willingness to consider changes and adapt the service to meet customer expectations) is shown to drive the service quality dimension of Responsiveness (the willingness to provide prompt service and follow up on promises made); and therefore H8 is supported (the null hypothesis is rejected). Figure 6.4 shows that the market orientation

dimension of Responsiveness accounts for 39 percent of the variance in the service quality dimension of Responsiveness.

Figure 6.4 Conceptual Model with PLS Algorithm Output



Furthermore, the paths between the market orientation dimensions of Customer Orientation and Profit Emphasis and the service quality dimension of Responsiveness are not supported by the data and therefore H4 and H12 are rejected (the null hypotheses could not be rejected). Similarly, the relationship between the market orientation dimension of Profit Emphasis and the service quality dimension of Assurance is not significant, therefore H11 is rejected (the null hypothesis could not be rejected).

Interestingly, and counter to our expectations, none of the paths between the market orientation dimension of Employee Orientation and the service quality dimensions of Reliability, Empathy, Assurance and Responsiveness, are supported by the data and therefore H13, H14, H15 and H16 are rejected (the null hypotheses could not be rejected).

6.4 CORRELATION ANALYSES

As mentioned in Chapter 5 – Research Methodology, Section 5.6, the KPI data set was matched to each individual respondent. The data was not suitable for a structural equation modelling analysis and therefore Pearson correlation analyses were employed to consider the KPI data association with market orientation and service quality.

6.4.1 Market Orientation and Productivity

Table 6.7 shows the correlation results between the market orientation components and the KPI data. Three of the market orientation dimensions (Customer Orientation, Responsiveness, and Employee Orientation) are significantly and positively correlated with the productivity indicator - Average Handling Time. Hence, H17, H18 and H20 are supported (the null hypotheses are rejected). The results show that Profit Emphasis is not significantly correlated with any of the KPI data, therefore, H19 is rejected (the null hypotheses could not be rejected).

Table 6.7 Results of the correlation analysis between market orientation and the KPIs

		Average Handling Time (AHT)	First Call Resolution (FCR)	Customer Satisfaction Index (CSI)	Adherence (ADH)
Customer Orientation (CUMO)	Pearson	0.19**	0.01	0.09	0.01
	Sig. (2-tailed)	0.01	0.94	0.19	0.91
Responsiveness (RESMO)	Pearson	0.24**	0.03	0.11	-0.03
	Sig. (2-tailed)	0.00	0.67	0.12	0.65
Profit Emphasis (PRO)	Pearson	0.09	0.09	0.07	0.01
	Sig. (2-tailed)	0.21	0.17	0.28	0.89
Employee Orientation (EO)	Pearson	0.22**	-0.04	0.16*	0.00
	Sig. (2-tailed)	0.00	0.58	0.02	0.96

*Correlation is significant at the 0.02 level (2-tailed) - 95% confidence level

**Correlation is significant at the 0.01 level (2-tailed) - 99% confidence level

Moreover, none of the market orientation dimensions are significantly correlated with any of the other KPIs, except for Employee Orientation that is significantly and positively correlated with Customer Satisfaction Index, but only at the 95% confidence level.

6.4.2 Service Quality and Productivity

Table 6.8 shows the correlation results between the service quality components and the KPI data. Three of the service quality dimensions (Reliability, Assurance and Responsiveness) are significantly correlated to the productivity indicator - Average Handling Time. However, due

to the reported positive relationship between these latent variables (counter to expectation), H21, H23 and H24 are rejected (the null hypotheses could not be rejected).

Table 6.8 Results of the correlation analysis between service quality and the KPIs

		Average Handling Time (AHT)	First Call Resolution (FCR)	Customer Satisfaction Index (CSI)	Adherence (ADH)
Reliability (REL)	Pearson	0.18**	-0.02	0.05	0.10
	Sig. (2-tailed)	0.01	0.75	0.42	0.16
Empathy (EMP)	Pearson	0.03	0.05	0.08	0.01
	Sig. (2-tailed)	0.68	0.46	0.27	0.84
Assurance (ASS)	Pearson	0.25**	-0.10	0.02	0.03
	Sig. (2-tailed)	0.00	0.14	0.78	0.71
Responsiveness (RESSQ)	Pearson	0.20**	-0.01	0.06	-0.07
	Sig. (2-tailed)	0.00	0.85	0.40	0.33

**Correlation is significant at the 0.01 level (2-tailed) - 99% confidence level

The results reveal that Empathy is not significantly correlated with any of the KPI data. Therefore, H22 is rejected (the null hypothesis could not be rejected). Interestingly, none of the service quality dimensions are significantly correlated with any of the other KPIs.

6.5 CONCLUSION

In this chapter, the study reviews the descriptive statistics to gain insight into the measure of central tendencies and to assess the distributional properties of the data; as well as the analysis techniques used to validate the measurement scales and to test the hypotheses in the conceptual model.

The results confirm significant and positive relationships between a number of market orientation components and those of service quality. Interestingly, a number of components of market orientation and service quality were found to be significantly correlated with only one of the productivity indicators - Average Handling Time. Counter to expectation, the components of service quality were not found to be negatively correlated with productivity. This finding contradicts the literature that argues that service quality and productivity are often in conflict, and highlights that the methods often employed to measure productivity in certain South African contact centres, do not correspond to service quality in the way that is commonly assumed.

What follows in Chapter 7 – Discussion and Recommendations, is a more in depth discussion of the results, as well as the managerial implications, limitations of the study and suggestions for future research.

CHAPTER 7: DISCUSSION AND RECOMMENDATIONS

7.1 INTRODUCTION

Market orientation has been researched extensively in marketing literature. Yet, research that investigates market orientation at individual level has largely been avoided by researchers to date. This research contributes to filling this void in the market orientation literature, as well as exploring the complex relationships between market orientation, service quality and productivity within the South African contact centre landscape.

Studies conducted in Canada (Singh, 2009) and the US (Chang & Chen, 1998) found that market orientation directly effects how a firm meets its customers' perceived expectations. This study confirms significant and positive relationships between a number of market orientation components and those of service quality at individual level within the South African contact centre landscape.

This research also confirms that a number of components of market orientation are significantly and positively correlated with the productivity indicator - Average Handling Time. This finding is consistent with previous studies (Deng & Dart, 1994; Jaworski & Kohli, 1993; Narver & Slater, 1990; Slater & Narver, 1994; Singh, 2009) that provide support of a positive relationship between market orientation and business performance within various contexts.

The complex relationship between service quality and productivity within the contact centre landscape is also revealed in this study. Previous studies (Dean, 2005; Hart *et al.*, 2006; Singh, 2000) found that the current measures of productivity in most contact centres are often counter-productive to achieving high levels of service quality. Interestingly, and counter to expectation, a number of service quality components were not found to be negatively correlated with productivity.

7.2 DISCUSSION

7.2.1 Market Orientation and Service Quality

The results confirm significant and positive relationships between a number of market orientation components and those of service quality (Reliability, Empathy, Assurance and Responsiveness):

a) Reliability

Customer Orientation, Profit Emphasis and Responsiveness were shown to be significantly and positively related to the service quality component of Reliability, accounting for 45 percent of the total variance. This finding is consistent with expectations and suggests that frontline employees, who are knowledgeable about current and future customer needs, are responsive to this market intelligence and have a strong performance orientation, will be able to perform the promised service more dependably and accurately.

b) Empathy

Customer Orientation, Profit Emphasis and Responsiveness were shown to be significantly and positively related to the service quality component of Empathy, accounting for 42 percent of the total variance. This finding is consistent with expectations and suggests that frontline employees, who are knowledgeable about current and future customer needs, are responsive to this market intelligence and have a strong performance orientation, will be able to be more caring and provide individualised attention to their customers.

c) Assurance

Customer Orientation and Responsiveness were shown to be significantly and positively related to the service quality component of Assurance, accounting for 42 percent of the total variance. This finding is consistent with expectations and suggests that frontline employees, who are knowledgeable about current and future customer needs and are responsive to this market intelligence, will be able to provide a more prompt service and follow up on promises made to the customer.

d) Responsiveness

Only the market orientation component of Responsiveness was shown to be significantly and positively related to the service quality dimension of Responsiveness. This dimension of market orientation has been shown to account for 39 percent of the variance in the service quality dimension of Responsiveness. This finding is consistent with expectations and highlights that frontline employees who are willing to consider changes and adapt the service to meet customer expectations, will be more willing to provide a prompt service and follow up on promises made to the customer.

These findings are in favour of Kohli & Jaworski's (1990) behavioural perspective of market orientation and underline the importance of the market orientation dimensions of Customer Orientation, Profit Emphasis and Responsiveness in driving a service orientated culture in contact centre environments.

7.2.2 Market Orientation and Productivity

A number of market orientation components were found to be significantly and positively correlated with productivity:

a) Customer Orientation

Customer Orientation was shown to be significantly and positively correlated with Average Handling Time. This finding is consistent with expectations and suggests that frontline employees, who are knowledgeable about current and future customer needs, will be able to serve customers within shorter time periods. Kumar (2013) claims that lower Average Handling Times lead to lower operating overheads. This bodes well for contact centre management companies wanting to increase customer service, while driving down costs and increasing profits.

b) Responsiveness

Responsiveness was shown to be significantly and positively correlated with Average Handling Time. This finding is consistent with expectations and suggests that frontline employees, who are willing to consider changes and adapt the service to meet customer expectations, will be able to handle customer calls within shorter

time periods; resulting in the need for less operating overheads (Kumar, 2013) and assisting contact centre management companies to reduce costs and become more profitable.

c) Employee Orientation

Employee Orientation was shown to be significantly and positively correlated with Average Handling Time (at the 99% confidence level) and Customer Satisfaction Index (at the 95% confidence level). This finding is consistent with expectations and suggests that frontline employees, who are given the necessary tools to do their job, feel empowered to do their job and are recognised and rewarded accordingly, will be able to handle customer calls within shorter time periods; and will receive better customer ratings, i.e. customers will be more satisfied with their level of service provided.

Interestingly, Employee Orientation is not significantly related to service quality in the context of this study (the employees' perception of service quality); yet it is significantly and positively correlated with Customer Satisfaction Index (the customers' perceptions of service quality). This suggests that frontline employees, place less emphasis on employee orientation in terms of driving service quality in contact centres. This speaks to the orientation of unhappy and unresponsive staff that are prevented from lowering their service levels by various control mechanisms (Harter, Schmidt & Hayes, 2002) often employed in highly regulated and controlled environments.

Moreover, the market orientation dimensions of Customer Orientation, Responsiveness and Profit Emphasis were not shown to be significantly correlated with any of the other productivity indicators - First Call Resolution (FCR), Customer Satisfaction Index (CSI) and Adherence (ADH). This suggests that frontline employees, who are knowledgeable about current and future customer needs, are responsive to this market intelligence and have a strong performance orientation, will not necessarily achieve better FCR, CSI or ADH scores. Interestingly, these same market orientation components were found to be significantly and positively related to a number of service quality components. This raises the question whether productivity indicators employed within certain South African contact centres, are designed to actually measure what they intend to measure.

7.2.3 Service Quality and Productivity

A number of service quality components were found to be significantly and positively related to productivity:

a) Reliability

Reliability was shown to be significantly and positively correlated with Average Handling Time. This finding suggests that frontline employees, who are able to perform the promised service more dependably and accurately, will be able to handle customer calls within shorter time periods.

b) Assurance

Assurance was shown to be significantly and positively correlated with Average Handling Time. This finding suggests that frontline employees, who are knowledgeable and courteous and have the ability to inspire trust and confidence in their customers, will be able to manage customer calls more quickly.

c) Responsiveness

Responsiveness was shown to be significantly and positively correlated with Average Handling Time. This finding suggests that frontline employees, who are willing to provide prompt service and follow up on promises made, will be able to resolve customer queries more efficiently.

Interestingly, the findings above are not consistent with the literature which argues that low Average Handling Times can have a negative impact on the customer experience. In the context of this study, it suggests that the frontline employee's perception of service quality is that the quicker the call is resolved, the more satisfied the customer will be. This speaks to the highly controlled and regulated environment within which frontline employees are required to work. Houlihan (2002) argues that managers in contact centre environments often subject employees to high levels of monitoring and control in order to achieve service level targets.

Moreover, the service quality components of Reliability, Empathy, Assurance and Responsiveness were not shown to be significantly correlated with any of the other productivity indicators - First Call Resolution (FCR), Customer Satisfaction Index (CSI) and

Adherence (ADH). This suggests that frontline employees, who are caring, able to perform the promised service more dependably and accurately, inspire trust and confidence in their customers and follow up on promises made, will not necessarily achieve better FCR, CSI or ADH scores. This proves that many productivity measures employed within contact centres are poor predictors of service quality.

7.3 MANAGERIAL IMPLICATIONS

7.3.1 Market Orientation and Service Quality

Primarily the results of this research, alert contact centre managers in particular to the fact that market orientation components drive dimensions of service quality. The relationship between market orientation and service quality has been well documented in the services literature, but needed reconfirmation in the context of this study. Therefore, contact centre managers should take specific action to build true sales- and service mindedness into their contact centre's culture, and provide frontline employees with the knowledge and skills to be effective marketers in order to drive service quality within their operations. As argued by Kohli and Jaworski (1990), marketing is not the responsibility of only the marketing department, but is organisation-wide involving all the members of the service organisation.

The research highlights three components of market orientation (Customer Orientation, Profit Emphasis and Responsiveness) that drive a number of service quality dimensions. By up skilling frontline employees with the knowledge about current and future customer needs, encouraging them to be responsive to this market intelligence and promoting a strong performance orientation, contact centre managers will be able to drive a more service orientated culture in their contact centre environments.

7.3.2 Market Orientation and Productivity

The research highlights three components of market orientation (Customer Orientation, Responsiveness and Employee Orientation) that were found to be significantly and positively correlated with the productivity indicator – Average Handling Time. This should alert contact centres managers to the affects of an up skilled, responsive and employee orientated

workforce in the attainment of lower Average Handling Times. Low Average Handling Times indicate a lower operating overhead (Kumar, 2013), that will enable contact centre management companies to reduce costs and become more profitable.

Although Employee Orientation was not found to be significantly related to service quality (the measure of the employees' perceptions of service quality) in this study, it was found to be significantly and positively correlated with the productivity indicator - Customer Satisfaction Index (the customers' perceptions of service quality). This suggests that frontline employees, place less emphasis on employee orientation in terms of driving service quality in contact centres. This speaks to an orientation of unhappy and unresponsive staff who are prevented from lowering their service levels by various control mechanisms (e.g., standards of measurement, supervisory influence) often found in highly regulated environments (Harter, Schmidt & Hayes, 2002). In order to satisfy customer needs and drive a service orientated culture, managers need to be conscious of subjecting frontline employees to high levels of monitoring and control, which may in the long-term lead to high levels of employee stress and turnover (Knights and McCabe, 1998; Wallace *et al.*, 2000).

Although the market orientation dimensions of Customer Orientation, Responsiveness and Profit Emphasis were found to be significantly and positively related to a number of service quality components, they were not shown to be significantly correlated with any of the other productivity indicators - First Call Resolution (FCR), Customer Satisfaction Index (CSI) and Adherence (ADH). This should alert contact centre managers to the fact that certain productivity measures may be poor predictors of service quality and encourage them to break free from historical operating models that do little to enhance the experience of today's savvy and demanding customer (Mosley, 2007).

7.3.3 Service Quality and Productivity

The research highlights three components of service quality (Reliability, Assurance and Responsiveness) that were found to be significantly and positively correlated with the productivity indicator – Average Handling Time. The positive correlation between the service quality dimensions and Average Handling Time (not consistent with the literature) suggests that the frontline employee's perception of service quality is that the quicker the call is resolved, the more satisfied the customer will be. Although, this bodes well for the contact

centre as low Average Handling Times indicate a lower operating overhead (Kumar, 2013), it also speaks to the high levels of monitoring and control inherent in certain contact centres that over time have been shown to result in high levels of employee stress and turnover (Knights and McCabe, 1998; Wallace *et al.*, 2000).

Although the service quality dimensions of Reliability, Assurance and Responsiveness were found to be significantly and positively related to Average Handling Time, they were not found to be significantly correlated with any of the other productivity indicators - First Call Resolution (FCR), Customer Satisfaction Index (CSI) and Adherence (ADH). This highlights that most productivity measures have little or no effect on service quality. If the objective of contact centre managers is to implement a strategic service vision in their contact centre operations, productivity indicators will need to be adjusted to revolve around the customer experience rather than the traditional cost saving strategy-aligned productivity indicators that do little to enhance the experience of today's savvy and demanding customer (Mosley, 2007).

7.4 LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

Although variables such as work and life stress, alcohol abuse and other personal and situational issues may also be potential influences of service quality and productivity, they were not considered in this study. A qualitative study, including interviews with management and frontline employees, to gain more insight and to find additional aspects affecting the service quality and productivity of frontline employees, may yield some interesting results.

Although sampling from a single operation provides control over contextual factors, it limits the generalisability of the study's findings. Although this limitation was compensated for by including different skilled frontline employees from different service types, alternative designs that sample a larger population across more diverse contexts (different industries or geographies), but focus on specific skill types, should be considered in future research.

Self-report measures were used to access the frontline employees' perceptions of market orientation and service quality. These measurements are contaminated by subjective biases. In general, participants want to respond in ways that make them look as good as possible.

Therefore, self-reports are more likely to bias the mean values upwards. However, it has been reported that they are less likely to bias their correlation with other constructs (Donaldson & Grant-Vallone, 2002). Evidence also suggests that bias is substantially reduced and that the validity of self-reports is enhanced by using anonymous surveys (Schneider *et al.*, 1996). Future research that can investigate the relationships between these three constructs anonymously is therefore recommended.

7.5 CONCLUSION

In this chapter the research results were discussed in detail. The results confirm significant and positive relationships between a number of market orientation components and those of service quality. Interestingly, a number of components of market orientation and service quality were found to be significantly correlated with only one of the productivity indicators - Average Handling Time.

Counter to expectation, the components of service quality were not found to be negatively correlated with productivity. This finding contradicts the literature that argues that service quality and productivity are often in conflict, and highlights that the methods often employed to measure productivity in certain South African contact centres, do not correspond to service quality in the way that is commonly assumed.

Finally, the limitations and recommendations for future research were considered. Qualitative research that includes interviews with management and employees to gain more insight and to find additional aspects affecting the service quality and productivity of employees may yield some interesting results.

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APPENDICES

APPENDIX 1: LETTER REQUESTING CONSENT TO CONDUCT THE STUDY

Dear Sir/Madam,

Never before has a market orientation study been conducted in the contact centre industry. I am currently completing my master's dissertation through the University of Cape Town and it is the aim my research to test market orientation (associated with positive customer service outcomes for companies) and its impact on employee service quality and performance in the contact centre industry.

By understanding these constructs and how they are related, management can take steps to focus on the market orientation of frontline employees in order to improve employee service quality and performance within their contact centres. In addition, this research has the potential to contribute to the ongoing debate of the relationship between employee service quality and performance. This may be used to direct future business strategies and plans.

I would like to ask your permission to conduct a survey with the staff working on your account, as well as access to their individual KPI data. This will enable us to link responses with actual data, which will yield interesting comparisons and make a significant contribution to the industry. As a WNS employee, I would like to assure you that all the information gathered will be kept strictly confidential and no reference to your company in the report will be made. Should the study be eligible for publishing, I will ensure that a copy is made available to you for review before publishing.

Your participation will be highly appreciated.

Best regards



Sharlene van Pallander
Masters Student: University of Cape Town
Tel: +27 526 6714 | Cell: +27 84 514 2804

APPENDIX 2: QUESTIONNAIRE

Dear Participant

I am currently completing my master's dissertation through the University of Cape Town and it is the aim my research to test market orientation (associated with positive customer service outcomes for companies) and its impact on employee service quality and productivity in the South Africa contact centre industry.

I hereby request your participation in this study by completing the questionnaire below. It should only take 10 minutes of your time to complete. Please note that your participation in this research is voluntary and you may choose to withdraw from this research at any time.

Due to the nature of the study you will need to provide some form of identifiable information (Employee ID Number) to enable us to link your responses with productivity data. However, we would like to assure you that your responses will be kept strictly confidential and used solely for the purpose of this research. Information that reveals the identity of individual participants in the research will not be supplied to the company, client or third party without the permission of individual research subjects. This will be governed by the Commerce Faculty Ethics in Research Committee of the University of Cape Town. However, your views, in combination with those of others, will be used to analyse the linkages between the three constructs described above.

By understanding these constructs and how they are related, management can take steps to focus on the market orientation of frontline employees in order to improve service quality and productivity within their contact centres. In addition, this research has the potential to contribute to the ongoing debate of the relationship between service quality and productivity in contact centres.

Should you have any questions regarding this research, please feel free to contact me.

Your participation is highly appreciated.

Best regards



Sharlene van Pallander
Masters Student: University of Cape Town
Tel: +27 526 6714 | Cell: +27 84 514 2804

QUESTIONNAIRE

Please complete the tables below by crossing the relevant number grids. For example:

Gender:	Male	<input checked="" type="checkbox"/>	Female	2
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Demographic data:

User ID (mandatory):										
Age:	Under 21	1	21-34	1	35-44	3	45-54	4	Over 54	5
Race:	Black	1	White	2	Coloured	3	Asian	4	I choose not to answer this question	5
Level of education:	Matric	1	NQF level 2	2	NQF level 4	3	Under Grad	4	Post Grad	5
Industry experience:	1-2 years	1	3-4 years	2	5-6 years	3	7-8 years	4	9-10 years	5
Job title	Agent	1	Team Leader	2	Manager	3				
Business Unit:	Vodacom Prepaid	1	Vodacom Contract	2						
Gender:	Male	1	Female	2						
Location:	Cape Town	1	JHB	2						

MARKET ORIENTATION

Customer Orientation

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1.	I have a strong commitment to my customers.	1	2	3	4	5
2.	I understand the needs and preferences of my customers.	1	2	3	4	5
3.	After-sales service is an important part of my job.	1	2	3	4	5

Responsiveness

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
10.	I am quick to respond to customer feedback received.	1	2	3	4	5
11.	I always consider changes in our customers' needs when performing my job.	1	2	3	4	5
12.	I adapt my service as much as possible to the specific needs of each customer.	1	2	3	4	5

Profit Emphasis

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
13.	A primary objective of mine is to produce a profit for my business unit.	1	2	3	4	5
14.	I believe that understanding and responding to customers' needs will result in higher profits.	1	2	3	4	5
15.	When serving a customer, I am mindful of the costs associated with providing the service.	1	2	3	4	5

Employee Orientation

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
16.	I receive regular training to achieve service excellence.	1	2	3	4	5
17.	I am motivated to perform, e.g. I receive regular rewards, incentives and recognition when I excel at my job.	1	2	3	4	5
18.	I am empowered to do my job, e.g. I am given the authority to act on my own decisions when serving a customer.	1	2	3	4	5

SERVICE QUALITY

Reliability

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
19.	When I promise a customer that I will do something by a certain time, I do so.	1	2	3	4	5
20.	I perform the right service the first time.	1	2	3	4	5
21.	I provide a consistent level of service to all my customers.	1	2	3	4	5

Empathy

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
22.	I deal with my customers in a caring fashion.	1	2	3	4	5
23.	When a customer has a problem, I provide him/her with individual attention.	1	2	3	4	5
24.	I always try to be sympathetic to my customers' problems.	1	2	3	4	5

Assurance

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
25.	I have the knowledge and ability to answer customers' questions.	1	2	3	4	5
26.	My behaviour instils confidence in my customers.	1	2	3	4	5
27.	I always explain to my customers each and every step I take to answer their questions, e.g. why a call needs to be transferred, etc.	1	2	3	4	5

Responsiveness

		Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
28.	When problems occur, I give my customers all my attention in an effort to solve them speedily.	1	2	3	4	5
29.	I consistently provide prompt service to my customers.	1	2	3	4	5
30.	I always follow up on my promises made to customers.	1	2	3	4	5