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Complexity of internal services: Scale development and validation

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ABSTRACT

Today, internal processes and procedures are often complex to manage and coordinate. Since these internal procedures and the resulting internal services have an essential impact on a firm's success, addressing the problem of growing complexity is important. Although scholars agree that complexity is a core feature in organizations, its impact on the internal service encounter remains largely unexplored. Since internal customers may face difficulties in judging complex internal services, they may experience lower satisfaction, which in turn negatively influences a firm's success. Hence, to ensure internal customer satisfaction, it is important to know how to maintain internal service complexity at a moderate and thus manageable level. Therefore, an instrument for measuring internal service complexity is developed and validated. Additionally, complexity benefits and costs are analyzed. Finally, a non-linear relationship between internal service complexity and internal customer satisfaction is established. Based on these results, a three-step complexity management process is proposed.

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1. Introduction

Despite the importance of internal services (Bruhn, 2003; Ehrhart, Witt, Schneider, & Perry, 2011), marketing and management scholars know little about coordinating and efficiently providing internal services across employee and business units (Chen, 2013; Nazeer, Zahid, & Malik, 2014). In this regard, a key feature of internal service encounters is that internal processes are often complex to manage and coordinate (Benedettini & Neely, 2012). Hence, complexity in the internal service encounter, comprising services which employees (internal customers) receive from their colleagues (internal suppliers) in their attempts to deliver quality service to external customers, is far more than an incidental feature for overall business success (Johnston, 2008). Although scholars agree that growing complexity within firms plays an essential role (Espinosa, Harnden, & Walker, 2007), its emergence in internal service encounters and especially its impact on internal customer service perceptions, remains largely unexplored. Hence, relatively little is known about how firms can and should deal with the inevitable complexity of internal services. Yet, this research gap deserves close attention, because the problem of growing complexity in internal service encounters represents an important organizational issue (Narayanan, Jayaraman, Luo, & Swaminathan, 2011).

Emerging complexity might attributed to a large number of features (e.g., internal services, required internal suppliers) that do not interact in a straightforward manner with each other (Mikolon, Kolberg, Haumann, & Wieseke, 2015). Thus, in internal service encounters, perceived internal service complexity is far more than an incidental feature.

First, since internal customers (in contrast to external ones) have little or no decision making autonomy in choosing between internal suppliers (Brandon-Jones & Silvestro, 2010), they may face high interdependencies when dealing with their internal suppliers. For example, sales staff generally has to contact one and the same IT-employee, whenever there is a need for complicated technical advice with respect to new customer-relationship-management software. Second, internal customers are familiar with and knowledgeable about internal services (Marshall, Baker, & Finn, 1998). Thus, in close relationships with their internal suppliers, they receive highly customized solutions, since they themselves work on the provided internal services (Brandon-Jones & Silvestro, 2010). For example, client-facing consultants depend on different business analytics teams, which provide highly customized and demanding analyses. Client-facing consultants thus have to coordinate a large amount of varied and complex information in order to provide a consulting service. This high level of personal interaction and professionalism implies that internal customers, in contrast to external customers, do not merely passively receive internal services (Brandon-Jones & Silvestro, 2010). In addition, they are influenced less by high-expectations (Marshall et al., 1998). These realities may result in different service perceptions, as well as different service-complexity evaluations between internal and external customers. Hence, an analysis of complexity in the internal service encounter appears to be quite essential.

This is also due to the fact that high internal service complexity may hamper the internal service encounter and the final service provision process for external customers, because internal customers may have difficulties in understanding and evaluating these complex internal services. Effectively working on such services is thus challenging and as a consequence, internal customers may evaluate internal services unfavorably, and experience low satisfaction within the internal service

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encounter. This unfavorable outcome may then in turn, negatively influence a firm's overall success (Bruhn, 2003). Hence, a relevant question is how internal service complexity, as perceived by internal customers, may be measured in order to find ways to keep it at a moderate and thus manageable level for internal customers, so as to ensure internal customer satisfaction.

The present study is a first attempt to address this question. To this end, the factors constituting internal service complexity, as perceived by internal customers, are derived. In so doing, this study first reviews the literature relating to complexity conceptualization and then reports the results of a qualitative study that was used for identifying the dimensions of internal service complexity. Then, in six steps, a valid and reliable scale is developed to measure internal service complexity.

Accordingly, this investigation makes two new and unique contributions to services marketing and management literature. First, this study is the first to consider internal service complexity as perceived by internal customers. The findings reveal perceived internal service complexity to be a four-dimensional second-order construct. This finding extends previous investigations on the content and nature of complexity in organizations (Liu & Li, 2012; Walker, Stanton, Salmon, Jenkins, & Rafferty, 2010), by providing a reliable and valid scale for measuring internal service complexity. Second, the study identifies the benefits and costs of perceived internal service complexity. In this context, an optimized level of internal service complexity, with regard to internal customer satisfaction, is demonstrated empirically. This particularly new finding negates the assumption of a linear relationship between complexity on the one hand, and employee attitudes and behavior on the other. Therefore, this work extends previous research by demonstrating that internal service complexity which is excessively high, lowers internal customer satisfaction. However, a moderate level of internal service complexity maximizes internal customer satisfaction. Thus, the study should help firms which use this scale to manage internal service complexity optimally.

2. Research background

2.1. Service complexity conceptualization within the service marketing and management literature

Before reviewing the service marketing and management literature on internal service complexity, it is necessary to distinguish between

the two perspectives of subjective and objective internal service complexity. (Liu & Li, 2012; Maynard & Hakel, 1997). Internal service provision can be objectively complex, since different internal suppliers render a multitude of heterogeneous service components. However, the internal customer may not perceive it as complex. Since this study deals with internal customers' internal service complexity perceptions, subjective complexity is examined.

Bearing these considerations in mind, a literature review of internal service complexity was conducted. In this context, the ultimate aim of this review is to find out more about its nature and content, that is, to identify its constitutive features. However, since the literature apparently offers no specific research on internal service complexity, this study analyzes work on complexity in related research fields in the service marketing and management literature, concentrating on a clearly defined and conceptualized subjective complexity construct (for an overview of all analyzed research work see the Appendix A). In this context, the analyzed literature is classified into four categories (see Fig. 1). The categorization constitutes a view on complexity (internal or external) as well as on the judgment of complexity (customer or supplier).

In the first research field, studies focus on service complexity as perceived by external customers. The aim here is to gain insights into the complexity construct from an external customer perspective and transfer these to the internal service encounter. Thereby, service complexity as perceived by external customers is a concept mainly introduced in studies on consumer choice complexity (Kallinikos, 2005; Mikolon et al., 2015; Reynolds & Ruiz de Maya, 2013) or is related to consumers' risk perceptions (Hobday, Rush, & Tidd, 2000). In sum, besides uncertainty in evaluating services (Devlin, 2007; Devlin & Ennew, 1997; Gabbott & Hogg, 1994), which may be conceptualized as consequence of service complexity, rather than a complexity-constituting factor, multiplicity and diversity of partial services or front-line employees are captured as major complexity characteristics in this research field (Danaher & Mattsson, 1998; Easton & Pullman, 2001; Kreye, Roehrich, & Lewis, 2014; Moon, Lee, & Chang, 2013; Price, Arnould, & Tierney, 1995).

In the second category, studies are analyzed which concentrate on the organizational consequences of a complex service offering. In this context, the final aim is to gain deeper insights into complexity constituting factors especially within organizations. Analyzed research fields in this context include service organization, structure, systems, networks, and innovation, in order to gain deeper insights into organizational

	Customer perspective		Supplier perspective
Internal perspective	<u>Complexity of internal services perceived by internal customers</u>	<u>Task complexity</u>	
	Our research paper	Studies focusing on service complexity perceived by external customers	
External perspective	<u>Complexity of services perceived by external customers</u>	<u>Complexity management in organizations</u>	
	Studies focusing on the structure of tasks performed by employees	Studies focusing on how company strategies and management decisions determine the service complexity (research fields: service organization, service structure, service systems, service networks, service innovation)	
	Danaher and Mattson (1998) Devlin (2007) Devlin and Ennew (1997) Easton and Pullman (2001) Gabbott and Hogg (1994) Hobday et al. (2000)	Kallinikos (2005) Kreye et al. (2014) Mikolon et al. (2015) Moon et al. (2013) Price et al. (1995) Reynolds and Ruiz de Maya (2013)	Araujo and Spring (2006) Bitner et al. (2008) Briscoe et al. (2012) Choi et al. (2001) Hyötyläinen and Möller (2007) Lönnqvist and Laihonen (2012)
		Man and Lam (2003) Oliveira-Castro et al. (2012) Park et al. (2008) Topi et al. (2005) Wood (1986) Zigurs and Buckland (1998)	Patricio et al. (2011) Polese et al. (2014) Shostack (1987) Simon and Usunier (2007) Skaggs and Huffman (2003) Tien (2008)

Fig. 1. Categorization of previous research on complexity.

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