

## SERVICE CLIMATE AND INTERNAL SERVICE QUALITY: THE EFFECT OF SOCIO-DEMOGRAPHY IN INDIAN TELECOM SECTOR

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**Abstract:** *The growth of literature in the field of service quality seems to have developed sequentially, providing a continuous update and learning from the findings/observations of the predecessors. This study explores new directions in service quality research especially, internal service quality. The research also analysed the prevailing service climate in Telecom servicescape in Bengaluru and the effect of socio-demography. 581 front-line employees serving in customer care centres were surveyed and hypothesis tested.*

**Keywords:** *Telecommunication, Service Climate, Internal Service Quality, Socio-Demography.*

### 1. INTRODUCTION

#### 1.1. Service Climate (SCL)

Schneider *et al.*, (1998) defined service climate as “Shared employee perceptions of policies, procedures, practices and behaviours that get rewarded, supported, and expected with regard to customer service and customer service quality, and, represent the degree to which the internal functioning of organization is experienced as one focused on service quality”. Schneider *et al.*, (1998) proposed following three dimensions of service climate:

- a) Customer orientation: Management’s emphasis to satisfy customers by fulfilling their needs and service quality expectations.
- b) Managerial practices: Actions taken by an employee’s immediate manager which support and reward the delivery of quality service.
- c) Customer feedback: Solicitation and use of feedback from customers regarding service quality.

Davidson (2003) examined service climate in hotel industry and proposed a causal link between service climate and service quality in hotels. He also examined service climate within service quality framework to explore the effect of this integration into various quality initiatives taken by hotel’s top management. In

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this regard, he developed a conceptual model to explain linkages between service climate, service quality and customer satisfaction.

To contribute to the stream of on-going research on service climate Dimitriades and Theodore (2007) examined the relationship between psychological empowerment and internal service climate. They defined internal service climate as employee quality perceptions of internal service encounters. Internal service climate was found to be positively associated with psychological empowerment. The research highlighted and discussed link between internal service climate and psychological empowerment.

Mayer *et al.* (2009) studied service attribute boundary conditions of the service climate-customer satisfaction link and proposed service attributes as boundary conditions of the relationship between service climate and customer satisfaction. This study conducted in supermarkets collected data from service employees, executives and customers hypothesized that customer contact frequency, service intangibility and service employee interdependence moderate the positive link between service climate and customer satisfaction, and, this relationship is more positive when these three variables are at high levels. Findings of the study revealed support for the proposed hypothesis.

Some studies in the recent past confirm that service climate positively impacts firm's performance. As reported in the literature, this relationship is found to be mediated by customer satisfaction (Schneider *et al.*, 2009) and customer retention (Towler *et al.*, 2011).

## **I.2. Internal Service Quality (ISQ)**

According to the idea of the service profit chain (Heskett *et al.*, 1994), internal service quality has a direct impact on employee satisfaction and commitment. This, in turn, positively influences customer satisfaction. Employees who work in a satisfying environment, with well-organized processes, effective tools and challenging tasks are inclined to deliver excellent service to customers. Service profit chain starts with improving upon internal service quality. Hence, it focuses on the internal functioning of an organization. Starting the service profit chain with internal organizational functioning emphasize on the point that delivery of quality service does not happen on its own.

Heskett *et al.* (1994) defined internal service quality as "*The extent to which an organization is able to deliver quality support service to employees to enable them to service customers effectively*".

Frost & Kumar, (2001) developed a conceptual model, INTSERVQUAL, which was designed based on the original "GAPS model", to explore the extent to which the construct service quality plays an important role in internal marketing setting. This research was conducted in a major international airline.

A detailed empirical research on supermarket employees across a large metropolitan city to explore the possible impact of specific internal service factors on service quality was carried out by Vella *et al.* (2009) seeking to consider overall influence of customer-employee interactions and to discuss and test empirically the relative influence of five internal service factors that interface with internal marketing strategies. Internal service factors considered for the study were competence, workload, service role flexibility, standardized behaviour and service orientation and their effect on employee perception of service quality was measured. Findings suggest that employee perceptions of service quality consisted of three main predictor variables namely service orientation, service role flexibility and non-standardized scripted behaviour.

The most important internal service quality predictor variable was service orientation followed by non-standardized scripted behaviour and organizational policy to adopt and change service roles. Highlighting the importance of internal service success factors that influence service quality, the study recommended managers to focus on internal service factors as they have the potential to influence employee behaviours.

A similar study was conducted by Ramseook-Munhurrin *et al.* (2010) to assess the service quality as perceived by employees of a call centre in Mauritius using the SERVQUAL model. The study focused on employees as internal customers and the critical role that employees play in the delivery of quality service. The dimensions predicting front-line employee satisfaction and loyalty were explored. Data was collected by a field study in a particular call centre in Mauritius using a modified SERVQUAL questionnaire. The study examined both perception and expectation levels of front-line employees. Regression models were used to test the influence of service quality dimensions on satisfaction and loyalty. The results indicated that loyalty was best predicted by overall satisfaction, tangibles and responsiveness. This study contributes to the understanding of service quality, satisfaction and employee's loyalty within a call centre.

### **1.3. Indian Telecom SWOT Analysis**

The Strengths, Weakness, Opportunity and Threat (SWOT) Analysis for Telecommunication industry in India is as follows:

#### **1.4.1. Strengths**

- i) *High growth rate:* Continued strong mobile subscriber growth coupled with perfect competition.
- ii) *Presence of foreign players:* Foreign players like NTT Docomo from Japan (NTT Docomo has a strategic joint venture with Tata Teleservices and is branded as Tata Docomo in India) This might help in latest technologies getting offered to subscribers.

- iii) *Huge customer potential*: A huge rural market with enormous potential (having tele density of just around 25%).
- iv) *Regulatory framework*: Government has created attractive business environment for the telecom sector leading to a healthy competition amongst major players.

#### **1.4.2. Weaknesses**

- a) *Higher number of prepaid subscribers*: Major demand of mobile subscribers is coming from pre-paid services.
- b) *Low ARPU*: There is a continued decrease in the ARPU for mobile services and the preference of subscribers for pre-paid services has significantly contributed to it.
- c) *Quality of services (QoS)*: Increase in the number of mobile subscribers has outpaced the growth in the mobile infrastructure and this has led to poor quality of service.
- d) *Rural Infrastructure*: Despite of the fact that the companies are making major investments in high potential urban areas, rural infrastructure for mobile services is quite limited.

#### **1.4.3. Opportunities**

- i) *3G and 4G services*: Launch of services powered by new technology like 3G and 4G provides a great opportunity for the telecom players.
- ii) *MNP*: Launch of MNP will help in increasing service quality as TSPs have to improve their services in order to avoid losing customers to the competition.
- iii) *MVAS and data services*: The demand for value added services is quite high and is expected to grow further. Also the launch of 3G and 4G services and multimedia handset should encourage the increased usage of data services, thus providing a great opportunity for content providers.
- iv) *Preference towards pre-paid services (as compared to post-paid services)*: Skewness of the mobile subscribers towards pre-paid service provides an opportunity to TSPs to mobilise their subscriber base from pre-paid services to post-paid services. This will help them to increase their ARPU.
- v) *Market expansion for original equipment manufacturers*: Development of telecom infrastructure and roll out of the 3G and 4G services provide immense opportunity to telecom equipment manufacturers like Ericsson, Nokia, Siemens Network (NSN) and Huawei etc to expand their operations in India.

#### **1.4.4. Threats**

- a) *Declining ARPU*: Price wars in the highly competitive market have led to declining ARPU. This has affected the profitability of TSPs.

- b) *MNP*: Introduction of MNP has added pressure on TSPs to improve their services and retain their customer base.
- c) *Network capacity*: Telecom network infrastructure is struggling to keep pace with increase in the number of subscribers.
- d) *Telecom policies*: Regulator's policies regarding auctioning of 4G licenses in the near future is a threat for TSPs.

## **2. SIGNIFICANCE OF RESEARCH**

Services sector requires harmony amongst all stakeholders, namely, the customers, top and middle level managers as well as the frontline employees (FLEs). Further, as the first interface for a customer involves an engagement with the FLE, this experience has to be positive since it deeply influences customer perception about an organization. With these thoughts in mind, we have focused our attention on a major service sector, namely, the Indian telecom sector (which has rapidly grown in last decade), and have especially addressed various issues related to the frontline employees. Since any study that examines the Service Climate (SCL) of a sector can as well lead to valuable lessons for other sectors of the economy, many of the conclusions of this study may have wider applicability.

## **3. RESEARCH GAPS**

Review of services marketing literature reveals the critical role of frontline employees in service encounters (Varca, 2009). However, all such studies have not suggested specific and concrete ways to empower them through internal services. INTSERVQUAL model proposed by Frost and Kumar (2001) clearly brings out the need to understand the requirements of internal customers.

Since the final goal of service climate related studies is to specifically analyse the factors which crucially impact "perception of employees about their organization", we are prompted to initiate the present study. Hence, we propose that insights resulting from such a study would provide the basis for indicating how internal services need to be customised in order to meet frontline employee's overall job requirement. This subject area is extremely relevant in light of the rapid growth of the telecom service sector in India. Hence, we hope to identify suitable steps which will enable Telecom Service Providers (TSP) to satisfy or delight their frontline staff, enabling them to effectively capitalize on customer service opportunities and gain competitive advantage.

Many researchers reaffirm the view that organizations must create a climate which motivate employees to deliver excellent customer service, and, that, a conducive service climate positively impacts external service quality (as perceived by customers) (Sharma, 2008; Hui *et al.*, 2007; Gracia *et al.*, 2010; Ehrhart *et al.*, 2011).

However, in the course of reviewing the literature, we observed that the pace of research on internal service quality (ISQ) is relatively slow (as compared to that of external service quality) and that, its linkage with service climate is yet to be empirically tested.

#### 4. MATERIALS AND METHODS

Descriptive research was employed. Frontline employees working in customer care centres, belonging to seven Telecom Service Providers (TSPs) in Bengaluru, were surveyed with a structured questionnaire. Multi stage Sampling. Proportionate stratified sampling is employed. Strata comprised each TSP. This was followed by random sampling within each stratum. Sample size was 581 respondents.

The antecedents of Service Climate were Company's Service Orientation (SOR), Company's Human Resource Policies (HRP), and Practices of Customer Care Centres (PCC).

SOR was impacted by Management's Service Orientation (MS) and Employee's Service Orientation (ES). HRP was impacted by Work Facilitation (WF) and Career Facilitation (CF). PCC was impacted by Support Practices (SP) and Managerial Practices (MP).

#### 5. RESULTS AND DISCUSSION

##### 5.1. Constructs

The analysis of primary data with regard to SCL and ISQ are presented in Tables 1 and 2 respectively.

**Table 1**  
**TSP-wise SCL**

TSP	Rating Frequency				Total
	Strongly Disagree	Disagree	Agree	Strongly Agree	
TSP 1	7	77	24	23	131
TSP 2	0	65	28	13	106
TSP 3	28	29	49	10	116
TSP 4	0	70	44	0	114
TSP 5	0	17	40	3	60
TSP 6	0	9	8	0	17
TSP 7	2	19	16	0	37
Total	37	286	209	49	581

##### 5.2. Socio-demographics

The socio-demography profile of respondents is presented in Table 3.

**Table 2**  
**TSP-wise ISQ**

TSP	Rating Frequency				Total
	Strongly Disagree	Disagree	Agree	Strongly Agree	
TSP 1	0	116	8	7	131
TSP 2	0	48	42	16	106
TSP 3	38	29	49	0	116
TSP 4	0	64	50	0	114
TSP 5	0	12	46	2	60
TSP 6	0	9	8	0	17
TSP 7	2	20	15	0	37
Total	40	298	218	25	581

**Table 3**  
**Socio-demography Profile of respondents**

Socio-Demographics	Categories	Frequency	Percentage (%)
Gender	Male	375	64
	Female	206	36
Age	Up to 20 Years	78	13.4
	>20-25 Years	413	71.1
	>25-30 Years	90	15.5
Education	Graduates	367	63
	Post Graduates	214	37
Work experience	Up to 2 years	237	41
	>2-4 years	200	34
	>4 years	144	25
Monthly salary (INR)	Up to 15,000	246	42
	>15,000-20,000	172	30
	>20-25,000	100	17
	>25,000	63	11

### 5.3. Hypotheses Testing

#### 5.3.1. Gender mediation

$H_{01}$ : There is no statistically significant difference between male and female frontline employees with respect to perception about service climate and internal service quality of TSP (Table 4).

**Table 4**  
**Gender Impact**

Variable	Category	Size	t value	p value
SCL	Male	372	0.795	0.427
	Female	209		
ISQ	Male	372	0.37	0.711
	Female	209		

### 5.3.2. Education mediation

$H_{02}$ : There is no significant difference between undergraduate and postgraduate frontline employees with respect to perception about service climate and internal service quality of TSP (Table 5).

**Table 5**  
**Education Impact**

Variable	Category	Size	<i>t</i> value	<i>p</i> value
SCL	Under-Graduate	367	0.698	0.586
	Post-Graduate	214		
ISQ	Under-Graduate	367	0.533	0.541
	Post-Graduate	214		

### 5.3.3. Age mediation

$H_{03}$ : There is no statistically significant difference between various age groups of frontline employees with respect to perception about service climate and internal service quality of TSP (Table 6).

**Table 6**  
**Age Impact**

Variable	Category	Size	<i>F</i> value	<i>p</i> value
SCL	Up to 20 Years	78	1.628	0.197
	>20-25 Years	413		
	>25-30 Years	90		
ISQ	Up to 20 Years	78	1.768	0.152
	>20-25 Years	413		
	>25-30 Years	90		

### 5.3.4. Work experience mediation

$H_{04}$ : There is no statistically significant difference between various experience groups of frontline employees with respect to perception about service climate and internal service quality of TSP (Table 7).

**Table 7**  
**Work Experience Impact**

Variable	Category	Size	<i>F</i> value	<i>p</i> value
SCL	Up to 2 years	237	1.601	0.203
	>2-4 years	200		
	>4 years	144		
ISQ	Up to 2 years	237	1.689	0.168
	>2-4 years	200		
	>4 years	144		



**5.3.5. Income mediation**

$H_{05}$ : There is no statistically significant difference between various income groups of frontline employees with respect to perception about service climate and internal service quality of TSP (Table 8).

**Table 8**  
**Income Impact**

<i>Variable</i>	<i>Category</i>	<i>Size</i>	<i>F value</i>	<i>p value</i>
SCL	Up to 15,000	246	1.628	0.197
	>15,000-20,000	172		
	>20-25,000	100		
	>25,000	63		
ISQ	Up to 15,000	246	1.768	0.152
	>15,000-20,000	172		
	>20-25,000	100		
	>25,000	63		

**5.3.6. Summary**

The summary of null hypotheses testing is presented in Table 9.

**Table 9**  
**Summary of Hypothesis Testing**

<i>Null Hypothesis</i>	<i>Result</i>
There is no statistically significant difference between male and female frontline employees with respect to perception about service climate and internal service quality of TSP.	Accepted as p value is not significant.
There is no significant difference between undergraduate and postgraduate frontline employees with respect to perception about service climate and internal service quality of TSP.	Accepted as p value is not significant.
There is no statistically significant difference between various age groups of frontline employees with respect to perception about service climate and internal service quality of TSP.	Accepted as p value is not significant.
There is no statistically significant difference between various experience groups of frontline employees with respect to perception about service climate and internal service quality of TSP.	Accepted as p value is not significant.
There is no statistically significant difference between various salary groups of frontline employees with respect to perception about service climate and internal service quality of TSP.	Accepted as p value is not significant.

## 6. CONCLUSION

Service climate and internal service quality were measured in the Indian Telecom servicescape and primary data was collected from frontline employees serving in customer care centres. The effect of socio-demography was studied. All proposed null hypotheses were rejected. Hence it is concluded that there is no statistically significant difference between categories of socio-demography of frontline employees with respect to perception about service climate and internal service quality of TSPs.

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