

The Sacrificial HR Strategy in Call Centers

Catriona M. Wallace

Australian Graduate School of Management

University of NSW

Geoff Eagleson

Australian Graduate School of Management

University of NSW

and

Robert Waldersee

Queensland University of Technology

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Please address all
correspondence to:
Catriona M. Wallace
AGSM
University of NSW
Sydney 2052
Australia
Phone: (61 2) 9931 9275
Fax: (61 2) 9663 4672
cmwallace@bigpond.com

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Abstract

Balancing the competing objectives of efficiency and service typically requires management compromises to be made. However, some call centers have found that a compromise is not necessary. By using what we have described as a “Sacrificial HR Strategy”, they achieve both efficiency and high levels of service at the same time. This is possible because part of the Sacrificial HR Strategy is the deliberate, frequent replacement of employees in order to provide enthusiastic, motivated customer service at low cost to the organization.

The paper describes a multiple-case analysis of four call centers and the Sacrificial HR Strategy they used. The contingencies leading to the appearance of this strategy are discussed.

Introduction

The opposing goals of efficiency and excellent service are both central to call centers. High levels of service are important since the number of “completely satisfied” customers is one of the few predictors of long-term profitability (Jones & Sasser, 1995). Efficiency is important since call centers must provide speed of delivery and operate at a low unit cost to remain competitive. In a call center the tension between efficiency and service is more salient than in most service organizations.

To achieve efficiency, call center management has focused on the selection, implementation and use of technology (Mehrotra, 1997, Green, 1996, Tissot, 1995). The technology is used to facilitate the physical concentration of staff, labor scheduling, staff monitoring and high productivity rates. The negative consequences that follow this efficiency goal, such as exhaustion, stress and turnover, are regretted and cause deep concern to management (Taylor & Bain, 1999).

According to the HR literature, excellent service is achieved through the supportive management of employees. To provide a competitive level of service and quality, Lawler (1986) argued that a firm’s HR strategy should be centered around developing skills and ensuring motivation and commitment. This is especially so when emotional labor is required (Gutek, 1995, Hochschild, 1983). As the employees are critical to service delivery, there is a requirement to have employment security, extensive training and decentralized decision making (Pfeffer, 1998).

However, in some call centers excellent service is delivered through the personal efforts of the front-line and not through managerial interventions. In these centers, the technology is still used to deliver and track productivity gains while the service is assured by the personal commitment of the employees. In this way both service and efficiency are achieved, but at the expense of the physical and psychological well-being of the staff.

This new way of managing the service and efficiency tension results in what we have termed the “Sacrificial HR Strategy”. It is sacrificial because the enthusiasm and motivation of the front-line are sacrificed by management. It is a strategy because it involves a coherent set of management activities and attitudes, which together solve the efficiency/service conflict. It is new because emotional burnout and high turnover are tolerated, if not encouraged.

The structure of the paper is as follows. The results of an analysis of four call center cases are presented and provide contextual background. The Sacrificial HR Strategy is described in detail. A discussion of the conditions that enable the Sacrificial HR Strategy to work is then given. Finally, managerial implications and issues for further research are raised.

The Study

A multiple-case study of four large call centers in four different organizations was undertaken. A Bank, an Insurance company, a Telecommunications company and an Outsourced Call Center organization were chosen to be in the study. These call centers had participated in a recent international benchmarking exercise (TARP, 1997) and were all assessed to be in the top 10% of the 227 call centers compared in terms of efficiency, customer satisfaction and employee satisfaction. All four call centers were based in Sydney, Australia and had more than 100 employees.

Thirty-one in-depth interviews were conducted, involving four call center managers, ten team managers and seventeen agents. To eliminate sample bias, the managers were requested to select both male and female employees, with a range of tenure duration (four months to three and a half years). They were asked to ensure that all of the interviewees had received at least the basic call center induction training and to include employees who were regarded as poor performers as well as those who were regarded as better performers. Nineteen of the interviewees were female and twelve were male.

The interviews contained open-ended questions that probed perceptions of the espoused objectives of the call centers as well as management priorities. Individuals were asked about their personal priorities, likes and dislikes in their job. Information about the measurement and reward systems, employee morale and turnover rates were also collected. As well as the interviews, documentation about strategic objectives, customer satisfaction data and an international Teleservice benchmarking report were consulted.

Each of the interviews was written up within twenty-four hours of completion. Recurring themes were identified across the interviews from within an organization. Each case was then written up separately. Next, recurring themes were identified across the four cases. Data for each emerging theme were analysed and a full cross case analysis was then performed as is usual in a theory building exercise (Yin, 1981, Eisenhardt, 1989). The following observations were made.

Call Center Management

Tasks Performed

The work in all four Centers was similar. The agents were required to take a high volume of in-bound calls, ranging from 80 to 200 calls per days. They had to complete basic transactions such as providing account balances, answering product queries and activating mobile phones. Also, the agents contributed a significant amount of emotional labor when being helpful, friendly and empathetic to customers as well as when handling complaints. Complaints accounted for as many as 30% of all calls.

Espoused and Perceived Objectives

Of the thirty-one people interviewed, only three believed that there was consistency in the espoused and perceived objectives. Across all four organizations the primary formal written and espoused strategic objective for the call centers was to deliver high levels of customer service and satisfaction. This was reflected in that fact that twenty-

three out of the thirty-one people interviewed thought that the espoused objectives were customer satisfaction, based on good service. However, in all four organizations the primary management priority, as perceived by the front-line, was productivity. Twenty-eight out of thirty-one people interviewed perceived the management priorities to be low cost, high call efficiency or sales.

Control Systems

The agents' schedule, availability and activity was monitored by the IT system. They had specified targets relating to talk time, wrap up, abandon rates and queue time that they must adhere to. On the service side, agents were regularly monitored by their supervisors and customer satisfaction surveys were conducted either six monthly or annually. The Insurance Call Center had slightly different targets as it had recently moved from a service center to a sales-service center. In this center, all agents had individual sales targets that they were required to meet in addition to the other efficiency targets.

Although the call centers monitored quality and customer satisfaction to varying degrees, they all relied heavily on task-focused management and measurement systems. These included performance objectives and performance management programs weighted towards numerical quotas and targets for efficiency and speed. As one manager stated: "We try and balance out quality and quantity, but it's the stats that get drilled down."

Management Style

There was a divergence between managers and subordinates in their perceptions of management style. With heavily task-focused control systems, this type of organization would appear to need supportive supervision to manage employee burnout (Frenkel et al, 1998). Consistent with this observation, the case studies revealed that eleven out of fourteen of the team leaders and center managers identified themselves as being relations or relations/task-focussed. However, twenty out of the twenty-seven team leaders and agents regarded their direct supervisor as being task-focused.

Some agents noted that an individual's style would change when they were promoted into a management role. When someone who was regarded as relations-focused is appointed a team leader, they become task-focused within a short period of time. One agent said of her team manager: "She scares me. Stats are her priority and we are dragged over the coals if we don't make them. We now doubt her sincerity as a people person in the first place".

The productivity focused control systems were seen as being reinforced by managers. The complementary support function appeared to be absent in the perception of most employees.

Call Center Employees

Individual Motivation

Despite the perceived reality of efficiency driven centers, the majority of employees were motivated by a desire to serve the customer: to be effective service providers. Fourteen of the seventeen agents identified their personal priority in their role as providing good service and customer satisfaction. Only two stated that their priority was call statistics and only one had a sales priority. The aspect they liked most about their job was their interactions with their peers and the customers (fourteen out of seventeen). An agent commented: "We were hired for our customer skills, this is the people we are, this is what we want to do, but often we are not allowed to." For some agents (six out of seventeen), the aspect they liked least about the job was the focus on targets.

To summarize, call center management speak about a customer focus, yet the agents perceive a productivity focus. Agents are hired for their relations skills and motivation yet work with a task and quantitative focus. What they like least about their job is the emphasis on productivity, which is the main focus of management. What they like most is the interaction with their peers and with the customer, which is severely restricted due to the task focus. What was the effect of these tensions on the

employees? In the call centers we studied there were high levels of emotional burnout, stress and high staff turnover.

Stress

Stress levels in the call centers studied appeared to be high. Agents made unsolicited comments such as, “The monotony of the job is frustrating and the numbers of calls we take a day is very tiring.” and “ At the end of the week I am a zombie, the stress is so bad that on the weekends I do not want to talk to anyone”.

This evidence of stress supports findings in a recent study by ACA Research (1998) which reported call center agents having a stress profile higher than that of a coal miner. Nearly 25% of the 433 agents surveyed in that study felt that stress in their job is high or very high, 47% reported a medium amount of stress and 80% had requested training in stress management. Over 60% of the agents had not experienced stress symptoms prior to working in a call center. Since working in a call center 70% reported experiencing at least one stress symptom.

Emotional Burnout.

A significant percentage of calls coming into the call centers are customer complaints and four of the agents interviewed nominated this as the aspect they disliked most in their role. In the Outsourced Call Center company, one agent said, “There is a girl who’s been here for two years and a customer abused her the other day and she cried for 2 hours.”

One contributor to emotional burnout may be the inherent lack of supportive elements in the work design. Agents stated that while they seek socio-emotional support from their peers, the structure of the task limited this interaction. One agent said, “It once took me six months to finish telling a story to my workmate.”

Employee Turnover

The information on employee turnover provided by the call center managers was contradictory. The Bank Call Center reported an annual attrition rate of 35%, the

Outsourced Call Center 20% and the Insurance and the Telecommunications Centers both reported 15% turnover per year. However, managers commented that the average length of tenure was about eighteen months which would imply a turnover rate of 67%. One manager even stated, “We don’t want people to stay past 18 months. By that stage they are burnt out and are no good”.

While there are difficulties in estimating turnover rates when the workforce is rapidly expanding, other studies have also found high levels of turnover. The ACA Report (1998) referred to earlier found the median stay of agents in call centers to be fifteen months.

In these call centers there was a common approach to the management of the efficiency/service conflict: the Sacrificial HR Strategy.

The Sacrificial HR Strategy

An important aspect of service management is the degree to which efficiency is compromised in order to provide service. If the tradeoff is clear, an appropriate HR strategy can be designed. When efficiency is more important, the service delivery is standardized and staff have a transactional relationship with the organization. When service is more important, high involvement strategies are preferred (Lawler, 1986). Staff are developed within the organization and there is commitment on both sides (Lepak & Snell, 1999). When there is an unwillingness to make a tradeoff between efficiency and service, the tensions generated have to be managed.

One way that a service culture can be maintained in a cost focused environment is by management fulfilling two different but complementary roles. One role is to focus on the tasks, with an emphasis on performance and efficiency, the other role is to provide emotional support for the staff (Halpin & Winer, 1957). These roles can be assumed by a single, heroic, manager or they can be distributed across the management team (Benne & Sheats, 1948).

Task-oriented managers organize and structure groups to achieve targets efficiently through actions such as setting up chains of communication and specifying working methods and standards. They focus on results, aided by the technology and the performance measurement and reward systems.

The relations-oriented manager is concerned both with supporting individuals and maintaining harmonious cooperative relationships among the group. Part of the role of these managers is to reduce role ambiguity and provide feedback in order to prevent burnout (Cordes & Dougherty, 1993) and the consequent loss of enthusiasm. They put systems in place to detect and counsel staff with problems and rotate staff to lessen stress. They provide training to enhance the ability of front-line staff to deal with difficult customers.

However, in the call centers studied, the relations-oriented management was not present. Instead, the management of the efficiency/service tension was pushed onto the front-line. There was a clear understanding of the savings that could be gained by turning over burnt-out staff rather than investing in programs targeting morale, commitment and enthusiasm. By deliberately selecting individuals whose intrinsic motivation was service, high service levels were assured and the need for the organization to provide this motivation external to the employee was removed. By accepting burnout and high turnover, there is a reduced need for the organization to manage the emotional labor. We have called this configuration of activities the Sacrificial HR Strategy.

The Sacrificial HR Strategy delivers efficiency and service together by requiring the front-line to absorb the emotional costs. The enthusiasm of the front-line is sacrificed to provide efficient service without the costs the organization would otherwise have borne. The strategy involves a misalignment between the task demands and employee intrinsic motivation that results in employee stress, burnout and turnover. This misalignment is deliberate. In the Sacrificial HR Strategy this misalignment is the solution, not the problem.

Many of the organizational costs of people management and development are eliminated by the Sacrificial HR Strategy. Rather than relying on expensive management practices such as relations oriented management and development support programs, service effectiveness is ensured by selecting people who are intrinsically motivated to serve the customer. Service performance is thus a function of employee internal characteristics rather than the organizational management processes.

Contingencies Leading to the Sacrificial HR Strategy

The Sacrificial HR Strategy seems to have arisen independently in a number of different call centers. A reasonable inference is, therefore, that there are particular contingencies affecting the call centers which are leading to a common managerial response. Those contingencies are: the nature of the tasks performed in the centers, the power and centrality of the IT system and the state of the labor market.

Call Center Tasks

A call center can be used as an interface between customers and an organization's systems in order to complete a well specified transaction, to generate sales or to provide solutions to and advice on quite complex and technical issues. While recognizing that the complexities of interacting with customers mitigates against hermetically separating these three major activities from each other, nevertheless it is important to realize that the different categories of tasks generate different management challenges.

The optimal tradeoff between service and efficiency will be different for each category of call center task. The distinguishing characteristics of transactions are that they are well-defined and relatively simple tasks which can be delivered through encounters (Guttek, 1995). It is logical, therefore to manage a Transaction Center for high efficiency but low service levels. On the other hand, Sales Centers are like a retail organization, more likely to be focused on revenue and results, allowing the

staff more latitude in deciding how to achieve the desired outcomes (Ouchi, 1977). A Sales Center will be managed to achieve a balance between service and efficiency. Finally, a Solutions Center provides professional services on-line. Here the focus is completely on the customer in terms of access, personalised attention and quality of advice. The service is likely to be delivered to a particular customer by the same provider to ensure a long-term relationship exists. These services can be expected to attract a high margin and so are managed for effectiveness rather than efficiency (Lepak & Snell, 1999). The optimal tradeoffs for the task categories are shown in Figure 1.

Take in Figure 1

A call center will be difficult to manage if it performs more than one of the ideal task types without adjusting its managerial style and systems. The potential for conflict between task and management processes is highest in a Transaction Center that also relies on a high level of emotional labor by staff. The emotional labor comes about as staff deal with complaining and irate customers. Complaint resolution is similar to problem solving and cannot be considered a straightforward transaction. Yet, in the call centers we visited, agents were measured as if they performed only routine transactions.

The IT Systems

In the past the high costs of providing relations-oriented management to alleviate the downsides from a strong focus on results have been accepted because the cost of staff burnout was assumed to be higher. The perceived costs of burnout derive from five common assumptions about service. Each client contact is valuable, making every episode of poor service expensive to the organization. Employee training costs are high, so turnover needs to be minimized. Clients become attached to specific service providers, allowing employees to take clients when they leave. The quality of service

is hard to monitor at the micro level, making the detection of the damaging effects of burnout on customer interactions hard to detect. Finally, the pool of good customer service agents is small, making replacement difficult and expensive.

Advances in IT have invalidated three of the above five assumptions. As the technology has become more sophisticated, product and process knowledge as well as customer information have been embedded in the system, reducing training costs. The core service modules can be standardized and customization is then provided through an appropriate selection. In this way the front-line staff are able to concentrate on the customer and their interaction with them. At the same time, the decoupling of the service from the delivery helps ensure that customers feel allegiance to the company rather than the service provider. This guards against the employee being able to take the customer with them when leaving the organization.

By replacing the traditional face-to-face contact by an electronic one, technology facilitates micro level management at no perceived extra cost. Continual control can be maintained over the call times, call volumes and virtually every activity the employee performs. Additionally, technology allows monitoring of the quality of the agents' interactions. Supervisors have the ability to assess agent performance by randomly "dropping in" on their calls or computer screens. Thus agents can be monitored closely for performance and burnout and appropriate interventions made.

The last of the assumptions about staff burnout is no longer valid because of the state of the labor market, as explained below.

The Labor Market

The labor market is currently large for the call centers studied, allowing recruitment and replacement costs to be minimized. This is partly a consequence of having technology that contains the requisite product and process knowledge so that the only major skill required of call center staff is a strong service orientation. The other contributing factor is that while unemployment rates are relatively high, the number of potential recruits is large.

Furthermore, the potential recruits are not expecting long-term employment. The external labor market for call centers is currently more dominant than the internal one (Cappelli, 1995). When an internal labor market operates, it assumes a stable psychological contract between the employee and management. That contract involves job security and a predictable, increasing income in exchange for employee commitment and satisfactory performance. When the external labor market operates, the employees' needs are met through their moving from one organization to another, developing a portfolio of experiences in the process (Cappelli, 1997).

Discussion

Nowhere is the conflict between managing for service and for efficiency more apparent than in Transaction call centers that require emotional labor. In these centers the front-line staff are expected to respond promptly and efficiently, at the same time to be empathetic, have a customer focus, effectively resolve customer problems as well as achieve high levels of customer satisfaction. Their efficiency is driven and tracked by the technology. The service is assured by their personal commitment, by management's articulation of its importance and by monitoring.

The HR literature suggests that the conflict between efficiency and service is best resolved by providing management support to the front-line employees. However, our observations showed that some call centers take an alternative approach in which management sacrifice the well-being of the staff by pushing the service/efficiency tension onto the front-line. This approach has been termed, the "Sacrificial HR Strategy". A Sacrificial HR Strategy willingly accepts high levels of stress and emotional burnout of the front-line staff, accompanied by high turnover.

Resolving the efficiency/service conflict typically involves a compromise of some sort. Either productivity is compromised to provide high service levels or service is compromised in the name of efficiency. The Sacrificial HR Strategy provides a way of achieving excellent service and efficiency at the same time. While it involves high

staff turnover, this can be managed when the labor pool is large. From a management point of view it has the advantage that turnover rates need no longer be of concern.

To be successful at implementing a Sacrificial HR Strategy, the call center has to excel in four areas. They must have efficient recruitment processes to ensure that they can quickly access the available labor pool. They must be skilled at selecting intrinsically motivated staff. They need to be able to design the tasks so that the agents have minimal need for organizational knowledge. Finally, they must excel at monitoring staff performance, including call monitoring and customer satisfaction measurement. Given these capabilities, a large labor pool and a strong external labor market, the Sacrificial HR Strategy will be sustainable and result in high levels of service and efficiency.

The existence of a Sacrificial HR Strategy raises a number of research questions. Is the strategy widespread? Is it acknowledged? What type of organization is it relevant to? What is its effect on employee morale, employee turnover, customer satisfaction, productivity? Is there a social impact? Perhaps the most important question to study is the relationship between the Sacrificial HR Strategy and market performance, over time.

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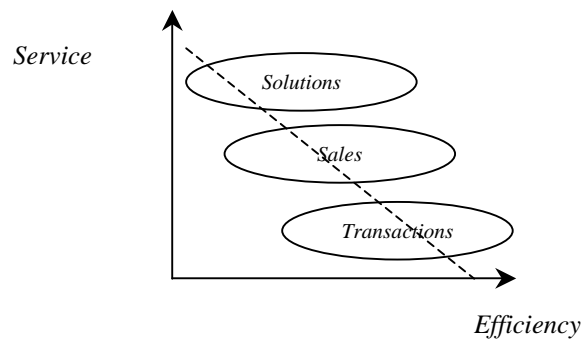


Figure 1: The optimal tradeoff positions for Call Center tasks.

Autobiographical details

CATRIONA M. WALLACE is a Ph.D. Candidate at the Australian Graduate School of Management (AGSM) at the University of New South Wales. Catriona is the principal of a management consulting company which has specialized in service, quality and change management strategy. In particular she has consulted to the call center industry. Catriona also lectures on the AGSM Executive MBA and the Macquarie University Diploma in Call Center Management and her research interests focus on the service/efficiency dilemma using call centers as research sites.

GEOFF EAGLESON is CRA Professor of Quality Management at the Australian Graduate School of Management (AGSM) at the University of New South Wales. He has extensive experience advising and helping firms in implementing strategic change programs. Geoff is a member of the Centre for Corporate Change at the AGSM where he is researching the role of leadership in the successful implementation of service quality programs and the improvement of performance management systems.

ROBERT WALDERSEE is Professor of Management and Director of the Australian Center in Strategic Management at the Queensland University of Technology. He has consulted to corporations and Government Agencies in the USA and Australia, advising on the management of change and the implementation of service and quality programs. Robert's research work focuses on service improvement and the leadership of service organizations during strategic change.