

# Effects of employee turnover on service quality and customer satisfaction in contact centers

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## **Abstract**

### **Objectives of the study**

Employee turnover is a topic of interest in the Human Resource management field. The reasons for turnover have typically received more attention than the consequences it has. There is only some research regarding the effects that turnover has on service quality. The objective of this study is to explore the effects of employee turnover on service quality and customer satisfaction, especially in the contact center setting. To achieve this objective a definition of service quality for contact centers is explored and a model developed. From this model a framework of the effects of employee turnover on service quality in contact centers is formed.

### **Methodology**

A mixed-method case study was chosen as the research method of this thesis due to the complexity of employee turnover as a phenomenon and of the concept of service quality. The results of a customer satisfaction survey in the case company were compared to the seniority of the customer advisor to determine whether seniority positively affects the results s/he receives from the survey. To explore the effects turnover has beyond the results from the survey, interviews with five contact center professionals were conducted.

### **Key findings and conclusions**

A service quality model for contact centers was developed on the basis of existing literature and then extended based on the empirical findings from the study. It is suggested that service quality in contact centers consists of three dimensions – availability, substance and courtesy and communication skills. A framework of the effects of employee turnover on these quality dimensions is also developed. The effects of turnover on availability and substance are mainly negative whereas mixed effects were found on courtesy and communication skills.

It was concluded that employee turnover creates costs for contact centers and negative effects on service quality, but that there also are positive consequences from turnover. Companies in high turnover industries need to find a balance between efforts to lower employee turnover and efforts to alleviate its negative effects. Positive effects of turnover should not be overlooked, but utilized where possible.

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**Keywords** employee turnover, service quality, customer satisfaction, service production, contact centers, human resource management

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## Tiivistelmä

### Tutkimuksen tavoitteet

Henkilöstön vaihtuvuus ilmiönä kiinnostaa tutkijoita henkilöstöhallinnon alueella. Vaihtuvuuden syyt ovat yleensä saaneet enemmän huomiota, kuin sen vaikutukset. Tutkimusta liittyen vaihtuvuuden vaikutuksiin asiakaspalvelun laatuun on tehty varsin vähän. Tämän tutkimuksen tarkoitus on kartoittaa vaihtuvuuden vaikutuksia asiakaspalvelun laatuun ja asiakastyytyväisyyteen erityisesti contact centerissä. Tutkimustavoitteen saavuttamiseksi muodostettiin malli contact center –palvelun laadun osatekijöistä sekä vaihtuvuuden vaikutuksesta näihin osatekijöihin.

### Tutkimusmetodi

Henkilöstön vaihtuvuus ilmiönä ja palvelun laatu konseptina ovat melko monimutkaisia ja tämän vuoksi tutkimusmetodiksi valittiin tapaustutkimus. Asiakastyytyväisyysitutkimuksen tuloksia tutkinnan kohteena olevasta yrityksestä verrattiin kyseisen palveluneuvojan virkaikään sen tutkimiseksi, vaikuttaako virkaikä positiivisesti näihin tuloksiin. Jotta vaihtuvuuden vaikutuksia palvelun laatuun voitiin laajemmin kartoittaa ja tutkia, haastateltiin tutkinnan kohteena olevassa yrityksessä viittä contact center –alan ammattilaista.

### Löydökset ja johtopäätökset

Malli contact center –palvelun laadusta kehitettiin olemassa olevan tutkimuksen pohjalta ja sitä täydennettiin tutkimuksen empiiristen tulosten perusteella. Tutkimuksen perusteella esitetään, että palvelun laatu contact centerissä koostuu kolmesta osa-alueesta – saatavuudesta, sisältöosaamisesta sekä kohteliaisuudesta ja vuorovaikutustaidoista. Lisäksi kehitettiin malli vaihtuvuuden vaikutuksista näihin aluesiin. Vaihtuvuuden vaikutukset saatavuuteen ja sisältöosaamiseen ovat enimmäkseen negatiivisia, kun taas vaikutukset kohteliaisuuteen javuorovaikutustaitoihin ovat sekä negatiivisia että positiivisia.

Johtopäätöksenä on, että vaihtuvuus aiheuttaa kuluja ja muita negatiivisia seurauksia palveluyrityksissä, mutta sillä on myös positiivisia vaikutuksia. Korkean vaihtuvuuden toimialoilla toimivien yritysten tulisi löytää tasapaino vaihtuvuuden vähentämisyritysten ja sen negatiivisten vaikutusten vähentämisen välillä. Vaihtuvuuden positiivisia seurauksia ei tulisi jättää huomiotta, vaan niitä tulisi mahdollisuuksien mukaan hyödyntää.

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**Avainsanat** henkilöstön vaihtuvuus, palvelun laatu, asiakastyytyväisyys, palvelutuotanto, contact centerit, henkilöstöhallinto

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## Table of Contents

1. INTRODUCTION.....	1
1.1 Background.....	1
1.2 Research gap.....	3
1.3 Research questions and objectives .....	4
1.4 Methodology.....	6
1.5 Scope and definitions .....	6
1.5.1 Scope of the study.....	6
1.5.2 Definitions .....	7
1.6 Structure of the study.....	9
2. EXISTING THEORY AND RESEARCH .....	10
2.1 Turnover .....	10
2.1.1 Causes of turnover .....	11
2.1.2 Negative effects and costs of turnover.....	13
2.1.3 Positive effects of turnover.....	20
2.1.4 Optimal turnover and adapting to the consequences of turnover .....	22
2.1.5 Turnover and customer service.....	25
2.1.6 Summary of the turnover literature and research hypothesis .....	28
2.2 Service quality and customer satisfaction in contact centers.....	30
2.2.1 Service quality .....	31
2.2.2 Customer satisfaction .....	35
2.2.3 Contact center context .....	36
2.2.4 Customer satisfaction and service quality in contact centers .....	40
2.3 Service quality model and theoretical framework of the effects of turnover .....	45
2.3.1 Dimensions of service quality in contact centers .....	45
2.3.2 Effects of turnover on dimensions of quality and theoretical framework .....	47
3. RESEARCH METHOD .....	49
3.1 Research approach and methods.....	50
3.2 Data collection and analysis .....	51
3.2.1 Quantitative data.....	52
3.3.2 Qualitative data collection and analysis .....	54
3.3 Validity and reliability.....	56
3.3.1 Construct validity .....	57
3.3.2 Internal validity.....	58

3.3.3 External validity .....	60
3.3.4 Reliability .....	61
4. FINDINGS .....	62
4.1 The case company .....	63
4.1.1 General operating environment and turnover situation .....	63
4.1.2 Availability situation, training and substance matter .....	66
4.1.3 Measuring customer satisfaction .....	70
4.2 Results from survey .....	70
4.3 Results from the interviews .....	72
4.3.1 What is service quality in a contact center?.....	72
4.3.2 Turnover in the company.....	75
4.3.3 General negative effects of turnover.....	77
4.3.4 Effects of turnover on availability .....	79
4.3.5 Effects of turnover on substance of service.....	79
4.3.6 Effects of turnover on courtesy.....	81
4.3.7 Summary of the findings .....	81
4.4 Extended service quality model and framework of the effects of turnover.....	88
5. CONCLUSIONS AND DISCUSSION .....	91
5.1 Conclusions .....	91
5.2 Managerial implications .....	95
5.3 Suggestions for further research .....	99
References .....	102
Appendices .....	112
Appendix 1. Interview questions .....	112
Appendix 2. Results of data analysis from Stata 13 software .....	113

# **1. INTRODUCTION**

## **1.1 Background**

The importance of the service sector is growing on a global level and the world's economies are shifting from agriculture and manufacturing towards producing services. In 2014 already over 60% of the world's GDP consisted of services and over 40% of the world's labor force works in the service sector (2009 estimate) (The CIA World Factbook). Although the advancement of technology and growing prevalence of internet access has increased the use of self-service channels, the service sector remains a labor-intensive field where employees play a key role. The customers still need assistance with the self-service channels and the shift towards web-based services has only changed the type of inquiries service companies receive from customers. The demand of human-to-human customer service does not seem to be declining (Cleveland 2006). As companies rely heavily on their employees and as hiring and retaining talented staff members are crucial for companies in the service sector, the role of human resource management is also emphasized.

In the human resource management field one particularly critical issue is the phenomenon of employee turnover, which has been a topic of interest already for a century. Employee turnover creates costs and other negative consequences to organizational performance and academics as well as practitioners have therefore been especially interested in exploring the causes of turnover. Job satisfaction of employees (e.g. Mobley 1977) and the leadership skills of supervisors and managers (Jones et al. 1996) have been found to have an effect on turnover. In the service sector customer behavior may also affect job satisfaction and employee turnover (Poddar & Madupalli 2012). When it comes to the consequences of employee turnover, recruitments costs and disruption in operations are mentioned as negative consequences, but on the other hand turnover can also bring innovation and increase company performance (Staw 1980). For the service sector employee turnover is a noteworthy issue since, as mentioned above, the production of services requires properly skilled employees.

Employees also play a key role when it comes to the quality of services. The production of services differs significantly from the production of tangible goods as services can less easily be evaluated by objective quality standards than goods. Services, as opposed to goods, are also intangible, heterogeneous and produced and consumed simultaneously (Parasuraman et al 1985). Authors like Parasuraman et al. (1985, 1988) and Grönroos (1984) have made significant contributions to the understanding of the concept of service quality. Some research has been conducted to explore the effects employee turnover has on service quality (e.g. Hausknecht et al. 2009). Authors like Hurley and Estelami (2007) have in turn investigated the effect employee turnover has on customer satisfaction – a concept closely linked to service quality. It seems that there is still room for further research on the link between employee turnover and service quality.

The aim of this thesis is to explore the effects of employee turnover on service quality in one particular area of the service sector, the contact center industry. Contact center is a growing area in the service sector and according to Feinberg it was predicted in the beginning of the 21<sup>st</sup> century that for example in Europe the contact center industry will soon account for 1% of all employment. Many companies establish contact centers to centralize their customers' contacts previously spread across different functions of the companies. Establishing a contact center can bring cost-savings as well as improve customer satisfaction and customers' access to companies (Bennington et al. 2002, Anton 2000, Feinberg et al. 2002). Of Fortune 500 companies, 98% had one or more contact centers in 2002 and 70% of customer contacts of these companies took place in these contact centers (Feinberg et al. 2002, pp. 174). Contact centers in many countries experience fairly high rates of employee turnover (Holman et al. 2007). This in addition to the growing importance of contact centers makes them an interesting setting for research on the effect turnover has on service quality.

In this study the effects of employee turnover on service quality in the case company, which is a Finnish mid-size contact center of a bank, are investigated. A mixed methods case study approach is utilized to achieve the research objectives. The existing

literature is reviewed in order to form hypotheses for the quantitative data analysis and to suggest a model of service quality in the contact center context and a framework of the effects turnover has on it. Empirical evidence from a customer service survey and interviews with contact center professionals will then be collected to provide an understanding of the effects employee turnover has on service quality and customer satisfaction. Data from the customer satisfaction survey is used to determine whether the seniority of a customer service representative affects the evaluations they receive from customers. Interviews with contact center professionals are used to form an understanding of what service quality in contact centers is and how employee turnover affects it.

## **1.2 Research gap**

Many scholars have pointed out that considerably more research exists on the causes of turnover than on the consequences of it (e.g. Staw 1980, Glebbeek & Bax 2004). The majority of turnover research focuses on the antecedents of turnover in order to learn how to minimize, manage or predict turnover. Considerably less research can be found on the effects turnover has on company performance, customer satisfaction or service quality. There also seem to be only a few studies addressing the determinants of customer satisfaction or defining the concept of service quality in contact centers. Although contact centers typically use various performance measures the connection of these measures to customer satisfaction is not self-evident. Feinberg et al. (2000) note that the effect of some of the most commonly used performance measures in contact centers on caller satisfaction has rarely been tested. In their study Feinberg et al. (2000) found that only some of the measures related to queue time and the first call resolution rate – what percentage of customers' issues are resolved on the first contact – affects customer satisfaction. One of the indicators they tested was employee turnover, but it did not have a significant relationship with customer satisfaction.

While some research can be found on the effect queue time has on caller satisfaction, other aspects of service quality seem to form a relatively uncharted area of academic

investigation. There especially seems to be a shortage of qualitative research on the effects of employee turnover or service quality in the contact center setting. Bennington et al. (2000) used mixed methods in their study in an Australian organization and as a result of focus-group interviews were able to list some factors that customer appreciated or on the other hand found irritating regarding the service in a contact center. Rafaeli et al. (2008) in turn explored how customer orientation of customer service representatives affects customer satisfaction.

In this study a mainly qualitative approach is assumed to gain a more holistic view of the effects of turnover – which are expected to be both negative and positive – and the concept of service quality in the contact center setting. It is assumed first of all that as employees are the most important “ingredient” in producing service in a contact center, employee turnover must have effects on service quality and secondly that these effects will not be straightforwardly only negative or positive in nature. Therefore it is believed that a case study approach will offer an opportunity to understand these effects better. It also provides a chance for the researcher to explore the definition of service quality with contact center professionals interviewed.

### **1.3 Research questions and objectives**

As mentioned above, the aim of this study is to investigate the effects employee turnover has on service quality in the contact center environment. Most of the existing research on the effects of turnover seems to be quantitative. Based on the review of the existing literature it seems that the research area could benefit from qualitative approach that would contribute to the broader understanding of not only *if* turnover affects performance, customer satisfaction or some other indicator of company efficiency, but also *how* and *why*. In this study both quantitative and qualitative methods are used. First it will be investigated whether employee turnover affects customer satisfaction by comparing the seniority of a focal customer service representative and the results they get from customer satisfaction survey. The *how* and *why* employee turnover affects service quality and customer satisfaction will be addressed by developing a model of the dimensions of service quality and a framework

of the effect turnover has on each of those dimensions. This framework will then be extended on the basis of interviews conducted in the case company's contact center.

The main research question to be answered in this thesis is **How does employee turnover affect service quality in a contact center?** More specifically this study aims to form an understanding of how service quality is defined in a contact center and to form a model depicting the components of service quality. This model will then be used to explore what kind of negative and potentially positive effects employee turnover has on service quality. A framework of these effects is developed. Additionally in the quantitative section it is investigated whether more senior customer service representatives achieve higher levels of customer satisfaction or produce higher service quality.

For the quantitative analysis the hypotheses formed on the basis of existing literature are as follows:

H<sub>1</sub>: Seniority of the customer advisor (in months) relates positively to the grade given by customers to the service-encounter as a whole.

H<sub>2</sub>: Seniority of the customer advisor (in months) relates positively to the first contact resolution percentage perceived by the customer.

The results of this study are expected to produce implications that will be useful for researchers as well as managers. The main contribution of this study is a model of service quality for the contact center context that consists of three components – *availability*, *substance* and *courtesy and communications skills*. It adds to the understanding of service quality and helps to evaluate the effects employee turnover has on service quality. Thus the findings of this thesis will assist in understanding what kind of challenges and possibly opportunities employee turnover presents for service quality in contact centers. Some of the findings will be useful for other types of service industries as well. The main suggestions for future research are that the relationship between employee turnover and performance deserves to be further examined both on

company and individual level, especially in the service sector and that more research is also needed to determine how companies can effectively manage the negative effects and costs of employee turnover. The main implication for managers is that instead of only putting a lot of effort and funding towards lowering the level of employee turnover, attention should also be directed at understanding how its negative effects could be alleviated and positive effects embraced.

## **1.4 Methodology**

A mixed methods case study was chosen as a research method to be able to form a comprehensive view of both the concept of service quality in contact centers as well as how it is affected by employee turnover. Results from a customer service survey conducted by the case company are used for the quantitative part of the study and the relationship between the seniority of a customer advisor and the results s/he has achieved from the customer satisfaction survey is investigated. The most important empirical evidence will be obtained from the interviews conducted with five informants in different positions in the company. These results are used to investigate how service quality in contact centers is defined and how it is affected by employee turnover. The methodology used will be further discussed in chapter three.

## **1.5 Scope and definitions**

### **1.5.1 Scope of the study**

This study focuses on the effects of turnover and not its causes. More specifically, the effect that turnover has on service quality is investigated. Thus the precedents of turnover are discussed only briefly in the literature review to provide a broad enough understanding of turnover as a phenomenon. Reasons for fairly high turnover in the case company are also not investigated or broadly discussed because this study focuses on the effects and not its reasons. The negative effects and costs of turnover other than those related to service quality mentioned by the interviewees are described briefly in

chapter four to offer a more complete understanding of the case company and its turnover situation. Voluntary turnover will be the focus of attention. In the turnover literature voluntary turnover is typically seen as more problematic than dismissals or reduction-in-size turnover as the two latter are initiated by the company. In the case company practically all turnover is voluntary and dismissals are extremely rare, happening perhaps once every five years. The examination is also limited to the turnover of the customer service representatives – or customer advisors – in the case company. Although the effects of turnover of managers, team supervisors or specialists on service quality also would present an interesting case for research it is believed that a separate inquiry is needed for that purpose, as the focus of this study is on the effects of turnover of those employees who directly interact with customers. In 2015 the case company did not see any turnover of employees other than the customer advisors.

When discussing and defining service quality and customer satisfaction the focus will be on the aspects that can be controlled by the contact center. This means that the factors that influence customer satisfaction and expectations, but the contact center cannot directly influence, like the quality of products, pricing, marketing, the brand and the image of the company and the service given in the regional offices are not discussed or considered. These obviously also play a part in service quality but are outside the focus of this study. This study focuses on service quality of contacts that happen over the phone. Other types of contacts like emails or inquiries through social media are left out of the scope because the majority of contacts still arrive by phone. High service quality in calls is most probably perceived differently than in written contacts and therefore service quality of different contact types deserves to be viewed separately.

### 1.5.2 Definitions

#### Agent/customer advisor

Contact center employees are sometimes referred to as *agents*, especially when discussing the queue situation, shift planning or forecasting. In this study the agents of

the case company are referred to as *customer advisors*, which is the official job title of agents in the company. When contact centers in general are discussed, the term often used in the literature, *customer service representative*, is utilized.

## Contact center

A *Contact center* is a centralized facility equipped to answer customers' contacts. Gans and Mandelbaum (2002) define call center as 'set of resources (typically personnel, computers and telecommunication equipment), which enable the delivery of services via the telephone' (pp. 42). Traditionally contact centers have been referred to as *call centers* but the emphasis is nowadays shifting towards handling multiple types of contacts such as email, other electronic messages and inquiries via social media. The term *contact center* is currently more often used; sometimes also the term customer access center (Anton 2000) is utilized. In this study the term *contact center* is used to refer to the facilities regardless of whether they handle only calls or multiple types of contacts.

## Employee turnover

*Employee turnover* (later *turnover*) refers to employees leaving the company – and often being replaced by new employees. Voluntary turnover – employees leaving willingly, usually to work for other companies as opposed to being let go or forced to leave due to health or other issues – is often separated from total turnover and is the object of management's interest. Turnover rate is calculated by dividing the number of employees that have left during a month or year by the average number of employees the company had during that month or year (Snell & Bohlander 2007). Existing literature on turnover will be further discussed in section 2.1.

## Service quality and customer satisfaction

Quality of service is more difficult to measure than the quality of physical products where number of defects or other objective standards can be used to assess quality. Parasuraman et al.'s SERVQUAL scale is one of the most esteemed conceptualizations of service quality in the academic literature (1988). In their model service quality is measured along five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Expectations are also believed to affect the customers' perception of service quality (Parasuraman et al. 1985). Customer satisfaction in turn is typically depicted to be affected by service quality along with some other factors like quality of tangible products, situational factors and factors related to the customer (Zeithaml & Bitner 2003). Ossel (1998) links customer satisfaction more to the subjective assessment of the customer while service quality includes also the internal aspect where the company also may have some more objective standards of quality. In this study view close to Ossel's is adopted. Both service quality and customer satisfaction are discussed. The case company measures customer satisfaction but also has standards for service quality that are not only linked to customers' perceptions. Literature on service quality and customer satisfaction is discussed in more detail in sections 2.2.1 and 2.2.2.

### **1.6 Structure of the study**

The objectives and research questions, scope, definitions, methodology and structure of the study are brought up in this first introductory chapter. In chapter two existing literature on employee turnover and customer service quality will be presented and summarized and hypotheses for the correlation analysis and a framework of service quality in contact centers and the effects of turnover on it introduced.

In chapter three the research methodology used will be presented. The company that is the source of the data used in the empirical research is briefly presented and the findings of the data analysis and the interviews described in chapter four. Discussion

on findings and conclusions of the study as well as suggestions for further research and managerial implications will be presented in chapter five.

## **2. EXISTING THEORY AND RESEARCH**

In this chapter the existing literature on first turnover and then service quality, customer satisfaction and contact centers will be presented and summarized. Hypothesis concerning the data analysis and a model of service quality in contact center as well as a framework of the effects of employee turnover on service quality are formed on the basis of the existing research.

### **2.1 Turnover**

Human resource management is defined as ‘activities undertaken by an organization to utilize its human resources effectively’ (Dowling & Welch 2004, pp. 4). The field of human resource management or HR entails topics like human resource planning, staffing activities, training and development, issues of compensation, performance management and industrial relations (Ibid). As HR deals with the recruitment and retention of the right individuals, employee turnover presents an interesting phenomenon for scholars and practitioners in the field and earliest research dates to the beginning of the 20<sup>th</sup> century. For example Mobley (1977) studied the relationship between job satisfaction and turnover and Mitchell and Zatzick (2015) found that skill underutilization is positively related to turnover. Doll (1984) and Fisher and Fisher (1993) in turn investigated how to manage turnover. Dalton and Todor (1979) and Staw (1980) explored the consequences of turnover and are among the first ones to suggest that turnover may also have positive effects for companies. The majority of the research has focused on finding out the determinants of turnover, the next step being how to minimize, control or predict turnover. It has been pointed out by many authors, that there is somewhat of an imbalance in the turnover research (e.g. Glebbeek & Bax 2004, Mowday 1984) that was addressed as early as 1980 (Staw 1980). Mueller and Price (1989) also call for more research on the effects of turnover rather than its causes.

As mentioned, the majority of research treats turnover as the dependent variable. In 1999 the Human Resource Management Review published a special issue on employee turnover and in none of the articles chosen treated turnover as an independent variable as is pointed out by Glebbeek and Bax 2004 (pp. 277). The studies that do exist regarding the consequences of turnover typically focus on the assumed negative effects rather than explore the possibility that turnover might also have some positive effects for companies. Staw (1980) suggests this is possibly due to the negative effects of turnover being more easily observed by researchers and managers alike.

Discussion on turnover usually makes a distinction between voluntary and involuntary turnover. Involuntary turnover refers to dismissals and downsizing actions while voluntary turnover means employees leaving the company for another by their own choice. The interest of academics and practitioners tends to focus on voluntary turnover because it is typically seen as more problematic for the company. The underlying assumption is that when an employee leaves voluntarily there are more negative consequences for the company than if an underperforming employee is dismissed or labor force downsized for savings.

### 2.1.1 Causes of turnover

As stated earlier, the causes of turnover have been extensively researched. Typically turnover has been explained by push and pull factors, that is, the ease and desirability of movement in the labor market (Lee et al. 1999). Since the ease of movement (a.k.a. how easy it is for employees to find another job) is something companies usually have little influence on, the focus of managers interest has been on understanding what makes people want to leave. The link between job satisfaction and turnover intent or turnover decision has been established in the literature, proposed already by March and Simmons (1958). Mobley (1977) points out that previous research has found there to be a significant and consistent negative relationship between job satisfaction and turnover. This relationship is not very strong however. Viewing job satisfaction as a key

explanatory element for employee turnover has also received some contradicting opinions. In his article Peterson (2004) notes that models that explain turnover intentions mainly with employee satisfaction fail to incorporate the important employee-supervisor and employee-peer relationships as well as the organizational factors. He also argues that many models treat the intention to quit as an equivalent to actually leaving the job which might not always be the case.

The role of human resource management practices in reducing turnover has also been established in the literature. Doll mentions for example competitive pay level, compensating for good performance and offering career counselling and counselling programs as means of striving to retain employees (1983). The importance of adequate training and job security is also noted (Batt 2002). Batt (2002) finds that high-involvement HR practices were related to lower quit rates and that they had an indirect effect on sales growth. High involvement HR practices were defined along three dimensions: relatively high skill requirements, work designed in a way that employees can use their skills in collaboration with colleagues and compensation incentives that enhance the employee's motivation and commitment to the job (Ibid). Leadership skills of supervisors have been noted as a factor that influences the work environment, employee satisfaction and therefore also turnover (Jones et al. 1996). Also the characteristics of the work itself have been mentioned to have an effect on employee satisfaction. Hackman and Oldham (1975) list skill variety, task identity task significance, autonomy and feedback as job characteristics that can either lower or increase satisfaction.

In the customer service sector the possibility of customer satisfaction contributing to employee satisfaction or dissatisfaction has been discussed. For example Woods (2015) finds there to be a moderate and significant negative relationship between employee and customer satisfaction and points out that based on a simple correlation study it cannot be commented on which one of these is the cause and which the effect. The result could either be interpreted so that as employee turnover levels increase, customer satisfaction decreases or that as customer satisfaction decreases employee turnover increases. Based on the previous research the author leans toward the latter explanation

(Woods 2015). In addition to customer satisfaction, unreasonable demands and abusive behavior of customers has also been found to affect turnover intentions of employee. Poddar and Madupalli (2012) find that abusive and demanding customer-encounters led to exhaustion which led to lowered job satisfaction. In customer service jobs role conflict may also cause increase in turnover. Role conflict refers to the discrepancies between what the employees think customers want and what the management expects of them. Chung and Schneider's (2002) study shows a positive and significant relationship between role conflict and turnover intent.

As can be seen from all of the above, there may be various precedents of employee turnover. Employers may have more control on others like HRM practices and leadership and less on others like customer behavior or even less on the individual characteristics and the socio-economic backgrounds of employees that may also affect turnover intentions (McBey & Karakowsky 2001) or the pull factors like the availability or desirability of other jobs. As turnover is considered an important and usually also a somewhat problematic phenomenon researches and managers will probably have a continued interest in finding out more about those causes, especially the ones that can then be controlled by managers.

### 2.1.2 Negative effects and costs of turnover

Despite more research having been conducted regarding the causes of turnover, also the effects of it have received academic attention, especially during the last few decades. The effects of turnover are often assumed to be mostly negative and turnover therefore treated as a problem to be solved. Staw (1980) was among the first to analyze the consequences associated with employee turnover. He seems to have been a pioneer in suggesting that in addition to negative effects and costs there might be positive consequences of turnover. Staw saw the imbalance of existing literature and states that more attention should be paid to understanding the consequences, not only causes, of turnover.

The negative consequences of turnover Staw mentions are *selection and recruitment costs, training and development costs, operational disruption and demoralization of organizational membership*. The costs caused by selecting, recruiting and training new employees to replace those who have left are among the most obvious and easily observable effects of turnover. These costs are also among those consequences that can to some extent be estimated in dollars or euros unlike some other negative effects, although research does suggest that companies can have difficulty acknowledging the actual amount of these costs. Lowe (2004) found in her doctoral dissertation that managers of the manufacturing firm she investigated estimated the annual cost of turnover to be around 100.000 dollars while the actual cost according to her calculations was over 1.5 million dollars (pp. 70). According to Staw (1980) tightness of labor market (how many potential qualified employees applying for the job to be filled there are), complexity of the job to be filled and whether outside or inside succession is used moderate these costs. If there are large numbers of qualified candidates available, recruiting a new employee for the position is easier and less costly. Similarly the lower the complexity of the job to filled is, the less complicated it is also to find a replacement. If inside succession is used, recruitment is again less costly and can bring about a welcome and job satisfaction-boosting chain of promotions to the organization.

Operational disruption refers to the disruptions caused by the acute deficiency of employees and the remaining employees' attention being aimed towards training newcomers. The lack of sufficient workforce can cause delays in manufacturing of products or producing a service to customers. If the nature of the work is interdependent someone leaving may affect the quality of others' work (Staw 1980). Especially when a key employee in an interdependent and specialized organization leaves the consequences can be drastic. The main moderator for operational disruption is the centrality of the role of the employee who leaves. It is usually assumed that the higher the position of the departing employee is the more disruption to the operation the departure will cause. Yet the loss of a key employee on a lower level in the organization can also be very disruptive if they hold specialized position and knowledge about the operations of the company. Staw also points out that the

predictability of turnover can be important when alleviating the operational disruption caused by it (Ibid). Hausknecht et al. (2009) suggest that one reason for the negative effect of turnover can be that remaining employees need to divide their time between training newcomers and performing their usual tasks.

Staw (1980) suggests that turnover may lead to demoralization of organizational membership, meaning that turnover deteriorates the attitudes of those who remain in the organization. This can also lead to more turnover. The magnitude of the effect depends on whether colleagues are perceived to have left for reasons related to the organization or to something else, for example personal reasons. If the reasons for leaving are perceived to be non-organizational the demoralizing effect will not be as strong (Staw 1980). Staw's assumption is also supported later by Sheehan (1995) who found that turnover negatively affects the job satisfaction of those who are left behind and that this negative effect is stronger if the remaining employees think their colleague left for negative reasons that were related to the work or the organization. Other moderator for demoralization Staw names is whether the leaver is from a cohesive work group or has a high social status in the organization (1980). If this is the case then the negative effect will be stronger. These demoralizing effects are linked to the social capital theory of turnover discussed below.

The assumption that turnover creates costs and disruption to activity is often based on a theory called *human capital theory* (e.g. Kwon & Rupp 2013) which argues that the source of a company's productivity bases on the skills and knowledge – much of which is firm-specific – of its employees. Turnover then creates negative effects and costs by depriving the company of this knowledge and skills and forcing it to find and train new employees to replace them. Another view to the negative effects of turnover is *social capital theory* which refers to the idea that a great deal of the value of a firm is thought to base on the network of social relationships inside the focal firm (Ibid). Social interaction between employees is seen as a source of value for a company and turnover lessens this value as social relationships built over years disappear. As mentioned earlier, turnover negatively affects the job satisfaction of those who remain in the

company (Sheehan 1995) and this could be partially due to the loss of social relationships, for example a friendship with a colleague.

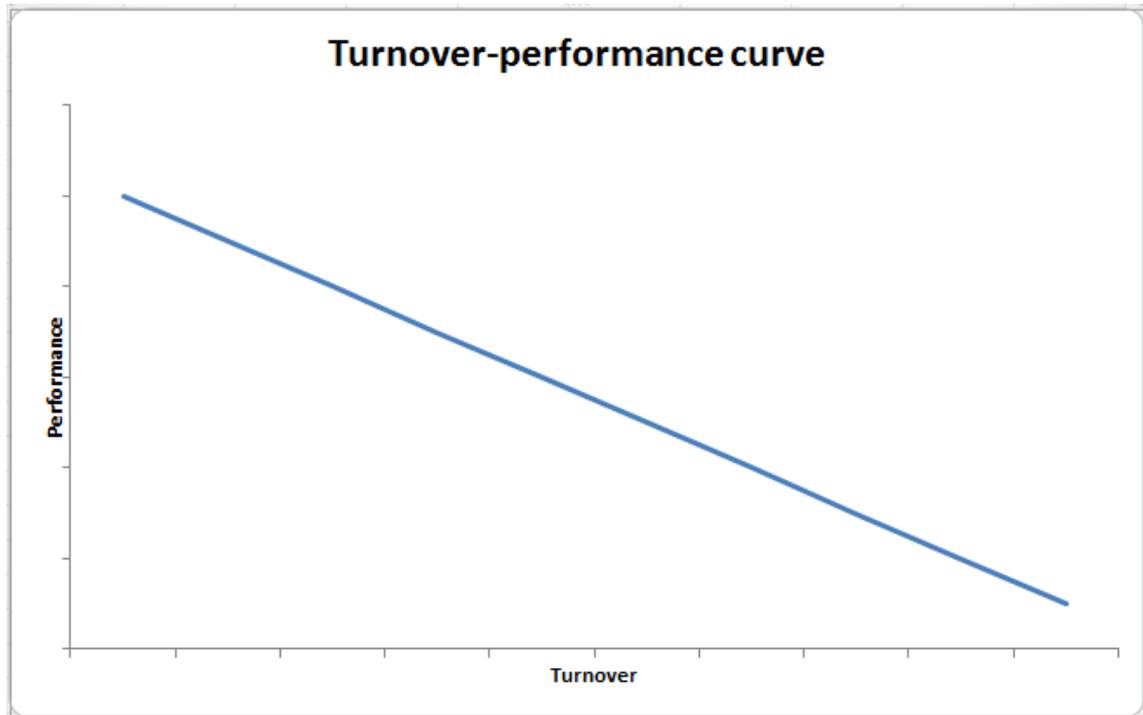


Figure 1. The simplified turnover-performance curve

The effect of turnover on the performance of a company has been illustrated using a turnover-performance curve. The simplest theory on the effect of turnover would be the linear negative relationship where performance goes down as turnover increases (Figure 1). This however is probably an over-simplified view of the matter. Staw (1980) uses in his article an individual's tenure in an organization and their performance as the axis of the graph and presents three alternative curves: inverted U-shape, J-shape and early burn-out curve (Figure 2).

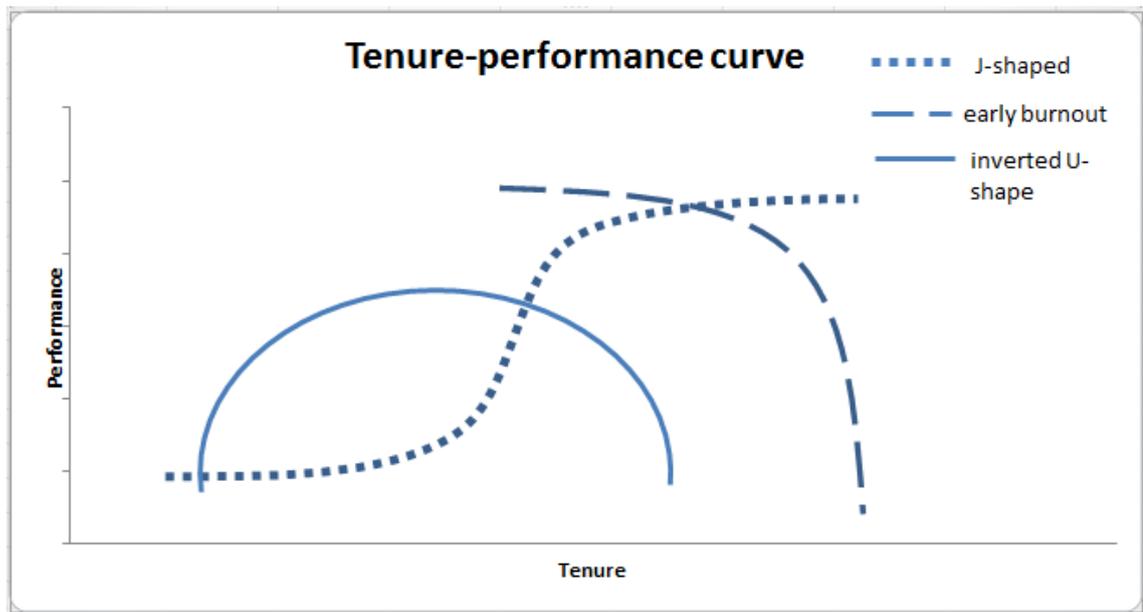


Figure 2. Tenure-performance curves according to Staw (1980, pp. 259)

The *J-shaped* curve represents the traditional view that a newcomer employee's performance at first is on a low level because s/he is still learning the skills needed to perform the job. Learning happens at a fast rate in the beginning and performance level quickly increases. Then the learning process and the increase in the performance start to slow down and eventually stops, performance reaching its maximum. The *inverted U-shaped* tenure-performance curve assumes like the J-shaped curve that at the beginning of the employee's tenure her/his performance is at a low level and then increases quite rapidly to a certain point. After the maximum performance level has been reached, the performance level actually starts to decrease. Staw (1980) considers the inverted U-shaped curve to be the best representation of the situation in most companies and jobs. He explains this with the view that when tenure in the organization progresses, the employees' skill level increases, which leads to increase in performance but on the other hand the individuals' effort (motivation, energy etc.) level is the highest when they first arrive and start their new job and then starts to decrease (see Figure 3).

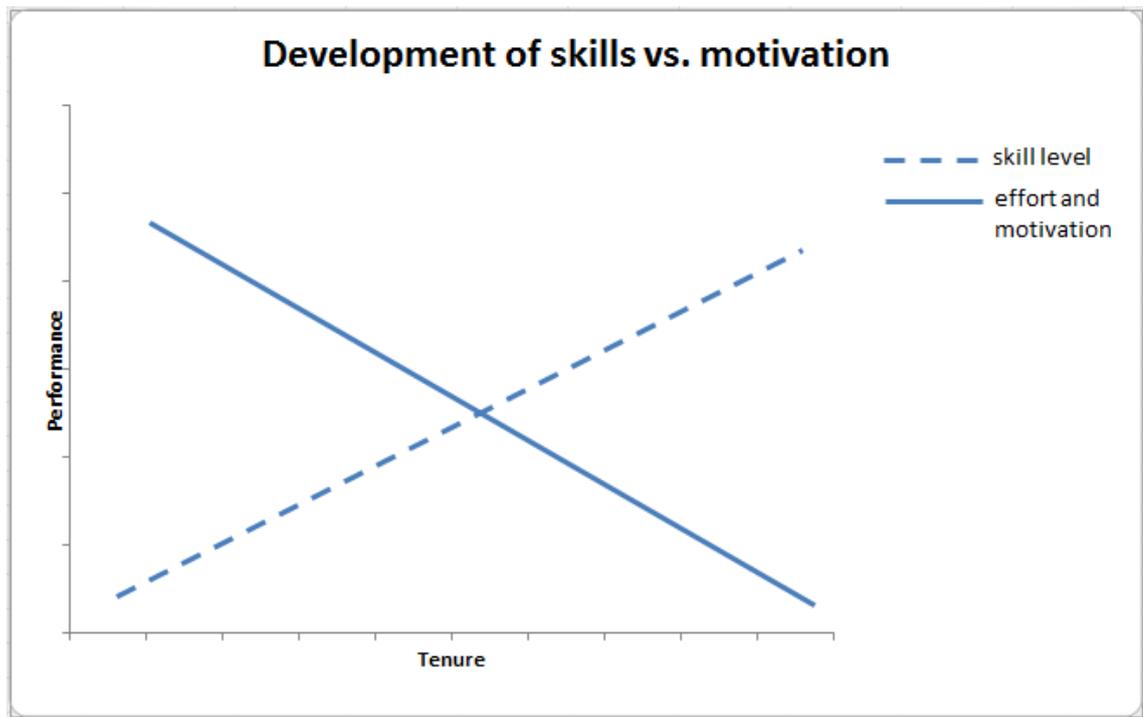


Figure 3. Development of an employee’s skills and motivation as tenure progresses (Staw 1980, pp.260)

The curve representing *early burnout* may apply to some high-stress jobs where the newcomers are highly motivated and maybe even idealistic – as Staw argues this may be the case in some public service jobs like social services and the police force – but then quickly are faced with realities of their possibilities to make a difference and serve the customer, conform to their role and start to perform at a decreasing level. Staw points out that the tenure-performance curves may differ from one individual to another and a curve that applies to one employee may not be generalizable to the whole group, but can still contribute to understanding the effects of turnover in a particular organization.

Shaw et al. (2005) tested four theories of how turnover affects a company’s performance in order to find evidence that would support a certain type of turnover-performance curve. The tested alternatives were: linear negative relationship, inverted U-shape, an attenuated negative relationship (turnover decreases performance but this effect is attenuated as levels of turnover rise) and HRM-moderated relationship

(negative correlation of turnover to performance is stronger in companies that make more HRM investments). They conducted their study in several manufacturing and transportation service companies and tested the alternative theories using return on equity as a measure of performance. Their analysis showed support for an attenuated effect where when turnover level is low turnover strongly and negatively affects performance but after a certain level this effect starts to diminish. The authors note that previous research has found support for both the linear negative turnover-performance relationship as well as the U-shaped turnover-performance curve. Conclusive generalizations cannot therefore be made about the relationship that turnover and company performance have.

Other studies on the effect of turnover on company or unit performance have been carried out. For example Kacmar et al. (2006) found in their study in the fast food industry that crew turnover negatively affects sales and profit and that this relationship is mediated by efficiency defined as customer wait time. Turnover also increased food waste generated in the restaurants.

Kwon and Rupp (2013) studied the effect of high performer turnover on the company's performance and find a negative correlation. McElroy et al. (2001) in turn investigated the differences of turnover types in their effect on company performance. Their assumption was that involuntary turnover – a.k.a. dismissals – would have a positive effect on company performance as it is thought that letting go underperforming employees will improve performance. No support for this assumption is found but they do find that reduction-in-force turnover – a.k.a. downsizing – has a negative effect on performance. Hur (2013) on the other hand investigated the effects of turnover in the U.S. Police Departments in various regions in the country and finds support for his argument that voluntary turnover has more negative effects on performance than involuntary turnover. The research shows some insignificant support for involuntary turnover increasing performance. The author suggests that these positive effects can be achieved only if replacing employees are recruited quickly enough. Ferreira and Almeida (2015) find in their study a strong negative relationship between turnover and

sales in their study on Brazilian retail shops. They also find that the number of accidents increased alongside turnover rates.

Studying the mere straightforward negative effect of turnover on company performance does not seem to produce a broad enough understanding of the complex phenomenon of employee turnover. Research has also suggested that employee turnover may have various positive consequences. They will be discussed next.

### 2.1.3 Positive effects of turnover

Although turnover has typically been treated as a negative phenomenon that academics and practitioners want to tackle, some authors have also suggested that it may also have positive effects for an organization. In his article about the consequences of turnover Staw (1980) was among the first to suggest some of consequences might be positive. He mentions *increased performance, reduction of entrenched conflict, increased mobility and morale and innovation and adaptation*. Staw points out that not all organizations where the average tenure is very high are performing very well. He names the U.S.Railroad and Postal Services as examples of organizations that have a long average tenure but are not exactly known for their efficiency (1980). A year earlier Dalton (1979) also suggested that turnover may have positive outcomes for organizations. He lists increased effectiveness and innovation, effective allocation of human resources in the society and fulfillment of people's potential; and better job-employee fit as these positive consequences.

Staw (1980) bases the argument that turnover could increase performance on the fact that it is often overlooked that the new employee hired to replace the one who has left the company could after training not only reach the performance level of the replaced employee, but even exceed it. He mentions that especially in high-stress work environments or in jobs where physical endurance or ability to use new technologies is required, a new more motivated, enthusiastic and more modernly skilled employee can probably perform better than the more senior employee s/he is replacing. More

attention should be paid to finding the optimal tenure and level of turnover in these types of fields. (Staw 1980)

Sometimes conflict can be the cause of turnover. Turnover can also serve to reduce entrenched conflict that may have developed between peers of floor-level employees, between workers and supervisors or between executives (Staw 1980). Conflicts can of course be worked out and mediated but as Staw points out sometimes the easiest – and also less costly – way for to end a conflict is some of the people involved leaving. Somewhat related to the reduction of entrenched conflict turnover can also sometimes cause an increase in the morale of those remaining. If a disliked supervisor or colleague leaves the company, the motivation and spirits in the remaining group may rise. Turnover can also open new positions to be applied for and bring welcome promotions from within the organization which will enhance the career opportunities perceived by the remaining employees (Ibid).

Adaptation to new strategies, tools, technologies or organizational culture can sometimes benefit from employee turnover. Bringing about and managing change can be difficult and people have the natural tendency to resist it. In some situations it can be easier to change ways of working with more junior employees who have not gotten that much used to the old ways yet. Turnover may also encourage innovation when new recruits with different backgrounds, experiences and ideas arrive to the organization. Staw (1980) argues that although using inside succession – promoting existing employees to fill a vacant position – can boost morale in the organization it also offsets the benefits of turnover to innovation and adaptation to some extent. Also Dalton and Todor (1979) suggest that turnover can increase effectiveness and innovation. They refer to ‘trained incapacity’ – a concept first mentioned by Thorstein Veblen (pp. 226). ‘Trained incapacity’ means that individuals are numbed by the circumstances after staying in one job for too long and fail to see opportunities to enhance ways of working. Newcomers can often find these inefficiencies and give suggestions on how to improve the situation.

Following Dalton and Todor (1979) as well as Staw (1980), Mowday (1984) concurred that turnover can have positive effects. He pointed out that in a situation where a company is downsizing or shifting its operations from one type to another, turnover can be desired because it can save the company from costly lay-offs. On an individual level turnover of poor performers can be beneficial to both the company – for it can replace them with better performers – and for the leaver because s/he can find a job that better matches her/his skills.

#### 2.1.4 Optimal turnover and adapting to the consequences of turnover

Dalton and Todor suggested already in 1979 that there may be an optimal level of turnover for a company. The costs of the measures taken to decrease the level of turnover can actually exceed the costs of turnover (pp. 226). Abelson and Baysinger (1984) also argue that there is an optimal level of turnover where there is a balance of the costs of turnover and the costs of reducing it. They present a theoretical model for evaluating whether the rate of turnover in a company is optimal. They argue that when the level of turnover is very low, the effectiveness of the company is also low because too much effort and financial resources are put into lowering turnover rate. It is not sensible to control all turnover although this may at least theoretically be possible. Abelson and Baysinger suggest that the level of optimal turnover is not the same for all organizations but varies due to different circumstances. The model they present takes into consideration for example individual, organizational and environmental attributes. Glebbeek and Bax (2004) criticize the model of Abelson and Baysinger's for being too complex to have applications beyond theoretical. They argue that the attributes needed to complete the estimations may be too difficult for managers to obtain (Glebbeek & Bax 2004).

Glebbeek and Bax (2004) tested in their research the inverted U-shape turnover-performance curve. They used 110 offices of a temporary job agency and compared the turnover rates and the performance (number of temp worker hours, annual sales and gross result and net result per office – which excluded wage costs of the office because

these are related to turnover) of the office. They find that turnover did have a significant negative effect on profit. The results on curvilinear effect were ambiguous and the authors note that while their results support a non-linear relationship it cannot be concluded whether the curve shape is the inverted U or some type of J-shape.

When the effects of turnover are discussed, it is sometimes pointed out that it is not only relevant how many employees leave, but also which ones. The effect of turnover on company performance is assumed to be more negative if high-performers – rather than the average or poor performers – depart. Kwon and Rupp (2013) investigated the effect of high-performer turnover on the ROE (return on equity) and ROA (return on asset) of the Korean companies in their sample. They asked HR managers to identify high-performer and non-high-performer turnover. 'High-performer' was defined as an employee belonging to the top 20% in the company, a measure that according to the authors is commonly used in Korea (pp. 135). They find that high-performer turnover has an effect on both ROE and ROA when other type of turnover is controlled for. Kwon and Rupp (2013) also hypothesized that the effect is moderated by Human Capital Investment – defined as the extent to which a company invests in selection, training and development of its personnel and uses incentive-based payment systems – in such manner that companies that have high Human Capital Investments experience less negative effects from high-performer turnover. They base this assumption on the idea that a company that invests strongly on HR practices possesses a general pool of skilled and effective employees and thus are able to cope better with individual high-performers exiting the company. Their third hypotheses is that the negative effect is stronger in highly reputable companies because they would have had acquired the most talent and also therefore lost more talent with high-performer turnover. They find support for these hypotheses as well.

As authors like Kwon and Rupp (2013) suggest, it probably matters not only how many employees leave the company but *who* leaves. According to Hausknecht and Holwerda (2013) it can also matter *when* employees leave and from *which positions* in the company. The authors present a theoretical framework that suggests employee turnover will be the most harmful when: those who leave are proficient rather than novice

(proficiency defined as seniority but there will be a limit in can reach after which the proficiency does not increase anymore as tenure progresses), when departures happen within a small time-frame, when turnover takes place earlier in the observation period rather than later, when turnover is position distributed (happens in many different positions and is not restricted to one or few positions), when the remaining employees are novice rather than proficient, when the sum of human capital of newcomers is less than that of the employees who leave and when core employees rather than peripheral ones leave.

When discussing an optimal level of turnover, one inevitably also concludes that it means there may be an optimal tenure for an individual to have in one organization. This suggestion is present already in Staw's (1980) article where he argues that an individual's skill level increases as their tenure in an organization continues but at the same time their motivation and enthusiasm decreases (see Figure 3). The optimal tenure would then be when both the employee's skill level and motivation are the highest, a.k.a. where the two lines intersect. Staw (1980) does not take into consideration any characteristics of the job at hand and it is easy to assume that the optimal tenure would be different for different organizations. The nature of the work will probably determine whether skills or motivation is more important in that specific job and how would motivation and enthusiasm make up for missing skills. The concept of optimal tenure seems to be largely overlooked in the turnover literature. Hausknecht et al. (2009) however find as part of their investigation of turnover's effects on customer service that the optimal tenure of remaining employees in their sample companies to lessen the negative effects of turnover seemed to be between 91 days and one year. The authors point out that it may not only matter who leaves but also who stays. They also suggest that employees with tenures between 91 days and one year may be best suited to 'socialize, train and assist new hires...' (pp. 1073).

Mowday suggested already in 1984 that companies should perhaps concentrate less on trying to predict, minimize or control turnover and more on adapting to certain levels of turnover. He points out that the causes of turnover are often beyond the control of companies. Hausknecht et al. (2009) also suggest that some companies may have

developed superior strategies to cope with high rates of employee turnover and that this may explain why some companies are seemingly unaffected by high turnover. Mowday (1984) notes that in the existing literature there is surprisingly little advice for managers facing high rates of turnover that cannot easily be reduced. He suggests strategies for adapting to high rates of employee turnover. Surprisingly it seems that after Mowday this topic has not been discussed in the turnover literature.

Mowday's (1980) model includes strategies of buffering, smoothing and leveling and anticipating and predicting turnover. He mentions for example hiring more employees than are currently needed, cross-training employees in job skills, creating a core group of committed employees and managing beliefs about causes of turnover among employees as buffering activities. Smoothing and leveling includes continuous recruiting efforts and establishing long-term hiring relationships, automating critical production processes and using incentive systems that are designed to regulate timing of turnover decision. Anticipating and predicting turnover means recruiting from "captive" labor pools (for example students who – if hired early on in their school career – are likely to keep working for the same employee during the entire duration of their studies), creating an inventory of employee skills and collecting and analyzing historical turnover data to be able to better understand and anticipate turnover.

### 2.1.5 Turnover and customer service

Only a few authors have investigated the effects of employee turnover on customer service. Hausknecht et al. (2009) point out that although service industry makes up a significant part of the U.S. economy – and in fact that of the entire world (62,4% of the world's GDP composed of services in 2014 (The CIA World Factbook)) – there is very little turnover research that focuses on its consequences to quality of service or performance of companies that operate in service industry. According to them customer satisfaction and customer perceptions of service quality are important indicators that translate into customer retention, sales volume and profitability (Ibid). Therefore it is important to understand and test how turnover affects them.

Different results can be found from other authors. McElroy et al. (2001) treat customer satisfaction as one of the company performance measures in their research. They find a statistically significant negative correlation between involuntary turnover and customer satisfaction, but no significance in the effect of voluntary or reduction-in-force turnover on customer satisfaction. This was despite of their hypothesis which actually was that involuntary turnover would have a positive effect on company performance. Koys (2001) in turn do not find any support for turnover affecting customer satisfaction. Hausknecht et al. (2009) point out that both of these studies suffer from low statistical power. Kacmar et al. (2006) investigate the effects that turnover has on unit-level performance in fast-food restaurant. The find evidence that turnover negatively affects customer wait time which in turn lowers the quality of service perceived by customers.

In their study Hurley and Estelami (2007) propose that since there is a link between employee satisfaction and customer satisfaction and since the effect of employee satisfaction on turnover has been established, employee turnover could be used as a predictor of customer satisfaction. They find a negative relationship between employee turnover and customer satisfaction, but the results suggest that the relationship is non-linear. In turn Hausknecht et al. (2009) argue that voluntary turnover negatively relates to customer perceptions of service quality and that this effect is stronger in larger units and when newcomer concentration in a unit is high and group cohesiveness low. They find support for their hypotheses except for group cohesiveness decreasing the negative effect.

Subramony and Holtom (2011) suggest that customer satisfaction acts as a mediator in the turnover-performance relationship. Their research therefore makes an effort to narrow the research gap mentioned by Hurley and Estelami (2007) who called for more research on the link of employee satisfaction/turnover on customer satisfaction. They point out that much of previous research has focused either on the causes of employee satisfaction or on the consequences of customer satisfaction. Subramony and Holtom (2011) find support for their hypothesis in their structural equation modelling analysis. Their results show both that turnover significantly predicts customer satisfaction – the

higher the turnover, the lower the customer satisfaction – and that customer satisfaction significantly predicts net operation profit. The full mediation model was also compared with models of partial mediation and no mediation at all (a model where turnover directly affects net operation profit). The fully mediated model was the best fit of these three alternatives.

A link between turnover and customer satisfaction was also discovered by Woods (2015). She investigated turnover and customer satisfaction in banking centers and her results show that there is a moderate ( $r = -0.48 - 0.58$  depending on the year of observation) but significant negative relationship between employee turnover and customer satisfaction. Woods (2015) brings up an important point of view that seems to be sometimes overlooked in the turnover literature. When describing her results she says that it cannot be commented on whether the negative correlation between turnover and customer satisfaction exists because turnover causes lower customer satisfaction or because low customer satisfaction causes turnover. This can be asked in the case of other measures of organizational performance as well: does high employee turnover cause performance – for instance profit – to decrease or does poor financial performance of a company cause more employees to leave. Both causalities could be justified. Poddar and Madupalli (2012) found that abusive customer behaviors can increase turnover intentions of customer service employees. It can be assumed that customers who are not satisfied with the service provided by a company more often behave badly and take their dissatisfaction out on customer service representatives than those who are satisfied. In other words dissatisfied customers can lead to turnover. It can also be assumed that people who work for a company that is performing poorly in general are less motivated and satisfied with their work and therefore more prone to change jobs if the opportunity comes.

Something that also needs to be considered is that the contextual environments where services are provided vary from company to another. In some companies and industries – like in temporary help service firms or sometimes banks – the customer typically deals with the same member of the service staff more than once and in other – like grocery stores or contact centers – the likelihood of this happening is significantly

smaller. It could be argued that employee turnover is likely to lower customer satisfaction more in environments where the customer gets used to dealing with the same person. When this familiar employee then leaves the company the customer probably experiences a decrease in their satisfaction. Although companies want to increase customer loyalty as it is – as stated before – an antecedent of sales volume and profitability (e.g. Dean 2004) it is possible that the loyalty sometimes could be connected not to the company but to the customer service employee. Palmatier et al. (2007) argue that salesperson-owned customer loyalty is a risk when there is turnover as in some cases customers may switch to a competing company following the former employee they have developed a loyalty towards. In services where customer typically does not interact with the same employee more than once, turnover should not create this kind of a challenge. Service companies also differ from each other in other ways. The nature of the service given affects for example how knowledge-intensive the work is. As Staw (1980) suggests, turnover may yield less negative consequences if the tasks are highly routinized. A new employee can be expected to learn to perform for example a waiting/waitressing work faster than a bank teller's.

#### 2.1.6 Summary of the turnover literature and research hypothesis

Based on the literature review it is probably reasonable to state that employee turnover is an interesting and at the same time fairly complex phenomenon. Turnover research has existed for nearly a century and the majority of the interest has been the causes of turnover and how they can be influenced. Answering the call of many researchers (e.g. Staw 1980, Mueller & Price 1989, Glebbeek & Bax 2004), the last few decades have seen an increase in the research that treats turnover as the independent variable and examines its consequences. Some research also exists on the effects turnover has on customer satisfaction and customer service quality. The results however are not conclusive and therefore it is important to further investigate the relationship of turnover and service quality in customer service.

Both the causes and effects of turnover seem to be quite complex in nature. Many of the stated consequences of turnover like operational disruption and demoralization of other employees – not to mention the positive ones like increased innovation or reduction of conflict – are not easily measurable or quantifiable. Often the only measure of performance used is the financial performance of the company which can vary for numerous other reasons as well. Turnover research typically controls for many variables in order to address this and focus only on the effect of turnover. Unionization and company/unit size are often used control variables (e.g. Shaw et al. 2005, Kwon & Rupp 2013).

Although the service sector currently is the dominant sector in the economy not very much research on the effects of turnover on service companies can be found (Hausknecht et al. 2009). Service production significantly differs from the production of tangible goods because they are intangible (not objects that can be seen, measured or tested), heterogeneous (service provided will unavoidably vary depending on the customer, service provider and even time) and inseparable (the production of service cannot be separated from its delivery) (Parasuraman et al. 1985). Therefore the effects turnover has on service quality and customer satisfaction in service industries deserve to be further investigated.

One of the underlying assumptions of turnover literature is that the skill level of a less experienced employee is lower than that of a more experienced employee. This can be seen in Staw's (1980) depiction of tenure-skill relationship which was demonstrated in Figure 3. The effect of turnover on individual performance seemingly has not been studied but based on the existing literature it is assumed to be a negative one. Accordingly it is assumed in this study that customer advisors who have less work experience in the company receive lower scores from the customer satisfaction survey than those who have more experience. Thus the hypothesis is set for the quantitative section of the study: *The customer advisors tenure in the organization correlates positively with the customer satisfaction survey results s/he achieves.* More precisely:

H<sub>1</sub>: Seniority of the customer advisor (in months) correlates positively to the grade given by customers to the service-encounter as a whole.

H<sub>2</sub>: Seniority of the customer advisor (in months) correlates positively to the first contact resolution percentage perceived by the customer.

## **2.2 Service quality and customer satisfaction in contact centers**

As mentioned above, the production process of services is considerably different from that of goods because services are intangible, heterogeneous and inseparable. Therefore the quality of service cannot be measured in the same way it is measured in tangible goods, for example by measuring the percentage of products that conform to requirements defined by the company or the number of defects found either in check prior to sales or by customers when the product is already in use. (Parasuraman et al 1985).

Several authors have stressed the growing importance of the services sector to the economy (e.g. Hausknecht et al. 2009) and to companies as means of differentiating themselves from others (Anton 2000) because features or price of products no longer differ between competitors in the increasingly global markets. Many also point out the increase in the importance of contact centers (e.g. Bennington et al. 2000, Feinberg et al. 2002). Contact centers can lower costs as customer contacts that used to be spread across different functions of the company are concentrated in one place. According to Feinberg et al. (2002) and Pinedo et al. (1999) contact centers can improve customer satisfaction by improving the accessibility of the company by its customers. Modern contact centers can even operate round the clock to provide their customers with the possibility to contact them any time that is convenient for them. Pinedo et al. (1999) also mention the increased opportunities to cross-sell products to customers.

In this section a brief summary of service quality literature is first provided and then contact centers are described as a contextual environment for service production. Finally service quality and customer satisfaction and means of measuring them in contact centers are discussed.

### 2.2.1 Service quality

Parasuraman et al. (1985) were among the first to conceptualize and model service quality and elaborate the discussion on about the above mentioned differences between product and service quality. They make three observations about service quality based on previous literature: that service quality is harder for consumers to evaluate than product quality, that customer expectations play a key role in their evaluation of the perceived quality and that customers do not only evaluate the outcome of the service they purchase, but also the process itself. Parasuraman et al. (1985) approach the concept of service quality by a model of gaps. Their model is depicted in Figure 4. The authors argue that before the gap between the service expected and perceived by the customer can be closed, the gap between management perceptions of what the customer expects and all the other internal gaps within the company need to be closed as well.

Parasuraman et al. (1988) continue their work of defining service quality by developing the SERVQUAL scale through extensive consumer interviews. Their research led to five dimensions of service quality: tangibles, reliability, responsiveness, assurance and empathy. The tangibles refer to the things that are visible to the customer about the company like physical facilities and appearance of the employees. Reliability means the accurate fulfillment of promises about the service and responsiveness the willingness of the company and the staff to help the customer. Assurance covers the knowledge, professionalism, courtesy and trust-worthiness of the company's employees. Empathy depicts the individualized care the company can provide to its customers (Parasuraman et al. 1988).

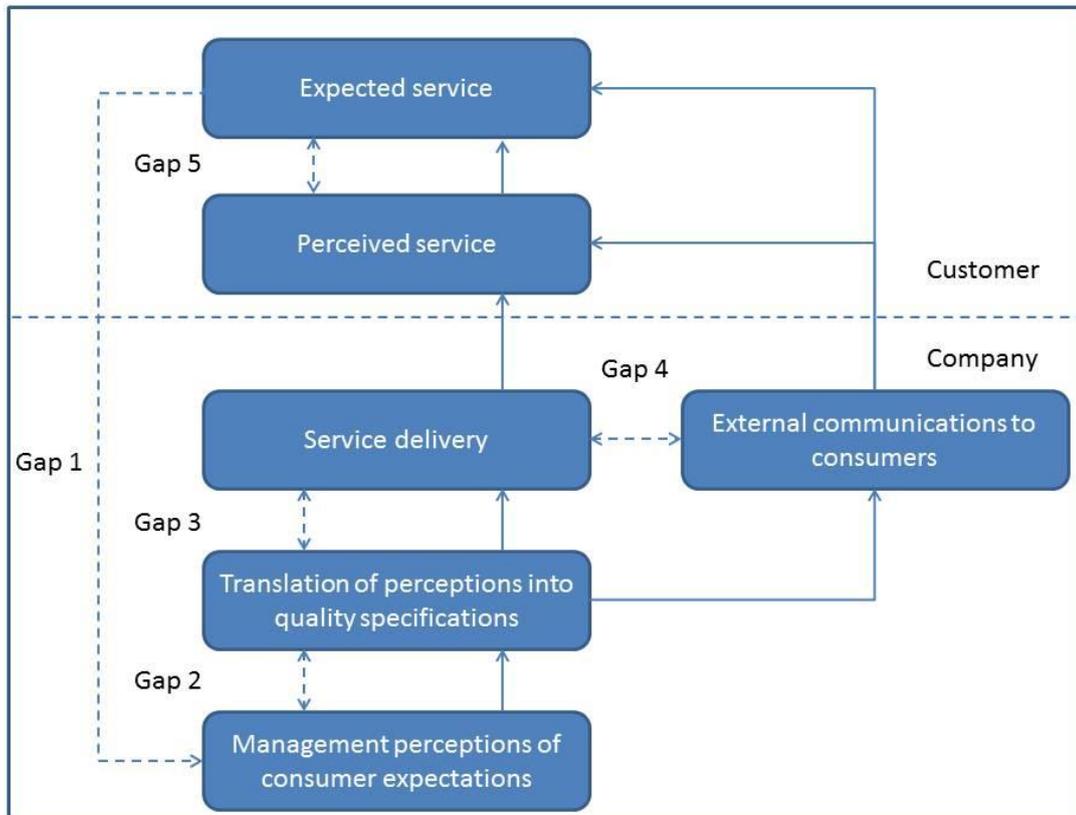


Figure 4. The service quality model (Parasuraman et al. 1985, pp.44)

The SERVQUAL model has established its place as one of the most influential works in the research of service quality and the model has been both elaborated and critiqued. For example Buttle (1996) noted that there is little evidence that the customer evaluates service quality through her/his expectations and that too much emphasis is put on the process of service delivery rather than the outcomes of the service. Robledo (2001) summarizes that the theory of service quality is divided into two main paradigms: the disconfirmation paradigm where the expectations play a major role and the customer evaluates quality by comparing her/his expectations to the perceived quality of the service received and the perception paradigm where expectations are considered irrelevant and customer's perception of quality the only relevant measure. Robledo mentions two other aspects of service quality discussion as well. In some competing models of SERVQUAL some measurement criteria is weighted according to the importance customers give to it. Other topic being discussed is whether the dimensions (tangibles, reliability, responsiveness, assurance and empathy) are general in nature and

plausible for all services and situations or whether they are context specific. Despite the critique received by the SERVQUAL scale it has maintained its place as one of the established models in the field of service quality theory. The model of quality gaps to be closed by the company in order to close the gap between customer expectations and perceptions of service quality can still be found in most introductory marketing textbooks.

Another author who has made a significant contribution to the service quality discussion is Christian Grönroos. He discussed and developed his service quality model in 1984. In Grönroos' view the customers' expectations play a role in the perceived service quality. He argues that the service delivery process has two dimensions he called *technical quality* and *functional quality*. By technical quality he referred to the outcome – that to some extent can be objectively measured – of the service, for example a meal prepared in a restaurant or transportation from one location to another provided by an airline. Functional quality on the other hand refers to the process of delivering the service and there are many participants and factors influencing the outcome. Waiters and other customers and their behaviors and appearances and the appearance of the restaurant facilities are part of the functional quality and will influence the customer's perception of the service quality.

Grönroos (1984) also includes the image of the focal company in his model. He argues that the image is influenced mainly by the technical and functional quality of the company's service. Image in turn affects the service quality perceived by the customer. Marketing activities in turn can affect the customer's expectations of the service. Grönroos' model is depicted in Figure 5.

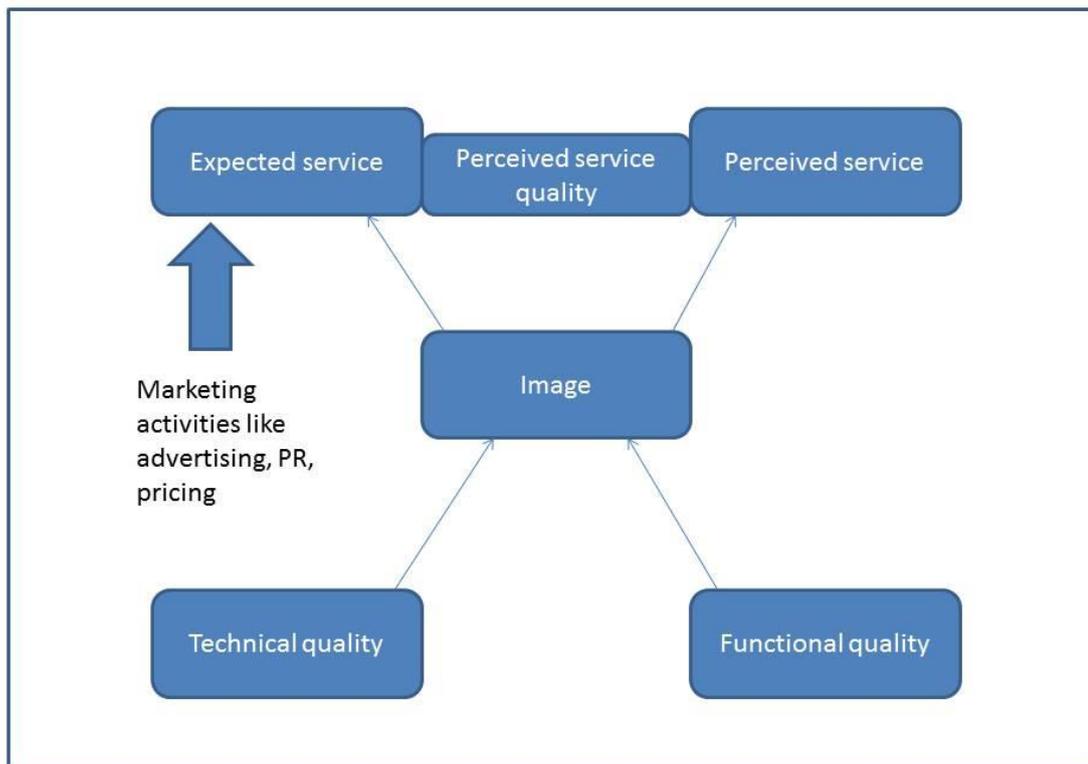


Figure 5. Service quality model by Grönroos (1984, pp. 40)

Grönroos states that both technical and functional quality are important to the quality perceived by customers (1984). The mere technical quality i.e. a flawless outcome of the service alone does not guarantee high quality but the process of delivering the service – functional quality – is also important. One can easily accept this statement by thinking of for example a service encounter where a customer calls a contact center to make an inquiry. Even if s/he receives the correct answer to her/his question the perceived service quality can be low if s/he has to queue for a long time to get it or if the customer service representative is not polite and attentive when answering the question.

It is clear from the service quality literature that interpersonal and social skills of employees involved in service production play a major role in the delivery of high quality services. It may even play a bigger role than actual technical quality of the service. If we revisit Parasuraman et al.'s (1988) five dimensions of service quality it

can be argued that the majority of the dimensions – at least responsiveness, assurance, especially empathy and to some extent reliability – are mostly related to interpersonal communication and conduct whereas only tangibles and to some extent reliability actually deal with the substance matter so to speak or technical quality of the service.

### 2.2.2 Customer satisfaction

What makes customer satisfaction such an important concept is that it is linked to customer loyalty (e.g. Zeithaml & Bitner 2003) which in turn leads to increased financial performance (e.g. Palmatier et al. 2007). Service quality and customer satisfaction are inarguably linked to each other. Sometimes managers can be heard using these concepts as almost as synonyms as they talk about wanting to enhance quality of service or customer satisfaction. In the academic literature different views of the two concepts' relation to each other have been presented. According to Schneider and White (2004) this is due to the theory that the customer's expectations play a role both in service quality evaluations and customer satisfaction. Also Zeithaml and Bitner (2003) say that the two terms tend to be used interchangeably. According to Ossel it is important to distinguish between the two concepts (1998, pp. 126).

It has been argued that the customer's perception of the quality of service provided by a company is more of a permanent view can be a result of the image the company has and all of the customer's interactions with the company that changes quite slowly. Customer satisfaction on the other hand is related to a specific interaction with the company (Schneider & White 2004). Regardless of some debate the general opinion in the existing literature is that service quality is the antecedent of customer satisfaction and not vice versa (Ibid, pp. 52). In Zeithaml and Bitner's model the factors influencing customer satisfaction are service quality, product quality, price, situational factors (including even the weather) and personal factors related to the customer (2003, pp.107). Looking at their model it is easy to understand that companies can only influence customer satisfaction to a certain degree and that some of the factors are simply outside the control of the company.

Additionally Ossel points out that customer satisfaction is related to the subjective evaluations of the customer whereas service quality relates more to internal standards set by the company (1998, pp. 126). Therefore a company should measure both customer satisfaction by surveying its customers directly and service quality by observing service delivery against standards agreed upon internally. In some situations service quality standards can even be contradictory to customer satisfaction. A company can have internal processes and guidelines that are based on laws or regulations (like confidentiality in banking sector) that prevent customer service representatives from doing what the customer asks and thus leading to lower levels of customer satisfaction. If the customer service representative was to fulfill the customer's request to satisfy her/him then they could anyway be lowering service quality by breaching instructions. In this study the view of Schneider & White (2004) is adopted and it is assumed that high quality of service leads to higher customer satisfaction and therefore customer satisfaction is treated as the most important indicator of service quality. Additionally service quality assumed to entail both the customer's perception as well as the company's internal perspective, in accordance with Ossel's (1998) views.

### 2.2.3 Contact center context

Call center is defined by Koole and Mandelbaum (2002) as a 'set of resources (typically personnel, computers and telecommunication equipment), which enable the delivery of services via the telephone' (pp. 42). Call centers are typically now referred to as contact centers to better reflect the multichannel environment in which customer contacts are handled. A contact center typically has a fairly large amount of employees – or agents – answering the customers' contacts. In the Global Call Center Report 2007 the average number of employees in the contact centers surveyed was 49. Calls are distributed to agents by an automatic call distribution (ACD). A customer often first encounters an interactive voice menu (IVR) and indicates what the nature of her/his inquiry or a language preference by either choosing from a menu by pressing a number

on her/his phone or by speaking. Calls are then distributed to agents using *skills* according to their knowledge and for example language fluencies (Gans et al. 2003). An agent typically handles more than one type of contacts i.e. has more than one skill. Contact center agents have access to customer relations management (CRM) systems or customer databases as well as information on the company's products, services and processes. Reports on contact volumes and handling and queueing times are used by the management for measuring, planning, developing and forecasting. (Cleveland 2006)

Contact centers typically handle customer inquiries by phone, email, mail and increasingly contacts from social media and other web-based services. Although new access channels are shaping the contact center environment, the traditional channels like phone still make up for a significant share of the contacts handled. Anton (2000) points out that although new channels are added, the old ones are not replaced by them and therefore the old channels are not disappearing when new channels are introduced, but the contacts rather are divided into more channels than before. The Global Call Center Report found that still in 2007 the majority of contact centers only handled calls whereas Deloitte's Global Contact Center Survey states that in 2012 85% of the companies surveyed used more than one channel to serve their customers.

Many authors stress the growing importance of contact centers to companies (e.g. Gans et al. 2003, Feinberg et al. 2002, Bennington et al. 2000). Majority of large companies have set up contact centers to handle their customer contacts in a centralized facility. Approximately 98% of Fortune 500 companies have contact centers and 70% of all these companies' customer contacts happen through contact centers (Feinberg et al. 2002, pp. 174). According to Pinedo et al. about 3 % of labor in the US in 1999 (pp. 357) worked in contact centers and 1% of European labor respectively (Feinberg et al. 2000, pp.132).

A contact center can be an in-house center run by the company whose customers it serves or it can be an outsourced operation. In the Global Call Center Report in 2007 two thirds of contact centers surveyed were in-house centers and the remaining one

third outsourced centers. A contact center can also be offshored to another country and some companies in the US and other English-speaking countries have outsourced their contact centers to India and other low-cost countries in hopes of cutting costs. The implications of outsourcing for service quality however have not been investigated widely (Bharadwaj & Roggeveen 2008). Another classification besides in-house vs. outsourced or offshored centers is inbound vs. outbound contact center. Some contact centers handle both types of contacts and there can be centers specialized in outbound activities like marketing or surveying (Gans et al. 2003) but the majority are inbound centers with 78% of contact centers surveyed in the Global Call Center Report (2007) focusing primarily on outbound calls. Contact centers can operate as cost or profit centers. A cost center is not seen as creating profit but only generating costs whereas a profit center makes profit through sales as well (Koole & Mandelbaum 2002). An outsourced contact center is always a profit center bringing revenue for the company running it while an in-house center can either be treated either as a cost or as a profit center.

Contact centers can enhance customer satisfaction (Feinberg et al. 2002) and service quality (Bennington et al. 2000) and improve customers' access to companies (Anton 2000). Establishing a contact center can also reduce costs because customers do not need to attend physical facilities and handling contacts usually is faster than in face-to-face service (Bennington et al. 2000). Contact centers can also provide a company with a competitive advantage through improved customer satisfaction and better ways to gather and understand information about the customers (de Ruyter et al. 2001).

Contact centers can be run very efficiently but Gans et al. (2003) point out that efficient contact centers with consistently high availability and agent utilization rates are rather the exception than the rule within the industry. Contact centers tend to set standards and have many measurements – these measurements will further be discussed in the next section of this chapter – for service quality but there is evidence that a large portion of contact centers constantly fail to meet their target levels (Perkins & Anton 1997). Whiting and Donthu also point out that contact centers have been criticized for measuring things that are easy to measure rather than those that actually are important

to customers (2009, pp. 279). Customer satisfaction in contact centers also varies and long queueing time (Ibid) and on the other hand insufficient skills of the customer advisor (Denucci 2011) or being transferred from one person to another (Bennington et al. 2000) examples of things that irritate customers and lower their satisfaction. Customer satisfaction has been found to be lower in contact centers than in face-to-face services (Bennington et al. 2000).

Contact centers are described as a potentially stressful work environment (de Ruyter et al. 2001). Work in a contact center is often monotonous; there is a lot of monitoring and low levels of autonomy (Holman 2002, Adomaitienė & Slatkevičienė 2008) which can lower the job satisfaction of employees (Hackman & Oldham 1975, Houlihan 2001). Role stress and role conflict can occur when contact center employees experience conflicting demands from managers/supervisors and the customers (de Ruyter et al 2001; Chung & Schneider 2002). The monitoring conducted in contact centers can communicate management expectations of answering quickly and minimizing the duration of the contacts to employees whereas customers expect unhurried service and getting the customer advisor's undivided attention. Role stress in contact center employees in turn lowers job satisfaction which is linked to lower performance and higher turnover intention (de Ruyter et al. 2001).

Probably at least in part explained by the above described characteristics of the work environment in contact centers, employee turnover in contact centers is typically quite high. According to the Global Call Center Report 2007 the average total turnover rate for the nearly 2500 contact centers surveyed for the report was approximately 20% and on the average about one third of employees have worked less than a year for the company surveyed. Deloitte's Global Contact Center Survey reports that especially large contact centers experience very high levels of turnover, with 31% of contact centers with over 500 employees having an annual turnover level of over 50%. In their overview of American contact centers Perkins and Anton found that 25% of call centers surveyed experienced an annual turnover of 21% or more (1997). In addition to the factors related to contact center work itself employee demographics may also affect levels of turnover. Contact centers especially in Europe often employ young people and

students who may work in the contact center during their studies and then move on to other types of jobs as they graduate (Holman et al. 2007).

Providing high quality service and increasing customer satisfaction can be seen as one of the reasons for contact centers' existence. Contact centers typically have many ways of defining and measuring service quality. Telephone systems used at contact centers provide managers with integrated reporting systems that can be tailored to the needs of the focal company. Most of the quality goals like answer rates or service levels are internal quality standards set by managers but contact centers are also increasingly utilizing new methods to survey customers directly and more frequently. Next the determinants of good service quality and customer satisfaction in contact centers and the most commonly used quality measures are discussed.

#### 2.2.4 Customer satisfaction and service quality in contact centers

One could argue that in the service sector the contact center is the promised land of performance monitoring and measuring. Many types of metrics are typically used and these measures are fairly objective and clearly defined in nature. Most typical measures are queue time, answer rate (or abandonment rate if reversed), average speed of answer, average talk time, average after call work time, average handling time (the two previous added together), service level (percentage of calls answered in a certain time) first call resolution rate (the percentage of customers getting a satisfactory resolution the first time they call) and adherence (the extent to which agents follow the shift plan made for them) (Feinberg et al. 2002).

Bennington et al. note that service quality in contact centers has been a neglected area of research (2000). Feinberg et al. (2000) point out that no empirical basis has been established to support the importance of the measures of efficiency commonly used in contact centers and then took on the task of examining their relation to caller satisfaction. They find that first call resolution, average speed of answer and service level correlates positively with customer satisfaction while abandonment rate, after call

work time, percentage of calls blocked and queue time in turn negatively affects caller satisfaction. The most important factors in terms of customer satisfaction were *first call resolution* and *abandonment rate*. Employee turnover, average talk time and adherence did not significantly correlate with customer satisfaction (Ibid). Also Abdullateef et al.'s (2010) and Miciak and Desmarais' (2001) results confirm the positive effect first call resolution has on customer satisfaction.

Bennington et al. (2000) conducted a study in Australia in human services produced by the government. The service gives advice related to welfare and other social benefits. The authors invited customers who had contacted the service by phone to a workshop type focus group discussions and asked participants to express what factors contributed to their satisfaction or dissatisfaction with the service. Factors that were repeatedly mentioned in the comments of the participants were recorded in the study. *Easy access, fast and efficient service, respect and mutual trust, understanding and caring staff, individual service* and *reliable information* are among the factors that customers appreciated. Factors that lower customer satisfaction are: *having to wait for a long time, complexity of telephone system, being transferred around, lack of individual service, unreliable information* and *uncaring communication* (pp. 170).

In their study Rafaeli et al. (2008) investigated the effect of customer oriented behavior on service quality perceived by the customer in a contact center in of a bank. They defined customer oriented behavior in a contact center as 'strings of speech in which employees offered customers assistance that was not explicitly requested by that customer but that could promote resolution of customer needs' (pp. 242). They analyzed transcripts of calls looking for examples of anticipating customer needs, offering explanations/justifications, educating the customer, providing emotional support and offering personalized information. They then investigated whether customer oriented behaviors resulted in higher customer evaluations service quality. Their results show that customer orientation produces higher customer satisfaction, especially in calls that last longer than three minutes.

As can be seen above, the majority of the performance measures used in contact centers are related to queueing time. Both research (e.g. Feinberg et al. 2000, Bennington et al. 2000) and every day experience do justify the importance placed on queueing time. No one likes waiting in line, be it on the phone or at a bank office or fast food restaurant. Waiting on the phone might even be more problematic for the perceived service quality than waiting in a physical facility because according to research unoccupied waiting time feels longer than occupied time, uncertain waits feel longer than finite waits, unexplained waits are longer than explained waits and waiting alone feels longer than waiting in a group (Bennington et al. 2000). Many of these conditions are true for service provided over the phone. The nature of the telephone as a medium of service is that the customer is “tied” to the wait. In email or mail contacts for example the customer can carry on their normal everyday tasks while waiting for a response but when queueing on the phone s/he is limited to listening to the queueing music and at best doing some routine tasks at home or at the office.

Whiting and Donthu (2009) studied the gap between wait time perceived by the customer and actual wait time that they name estimation error. Expectedly they found that actual wait time affects customer satisfaction in a call center. Additionally the higher the estimation error the lower the satisfaction of the caller was. This implies that it is important not only to lower actual wait times but also strive to lower perceived wait time. As customers tend to overestimate their wait time this means lowering the estimation error. Interestingly they also found that the higher the wait time the lower the estimation error a.k.a. that customers overestimate short waits more than longer ones. This seems to contradict the view of at least one contact center professional who says that the longer the customer wait the greater the difference between actual and perceived wait time (Cleveland 2006, pp.61). Whiting and Donthu (2009) found that estimation error decreased when queue music was played which is consistent with Tom et al.’s findings that that an unfilled wait feels longer than a filled one (1997). Whiting and Donthu (2009) also found support for their argument that queue information (estimated wait time or number in the queue) provided to customer significantly reduced estimation error. Also practitioners believe that making the queue visible to the customers has advantages and that it is better that customers who are about to abandon

the call do it as early on as possible so that they are not blocking the queue from other people only to abandon later anyway (Cleveland 2006).

In the study by Tom et al. (1997) evidence was found also for that giving customers the opportunity to choose their queuing music increased caller satisfaction and that customers provided with queuing music perceived the company to be more customer oriented than when there was no queuing music. Unlike Whiting and Donthu's (2009) Tom et al.'s (2009) study was conducted in an artificial service situation where customer's called a fictional service number. This may affect the results in some way as factors related to the situation of the customer also affect their tolerance towards queues.

Customer expectations as well as other factors play a role in how customers perceive wait time at the beginning of a call. Whiting and Donthu (2006) found that customer satisfaction is higher when actual wait time is shorter than expected wait time. Cleveland (2006) mentions seven factors that influence customers' tolerance for waiting in the queue: degree of motivation, availability of substitutes, competition's service level, level of expectations, time available, who's paying for the call and other human behavior (pp. 37). This means there is no "right" service level for all contact centers but managers should be able to analyze their customers and their expectations. For emergency services for example any queue is usually intolerable whereas in other types of services some queues are accepted because answering all calls immediately means having to overstaffing, having some of the agents unoccupied most of the time and thus more costs (Ibid).

Some have blamed the contact center industry for measuring things that are easy to measure instead of measuring the things that are actually important to the customers (Whiting & Donthu 2009). There also seems to be a tendency that contact center managers overestimate the quality of the service they provide. Miciak and Desmarais (2000) argue that this is due to contact center managers evaluating quality from different perspectives than the customers. They also note that performance measures often used in contact centers may not be true indicators of service quality and that

ultimately the customer should be the judge of the quality of service. Feinberg et al. (2000) share this view and say that no amount of measuring can replace asking the customers how satisfied they actually are. Cleveland (2004) points out that any indicators in a contact center should not be interpreted in a vacuum without understanding the context of the organization and customers in a broader manner. If for example first call resolution goes down this could be indicative of the call center getting less routine calls due to improvement of self-service channels and not of service quality going down. Although the contact center may be the promised land of performance measuring, all the indicators and reports mean little if they cannot be properly interpreted.

The ways of measuring customer satisfaction have indeed developed with the help of technological advances. Companies can now more easily and more frequently ask their customers for their opinions on the service they provide. Many companies regularly survey their customers by SMS or email soon after their contact to inquire their satisfaction with the service they received. Although asking the customer is the most important way to keep track of service quality (e.g. Feinberg et al. 2000), it on the other hand cannot be the only one. This is consistent with Ossel's (1998) view of service quality being a broader concept than customer satisfaction and internal evaluations of quality being also necessary to ensure adherence to laws, regulations and internal instructions. Therefore, as was mentioned in the previous section, we use service quality in this study as a definition that entails also the internal perspective and customer satisfactions as an indicator – albeit the most important one – of the service quality from the customers' perspective.

Grönroos and Ojasalo (2004) discuss service productivity in their article and note that producing services is always a balancing act between the revenues created by [high quality] service and the costs generated by producing it. Excellent service quality is nearly always very costly to produce so companies tend to aim for good enough. Therefore occasional longer queue times and some errors in service substance are tolerated in contact centers. Contact centers may be run as cost centers which means that the contact center is only seen as creating costs which in turn may lead to constant

cost cutting measures at the expense of service quality. The challenge is that the costs are easily quantifiable whereas the increase in revenues created by satisfied customers is not. Contact center managers may struggle with making senior management understand the quality trade-offs and realities like the fact that some slack in staffing will always be necessary to ensure acceptable queue times/availability (Cleveland 2006).

### **2.3 Service quality model and theoretical framework of the effects of turnover**

Based on the review of service quality and contact center literature a model of contact center service quality is developed. Its dimensions – availability, substance and courtesy – will be discussed in relation to previous research and summarized in Table 1. After that a theoretical framework of the effect employee turnover has on contact center service quality will be presented.

#### **2.3.1 Dimensions of service quality in contact centers**

##### **Availability**

It is evident from the reviewed contact center literature that queue time is one of the decisive factors of service quality perceived by the customer in a contact center setting. Bennington et al. (2000) found that customers also appreciate the simplicity of the voice menus and the overall phone system a contact center uses. These two factors are grouped the dimension called availability. The dimension could be linked to the responsiveness dimension in Parasuraman et al.'s service quality model (1988). In relation to Grönroos' (1985) conceptualizations of service quality, availability would be more related to the functional quality than technical quality of the service.

##### **Substance**

As discussed above, in addition to getting through to the contact center quickly, customers obviously want to receive correct advice at the first contact as well. First call resolution has been shown to have a positive impact on customer satisfaction (Feinberg

et al. 2000, Miciak & Desmarais 2001, Abdullateef et al. 2010). As Ossel (1998) points out, there are also internal standards against which the company will view service quality. The company wants customer service representatives to adhere to rules and instructions in order to follow the law, cut costs, ensure efficiency, protect the customer's privacy etc. depending on the industry in which the contact center operates.

First call resolution rate, reliable advice as well as adherence to rules and regulations are factors grouped under the substance dimension. In Parasuraman et al.'s (1988) model this dimension would for the most part be a mix of reliability and assurance and in Grönroos's theory this dimension would relate more to the technical quality although some factors like adherence to rules and regulations could be seen as relating more to the service production process and therefore be considered as aspects of functional quality as well (1984).

### **Courtesy**

Also crucial to service quality are the various nuances of interpersonal communication that is a major part of the service production process. According to Bennington et al. (2000) customers value caring and respectful conduct of customer service representatives as well as individualized service. Customer oriented behavior can also lead to higher customer satisfaction (Rafaeli et al. 2008). Although less easy to measure than for example queue time or first call resolution, these factors that in the suggested model are placed under the dimension 'courtesy' are at least as important for service quality.

The courtesy dimension would be most linked to the empathy dimension of Parasuraman et al. (1988) although it would have aspects of assurance and reliability as well. Courtesy would be mostly an aspect of functional quality as it has to do with the way service is produced rather than the outcome of it (Grönroos 1984).

Suggested contact center service quality dimensions	SERVQUAL dimension(s) (Parasuraman et al. 1988)	Functional or technical quality (Grönroos 1984)
<b>Availability</b> <ul style="list-style-type: none"> <li>- Queue time (Feingberg et al. 2000)</li> <li>- Simplicity of voice menu (Bennington et al. 2000)</li> </ul>	Responsiveness	Functional quality
<b>Substance</b> <ul style="list-style-type: none"> <li>- First call resolution (Feinberg et al. 2000, <u>Miciak &amp; Desmarais 2001</u>, <u>Abdullateef et al. 2010</u>)</li> <li>- Reliable advice (Bennington et al. 2000)</li> <li>- Adherence to rules and regulations (Ossel 1998)</li> </ul>	Reliability Assurance	Technical quality
<b>Courtesy</b> <ul style="list-style-type: none"> <li>- Friendliness, politeness and willingness to help (Bennington et al. 2000)</li> <li>- Customer oriented solutions (Rafaeli et al. 2008)</li> </ul>	Empathy (Assurance) (Reliability)	Functional quality

Table 1. Dimensions of service quality in contact centers and their relation to existing service quality research

### 2.3.2 Effects of turnover on dimensions of quality and theoretical framework

The effects of turnover on availability are expected to be mainly negative. Before new agents are recruited and trained there will be a shortness of staff that leads to longer queue times if contact amounts remain the same. New employees may at first only be able to master some of the skills required to answer customers' inquiries. This may lead to the need to build more complex voice menus so that a limited amount of contact types can be routed to new employees. This in turn can lower customer satisfaction as they value simple menu structures.

The substance dimension of service quality in contact centers refers to factors that can only be achieved when agents have sufficient skills and knowledge to perform their job well. Acquiring these skills requires time and new employees will still be in the process of learning and therefore be less skilled. Therefore turnover is expected to result in lower first call resolution rates and increase the chance that a customer is given incorrect advice. When it comes to the internal service quality standards or adhering to rules, mixed effects of turnover are expected. New employees may be more cautious and prone to follow rules and instructions carefully, rather than resulting to “common sense”. On the other hand new employees may not know all the rules and instruction as well as those who are more senior and may therefore be unable to adhere to them.

The courtesy dimension is expected to see the most positive results from turnover. As mentioned before work in a contact center can be stressful and emotionally straining. Expectations from supervisors can be conflicting to those from customers’, there is little autonomy and an abundance of monitoring. The nature of the work can lead to the senior employees becoming tired and cynical and therefore less customer-oriented. New employees in contrast may be more courteous, caring and helpful towards customers. On the other hand new employees may struggle to give as reliable an impression of themselves as more senior ones. Mixed effects regarding customer orientation are expected because on the other hand new employees are less likely to use industry jargon and more inclined to listen to the customer more thoroughly and not leap in to early conclusions about the nature of the customer’s inquiry. On the other hand as products, services and processes are less familiar to the new agents, they may not be able to provide the customer with the best possible solutions.

The expected effects of turnover on the contact center service quality dimensions are presented in Figure 6. In the next chapter we will turn to the methodology and research approach of this study.

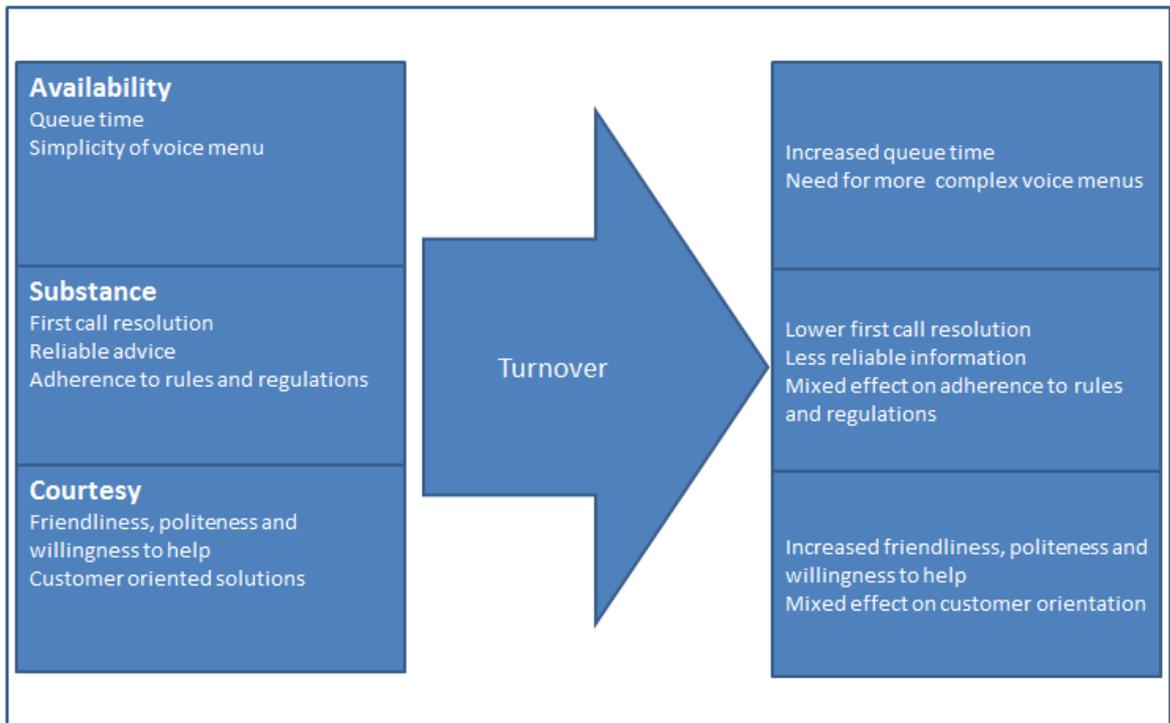


Figure 6. The expected effects of employee turnover on service quality in contact centers

### 3. RESEARCH METHOD

In this section the selected research approach and methodology will be discussed and justified. A mixed method single case study approach was selected for the study, because both employee turnover and service quality are broad and complex phenomena. A case study is a suitable research method for retaining a holistic view of events and answering research questions that begin by “how” as Yin (2009) suggests. Both quantitative data from a customer service survey and qualitative data from interviews of five contact center professionals were used for this study. Next the research approach and methodology will be discussed in more detail and the reliability and validity of the study will be assessed.

### 3.1 Research approach and methods

Previous research on both employee turnover and service quality clearly shows that these are not simple and clearly defined phenomena. There are many possible reasons of turnover some within and other outside the control of companies. Outcomes of turnover have been researched far less than the precedents of it and sometimes it may not be obvious if some outcomes are actually outcomes or if they are in fact causes. Based on the existing literature, turnover can have both negative and positive consequences. All of these effects are not necessarily easy to observe and to isolate from other forces that affect the performance of companies. Service quality in turn is a difficult concept to define and discussion on how to define and measure service quality continues. The customer's evaluation of service quality is always a subjective view whereas a company producing the service usually has some internal, more subjective standards for quality (Ossel 1998). The context in which the service is provided can also influence how its quality is evaluated. Service quality and the customers' perceptions of quality are affected by many different things and again it may be difficult to observe which are the effects of turnover and which are the result of some other factors.

For these reasons a mixed method case study approach was chosen for this study. As Yin (2009) suggests, using the case study as research method can contribute to broader understanding of a certain phenomenon in exploratory or explanatory studies. Mixed methods in turn allow answering more complicated research questions (Yin 2009) and complementing the findings from one research method by contrasting them with results from the other (Bryman 2009). The use of mixed methods can also improve the generalizability of the results and provide more diverse views into the research question (Saunders & Thornhill 2016). According to Hurmerinta and Nummela (2011) mixed methods can be used either so that case study is only part of the research or so that mixed methods are used within the case. In this study the latter approach – termed *aggregate strategy* by Hurmerinta and Nummela – is used. The authors point out that aggregated mixed method case studies sometimes fail to fully utilize the qualitative data (Ibid). In this study the qualitative data is deemed more important and given more

emphasis than the quantitative analysis as analyzing the relationship between employee's seniority and their customer satisfaction survey results is not believed to provide sufficient understand of the effects employee turnover has on service quality. The results of the quantitative analysis are interpreted with the help of the qualitative findings.

In this study both the quantitative and the qualitative data were concurrently collected and analyzed as is often the case in aggregate mixed method case studies (Hurmerinta & Nummela 2011). Causal analysis was performed and the results from the customer satisfaction survey were compared to the seniority of the customer advisor who received the grade. The simple "yes or no" answer to be obtained from the statistical analysis was not seen as a result that would sufficiently address the research question especially when the analysis has some limitations to its validity which will be further discussed in section 3.3.2. Interviews with open-ended questions were therefore used as the primary data collection method to elaborate the results of the correlation analysis, to provide a more holistic view of the phenomena of employee turnover and service quality, to test and extend the theoretical framework as well as to interpret the results from the quantitative analysis. As mentioned above, more emphasis is given in the study for the interviews than the correlation analysis, because it is believed to contribute to broader understanding of the research problem.

### **3.2 Data collection and analysis**

Both interviews and the collection of quantitative data were conducted in the case company that for confidentiality reasons will remain anonymous. Data used in the correlation analysis was collected by the company between March 2013 and November 2015 and the researcher gained access to it in December 2015. The interviews were conducted in October 2015. The case company started using the current type of customer service survey in 2013. Data from the beginning is included in the analysis and to ensure as large a sample as possible, data until November 2015 was used. Although both quantitative and qualitative findings are used complementarily to draw

conclusions of the effects of employee turnover on service quality, the collection of quantitative and qualitative data were rather independent of each other and it is not perceived to be a problem that the quantitative analysis was not finished at the time of the interviews. We will next discuss the data collection process of first quantitative and then qualitative data.

### 3.2.1 Quantitative data

The data used for statistical analysis was collected by the case company from its customers with an automated SMS survey. The survey was first started in March 2013. Data from March 2013 to November 2015 was used for this study. The surveys were sent in a following way. SMSs were sent out randomly to customers within a few days of their contact to the company. The response percentage was typically between 30 and 40. There are two separate results: an overall grade from 0 to 10 a customer gave to the service encounter as a whole and the percentage of calls where the customer's initial problem had been solved at the first contact.

The surveys were automatically sent so that each customer advisor who had received calls during a given month got at least 20 answers each month. However if the customer advisor had been on a holiday or done other type of work than answering calls during the month, there may be less than 20 answers for that month. The monthly average of these answers was used for this study and is also used by the company in the monthly reports that the team supervisors use. The customers were asked whether their issue was resolved on the first contact, how likely they would recommend the service to someone else and what grade on a scale of one to ten they would give to the service encounter as a whole. Of these questions the total grade given to the service encounter and the first contact resolution rate were used for the statistical analysis. The sample consisted of 5115 observations for 155 customer advisors followed for 33 months to a varying degree of availability of information and thus was panel data (Hill et al. 2011). For the statistical analysis Stata (13) statistical software was used and analysis of the data was carried out with a pooled model, where the data on different individuals are

simply pooled together with no provision for unobserved individual differences – or heterogeneity – that might lead to different coefficients and with other panel analysis methods that relax the assumption and take heterogeneity into consideration (Hill et al. 2011).

First a separate pooled least square regression analysis (pooled OLS) for both grade and first call resolution (FCR) was conducted. The models did not however give a good fit. The OLS model for the grade had a p-value of 0.3 and for FCR r-squared value of 0.0027, indicating that the models explained none of the variability. Next a model that would fit both grade and FCR was searched for. Since the dependent variables (grade and FCR) have a moderate correlation between each other, one-way MANOVA was used to carry the analysis (Salkind 2012). The result showed that 88,42% (Wilks' lambda test statistic) of the variance in the combined grade and FCR is not explained by seniority. Thus whatever effect seniority has on grade or FCR would not be very strong.

Next the assumption that all individuals have the same coefficients was relaxed. Fixed effects analysis (Hill et al. 2011) for “within” and “between” effects and random effects analysis (Ibid) for the panel data was conducted. Employee was used as group variable. In the fixed effects analysis all differences between individuals, referred to as individual heterogeneity, are assumed to be fixed while in random effects analysis the individual differences are assumed to be random (Ibid). The fixed effects between regression (regression on group means) was not a good fit at 5% significance level, resulting in a p-value of 0.4165. The random effect model in turn is a good fit at 5% significance level with p-value of 0.026 and seniority z-value of 2.23, which is larger than the critical value of 1.96.

The Hausman specification test for random effects (Hill et al. 2011) was carried out next to determine whether random or fixed effects model should be used. With a p-value of 0.3712 and greater than the significance level of 5%, the test showed that a random effects model was preferred over fixed effect model. Once it was established that random effects model was preferred, a Breusch and Pagan Lagrange multiplier test

(LM) was executed to test for the presence of heterogeneity and hence to decide between a random effects regression and a simple OLS regression (Ibid, 554). A p-value of 0 means that there are random individual differences among employees and that the random effects model was appropriate.

Once it was established that the random effects model was appropriate, the result from the random effects model showed that seniority has a positive statistically significant ( $p= 0.026$ ) effect on grade, but with a very small coefficient of 0.0027538. Following the same course of action, seniority had a statistically significant ( $p= 0.015$ ) positive effect of even smaller magnitude (coefficient = 0.0005018) on FCR. The results will further be discussed in section 4.2.

### 3.3.2 Qualitative data collection and analysis

The qualitative data was collected using interviews with five employees of the case company. The case company was selected for the case due to the researcher's access to the company, but also because according to the researcher's experience the company represents a fairly typical contact center in Finland. The contact center is mid-sized and handles a few different services. Modern ways of working and managing the contact center are utilized and typical efficiency measures used in the contact center sector are used in the company. Although the context of the financial sector brings some special characteristics to the operation of the contact center, the measurements, the service process (described later in chapter four) and reports followed are very similar to those used in many contact centers regardless of the industry they operate in.

The customer service manager, development manager, team supervisor and two service specialists were selected to get as many different perspectives on the definition of service quality and the effects of turnover as possible. All of the respondents have many years of experience of work in a contact center. Especially the customer service manager, development manager and the team supervisor have experience from contact centers from different companies and industries. Although the study was conducted in

one company, the interviewees were asked questions about service quality and turnover in contact centers in general and they were able to draw on experiences from companies they had previously worked for as well. As the researcher has worked in the company for many years she knows that key people in the contact center to some extent emphasize differently the importance of different factors for service quality. Respondents representing as wide as possible a range of views were selected for the interviews to ensure the formation of a broad understanding of service quality in contact centers and the effects of turnover. According to Yin (2009) one way to strive to avoid researcher-related bias is for the researcher to test for her/his tolerance towards findings that are contrary to their own.

The interviews were conducted as structured interviews or in Yin's terms *focused interviews* (2009). According to Yin, interviews as sources of evidence for a case study are useful, because they can offer insights into explanations and causalities perceived by the respondents (2009) and semi-structured or structured interviews can according to Saunders et al. (2016) be used in explanatory studies. The same set of predetermined questions was asked from all of the respondents, although in some interviews some themes brought up by the interviewees were elaborated on by asking further questions. The questions are presented in Appendix 1. The duration of the interviews varied from approximately 45 minutes to 90 minutes, most of them lasting for about an hour. During the interviews extensive notes were taken to ensure that all of the points made by the interviewees were recorded. The language of the interviews was Finnish and notes were therefore taken in Finnish and later translated to English by the researcher. The appropriateness of the translation of some terms was checked with colleagues during the translation process.

As mentioned above, the researcher has also worked in the case company for over eight years, both as a customer advisor and as a service specialist and has engaged in continuous discussion about service quality, employee turnover and the contextual setting of the contact center industry. This allowed for additional questions to be asked after the interviews and the correctness and validity of the case description to be confirmed during the research process. Direct observation and archival records was

also used as sources of evidence (Yin 2009) to complement the interviews. The researcher had access to reports on contact amounts and durations as well as customer satisfaction measures and customer feedback in the company.

For the analysis the answers from the interviews were summarized by the researcher question by question into a table following the suggestion of Miles and Huberman (1994) for treatment of qualitative data. All views brought up by the respondents relevant from the perspective of the interview questions were mentioned in that summary. Notes from the occasions the interviewees got “side tracked” and discussed issues not directly related to the research objectives were kept in the initial interview notes to provide background information, but not included in the summary table to enhance clarity of the summary. Summarizing the results allowed for the researcher to spot recurrent themes from the interviews and to form a comprehensive view of the respondents’ answers for each question. The technique of *explanation building* described by Yin (2009) was followed and the iterative process of comparing theory and empirical findings to each other and returning to theory also during the empirical analysis was followed. Based on the analysis the initial model was extended. The findings from the interview data are summarized and the extended model and framework presented in chapter four and the conclusions of the study discussed in chapter five.

### **3.3 Validity and reliability**

The quality of research is commonly judged by evaluating its validity and reliability. Validity refers to the assessment of whether the measures used for the research are appropriate, causal relationships correctly identified, data are analyzed accurately and whether the results produced are generalizable. Reliability in turn refers to the consistency of the research and whether it is likely that another researcher would arrive at the same conclusions using the same data. (Saunders et al. 2016, Yin 2009) In this section this study will be evaluated in terms of validity and reliability.

### 3.3.1 Construct validity

Construct validity is a concept that refers to the correctness of the measures used in the research (Yin 2009) a.k.a. whether they actually measure the things they are meant to measure. Yin (2009) mentions that construct validity can be a challenge in a case study as can be difficult to define measures and collect data in an objective manner. In this study it was considered especially important to develop a model to define service quality before the effects that turnover has on it could be investigated. A considerable part of the study was devoted to reviewing literature related to service quality, especially in the contact center environment. The theoretical and empirical part of the research were conducted in parallel and this way it was possible to constantly compare academic references and practical views of the interviewees when developing the model of service quality in contact centers.

Yin suggests that in order to improve construct validity a researcher should allow key informants to view the draft of the case study report in order to verify the description by the researcher (2009). In this study two of the interviewees from the company reviewed the case description and commented on the accuracy of it. Additionally one former customer advisor of the contact center who still works in the company gave some comments about the report. Translation of the key terms and concepts from Finnish, which was the language used in the interviews, to English presented a challenge for validity. To lessen the challenge and to ensure best possible translations colleagues fluent in English were asked to give their opinions on the translations. Some changes were made to the case description and translations of terms after the input of these colleagues.

Another technique Yin (2009) recommends to improve construct validity is using multiple sources of evidence in data collection. For this case study in addition to existing academic literature and interviews, the researcher's own knowledge accumulated during years of working in the case company was used. Also colleagues

other than those who were formally interviewed were utilized as source of information and verifying the own views of the researcher when writing the report.

### 3.3.2 Internal validity

Internal validity refers to correctly established causal relationships in the research (Yin 2009). Since this case study is explanatory in nature internal validity can be an issue. One risk regarding validity of case studies is inferences and Yin (2009) mentions that making inferences in a case study cannot be avoided. The important question however is whether these inferences and conclusions are correct. In this study the relationship of employee turnover and service quality is explored. Since the employee and her/his interaction with the customer play a major part in the service production process it is assumed that employee turnover must affect service quality in some way. This effect is investigated using both quantitative and qualitative evidence so that conclusions about causal relationship between turnover and service quality will not be made based on only one type of data.

A review of existing theory shows that service quality consists of many different components and that the customers' perception of service quality and customer satisfaction are affected by many different factors. It is therefore not an underlying assumption of this study that *only* employee turnover would affect service quality or customer satisfaction and it is recognized that it is not possible to isolate the effect of employee turnover on service quality. It is however believed that the contact center professionals who were interviewed are able to satisfactorily assess how turnover affects service quality. In the quantitative part of the research the effect of seniority on customer satisfaction is investigated. Arguably most of the factors that affect customer satisfaction (for example pricing or quality of products) affect most customers in the same way and thus making it possible to investigate differences between individuals and the effect their seniority has on their results.

Past or recent events are mentioned as a possible threat to internal validity (Saunders et al. 2016). The case company has been involved in a major merger that took place in

2014. Although the merger was separated from this case study and for example employees who were originally hired by the merging company were excluded from the quantitative data analysis, it was recognized by the researcher during the interviews that the merger may have affected some of the respondents' views about turnover. More specifically some of the respondents may have seen more positive aspects in turnover because they were facing senior employee's resistance to change that the merger causes in ways of working, instructions and software and saw that turnover could ease the situation as new employees would immediately adopt the new ways of working without going through and resisting change. The researcher is however convinced that the merger has had little or no effect on the views of the respondents on what service quality in a contact center is and how employee turnover affects it. Thus this threat to validity is not considered to be a major one.

The merger may have also affected the customers' satisfaction with the company. Some changes were made to products and services due to merging of the two companies systems and customer databases and some of these changes have caused inconveniences to customers. The changes have also increased contact amounts significantly and caused queue times and answer delays to messages increase. Because of these changes it is possible that overall customer satisfaction has decreased. These changes again would affect all or most customers randomly and not the results of specific customer advisors, allowing still for valid comparison of advisors and the affect seniority has on their survey results. Another threat to internal validity can be ambiguity about causal direction (Saunders et al. 2016). This means lack of clarity on which one of two related things is the cause and which is the effect. In this study it is recognized that the causality can work both ways so that employee turnover affects service quality and customer satisfaction and customer satisfaction in turn can then influence employee turnover.

As the researcher has worked several years in the case company there is a risk of certain bias in the data collection and analysis. It is possible that the researcher has adopted some of the shared views in the company and these views have affected the findings. To reduce this threat especial attention has been paid to the selection of the

respondents as well as taking notes of the interviews. Although in the case company there is a shared vision of what high quality of service means on a general level there is still variance in what different individuals emphasize. Broad as possible a variety of different views is represented in the sample of interviewees and the researcher has purposely selected interviewees that also have some contradictory views and emphasis to her own. As mentioned earlier some of the respondents have experience from many different contact centers and they were asked to consider service quality and effects of it in general, not only specifically in the case company. During the interviews special attention was put into taking notes on the ideas that were new or contradictory to the views of the researcher. All of the interviews brought up some new and different ideas and views concerning service quality and turnover.

Mortality refers to participants withdrawing from a study during its completion and can be a threat to internal validity (Saunders et al. 2016). In this study the quantitative data is subjected to fair amount of mortality because many of the customer advisors have resigned before the observation period of 33 months ends and others have been employed sometime in the middle of the observation period. The quantitative data and the results of its analysis are however used only as secondary evidence in this study and no conclusions are made based solely on the quantitative data. Therefore mortality is acknowledged as a limitation but is concluded to threaten internal validity of the study only to some extent.

### 3.3.3 External validity

External validity is a concept that deals with the generalizability of the results of the research. Generalizability may particularly be a problem in single case studies. According to Yin (2009) the use of theory will help improve external validity and ensure that generalizations can to some extent be made.

While conducting this case study research, theory development and empirical analysis were carried out in parallel and theory was continuously used to support the

interpretation of findings. Especially previous research from the contact center environment was used to compare findings and conclusions. Thus it is believed that the findings will be valid especially in the contact center sector. Although service quality is a complex concept and probably to some extent needs to be defined individually by each company, there are similarities and realities in all contact centers that will have their impact on what customers expect and appreciate. The selection of interviewees with longstanding experience from the contact center industry also supports the external validity of this study.

### 3.3.4 Reliability

In order to be reliable, a study should be conducted in such a manner that another research with access to the same sources of data and following the same steps will arrive at same findings as the original researcher (Yin 2009). Errors and biases can threaten reliability of a study. In case studies most of potential biases originate from the researcher who collects, filters, analyses and interprets the data (Yin 2009). Partly the same issues that can cause limitations to the external validity of this study may also threat its reliability. As mentioned before, it is possible that the years of working in the case company have caused the researcher to form certain opinions that may affect data collection and analysis. Due to her role in the company the researcher has mainly focused to the substance of the service and has previously considered it to be the most important aspect of service quality. As mentioned the researcher has striven to choose the informants so that they represent many different views about service quality. Only one respondent with the same type of job description as the researcher was selected for the interviews. Careful attention was paid to taking notes as thoroughly as possible during the interviews. Notes were made even on issues not exactly related to the questions asked – like potential causes of turnover in the company.

Other than bias or error that originates from the researcher Saunders et al. also mention participant error and participant bias (2016). Basically the respondents could be hungry or busy or they could have an agenda they are trying to push or be reluctant to give

their true opinion for one reason or another. Most of the interviews were conducted in the morning and ample time was reserved for them. All of the respondents were informed that the results will be treated confidential and that there were no right or wrong answers to the questions asked. The respondents were encouraged to give their own views and not for example the views they believe their supervisor holds. Since the study was not commissioned by the company, it is unlikely that any of the respondents would have tried to deliberately affect the results in some way.

The fact that the researcher knew the respondents fairly well can have both positive and negative implications for the reliability and validity of the study. Having a shared experience-base could lead to some false inferences by the researcher or both the researcher and respondents may share some views that prevent them from seeing other possible explanations or rationalizations. On the other hand the respondents probably dared to speak their mind and did not have a need to impress the researcher in any way. Having shared experiences also allowed things that were not explicitly expressed to be understood by the researcher.

#### **4. FINDINGS**

In this chapter the company from which the data is collected is introduced. The case company's operating environment is described as it was in the beginning of 2015 and some changes have occurred during and after the year. After the case company is presented, the findings of the statistical analysis performed will be presented in relation to the initial hypotheses. After that the findings from the interviews conducted will be discussed.

## **4.1 The case company**

### **4.1.1 General operating environment and turnover situation**

The company is a mid-sized Finnish contact center. It is a wholly owned subsidiary of a bank and handles the bank's customer service. The contact center offers multiple channels of contact to customers and handles calls, mainly inbound but also has outbound campaigns, messages the customers send from the web bank and through forms on web pages, social media (Facebook, Twitter), chat and email. Internal help desk calls from offices around the country are also answered. In addition, a variety of back office work is done in the form of mailing tasks, opening and closing products and answering inquiries from customers, other banks and authorities. The back office function also handles some tasks transferred to them from the contact center teams because it is not deemed as efficient to handle them as after call work.

Despite the multitude of contact channels phone call is still the dominant contact type amounting to 30.000 to 40.000 calls a month. This number includes about 7.000 internal help desk calls. The next channel in terms of volume is the web bank messages and about 10.000 of them arrive each month. Especially the messages have seen an increase in the last few years whereas the amount of phone calls has stayed relatively stable. Service level goal was previously set at 60/30 meaning that the goal was to answer 60% of calls within 30 second of arrival. For 2015 and 2016 this goal has been abandoned due to rapid increase in contact numbers and it has been replaced with an answer rate of 85%. In 2015 the average talk time for one call was 5 minutes and 27 seconds and average after call work time 2 minutes and 14 seconds, making the average handling time close to 8 minutes. Average speed of answer was 2 minutes and 24 seconds in 2015 while average abandon time was 2 minutes and 42 seconds. Like many other contact centers the company is often times battling contact volumes that are higher than expected and staffed for. Excluding some weeks when contact volumes were lower than expected and message queues were cleared, the company witnessed queue times and message response times longer than aimed for in 2015.

The service hours for consumer customers are weekdays from 8 am to 8 pm and for the internal customers during weekdays from 9 am to 8 pm and on Saturdays from 9 pm to 6pm. Calls are routed to the right customer advisors using a variety of skills. Typically a customer advisor answers calls both by consumer customers and internal help desk customers. Although many skills are used (an advisor typically has about 15 different skills) and skill routing charts are quite complex, the voice menu for consumer customers is made as simple as possible typically having only three choices. Everyday banking matters related to cards, transactions and the web bank are handled by the majority of customer advisors, but inquiries regarding collateral loans and investment services like funds and stocks are handled by a specialized group of advisors. Voice menus are modified for reporting and staffing reasons if a special topic arises that generates a lot of contacts. If necessary, menu announcements can also be modified to inform customers if queues are exceptional and they can also be educated about the self-service channels available by the menu announcements. The queue capacity is limited in order to avoid excessive queue times. In the queue (menu) with the largest volume of calls only ten customers at once are allowed to enter the queue and the eleventh caller will be informed that the service is currently busy and will be asked to call again later.

The contact center employed 96 customer advisors at the end of the year 2015. Customer advisor turnover for 2015 was approximately 24% (23 customer advisors departed during the year) which is a fairly typical turnover rate for a contact center. The typical reasons for employees to leave the company and potential solutions for them have been investigated in a Master's Thesis study in 2012 (Åström). Consistently with earlier research, the study found that many customer advisors interviewed perceived that the high routinization, inflexibility and stressful nature of the work along with limited advancement opportunities were factors that negatively affected job satisfaction and were also reasons behind the decision to leave the company. Some also found it difficult to combine work and studying while those who started as students often left when they graduated and found work that better matched their training. Interestingly Åström's study showed variation in the expectations and wishes of the employees interviewed: others saw that tasks were highly routinized while others

perceived their tasks to be fairly diverse. Some thought that having more responsibility and independency would increase their job satisfaction while others perceived that having more responsibility would increase their work load and stress level. These findings seem to suggest that a general action plan to increase job satisfaction and thus lower turnover cannot be made, but rather the individual characteristics of employees need to be considered.

The company has two offices in different locations, one in the capital and another in Central Finland. The office located in the capital employs both full time and part time employees – most of whom are students – and has approximately 55 customer advisors. The other one only has full time employees and employs about 35 customer advisors. Although the company has no age preference when recruiting new employees, most new hires are quite young, typically under the age of 30. As mentioned, many of the part time employees are students who work mostly during evening time and weekends. The office located in Central Finland is perceived by managers to experience less turnover. Separate percentages have not been calculated however. More limited employment opportunities in the central and northern parts of the country are seen as one cause for this difference.

Work in the company is typical contact center work where customer advisors are fairly closely monitored and demands of efficiency are high. Adherence to shift plan is expected and break and lunch hour times are scheduled by the shift planning software. After call work (ACW) refers to the time the time a customer advisor needs after the call to complete needed tasks like writing contact notes. The company monitors ACW time and the goal is a mere 100 seconds. Although most customers are polite and courteous, and abusive behavior is quite rare, difficult situations still sometimes emerge and customers typically have fairly high expectations for the service offered by a bank. Some advisors perceive the work to be quite stressful and the company has seen some stress-related sick leaves. The nature of the work undoubtedly affects the turnover rate and many employees, especially the younger ones, do not plan to stay in the contact center for many years to begin with. When shifts are planned the advisors are able to make only a couple of wishes a month regarding their shifts. Vacation times

are also assigned by the company, although the advisors can express wishes about the time of their vacation. Priority is given to those who did not get wish the previous year.

The nature of the work in the company is acknowledged by the management and efforts to increase job satisfaction are carried out. Team events paid by the company are organized twice a year and customer advisors are offered the chance to use the company's facilities for other informal gatherings as well. The bank typically has a Christmas and summer parties every year. Small gestures like free breakfast or chocolate on Valentine's Day are offered every once in a while to let the customer advisors know they are appreciated. Attention is given to the advisors' ideas on how to improve the quality of their work. Contact center realities can prevent the implementation of some of these ideas but they are always listened to nevertheless and different arrangements in for example the shift planning are tried based on the feedback from advisors.

#### 4.1.2 Availability situation, training and substance matter

The company has a centralized support and development function that consists of development manager, resource planners and service specialists. The resource planners plan shifts for all of the contact center teams, adjust contact volume forecasts and follow the daily availability situation. The number of sick leaves and the arrival of calls in relation to the forecast are closely monitored at all times. The web bank messages are routed to customer advisors through the same contact center software as the calls, enabling an advisor to concentrate on answering the message without being interrupted by a call. This technique called blending also makes sure that when fewer calls arrive agents are still effectively utilized for other work. The resource planners monitor the phone and message queues and if necessary put messages through to more people to tackle the message queue. If queue situation gets critical the resource planners will attempt to find back up staff from other parts of the organization like the back office teams to help answer the phone.

The company follows typical contact center availability measures like service level, answer rate, abandon rate, average queue time, maximum queue time, average abandon time and average handling time of contacts. Talk time is not as such followed and customer advisors are not told to try to minimize talk time but actually encouraged to ask a lot of questions and take all the time they need to thoroughly map out the customers' situation and offer them the best solutions. Advisors are encouraged to ask the customer whether they can assist them with something else after they have solved the initial issue. The service number is not toll free and this sometimes limits the willingness of the customer to talk for a long time, but most of them do not mind since the toll is quite reasonable (around 0,12€ per minute). Some sales processes like applying for a loan are quite long and contacts can last up to 45 minutes.

A sophisticated shift planning software is utilized to make shift plans that ensure the right staffing for each day and time at the accuracy of 15 minutes. Historical data is used from many previous years to create forecasts of call amounts for each day. Shrinkage (i.e. sick leaves and quits) present a challenge for this careful planning process and occasionally queues tend to form. On the other hand call volumes regularly exceed the forecasts, because there has been a growing trend in the contact amounts and because the company engages in large-scale marketing activities like letters and emails that tend to create a lot of contacts from customers. Different kinds of defect situations also sometimes create a lot of contacts. The company has a very large customer base relative to the contact center size and problems in card payments or in the web bank immediately create spikes in the contact volumes. The same happens to the internal help desk calls if there are problems with the main software – dozens of office employees from around the country will call to inquire if there is a general problem or it is just on their computer.

Customer advisors are usually hired in groups of ten to fifteen. In the recruitment process most emphasis is given to the customer service skills and sales orientation and only secondarily to work experience from the financial sector. Initial training lasts about eight weeks and on-the-job learning is emphasized, but class room trainings also given during the first few weeks of the training period. The contact types vary a lot and

the knowledge requirements are quite extensive. An advisor is considered a “newbie” at least for the first six months of their career. The supervisors start to work on efficiency and sales goals with the new customer advisors when they have worked for about four months, but they are still given “some slack” at least until six months.

There is a group of advisors with a special support person status who form a first-level support channel for the customer advisors, when they encounter situations that they don’t know how to resolve themselves. The support persons have a significant role in guiding the initial on the job learning process and lending support, both substance-related and emotional. They also provide support for more senior customer advisors in difficult cases. Some of the support persons are on call each day and can be reached by phone or email. The goal of the support function is not only to provide the advisor with the right answer but also to ensure they will know how to solve a similar problem the next time and remember how to find correct instructions. The company has an electronic instruction manual that assists the customer advisors in problem solving, sales processes and software usage. In the initial training the importance of active knowledge seeking by each employee is emphasized, rather than encouraging them to learn things by heart. The constant changes in the operating environment, software and processes also make it more important to be able to find knowledge and instructions rather than remembering how something is done.

In addition to substance training new employees are also provided with service quality trainings both for phone calls and written contacts. The company has a loose frame called *service process* to give a goal structure for contacts. The model consists of four stages that every contact should have: *opening*, *identification of needs*, *solution* and *closure*. They do not believe in exact scripts as high quality in their view means asking the customer a lot of questions in order to find an individualized solution to their situation. The sales techniques utilized are also customer oriented and the goal is to “sell the solution to the customer using their own words”. The advisors are encouraged to be informal and natural, but adjust their tone and vocabulary to the customer and her/his situation to certain extent.

The role of the supervisors in the company is not so much to be experts of substance matter or help the advisors solve substance related problems, but to ensure quality of contacts. Regular coaching sessions are conducted, where the customer advisors' communication and sales skills are worked on. Phone call recordings are listened to in these coaching sessions. In addition the team supervisor regularly sits next to their team members and listens to live calls. Benchmarking sessions with colleagues or in a group are also utilized as well as self-observations where advisors listen to recordings of their own calls and make notes about how to improve quality, that they later go through with their supervisors.

The service specialists are in charge of the substance matter. They handle training, informing the customer advisors about changes and possible error situations affecting customers and making instructions in cooperation with other units of the bank. The initial training of new employees is planned and organized by the service specialists together with the support persons. The service specialists also act as a second-level support, helping the support persons with problems they are not able to or allowed to solve. They also communicate and cooperate with other units in the bank to ensure sufficient information about changes and incidents is provided to the customer advisors in order for them to serve customers well and that the other units in the bank are aware what customers are asking and what kind of feedback they give during service encounters.

Regular quality trainings as well as revision trainings on mandatory subjects like bank confidentiality and anti-money laundering are given to all employees at least once a year. Additionally there are constantly changes regarding the company's products, processes and software and trainings are used to inform the customer advisors about them. Class room trainings, self-learning materials and video trainings are utilized and profound thought is given to what methods could facilitate efficient learning and on the other hand availability is always considered and class room trainings for large groups are therefore avoided and self-learning methods favored.

#### 4.1.3 Measuring customer satisfaction

Customer satisfaction is measured by constantly surveying the customers. Previously a phone survey was carried out twice a year by an independent market research company and customers that had recently called the company were asked about their perceptions of service quality. Since spring 2013 the company has used an SMS survey that is automatically administered to some customers after they have contacted the company. The customers are first asked if their problem was solved on the first contact. If they answer the first question they are next asked how likely it is that they would recommend the service to someone else. If an answer is received to this question the customer is then asked whether s/he was told about additional products or services during the contact. Finally the customer is asked to give a grade from 0 to 10 to the service encounter as a whole and they are given the chance to give open-ended feedback to the company. The goal is to make sure every customer advisor gets at least 20 answers to all the questions every month and enough surveys are sent out ensure that this goal is met. Only if the customer advisor is on vacation or sick leave or is working on different types of task than answering the phone, the results for that month may not be obtained. The advisor's supervisor is notified by email if s/he gets exceptionally high (maximum results from all of the questions) or low (the grade for the service encounter as a whole 2 or less). Average results of teams are compared to each other and the individual results are used as one of the criterion in the incentive based bonus paid to the advisors twice a year. The general manager and the customer service manager follow the results on a weekly basis.

#### 4.2 Results from survey

The results from the customer satisfaction survey are presented below and the findings from the interviews follow in the next section. In the quantitative part of this study the results from the customer service survey were compared to the seniority of the customer advisor to see whether seniority affects the results.

The data analysis resulted in a finding that seniority did have a statistically significant ( $p= 0.026$ ) positive effect on the grade received by a customer advisor. This effect however was very small (coefficient = 0.0027538) and therefore lack any clear practical implications. An increase of one month in seniority brings a very small increase in grade. The findings for seniority's effect on first call resolution were similar. Analysis shows that seniority had a significant positive, but even smaller effect on FCR ( $p= 0.015$ ; coefficient = 0.0005018). The steps taken in the analysis of the quantitative data were described in detail in section 3.2.1. The complete results from the analysis done using the Stata software are shown in Appendix 2 and further discussion on the results can be found in chapter 5.

The analysis of the quantitative data shows that although seniority had a statistically significant positive effect on the result the customer advisor received from the customer satisfaction survey, the effect was very small. If new customer advisors on the average receive very similar results to those who have worked in the company for years, the implication could be that employee turnover does not have a direct negative effect on customer satisfaction and service quality. It needs to be remembered however, that the negative effects employee turnover has on the availability of the service – a.k.a. queueing time – affect all service encounters regardless of whether the customer is helped by a junior or senior advisor. Thus if queues are long it will negatively affect all the advisors' results equally. This means that the results mainly have implications for the substance and courtesy dimensions of the service quality model. The lack of strong effect of seniority on the result of the customer satisfaction survey can also imply that the case company has found ways to effectively alleviate the negative effects. The quality and efficiency of initial training, effective support channels and well documented instructions may contribute to high quality in the area of substance matter while successful recruitment practices and well communicated and defined service process help to achieve high quality regarding the courtesy dimension.

To gain more insight into what types of effects employee turnover has on service quality, interviews with contact center professionals were conducted for this study in

addition to the data analysis. In the next section we will look at the findings from the interviews.

### **4.3 Results from the interviews**

The analysis of the quantitative data showed that seniority affected the results of the customer satisfaction survey only slightly. It is difficult to draw conclusions about if and how employee turnover affects service quality solely based on the analysis of the quantitative data. Structured interviews were therefore used as the main source of data for this study and open-ended questions regarding turnover and service quality were asked from the interviewees. The respondents included the customer service manager, the development manager, a team supervisor and two service specialists. A list of the interview questions can be found in Appendix 1. The methodology of the interviews was described in more detail the previous chapter and now we will look and the findings from the interviews.

First the respondents' views of the definition of service quality in a contact center environment are presented and the general turnover situation in the case company as well as costs and negative effects of turnover not directly linked to service quality are discussed. Then the results from the interviews regarding the consequences of turnover for service quality are organized under the themes of the service quality model depicted in Table 1 – *availability*, *substance* and *courtesy*. Finally a summary of the findings is provided and an extended model of contact center service quality and an extended framework of the effects of turnover on service quality are presented.

#### **4.3.1 What is service quality in a contact center?**

The first goal for the interviews conducted was to explore how the respondents defined service quality in the contact center setting and compare their views to the model developed based on the existing literature. Regarding high quality service, all of the

respondents mentioned things that are related to the advisor-customer interaction. The importance of friendliness, politeness, empathy, sincerity and attentiveness was acknowledged by all. High quality service means listening to the customer and giving her/him time as well as individualized advice and solutions. A sincere apology is important if there is something to apologize for. The communication skills of customer advisors need to be very good and they should ask the customers a lot of questions to identify their needs or problems.

The customer service manager said that it is important that the service-encounter has a certain structure and that the customer advisor leads the situation. Selling was also seen as part of high quality service by the majority of respondents. High quality selling is defined as asking a lot of questions, listening attentively and then offering personalized solutions to the customer. Pushy or forceful selling was not appreciated by the interviewees. One respondent said that sales results are an indicator of service quality, because high quality service automatically leads to better sales results.

Availability is crucial for the customer's experience of service quality. It was seen as a starting point for good quality that the customer finds the company's contact information easily, that the service hours are suited for the customer's needs and that queue times are reasonable. It was also mentioned that it is important to meet the customers' expectations about availability. These may however change over time and also vary from one customer to another. The majority of the respondents mentioned availability as a crucial factor in service quality. It was the experience of the customer service manager that when service level goes down (or queue time up) customer satisfaction also immediately suffers.

Substance matter and giving the customer the correct answers and solutions to their problems is also important. Mistakes and wrong information given will lower customer satisfaction. It was also seen important that the majority of the customers' issues are solved on the first contact as having to contact the company repeatedly will lower the customers' perception of service quality. The company measures the customer's perception of the first call resolution which means that the matter may have been

solved from the company's perspective, but the customer's experience is different. This can happen for example when there are certain things that cannot be done over the phone but require the customer to go to an office. In a situation like this from the company's perspective the customer advisor has resolved the customer's issue by telling her/him to go to an office. The customer may or may not perceive this to be a resolution. The communication and interactions skills of the customer advisor play an important role here in determining what the customer's perception will be.

Regarding substance matter two of the respondents noted that here the viewpoint cannot simply be the customers' but the internal quality perspective needs also to be considered. When asked, all of the respondents agreed that service quality cannot be measured or defined only by asking the customers' opinion, although the customers' perception was deemed to be the most important measurement for it. For example the customer service manager noted that customers cannot estimate if enough effort was put on sales by the customer advisor and if the contact brought profit to the company.

The context of the financial industry especially produces demands for internal quality and adherence to rules, regulations and the company's instructions. Bank confidentiality laws are very strict and mistakes regarding it and customer identification procedures simply cannot happen. New employees are briefed various times during their initial training about how the customers need to be identified (either with the web bank codes or by asking a sufficient amount of questions) and what information can be given. It is stressed very strongly that information about the customer's financial status cannot be given to anyone except the customer themselves and that every employee has an obligation to follow this rule strictly, as it is based on a law. This can sometimes lead to the new advisors being even overly cautious and not giving the customer the information they request. From the company's perspective it is better though, that the new advisors are overly cautious than the other way round, but customers can experience lower satisfaction because of this. The customers may often also want to know their account balance or open new products without the proper identification documents required by the law. Good communications skills are then

required to convince the customer that this cannot be done as requirements are specified in the law and that this is due their own security.

Also in general the company's instructions and customers' expectations of quality can contradict each other. The company has to consider efficiency in addition to customer satisfaction. For example the customers might be very satisfied if a new code table to the web bank to replace a lost one would be mailed directly to their home if they call the contact center. From the company's perspective however it is more efficient to ask the customer to get the new table from the nearest office and this is what the customer advisors ask the customer to do. Mailing the code table from the contact center would create mailing costs and cause a longer after call work for the advisor which would then result to a longer wait for following customers. The customer service manager noted that there is always a trade-off between service quality and costs which is in line with Grönroos and Ojasalo's arguments (2004). It is next to impossible to achieve very high service quality and cost efficiency at the same time.

#### 4.3.2 Turnover in the company

To understand how the respondents experienced the turnover situation in the company, they were asked to describe how problematic they saw turnover. All five interviewees saw turnover of customer advisors in the company as something problematic or at least somewhat challenging. There was some variation in the views of how big of a challenged turnover actually presents. Two respondents saw that turnover in the company was a problem and three though it was more of a challenge than a problem. The majority of the respondents acknowledged that work in a contact center is stressful and that relatively high turnover is a fact of life. At least this was thought to be the case in all the modern effectively run contact centers that aim towards high availability and where employees have limited freedom to choose their tasks or working hours and where there is a high level of monitoring.

The team supervisor interviewed said that the nature of the job is explained to prospective employees already at the job interview in hopes of creating realistic expectations, but that this practice only seems to go so far as to preparing new hires for the work. Some respondents expressed their concern that those who perform well usually leave within a year. This was assumed by the respondents to be due to the fact that those who perform well are better able to obtain a new job when they want to, despite the difficult situation in the Finnish labor market, whereas the more average performers may also perform less well in job interviews and therefore have more difficulty finding a new job even if they are not very satisfied with their current employment. The advisors who perform less well tend to remain in the company for a longer time, but may never be able to reach the set goals even after extensive coaching. Other respondent also pondered whether people who are “too good” are hired and should the recruitment process aim toward hiring more “average” customer advisors who might be less prone to turn over so quickly.

All of the respondents saw also some positive aspects in turnover. One of the service specialists pointed out that some of the customer advisor turnover was generated by internal promotions or horizontal shifts from one part of the organization to another. When customer advisors advance to other positions in the company it can boost the morale and spirits of all as they see that it is possible to advance their career. He said that it would be more problematic if turnover was a result of poor recruitment practices a.k.a. hiring people who are not right for the job to begin with or if all who left the customer advisor position left the entire company.

Others also mentioned that newcomers can bring a welcomed variety to the social interaction between employees. Although effects of turnover on the mood and atmosphere can be negative there are also aspects than can improve group dynamics. New employees tend to be more enthusiastic and have not yet absorbed the negative attitudes and views of their more senior colleagues. They can also sometimes bring in the knowledge that the grass is not always greener on the other side of the fence, meaning that the realities of work elsewhere are very similar to those in the company. Sometimes when the same people work together for years entrenched conflicts can

develop that can only be solved when some of the people involved leave. Additionally, new employees can also view ways of working with fresh eyes and spot inefficiencies in processes and suggest new ideas of how to organize things differently. They also have more faith in being able to affect things and can therefore be more active to share their ideas with their supervisors.

#### 4.3.3 General negative effects of turnover

Before discussing turnover in terms of its implications for service quality, the respondents were asked what kind of consequences they thought turnover had for the company in general. Staw (1980) argued that turnover creates costs because companies need to select and hire replacing employees and most of the respondents did first mention the recruitment costs turnover creates for the company. It was mentioned that recruitment and initial training generates costs in many units of the bank. Planning of the recruitment activities takes up the managers' time after which HR, the managers and the communications department jointly draw up and post recruitment ads. Team supervisors engage in reading applications, selecting the persons to be interviewed (a recruitment partner company is utilized for the initial selection) and the interviews themselves. After the recruitment decisions have been made a lot of HR bureaucracy follows in the form of ordering key cards and software credentials and drawing up contracts. The IT department has to open new user accounts and send usernames and passwords to the supervisors. The recruitment and initial training disrupts team supervisors' normal tasks for a couple of months and this time is taken away from coaching and observing the quality of other team members' work.

Staw (1980) also listed training and development costs among the consequences of employee turnover. In line with this argument the respondents mentioned the costs created when the service specialists train new employees and when the support persons are utilized to accompany the new advisors during their on-the-job learning period. Even after the initial training period the new employees typically continue to strain the support person resource more than more senior advisors for at least about six months.

The customer service manager saw the need to have a formal first-level support channel to be a direct consequence of turnover. Costs are also created when fewer cases can be solved by the first and second-level of support and have to be escalated further to experts who are more highly paid.

Negative effects not quantifiable in money were also mentioned. High turnover has adverse effects on atmosphere, mood and organizational culture as well as job satisfaction of those who remain. Turnover can lead to lower morale and to the feeling and belief that there is something wrong with the workplace. This was also suggested by Staw already in 1980. Since the adverse effects on job satisfaction of those who remain in the company is stronger if colleagues are perceived to leave for work-related reasons (Sheehan 1995), this can be noteworthy as a significant portion of the turnover in the case company is assumed to be due to work-related factors. The customer service manager interviewed also said that the motivation of team supervisors also decreases as turnover increases because the effects of long-term coaching are not observable.

Risks to the image and reputation of the company was mentioned by two of the respondents, if new employees give false information to customers. Sometimes a customer will need to be compensated for receiving false information or having to contact the company many times. Nowadays customers are fast to share their customer service experiences on the social media and negative experiences can travel far and fast. Therefore even if mistakes are made rarely, they are potentially more harmful to the reputation of the company than before the spread of social media.

After discussing turnover and its effects in general, the interviewees were asked to assess how employee turnover affects service quality. Turnover was seen to affect the quality of customer service in various, mostly negative ways. The respondents were given the chance to freely list any types of effects they considered turnover to have on service quality, but their answers here are organized under the themes of availability, substance and courtesy and will be presented next.

#### 4.3.4 Effects of turnover on availability

The negative effects of turnover on availability were mentioned by most respondents. The customer advisors who have worked for the company for less than five years have only two weeks' notice, while recruiting and training of new employees take considerably longer than that. At least three months typically pass between the recruitment decision and the point where the new employees can start working independently after the training period. When queues grow due to departures, remaining customer advisors get more stressed and tired which will negatively affect the quality of customer service they can produce. When queues increase after call work time also tends to go up because agents will take "breathing time" between calls. The increase in after call work time in turn leads to more queues and this can become a vicious circle. As mentioned, the company recruits ten to fifteen customer advisors at once so that the training process is efficient. This means the recruitment process is usually not started until at least five advisors have left. This leads to an extensive deficit in the advisor resource, before the new employees are recruited, trained and able to contribute to availability.

None of the respondents mentioned the need to have more choices in the voice menu due to turnover and having less experienced customer advisors answer the phone. When asked the two managers interviewed did however agree that having to add more choices to the voice menu is one consequence of turnover. The managers believe that customers are the happier, the fewer menus they encounter and that in an ideal situation there would be no voice menu at all. This is consistent with Bennington et al.'s study where they find that customers are irritated by complex phone systems (2000).

#### 4.3.5 Effects of turnover on substance of service

All of the respondents saw that turnover decreases quality of service when it comes to substance. New employees have less know-how, make more mistakes and can solve the customer's problems more slowly. In line with Ossel's (1998) views of service quality one of the service specialists used the term "internal quality" to describe adherence to

instructions and correctness of advice given to customers. He said that in his view turnover certainly lowers the internal quality of service. Most respondents also said that turnover can lower the first call resolution rate as new employees may be less successful at solving the customers' problems and communicating the solutions to customers.

The lack of experience lowers the ability of customer advisors to swiftly and fluently handle calls, use software and solve the customers' problems. A wide array of knowledge is demanded especially in a contact center of a bank. The new customer advisors have to resort to the help of the support persons more often than more experienced one, which can distort the image of expertise and quality perceived by the customer. One respondent noted that the internal help desk customers in particular may have higher expectations in terms of substance know-how, because they are more informed about processes and ask more detailed questions than the consumer customers. One of the respondents was worried that turnover lessens the amount of tacit and embedded knowledge that only originates from years of experience. Some problems only present themselves quite rarely and every exception cannot be documented in the instructions. In these situations it is problematic if everyone involved in solving a similar problem the last time has already departed the company.

One respondent said that the new customer advisors may be too helpful and exceed their authority in order to help the customer. From the company's perspective they can do "too much" and thus cause customers to have unrealistic expectations, which then are not met when the customer contacts the company next time. More senior advisors have a better understanding of when exceptions possibly can be made and may be better able to say "no" to the customer when it is necessary. One respondent on the other hand saw that newer employees with less substance related knowledge may be better able to communicate with customers because they may use less jargon and explain things better in a way customers understand.

#### 4.3.6 Effects of turnover on courtesy

In terms of overall quality and the social interaction with customers it is believed that turnover has both negative and positive consequences. The team supervisor interviewed said that those who have good interaction and communication skills usually produce high quality and receive good grades in the customer service survey right from the start of their employment. Friendliness and communications skills were seen to be crucial for producing high quality service and their importance was stressed by all of the respondents.

Many respondents argued that newer employees are more motivated, polite and willing to help customers. They are less cynical towards the customers, the work and the company and its products and more willing to do everything they can for the customer and to pass on feedback and new ideas for developing the products and processes. If senior advisors are not motivated and satisfied with their work they typically get lower results from the customer satisfaction survey than the new ones. The development managers said that the junior advisors usually make up for in enthusiasm and effort what they lack in terms of substance.

According to the customer service manager service quality suffers because of turnover, because the new customer advisors have not yet familiarized themselves closely with the service model. As mentioned above, stress and sense of urgency as queues increase and the overall drop in the atmosphere that turnover brings can cause the remaining customer advisors to be less friendly and helpful towards the customers. The customer service manager however had a strong opinion that communications skills and courtesy are more important for service quality than knowledge regarding substance matter.

#### 4.3.7 Summary of the findings

In this section the findings from the interviews are summarized and reflected with the existing research. In the following section the model of service quality in contact centers and the framework of the effects of turnover are extended on the basis of the

empirical findings. The findings from the interviews are for the most part in line with earlier research, as well as with the model of service quality and the framework of turnover effects formed in the theoretical part of this study. When contact center industry practitioners were asked to define service quality in the contact center setting, the themes of availability, substance as well as courtesy and communication skills repeatedly occurred in the answers. To summarize, [high] service quality in a contact center was perceived by the respondents to consist of reasonable queue time and after that the correct solution to the customer's inquiry given in a friendly and polite manner. A brief summary of the results from the interviews in relation to the service quality dimensions is provided in Table 2.

These themes brought up by the professionals are also present in the existing literature. For example Feinberg et al. (2000) find in their study that queue time, average speed of answer and abandonment rate – which are typical availability measures followed in contact centers – negatively affected customer satisfaction. All of the respondents also saw availability as a crucial part of high quality service and a requisite for high customer satisfaction. Bennington et al. (2000) in turn show that a complex telephone system is on a list of things that customers of a contact center find irritating and this is consistent with the view of the respondents that the customers value simple voice menus with only a few choices.

The substance of the service is also important for service quality. For the customer to get the right answer or solution to their problem is the reason they contact the company in the first place. In Grönroos's terms the substance dimension deals with the *technical quality* of the service, the outcome of the customer seeking, and the company providing the service (1984). In a contact center the first call resolution could be considered a measure of this technical quality and several authors have produced evidence that first call resolution positively affects customer satisfaction (Feinberg et. al 2000, Miciak & Desmarais 2001, Abdullateef et al. 2010). Other indicators of substance skills are reliability of advice and adherence to rules and regulations. The first is mentioned in Bennington et al.'s work as something the customers of a contact center value (2000)

where the second one is more related to the company's internal quality standards that is not necessarily directly linked to the customers' perception of service quality.

Service quality dimension	Key comments from the interviews regarding the definition of service quality	Key comments from the interviews regarding the effects of turnover
Availability (Feinberg et al. 2000, Bennington et al. 2000)	<p>"easy access"</p> <p>"reasonable queue times"</p> <p>"suitable service hours"</p> <p>"short response time"</p> <p>"sufficient availability"</p>	<p>"harms availability"</p> <p>"decreases availability and efficiency"</p> <p>"affects availability adversely"</p>
Substance (Feinberg et al. 2000, Miciak & Desmarais 2001, Abdullateef et al. 2010, Bennington et al. 2000, Ossel 1998)	<p>"professional, free of errors"</p> <p>"[the advisor] is able to resolve the issue"</p> <p>"the customer's problem understood and solved"</p> <p>"producing extra value to the customer"</p> <p>"efficiency and the internal view of quality also considered"</p> <p>"[the customer] gets the right information and the matter is solved on the first contact"</p> <p>"high quality selling, no overly pushy sales efforts"</p> <p>"[the advisor] gets good sales results"</p> <p>"includes sales efforts"</p> <p>"high quality sales efforts"</p>	<p>"increases [the amount of] mistakes"</p> <p>"decreases reliability"</p> <p>"can lead to new employees doig 'too much' for the customer and not knowing when to say 'no'"</p> <p>"leads to more mistakes and less cases solved on the first contact"</p> <p>"sales results deteriorate"</p> <p>"decreases the internal quality of service"</p> <p>"lessens the fluency of handling the service encounters and resolving the customers' issues"</p> <p>"newer employees do not master substance as well"</p>

		"decreases quality in terms of substance"
Courtesy (Benninton et al. 2000, Rafaeli et al. 2008)	"friendly" "[the advisor] has good communication skills. No 'nerds'." "[the advisor] listens carefully, shows empathy and takes responsibility of the service encounter" "contact handled according to the service process" "sincere, devoted, attentive, present in the moment" "listening and giving attention [to the customer]" "the customer feels s/he is appreciated" "friendly and individualized [service]"	"can improve friendliness and motivation" "new employees are less cynical about the work and the customers" "never employees can compensate [the lack of substance skills] with willingness to help, motivation and enthusiasm" "[turnover] an improve customer satisfaction because good, new hires often receive good results from the customer satisfaction survey from the beginning" "limits the development of service quality" "new employees are not familiar with the service process" "the overall mood drops which negatively affects interaction with the customers" "longer queues lead to more stress which lowers the quality produced"

Table 2. Summary of the interviews

While substance and availability are important dimensions of service quality in the contact center setting, high quality of service and high levels of customer satisfaction cannot be achieved without the last one of the three dimensions, courtesy and communication skills. This aspect includes friendly and caring tone and willingness to help as well as customer orientation. Bennington et al. (2000) show that friendliness and willingness to help positively affect customer satisfaction while Rafaeli et al. (2008) investigate the effect of customer oriented behavior on customer satisfaction and find that customer orientation in behavior and communication of the customer service representatives in a contact center increases customer satisfaction. The interviewees of this study seemed to think that the courtesy dimension is even more crucial to service quality and customer satisfaction than the substance dimension. Many of them shared a view that shortcomings regarding substance skills can be compensated with friendliness, sincerity and willingness to help the customer.

The effects of turnover on availability were seen to be mostly negative as there will be a shortage of employees to handle the calls which will lead to longer queue times and less satisfied customers. Longer queues will also create a sense of urgency and stress for the remaining customer advisors which can lead to less friendly and polite service and increased amount of mistakes. Availability suffers and the queue time increases especially during the time between employees quitting and the new employees hired to replace them being recruited and trained. The effects described by the interviewees of turnover on availability are a good example of turnover causing operational disruption to a company (Staw 1980).

In terms of substance, the effects of turnover were also believed to be mostly negative. It is obvious that a customer advisor who has worked in the company for only a short period of time cannot master all of the substance required to quickly solve the customers' problems. This is especially emphasized because of the environment of the financial industry where a broad variety of skills and knowledge is required. Returning to Figure 3 which, following Staw's (1980) suggestions, depicts the development of skills and on the other hand motivation of an employee, it can be assumed that the

substance skills of employees increase over time. The respondents seemed to agree with this line of thinking. It was also assumed that new employees have lower first call resolution than more senior ones. Interestingly this assumption did not receive strong support from the quantitative part of this study. One possible explanation could be the existence of a formal support channel in the case company. Although the customer advisor may not be able to independently resolve the majority of the contacts s/he receives, s/he may be able to do so with the help of the support person. Some positive effects of turnover within the dimension of substance were also mentioned. These were related to new employees being able to more clearly communicate solutions to customers because they do not yet have “too much” insight into the substance matter and may therefore be able to use simpler language.

Courtesy was the aspect of service quality where the effects of turnover were seen to be the most mixed. Many saw that more junior advisors’ enthusiasm can translate into more friendly and polite service. They put more effort into their work and have not yet become tired or cynical towards it like some of them may become over time. This would be in line with Staw’s (1980) argument about turnover potentially increasing motivation and performance of the organization. On the other hand newer employees can lack the experience of customer service and have not yet received coaching from their supervisors. They are less familiar with the service model and their calls usually therefore have less of a clear structure and the customer advisor may be less clearly in charge of the service encounter.

It was clear when the evidence from the interviews was reported and summarized that the dimensions in the service quality model overlap each other to some extent. Availability is more clearly its own entity whereas in the areas of substance and courtesy it is sometimes more difficult to place some attributes into only one category. Especially communicating with the customers can involve both substance and courtesy related aspects. Newer customer advisors may be able to speak more clearly and use less industry related jargon simply because they lack through knowledge of substance. On the other hand some senior employees may have better substance related problem-solving skills but are sometimes unable to clearly communicate the solution to the

customer. Asking a lot of questions from the customer is very important and here too the consequences of turnover can be mixed. On the other hand newer employees may not know what questions to ask the customer to solve their problem but more senior customer advisors in turn can make assumptions about the customer's problem based on their previous experiences, skip asking questions and then land at wrong conclusions about the customer's problem.

The respondents were asked whether they thought customer advisors who have been with the company for a longer time get better results from the customer satisfaction survey. Views on this were divided. Three respondents estimated that seniority does not particularly affect the results and that those who perform very well do so starting from the first months of their employment. One respondent could not say whether seniority affects results or not and one estimated that on the average more senior advisor may achieve slightly better results. On the other hand some of the respondents somewhat contradictorily said that those who get good results usually get them right from the beginning and that it is rare that there would be substantial improvement in an individual customer advisor's results over time.

It needs to be noted that many of the effects turnover has for the service company are not simply related to the new employees. Some may make the assumption that turnover is a negative phenomenon for service companies due to the fact that if turnover rate is high, the majority of the customer advisors delivering the service are rather new and that new employees perform worse than more senior ones and thusly turnover harms service quality. The reality is though, that many of the effects the informants brought up affect the service encounters of both junior and senior advisors. If availability suffers when many employees have left and new ones have not yet been hired, this will affect all the customers regardless of whether they are serviced by a new or an experienced advisor. The same is true for the effects turnover has on the general atmosphere and mood in the company and the stress generated by increased queues. The stress caused by working in a hurry or the drop in motivation and morale caused by the departure of a liked colleague will affect both junior and senior advisors alike. These affects can then cause negative effects for the courtesy and communications

skills dimension. The fact that some of the effects of employee turnover are specifically related to the new employees and some of them turn have collective consequences adds to the complexity turnover as a phenomena and makes investigating the effects of employee turnover a challenge.

#### **4.4 Extended service quality model and framework of the effects of turnover**

Based on the empirical research conducted for this study, the model of service quality and framework of the effects of employee turnover were revised and extended. The extensions are explained and justified in this section and the revised model and framework are presented.

When revising the model of service quality in contact centers, sales results were added as part of the substance dimension. Many of the respondents brought up sales results and their opinion was that selling and sales results are an important part of service quality. Returning once again to Ossel's (1998) view that service quality consists of things perceived important by customers as well as standards set by the company that produces the service, it is argued that sales results are an important part of service quality in contact centers. This argument was supported by the evidence from this study.

A revision was also made to the courtesy dimension of the model. Many respondents emphasized the importance of communication skills of the customer advisor to service quality and customer satisfaction. Clear and simple enough communication of solutions to the customer, listening carefully and asking a lot of questions and even adjusting the style, pace and tone of communication to those of the customer was seen as important as being friendly, polite and willing to help. This evidence led to renaming the courtesy dimension as *courtesy and communication skills*. Ability to understand the customer and explain solutions in a way the customer understands were added to the factors within the dimension. The extended service quality model is presented in Figure 7.

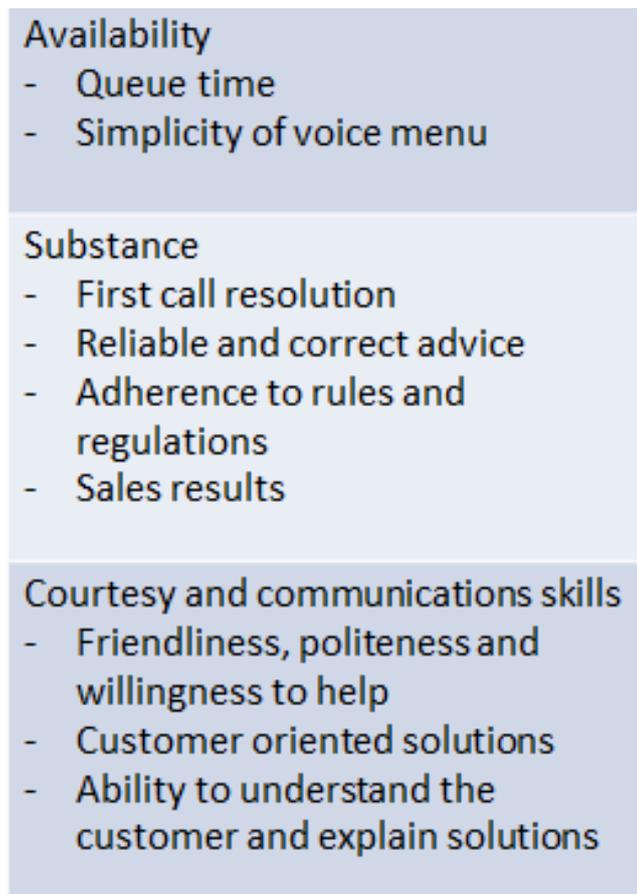


Figure 7. Extended service quality model for contact centers

The framework of the effects of turnover on service quality was extended to include the aspects that were added to the service quality model. For the sales results that were added to the quality model, evidence from the interviews shows that sales results suffer from employee turnover. New employees are less familiar with the service process and have received less coaching and therefore may also achieve poorer sales results. They also do not know the products they are supposed to sell as well as the more senior advisors and may therefore be afraid to start offering them to customers.

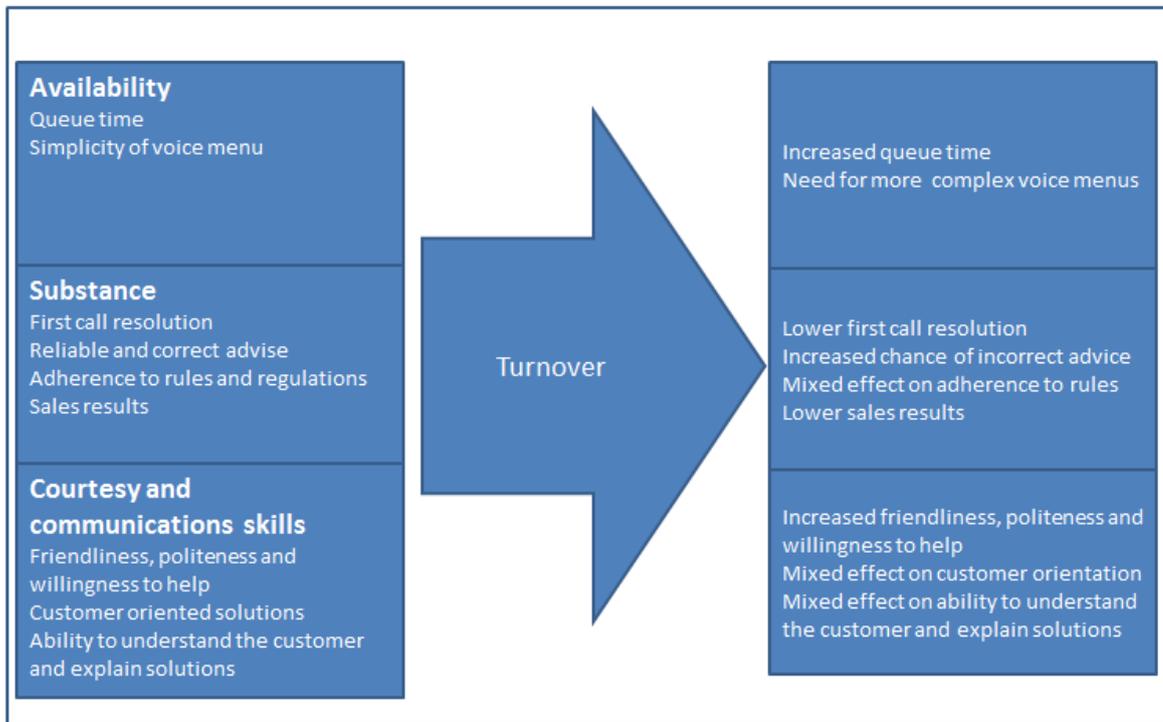


Figure 8. Extended framework of the effects of employee turnover on service quality

For the ability to communicate with the customer, the effects of turnover were seen to be both negative and positive. Employees who are new do not know what the customers typically need, how they tend to express themselves and how to clearly explain the solutions to the customers so that they understand them. Experience can thus help in communicating with the customer. In contrast newer employees can sometimes be better at listening to the customer because they cannot immediately guess what they are talking about and start solving the issue in their mind already. New employees may also be able to explain things to customers in a clearer manner because they have not become accustomed to using the jargon used in the industry or the company that is hard for the customer to understand. The extended framework of the effects of employee turnover on service quality is presented below in Figure 8.

## **5. CONCLUSIONS AND DISCUSSION**

In this chapter the findings of the study will be summarized and discussed and managerial implications as well as suggestions for further research offered. The existing literature was reviewed and a model of service quality as well as a framework of the effects of turnover was developed. The quantitative analysis conducted for this study showed that despite seniority having a statistically significant positive effect on the results a customer advisor received from the customer satisfaction survey, the effect was so weak that conclusive inferences about the effect of employee turnover on service quality cannot be made based on the analysis. Interviews were therefore conducted to further investigate the effects of turnover on service quality. The service quality model and the framework of the effects of turnover were then extended on the basis of the empirical findings of this study.

### **5.1 Conclusions**

The objective of this thesis was to investigate the effects employee turnover has on service quality in the contact center setting. For the study the existing service quality and contact center literature was reviewed. It was argued that it would be beneficial to develop a service quality model specific to the contact center environment because it seems logical that customers' expectations vary depending on the type of service. In a contact center and in general when services are provided over the phone, the queue time is an important factor in service quality and a prerequisite of high customer satisfaction. In other types of services queue time and availability may not be as influential on service quality. It was suggested that service quality in contact centers consists of the following aspects: availability, substance and courtesy. Empirical evidence from the interviews supported the model and it was also extended on the basis of the research conducted. The extended model was presented in section 4.4. The service quality model assists in evaluating service quality in a contact center and understanding what customers expect and appreciate.

In this study both service quality and customer satisfaction were discussed. Service quality was defined to be the broader one of the two concepts and include the internal perspective of the company and certain rules and standards set by it. Customer satisfaction on the other hand reflects only the customers' perspective and is evaluated subjectively by each customer. Sometimes there can be aspects of service quality that are contradictory to the customer's satisfaction, for example when a customer's request cannot be completed due to instructions or even law preventing it. For the most part though, it is assumed that high quality of service leads to high customer satisfaction. For this to be true, a company must understand what its customers want from the service. This can be difficult because, as mentioned, each customer evaluates service quality from a subjective point of view and two customers can actually expect different things from the service. Most customers will however have similar expectations and in order to fill them the company needs to know what its customers expect and set the majority of internal quality standards to match these expectations. Even with the appropriate quality standards and internal quality control – like the supervisors listening and evaluating calls – in place, the professionals interviewed stressed the importance of continuously measuring customer satisfaction by asking the customers directly, as the customer ultimately is the most important judge of service quality.

In the quantitative part of the study two hypotheses were tested. It was assumed that a customer advisor's seniority would be positively related to the grade customers give to the service encounter and to the first call resolution rate (FCR) and that turnover would be harmful to service as it leads to having less experienced customer advisors answering the calls. The data analysis showed a positive relationship but the effect of seniority on customer satisfaction was so small that its practical implications are minimal. These findings support the conclusion that effects of turnover on service quality are not straightforwardly negative, or that the case company has been able to effectively tackle the negative effects. A third possible explanation for the results is that the consequences of turnover are broader and more complex than the simple assumption that new employees perform worse than more senior ones would have us believe. To obtain a better understanding of the relationship of service quality and

employee turnover, qualitative methods were used and five contact center professionals were interviewed to gain access to their views of service quality and employee turnover.

The effects turnover has on the three dimensions of service quality – availability, substance and courtesy and communication skills – were investigated in the interviews conducted. Employee turnover was found to have mixed effects on service quality in contact centers. In other words, some of the effects are negative and some positive, and based on the evidence collected it could not be concluded whether the negative or positive effects are stronger. Effects on availability were mostly negative, as well as the majority of effects on the substance dimension. The courtesy aspect was where most variance in effects was recognized and many of the respondents saw that newer employees exhibit more polite and friendly manner of communicating with the customers.

As stated, it is difficult to make conclusive arguments about whether service quality is negatively or positively affected by employee turnover. It seems that some of the negative effects are offset by the positive effects turnover has especially on the courtesy aspect of the service and that employee turnover may not be as straightforwardly harmful to service quality as many may assume. It is of course possible that the case company has over the years established effective ways to deal with the negative effects of employee turnover and the effects are therefore less easily observed. Therefore the findings of this study need to be cautiously generalized to other contact centers and to be able to draw conclusions in a larger scale, the research should be repeated in other companies.

Even the effects of turnover on service quality are not perhaps as negative as many may think, it does however still create substantial costs for contact centers. The recruitment process and initial training take up a lot of the supervisors, managers, service experts, HR professionals and shift planners time. Even though contact centers may be able to alleviate the negative effects turnover has on service quality they are still likely to also engage in efforts to lower turnover because of these costs. Ways in

which the negative effects of turnover can be managed will be further discussed in the managerial implications section.

It is difficult to draw conclusions about which aspect of service quality is the most important. It should not perhaps even be attempted to determine which aspect is the most important but acknowledge that all three are crucial for providing high quality service and having satisfied customers. In the existing literature the importance of availability is emphasized and results from conducted research support those arguments. In the interviews conducted for this study the importance of courtesy and communications skills was stressed slightly more than the other two dimensions. It seemed that the interviewees shared a view that all customer advisors can be taught the substance related skills needed to solve the customers' issues – although some will learn slower than others – but that practice and coaching can only go so far as to improve the interpersonal skills of an advisor. To tackle the negative effects of turnover on service quality, contact centers need to place emphasis on the recruitment process and initial training. These issues will be discussed next in the managerial implications section.

To summarize, the main contributions of this study are twofold. First, the model of service quality for contact centers that was developed on the basis of existing theory and then extended based on the empirical findings offers assistance in evaluating or developing service quality in contact centers. The availability dimension of the model is fairly specific to contact centers but the dimensions of substance and courtesy and communication skills may be generalizable also to other types of services. Second, the framework of the effects of employee turnover on service quality contributes to the understanding of how employee turnover affects the three dimensions of service quality in contact centers.

Turnover was found to have mostly negative effects on availability and substance, and both negative and positive effects on courtesy and communications skills. These negative effects are not clearly evident from the quantitative part of the study where seniority was found to have only a very weak positive effect on customer satisfaction.

Three possible explanations for this were identified. First, the positive effects of turnover may serve to offset the negative effects to some extent. Secondly, it was identified during the research (see section 4.3.7) that while some of the effects of employee turnover are related to the skills of new advisors, others affect all of the employees in an equal manner. Thirdly, it is possible that the case company has found ways to effectively tackle the negative effects employee turnover has on service quality. The ways in which companies can lessen the negative consequences of turnover for service quality are discussed in the managerial implications section below.

## **5.2 Managerial implications**

This study was conducted in the contextual environment of the contact center industry and the service quality model used to understand quality and evaluate the effects employee turnover has on it was developed specifically for contact centers. Therefore the findings and conclusions will be especially interesting for the managers of contact centers. However, if the availability dimension of the service quality model is omitted, the findings can, with some caution, be used to evaluate the effects of employee turnover on other types of services as well.

Contact centers that are run in a modern and efficient manner usually face fairly high levels of turnover, which creates costs and potentially adversely affect service quality. The big question for contact centers is whether to try to minimize the turnover or do find ways to manage the negative effects of it and on the other hand also benefit from the positive consequences turnover also has. The evidence from this study suggests that the answer would be: both. As authors like Dalton and Todor (1979) and Abelson and Baysinger (1984) suggest there probably is an optimal level of turnover where the cost of turnover and the costs of minimizing turnover meet. It may be hard to objectively estimate exactly what level of turnover that will be but contact centers should perhaps try to form some view of this.

Where employee satisfaction can be improved and consequently turnover lowered with small changes that are cost effective, it should be done. Some efforts aimed at improving employee satisfaction can be easy and cost effective to carry out. Offering small gifts and organizing parties or other events every now and then can contribute to employee satisfaction. Transparency of decision-making and communication as well as giving attention to the employees' ideas and suggestions can help them feel appreciated, which usually leads to higher job satisfaction. When considering efforts to increase employee satisfaction, it is good to keep in mind that job satisfaction, not only actual turnover, probably has implications for service quality, although these effects are outside the scope of this study.

Attention should also be paid to the profile of employees hired. If mainly students and young people in general are hired it is likely that they will, move, start studying or graduate and leave the company. The possibility of hiring slightly older employees or people with some other different profile could be explored to see if that could lower turnover. Finding people who can cope with the realities of contact center work and who enjoy interacting with customers will also be useful to manage turnover. Candidates with work experience from contact centers are probably better aware of the realities of work in a contact center. Recruitment ads and interviews should also give the candidates a realistic idea about the nature of the work so that they will have right kind of expectations when they start their work.

On the other hand contact center managers should probably also acknowledge that there will always be some turnover. Managing a contact center so that availability is good and costs remain reasonable will probably always require measures that are somewhat contradictory to employee job satisfaction and this is reflected by the fact that contact centers see turnover rates that are higher than in many other industries. When a level of turnover that the company perceives to be optimal is achieved, the next step for managers is to consider how to minimize the negative effects the remaining turnover has on service quality. This also has implications for the recruitment process which should be as effective as possible to find individuals with potential to produce high quality customer service. As turnover is sometimes difficult to preempt and its

consequences for availability are immediate and negative, there is a need to be able to carry out the recruitment process in a timely manner. Standardized recruitment ads and selection procedures help to do this. Since ensuring availability is first and foremost in the hands of the company and since the substance matter can usually be taught to new employees, the courtesy and communication skills should be focused on. This can however be a balancing act as – as discussed earlier – the best new hires seem to be those who will depart within a year or two whereas more average performers are less likely to quit quickly. Some type trade-off regarding the desired skill level may be necessary.

As for the substance matter, the recruitment process does not play as important a role. It would of course be beneficial to the company to hire people who are quick to learn new skills. It is however quite difficult to evaluate this in an interview and people will inevitably learn at different paces. It is thus important for contact centers to create circumstances in which learning and successfully resolving the customers' issues is made as easy and efficient as possible. Experiences from this study indicate three things to be important here: training, instructions and support.

The initial training is a substantial investment for contact centers and it needs to be made sure that it supports the new customer advisors in obtaining sufficient substance skills and an understanding of what is expected in terms of courtesy as efficiently and quickly as possible. Class room trainings are not a very efficient way to learn especially when it comes to learning to use software and solve real problems the customer advisors face. Guided on-the-job learning typically yields results faster and enhances not only the skills but also the confidence of new employees. It needs to be accepted and also communicated to the new customer advisors that mistakes will happen in the beginning and that it is acceptable and even necessary to make some mistakes during the learning process.

In contact centers where the knowledge base necessary to perform the work is extensive, one prerequisite for new employees quickly absorbing knowledge and in fact to consistency of service in terms of the substance in general is that there are clear

instructions. The quality of instructions in the case company is recognized as one of the key factors that enable high quality service despite turnover. Instructions need to be clear and constructed in a way that newer employees with less background information can utilize them. Instructions need also to be up to date and have to be organized in a way that they can easily and quickly be found and read even while an advisor is talking on the phone with a customer.

No matter how well the instructions are written, updated and organized there will always be situations where support is needed by new and sometimes even more experienced employees. If support is not available in an organized manner, informal requests for support can lead to a small scale-chaos especially in larger or growing contact centers. If employees ask for help from the nearest available colleague it will have negative implications for availability and job satisfaction. Where there are strict goals for after call work employees can be unwilling to help colleagues and if they do help, they fail to meet these goals and availability and efficiency will suffer. Also consistency of the service will be negatively affected if there are many informal support channels from which employees seek help.

Arranging a formal support channel – or first-level support – will improve efficiency and also make it possible for the number and type of support request to be reported and followed. If there are repeated support request dealing with a certain type of matter, instructions can be improved and/or trainings organized concerning that matter. Sufficient support will improve service quality by ensuring that hold time will be reasonable and that customers will get the right answers. It is also important for employees' job satisfaction and confidence. On the other hand support that is always easily available can lead lower motivation of the customer advisors to look for instructions and arrive at solutions independently. Also here a certain balance needs to be found between offering support and encouraging the advisors to make independent decisions and fully utilize the instructions available. An excessive amount of support requests will increase costs and decrease efficiency.

Forecasting contact volumes and staffing are important in any contact center so that sufficient availability can be ensured. Preemptive hiring can decrease the negative effect employee turnover has on availability by helping to avoid a situation where many customer advisors have departed and new ones are yet to be hired and trained. If the level of turnover in a contact center is fairly stable new employees can be hired and training started already before equal amount of employees has left. This will help to prevent occasions where availability is poor solely because of lack of agents. As Bennington et al (2000) suggest, companies should to some extent also strive to manage the demand their contact centers face to ensure sufficient availability. If possible, marketing campaigns or other actions that potentially create more contacts could be postponed if the contact center is already facing long queues. In this case encouraging the customers to contact the company can be short-sided, as even if the customer's reaction is a desired outcome of a marketing campaign for example, staying in the queue for a long time or not getting through at all can lead to dissatisfaction.

Turnover was found to also have positive effects on service quality especially in terms of courtesy. Ways in which these positive effects can better be utilized should be considered. For example sales techniques or clever ways to calm an angry customer that some advisors utilize can be shared through benchmarking or listening to call recordings in a group. Ideas new employees may have on how to improve ways of working should also systematically be collected and acted on to make full use of the positive aspects of turnover.

### **5.3 Suggestions for further research**

There are still many gaps regarding research on the consequences of turnover. While the financial consequences of turnover have been investigated to some extent there is far less research on how turnover affects other types of measures of organizations' performance. Turnover literature could benefit from more research on the effects turnover has on customer satisfaction and service quality. This study could not

satisfactorily comment on whether more of the effects are negative or positive but other types of research methods could probably shed more light on that issue.

As most studies in the field of consequences of turnover are quantitative it is suggested that more qualitative should be conducted to explore how employee turnover affects companies and their performance and how negative consequences can be managed and positive consequences utilized. Qualitative research approaches could assist in identifying potential benefits of turnover.

The field could also benefit from further investigation into the relationship of seniority and performance on the level of individuals to answer the question of whether more senior employees perform better than more junior ones or not. Following the views of Staw (1980) it is possible that an optimal tenure could be determined for a company or an industry. This optimal tenure would be the point where the performance of the employee is at its peak. Staw's arguments (depicted in Figure 3) suggest that such optimal tenure might exist where the declining motivation line and the increasing skill line meet. It could be interesting to both researchers and managers to find models to identify this optimal tenure for each organization and learning how to make sure employees stay on their best performance level longer.

Something that managers in high turnover environments are interested in is knowing when new employees have so to speak "earned back" the investments in recruitment and training, meaning what is the break-even point where the new employee has profited the company an equal amount that the recruitment and training of that employee have cost; and of course how this time could be minimized. Research could address this problem of the practitioners.

As employee turnover is a fairly complex phenomenon it is probably never possible to solve the mystery of whether turnover has more negative or positive effects or what level of turnover is optimal. Its effects will always be dependent on who leaves, when and from which position and the context of the company, geographical location and

economic situation in which turnover happens. Practitioners will however continue to be interested in managing turnover because of its costs and perceived negative effects.

Service quality in contact centers – and more generally in different types of service settings – also deserves more attention in research. Contact centers measure quality by internal measures and standards and by asking their customers how satisfied they were. The field could however benefit from more insight into what customers expect and appreciate and whether there is theoretical base for the measures utilized. The importance of the three aspects of service quality in relation to each other could be tested by asking customers what aspects are the most important. Understanding of service quality and the determinants of customer satisfaction in contact centers could also benefit from an approach where researchers rate service encounters on a predetermined criteria and then test how their assessment of quality relates to customer satisfaction.

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Deloitte Consulting LPP 2013. 2013 Global contact center survey results. <http://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/us-sdt-consulting-2013-global-contact-survey-051513.pdf>, accessed 8.3.2016

The CIA World Factbook, <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/xx.html>, accessed on 19.4.2016

#### Interviews:

Respondent 1, Service specialist. Case company, Helsinki 2.10.2015 9.00 am

Respondent 2, Customer service manager. Case Company, Helsinki 5.10.2015 9.00 am

Respondent 3, Service Specialist. Case Company, Helsinki 8.10.2015 12.00 am

Respondent 4, Development manager. Case Company, Helsinki 9.10.2015 9.00 am

Respondent 5, Team supervisor. Case Company, Helsinki 13.10.2015 9.30 am

## **Appendices**

### **Appendix 1. Interview questions**

#### **Original Finnish questions:**

Millaista on mielestäsi laadukas asiakaspalvelu contact centerissä?

Onko henkilöstön vaihtuvuus yrityksessäsi ongelma?

Millaisia haittoja ja kustannuksia vaihtuvuus aiheuttaa?

Uskotko että vaihtuvuus vaikuttaa yrityksesi tarjoaman asiakaspalvelun laatuun ja miten?

Voiko vaihtuvuudella olla positiivisia vaikutuksia?

Saavatko pidempään töissä olleet parempia asiakastytyväisyystutkimuksen tuloksia?

Voiko palvelun laatua mitata pelkästään asiakkaalta kysymällä?

#### **English translations:**

How would you define good quality of service in a contact center?

Is employee turnover a problem in your company?

What negative effects and cost employee turnover causes to your company?

Do you believe that employee turnover affects the quality of customer service and how?

Can employee turnover have positive effects?

Do you believe that those who have worked in the company for a longer time get better results from customer service surveys than those who have less seniority?

Can the quality of service be measured only by asking the customers?

## Appendix 2. Results of data analysis from Stata 13 software

```

1 . do "/var/folders/4h/dty7vhjx6dzbhymk5wf1ls80000gn/T//SD02935.000000"
2 . import excel "/Users/YEBelai/Desktop/DATA.xlsx", sheet("Combined Data") firstrow clear
3 . describe Grade FCR Seniority

```

variable name	storage type	display format	value label	variable label
<b>Grade</b>	double	%14.2f		<b>Grade</b>
<b>FCR</b>	double	%6.4f		<b>FCR</b>
<b>Seniority</b>	byte	%10.0g		<b>Seniority</b>

```

4 . sum Grade FCR Seniority GradeSq

```

Variable	Obs	Mean	Std. Dev.	Min	Max
Grade	2121	8.631226	.6642495	1	10
FCR	2152	.8586223	.0986483	.25	1
Seniority	3636	24.01815	17.20486	0	98
GradeSq	2121	74.93908	10.67392	1	100

```

5 . tsset Employee Month
   panel variable: Employee (strongly balanced)
   time variable: Month, 1 to 33
   delta: 1 unit

```

```

6 . xtsum Grade Grade Seniority

```

Variable		Mean	Std. Dev.	Min	Max	Observations
Grade	overall	8.631226	.6642495	1	10	N = 2121
	between		.3941534	7.15	10	n = 154
	within		.6182902	1.840133	10.55623	T-bar = 13.7727
Grade	overall	8.631226	.6642495	1	10	N = 2121
	between		.3941534	7.15	10	n = 154
	within		.6182902	1.840133	10.55623	T-bar = 13.7727
Senio-ty	overall	24.01815	17.20486	0	98	N = 3636
	between		15.86586	.5	82	n = 155
	within		8.63133	8.018152	40.01815	T-bar = 23.4581

10 . regress Grade Seniority

Source	SS	df	MS			
Model	.435198173	1	.435198173	Number of obs = 2050		
Residual	832.282601	2048	.406387989	F( 1, 2048) = 1.07		
Total	832.717799	2049	.406402049	Prob > F = 0.3009		
				R-squared = 0.0005		
				Adj R-squared = 0.0000		
				Root MSE = .63749		

Grade	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Seniority	.0009259	.0008948	1.03	0.301	-.0008288	.0026806
_cons	8.619516	.0226884	379.91	0.000	8.575022	8.664011

12 . regress FCR Seniority

Source	SS	df	MS			
Model	.052048261	1	.052048261	Number of obs = 2077		
Residual	19.2659225	2075	.009284782	F( 1, 2075) = 5.61		
Total	19.3179707	2076	.009305381	Prob > F = 0.0180		
				R-squared = 0.0027		
				Adj R-squared = 0.0022		
				Root MSE = .09636		

FCR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Seniority	.0003158	.0001334	2.37	0.018	.0000542	.0005774
_cons	.8528242	.0034041	250.53	0.000	.8461484	.8595

17 . manova Grade FCR = Seniority

Number of obs = 2045

W = Wilks' lambda      L = Lawley-Hotelling trace

P = Pillai's trace      R = Roy's largest root

Source	Statistic	df	F(df1, df2) =	F	Prob>F
Seniority	W	0.8842	88	176.0 3910.0	1.41 0.0004 e
	P	0.1192		176.0 3912.0	1.41 0.0004 a
	L	0.1271		176.0 3908.0	1.41 0.0004 a
	R	0.0769		88.0 1956.0	1.71 0.0001 u
Residual		1956			
Total		2044			

e = exact, a = approximate, u = upper bound on F

21 . ttest Grade, by(Senioritydummy)

Two-sample t test with equal variances

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
Junior	476	8.557695	.0254613	.5555007	8.507664	8.607726
Senior	1574	8.662191	.0165987	.6585305	8.629633	8.694749
combined	2050	8.637927	.0140799	.6374967	8.610315	8.66554
diff		-.1044959	.0332745		-.1697513	-.0392405

diff = mean(Junior) - mean(Senior) t = -3.1404  
 Ho: diff = 0 degrees of freedom = 2048

Ha: diff < 0 Ha: diff != 0 Ha: diff > 0  
 Pr(T < t) = 0.0009 Pr(|T| > |t|) = 0.0017 Pr(T > t) = 0.9991

22 . ttest Grade, by(Senioritydummy) unequal

Two-sample t test with unequal variances

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
Junior	476	8.557695	.0254613	.5555007	8.507664	8.607726
Senior	1574	8.662191	.0165987	.6585305	8.629633	8.694749
combined	2050	8.637927	.0140799	.6374967	8.610315	8.66554
diff		-.1044959	.030394		-.164146	-.0448458

diff = mean(Junior) - mean(Senior) t = -3.4380  
 Ho: diff = 0 Satterthwaite's degrees of freedom = 914.654

Ha: diff < 0 Ha: diff != 0 Ha: diff > 0  
 Pr(T < t) = 0.0003 Pr(|T| > |t|) = 0.0006 Pr(T > t) = 0.9997

28 . xtreg Grade Seniority, be i(Employee)

```

Between regression (regression on group means)  Number of obs      =      2050
Group variable: Employee                    Number of groups   =      154

R-sq:  within = 0.0056                        Obs per group: min =      1
        between = 0.0043                       avg =             13.3
        overall = 0.0005                       max =             33

sd(u_i + avg(e_i.))= .3901815                F(1,152)           =      0.66
                                                Prob > F           =      0.4167

```

Grade	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Seniority	.0015132	.0018582	0.81	0.417	-.0021579	.0051844
_cons	8.590724	.0440163	195.17	0.000	8.503761	8.677687

```
32 . estimates store fixed
```

```
33 . xtreg Grade Seniority, re i(Employee)
```

```

Random-effects GLS regression                Number of obs      =      2050
Group variable: Employee                    Number of groups   =      154

R-sq:  within = 0.0056                        Obs per group: min =      1
        between = 0.0043                       avg =             13.3
        overall = 0.0005                       max =             33

corr(u_i, X) = 0 (assumed)                    Wald chi2(1)       =      4.96
                                                Prob > chi2        =      0.0259

```

Grade	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Seniority	.0027538	.001236	2.23	0.026	.0003313	.0051764
_cons	8.577005	.033405	256.76	0.000	8.511532	8.642477
sigma_u	.22625216					
sigma_e	.61204248					
rho	.12022479	(fraction of variance due to u_i)				

36 . estimates store random

37 . hausman fixed random

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fixed	(B) random		
Seniority	.0015132	.0027538	-.0012406	.0013875

b = consistent under Ho and Ha; obtained from xtreg  
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V\_b-V\_B)^(-1)](b-B)  
= 0.80  
Prob>chi2 = 0.3712

39 . xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

Grade[Employee,t] = Xb + u[Employee] + e[Employee,t]

Estimated results:

	Var	sd = sqrt(Var)
Grade	.406402	.6374967
e	.374596	.6120425
u	.05119	.2262522

Test: Var(u) = 0

chibar2(01) = 108.38  
Prob > chibar2 = 0.0000

49 . xtreg FCR Seniority, be i(Employee)

```

Between regression (regression on group means)   Number of obs   =   2077
Group variable: Employee                       Number of groups =   154

R-sq:  within = 0.0016                           Obs per group: min =    1
        between = 0.0477                          avg =   13.5
        overall = 0.0027                          max =   33

                                                F(1,152)       =   7.62
sd(u_i + avg(e_i.))= .0683413                    Prob > F       =   0.0065

```

FCR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Seniority	.0008993	.0003259	2.76	0.006	.0002555	.0015432
_cons	.8327817	.0077132	107.97	0.000	.8175427	.8480207

53 . estimates store fixed

54 . xtreg FCR Seniority, re i(Employee)

```

Random-effects GLS regression                 Number of obs   =   2077
Group variable: Employee                     Number of groups =   154

R-sq:  within = 0.0016                           Obs per group: min =    1
        between = 0.0477                          avg =   13.5
        overall = 0.0027                          max =   33

                                                Wald chi2(1)   =   5.96
corr(u_i, X) = 0 (assumed)                      Prob > chi2    =   0.0146

```

FCR	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Seniority	.0005018	.0002055	2.44	0.015	.0000991	.0009045
_cons	.8470715	.0059963	141.27	0.000	.8353189	.858824
sigma_u	.04837028					
sigma_e	.09379465					
rho	.21007978	(fraction of variance due to u_i)				

57 . estimates store random

58 . hausman fixed random

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fixed	(B) random		
Seniority	.0008993	.0005018	.0003975	.0002529

b = consistent under Ho and Ha; obtained from xtreg  
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V\_b-V\_B)^(-1)](b-B)  
= 2.47  
Prob>chi2 = 0.1161

60 . xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

FCR[Employee,t] = Xb + u[Employee] + e[Employee,t]

Estimated results:

	Var	sd = sqrt(Var)
FCR	.0093054	.0964644
e	.0087974	.0937946
u	.0023397	.0483703

Test: Var(u) = 0

chibar2(01) = 26.21  
Prob > chibar2 = 0.0000