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New thoughts on internal service quality: does the chief purchasing officer’s commitment to front-line employees’ satisfaction affect the quality perceptions of consumers?

Abstract

The purpose of this study is to investigate how the individual(s) responsible for a service firm’s materials purchasing influence customer-contact personnel’s perceptions of internal service quality. The authors show that front-line employees’ perceptions of internal service quality are related to how they perceive the equity they receive from the chief purchasing officer (CPO). Likewise, the outcomes of this relationship, organizational commitment, job satisfaction, and customer perceived service quality are incorporated in a theoretical model. Based on a review of the literature, research propositions are forwarded. The authors conclude with a discussion of relevant managerial implications, limitations of the current study, and opportunities for future extensions.

Keywords: internal service quality, chief purchasing officer, satisfaction affect.

Introduction

Service encounters are often defined by the brief moments when customers come into contact with the service firm’s employees (Bitner and Hubbert, 1994; Hartline and Ferrel, 1996; Kirkbir and Cengiz, 2007; Ostrom et al., 2010). Due to this unique aspect of services, front-line employees are often the most important element of a customer’s experience with a service provider and are a valuable resource. This assertion is due primarily to the inherent closeness for which most services are tied to the employees (Crane and Clarke, 1988). Service employees are often the sole representation of the service firm and their experience, enthusiasm, and actions are the basis for customers’ assessments of service quality (Edvardsson, Larsson and Setterlind, 1997). Recent research has shown that the internal atmosphere of the service firm is directly associated with customers’ perceived service quality and satisfaction (Edvardsson, Larsson and Setterlind, 1997; Lewis and Entwistle, 1990; Gremler, Bitner and Evans, 1994). For this reason, the management of internal service quality is of the utmost importance in the ultra-competitive domain of services.

Bitner, Booms and Mohr (1994) have expressed a need to understand the service encounter from multiple perspectives. They posit that this improved understanding of the service encounter will aid in designing more efficient service processes, as well as educating both employees and customers as to the proper means of achieving quality during service encounters. Thus, we would expect that service firms would make every attempt necessary to provide their customer-contact personnel with the essential resources, equipment, and materials necessary to make the service encounter satisfying for their consumers. However, this is not always the case. Many times the service firm’s executives cannot see the justification of capital outlays for materials that do not directly equate to bottom-line performance. Customer-contact personnel often are very aware of the materials and supplies they need to provide better service and how this correlates to the customer’s evaluation of service. To emphasize this perspective, we draw on the “buying center” concept (Choffray and Lilien, 1980; Robinson, Faris and Wind, 1967) that demonstrates how product feature evaluations and the relative importance placed on those features differ among the different employees that comprise the buying center.

Woodside, Liukko and Vuori (1999) illustrate this phenomenon quite effectively. Their article discusses the differing perspectives exhibited by members of differing authority levels of a supermarket firm in regards to the purchase of new checkout systems. They reveal that the primary focus of senior executives within the firm is on the total capital outlays that will be required for the purchase, and the ability to acquire the best contractual agreement with a supplier. Whereas store-level executives are most concerned with the operating efficiencies of the equipment due to their profit/loss responsibilities, checkout managers and cashiers are more concerned with the ease-of-use benefits and the level-of-satisfaction of store customers. Thus, through this example, we see that many times, especially in a service setting, service quality considerations give way to monetary concerns as the authority levels in the firm’s buying center increase from customer-contact employees (end-users) to the senior executives, who are ultimately responsible for the outlay of capital needed to make the requisite purchase.

Thus, the purpose of this study is to investigate how the individual(s) responsible for a service firm’s materials purchasing influence customer-contact personnel’s perceptions of internal service quality.

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We will show that front-line employees’ perception of internal service quality is directly related to how these individuals perceive the equity they receive from the chief purchasing officer (CPO) in regards to providing adequate materials necessary to provide superior service. Likewise, we will also illustrate the outcomes of this relationship, namely, organizational commitment, job satisfaction, and customer perceived service quality in our model. The conceptual foundations for the proposed model will be highlighted through an extensive review of the literature. We will then discuss the research propositions identified by the model and conclude with a brief discussion of relevant managerial implications, along with mention of the limitations of the current study and avenues for extensions of this research in the marketing management literature.

1. Literature review

1.1. Purchasing. The vast majority of research pertaining to the purchasing function has revolved around the external aspects and duties of the purchasing professional. The research into the intricacies of the purchasing function has revealed a shift in the purchasing professional’s influence within the firm from merely a tactical supplier of production parts and equipment, to an integral part of the production process (Biemans and Brand, 1995; Giunipero andPearcy, 2000; Johnson, Leenders and Fearon, 1998; Pagell et al., 1996). As the role of the firm’s purchasing agent has increased, so has the interest in the literature as to the proper skills these individuals must possess. Kolchin and Giunipero (1993) identified the three main skills a purchasing professional must possess as business, interpersonal, and technical. These important attributes have been shown to ultimately lead to improved levels of satisfaction among the firm’s final customers (Trent and Monczka, 1998). Thus, we see in the extant literature a theme that represents purchasing agents as individuals adept at many facets of their firms’ business and also possessing an astute ability to communicate the needs of the firm to suppliers.

The literature has adeptly illustrated the changing roles and developments in the purchasing function throughout the years. Supplier development issues were beginning to be discussed in earnest during the 1960’s (Biemans and Brand, 1995). The 1980’s produced debate between the benefits of single sourcing (Morgan, 1987) and the possible risks inherent with these types of lone supplier affiliations (Newman, 1989; Ramsay, 1990). Trent and Monczka (1998) identify a number of trends that occurred during the nineties that epitomize the changing scope of purchasing and sourcing in the new millennium. These seven trends include: improvement in performance requirements, increased significance in supplier and purchasing/sourcing importance within the firm, the organization of purchasing groups, systems development, creating tools for measurement of both purchasing/sourcing and suppliers’ efficiency, supply base management, and lastly, an increase in suppliers responsibilities and strategic role within the firm. This discussion of the apparent future trends appearing in the field of purchasing does lack the important necessity of interfirn relationships between the purchasing professional and the end users of the goods and services being sourced.

The induction of organizational buying theory (Choffray and Lilien, 1980; Robinson, Faris, and Wind, 1967; Sheth, 1973) in the literature did however introduce the notion that a number of individuals throughout the organization are involved in purchasing decisions. Likewise, a number of researchers have expressed the view that organizational buying patterns vary substantially over time and are influenced by a number of different individuals at differing levels within the organization (Choffray and Lilien, 1980; Håkansson and Snehota, 1995; Johnston and Bonoma, 1981; Woodside and Vyas, 1987). Trent and Monczka (1998, p. 2) illustrate the purchasing function’s capacity to “affect cost, quality, time, technology, and ultimately, customer satisfaction” when teaming with other functional groups within the organization. When discussing the findings of their study, Trent and Monczka (1998) speak very little to the aspects necessary for strong cross-functional groups. Furthermore, like many other articles found in the purchasing literature, no reference is made whatsoever to the efficacy of involving the input of front-line employees in the sourcing decisions made during the organizational buying process.

One of the few articles that makes direct reference to the inclusion of front-line personnel in the buying process is the aforementioned contribution by Woodside, Liukko and Vuori (1999). Their research involved coordinating purchasing insight from three authority levels in a supermarket firm. This research study did in fact take into account front-line service personnel’s equipment preferences, but as with most buying decisions, the customer contact personnel’s preferences and insight were buffered by a manager and thus not directly included in the analysis. Finally, no research to date has addressed the service sector directly and incorporated many intricacies involved in materials procurement that are unique to services.

1.2. Equity theory. Equity theory was first conceptualized by Adams (1963 and 1965) who based his discussions of an individual’s perception of fairness on the Cognitive Dissonance Theory posited by Festinger (1957). This theory describes how individuals compare their inputs and outcomes
to those around them, and as such, determine the adequacy of their rewards (Livingstone, Roberts and Chonko, 1995). Equity is said to exist if individuals feel that their inputs and outcomes are similar to those of one or more referents (Roberts, Coulson and Chonko, 1999). This comparison is described in the literature as a ratio, where inequality causes “tension” and “distress,” which is then manifested as anger when an individual feels that they are undercompensated for their outputs (Roberts, Coulson and Chonko, 1999). Such responses to inequitable outcomes have been theorized to lead to behavioral and affective responses by employees that are detrimental to the firm (Janssen, 2001). This is consistent with the affirmation that when individuals are confronted with such discrepancies they cognitively attempt to stabilize the ratio by either adjusting their own inputs and outputs or by changing their referent all together (Roberts, Coulson and Chonko, 1999).

Dubinsky and Levy (1989) have conceptualized and categorized seven dimensions of equity inherent in most organizations. The first of these dimensions is pay rules and deals with how an employee judges their amount of compensation in relation to that of their fellow coworkers. Likewise, pay rules also deal with the perceived fairness of how pay increases and promotions are managed. The pay level dimension addresses the extent to which employees perceive that their pay is adequate as compared to employees of other firms working in a similar field. Pay administration is the perceived fairness of the rules implemented by management that dictate raises and promotions. The dimension of rule administration relays the employees’ perceptions about the fairness of behavioral rules imposed by management. Similarly, the work pace dimension of organizational fairness speaks to the levels of fairness perceived by employees in regards to the pace in which managers expect tasks to be completed. The sixth dimension is that of distributing tasks and this dimension conveys the perceived fairness of the allotment of work projects. The final dimension is latitude, which is the perceived fairness in regard to employee job freedom and autonomy (cf. Roberts, Coulson and Chonko, 1999).

Previous research has described equity as being comprised of procedural and distributive justice within the firm (Roberts, Coulson and Chonko, 1999). Dubinsky and Levy’s (1989) conceptualization surmized that pay rules, distributing tasks, and pay level are forms of distributive justice (McFarlin and Sweeney, 1992), whereas pay administration, rule administration, work pace, and latitude are forms of procedural justice that the employee uses as a heuristic when inferring the fairness of the methods used by the firm to distribute outcomes (Roberts, Coulson and Chonko, 1999). This conceptualization allows for a better understanding of the outcomes attributed to equity judgments (Roberts, Coulson and Chonko, 1999).

1.3. Internal service quality. Research has revealed that employee satisfaction is a key driver of service quality (Rosenbluth and Peters, 1992). Thus, it is now imperative for service firms to better understand the internal culture of their organizations and how this feature of the service environment affects customers’ perceptions of the firm.

The internal service encounter is a dyadic interface between an internal customer and an internal supplier (Gremler, Bitner and Evans, 1994; Hauser, Simester and Wernerfelt, 1996). This interface has a number of implications that often affect the end satisfaction of the firm’s customers. The point of contact between customer and employee is a crucial aspect of the service encounter and often defines the customer’s perceptions of the firm (Bitner and Hubert, 1994; Hartline and Ferrell, 1996). Due to this element of services, many researchers have stated that the first necessity of satisfying customers is to properly satisfy the internal customer (Bernhardt, Donthu and Kennett, 2000; Schneider and Bowen 1985; Tornow and Wiley, 1991). Heskett, Sasser and Schlesinger (1997, p. 99) have described the highly correlated relationship between customer and employee satisfaction as the “satisfaction mirror”, further implying that one is difficult to obtain without the other. Likewise, Bitner (1990) has illustrated the effects of employees’ attitudinal and behavioral responses to internal services and the subsequent positive and negative effects they have on customer perceived service quality. Thus, managing the internal market (Flipo, 1986) of the service firm is vital to sustaining the link between an accommodating internal culture and customer satisfaction (Zeithaml and Bitner, 2000).

Bitner, Booms, and Mohr (1994) have discussed the service personnel’s tendency to search for cues from their customers to discern their levels of service and the adequacy of such levels. Schneider (1980) has described the personality of individuals who choose to work in a service field as one that is driven to provide good service. Moreover, the boundary-spanning role service employees have due to their frequent contacts with customers allows them to understand customer needs often more adeptly than upper management (Bitner, Booms and Mohr, 1994; Cadwallader et al., 2010). Thus, we can plainly see that service personnel are very much in-tune with what materials are necessary to provide superior services.
1.4. Organizational commitment. The significance of understanding organizational commitment in a services context is underscored by Hunt and Morgan’s (1994) review of significant prior findings, which illustrate the effect of organizational commitment on job performance (Angle and Perry, 1981), absenteeism and turnover (Larson and Fukami, 1984), prosocial behaviors (O’Reilly and Chatman, 1986), and innovativeness (Katz and Kahn 1978). These specific outcomes of organizational commitment have been theorized to lead to higher levels of productivity and effectiveness (Hunt and Morgan, 1994).

Roberts, Coulson, and Chonko (1999) illustrate the two distinct themes that have garnered the most attention in the organizational commitment literature with their review of the construct. The first notion is that commitment is believed to be composed of either an attitudinal or behavioral dimension. The second issue that has been addressed in the literature is the proper conceptualization of the dimensionality of the construct. Many researchers have openly wondered if the construct is composed of only one dimension, such as commitment to an organization, or if the construct is multidimensional and includes such elements as job and career commitment, as well as organizational commitment (Bashaw and Grant, 1994; Morrow, 1983).

Porter et al. (1974) extract three components of commitment. These principal constituents of commitment are addressed by Roberts, Coulson and Chonko (1999, p. 3), who classify them as “(1) a person’s belief in and acceptance of organizational goals and values; (2) their willingness to work toward accomplishing the organization’s goals; and (3) their strong desire to continue as an organizational member.” Likewise, Cohen (1993) describes organizational commitment as an affective connection to the firm’s well-being and being comprised of identification, affiliation, and moral involvement (cf. Roberts, Coulson and Chonko, 1999). Due to the many differing perspectives of commitment posited in the literature, Hunt and Morgan (1994) have called for further research into the construct’s dimensionality as well as the antecedents and consequences of organizational commitment.

1.5. Job satisfaction. Locke (1969, p. 316) has defined job satisfaction as “the pleasurable emotional state resulting from the appraisal of one’s job as achieving or facilitating the achievement of one’s job values.” Churchill, Ford and Walker (1974, p. 255) further elucidate the construct by outlining the conceptual domain of the job satisfaction paradigm as “all characteristics of the job itself and the work environment which [industrial] salesman find rewarding, fulfilling, and satisfying, or frustrating and unsatisfying.” Brown and Peterson (1993) illustrate a number of studies that have operationalized the salesperson’s affective responses to satisfaction with supervisors, their workload, compensation, potential for advancement, and relationships with coworkers (Churchill, Ford and Walker, 1974; Smith, Kendall and Hulin, 1969) and how these affect employee job satisfaction.

2. Conceptual development

In this section, we will introduce our research model and the theoretical propositions derived from the model depicted in Figure 1. This model illustrates the causal outcomes that result from the CPO’s commitment to customer-contact personnel. The following discussion will describe the theoretical foundations for the relationships represented in the model.

2.1. Development of propositions. 2.1.1. CPO’s commitment to customer contact employees and perceived equity. The individuals involved in the buying process for service firms generally have a moderate to low authority in the choice of products and suppliers due to the necessity of including several authority levels in the decision process. For this reason, the CPO often has to act as a liaison between senior executives and the end-users of the materials being acquired (Woodside, Liukko and Vuori, 1999). Many times, the senior executives that are ultimately responsible for the outlay of capital required for the
purchase are most concerned with the cost-effective procurement strategies that have dominated the literature. Meanwhile, the prime concern for the customer-contact personnel is the capacity to have at their disposal the best equipment available to provide superior customer service. Customer contact employees will derive their perceptions of equity from their observations of the CPO’s attempts to appease both upper management and the needs of the front-line staff.

This notion is tied directly to the theoretical framework of equity theory by the input versus reward view of equity (Livingstone, Roberts and Chonko, 1995). This is apparent due to the caveat that if customer contact employees, or even managers speaking on their behalf, have gone to the trouble to request materials or equipment that they feel will help them to better serve customers and the CPO does not adequately push for the acquisition of the materials, then the employees will not be motivated to give their utmost effort to the firm. Thus, we propose the following proposition:

$P_1$: The commitment to customer-contact personnel evoked by the CPO will directly influence the customer contact personnel’s perceptions of equity.

2.1.2. Equity theory, internal service quality, employee commitment to the firm, and job satisfaction’s link to customer perceived service quality. Understanding the linkages between equity, internal service quality, organizational commitment, and job satisfaction is important for researchers, but even so, these relationships have received scant attention in the sales management literature (Roberts, Coulson and Chonko, 1999). Moreover, there has been no research to date on such a relationship within the confines of a service firm and its customer contact employees.

The tie between equity and internal service quality lies in the conceptualization of equity by Dubinsky and Levy (1989). Their discussion of distributing tasks implies that the distribution of materials, not just work tasks, is tantamount to employee perceived equity. Many authors have found difficulties in modeling the outcomes of perceived equity within the firm (Iverson and Roy, 1994; Roberts, Coulson and Chonko, 1999; Summers and Hendrix, 1991). We believe that this is due in large part to the many cognitions that are required to make equity considerations regarding distributive and procedural justice. Operationally, the employee must cognitively assess their feelings toward a number of different attributes of the workplace, whereas internal service quality by its very nature assesses each of these aspects simultaneously with no one dimension dominating the appraisal. Thus, by modeling the outcomes of equity as being moderated by internal service quality we overcome limitations found in previous research.

Therefore, we propose:

$P_2$: The customer contact personnel’s perceived equity will directly influence internal service quality.

Employee commitment to the firm and job satisfaction are primary goals of most firms (Borycki, Thorn and LeMaster, 1998) and we propose that internal service quality is a prime driver of these outcomes. A number of studies have found conflicting results when attempting to model the relationship between equity, commitment and job satisfaction. In a 1991 study addressing pay equity, job satisfaction, commitment, and intent to leave, Summers and Hendrix found a direct linkage between equity and job satisfaction. Meanwhile, Iverson and Roy (1994) did not find a similarly significant direct linkage between the two constructs. Both studies used strikingly similar LISREL models to test their hypotheses, and the conflicting results have lead to a need for further replications (Roberts, Coulson and Chonko, 1999). For this reason, we have introduced the moderating effect of internal service quality in our model.

The limited amount of research in this area has concentrated on equity’s direct link to commitment and has involved separating equity into the aforementioned distributive and procedural justice concepts. Many of these studies have found a direct link between equity and commitment when procedural and distributive justice are observed independently (McFarlin and Sweeney, 1992; Quarles, 1994; Roberts, Coulson and Chonko, 1999), but the results of similar studies that combined these two concepts were inconclusive. As we can see, the separation of distributive and procedural justice, while making the empirical analysis less problematic, has confounded the results by implying that employees consciously separate the two concepts. We feel that it is naïve to assume such a cognitive evaluation actually takes place. Thus, the most appropriate modeling of this relationship is the one proposed here, which illustrates equities effect on organizational commitment being moderated by internal service quality.

Therefore, based on this rationale we present our third proposition:

$P_3$: Internal service quality will directly influence employee commitment to the firm.

Equity theory would lead us to believe that employees whose equity ratio is negative would be less satisfied with their current job and vice versa.
Prior research has shown that perceived equity directly influences job satisfaction (Livingstone, Roberts and Chonko, 1995; Oldham, 1986; Pritchard, 1969; Vroom, 1964). Thus, our approach of measuring only overall perceived equity and overall job satisfaction is in-line with a number of prior studies (Kantak, Futrell and Sager, 1992; Livingstone, Roberts and Chonko, 1995). We differ in our conceptualization by incorporating the moderating effect of internal service quality. We propose that the inclusion of internal service quality will better account for the many equity judgments that comprise the employees’ level of perceived internal service quality. A handful of prior studies have alluded to a similar relationship to the one we have illustrated here. Specifically, Kantak, Futrell and Sager (1992) found significant correlations between job satisfaction and respondents’ satisfaction with pay, promotions, supervisors, co-workers, and work tasks.

It follows that:

**P4: Internal service quality will directly influence job satisfaction.**

The day-to-day experiences service employees have with their coworkers and supervisors is conveyed vicariously to consumers during service encounters (Schneider and Bowen, 1993). Specifically, Schneider and Bowen (1993) have found through the study of bank employees a significant relationship between employees’ perceptions of their work environment and customer perceived service quality. These linkages were in the hypothesized direction of positive internal quality leading to positive customer perceived service quality. Likewise, Schlesinger and Heskett (1991) have demonstrated that external service quality is nearly unattainable without some form of internally driven service quality.

Furthering the justification that customer perceived service quality is dependent upon internal service quality, Bitner (1990) and Bitner, Booms and Tetreault (1990) show that customers perceive higher levels of service quality when employees are able and willing to solve problems that arise during the service encounter. Likewise, customer contact personnel who are able to accommodate special requests presented by customers have also been shown to increase those customers’ resulting evaluations of service quality (Bitner, Booms and Tetreault, 1990).

Therefore, our model illustrates the following proposition.

**P5: Internal service quality will directly influence customer perceived service quality.**

2.1.3. Job satisfaction. Brown and Peterson’s (1993) meta-analysis of job satisfaction research revealed a modest 0.15 correlation between job satisfaction and employee performance. Hartline and Ferrell (1996) attribute this low correlation to the fact that many of these studies used a more outcome specific measure such as sales volume and quotas, instead of behavioral measures relating to effort, teamwork, and friendliness. Moreover, other researchers have theorized that increased job satisfaction drives employees to provide exceptional service (Schneider, 1980) and that customers’ perceptions of service quality are directly related to the satisfaction employees have with the firm (cf. Bowen and Schneider, 1985; Grönroos, 1983).

Thus, based on this discussion we propose our sixth and final proposition.

**P6: Job satisfaction will directly influence customer perceived service quality.**

**Conclusion, limitations, and managerial implications**

This study conceptually addresses the often difficult task of equitably responding to customer contact personnel’s requests for materials by the individual in charge of purchasing for a service firm. Our model illustrates the fairness perceptions customer-contact personnel equate to the CPO and the subsequent assessments of internal service quality made by these internal customers. Heightened levels of internal service quality were proposed to increase employee commitment to the firm, job satisfaction, and most importantly customer’s perceived service quality.

Potential results may not give managers a definitive right or wrong approach to solving the materials allocation problems we have highlighted with this research. Instead, our hope is that future findings will create an awareness throughout the firm, especially at the upper management level, as to the importance of equitably including the quality-driven input of customer contact personnel when making purchasing decisions that will affect their performance. Nonetheless, managers should address future findings with caution. We do not mean to imply that every request for materials made by front-line employees will be made with customer service intentions in mind, nor do we feel that every request made by employees will be translated into instant profitability and increased customer satisfaction. These requests must be taken into consideration and weighed against budget and other commonsense restrictions, but they should always treat the customer-contact employee with fairness and show a genuine concern for their working conditions and satisfaction.
A primary managerial implication to be taken from this research is whether the efficacy of compensation programs and performance measures stressed so heavily in the literature can equitably be applied to purchasing agents in a service industry. Basing compensation and reward measures on purely cost-driven criteria in services may be counterproductive. Since the outset, we have expressed the difficulty in fiscally justifying many purchases targeted at improving the efficiency and quality of customer-contact personnel. Hopefully, this research will develop a new paradigm for which to measure sourcing efficiency, especially if it is one that takes into account consumers’ levels of perceived service quality as a prime indicator of the purchasing professional’s true value to the firm.

As with any robust exploratory effort, future researchers may encounter some difficulties that will possibly limit potential findings. First and foremost, the difficulty in executing a cross-sectional study with multiple sample groups from multiple service industries has been noted in the literature (Hartline and Ferrell, 1996). Likewise, researchers may also have to rely on someone within the organization being sampled to distribute and gather the questionnaires from both internal employees and customers. This type of approach may lend itself to a number of biases that will be somewhat out of researchers’ control. These limitations notwithstanding, we hope that this conceptual effort will stimulate future research into the relationships between purchasing, front-line personnel, and end consumers’ perceptions of service quality.

References


