

Outsourcing Services to other Firms: A Framework for the Analysis of Consumer Satisfaction

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Abstract

Despite of the continuing debate about the construct of customer satisfaction, our understanding of the determinants of customer satisfaction in business to business (B2B) service settings is still limited. While prior research has largely focused on dyadic employee-customer interactions, the role and the structure of multi-level interactions between customer firms and service providers has still not been systematically scrutinized. Given the increasing tendency towards business process outsourcing (BPO) of functions such as information technology, call center, travel management, facility or accounting services etc. the issue of customer satisfaction has become more complex because additional actors and roles both on the customer and the supplier side come into play. This paper develops a framework for analyzing the organizational perspective on consumer satisfaction discussing the relationships between external service vendors on the side of the service provider and contact employees interacting with internal service buyers and final service consumers on the side of the customer firm. Thereby our main focus is on the analysis of different roles of the actors involved as well as on the identification of different factors affecting the perception of service quality during the service encounter. The suggested framework can be used for qualitative and quantitative empirical research as well as for discussions about the different determinants influencing consumer satisfaction in BPO arrangements.

Key words: BPO service industry, consumer satisfaction, service contract

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CHAPTER I: INTRODUCTION

The construct of customer satisfaction has been discussed in the academic literature for more than three decades (see for example Oliver, 1996, 1980; Iacobucci et al., 1995; Yi, 1990; Tse & Wilton, 1988; Churchill & Surprenant, 1982). Despite some differences regarding the nature of the subject and its central elements most authors agree that "satisfaction is always judged in relation to a standard" (Ölander, 1977) as it's being proposed by the confirmation/disconfirmation paradigm in the customer satisfaction literature (Oliver, 1980). The C/D paradigm suggests that the expectations and the perceptions of customers play a major role in recognising the level of service quality received. Driven by the Total Quality Management movement the model of customer satisfaction experienced an extension towards the identification of internal customers as being emphasized in the concept of internal marketing (Brooks et al., 1999; Hallowell et al. 1996; Gremler et al., 1994; Morgan, 1992; George, 1990; Grönroos, 1981) and theoretically been put forward by the service-profit chain (Hallowell & Schlesinger, 2000; Heskett et al., 1997, 1994).

The exchange of services between firms necessitates a re-definition of the customer concept. Relevant service interactions go far beyond the predominant dyadic employee-customer encounter conceptualization. The prevailing BPO context imposes a number of unique characteristics that are different from previous research in this field. By following the notion of Auty & Long (1999) we distinguish between the customer firm on the organizational level and the level of single employees as potential consumers of the service at focus. As a result we have to distinguish between two roles: the employee who benefits from service (consumer) and the person who purchases the service (buyer) usually in form of a frame contract for the entire

organization. Given the described B2B context these two (consumer and buyer) are very unlikely to be one and the same person (Feeny et al., 2005; Bateson, 1989)¹. The distinction of the two roles is why the B2B context differs fundamentally from the more familiar B2C situation where the consumer and the buyer are usually conceived to be one and the same person.

Furthermore, we have to take into consideration that on the side of the service provider the contact employee who delivers the service (contact employee) is also not likely to be the same person who sells the service (vendor). Nevertheless, service quality and customer satisfaction research have predominantly been focussing on employee-customer interactions whereby customers are mainly conceptualized as homogenous firms resembling the notion of single consumers (Doucet, 2004; Lengnick-Hall, 1996; Bateson, 1989; Zeithaml et al., 1988; Northcraft & Chase, 1985).

This paper seeks to advance on the understanding of satisfaction of service consumers in B2B service contexts. Our approach draws on the important difference that a large number of factors determining service performance and customer satisfaction in a B2B service setting are outside the sphere of influence of the players actually involved in the specific service encounter and that additional perspectives and roles have to be taken into consideration. Hence, it is a critical premise of this research that the B2B context imposes significant differences from the business to consumer (B2C) context which has been the prime concern of researchers in the past. The next chapter addresses this issue in more depth.

¹ Apart from the fact that the buyer himself requires an outsourced service.

CHAPTER II: THE DIFFERENCE OF CONDUCTING SERVICE BETWEEN B2C AND B2B

As shown in Figure 1 we will subsequently compare both contexts along a

number of relevant dimensions. The first three dimensions adopt a process perspective which enables us to outline which roles are involved. The remaining dimensions highlight the quality aspect.

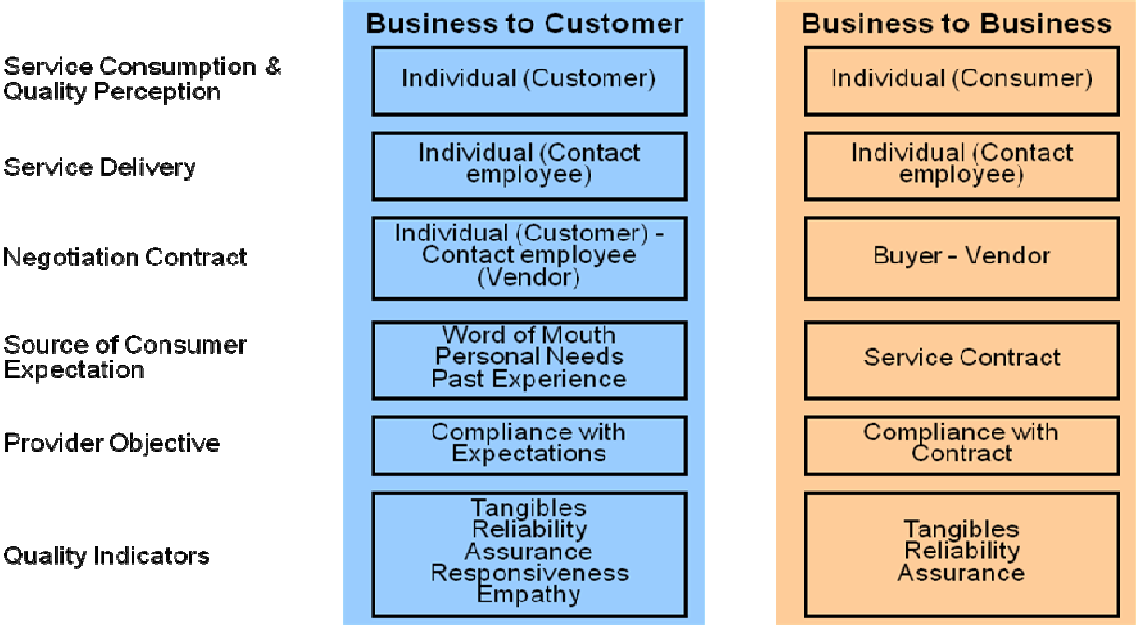


Figure 1: Comparing services in B2B and the B2C environment

In B2C industries a distinction between the customer and the consumer role on the side of the individual is usually not required. With a very few negligible exceptions individuals themselves choose the service which they later consume. The offering firm provides a contact employee responsible for service delivery. Due to the division of labour within the service provider's organization services are often sold by specialized vendors. In this case the contact employee and the service vendor are different persons. The choice of the service provider is very much influenced from what Customers expect from the service. Customers develop their service expectations from their past experiences, from the personal needs in specific situations and from word of mouth, i.e. from information that they have picked up from other sources (Zeithaml et al. 1990). There is consensus among researchers contributing to this stream of literature that service providers have to

meet (or even exceed) consumer expectations in order to be competitive. They will do so by trying to show outstanding performance on quality indicators such as tangibles, reliability, assurance, responsiveness and empathy (Zeithaml et al., 1990).

When it comes to service processes between business firms the role set differs from the above description. Here, individuals consuming the service and perceiving the quality most likely are not involved in the purchase process, i.e. in decision-making with respect to provider selection and price-quality trade-offs. Services between firms are usually delivered on the basis of frame contracts that are mutually formulated and negotiated between a representative of the buying firm and the sales representative of the service provider. The fact that quality perception and service purchase separates among different persons is an

important difference to preconceptions set by the B2C context. In this respect, the business-to-business environment calls for a more precise distinction of roles. Rather than to assess the buying firm on the surface as customer with consistent preferences, it is necessary to distinguish the role of the consumer from the service buyer because both differ significantly with respect to interests, perceptions, ... Given the mutual interest in defining the terms of delivery as precise as possible, the service contract becomes the reference against which consumers can build their expectations and operations management on the side of the service provider can organize their processes in order to meet specified deliverables. As we will elaborate in more detail, the service contract leaves no room for responsiveness or empathy towards situational consumer needs. Consumers can expect

that the appearance of delivery personnel is acceptable, that the behaviour is generally supportive, that deadlines are met and that the service is delivered in the predefined terms, however, they can not expect to receive a better (faster, other, ...) service even if they personally consider it necessary or a well-priced option.

CHAPTER III THE ROLE MODEL

Based on the outlined assumptions we subsequently develop a role model (see Figure 2) for analyzing how service relations are established between firms and how this process influences the perception of quality perceived by the final service consumer. This construct allows focusing on a larger relationship network on both the customer and the supplier side of service transactions.

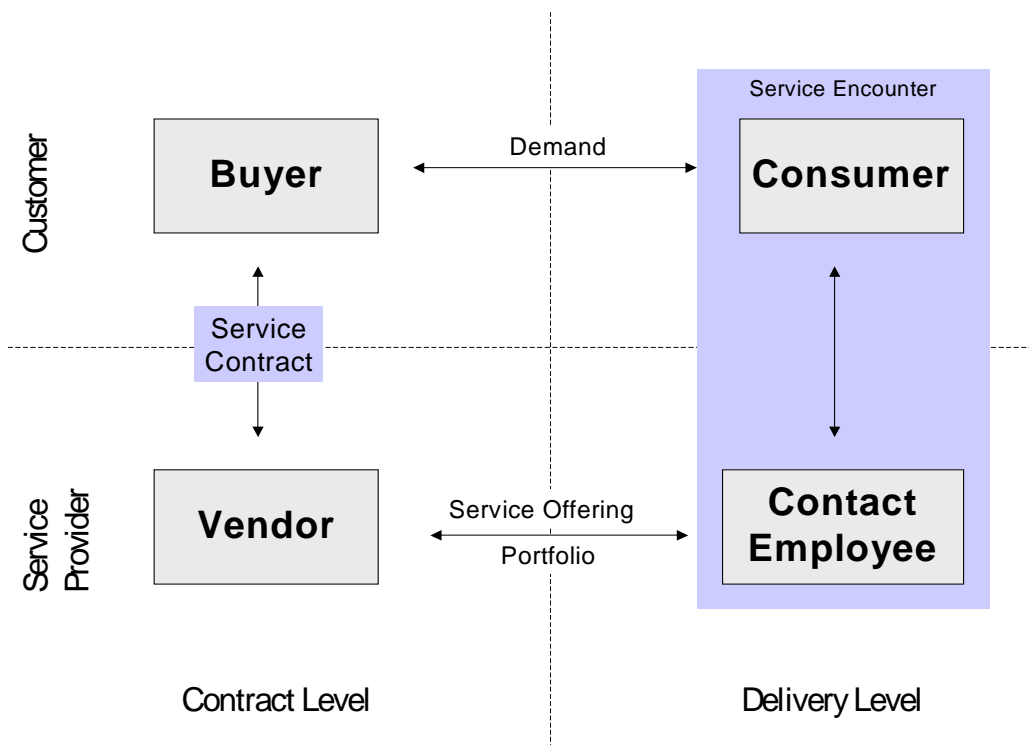


Figure 2: A framework for analyzing service quality and consumer satisfaction of services between firms

We distinguish between four interacting roles with partially conflicting motives and interests. By integrating areas of service marketing and operations management literature the role model conceptually separates the contractual

and the delivery level. Subsequently, we will describe the contractual level followed by the delivery level before we delineate first propositions that can be derived from the framework.

III.1 CONTRACTUAL LEVEL

An integral part of the outsourcing business is that the antecedents of the service relationship are documented in a service contract prior to and uncoupled from the service encounter. Typically, a buyer on behalf of the customer firm and a vendor for the service provider negotiate a frame contract. Both roles are not directly involved in the actual service encounter, i.e. the service delivery level they seek to stipulate to ensure trouble-free operations.

Service Contract

The service contract is increasingly seen as essential to the success of service relationships because it formalizes the business relationship between the customer and the service provider and thus creates a common understanding about the deliverables, entitlements and outcomes for both parties. A large number of outsourcing initiatives fail due to poor quality of underlying contracts, especially lack of precision and completeness (Barthélemy, 2003). We can therefore conclude that regulating essential issues by contract is in the interest of both the customer firm and the service provider as opposed to relying on a trust based relationship. Service contracts typically comprise the service level agreement (SLA), a price model and the legal basics of the service partnership. SLAs usually define the scope of service delivery such as quality of service (or service level), service level options², delivery schedule, deadlines, response times to service requests, penalty clauses as well as communication procedures, and associated responsibilities and liabilities of the customer. Thus, the SLA establishes performance accountability. A complete SLA also defines the measurement and metrics with which the service performance will be tracked against SLA compliance (Lee & Ben-Natan, 2002). Performance-specific SLAs enable the

customer to plan and operate the business relying on guaranteed availability and performance, and to have money-back guarantees and penalties in case of non-performance. Operations management on the side of the service provider uses SLAs to plan and implement required service infrastructure (systems and processes) in order to be able to successfully deliver guaranteed services to the customer, thus, to minimize disadvantages from bad performance.

Service Buyer

The buyer represents the customer firm in negotiating service contracts with possible service providers. She or he is accountable to her or his organization for both the costs of delivered services and the decision as to what level of quality is right for her or his internal consumers. Given this, the buyer has to anticipate the service demand of the organization (*anticipation of demand levels*), the buyer has to purchase the service as efficient as possible (*matching offerings with demand and budget*) and the buyer has to ensure that the service is delivered adequately (*definition of control mechanisms*).

Anticipation of Demand Levels. In order to be able to purchase a service for the entire organization the buyer needs information about the requirements of service consumers. These stem from the aggregation of all individual expectations of the internal consumers - information that are regularly not offhand available and have to be obtained by surveys, customer reviews, lead customer interviews, etc.. Given the limitations of these instruments together with time and cost considerations the buyer will often be forced to determine the demand level emanating from her or his own experiences or interactions with consumers that she or he considers representative. Thereby, the buyer has to trade-off requirements and resulting costs. The selection, evaluation and interpretation of essential information – as it is the case for any decision-making process – to a large extent depends on the individual perception of the buyer (Sanders 1999). This also holds, when the buyer selects a number of service level options that she or he offers to her or his consumers. The

² Service level options (e.g. premium, gold, silver, ...) for the same service enable the buyer to offer a more customized service offering to her or his internal clients.

increase in selectable options reduces the likelihood of dissatisfaction from under-achievement, however, service level options don't preclude if the service offering falls short of single consumers expectations.

Matching Offerings with Demand and Budget. One important challenge of the buyer is to make a good bargain, i.e. to buy a defined service at best price or to buy the best service level for a fixed price. Embedded in organizational budget policies and usually facing spending restrictions the buyer has to balance service offerings from the market with the requirements she or he has recognized for her or his organization, whereby higher performance levels result in higher overall costs³. Given the subjective nature of the processes, requirements and budget considerations are not seen as independent variables. The choice of services and service levels from the supplier's bundle of services always reflects a trade-off between budget restrictions, the perceived (organizational) demand level and what is considered affordable by the customer firm. If the buyer decides to reduce the performance level for her or his organization in exchange for a lower cost price, she or he has no interest to communicate this decision to consumers because she or he cannot necessarily expect to be given credit from consumers for cost savings resulting from purchasing low grade service level.

Definition of Control Mechanisms. From the perspective of the consumer, the buyer is responsible for the choice of the service provider and the contracted services. It is in the interest of the buyer that the service provider can be held accountable for performance being in compliance with the service level agreement (SLA). To be able to verify service level compliance, the buyer has to ensure the establishment of a quality reporting that includes performance measures for each service the service

provider has to deliver (Lee & Ben-Natan, 2002).

Service Vendor

On the contractual level, the sales unit of the service provider (vendor) - often in form of an account management - is the counter part of the buyer in negotiating the service contract. Before we describe the role of the vendor in more detail, we have to elaborate on some characteristics of services and the role of the service offering portfolio (SOP) in particular (*defining the service offering portfolio*). In the sales process, buyer and vendor jointly match customer requirements with the service offering portfolio (SOP) of the service provider (*matching customer requirements with SOP*). If customer needs cannot fully be met by standard services offered by the provider, the buyer has to negotiate variations and additional services (*modifications from service packages*). In the end, the management chain will hold the vendor responsible to receiving the order from the buyer (*order booking*).

Defining the Service Offering Portfolio.

The difference between services and products is well documented (Skaggs & Huffmann, 2003; Rushton & Carson, 1989; Mills & Moberg, 1982; Levitt, 1981). The nature of service is usually being described in terms of its intangibility, inseparability, perishability, variability and the need for customer integration. Service offerings are believed to be processes, deeds and performances, from which one can deduce that service customers purchase and experience a production process rather than a product (Fitzsimmons & Fitzsimmons, 2004; Zeithaml & Bitner, 2002). From this perspective every service incorporates a high level of risk, variability and uniqueness. Nevertheless, services between business firms are usually defined in very specific terms. From an operational perspective they are conceived as products with very specific standard characteristics compared to one time service deliveries which are situational in nature. Service firms in B2B industries usually pre-define the extent and characteristics of their offerings in

³ If an IT service provider commits a recovery period of 4 hours instead of 2 working days for incidents, the service fee is likely to differ significantly.

form of service packages. A bundle of standard service packages makes up the service offering portfolio which is the outcome of the market strategy of the service provider. In order to be able to handle multi-customer business, service providers have a vital interest that their sales personnel focus on standard service packages to serve customer requirements (Northcraft & Chase, 1985). Besides serving as a menu of all the service provider business activities, the service offering portfolio and the service packages it consists of also serve a very essential internal purpose. Service packages facilitate coordination between sales and delivery. It becomes redundant to coordinate each incoming order with the field service organization responsible for consistent implementation. Instead, operational processes and job instructions required for service execution are driven from service package definition. Furthermore, strategic and operational service design planning such as calculation, skill development, regional capacity planning etc. are based on the service packages and their forecasted sales volume.

Matching Customer Requirements with SOP. The vendor commits the service offering to the buyer. In contrast to selling a product for which the vendor can assure objective characteristics, for a service the vendor derives hers or his commitments only from her or his conviction about the way the service will subsequently be delivered by the contact employees. In other words, the vendor is forced to sell a performance promise. The vendor thereby anticipates a common set of skills and work related characteristics which she or he assumes to be representative for the service capability of the delivery workforce.

Modifications from Service Packages. As part of contract negotiation the buyer will push for modifications if service demands and standard service packages do not completely correspond to the anticipated demand. If the vendor agrees on modifications, she or he will claim a higher price due to higher cost for service operations and delivery. Before conceding

a modification of any service package in negotiations, the vendor has to consult service delivery on the terms of implementation and has to recalculate the offering price. The higher the pressure of time constraints and the more complex the organizational decision processes of the service provider, the higher the probability that the vendor will make untuned commitments to the buyer.

Order-Booking. A vendor is primarily rewarded for order entry. Due to the separation of negotiation and delivery supported by the fact that the vendor is able to shift responsibility to operations management she or he is likely to overpromise in negotiations if it is necessary to receive the order (Zeithaml et al., 1990; Levitt, 1981). The vendor may thereby spark expectations of the buyer that the contact employee is not able to meet later. The readiness of the vendor to overpromise is restricted by the extent to which her or his promises become documented in the service contract and the performance reporting.

III.2 DELIVERY LEVEL

The delivery level addresses issues related to the actual service process, the service encounter. The roles involved here are the service consumers and contact employees, delivering the services. It is important to note that both are not actively involved in service contract negotiations.

Service Encounter

The service encounter evolves between the consumer and the service contact employee. Shostack (1982) and Bitner (1990) define service encounter as "a period of time during which the customer interacts with a service". As opposed to many business-to-consumer (B2C) service relationships, in B2B service industries both - the consumer and the service contact employee - regularly don't know each other personally (Guterk et al., 2002). Given this, expectations are shaped by the consumers' view of the service provider rather than the person of the contact employee. Since we have

already discussed contractual issues, we will subsequently focus on the consumer and contact employee relationship, thus, the core delivery aspect of the service encounter. In the dyadic perspective of the service encounter between consumer and service contact employee, satisfaction arises from the match between expected and perceived service (Chandon et al., 1997; Solomon et al., 1985).

Contact Employee

The growing literature on internal marketing has clearly identified the pivotal role of service personnel in creating satisfied customers and recognized that the employee as a service deliverer very often becomes both the service and the organization delivering it (Liao & Chuang, 2004; Bowen et al., 2000, Surprenant & Solomon, 1987). In this respect the contact employee is held responsible for the service performance as being perceived by the consumer. However, in the B2B service setting, it is important to note that the entitlements covered in the SLA are limited to the service and not to the person that delivers the service. BPO service providers typically offer services provided by functionally equivalent und interchangeable personnel rather than specific employees (Guttek et al., 2002). Due to the fact that the service provider is serving multiple customers, he depends on flexibility⁴ as to whom the supplier sends to deliver the service. Within the introduced framework the contact employee has the task to deliver the service within the targeted timeframe (*in target timing*), she or he has to deliver in the targeted form (*in target delivery*). Furthermore, a sufficient customer orientation (friendliness, attitude...) is part of her or his role expectation (*customer orientation*).

In Target Timing. In large service organizations delivering B2B services the frontline employee workforce is in most situations not independent in arranging

⁴ The flexibility may be limited by skill requirements. However, this is an aspect that has to be considered by the dispatcher, but does not change the argument as such.

appointments with the customer in case of reported service incidents or service requests⁵. Frequently, the contact employee is managed and controlled by an independent organizational entity (i.e. the superior or a group of dispatcher) which assesses incoming service orders or tickets and assigns them to available contact employees. This demand management at the point of delivery requires the integration of a number of factors such as SLA compliance, capacity and distance, required skill etc. If the contact employee arrives too late at the site of the consumer (service level expired) or she or he faces challenges she or he is not skilled for (lack of service ability), the service operations system of the provider rather than the providing contact employee has to be hold responsible. In these situations SLA compliance and, thus, delivering services to the satisfaction of the consumer is beyond the control of the single service professional.

In Target Delivery. The economic rationale of service firms in B2B industries is their ability to produce services more efficiently than their clients. They regularly gain scale economies and synergies from serving multiple customers using functional specialization (i.e. functionally specific units such as order entry, dispatching, field service operations, billing etc. are responsible for service delivery (also see Northcraft & Chase, 1985)). In order to cope with production complexity and the necessary coordination of inter-unit interfaces with respect to SLA compliance, service organizations rely on a minimum degree of formalized processes and job-instructions stemming from standard service package description. As explained above, expectations of consumers with respect to the desired performance level of the service in specific

⁵ For the purpose of this paper we will assume that the consumer will report an incident or a service request to a defined communication channel which is different from the service employee (e.g. a call center or hotline). This contrasts the notion of Mills et al. (1983: 125) who depict operating units or service employees as self-contained mini-companies.

situations may deviate significantly from these formal prescriptions. Given this, we can conclude that the way in which the service is delivered by the contact employee is primarily determined by the deliverables documented in the service contract and not from her or his motivation to meet situational and/or individual expectations of the consumer being served. In other words, the intention of the contact employee is not to satisfy personal expectations, but to perform in accordance to her or his job instructions which were derived from the SLA as it is defined in the service contract. If the contact employee is faced with additional or differing requirements she or he may be forced to decline these requests due to conflicts with her or his instructions and/or work schedule.

From the perspective of the role theory it is likely that these types of situations will create role stress (role conflict and role ambiguity) for the contact employees (Peterson et al., 1995). Although the role script (expected role behaviour within client-service provider interface) is clearly defined in contractual terms through the service contract, conflict will occur due to the neglect of deviating consumer expectations. Prior research indicates that the influence of role stress on most job outcomes is negative, so that BPO providers may experience service quality problems (Boshoff & Mels, 1994).

Customer Orientation. Empirical evidence and theoretical arguments suggest that there maybe two overriding dimensions to service quality as being proposed by Grönroos (1984): the core or technical aspects of the service (what is being delivered) and the functional or process aspects of the customer-employee relationship (how it is delivered). A substantial body of research in the area of service quality has pointed out the importance and the positive effects of contact employees' responsiveness, empathy, friendliness, attitude, courtesy and other intangible factors influencing the perception of service quality (Zeithaml et al., 1993, Goddwin & Smith, 1990). As the focus of this research is on the technical

aspects of the service encounter, we assume that the contact employees relational behaviour is adequate (i.e. the way in which the service is delivered is to the satisfaction of the consumer), although we are aware of the fact that the technical and functional elements of service quality are closely linked due to the interactive features of such services.

Service Consumer

The main interest of the consumer is to have the service available when it is needed and with the quality required. By adopting the role of the consumer, employees of the customer firm develop expectations (*service expectations*) and thereby determine their levels of needs (*determination of demand*) and – at the end of the day - they implicitly or explicitly evaluate the quality of the service delivered (*perception of service quality*).

Service Expectations. Requirements of service consumers are neither predictable nor rationally stable. They most often vary depending on the situation the consumer is in (Liao & Chang, 2004; Swan & Bowers, 1998). For example, consumers want their desk clean when it is dirty, but they don't want to be disturbed by facility personnel, they want their data restored in case of PC malfunction, but they don't want to do without their PC for maintenance (IT services), they want information on flight availability and they don't want to wait for a call back (travel services). Zeithaml et al. (1993) pointed out that consumer expectations are predictions of what they believe will occur during the service encounter. This predicted level of service is based on explicit and implicit promises by the service provider, word-of-mouth-communications and product experience. Individual needs and preferences, the particular situation and the experience with the specific service in the past, will determine and impact consumers' evaluation of service performance and consequentially consumer satisfaction.

Determination of Demand Levels. Due to the uncertainty about future needs and future situations, the consumer has no advantage to predetermine hers or his

service requirements. If consumers are forced to formulate their requirements (i.e. as part of a questionnaire) to an internal supplier (buyer) they will tend to overestimate their demand. Price as a cue often used by service consumers to determine what to expect, and to evaluate the quality of a service relative to the overall spending (McDougall & Levesque, 2000), will not serve as an adjustment factor as consumers in our case will be only exceptionally concerned with the particular costs of services since the trade-off between price and quality is out of their control. This lies within the organizational responsibility of the buyer. A cost allocation system charging according to consumption is likely to increase price sensitivity and awareness of consumers and hence to realign their service demands and expectations.

Perception of Service Quality.

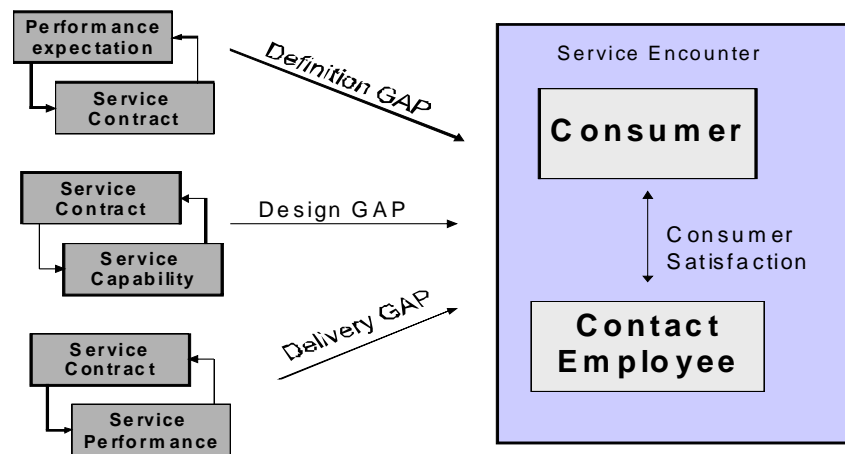
Considerable research on service quality has focused on identifying the aspects that consumers use to form overall judgements about the service received (Zeithaml et al., 1996; Cronin & Taylor, 1994; Tse & Wilson, 1988). In the case of the B2B service setting the perspective on consumer satisfaction and service quality is twofold. From the perspective of the service provider consumer satisfaction translates to SLA compliance, that is delivering the service as specified by the contract. The consumer on the other hand tends to assess service quality according to her or his individual expectations and not necessarily according to contractual

agreements. This gap and the fact that organizational goals will be superior to individual needs increases the likelihood of misperceptions of the quality being delivered. It is important to note that the dissatisfaction of single consumers forever which reason will most probably be ignored. Only a collective dissatisfaction of the majority of consumers will at some point drive the buyer to search for an alternative service provider, even if this is not in her or his personal view or against her or his interests. In order to preserve a durable relationship to the corporate client a major focus of the service provider must therefore also lay on the satisfaction of the consumer even if the buyer is the direct negotiating partner.

CHAPTER IV DISCUSSION AND MANAGERIAL IMPLICATIONS OF THE ROLE MODEL

Based on the outlined model we can now more elaborately address the question of factors affecting consumer satisfaction in BPO arrangements. First of all we suggest distinguishing between customer and consumer satisfaction more accurately. Drawing on elements of the gap models of Zeithaml et al. (1993; 1990) and Lovelock & Wirtz (2004) as being discussed in a previous section of this article, we propose that consumer satisfaction depends on three distinct gaps often prevailing in B2B service contexts (see Figure 3).

Figure 3: Conceptual Model of Consumer Satisfaction in the B2B Service Context



The first gap (*definition gap*) relates to the internal relationship between consumer and buyer on the side of the customer firm. Here, the essential issue is that of service demand anticipation and investigation by the buyer. If there is a considerable gap between what consumers expect and what the buyer negotiates into the service contract, dissatisfaction of consumers can be expected since the service contract describes the deliverables of the service provider. Later, the service provider will organize service delivery exclusively according to these contractual specifications and not with respect to individual or situational needs of consumers.

The managerial implications of this gap are multifaceted. First of all it is necessary to increase the efforts to identify the sources of satisfaction and dissatisfaction of the consumer in the context of B2B service encounters as being discussed here. In contrast to actual business practices a more systematic analysis of the need configuration of actual or potential receivers (departments and/or personnel) of business support services is required, so as to understand the expectations and preferences that each actor involved either on the departmental or the individual level displays. Periodic internal satisfaction surveys, interviews or the use of the critical incident technique permits identifying specific expectations, occurrences and behaviours that underlie

dissatisfaction or satisfaction with encounters with various interfacing departments or employees providing the ultimate service (Durvasula et al. 2005) This is considered to be compatible with the research of the script theory, which states that scripts operationalize expectations and that customer-provided scripts can reveal expectations that are not being met currently. (Hubbert et al. 1995). Such knowledge then can be used to assure that the service level agreements defined in the service contract reflect the actual needs and expectations of the end consumer of the service.

Another managerial aspect is the management of expectations as being recommended by Zeithaml et al. (1988). Creating appropriate expectations is important in order to avoid customers having or developing expectations that cannot be met. Managing expectations by not overpromising means to explicitly communicate terms of contract to consumers involved. In consequence the consumer should be having a detailed knowledge in terms of what to expect and what not to expect from the supplier providing the service. Applying this notion to our case means that the buyer has to enter into negotiations with the internal consumer (departments and/or personnel) exchanging and assessing information about the desired or adequate levels of service in order to achieve a mutual understanding of the needs and require-

ments of the organization as a whole. Hence, a crucial factor in terms of expectation management is a prior management decision which clearly defines the scope of services and the service levels the organization is willing to offer to its staff in order to align individual/departmental service needs and organizational cost effectiveness requirements. This may require an organizational change in many firms as to find a structural or procedural solution (i.e. buying center/committee) for solving potential trade offs between the different objectives of both actors involved (buyer and consumer). In summary, these considerations lead us to the following proposition:

Proposition 1: The more individual service performance expectations and service levels defined in the service contract correspond, the higher consumer satisfaction.

The second gap (*design gap*) refers to the extent and precision in which service deliverables are documented in the service contract. Service level agreements that build on standard services offered by the service provider increase the probability that services will be delivered on the basis of high-performance standard processes. Deviations from standard delivery procedures induce a higher complexity and failure risk as they result in variations of service processes in terms of cost, quality and/or time. Additionally, service commitments conceded to the buyer by the vendor may hold the risk of overpromise.

The following proposition is aiming at the managerial challenges the service provider is confronted with in the B2B service context. First of all the service provider has to determine his strategy which requires defining clearly how the value for their customers should be created and what kind of competitive position in a market or a market segment the organization is striving at. In other words, what is the market offer and how does the organization wants to satisfy the consumer: is that standardisation or individualization of the services and

service levels provided? Conflicts on the operational and process level such as the conflicts between flexibility vs. synergy, productivity vs. quality, cost vs. value etc. have an important impact. "Stuck in the middle approaches" as being discussed by Porter (1980), tend to hold a great risk of overpromising on the side of the service provider as well as it is likely that on the side of the service consumer exists a high risk of overexpectation. Hence, the service level agreement as being the fundament of the B2B business relationship has to build on from a clear and measurable the service promise which has to be fairly communicated by the service providers' sales team. This leads us to our second proposition:

Proposition 2: The more service levels defined in the service contract and the capabilities of service provider correspond, the higher service consumer satisfaction.

The third gap (*delivery gap*) addresses the extent of SLA compliance, i.e. the degree to which the service is delivered in accordance to contractual specifications during the service encounter. If the service provider delivers on his contractual obligations and he is able to demonstrate this for instance by distributing regular SLA reports, consumers have to adapt their expectations to this situation or seek to push the buyer to re-negotiate the service contract with respect to their unconsidered needs and expectation levels. However, the acknowledgement of SLA compliance by consumer is likely to reduce information asymmetry on the side of the customer firm leading to higher consumer satisfaction due to the gradual alignment of consumer expectations and contractual realities.

For any service provider, interactions and encounters with customers involve a delivery process that extends over a period of time with a variety of interfacing personnel at different locations and the positive evaluation of such encounters is likely to lead to greater satisfaction (Durvasula 2005). The overall customer satisfaction then depends on how the service provider manages and monitors

these service encounters (Bitner 1990, Bolton and Drew 1992). The managerial consequences of this notion are twofold. The final challenge for the service provider is to design a consumer satisfaction information and feedback system, which is not only limited to gather feedback data of the final consumer of the service, but is also designated to serve as a management and monitoring tool for the buyer of the service in order to support him to satisfy his internal customers (departments/personnel). A systematic customer satisfaction measurement approach provided by the vendor of services will provide the buyer with valuable information on neglected needs and to manage expectations of his internal customers (i.e. during re-negotiations about adequate or desired service levels). For the service provider however, a systematic customer satisfaction measurement tool can serve as a proactive marketing approach to gather based on fact data on end consumer satisfaction which then can serve as a solid basis for eventually necessary re-negotiations of the service contract, rather than have to rely on biased third-party information by the buyer, his counterpart in the negotiation who is very likely to display an own agenda (i.e. cutting prices). Hence, our third proposition is as follows:

Proposition 3: The more the actual service performance and the service levels defined in the service contract correspond, the higher service consumer satisfaction.

V CONCLUSIONS AND FUTURE RESEARCH

Despite of the continuing debate about the construct of customer satisfaction, our understanding of the determinants of customer satisfaction in business to business (B2B) service settings is still limited (Rossomme 2003; Vandaele & Gemmel 2005). Given the increasing tendency towards business process outsourcing (BPO) the issue of customer satisfaction has even become more complex. Shaping customer satisfaction in business services means that additional actors and roles as well as the power of

interfacing departments and interacting personnel both on the customer and the supplier side come into play. Hence, the main focus of this paper has been on the analysis of different roles of the actors involved as well as on the identification of different factors affecting the perception of service quality during the service encounter.

This paper has outlined a framework for the analysis and discussion of the issue of consumer satisfaction in BPO situations from an organizational perspective. Rooted in existing knowledge of service management, organizational behaviour and customer satisfaction processes the model presented here has identified a number of determinants of consumer satisfaction and three service quality gaps related to the dimensions of internal and external customer-supplier service relationships. While introducing four different roles with partially conflicting expectations and interests, the paper provides an initial mapping of the different variables and issues involved with establishing service relations between firms and assuring internal consumer satisfaction. Furthermore, the paper underscores the importance of putting consumer satisfaction and service quality back into its organizational context, which in case of BPO service relationships is inherently multilevel, complex and integrated. As a result, as Quélin & Duhamel (2003) point out, the outsourcing decision of business support service has a more strategic connotation than initially thought. If external and internal customer satisfaction is a strategic imperative for both organizations involved in the B2B service setting, customers and suppliers should strive to become close partners and actively collect and share service quality and customer satisfaction information in the interest of achieving mutual goals.

In the light of this observation the above propositions regarding consumer satisfaction in the B2B context can form the basis of refutable hypothesis that can be empirically tested. We believe that our understanding of the management of B2B service encounters will be increased

through a careful study of consumer satisfaction effects in BPO arrangements and the determinants and factors moderating these effects. Especially aspects of generalizability and validity surely warrant further research as the types of BPO arrangements can be quite heterogeneous in terms of their inter- and intraorganizational set-ups and requirements.

Moreover, the determinants and dimensions of customer satisfaction and service quality may not be universally applicable across different types of BPO services. Such an observation is considered to be compatible with the findings of several studies that show that service quality and customer satisfaction measures exhibit a factor structure that varies across industries (Babakus & Boller 1992; Cronin & Taylor 1992; Durvasula et al. 1999).

Such knowledge will be theoretically relevant, as it will contribute to the understanding of the different roles and actors in the transfer of organizational practices within the context of multilevel B2B service encounters. It will also be of practical importance, as a better understanding of the business services purchase, the delivery processes and their influential forces could potentially lead to improvements in management practice.

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