# Managing service quality in high customer contact B2B services across domestic and international markets

Nadia Pomirleanu [a,*], Babu John Mariadoss [b], Pavan Rao Chennamaneni [c]

[a] Department of Marketing and International Business, Lee Business School, University of Nevada, Las Vegas, 4505 S. Maryland Parkway, Las Vegas, NV 89154, USA
[b] Department of Marketing and International Business, Carson College of Business, Washington State University, Pullman, WA 99164-4750, USA
[c] Department of Marketing, College of Business and Economics, University of Wisconsin—Whitewater, Whitewater, WI 53190-1790, USA

## ARTICLE INFO

## ABSTRACT

This research aims to examine the nature of the moderating influence of empowerment on the effect of service training and internal marketing on service quality in a high customer contact B2B setting, and to investigate the differential effects of internal marketing, service training, and empowerment on service quality across domestic and international operations. Data from 880 customer-contact employees show several direct and interaction effects. Our analysis shows that the three focal variables, internal marketing, service training and empowerment positively relate to service quality. Our results support a positive moderating influence of empowerment on the relationship between internal marketing and service quality, and between service training and service quality. Finally, our hypotheses for the moderating influence of type of service operations (domestic/international) on the effect of internal marketing and service training on service quality were also supported. Our results suggest that offering service employees the skills, ability and power to do their job is essential in both domestic and international operations, and also helps maximize the effects of a firm's internal marketing efforts and service training. Overall, the findings inform managers as to how their employee focused strategies for service quality can be managed effectively across domestic and international markets.

© 2015 Elsevier Inc. All rights reserved.

## 1. Introduction

Although the ability of front line employees to take initiative and be proactive has been viewed as critical in ensuring service quality (Frese & Fay, 2001; Parker, Williams, & Turner, 2006), recent surveys (e.g., Gallup, 2013) have shown that a large proportion of service employees exhibit the very low levels of customer engagement, and also do not know what their company stood for, or its vision and values, indicating the importance of training and internal marketing in achieving customer engagement, and delivering service quality. Past research suggests that during difficult times, marketing managers resort to adopting customer value strategies to ensure survival and growth (Flint, Woodruff, & Gardial, 2002; Gale, 1994; Hamel & Prahalad, 1994; Woodruff & Gardial, 1996). While service quality is an important avenue for customer value creation (Bell & Menguc, 2002), service employees' interactions with customers is key to determining the level of service quality offered by boundary-spanning personnel (e.g., Hartline & Ferrell, 1996; Vroman & Luchsinger, 1994; Zeithaml, Pasuraman, & Berry, 1990).

The importance of employee–customer interaction is especially critical in high contact service industries (e.g., call centers, hospitals, consulting, legal services, hospitality industry, etc.). High contact services, where customers directly interact with the service workers for an extended period, are characterized by high levels of communication time, intimacy of communication, and richness of information exchanged (Kellogg & Chase, 1995). While the literature has addressed issues of service quality in high contact services where direct customers are involved, little research has examined B2B service situations where firms provide customer service to indirect customers. A firm is said to provide service to indirect customers when its employees interact with customers of its clients, such as those situations that exist in dealer service centers, business process outsourcing, call centers, etc. The literature abounds with research on service quality in B2C situations, yet we do not know the nature of the effect of such employee oriented strategies on service quality in case of firms providing service to indirect customers.

In addition, while much of the extant research on enhancing customer service has focused on topics such as innovating, managing and optimizing service systems (e.g., Kumar & Telang, 2011), the role of employee-specific strategies has recently attracted special attention (Feng, Wang, & Prajogo, 2014). Past research has consistently called for comprehensive models that examine the effect of employee-focused practices on service quality and customer satisfaction

* Corresponding author.
    E-mail addresses: nadia.pomirleanu@unlv.edu (N. Pomirleanu), bjohnmar@wsu.edu (B. John Mariadoss), chennamp@uww.edu (P.R. Chennamaneni).

(e.g., Batt, 2002; Boudreau, Hopp, McClain, & Thomas, 2003; Rogg, Schmidt, Shull, & Schmitt, 2001). More recent research has called for added focus on diversity in employee–customer interactions by asking, "What processes, tools, and business practices are useful in defining, motivating, and managing customer and employee roles … when there is diversity between employees and customers—that must be managed?" (Ostrom et al., 2010, p. 25). Indeed, organizational factors that enable service quality in domestic service situations may have differential effects in an international clientele situation, due to differences in service quality effectiveness (Kull & Wacker, 2010) and difficulties in managing operations away from a home country (Metters, Zhao, Bendoly, Jiang, & Young, 2010).

In high contact service environments, managing service quality is a function of employee development (Goldstein, 2003). Responding to calls for more integration of employee-focused practices in service quality research, extant research (e.g., Bell & Menguc, 2002; Feng et al., 2014) has forwarded and tested comprehensive models that have included organizational support strategies (e.g., training), empowerment strategies (e.g., autonomy), and organizational identification strategies (e.g., internal marketing; Wieseke, Ahearne, Lam, & Dick, 2009) as drivers of service quality. Relatedly, the literature also suggests that service employees' empowerment can exert a moderating influence on the effect of employee development variables and service quality (Bell & Menguc, 2002; Ueno, 2014). The importance of empowerment is even more pronounced in high contact service encounters, as they require service employees to make continuous and multiple non programmed decisions (Raub & Liao, 2012), and more so in international operations (Leonidou, Barnes, & Talias, 2006). Therefore, in the present research, we examine specific interactive effects among employee-focused organizational strategies that have already been shown to affect service quality, and explain the above-said relationships across domestic and international operations, in the context of high contact B2B service encounters.

Our specific research questions are as follows: (i) What is the nature of the moderating effect of empowerment on the relationships between (a) service training, (b) internal marketing and service quality? (ii) How do the effects of service training, internal marketing and empowerment on service quality vary across domestic and international operations? We empirically examined these relationships through a survey of 880 service employees operating in high contact B2B service settings. The findings from our study contribute to the literature on B2B service quality by (i) theoretically forwarding an integrative framework for the interactive effects of firm strategies on service quality, (ii) providing insights into how organizations can leverage employee development practices for service quality across an international customer base, and (iii) use our findings to prescribe B2B service practitioners on optimal strategies to encounter service quality problems while delivering service solutions.

After discussing the past research on service quality, internal marketing, training and empowerment, we develop hypotheses related to the effect of the focal variables on service quality across domestic and international settings. After reporting our methodology and results, we conclude with a discussion of our findings, implications and limitations.

## 2. Background and literature review

### 2.1. Service quality

In recent years, scholars and practitioners have increasingly recognized the importance of managing service employees to obtain organizational performance (Chuang & Liao, 2010; Hennig-Thurau, 2004; Homburg & Stock, 2005; Jun & Cai, 2010; Kehoe & Wright, 2013). Past research suggests that service quality gets negatively affected whenever employees are unwilling or unable to perform a service at the levels required (Zeithaml et al., 1990), and underscores the importance of customer-contact employees in creating perceptions of service quality (i.e. Bitner, 1990; Bowen & Schneider, 1985; Hartline & Jones, 1996).

While several perspectives of service quality exists (Martínez & Martínez, 2010), the most commonly used conceptualization is based on the assumption that service quality is the difference between customers' expectations and their perception of the service delivered (Parasuraman, Zeithaml, & Berry, 1985). Other research has identified multiple dimensions of service quality (e.g., functional and technical; Gronroos, 1982, 1984) or viewed service quality as an overall perception based on customers' evaluation of a multi-dimensional service encounter (Rust & Oliver, 1993). Conceptualizations of service quality in industrial settings commonly employ a similar expectations-performance model (Moore & Schlegelmilch, 1994), and several researchers have done multiple adaptations and variations to the underlying quality dimensions (Durvasula, Lysonski, & Mehta, 1999) or measurement (Gounaris, 2005). Recently, a perceptions-only measurement of service quality [as opposed to Parasuraman et al.'s (1985) model expectations-perceptions] has emerged as being more psychometrically robust (cf. Jayawardhena, Souchon, Farrell, & Glanville, 2007) and generally recommended due to problems associated with using difference scores in the measurement of service quality (-Babakus & Boller, 1992; Hartline & Jones, 1996). Therefore, in this study, we define service quality as the service employee judgment about a service interaction's overall excellence or superiority (Parasuraman, Berry, & Zeithaml, 1988).

Moreover, this study uses employee perceptions of their service quality through self-reported measures about the quality of service rendered by them. While the literature suggests that employees tend to be more critical of assessments of service quality than customers (Young, Meterko, Mohr, Shwartz, & Lin, 2009), evaluation of services by frontline employees allows for better discrimination between the different levels of service they provide to their customers. Past research shows that self-evaluations are more appropriate for boundary spanning personnel (Harris & Schaubroeck, 1988; Jaworski & Kohli, 1991; Singh, 1993, 2000; Yilmaz, 2002), particularly for routine and frequent transactions where the service script is well defined (Bitner, Booms, & Mohr, 1994). Employees' evaluations of service quality are essential for real-time service performance because they are pivotal in shaping a customer's level of perceived service quality during the service encounter (Parasuraman et al., 1985).

### 2.2. Organizational strategies for service quality

In high customer-contact service settings, frontline employees deliver service quality, which is influenced by the extent to which organization supports employees' endeavors (Singh, 2000). Past research suggests that *service quality* is the outcome of internal organizational policies and practices, and is fundamental to the success of a firm in terms of attracting, satisfying and retaining customers (Heskett, Sasser, & Schlesinger, 1997; Schneider, White, & Paul, 1998; Storbacka, Strandvik, & Grönroos, 1994), creating customer satisfaction (Gronroos, 1990a), loyalty (Zeithaml & Bitner, 2000), as well as enhancing market share and profitability (Schneider & Bowen, 1995). The service climate framework (e.g. Schneider, 1990; Schneider, Wheeler, & Cox, 1992) posits that employees' perceptions of organizational support foster quality service. Firms can exhibit commitment to service quality by providing supportive management, servant leadership and service technology support (Ashill, Rod, & Carruthers, 2008; Babakus, Yavas, Karatepe, & Avci, 2003). Based on the above, extant research has investigated service quality by studying various organizational strategies such as organizational support (e.g., service training), empowerment (Bell & Menguc, 2002; Feng et al., 2014), and internal marketing (Ferdous & Polonsky, 2014; Joseph, 1996; Tsai & Wu, 2011) as drivers of service quality. In the succeeding sections, we briefly review the literature on internal marketing, training and empowerment and then