



## Centralization as a design consideration for the management of call centers

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### Abstract

A call center and its associated information technology (IT) provide an opportunity to redesign and improve service-delivery operations. Managers at all levels should understand the role of organizational design as call centers are established or expanded, in particular the relative centralization (distribution of authority) associated with delivering services to customers. This article argues that centralization moderates and influences the organization's efforts to improve customer service through the implementation of the call center and its IT. If managers fail to capitalize on the particular way that centralization moderates between IT and competitive strategy, the organization may not enjoy an important benefit of the call center, which is competitive advantage through increased efficiency and improved customer service. Based on survey responses from 68 call-center managers, the authors found that both centralization and decentralization are associated with call-center service operations. While the call center provides managers with the ability to influence decision-making (centralization), there are also opportunities for agents in the call center to exercise authority in managing the organization's communications with customers (decentralization). Implications for organizational practice are considered.

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### 1. Introduction

Productivity gains, much of them driven by information technology (IT), have become what Smothers refers to as one of the “creative” forces of global competitiveness [27]. Although the relationship between IT and productivity is not entirely clear [9,16,19], better productivity through the appropriate

implementation of IT can result in more competitive cost structures and the ability to offer more competitive prices, products, and services. An organization's immediate ability to pursue the strategy of low cost or differentiation depends on its capacity to increase both the efficiency of its operations and its responsiveness to customers. For an example of how IT-driven productivity can contribute to an organization's competitive position, consider knowledge-leveraging. Knowledge-leveraging is facilitated by IT and involves sharing and integrating cross-functional expertise [30]. Knowledge-leveraging can take place at any level of the organization and can lead to efficiency. Efficiency can lead, in turn, to cost effectiveness.

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Furthermore, knowledge-leveraging can enhance the organization's responsiveness to its customers. Because the delivery of value-added services, or products, can be the basis for service differentiation, knowledge-leveraging can be seen to contribute directly to such differentiation. It is not surprising, then, that customer service has become so important in organizations that "[c]ompetition is shifting away from how companies build their products to how well they serve customers before and after they build them" [8]. Consistent with this shift, some writers emphasize the need for managers to create a customer-service culture throughout the entire organization [2] and to strive to create what Lucas has called the "T-form organization", which is the "flat and fast", technology-based organization [18].

In this article, we focus on call centers as a means of improving an organization's customer service. Specifically, we examine the relationship between a call center and the two organizational outcomes of efficiency and customer service, especially in connection to the organizational design variable of centralization. There are several definitions of organizational centralization, but we use centralization to mean the distribution of authority in an organization [13]. The greater the proportion of authority assumed by higher levels of the organization, the greater the degree of centralization.

A call center typically replaces a more informal approach to service activities in an organization. Centralization is a particularly important organizational design variable, because the relative centralization of some service activities is likely to change after a call center is introduced into an organization. The imperative of customer service can become lost in the technical and organizational flurry of establishing a call center. Our goals in this article are therefore to accomplish the following:

1. describe some of the ways that call centers are being deployed in North American business and government organizations;
2. discuss how call centers can potentially improve an organization's competitive strategy, particularly by strengthening customer service;
3. explore centralization as a variable that moderates between the call center and the organization's competitive position.

The call center will influence the efficiency and customer service of an organization, both of which should be regarded as outcome, or dependent, variables. The organizational design (OD) variables of specialization, formalization, and centralization help to translate the input of the call center into the outputs of efficiency and customer service.<sup>1</sup> Thought of in another way, the organization's specialization, formalization, and centralization help to explain why the effects of IT are not universally positive. IT is effective only when it is implemented appropriately through the right kind of organizational design. Executives and senior managers increasingly confront issues surrounding how to ensure an appropriate organizational design. They are required to manage a virtual, service-oriented, distributed workplace that has the capability to deliver improved productivity and enhanced customer service. Fig. 1 provides a schematic of the relationships, as we see them, between the call center, organizational design, and competitive position.

Specialization, formalization, and centralization moderate the relationship between the call center and the organization's competitive position. Our scheme is different from that of Huber [17], who treats several OD variables as dependent variables, with IT as the independent variable, or from that of Dewett and Jones [15], who consider IT as a moderator of the relationship between OD variables and organizational outcomes.

We argue that centralization should be a significant consideration for those designing, implementing, and maintaining call-center operations and that there is evidence to show that there is movement both towards and away from a more intensively centralized service and support operation. Call centers represent one part of an increasingly bureaucratized IT environment, and there is a shift to move decision-making upwards in the organizational hierarchy. However, we argue that decentralization, too, is associated with the call center's activities. While our findings do not demonstrate how a call center changes a particular organization's

<sup>1</sup> In addition to these three OD variables, other variables such as managerial and supervisory competence may also substantially moderate the relationship between a call center and the selected outcome variables. Because we were interested only in the role of one variable, that is, centralization, our list of moderating variables was not exhaustive.

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