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A PHENOMENOLOGICAL STUDY OF THE IMPACT OF KNOWLEDGE INTENSITY AND ENVIRONMENTAL VELOCITY ON IN SOURCE OR HOSTED CONTACT CENTRES

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ABSTRACT

Contact centres exist in order to focus the final step of the intra organisational value chain which then delivers optimal customer satisfaction. In this paper we analyse a centre with a view to investigating the impact of outsourcing or the in-house locus of provision. Such centres exhibit agency/principal characteristics, bringing knowledge management into sharp focus, aspects of information intensity which impact on the organisational dynamics, and the learning of the employees. A phenomenological approach to determine the essence of the activities was deployed rather than a methodological initiative based post positivistic strategic analysis. The characteristics of contact centres investigated coalesce into two distinct categories; a framework to depict this is presented.

KEYWORDS

Contact Centres; Outsourcing; Phenomenology; Cross-Culture.

1. INTRODUCTION: AGENCY THEORY AND THE NATURE OF MODERN STRATEGY.

Employees in contact centres are knowledge workers. Knowledge workers actually own the means of production therefore there is a fundamental shift from the energy economy to the knowledge economy in the ownership of the means of production [Drucker 1999].

This is due to a supposed knowledge asymmetry between client (principal) and service provider (agent). Most contact centres are actually run as machines, by actions such as predetermined scripts, limited discretion in dealing with customers, and rigid metrics of performance. A lot of the time call centre work is an example of monotonous tasks, and exhibits scientific management. Agency theory states that the principal will use monitoring and metering to ensure the agents' actions is consonant with that of the principal. In so doing, initiative, judgement and the use of tacit knowledge is eliminated. Such extreme forms of organisations will provide outcomes determined by the ultimate principal in terms of key performance indicators, (KPIs) and Critical Success Factors (CSFs) but will stifle learning and development. Individuals in this environment are characterised by zero learning [Bateson 1973].

Chandler, in the early 1960s, established that strategy could be predetermined steps in order to realise organisational goals which would be the achievement of a rational set of objectives [Chandler 1962]. This approach emphasised the linear rationality of both, choosing between alternative courses of action and ensuring the allocation of resources for the achievement of the strategic dividend. The hegemony of this *modus operandi* was challenged by the idea that strategy should incorporate position [Porter 1985] and in addition could be focused on such ideas, perspectives and patterns [Mintzberg 1980]. Since this time, the pre understanding of the strategist has changed. The variables that affect the environment have multiplied, and include but are not limited to: globalisation; the internet; lean manufacturing; rapid reconfiguration of resources; low barriers to entry and knowledge management initiatives.

Modern strategic thought therefore has to take account of these contextual conditions which collectively are characterised by *knowledge intensity* and *environmental velocity* [Jarzabkowski & Wilson 2006:355]. A

market is said to exhibit a high velocity condition when it is characterized by rapid innovations, short product life cycles and new technologies. Knowledge intensity is the degree to which a firm is dependent upon knowledge generation that is inherent in its activities and outputs [Jarzabkowski & Wilson 2006:351].

2. THE BACKGROUND OF CONTACT CENTRES AND OUTSOURCING.

Traditionally, a contact centre or call centre is "...a dedicated operation in which computer-utilizing employees receives inbound, or make outbound telephone calls, with those calls processed and controlled either by an automatic call distribution (ACD) or predictive dialling system." [Taylor and Bain 1999].

As Armony and Maglaras [2004] cited by Tate and van der Valk [2008:161] confirms, it is logical therefore for service providers to offer maximum call handling with the lowest cost of labour. This has driven the phenomenon of the off shore contact centre, following the generic strategy of cost leadership [Porter, 1985]. However, traditional call centre staff is no longer competent, because while the basic services may still be needed, in addition, the technological advances, product complexity and focused marketing demand a high and eclectic skill set. Considering customer call centre as an information system in itself, it drives a management philosophy of command and control, implementing performance measurement using Management Information Systems (MIS). This further creates a dilemma whether to maintain quantitative performance or achieve empathy of customers and seek customer retention, which is critical to the success of the principal [Robinson & Morley 2006].

This reductionist approach led to the comment that inferred that "*although they [supervisors] monitored quality and customer satisfaction to varying degrees, they all relied heavily on task focussed management and measurement systems*" [Wallace *et al.* 2000]. Thus, the technocratic mechanism results in emotional exhaustion whilst striving to achieve quantifiable targets, thereby losing focus on quality and adding value.

Contact Centres and Outsourcing have strong strings attached for a while now. Outsourcing has been one of the most cost effective strategies adopted and implemented by IT and ICT businesses worldwide. As [Hoecht and Trott 2006] puts forth, some of the primary gains from outsourcing such as reduced operational and labour costs [Lacity and Hirschheim, 1993], focus on core business objectives [Quinn and Hilmer, 1994] and above all, obtain industrial expertise in terms of skill set [Kakabadse and Kakabadse, 2002].

Outsourcing, usually, has impact on the level of service agreements agreed upon and the price commitments are managed at the cost of customer service. In simplifying the problem by the use of a set of single measures the cost benefits might not accrue [Zhou and Leung 2011]. For example "*In many outsourcing engagements, the intention of saving cost are never realized, the quality of service is lower and organizations end up frustrated by the results*" [Hirschheim and Lacity, 2000]. Service providers' capabilities are performance driven and they are often not scaled on customer servicing, which is critical to the success of any contact centre. Though this is not always the case the quantitative performance measures run the risk that they "*do not guarantee that the needs of customers are being met*" [Tate and van der Valk, 2008:160].

In sum, cross-cultural and structural implications are the *difference that makes a difference* [Bateson 1973]. As a result, outsourcing, driven by Information Technology, communications and organisational implications only are reflected attributes of Information Systems that have only these attributes. To enhance the contact centre so that they can embrace cross-cultural and structural implications, remodelled information systems will be needed [Embleton and Wright 1998].

3. MINTZBERG AND COST VERSUS INFORMATION COMPLEXITY.

Mintzberg [1980] claimed that "*the effective organization will favour some sort of configuration – some type of a logically consistent clustering of its elements – as it searches for harmony in its internal processes and consonance with its environment*". The coordinating mechanisms combine the attributes of people, power, processes, control, between the clusters. From information systems' perspective, the system itself is characterised combining the attributes of people, processes, hardware and technology which further defines the information complexity between the clusters. Therefore, when the configurations' topology by Mintzberg [1980] is synthesized in any information systems' environment, helps us to identify the information exchange complexity so as to achieve equilibrium between clusters.

Considering contact centres in terms of information exchange, cost effectiveness is apparent by “outsourcing” service delivery functions geographically. However, from modern strategist’s perspective, then it is also “viewed as a function of both how long the customer waits to receive service and the value that the customer attributes to the information and service that is received.” [Aksin *et al*, 2007]. Therefore, effectiveness is the sum of quantifiable performance and customer satisfaction. The challenge is, however, to achieve the lowest cost against high information exchange, in terms of value addition. This research first tries to analyze if the informational intensity is recognized as one of the factors while moulding the outsourcing model and then represents a suitable framework to make first level decisions in any organizational setting.

4. RESEARCH METHODOLOGY.

4.1 Phenomenology.

In phenomenology, all human consciousness is practical-it is always of something [Wertz 2005]. Actors have intent and project into the world; they act in order to implement goals based on their perceptions and receptivity, their *stock of knowledge* at hand. The aim here is to examine and bring to the foreground experiences as they are lived so that veridical interactions with the world are experienced [Husserl *et al.*, 1962].

Consciousness as an *intentional process* is composed of thinking, perceiving, feeling, remembering, imagining, and anticipating directed towards the world. The intentional objects of consciousness are termed noema which are the sources of all social realities. *Noeisis* is the name given to the *act of experiencing* the occurring event, the noema [Sanders 1982:355]. One of the criticisms levelled at phenomenology is that it is therefore subjective. However, a population of individuals engage with the noema and the intention is to gain inter- subjective insight into the *essence* that the noeisis provides. This shared internalisation of the individual consciousness thereby constitutes a *life world*, or *Lebenswelt* [Buttimer. 1976]. Put another way, this is the unified arena of human awareness and action.

The method comprises three stages [Sanders 1982 356]: determining the boundaries of what is and who is to be investigated (notion of closure); the collection of data and the phenomenological analysis of the data. The boundary of the study was the use and meaning that the managers of the contact centre made of the information within the issue of concern *id est* the effective operation of a contact centre. It was at this stage that the researchers commenced the practice of *epoche*.

4.2 Research setting and data collection.

Firm Z had been operational for six months at the date of the research. It was chosen for the following characteristics: a varied and advanced product line; it was expanding from a population of *circa* 200 employees to an expected 500 staff; the subjects for the study had wide and varied experience prior to joining the firm.

The primary data collection instrument was a focus group. This was a small number of senior employees who were keen to share experiences. One of the participants was the senior manager; the other two were his subordinates. The research was exploratory so the intention was to capture the main elements or essence in epistemological terms. Each of them had experience of working in contact centres in both an in-house and an outsourced environment. Two researchers were present, and some 'seed ideas' were prepared. Written permission for the recording had been obtained. The meeting was set to last for one hour. Crucial to this study was an aspect it had in common with grounded theory [Glasier & Strauss 1967] in that *all is data* [Glasier 1998] and that the data itself should speak for itself. The intention was to obtain a first person description of the subject-in- the -world, *and not go beyond this*.

The phenomenological analysis involved the transcription of the interviews, and excerpts from it were input into NVivo Version 8. The content was then analysed consonant with the concept of bracketing, that is, looking for the effects that in sourcing and outsourcing had on the experience of the staff, the customers and the managers. The final stage was the abstraction of the essence of the life world, which was the outcome of the research.

4.3 Phenomenological analysis of the data.

4.3.1 Outsourcing as an Opportunity.

The views of participants mirrored the literature perspective of opportunities that businesses have from outsourcing their customer service functions. The participants pointed out operational cost reduction, skill set and competence recruitment, market penetration, and many such perks that enable a win-win situation for both client and service providers worldwide. Risk Management was one of the key elements of profitability from outsourcing perspective in that the hiring and firing of staff was at arms' length basis. Given the high turnover and factors such as burnout, this was considered to be highly attractive. The most opportunistic situation for service providers was the economic turbulence during which, clients seek competency often at short notice, within low cost constraints and tight monitoring of budgets, which is gained through outsourcing.

4.3.2 Outsourcing as a Risk.

Pressure on margins imposed by the principal can cause an outsourced operation to be sub optimal in terms of overall service delivery performance when viewed through the lens of customer service and corporate culture. Brand integrity and recognition can be compromised through operational considerations. Though it is easy to create an image in front of in-house employees, the same experience is not true for contracted employees. Examples abound where clients, who off-shore the contact centres to Asia and then find that the customer perception of the contact centre is not consonant with the brand as promulgated by marketing initiatives. This leads to cognitive dissonance which in turn leads to customer dissatisfaction.

One of the major risks is that messages delivered to the strategic apex, are either not diffused or they are attenuated to the operating core with the result that the same values and spirit are not received by the outsourced operations as in captive operations. This affects the brand positioning in the market and hence, the overall product reputation. The centralisation of contact centre activity is also common, providing economies of scale and hence an opportunity to further control costs by outsourcing. However if processes are not harmonised this can expose the principal to unexpected risks.

4.3.3 Barriers to outsourcing.

One of the major implications faced in outsourcing is to attach the strings of communication between the client and service provider. This relationship is rather disjointed when it comes to sharing cultural traits in two operations doing the same thing and for the same product. As one of the participants put forth, "*Partnership is expected but not seen*". What clients expect is an Inter-firm Strategic Alliance [Brandenburger 1995] rather than a client/vendor relation. However, building a relationship is a challenge according to one of the participants. The participants are aware that although companies share a channel of service delivery, that can differ due to conflict in the objectives of the two entities. As one of them said, "*Outsourcing drives the number*" and hence, every KPI agreed upon has got a cost associated with it. Their efforts or performance are cost driven and hence, 'going an extra mile' therefore incurring extra cost is seen as a risk rather than an opportunity. Cultural differences were also pointed out by participants leading to unfamiliar or rather 'robotic' conversations and hence, a hindrance to good customer service delivery.

5. DISCUSSION.

From reviewed literature and the phenomenological analysis, outsourcing is a measure to obtain significant cost advantage, by its very detachment from the principal. For an outsourced operation, therefore, it is critical for the agents to limit costs aggressively. Outsourcing offers flexibility, not only to manage costs, but to deliver round the clock service, taking advantage of time zones. Though this may lead to emotional exhaustion and stress in staff, as pointed out by Aksin et al. [2007], the potential cost of high turnover of due to this, is a risk borne by the agent(service provider) for the principal.

However, as observed, "The cost advantage for off shoring to India used to be at least 1:6. Today, it is at best 1:3. Attrition is scary" [Mitra 2008]. Though India is still considered as the 'world's back-office', wage inflation, emerging and developing economic factors and, the appreciation of the rupee against the weakening

dollar is diminishing the cost effectiveness.

Also, clients seek an overall re-engineering of processes by outsourcing “*the intellectual based systems, exemplified by customer response handling, procurement and management*” [Kakabadse and Kakabadse 2002]. The parameters of sourcing decisions include service quality improvement along with choosing the ‘*strategic flexibility*’ so as to enhance the net performance of the principal, which is an opportunity to some and a risk to others.

One of the major risks is that outsourcing triggers a trade-off between the cost of service and the value generated. The Service Delivery is consonant with the KPIs imposed by the principal, however, individual learning and contribution to the optimisation of process is expected from contracted staff without any commitment or rewards. Moreover, it is realized that communication, due to cultural dispersion, externally (with customers) and internally (with the principal), acts as a barrier to overcome objective conflicts, thereby resulting in more of a customer-vendor relationship than a partnership. Therefore, the questions stand: How can service providers further sustain in the industry? What are the possible options to diminish risk? How can service providers enhance their overseas clients’ experience with competitive strengths required to maximize their position? The Principal may ask before outsourcing as to when and what to outsource [Venkatraman, 1997:60].

Our proposed model (Figure 1) helps to identify processes first with the Edwards and Peppard [1997] matrix, which characterises our matrix. However, we embed the parameter of cost versus informational intensity which is critical to the success of any service delivery. The characteristics suggest if outsourcing really helps in terms of the above mentioned factors or is it wise to keep the service delivery in-house. Therefore, it may be considerable first, to locate the offering to the principal in the correct segment of Figure 1 below; this is equivalent to matching the value proposition to the real requirements of the principal. Second, risk reduction involves being aware of the dynamics of the environment. If as has been stated above, the cost advantage is being eroded then strategies such as differentiation [Porter 1985] must be investigated. This will prevent the provider from being 'stuck in the middle', thereby identifying the equilibrium position of a sourced process.

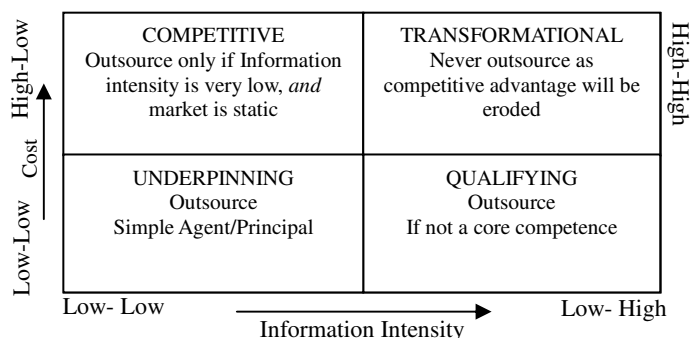


Figure 1. The Parikh Walton matrix instantiated with Edwards and Peppard characteristics for Outsourcing.

For example, British Banks advertising that *all call centres are based in the UK*, indicates a movement Northwards (upwards) in the matrix, with all participants in the sector moving rapidly in the same dimension. This would be an example of the host countries *managing the risk* of the sourcing process, with respect to service delivery quality. It also places *barriers to entry* for other players [Porter 1985]. Thus, the Parikh Walton matrix can be employed both in a diagnostic and a prognostic mode as an addition to the set of frameworks in this area which can address the above questions.

Finally, the super-ordinate goal of establishing and maintaining long term customer relationships has to be recognised. This may mean that resources may be expended on a particular transaction, even if on this occasion this is not cost effective. However it should increase customer satisfaction in the long run. This is an example of delayed gratification by the principal.

6. CONCLUSION.

This paper examines the nature of contact centres and the factors are influential to the success of contact

centres, and hence, the overall value addition to the organization. With this, it can be concluded that the opportunities, risks and barriers to be considered before outsourcing vary with the line of products or services that the principal offers to the customers, internally or externally. The nature of the customer experience of the product or service mediated by the contact centre has both an *operational* perspective, and a *strategic* perspective. As the contextual factors in the business environment accelerate, a firm may locate and establish a position within the Parikh Walton matrix to optimise both factors. The framework provides a link between the demands for efficiency and the requirement for effectiveness in environments that exhibit information intensity and environmental velocity. Finally, one may consider better frameworks to analyze the strategic moves to steer the operations, as analysts have been doing in the past. However, this framework may assist the decision making process at the initial stage, in order to understand the position of the principal.

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