

UNDERSTANDING HOW ORGANISATIONAL CHARACTERISTICS OF UK CONTACT CENTRES IMPACT THEIR SCOPE FOR INNOVATION

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ABSTRACT

Advances in information and communications technology (ICT) has allowed the location of contact centres to be disjointed from the country they are providing service to, resulting in the UK having to compete with other countries as a location for contact centres, but the UK industry cannot match the low labour cost of many offshore locations. This means that the UK contact centres have to now compete on other factors rather than cost. There are many ways in which organisations can compete but one of the key ways for developed economies to compete is through increased innovation. Therefore the aim of the research is to examine how UK contact centres approach innovation. The research is carried out through a structured methodology of a systematic literature review and comparative case studies. The main findings of the research are that UK contact centres approach innovation in two main ways, either structured or ad-hoc and that they are involved in a range of different types of innovation, with the aim innovation type being process innovation.

Keywords: innovation, contact centres, case studies

INTRODUCTION

Globalisation of the contact centre industry means that mature segments, such as that in the UK, are unable to compete on cost. In order to remain competitive UK contact centres are now focusing on developing high value services that move away from cost as a competitive focus. Innovation in products and services is a key route to survival for such contact centres but how should they approach innovation?

This paper identifies a research gap that exists in relation to contact centres and how they approach innovation. Factors influencing innovation are derived from a systematic literature review and are used to develop an empirical investigation tool. This tool is then used to carry out an exploratory study of the approach UK contact centres take to innovation, the results of which are presented and discussed in this paper.

Background

Contact centres play an important role in the economy of the UK, providing employment in 2007 for over 1 million people within the UK (Dti, 2004). They are the first point of contact for customers interacting with the organisation, which means they are essentially the customer facing

front of many organisations. Due to this the interaction that customers have with contact centres can greatly impact on the perceived quality of the product or service they get from an organisation. Customers receiving inferior service from a contact centre can change customers' perception of the organisation as a whole (Dean, 2002). Although contact centres have an important role to play in the prosperity of organisations, they are often seen as superfluous cost centres that give no value to the wider organisation. This has resulted in many organisations embracing the benefits of offshoring their contact centres to low cost foreign locations (Taylor and Bain, 2005). Advances in information and communications technology (ICT) has allowed the location of contact centres to be disjointed from the country they are providing service to, resulting in the UK having to compete with other countries as a location for contact centres, but the UK industry cannot match the low labour cost of many offshore locations. This means that the UK contact centres have to now compete on other factors rather than cost. There are many ways in which organisations can compete but one of the key ways for developed economies to compete is through increased innovation (McAdam and Keogh, 2004; Edwards et al., 2005).

Although innovation has been cited as being a key competitive factor for organisational success (Porter, 1990) and being more innovative can enable organisations to perform higher value of work, contact centres do not have a reputation for being particularly creative or innovative places to work. In fact, the contact centre literature suggests the opposite, with some authors referring to contact centres as 'dark satanic mills' (Fernie, 1998). The literature also shows that there has been very little innovation coming directly from the contact centres themselves, with most innovations in the industry being driven from outside technology providers. The consequence of this is that many innovations in contact centres are radical and technological in nature (Dti, 2004), we therefore have a very limited knowledge on the other types of innovation that might be taking place within contact centres and how they manage innovation from their frontline employees, specifically the role which incremental process innovation can play in organisational success.

Research questions

As there is no current theory in innovation within contact centres, exploratory research needs to be carried out to build theory in this area. Therefore, the aim of the research is to examine how UK contact centres approach innovation. To this end the research questions driving this research are:

RQ 1. How do UK contact centres approach innovation?

RQ 2. How do the characteristics and practices (i.e. the differences) of UK contact centres affect their ability to innovate in different types of innovation?

This paper will detail the methodology used and present the findings of the research directed by the above questions.

METHODOLOGY

In order to answer the above research questions, a structured methodology was followed in three main phases, these are:

1. Development of preliminary assumptions through systematic literature review
2. Development of tool for empirical work
3. Execution of iterative comparative case studies

Systematic literature review

An extensive systematic review (Tranfield et al., 2003) was used to derive concepts and constructs as a basis for exploratory research. The literature review focused on what factors impact on an organisation's ability to innovate. Through a structured elimination process based on inclusions and exclusion criteria 4,212 citations were reduced to 102 relevant studies. These 102 studies were used

to develop a series of organisational factors that impact on companies' ability to manage innovation. The factors identified at this stage of the research are seen in table 1.

Table 1. Factors influencing an organisational ability to manage innovation

<i>Factor</i>	<i>Sub-Factors</i>
Technology	Utilisation of technology Technical skills and education Technology strategy
Innovation Process	Idea generation Selection and Evaluation Techniques Implementation Mechanism
Corporate Strategy	Organisational strategy Innovation strategy Vision and goals of the organisation Strategic decision making
Organisational Structure	Organisational differentiation Centralisation Formality
Organisational Culture	Communication Collaboration Attitude to risk Attitude to innovation
Employees	Motivation to innovate Employee skills and education Employee personalities Training
Resources	Utilisation of slack resources Planning and management of resources Knowledge resources Technology resources Financial resources
Knowledge Management	Organisational learning Knowledge of external environment Utilisation of knowledge repositories
Management Style and Leadership	Management personalities Management style Motivation of employees

Development of tool for empirical work

The factors identified from the systematic literature review became the concepts for the tool which directed the empirical phase of this research work. Using the studies from the systematic literature a series of constructs for each of the concepts could be developed; table 2 highlights the conspectus and constructs used to guide the data collection phase of the empirical work.

Table 2. Concepts and Constructs for Empirical Work

Concepts	Constructs	
Innovation Process (IP)	Structured (S)	Unstructured (US)
Technology (T)	Impedes Innovation (II)	Supports Innovation (SI)
Knowledge Management (KM)	Structured (S)	Unstructured (US)
Employees (E)	Controlled (C)	Empowered (EP)
Corporate Strategy (CS)	No focus on innovation (NFI)	Focused on innovation (FI)
Organisational Culture (OC)	Closed (C)	Open (O)
Slack Resources (SR)	Few (F)	Many (M)
Organisational Structure (OS)	Hierarchical (H)	Flat (F)
Management Style and Leadership (MSL)	Autocratic (A)	Participatory (P)
External Environment (EE)	Simple (S)	Complex (C)
Organisational Size (OSZ)	Large (L)	Small (S)
Organisational Age (OA)	Old (O)	Young (Y)

The classification of innovation types used within this study come from Damanpour (1991) in his seminal paper he developed a meta-analysis of the organisational innovation literature where he identified a number of types of innovation. He argues that there are six main areas concerning innovation within an organisation, these are:

- **Administrative** – involves organisational structure and administrative processes, they are indirectly related to the basic work activities of an organisation and are more directly related to it management
- **Technical** – pertains to products, services and production process technology; they are basic work activities and can concern either product or process
- **Incremental** – results in little departure from the existing practices
- **Radical** – produce fundamental changes in activities of an organisation and represent clear departures from existing practices
- **Product** – new products or services introduced to meet an external user or market need
- **Process** – new elements introduced into an organisations production or service operation

All innovations can be classified according to one or a combination of these types.

Comparative case studies

Comparative case studies (Yin, 2003) were carried out in six UK contact centres. Data was collected through a series of semi-structured interviews with a number of employees at different levels. The companies taking part in the study are detailed below; they are given pseudonyms in pursuit of anonymity:

- Telco – Telecommunications firm with inbound customer services
- NFP – Not for Profit organisation providing outbound tailored services
- Comp/T and Comp/S – Computer technical support and computer sales
- PSIH – Public Sector In-house contact centre
- PSOS – Public Sector Outsourced contact centre
- ManSup – Manufacturer Support centre for maintenance of products

FINDINGS

One of the main criticisms of the contact centre literature is that contact centres are often treated as homogenous (Halliden and Monks, 2005; Bennington et al., 2000) giving no consideration to the differences apparent within contact centre operations. Whilst it is convenient to treat all contact centres as homogenous, the UK format of the recently published Global Call Centre Report (Holman, Batt & Holtgrewe, 2007) highlighted a number of issues regarding the differences within the industry. They have identified that while a substantial proportion of call centres follow a cost minimisation approach, with high levels of standardisation, this portrait is not universally true. The variation in management practices is noteworthy. Differences include alternative approaches to the

design of work and the quality of jobs (e.g. the level of discretion, monitoring, and use of teamwork), adoption of human resource practices (e.g. systematic selection tests, performance appraisals, training), and collective bargaining structures. Centres that target a unique customer group are able to design their management and employment systems to match the demand characteristics of that group. Building on the arguments that management practices vary across the industry we argue that a contingent approach needs to be adopted for innovation management within contact centres.

Tidd and Hull (2007) present a framework for innovation within a service context and say that managing service innovation involves the need for selectivity rather than ‘best practice’. Although this framework has been developed for generic service organisations the authors say that the model can be used for other specific types of service organisations, therefore the model can be used with some modification for the contact centre industry. They show that contingencies influence the strategic configuration of management, organisation and technology and constrain, rather than fully determine, ‘best practice’. Three contingencies appear to be associated consistently with organisational structure: size, technological complexity and task uncertainty. They have developed a four-cell typology of organisational design which captures the multi-dimensionality of both practices and performance is seen in figure 1.

Complexity and Dynamism	High	D. Organic technical-batch	C. Hybrid mechanistic-organic
		(a) Technical-batch (b) Organic (c) Adhocracy <i>Performance: Innovation</i>	(a) Continuous process (b) Mixed organic-mechanistic (c) Professional bureaucracy <i>Performance: Cost reduction and innovation</i>
		A. Simple craft-batch	B. Mechanistic bureaucracy
	Low	(a) Customised batch (b) Traditional-craft (c) Simple structure <i>Performance: Customised service</i>	(a) Mass production (b) Mechanistic (c) Machine bureaucracy <i>Performance: Cost reduction</i>
		Low	High
		Scale	

Figure 1. Tidd and Hull (2006) Service Innovation Typology

To enable the analysis of the data collected through this study Tidd and Hull’s (2006) framework for innovation in services has been modified and employed as an organising framework. In order to understand how different types of contact centres approach innovation the concepts and constructs from table 2 have been used to determine the characteristics of each of the case contact centres. Table 3 outlines the characteristics of each of the case companies taking part in the study and the type of innovations that they were involved in.

Table 3. Characteristics of Case Companies and Type of Innovation

<i>Concepts</i>	<i>Telco</i>	<i>NFP</i>	<i>Comp/T</i>	<i>Comp/S</i>	<i>PSOS</i>	<i>PSIH</i>	<i>ManSup</i>
Innovation Process (IP)	Structured (S)	Structured (S)	Unstructured (US)	Structured (S)	Unstructured (US)	Structured (S)	Unstructured (US)
Technology (T)	Supports Innovation (SI)	Does not actively support Innovation (NI)	Does not actively support Innovation (NI)	Supports Innovation (SI)	Does not actively support Innovation (NI)	Supports Innovation (SI)	Does not actively support Innovation (NI)
Knowledge Management (KM)	Structured (S)	Unstructured (US)	Unstructured (US)	Unstructured (US)	Structured (S)	Structured (S)	Structured (S)
Employees (E)	Controlled (C)	Empowered (EP)	Empowered (EP)	Controlled (C)	Empowered (EP)	Controlled (C)	Empowered (EP)
Corporate Strategy (CS)	No focus on innovation (NFI)	No focus on innovation (NFI)	No focus on innovation (NFI)	No focus on innovation (NFI)	Focused on innovation (FI)	Focused on innovation (FI)	No focus on innovation (NFI)
Organisational Culture (OC)	Closed (C)	Open (O)	Open (O)	Closed (C)	Open (O)	Closed (C)	Open (O)
Slack Resources (SR)	Few (F)	Few (F)	Few (F)	Few (F)	Few (F)	Few (F)	Few (F)
Organisational Structure (OS)	Hierarchical (H)	Flat (F)	Hierarchical (H)	Hierarchical (H)	Flat (F)	Hierarchical (H)	Hierarchical (H)
Management Style and Leadership (MSL)	Autocratic (A)	Participatory (P)	Participatory (P)	Autocratic (A)	Participatory (P)	Autocratic (A)	Participatory (P)
External Environment (EE)	Simple (S)	Simple (S)	Complex (C)	Simple (S)	Complex (C)	Simple (S)	Complex (C)
Organisational Size (OSZ)	Large (L)	Small (S)	Small (S)	Small (S)	Small (S)	Large (L)	Large (L)
Organisational Age (OA)	Old (O)	Young (Y)	Young (Y)	Young (Y)	Old (O)	Old (O)	Young (Y)
Type of Innovation (TI)	Incremental administrative and technical process (IATP)	Incremental administrative product (IAPD)	Incremental administrative and technical process (IATP)	Incremental technical process (ITP)	Incremental administrative process (IAP)	Incremental administrative and technical process (IATP)	Incremental administrative and technical process (IATP)

Using selected information from table 3, namely the external environment, organisational size and type of innovation, the case companies could be plotted onto the organising framework as seen in figure 2.

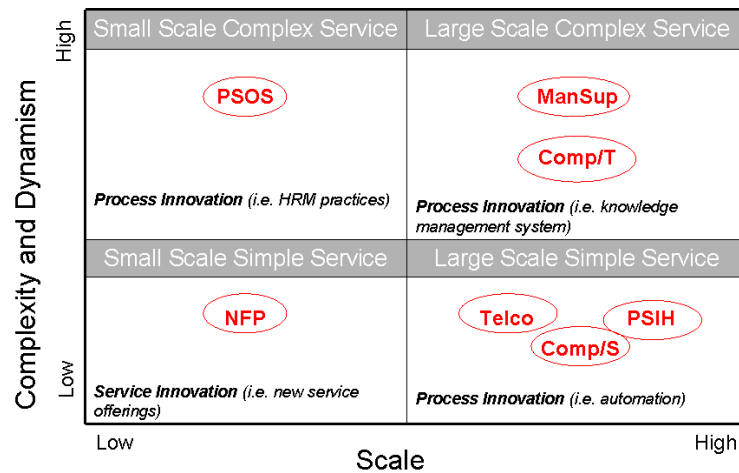


Figure 2. Classification of Case Companies

DISCUSSION

This section will draw on outcome of the empirical study shown in table 3 and the contact classification in figure 2. The discussion is structured around the two main findings of the research, namely the type of innovation and the approach to innovation adopted by UK contact centres.

Type of innovation

One of the important objectives of this research was to identify the type of innovation that contact centres are involved with. From the results of the case studies it shows that contact centres are mainly involved with incremental innovation. This could be due top the fact that contact centres are operational areas and so lack the strategic vision to make radical innovation occur at the contact centre level. Any radical innovation would be top down driven whereas the type of innovation identified at the contact centre level appears to be driven from the bottom up.

Many of the contact centre cases were also involved in process innovation, whether it was administrative or technical in nature. This is due to the fact that contact centres are dealing directly with the process for dealing with customers. It is argued in the literature that employees working in direct contact with any process will see areas for improvement due to the intimacy that they have with the process and that the front-line or shop floor employees are the prime resource for stimulating innovative ability within the area of incremental process innovation (Marr and Neely, 2004). Therefore our findings support the view that incremental process innovation comes from frontline services.

Although process innovation is the dominant focus in the sample there are variations within the type of process innovations. It can be seen that ‘large scale simple service’ contact centres often look for process innovations that reduce costs where there is limited focus on the customer service – such as implementation of automated services. On the other hand ‘small scale complex service’ contact centres often focus process innovation initiatives at aimed at developing the service delivery experience for both the customer and the agents – such as cross-skilling agents to deal with different customer issues. Whereas, ‘large scale complex service’ contact centres often focus process innovation on balancing the trade off between cost reduction and customer service – such as the implementation of new IT systems.

Approach to the innovation process

The findings have shown that contact centres have differences in the type of innovation they undertake which begs the question as to whether the innovation approach is also different. This research has also identified that contact centres approach the innovation process in diverse ways, this is highlighted in figure 3.

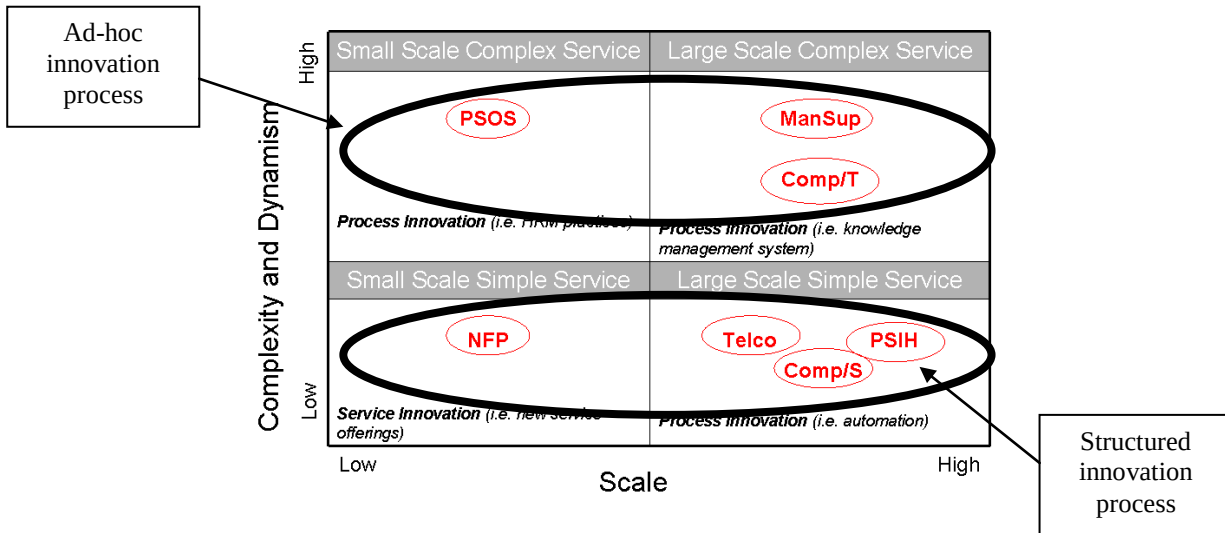


Figure 3. Innovation process approaches in contact centres

The type of service provided by the contact centres significantly influences the innovation approach. Simple services often mean an environment that is highly controlled and focused on cost reduction – therefore the innovation process has a formal structured approach and is usually initiated through an electronic suggestion scheme. Whereas, complex services usually have an environment where agents have some flexibility in dealing with the customer – therefore the innovation processes is ad hoc and unstructured and is often begun by employees making a suggestion to their manager.

CONCLUSIONS

This work approached the research area of innovation in UK contact centres from an exploratory qualitative viewpoint and posed two main research questions which are:

- RQ 1. How do UK contact centres approach innovation?
- RQ 2. How do the characteristics and practices (i.e. the differences) of UK contact centres affect their ability to innovate in different types of innovation?

In conclusion the research questions have been answered.

RQ 1. How do UK contact centres approach innovation?

What can be concluded from the research is that UK contact centres approach innovation in two main ways. The two main ways are:

- An ad-hoc process – where ideas are passed from agent to manager in an informal way and are developed through informal channels. It has been found that these processes are prevalent in contact centres that deal with complex service environments.
- A structured process – where ideas are collected through suggestion schemes and are developed through formal channels. It has been found that these processes are prevalent in contact centres that deal with simple service environments.

RQ 2. How do the characteristics and practices (i.e. the differences) of UK contact centres affect their ability to innovate in different types of innovation?

It has been found that the size of the contact centre and the service that they provide has a great impact on the type of innovation that contact centres are involved with. Therefore we can conclude that:

- 'Large scale simple service' contact centres often look for process innovations that reduce costs where there is limited focus on the customer service.
- 'Small scale complex service' contact centres often focus process innovation initiatives at aimed at developing the service delivery experience for both the customer and the agents.
- 'Large scale complex service' contact centres often focus process innovation on balancing the trade off between cost reduction and customer service.
- 'Small scale simple service' contact centres often focus on incremental service innovation that focus on providing additional or enhanced services for the customer.

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