breakthrough research

rewarding customer service?

using reward and recognition to deliver your customer service strategy

by Aston Business School,
Aston University

ICS Institute of
Customer Service

The organisations behind this report

The Institute of Customer Service is the professional body for customer service with a diverse organisational and individual membership drawn from across the private and public sectors. ICS's mission is to lead customer service performance and professionalism. This research is part of the ICS Breakthrough Research programme which is pioneering cutting-edge research into a range of service-related issues. For further details:

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The CIPD is the professional body for those involved in the management and development of people. Its objective is to lead in the development and promotion of good practice in the field. This research was commissioned as part of its research programme into Rewards in Organisations.

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Rewarding Customer Service?

Using reward and recognition to deliver your customer service strategy

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Foreword

Customer service is vital for the future success of private, public and voluntary sector organisations. People will no longer put up with sub-standard service. If they do not like what they receive then they will move to another provider or, in the case of the public sector, put pressure on their councillors or MPs.

Because of the crucial role of customer service in many organisations, the CIPD and ICS commissioned Aston Business School to conduct research into how good customer service can be supported by appropriate reward and recognition practices.

However, the findings emphasise that getting the reward aspects right is not, in itself, enough. It also has to be backed up with the appropriate

people management practices, such as involving customer service staff in decisions that affect their work, and the conditions in which they do it.

This Research Report is aimed at reward and HR managers and customer service professionals. It will help them review their existing pay, benefit-recognition and wider people-management practices, to see whether they encourage the appropriate customer service behaviours that organisations today need in order to thrive.

Charles Cotton
CIPD Adviser, Reward

David Parsons
Chief Executive, Institute of Customer Service

Executive summary

The Institute of Customer Service (ICS) and the Chartered Institute of Personnel and Development (CIPD) commissioned this study with three specific aims:

1 To identify the impact that reward and recognition practices have upon customer service and highlight which practices are most effective.

2 To identify those approaches to reward and recognition most associated with perceived motivation, employees feeling valued and high levels of individual, team and organisational performance.

3 To understand how other factors, such as job design, training and development, perceived autonomy, participation and involvement may moderate the effectiveness of reward and recognition processes.

These aims were met by conducting a year-long research project into reward and recognition practices in 22 customer service sites, located in 15 private, public and voluntary sector organisations. By definition, these customer service sites are not confined to call centres, but represent a range of customer service-based organisations employing front-line staff to deliver excellent service to customers. The findings below represent the views of 800 staff, employed in customer service front-line roles and as managers in these organisations.

The findings of the research indicate that:

◘ Those organisations with the best customer service make extensive use of performance-related pay and team-based rewards and recognition.

◘ They also emphasise the career development of staff and work–life balance issues.

◘ There are few, if any, differences between reward and benefit policies for managers and customer service staff in these organisations.

◘ Contingent pay is much more likely to be based on customer satisfaction and service quality than on productivity alone in the organisations providing the best customer service.

◘ Employees in these organisations generally indicate a high level of satisfaction with their supervision and like a strong emphasis on customer service.

◘ When employees see their organisations as: being fair to and looking after them; encouraging open discussions about ways of working and how they can be improved; and involving them in decision-making, employees in customer service-based organisations are more likely to be satisfied with their pay.

◘ In addition, when their organisations provide a high level of feedback on their performance and their supervisors are warm and supportive, employees are also likely to be satisfied with the praise and recognition they receive.

◘ Satisfaction with pay and recognition is associated with employees having high levels of commitment to their organisations – feeling proud about the organisation they belong to, intending to continue working there and feeling a strong sense of attachment to the organisation.

◘ When they see their organisations as being fair to, and looking after, them and as emphasising good customer service, employees have high levels of commitment to their organisations.

◘ There is a large variation between different customer service organisations with regard to employee satisfaction with pay, praise and recognition.

◘ There is a similarly large variation between different customer service organisations in the extent to which employees see them as being fair to, and looking after, them.

◘ In general, customer service organisations are rated as poor by employees in relation to the extent to which they are involved in decision-making.

These findings are described in detail in the report. A particular aim of this report is to enable practitioners to translate these findings into practice. It details successful reward and recognition policies in customer service organisations and explains how they are being implemented, how they contribute to organisational effectiveness and confirms that team rewards, warm and supportive supervisors, valuing and respecting staff, and providing equitable and fair payment systems all enhance customer service. The challenge for leaders in customer service organisations is to develop their organisational cultures in order to implement reward and recognition practices effectively.

Introduction: Background to this report

There is a persistent view in the United Kingdom that customer service roles are played by people with low levels of skill, who receive low levels of pay for their work. Indeed, the introduction of the minimum wage has had a considerable influence on this occupational group. According to the Confederation of British Industry (2004), two consecutive seven per cent increases in the minimum wage in 2004 heightened employer concern in the sectors most directly affected, which include call centres, retailers, parts of manufacturing, hospitality, cleaning, social care, hairdressing, textiles and agriculture. Research by the Incomes Data Service found little indication that the minimum wage was having a negative effect on jobs, but rather that employers were reviewing their grading structures and introducing team-working and multi-skilling to accommodate the changes (IDS, 2004).

Yet the market environment of customer service has changed dramatically in recent years. Competition among organisations has taught customers to be more discerning and more demanding in relation to customer service. As organisations have sought to compete on the basis of customer service, levels of politeness, helpfulness and responsiveness have improved so much in some organisations that less responsive organisations have appeared neglectful in comparison. Demand for their products and services has dropped. Johnston (2003) described the small touches that demonstrate the simplicity of excellent service, such as the socks, toothbrush, or ice cream halfway through the in-flight film, when flying Virgin Atlantic. The phrases about excellent service provided by Johnston's respondents fell into four categories:

◘ delivering the promise

◘ providing a personal touch

◘ going the extra mile

◘ dealing well with problems and queries.

The characteristics of poor service were the opposite of the excellent ones:

◘ not delivering what was promised

◘ being impersonal

◘ not making any effort

◘ not dealing well with problems and queries.

Dealing well with problems and queries appears to be a critical determinant as to whether an organisation is perceived as excellent or poor. The researchers claim that the staff and systems of poor service organisations made it difficult for customers to do business with them, and did not care about the customers or their experience.

With the advent of the Internet and higher levels of awareness about quality of service, customers are increasingly discerning, informed and demanding. Organisations must, therefore, respond to these demands or lose the goodwill of those they serve. The national and local press are ever ready to publicise examples of bad customer service and to damage the reputations of the offending organisations (whether they be hotels, retail outlets, hospitals or local councils) in the process.

There is disquiet in the Department of Trade and Industry about the ability of the UK service sector to compete internationally on a low-wage/low-skill model, prompted partly by Professor Michael Porter's 2003 report on the competitiveness of UK industry (Porter and Ketels, 2003). Around the globe, countries are competing to provide good

'One important element of people management strategy is reward and
recognition for the key elements of performance.'

customer service and the flight of customer service centres from the USA to India is one example of how high-quality customer service in one country can attract a sizeable element of economic activity away from a country that fails to compete effectively on quality and cost.

How can UK organisations ensure that high-quality customer service is delivered? Previous research across a wide range of industries has demonstrated the importance of people management for organisation performance (be it in manufacturing, service sector or public sector organisations such as hospitals (Patterson, West, Lawthorn and Nickells, 1997; Becker and Huselid, 1998; Guest, Michie, Sheehan and Conway, 2000; Purcell, Kinnie, Hutchinson and Rayton, 2000). One important element of people management strategy is reward and recognition for the key elements of performance.

Customer service organisations must ensure that staff are rewarded and recognised for delivering high-quality customer service. This is easily said, but we frequently do not understand how it is most effectively done. The approaches to reward and recognition in customer service organisations were often developed in times when the circumstances described above did not apply. Moreover, many organisations have adopted models that were developed for organisations with very different cultures and processes, such as manufacturing. At the same time, managers of

customer service-based organisations have been experimenting with new ways of rewarding staff for customer service, such as formal recognition schemes and competitions. What approaches to reward and recognition for staff are associated with the best customer service?

Against this background, the main objectives of the research described in this Report are:

- To identify the impact that reward and recognition practices have upon customer service and highlight which practices are most effective.

- To determine the extent to which employees in customer service organisations are satisfied with the rewards and recognition they receive.

- To identify those approaches to reward and recognition most associated with employees being committed to their organisations.

- To understand how other factors such as organisational culture, the characteristics of employees (eg, age, gender) and employment contracts (part-time, permanent etc) affect satisfaction with reward and recognition.

Before describing the research, the Report describes the key forms of reward and recognition and the factors that influence service quality in customer service organisations.

1 | What are the key forms of reward and recognition?

The components of a reward and recognition system include financial rewards (fixed and variable pay) and employee benefits. Together these constitute total remuneration. Non-financial rewards include such aspects as recognition, opportunities to acquire and develop new skills, having a good quality of working life and good performance management processes. Figure 1, below, outlines the elements of the total reward approach.

This chapter examines the aims of 'total reward management', including reference to contingent pay systems and other types of motivation.

Aims of reward

The overall aim of reward management is to attract, retain and engage the right numbers of staff with the right skills and attitudes at the right times to help the organisation achieve its aims and objectives.

This involves:

- ◘ Communicating the business goals of the organisation and the values and behaviours that are required from employees

- ◘ Rewarding employees' behaviour towards meeting the organisation's objectives

- ◘ Supporting organisational change by rewarding behaviours which achieve that change (eg improving levels of customer service)

- ◘ Supporting enactment of organisational values (eg teamwork, customer focus, speed of response, innovation).

Figure 1 | Components of total reward

Financial rewards
- Base pay
- Variable pay
- Share ownership
- Benefits

→ Total remuneration

+ Non-financial rewards
- Recognition
- Opportunities to develop skills
- Current opportunities
- Quality of working life

→ Total reward

Source: Michael Armstrong and Duncan Brown, *New Dimensions in Pay Management*. CIPD, 2001.

'It is important that the elements of reward should be internally equitable, externally competitive, transparent, consistent and linked to competitive performance.'

It is important that the elements of reward should be internally equitable, externally competitive, transparent, consistent and linked to competitive performance (Armstrong, 2002).

According to Armstrong (2002), the main components of the reward system are:

- *processes* for measuring the value of jobs, the contribution of individuals in those jobs, and the range and level of employee benefits to be provided; these processes consist of job evaluation, market-rate analyses and performance management

- *practices* for motivating people by the use of both financial and non-financial rewards

- *structures* for relating pay and benefit levels to the value of positions in the organisation and for providing scope for rewarding people according to their performance, competence, skill and/or experience

- *schemes* for providing financial rewards and incentives to employees according to individual, group or organisational performance

- *procedures* for maintaining the system and for ensuring that it operates efficiently and flexibly and provides value for money.

The management questionnaire used in this research investigated which reward processes, practices structures, schemes and procedures were being used by those organisations within our sample.

Reward structures

The more common structures for organising and managing employee salaries and benefits used by the customer service organisations include:

- Graded pay structures – a graded structure is a sequence of job levels. All jobs in a particular level or grade are broadly of equal value to the organisation. Each grade may have a single salary or a range of salaries associated with it. Where there is only a single salary linked with a grade, all employees whose jobs fall in the same grade are paid at the same rate. Where each grade has a range of salaries, the level of pay for individual employees in a grade range could depend on their performance or their length of service. Jobs of almost equal value to the organisation are in the same grade.

- Individual job ranges – an individual job range structure places each separate job in its own grade, with its own salary range. In other words, there is only one job to a grade. Such a structure is useful where the job content for individual positions varies widely, or where flexibility in response to rapid organisation change or market-rate pressure is vital. Here, grouping them in a rigid grade structure does not blur distinct differences between jobs.

- Broad-banded – a pay structure that combines a broader range of jobs within a small number of grades or bands. As a consequence, the range of pay in a band is significantly higher than in a 'traditional' graded pay structure. This can allow pay to be managed more flexibly

> **'Many organisations also provide additional financial rewards that are related to achievement, such as skill, performance, and length of service.'**

and salary levels and relativities can be readily linked to the market. For instance, under a narrow grade scheme, employees could only typically increase their salary *via* promotion to a higher grade.

◘ Job-family pay structure –this consists of separate pay structures for occupational groupings or job families. Job families may be task-based, covering specific workgroups, or generic, covering similar types of work across functions.

A comparison of payment structures and their relative advantages and disadvantages, is shown in Appendix 1, Table 6.

Contingent pay

Many organisations also provide additional financial rewards that are related to achievement, such as skill, performance, and length of service. These payments can be consolidated into base pay, allowing for an element of pay progression through grades and bands (eg service-related, individual performance-based or skill-based) or paid as non-consolidated bonus or incentive award (either linked to individual and/or collective performance). Payments that are not consolidated into base pay are usually termed as variable pay.

The types of contingent pay identified by Armstrong (2002) and used by our sample are:

◘ *service-related pay* – in which base pay increases by fixed increments, depending on length of service in the job. Such schemes are common in the public sector

◘ *competency-related pay* – this varies according to the level of competence achieved by the individual

◘ *individual performance-related pay* – in which increases in base or variable pay are determined by performance assessment and ratings

◘ *skill-based pay* – where base pay varies according to the level of skill the individual achieves

◘ *contribution-related pay* – which links salary progression not just to *what* is achieved (performance) but also to *how* it is achieved (competencies and/or skills)

◘ *bonuses* – non-consolidated rewards for successful performance which is paid as cash on an individual, team or organisational basis

◘ *commission* – a special form of incentive in which sales staff are paid on the basis of a percentage of the sales value that they generate

◘ *incentive schemes* – payments linked with the achievement of previously-set targets which are designed to motivate people to achieve higher levels of performance

◘ *profit-sharing schemes* – a payment linked to the profits of the organisation.

There are three basic reasons for using contingent pay:

1 **Motivation** – motivating people to perform and/or achieve higher levels of competencies.

2   **Message** – communicating a clear message about expectations to employees (eg, 'If you meet our expectation, you will be rewarded for it'). This is especially appropriate for messages relating to quality, customer service, leadership and team-working.

3   **Equity** – ensuring that employees feel fairly treated. It is right to relate pay to an individual's effort and performance.

The use of contingent pay allows the organisation to:

▪ establish a clear relationship between pay and performance, competence or skill

▪ recognise achievement by building on the benefits of performance management

▪ reinforce a performance-related culture

▪ demonstrate that the organisation values skill development and competencies

▪ reinforce team and individual effort through reward

▪ concentrate effort in priority areas

▪ attract and retain people who expect rewards for delivering results

▪ improve pay competitiveness

▪ increase employee commitment through benefiting from organisational success.

Overall, incentive and bonus schemes with clear target-related and substantial reward, and where performance is closely followed by the reward, will have the largest impact on motivation. A comparison of contingent payment systems is shown in Appendix 1, Table 7.

Other methods of motivation

There is a very wide range of incentives such as gifts, vouchers, competitions, perks and other non-financial rewards. These are used to motivate and reward staff and can be more effective than financial rewards when they are highly valued by staff. One example is personal development opportunities: good customer service staff enjoy the success of achievement and, if given the opportunity to develop skills through additional training, are challenged to meet demanding goals with the aim of achieving greater responsibility (managerially or financially). These can act as forces for motivation. Another example is recognition: a customer service employee is more likely to be engaged at work if they believe that their contribution is recognised and valued by their supervisor and organisation.

In this research we adopt a 'total reward' approach, looking beyond compensation. Being given greater freedom and autonomy, being more involved in the operation of the organisation, feeling trusted, and experiencing ongoing learning and development are rewards that many employees crave.

2 | What influences performance in customer service organisations?

This chapter outlines two key influences on performance in customer service organisations: service culture and team-working.

Service culture

A service culture is associated with retaining customers and consequent profitability (Heskett *et al*, 1994). A service culture refers to the sense that people who work for, and/or come into contact with, an organisation, have regard for the service quality emphasis of the organisation. Employees place an emphasis on service excellence, customers experience a high level of service quality, and suppliers feel they are well-served. Moreover, there is 'internal marketing' – employees and departments within the organisation serve each other well. Together these create an experience of a service culture within an organisation. Factors such as training, equipment, leadership, participation in decision-making, as well as internal marketing, can build a strong foundation on which a climate for service can be built. Management can enhance and develop a service culture by improving customers' perceptions of service quality through service design choices, pricing, hours of operation and location (Ashkanasy, Wilderom and Peterson, 2000). The Sears case study (Rucci and Sherman, 1997) showed how training, motivation and including employees in decision-making led to increased customer satisfaction and improved company performance. Employee attitudes to their work and the company influenced the way in which they behaved which, in turn, affected how they served customers. This, in turn, predicted customer retention and behavioural intentions (whether they would return to the store or recommend it to others): the two factors which predict financial performance.

Supportive management is a key factor in the development of a service culture. Front-line customer service staff in Johnston's (2003) study categorised management support towards their front-line staff in two ways: to enable them to do the job and to be shown positive and personal appreciation. West (2004) provides the management tool to translate this finding into management practice by an explanation of the two main styles of management: a transactional task-orientated approach and a transformational people-orientated approach. Successful transactional styles of management rest on rewarding, ensuring a fair balance of work and monitoring performance. A transformational style is less concerned with processes and more concerned with team members' self-perceptions in relation to their work and their team. The front-line staff in Johnston's (2004) study identified the need for both styles: management enabling them to do the job (transactional task-orientated approach) and management showing appreciation and acceptance of mistakes (transformational people-orientated approach). This combination of management styles enhanced the development of an effective service culture.

Reputation

An effective service culture thrives on an excellent reputation. Yet, the reputation of each organisation is both unique and fragile. Reputations, as seen from the customer's perspective, are primarily based on experience of the organisation and/or relayed, second-hand experience of the organisation (Johnston,2001). Organisations that develop the reputation of an excellent service culture reap the reward of higher profits and increased profit per employee. Gaining an excellent reputation is the combined result of management

'An effective service culture requires high-involvement human resource management.'

vision, leadership, shared and well-articulated values, a continuous drive for improvement, staff involvement and commitment, customer-focused systems and high-involvement human resource management (Johnston,2001;Clegg, Kornberger and Pitsis, 2005).

High-involvement human resource management

An effective service culture requires high-involvement human resource management (HRM). Research has established the relationships between high-involvement HRM and organisational performance, whether in manufacturing (Patterson *et al*, 1997), public services (West *et al*, 2002) or service settings (Becker, Huselid and Ulrich, 2001). Within the service sector particularly, more evidence is accumulating about the influence of high involvement HRM practices on organisational performance. Turnover or quit rates are lower and sales growth higher in establishments that emphasise high skills, employee participation in decision-making and team-working and human resource incentives such as high relative pay and employment security (Batt, 2002).

In a study of US steel plants, Arthur (1994) found that *commitment management*-based HRM systems were associated with better organisational performance, while labour turnover was higher in plants with *control-based* HRM systems. Commitment management-based HRM systems can be characterised by decentralisation, a high percentage of training staff, a high average employment cost and a high percentage of wages attributable to bonus or incentive payments (see Table 1, opposite). In contrast, control-based HRM systems can be characterised as having a focus on reducing labour costs, maintaining formalised rules, and offering incentives based on output and providing minimal training.

In a study of 232 British hotels, Hoque (1999) found that hotels with more HRM practices (relating to recruitment and selection, terms and conditions, training, job design, quality circles, communication, and pay systems) reported higher organisational commitment, job satisfaction, staff flexibility, a greater ability to move staff as work demanded, high quality of both work and staff, higher labour productivity, quality of service and enhanced financial performance. There were also additional gains when HRM practices were strategically integrated with the type of business strategy adopted. For example, hotels that adopted a strategy of *quality-enhancement* and had more HRM practices were associated with better outcomes.

Guest and Hoque (1994) differentiated between 'good', 'lucky', 'ugly' and 'bad' firms. The 'good' firms had a clear HRM strategy and made extensive use of a range of high-involvement HRM practices. The 'lucky' firms did not have an HRM strategy, but had 'stumbled' on best contemporary practice and made extensive use of high-involvement HRM practices. The 'ugly' firms had a clear HRM strategy, but made little use of high-involvement HRM practices and were considered to be 'efficiency-driven'. Finally, 'bad' firms had no HRM strategy and low use of high-involvement HRM practices. Guest and Hoque reported the 'good' firms performed best on outcome measures relating to labour turnover, disputes, and quality. Levels of commitment were highest in 'good' and 'lucky' firms, whereas absenteeism was at its highest in 'ugly' firms.

This research suggests that high-involvement HRM practices impact on organisational performance *via* an employee's knowledge, skills and discretionary effort (Becker, Huselid, Pickus and Spratt, 1997; Wright, McCormick, Sherman and McMahon, 1999); commitment (Patterson *et al*, 1997),

Table 1 | Two systems of workplace industrial relations

	Type of system	
	Cost reduction	**Commitment management**
Organisation of work	Job tasks narrowly defined.	Broadly-defined jobs.
Employee relations	Very little employee influence over 'management' decisions; no formal employee complaint/ grievance mechanisms; little communication/socialisation effort.	High level of employee participation/involvement; formal dispute resolution procedures (non-union firms); regularly share business/economic information with employees.
Staffing/supervision	Low skill requirement; intense supervision/control.	High percentage of skilled workers; self-managing teams.
Training	Limited training efforts.	More extensive, general skills training.
Compensation	Limited benefits; relatively low wages; incentive-based.	More extensive benefits; relatively high wages; all salaried/stock ownership.

Source: Arthur, J. B. (1992). 'The link between business strategy and Industrial Relations systems in American steel minimills'. *Industrial and Labor Relations Review*, 45 (3), 488–506.

satisfaction (Benkhoff, 1997; Patterson *et al*, 1997) and organisational citizenship behaviours (Tsui, Pearce, Porter and Tripoli, 1997).

High-involvement HRM systems should include the following:

◘ An emphasis on selectively hiring employees with high general skills (formal education) and investment in initial training showing a capacity to learn.

◘ A design of work that allows ongoing learning with other employees (problem-solving groups and teams etc).

◘ HR incentives (eg investment in training, rewarding employees with additional skills etc).

'There is considerable evidence that team-working across an organisation leads
to better organisational performance in financial terms...'

Training

An effective service culture relies on good training. There is considerable research that has reported a link between training and organisational outcomes, including measures of profitability and productivity (Bartel, 1984; Holzer, Block and Cheatham, 1993; Bishop, 1991; Lyau and Pucel, 1995). Recent research in the UK (Hillage and Moralee, 1996; Tamkin, *et al*, 2000) has shown that obtaining Investors in People accreditation was associated with the quality of goods and services provided, customer satisfaction, and productivity gains. The provision and support for training was also found to be associated with enhanced employee motivation and commitment, lower levels of labour turnover and absenteeism.

Research suggests that the profitability and productivity of an organisation, and the motivation, satisfaction and commitment of its workforce will be enhanced when there is:

- commitment to train and develop employees

- formal planning for training and development of all employees

- provision of training and development opportunities for employees

- evaluation of training and development investments.

Team-working

There is considerable evidence that team-working across an organisation leads to better organisational performance in financial terms, higher levels of innovation and more satisfied employees (West, 2004). More empowered teams are more productive and proactive than less empowered teams and offer higher levels of customer service, job satisfaction, and organisational and team commitment. Research indicates the value of managers creating empowered environments for their work teams. In order for teams to be highly effective, they must be autonomous and their members must experience potency, meaningfulness of work, and feel they have an impact upon organisational objectives. There is also a link between team-based human resource policies and team empowerment (West and Markiewicz, 2004). Organisations that adopt team-based pay and peer evaluations are much more effective at introducing team-based working and improving customer service. However, changing existing pay and evaluation systems is complex and can be emotional for change recipients. Team empowerment is positively associated with a broad range of positive employee and organisational outcomes such as commitment, proactivity, and customer service (Kirkman and Rosen, 1999).

Research suggests that managers should identify those teams with low levels of empowerment and engage in activities designed to raise their levels of empowerment:

- ensure that team leaders receive training to exhibit appropriate behaviours

- increase the production/service responsibilities of teams

- alter human resource policies (increasing the amount of cross-training, and training team members to hire and discipline fellow teams)

- modify social structures to increase team member access to resources and information and establish more communication and co-ordination across teams.

Reward and recognition

Having examined the key forms of reward and recognition and the factors that influence performance in customer service organisations we now turn to examine: *How do reward and recognition influence customer service?* and *What other factors affect the relationships between reward and recognition and customer service?* Chapter 3 describes the research methods used to answer these questions.

3 | Research methods

The research design incorporated a multi-method approach. Managers provided information on the reward and recognition strategies they pursued in 22 customer service sites. Employees in these sites completed questionnaires to provide their evaluations of organisational culture, satisfaction with reward and recognition, their commitment to their organisations and their satisfaction with their supervisors. Researchers rated the quality of customer service by unobtrusively rating 10 customer service interactions.

Information from managers

Managers were asked to detail separately the types of pay structures and benefits used in their organisations for both managerial and customer service staff. The list they were presented with included:

◪ Graded, broad-banded, individual job ranges, pay curve, pay spine, job-families, spot rates or fixed base rates.

◪ Contingent pay: service-related, competence-related, individual performance-related, skill-based, contribution-related (skills and performance), individual bonuses, team-based rewards and bonuses, commission, incentive schemes, profit-sharing scheme, profit-related pay, gain-sharing.

◪ Percentage of annual income from basic pay *versus* contingent pay.

◪ Whether reward was linked to customer satisfaction, service quality, productivity, sales, lead generation.

◪ What benefits were available to staff including: company sick pay, nationally/professionally-recognised training, external/off-site training, in-house training courses, non-contributory pension, contributory pension, transferable pension, medical insurance, career counselling, relocation packages, retail vouchers, workplace nurseries and crèches, restaurant facilities, sport facilities, social facilities, work–life balance policies, career development programmes/policies.

Information from staff

Completed questionnaires were received from 580 staff. The overall average response rate was 35 per cent, and this ranged from 11 per cent to 85 per cent across the organisations. The questionnaire sought evaluations by staff of their organisations on the following dimensions:

◪ Autonomy – the freedom to do the job in their own way.

◪ Participation – staff invited to participate in decision-making within the organisation.

◪ Quality of supervision – warmth and supportiveness of supervisors.

◪ Employee welfare – the organisation being fair to, and looking after, its employees.

◪ Performance monitoring – accurate and timely feedback on employee performance.

◪ Reflexivity – encouraging open discussions about ways of working in the organisation and how they can be improved.

◪ Customer service – organisational commitment to customer service.

'…people's answers to questionnaires tend to be biased by their general tendencies to be either positive or negative in expressing emotions…'

The questionnaire also assessed staff attitudes in three other areas:

- Organisational commitment – feeling proud about the organisation, intending to continue working there and feeling a strong sense of attachment to the organisation.

- Satisfaction with rewards.

- Satisfaction with recognition.

Because people's answers to questionnaires tend to be biased by their general tendencies to be either positive or negative in expressing emotions, the questionnaires included measures of positive and negative affect. *Positive affect* reflects the extent a person experiences a positive mood, and displays feelings such as joy, interest, enthusiasm or alertness. *Negative affect* reflects the extent a person experiences a negative mood, and displays feelings such as distress, guilt, irritability or nervousness (Watson and Tellegen, 1985; Watson, Clark and Tellegen 1988). Positive or negative affect were taken into account in all analyses to eradicate the bias they might introduce in the findings. The questionnaire and other measures can be found in Appendix 2.

Ratings of customer service

Researchers made assessments of 10 customer service interactions in each organisation in relation to the quality of customer service. These assessments were based on five aspects of the service:

1 Positive emotion – enthusiasm, interest, confidence.

2 Negative emotion – boredom, rudeness, aggression.

3 Customer handling skills – questioning skills, listening skills, control.

4 Customer service outcomes – objectives fulfilled, presenting positive image of organisation.

5 Customer service behaviours – polite, friendly, helpful.

The ratings were added together to give an overall rating of customer service.[1] A comparison was then made between the five sites with the best rated customer service and the remaining sites. These five were outstanding in that they differed significantly from the other 17 in terms of the customer service behaviours of their staff.

The organisations and their employees

The organisations studied included public, not-for-profit and private organisations:

- The public organisations included water and local authorities.

- The not-for-profit organisations included charities, housing associations and leisure centres.

- The private organisations included financial services, manufacturing, hotels, education services, student accommodation services, recruitment agencies, telecommunication, building societies, and insurance.

- The size of the organisations varied from 37 up to 62,000 employees.

More details of the organisations and the jobs their employees performed is provided in Appendix 3.

Most employees, including full- and part-time, had permanent contracts (91 per cent). The average length of time these employees reported working in their current organisations was six years, indicating a surprisingly high degree of job longevity. The percentage of full-time staff varied from 53 per cent up to 100 per cent with an average of 80 per cent. The proportion of temporary/contract staff varied from 2 per cent to 43 per cent. The average age was 34 and 70 per cent of employees were women.

Endnote

1   The reliability of this measure was calculated using Cronbach's alpha and was 0.9, indicating very high reliability.

4 | Findings

This chapter outlines the key findings from the research.

Frequency of use of rewards

Table 2 shows the frequency with which different rewards were used by the 22 sites for both management and customer service staff. *A graded pay structure continues to be the most popular method of rewarding staff*. Despite the need to find creative ways of meeting the demands of a rapidly changing and challenging customer service environment, the use of reward systems by some of the organisations studied was very traditional. Four organisations used individual job ranges for their customer service staff to ensure flexibility of structures and processes, and many used a variety of forms of contingent pay. The use of contingent pay is encouraging since it suggests a willingness to innovate to discover the best ways to motivate, reward and retain staff.

Just over half of the organisations within the study adopted some form of contingent pay and a

Table 2 | Number of organisations using types of reward and contingent pay

Reward structure	Management	Customer service staff	Total
Graded pay structure	6	6	12
Broad-band pay structure	3	5	8
Individual job ranges	4	4	8
Pay spine	2	2	4
Job-families	1	0	1

Contingent pay	Management	Customer service staff	Total
Service-related pay	4	4	8
Competence-related pay	2	2	4
Individual PRP	4	5	9
Skill-based pay	0	2	2
Contribution-related pay	3	3	6
Individual bonuses	5	6	11
Team-based rewards	4	6	10
Commission	0	1	1
Incentive schemes	2	2	4
Profit-sharing schemes	2	2	4

> **'It is clear...that the uses of contingent pay and reward structures...is highly variable.... There appears to be no norm or standard for customer service-based organisations.'**

number used team-based rewards and individual bonuses. It is clear from the data that the uses of contingent pay and reward structures within this sample of organisations is highly variable, perhaps reflecting the varied nature of the sample of organisations. There appears to be no norm or standard for customer service-based organisations.

Frequency of use of benefits

Table 3 shows the variety of employee benefits on offer to management and non-management employees at the 22 work sites. It is noteworthy that, despite the fact that most customer service employees are women with an average age of 34,

Table 3 l Number of organisations using types of benefits

Benefits	Management		Customer service staff	
Extent offered:	Moderate	Great	Moderate	Great
Company sick pay	6	6	6	5
Nationally-/professionally-recognised training	6	3	6	4
External/off-site training courses	6	3	5	4
In-house training courses	6	5	5	6
Non-contributory pension	1	1	1	1
Contributory pension	3	3	2	6
Transferable pension	2	2	2	2
Medical insurance	4	1	1	1
Career counselling	3	0	3	0
Relocation packages	5	0	1	0
Retail vouchers	1	0	2	0
Workplace nurseries and crèches	3	0	3	0
Restaurant facilities	3	4	3	1
Sports facilities	1	1	0	1
Social facilities	2	1	2	1
Work–life balance policies	5	2	5	3
Career development programmes/policies	7	3	6	3

'...the best customer service organisations make more use of performance-related pay than other organisations.'

organisations do not place a strong emphasis on work–life balance policies. Similarly, there is little provision for work place nurseries and crèches. This is an area where there is scope for improvement.

Again, the data suggest a highly variable use of benefits with a small number being used by most companies. The data suggest it would be valuable for customer service organisations to explore how they can use benefit systems more extensively and more creatively.

Reward and recognition in the best-rated customer service organisations

How do the top customer service organisations manage reward and recognition for their employees? Using the data from the evaluations of the customer service behaviour of 10 customer interactions in each organisation, it was possible to identify the five most outstanding customer service organisations. These were:

◘ Torfaen County Borough Council

◘ Kent County Council

◘ Unite Group

◘ Scottish Water

◘ Impulse Leisure.

The data analysis involved comparing the reward and recognition practices of these outstanding five organisations with the others. Table 4 shows this comparison.

Table 4 shows that the best customer service organisations make more use of performance-related pay than other organisations. Although percentages can be misleading when comparing small numbers of organisations, the data show that the best organisations are twice as likely to use performance-related pay to reward their staff. Moreover, as described below, the best companies

Table 4 | Percentage of organisations using different reward strategies

Reward and recognition practices	Top five organisations (%)	Others (%)
PRP	60	29
Individual recognition	80	47
Team-based reward	60	12
Team-based recognition	100	12
Work–life balance policies	100	59
Career development	100	71
Company pension	100	71
Restaurant facilities	100	53

use contingent pay to reward staff for service quality and customer satisfaction when compared to other companies.

The best companies are also more likely to use individual and team-based recognition than other companies, suggesting they have two important values: recognition and team-work. The implication is that the best companies aim to recognise their staff in a variety of ways and managers believe that such recognition will promote effective performance. The best companies also emphasise and reward team-working, consistent with previous research suggesting that structuring customer service provision around teams results in higher levels of customer satisfaction (Kirkman and Rosen, 1999).

The results also show that the best organisations emphasise the career development of staff and also pay attention to work–life balance issues. This is consistent with the profile of the staff in these organisations. They are predominantly women (average age 34), for whom work–life balance is likely to be more of an imperative than for men. Women are still primarily responsible for child-rearing and are likely to need to balance childcare responsibilities with the demands of a job. Those companies that respond supportively are likely to have more satisfied staff than those that do not. And, as previous research has repeatedly demonstrated (Laabs, 1999), satisfied staff provide better customer service.

Such work–life practices might include those that allow choice over starting and finishing times, flexible hours systems and individuals' control over their own hours of work. For parents with young children, career-break schemes, term-time working contracts and various forms of childcare assistance would also be relevant (White, Hill and McGovern,

2003). However, potentially it is the actual hours worked that have the most influence on work–life balance. Best practice in implementing flexible working arrangements can be drawn from Dex and Scheibl's (2001) study of flexible working practices. The organisations that came closest to addressing three issues – the business case, employee needs and equity in provision – had the most problem-free flexible working arrangements and best employee–employer relations. However, the implementation of a wider application of work–life balance issues requires organisational cultural change.

Case study

**Success of a team-based system –
Torfaen County Borough Council**

Torfaen County Borough Council introduced team-based working as an integral feature in their work design. Their team-based recognition system was designed on the same principle.

They work very much as part of a team, and it would be unfair to pick out individuals.

The practice of *'valuing staff'* is at the forefront in their human resource policies. All staff input into their service and organisational development plan. The team is committed to a 'belief in a two-way communication process'. This means that the customer service division as a whole works towards a unified goal. The organisation introduced alternative methods of working to improve service; calls were re-routed and skilled staff re-deployed to provide a 'one-stop-shop' service. A customer standards focus officer was recruited to the team to improve customer service quality within the council.

Performance improved dramatically due to team-based effort and motivation. In the first year, after establishing a

> **'There are few differences...between reward and benefit policies for managers and customer service staff in the best organisations.'**

central call centre, lost calls were reduced from 66 per cent to 4.6 per cent. Their customer service teamwork was ultimately rewarded by the prestigious Frontline Team of the Year Award from the National Customer Service Awards. All attended the ceremony in London.

The team felt that they had been recognised for their hard work…they know the quality of their service is appreciated and are proud about it.

Corporate achievement awards are also presented at a team level. The customer service management believe, 'It is really important to inform the team how well they are performing together'.

The success of virtually nil staff turnover is due to 'commitment, motivation and teamwork. They enjoy the work they do and have job satisfaction.'

Gloria Evans – Torfaen County Borough Council

The average length of time that staff worked in the organisations in this study was six years. This is long tenure in comparison with many organisations. High staff attrition is seen as a major issue for the UK contact centre industry in general and is linked closely to low pay and a high intensity of work (DTI, 2004). The average agent tenure is 32 months (Holman and Wood, 2002). Staff attrition rates of 25.1 per cent were highest in the retail and transport sectors, lowest in the public sectors (IDS, 2003). Staff with long tenure are therefore making a long-term commitment and contribution to their organisations. There is a principle of equity here. When employees make long-term contributions to their organisations, they will expect to be treated fairly and to be looked after by their organisations. Those organisations that have career development supports in place for staff are going some way towards meeting these expectations. Where they

do, employees experience reciprocity and are more satisfied. Again, the consequent benefits to customer service are likely to manifest in the types of excellent customer service behaviours observed in the best companies.

One case-study approach (Lockyer, Scholarios and Watson, 2002) showed staff experienced some internal career progression within (eg to the team leader) and there were opportunities to deepen skills and qualifications within the financial services sector. Conversely, there was some internal career progression across different businesses and to the team leader/manager, but there was limited opportunity for the development of transferable skills across call centres, or with business clients.

There are few differences, if any, between reward and benefit policies for managers and customer service staff in the best organisations. We calculated an overall score for each organisation of the extent to which they had the same rewards and benefits for both managerial and customer service staff, with 100 per cent indicating complete similarity (more detail of these 'harmonisation' calculations can be found in Appendix 4, Table 9).

Case study

**Integrated customer service –
Kent County Council**

Reward and recognition practices in Kent County Council (KCC) are linked to its customer care strategy. Customer care is incorporated into training policies. Training enables staff to understand what is expected from them in terms of customer service. The customer care policy translates expectations into specific descriptions of staff behaviour: 'Behaviours to Success'. The behavioural framework is integral to the customer care strategy. Behaviours are built into a person's job description as

'In today's flatter, more egalitarian organisations, there is less tolerance among employees of differential treatment based on hierarchical status...'

well as their appraisal. From 2006 they will become an assessed component of their reward package. The KCC culture has an ingrained emphasis on customer service.

Non-cash awards are the most prevalent form of recognition. These are discretionary and managers have the autonomy to select different methods to meet the needs of a diverse workforce. Recognition for quality of customer service, not only in terms of external customers but also in terms of supporting internal groups, is given a high priority. Discretionary types of reward vary from vouchers, team events such as meals, and 'POETS' day (Push off early, tomorrow's Saturday).

Organisational citizenship can be rewarded by a POETS day. For example, one staff member had received a call to repair a computer. Calls are normally logged and put in a queue. However, on his way home the employee stopped to repair the computer. It was this willingness to go the extra mile for the customer that gained him the reward.

Carol Sharpe – KCC

The best companies scored an average harmonisation score of 88 per cent. The others scored somewhat lower at 76 per cent. The greatest variation in the treatment of managerial and customer service staff was found in relation to benefits (such as medical insurance, restaurant facilities and relocation packages). The scores varied from 33 per cent to 100 per cent in relation to benefits, with the top five scoring an average 84 per cent and the other companies scoring 78 per cent. In relation to rewards (pay and contingent pay) the top five scored 100 per cent compared with 80 per cent for the others. Selecting out those organisations using contingent pay, those among the best companies had a score of 100 per cent in relation to contingent pay; those from the rest of the sample had an average score of 88 per cent. The trend in our results towards equal

treatment of managerial and customer service staff in the best customer service organisations is clear.

In today's flatter, more egalitarian organisations, there is less tolerance among employees of differential treatment based on hierarchical status than there was 50 or even 10 years ago. The public questioning of boardroom pay and directors' bonuses is testament to that. The best customer service organisations have travelled further down the road of 'harmonisation' of rewards and recognition than other companies and strive to achieve equal treatment for all their staff. They are particularly concerned to ensure equality of approach to the pay strategies.

For example, the harmonisation at Scottish Water in terms and conditions had been due to

our involvement with the unions and staff representatives. It's been intentional and time-intensive, but the hard work from all has paid off.

Scottish Water also harmonised their pay progression scales:

For managers the same [performance management system] is used, although they have compulsory objectives in terms of people management and health and safety.

Kent County Council

deliberately moved towards a single status set-up, so our benefits package for anyone on the Kent scheme is the same...I think our managers would feel quite strange about having different things.

Unite group used a harmonised approach to their contingency pay as

'The assessment and reward of productivity has been central to reward strategies in organisations as long as they have existed.'

the bonus is weighted on each person, whether a manager or a non-manager, who has a target linked to those objectives around customer satisfaction.

Benefits have also been aligned as much as possible:

It's evolved. At one point we had different holiday allowances but we realised it's important, as everyone's working just as hard, to ensure that everyone has the same type of benefit.

Contingent pay is much more likely to be based on customer satisfaction and service quality rather than productivity alone in the organisations providing the best customer service (see Table 5, below).

The assessment and reward of productivity has been central to reward strategies in organisations as long as they have existed. This is because the productivity of staff is vital in any organisation and determines a variety of outcomes such as profitability, customer satisfaction, and the effective use of resources. Not surprisingly, then, there is no difference between the best organisations and others in their emphasis on productivity as a criterion for determining contingent pay. Where the difference between the

best and the rest lies, is the emphasis also placed on rewarding for customer satisfaction and service quality. The best not only emphasise productivity (the neglect of which would be damaging to performance) but they uniformly base contingent pay (where they use it) on service quality and customer satisfaction. Quantity, yes, but more importantly, quality, appears to be the position they adopt.

Concerning individual and collective bonuses, Unite Group equally weights customer satisfaction with its two other organisational strategies: financial performance and employee satisfaction. This promotes the importance of high-quality customer service within the organisation. Customer service is surveyed out-of-house at various intervals throughout the year.

Impulse Leisure continually assesses customer service throughout the financial year. It holds customer forums, conducts a customer survey at regular intervals, uses customer comment cards and employs a customer care adviser who asks customers every quarter for feedback on quality. Staff are aware that their customer service is continually assessed and that results are used to feed into their PRP.

Table 5 | Assessment criteria used by organisations for contingent pay

	Top five organisations (%)	Others (%)
Customer satisfaction	100	18
Service quality	100	29
Productivity	70	70

What affects staff satisfaction with reward and recognition?

There is much variation between organisations in satisfaction with pay but employee satisfaction with pay is highest when the organisation is seen to

◘ be fair to, and look after, employees

◘ encourage employees to be involved in decision-making

◘ encourage discussions about ways of working and how they can be improved.

The considerable variation between companies in satisfaction with pay indicates that a number of the organisations in the study need to do more to meet the expectations of their employees and that others are doing much better in this regard (see Appendix 5, Table 10).

However, the research re-confirms what has been found in many other studies: particular staff management practices cannot be treated in isolation from the wider culture of the organisation. Satisfaction with pay is dependent also upon whether employees feel the organisation is just and fair, values, respects and supports them, involves them in decisions that affect their work and encourages open reflection about what the organisation is trying to achieve and how it goes about this (see Appendix 5, Table 10). Where employees feel unfairly treated, not valued, respected and supported, and when they are not consulted about decisions affecting their work – regardless of pay and reward practices – they are likely to be relatively unsatisfied. It is, therefore, important to note that there is considerable variation in this study between the organisations surveyed in the extent to which employees see their organisations as being fair to, and looking

after, them (see Appendix 5, Table 10). It suggests that many customer service organisations should look to this fundamental aspect of their cultures to ensure employees feel valued, respected, supported and fairly treated.

Moreover, there were generally low ratings given by employees to the extent to which they were encouraged to be involved in decision-making (Appendix 5, Table 10). Involvement in decision-making is another culture factor that generally predicts employee satisfaction and engagement. There is evidence of its contribution to innovation in customer service. The findings suggest that opportunities to learn about how to improve customer service from the staff who provide it, are being wasted. The organisations could, therefore, find ways of routinely consulting their customer service staff about how the service provided by the organisation could be improved.

Torfaen has a service and organisational development plan to which all staff can contribute.

All team members have an input into the plan. This allows staff to take ownership of the plan. We look at it as a division as a whole, we look at how we are performing. We have weekly team meetings, fortnightly team leader meetings. It is an open communication process. Everyone has access to minutes. All suggestions that the staff produce are considered.

Torfaen believes that a key reason why the number of lost calls in the call centre was reduced from 66 per cent to 4.6 per cent was because of this two-way communication process.

Scottish Water reported that, in order to have high-quality customer service, performance quality, as well as outputs, needs to be managed.

'…variation between organisations in satisfaction with praise and recognition, indicates much room for improvement.'

It's not just about what you do but how you do it. And involving people…because to have that customer responsiveness, people have to be able to contact the people on the ground and respond under pressure. Because we need to get back to the customers and give them reassurances…so having the system that we've got, all that cohesiveness across the organisation is probably contributing to quality.

Case Study

Aligning recognition with organisational strategy – Unite Group

Unite Group changed from a property developer into a customer service organisation. The new organisational strategy included recognition that

the customer is the key part of our focus.

Customers, staff and shareholders are all valued, and performance measured annually. Customer service is surveyed at various intervals throughout the year. Employee satisfaction is surveyed annually. Financial performance is measured against profit and loss.

The recognition scheme mirrors this strategy. Bonuses are weighted in relation to the three organisational strategies.

Everyone has targets that are linked to our company strategy which is focused on customers, people and shareholders…in that order.

Unite Group is proud of its recognition schemes. It uses cash incentives, gifts and thankyou cards. Front-line staff who perform well are recognised and rewarded throughout the year. An organisational 'Away day' culminates in the annual awards ceremony. In the evening a black-tie dinner event marks its 'Oscars' ceremony. The feedback from staff for this event is extremely positive.

The annual awards event, we'd like to bottle it and sell it. It's a feeling of…its just one of the greatest things we've got.

Shane Spiers – Unite Group

There is much variation between organisations in satisfaction with praise and recognition, but employee satisfaction with praise is highest when the organisation is seen to

◘ be fair to, and look after, employees

◘ provide a high level of feedback on their performance

◘ encourage discussions about ways of working and how they can be improved,

and also when

◘ supervisors are seen as warm and supportive.

This variation between organisations in satisfaction with praise and recognition, indicates much room for improvement (see Appendix 5, Table 10). Analysis of what predicts employee satisfaction with praise mirrors the findings for pay in relation to fairness and reflexivity. The findings also indicate that employees are satisfied with praise from the organisation when they get accurate, timely and supportive feedback (Appendix 5, Table 10). This suggests two important principles: customer service employees want feedback on their performance and they want that feedback to be fair, supportive and accurate. When that is the case they are likely to value praise, since they see the currency as reliable and valid. The data also show that satisfaction with praise is high when supervisors are seen as warm and supportive.

'It is…important that customer service organisations train their supervisors to develop warm and supportive leadership styles…'

As the CIPD report (Hutchinson and Purcell, 2003) has shown, supervisors are critical in determining the translation of organisational policy into front-line practice and in influencing the experience of front-line employees. Where they are warm and supportive, customer service staff are likely to be satisfied with many aspects of their work life, but particularly with praise. Where they are cold, directive and blaming, customer service staff are likely to be dissatisfied and this will affect the experience of customers. It is, therefore, important that customer service organisations train their supervisors to develop warm and supportive leadership styles in order to influence the quality of praise front-line employees receive, as well as improving their working environments generally. It is encouraging that most employees in the study reported relatively high levels of satisfaction with supervisor support.

The Customer Service Manager at Torfaen personally ensured that her staff were recognised for their work:

As we were short-listed for the National Customer Service Awards, I obtained sponsorship to take the whole team to London to the presentation. The team were really motivated by the event and felt that they had been recognised, and are really proud of their achievement; they have the award in reception.

Impulse Leisure had worked to create a culture where recognition happens all the time*:*

We are a lot better at verbal recognition from the wider management team. We have fostered the idea of praise and recognition…hope it filters all the way down to the front line. We are very conscious of the impact it makes on staff.

Organisational commitment is highest when the organisation is seen to:

- be fair to, and look after, employees,

- emphasise customer service,

and also when

- employees are relatively satisfied with the pay, praise and recognition they receive.

These findings reinforce the importance of organisations being fair to, respecting, valuing and supporting their employees and paying them fairly. They also indicate the importance of organisations providing regular positive feedback, praise and recognition for customer service staff. Where these conditions exist, staff feel proud about their organisations, are willing to make extra contributions to the organisation and are less likely to want to leave. Another CIPD report (Patterson *et al*, 1997), concluded that in manufacturing organisations, factors such as employee attitudes, organisational culture and HR practices are more important predictors of business performance than research and development, technology, quality and strategy.

Torfaen utilises corporate award ceremonies as well as nominating its staff for external awards and quality marks. A member of the customer team at Torfaen commented about their annual award ceremony:

We've gone, and we enjoyed it when we were nominated. I know everyone who has gone has enjoyed the fact that they have been nominated and has been noticed…they get recognition for the work they do.

'**What is also striking is that employees value working in an organisation that emphasises customer service.'**

Kent County Council has integrated regular positive feedback into its working practices. Managers recognise staff in many different ways.

Reward and recognition is a broad aspect of our staff package. With a diverse workforce, it has been important to provide a diverse recognition programme. We have taken a broad look at different things to reward staff because of that diverse workforce. You might not want a bunch of flowers, but a bottle of wine or an afternoon off might be even better.

Case study

Customer response rather than customer service – Scottish Water

Scottish Water is a publicly-owned utility service that inherited an ageing Victorian infrastructure when it formed in 2002. Subsequently, the organisational targets have been mainly financial. A capital investment scheme improved and replaced existing water works. However the organisation recognised the potential for customer problems such as occasional water shortages and flooding and focused on customer response. A fundamental objective is to deal with customer problems in a swift and professional manner, and to reassure the customers that problems will be resolved as soon as possible.

The customer response policy has been incorporated into the corporate philosophy.

We know we're not going to be able to guarantee customer service 100 per cent all the time but we are trying to get the best customer response in handling situations. And it's not just the customer service end that's responsible for this, it's everyone in the organisation.

Reward and recognition practices are now focused on customer service.

Setting Targets Achieving Results (STAR) have been introduced. This measures performance against objectives and company values. The company values include people involvement, clear conversation, challenge for benefit, and deliver promises. Objectives are clearly outlined at the beginning of the year between the manager and the employee. Company values are set organisation-wide and are not employee-specific. A main value is providing quality customer responses.

Scottish Water believes that this system of cohesiveness across the organisation contributes to the quality of service.

Scottish Water

Also, it's easy and under management control. If we're giving out cash awards, being a public body, we have to go through authorisation procedures. So if you want to acknowledge something straight away, it's easier to get a bunch of flowers or a bottle of wine or take them out for a meal.

It's little things but things that are immediately in the control of the manager. It happens instantaneously and everyone knows why.

What is also striking is that employees value working in an organisation that emphasises customer service. Most of the 500+ respondents to our survey reported in positive terms with a relatively strong emphasis on customer service in their organisations (Appendix 5, Table 11). The data suggest people want to work in organisations where they are encouraged to make a contribution to others by providing high-quality service. When the organisation they work in enables this by emphasising customer service, they feel more committed to their organisation.

'...organisations can do more to ensure permanent, as well as temporary staff, perceive that they are supported and treated fairly.'

It could be argued that some of the relationships we report here are due to general 'feel good' or 'feel bad' factors. But all these analyses were conducted after eliminating any bias due to the tendency to be positive or negative among those responding to the questionnaire.

Do the findings vary by demographic factors?

We examined variations in satisfaction with pay and recognition in relation to:

◘ descriptions of the culture of the organisation

◘ organisational commitment by the type of contract people were on (temporary or permanent)

◘ full- or part-time

◘ gender and age.

The results are revealing. Despite the anxieties of some managers about the commitment and attitudes of temporary staff, we found almost no differences between staff on temporary and permanent contracts. The one significant difference was that temporary staff were more positive than permanent staff about the extent to which the organisation was fair to, and looked after, employees (Appendix 6, Table 12). Perhaps permanent staff have a more intimate knowledge of the organisation's processes and so offer a more critical evaluation. The implication is that organisations can do more to ensure permanent, as well as temporary staff, perceive that they are supported and treated fairly.

Some managers also express doubts about the commitment of part-time staff in customer service organisations, arguing that adopting flexible approaches to employment will undermine customer service. We found no evidence whatsoever for this. None of our measures – satisfaction, commitment, ratings of culture, satisfaction with supervisors, satisfaction with pay and satisfaction with praise showed any differences between full-time and part-time staff (Appendix 6, Table 13).

Where there were minor differences (findings mirror other studies across sectors) in demographics, it was in relation to gender. The women in the sample were slightly more positive about pay, praise, and supervisor support (Appendix 6, Table 14). However, the differences are so small as to be of no practical significance.

There was an interesting trend in the data in relation to age groups. Those employees in the 16–20 age groups were consistently more positive about the organisation, their supervisors, the emphasis on customer service, and their pay (Appendix 6, Table 15). Older age groups were decreasingly positive. This is difficult to interpret. It could be that people aged 16–20 are now much more positive than people in other age groups when they were 16–20. It could also mean that people of that age tend to be more positive, regardless of the current social, economic or political context.

It could suggest that people are generally positive in their first job. All three explanations may hold some truth but the challenge for managers is to ensure that all groups of staff, regardless of contract type, age or gender have high levels of satisfaction with their working experience. The results presented here suggest that staff should be clear about their work through positive and accurate feedback, feel valued, respected,

supported and have good relationships with warm and helpful supervisors.

Finally, where staff work longer hours they displayed more favourable attitudes towards their organisations, and reported higher levels of autonomy and participation in decision making (Appendix 6, Table 16). This may be due to working in higher-level managerial positions in their organisation.

Case study

**Rewards and customer services united –
Impulse Leisure**

Impulse Leisure became an independent organisation in 2000, providing leisure and recreation services. Previously owned by a local authority, it is now a non-profit distribution organisation and, therefore, all profits are fed back into the organisation. Its organisational strategy has been built around the need to compete through differentiation from its better-resourced competitors. To do this, Impulse Leisure introduced the concept of high-quality customer service.

We listen to customers' opinions and act on them to give us a competitive edge.

The quality of customer services has been strategically allied to Impulse Leisure's reward and recognition strategy. Staff are aware that their customer service is continually assessed through a variety of methods. These include a 'clean, safe and friendly' questionnaire, customer comment cards and customer forums. They have also employed a customer care adviser who asks customers every quarter for feedback regarding the quality of customer service. All of these are fed into the performance-related pay (PRP) scheme. The bonus is awarded subject to the organisation meeting its financial targets and subject to the perceptions of its customers.

Recognition practices are also coupled with customer service. Nominations for recognition awards are mainly for working above and beyond the call of duty, mostly in relation to helping customers. The main recognition policy practised is an 'Employee of the Month' award. Staff receive a £50 shopping voucher as well as being thanked for their contribution to the organisation. Throughout the organisation, staff are involved in nominating the employee of the month. It is a multi-site organisation which promotes separate staff-nominated awards at each site.

Lorna Mapson – Impulse Leisure

5 | Conclusions and implications for practice

The implications of the findings of this study are discussed in relation to the organisational cultures of customer service organisations, people management practices, reward and recognition practices, and the effects of these upon staff attitudes and performance. The overall model is shown in Figure 2.

Organisational culture

Leaders in customer service organisations must focus first on the cultures of their organisations because reward and recognition can only be understood in their cultural context. Where employees feel neglected or exploited, reward and

recognition will be far less effective than in situations where employees feel valued, respected and supported. It is vital that staff feel fairly treated and looked after by their organisations. This requires that leaders monitor employee satisfaction regularly, using employee attitude surveys, and implement practices and values that ensure employees are fairly treated and valued. The best performing organisations in our study were constantly seeking ways to improve the well-being of employees.

Employees experience interactions with customers on a day-to-day basis and are acutely aware of customers' frustrations and satisfactions. In many

Figure 2 | Organisational culture, reward and recognition for high-quality customer service
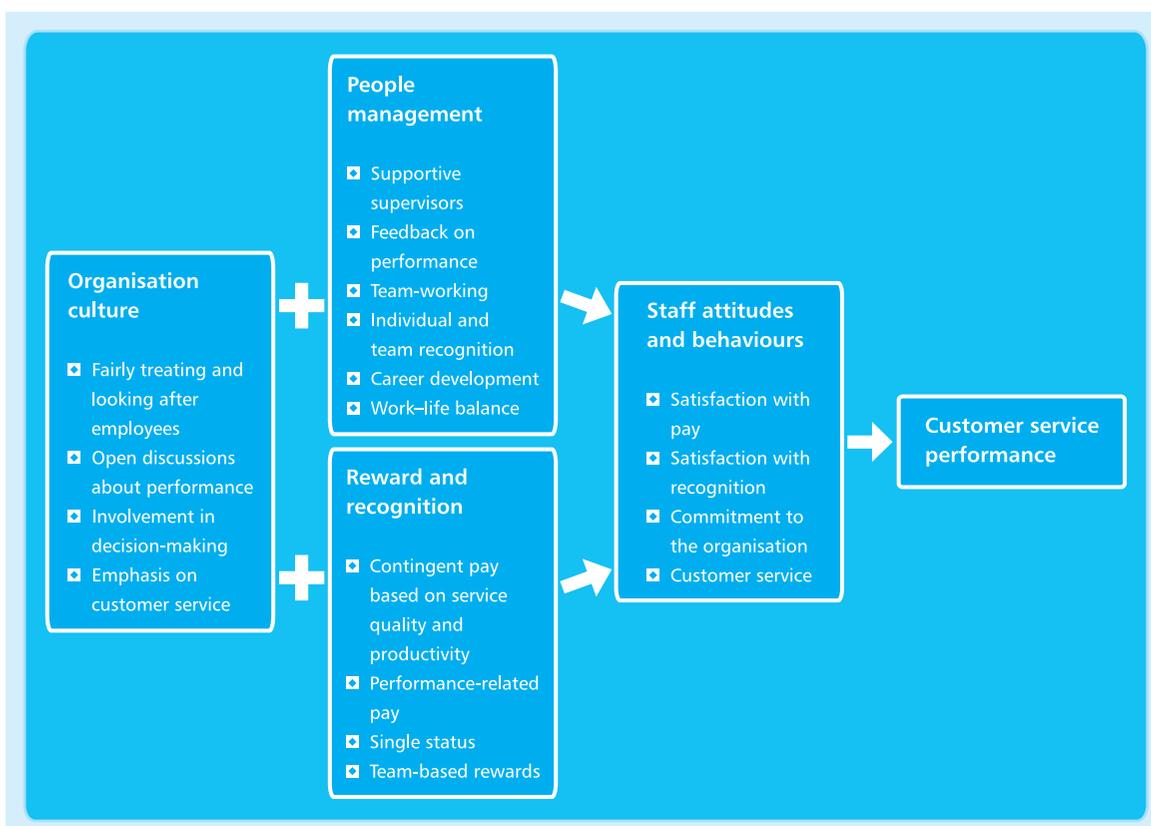
'Staff enjoy working in organisations that emphasise customer service.'

customer service organisations, managers are not utilising employees' knowledge to inform their decisions about how customer service could be improved. Innovation often springs from customer feedback, most of which is provided to customer service staff. Therefore, supervisors and managers should seek opportunities, at least monthly, to involve their staff in decision-making meetings and in reviewing the performance of the organisation and how it might be improved.

Staff enjoy working in organisations that emphasise customer service. Managers should be unapologetic, therefore, about asking staff to resolve the problems and queries of customers exceptionally well; to deliver the organisational promise completely, or to provide personal touches that delight customers – in short to travel the extra mile in service of customers.

People management

Supervisors of customer service staff should develop a warm and supportive style. Of course, there are times when supervisors need to provide or adopt a directive orientation. However, the evidence from this and other studies shows that supervisors who are warm, supportive and enabling encourage high levels of employee satisfaction and commitment and, thereby, customer satisfaction.

The role of the supervisor is to ensure staff are clear about what it is they are required to do and to make them feel valued, respected and supported. The supervisor's role is also to coach staff to achieve the highest levels of performance. Supervisors must, therefore, ensure staff have the skills to provide the services which will meet and exceed customer demands. Supervisors themselves must be well-trained and their performance in

their supervisory roles must be coached. This involves setting clear objectives and monitoring and giving feedback on supervisory performance.

The evidence from this and other studies also indicates the value of positive, accurate and timely feedback on performance. Human beings learn best when they are rewarded for their behaviour rather than being punished for it. As a consequence, it is important that employees receive praise, recognition and reward for performing to, and beyond, the levels expected. Negative feedback, if any, should constitute only a tiny proportion of feedback on performance (probably less than 5 per cent). Managers must give employees accurate and supportive feedback on their performance. This involves identifying behaviour that is most effective in providing good customer service and identifying it as soon as possible after the behaviour has been displayed.

Team-working is critical to effective organisational performance in modern customer service organisations. The extent of team-based working in organisations is a predictor of organisational performance (productivity and profitability), staff well-being, employee involvement, and innovation (West, 2004). Senior managers in customer service organisations should consider the structures in the organisations and seek to develop them to be team-based rather than individually-based. This will have implications for reward systems: where teams are widely used, team-based rewards will be required (West and Markiewicz, 2004).

Good people management in customer service organisations involves a high level of individual and team recognition. Public recognition and reward for achievement both by individuals within teams and the teams themselves, is associated with high levels of satisfaction among customer

'Achieving equitable and flexible payment systems is fundamental for achieving a customer service organisation that provides excellent service.'

service staff. This, in turn, translates into better customer service. The role of managers and leaders within customer service organisations should, therefore, include assiduous searching for opportunities to give individual and team recognition where it is justified, and to do so publicly, wherever possible.

The average length of time for which employees in the sample had worked in their organisations was six years. Contrary to popular perception, the employees in this study tended to stay with their customer service organisations for considerable periods of time. Therefore, leaders should ensure that appropriate career development policies are in place to help employees improve their skills, enrich their roles within their organisations, and make greater contributions to them. The HRM departments of customer service organisations should, therefore, ensure that career development is a visible and helpful part of each employee's work experience.

Most of the employees in the study were women and the vast majority were aged between 20 and 40 years of age. This age group is likely to have demanding childcare responsibilities, so flexible working policies are vital. In the best performing organisations in this study, work–life balance was considered and policies were in place to support employees in their efforts to find a good work–life balance. HRM departments should constantly strive to find creative ways of offering contracts and hours of work to customer service staff to ensure that they can achieve a high quality of work–life balance.

Reward and recognition

In the best performing organisations, employees feel that the pay and benefits are fair. Achieving

equitable and flexible payment systems is fundamental for achieving a customer service organisation that provides excellent service.

Organisations keen to provide excellent customer service should consider providing contingent pay. This pay should be conditional, not just on the productivity of those working within the organisations, but equally, and more importantly, upon service quality and customer satisfaction.

Performance-related pay had a positive impact in the best performing organisations we studied and senior managers should consider implementing PRP for staff in customer service organisations wherever possible. It is particularly important that the PRP is sufficiently substantial to achieve a positive effect upon staff motivation and behaviour. It is also important that the system by which PRP is calculated is transparent and seen as fair by customer service staff.

Managers should reduce status differentials in terms of reward and recognition practices between managers and customer service staff. Of course, there are differences in pay scales, given levels of responsibility and skills. However, the systems which underlie rewards and benefits should be as little differentiated as possible. Having dining facilities for managers in one restaurant and those for customer service staff in another, is one florid example of the kind of inequitable status differential that enlightened organisations reject.

Staff attitudes and performance

In organisations where the above conditions are met, staff are satisfied with pay, satisfied with recognition, have high commitment to the organisation and, as a result, provide high-quality customer service. In the context of increasingly

competitive global and local environments, it is vital for an organisation's survival and growth that customer service staff are motivated, innovative and committed in their work.

To achieve this organisations need to

◘ ensure employees are fairly treated and valued, respected and supported at work

◘ ensure there are regular discussions about the performance of teams and departments in the whole organisation and how this can be improved

◘ involve employees in decision-making that affects their work and the conditions in which they work

◘ continually emphasise the importance and value of customer service

◘ ensure that supervisors are supportive in their interactions with staff

◘ provide accurate, positive and timely feedback on performance

◘ develop team-working within the organisation

◘ ensure that both individuals and teams are recognised for their outstanding performance

◘ implement career development policies within the organisation for all staff

◘ ensure flexible ways of working that enable staff to achieve a good work–life balance

◘ implement performance-related pay where possible

◘ ensure that contingent pay is based on service quality and customer satisfaction, as well as productivity.

◘ minimise reward and recognition differentials between managers and staff

◘ implement a system of team-based rewards.

Appendix 1

Comparison tables

Table 6 | A comparison of reward structures and processes

	Main features	Advantages	Disadvantages	When appropriate
Traditional	A sequence of 12+ job grades. Narrow pay ranges. Progression linked to performance.	• Clearly indicate pay relativities. • Facilitate control. • Easy to understand.	• Create hierarchical rigidity. • Prone to grade drift. • Inappropriate in a delayered organisation.	• In a large bureaucractic organisation with well-defined hierarchies. • When close and rigid control is required. • When some, but not too much, scope for pay progression related to performance is wanted.
Broad-banded	A series of 5–6 'broad' bands. Wide pay bands between 50–80 per cent. Progression linked to contribution and competence.	• More flexible. • Reward lateral development and growth in competence.	• Create unrealistic expectations of scope for pay rises. • Seen to restrict scope for promotion. • Difficult to understand.	• In delayered, process-based, flexible organisations. • Where more flexibility in pay determination is wanted. • Where the focus is on continuous improvement and lateral development.
Job families	Separate pay structures for families containing similar jobs. Progression linked to competence and/or contribution.	• Clarify career paths. • Facilitate pay differentiation between market groups.	• May inhibit lateral career development. • May be difficult to maintain internal equity between job families.	• Where there are distinct groups of jobs in families. • When it is believed that career paths need to be defined more clearly in terms of competence requirements. • When there are distinct market groups who need to be rewarded differentially.
Mixed model	Either job families inserted into a broad-banded structure, or broad-bands inserted into a job-family structure. Progression linked to competence and/or contribution.	• Can combine the merits of broad-banded and job-family structures.	• Can incorporate the disadvantages of both broad-banded and job-family structures. • Can be very complex to operate and understand.	• When the conditions for either broad-banded and/or job-family structures are favourable and it is felt that the advantages outweigh the disadvantages.
Pay spine	As series of incremental pay points covering all jobs. Grades may be support-imposed. Progression linked to service.	• Easy to manage. • Pay progression not based on managerial judgement.	• No scope for differentiating rewards according to performance. • May be costly as staff drift up the spine.	• In a public sector or voluntary organisation this is the traditional approach. • Where it is believed to be impossible to measure differential levels of performance fairly and consistently.

Source: Armstrong and Brown, New Dimensions in Pay Management. CIPD 2001.

Table 7 | A comparison of contingent pay schemes

	Main features	Advantages	Disadvantages	When appropriate
Performance-related pay	Increases to basic pay, or bonuses are related to assessment of performance.	• May motivate (but this is uncertain). • Links rewards to objectives. • Meets the need to be rewarded for achievement. • Delivers message that good performance is important and will be rewarded.	• May *not* motivate. • Relies on judgements of performance that may be subjective. • Prejudicial to teamwork. • Focuses on outputs, not quality. • Relies on good performance management processes.	• For people who are likely to be motivated by money. • In organisations with a performance-oriented culture. • When performance can be measured objectively.
Competency-related pay	Pay increases are related to the level of competence.	• Focuses attention on need to achieve higher levels of competence. • Encourages competence development. • Can be integrated with other applications of competency-based HR management.	• Assessment of competence levels may be difficult. • Ignores outputs – danger of paying for competencies that will not be used. • Relies on well-trained and committed line managers.	• As part of an integrated approach to HRM, where competencies are used across a number of activities. • Where competence is a key factor here, it may be hard or inappropriate to measure outputs. • Where well-established competency frameworks exist.
Contribution-related pay	Increases in pay or bonuses are related to both inputs (competence) and outputs (performance).	• Rewards people for what tey do and how they do it.	• As for both PRP and competence-related pay, it may be hard to measure contribution.	• When it is believed that a well-rounded approach, covering both inputs and outputs, is appropriate.
Team pay	Bonuses for team members are related to team performance.	• Encourages and rewards effective teamwork. • Provides an incentive for the team collectively to improve its performance. • Reflects and supports a culture in which teamwork is important.	• Will only work for well-defined and mature teams. • Ignores individual contribution, which may be resented. • May be difficult to establish suitable performance measures so that rewards properly reflect team performance.	• Where there are clearly-defined teams, whose members are interdependent and are jointly responsible for team performance. • Where fair methods of measuring team performance – preferably in relation to quantified outputs – exist. • Where the culture is very much in favour of teamworking.

Source: Armstrong, A handbook of human resource management practice. CIPD 2001.

Appendix 2

Measures and surveys

Quality assessment measure

The assessment measure reproduced on the following pages was previously used in a longitudinal study commissioned by the Centre for Economic Performance (still in progress) that investigated contact centre quality. It was shown as a reliable method of assessing customer service quality by using blind expert ratings of various set criteria. The set criteria include:

◘ positive affect (enthusiasm, interest, confidence),

◘ negative affect (boredom, rudeness, aggression),

◘ behaviours (polite, friendly, helpful),

◘ call handling skills (questioning skills, listening skills, call control), and

◘ call outcomes (call objective/s fulfilled, presentation of positive image of the firm).

Independent and Confidential Employee Opinion Survey

This questionnaire, designed by an independent research team from the Aston Centre for Effective Organisations (ACEO) at Aston University, is a survey of your views and opinions about the organisation you work in. It is not a test and so there are no right or wrong answers. This survey simply requires your personal views on the issues raised.

The completed surveys will be analysed at ACEO, all your answers will be treated as **strictly confidential**, and the results will be grouped together so individual responses cannot be identified.

This means that none at your organisation will be able to trace a response back to any individual.

This questionnaire is divided into four sections:

1 The first section asks for important details about you and your job.

2 The second section is concerned with your opinions about the way in which you are managed and the quality of customer service provided by your organisation.

3 The third section is concerned with your level of organisational commitment as well as attitudes and feelings you have with regard to your work.

4 The final section asks for your opinions about the ways in which you are rewarded and recognised by your organisation.

This questionnaire will only take about 10 minutes to complete.

Thank you for taking the time and trouble to fill in this questionnaire.

Section One: Background Details

In order to help us analyse the data, it is important that we know some background details about you.

	Please write your answers in the boxes provided below
Name of organisation	
Location of site	
Age (years)	
Sex (male or female)	
What is your job title?	
How long have you worked for this organisation?	
Do you work full-time or part-time?	
Approximately how many hours do you work per week, including extra paid or unpaid hours?	
Is your contract permanent or temporary?	

Section Two

The following statements ask for *your opinion of your workplace*. Please indicate the extent to which you agree with each of the following statements.

	Please tick appropriate box	**Strongly disagree**	*Disagree*	**Neither agree nor disagree**	*Agree*	**Strongly agree**
1	People usually receive feedback on the quality of work they have done.					
2	My Team Manager is friendly and easy to approach.					
3	It is hard for someone to measure the quality of their performance.					
4	Changes are made without talking to the people affected by them.					
5	The way people do their jobs is rarely assessed.					
6	My Team Manager is very good at understanding people's problems.					
7	I have significant autonomy in determining how I do my job.					
8	I have the skills to make more of a contribution to the way this organisation is run.					
9	I can decide on my own how to go about doing my work.					
10	I am ready and able to advise on decisions about the running of the firm.					
11	I have considerable independence and freedom in how I go about doing my work.					
12	My Team Manager shows he/she has confidence in those he/she manages.					
13	This company pays little attention to the interests of its employees.					

	Please tick appropriate box	Strongly disagree	*Disagree*	Neither agree nor disagree	*Agree*	Strongly agree
14	People's performance is measured on a regular basis.					
15	Management let people make their own decisions most of the time.					
16	This company tries to look after its employees.					
17	People don't have any idea of how well they are doing their job.					
18	I feel confident about getting more involved in decisions about the future direction of the firm.					
19	It is important to consult with a manager before making a decision.					
20	This company cares about and values its employees.					
21	There are often breakdowns in communication at this company.					
22	People don't have any say in decisions that affect their work.					
23	Management keeps too tight a rein on the way things are done here.					
24	My Team Manager can be relied upon to give helpful advice.					
25	This company tries to be fair in its actions towards employees.					
26	My Team Manager understands the people who work for him/her.					
27	People are trusted to make decisions without getting permission first.					
28	People feel that decisions are frequently made over their heads.					

	Please tick appropriate box	Strongly disagree	*Disagree*	Neither agree nor disagree	*Agree*	Strongly agree
29	People at the top tightly control the work of those below them.					
30	The way people work together is readily changed in order to improve performance.					
31	The methods used by this organisation to get the job done are often discussed.					
32	There are regular discussions about people in the organisation working effectively together.					

	Please tick appropriate box	Strongly disagree	*Disagree*	Neither agree nor disagree	*Agree*	Strongly agree
1	The levels of customer service required here are clearly defined.					
2	I understand how to deliver effective customer service.					
3	Customer service is a key priority in this organisation.					
4	I would recommend our service to external customers.					
5	We are given sufficient training to deliver the required level of customer service.					
6	We are more focused on productivity than quality.					

Section Three

The following statements are concerned with *your level of commitment*. Please indicate the extent to which you agree with each of the following statements.

	Please tick appropriate box	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1	I would be happy to spend the rest of my career with this organisation.					
2	I enjoy discussing my organisation with people outside it.					
3	I really feel as if this organisation's problems are my own.					
4	I think that I could easily become as attached to another organisation as I am to this one.					
5	I do not feel like 'part of the family' at my organisation.					
6	I do not feel 'emotionally attached' to this organisation.					
7	This organisation has a great deal of personal meaning for me.					
8	I do not feel a strong sense of belonging to my organisation.					
9	I am not afraid of quitting my job without having another lined up.					
10	It would be very hard for me to leave my organisation right now, even if I wanted to.					
11	Too much in life would be disrupted if I decided to leave my organisation now.					
12	It would be too costly for me to leave my organisation now.					
13	Right now, staying with my organisation is a matter of necessity as much as desire.					

	Please tick appropriate box	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
14	I feel I have too few options to consider leaving this organisation.					
15	A serious consequence of leaving this organisation would be the lack of alternatives.					
16	I continue to work here because another firm might not match the benefits I currently have.					

Please indicate, by ticking the most appropriate box, the extent to which you have felt the following feelings *at work during the past week*.

		Not at all	A little	Moderately	Quite a bit	Extremely
1	Interested					
2	Distressed					
3	Excited					
4	Upset					
5	Strong					
6	Guilty					
7	Scared					
8	Hostile					
9	Enthusiastic					
10	Proud					
11	Irritable					

		Not at all	A little	Moderately	Quite a bit	Extremely
12	Alert					
13	Ashamed					
14	Inspired					
15	Nervous					
16	Determined					
17	Attentive					
18	Jittery					
19	Active					
20	Afraid					

Section Four

The following statements are concerned with how you are *trainined, managed and rewarded*. Please indicate the extent to which you agree with each of the following statements.

	Please tick appropriate box	Strongly disagree	*Disagree*	Neither agree nor disagree	*Agree*	Strongly agree
1	I am able to improve my customer service performance by gaining new skills.					
2	I am rewarded fairly in view of my training and experience.					
3	My level of customer service has no impact on my take-home pay.					
4	Managers do not properly differentiate between good and bad customer service performers.					

	Please tick appropriate box	Strongly disagree	*Disagree*	Neither agree nor disagree	*Agree*	Strongly agree
5	I am rewarded fairly for the amount of effort I put into my job.					
6	I receive adequate praise for the quality of customer service I provide.					
7	The lack of praise I receive here is demotivating.					
8	The way I am rewarded here is linked to my customer service performance.					
9	How I behave at work has no impact upon my customer service performance.					
10	I am rewarded fairly considering the responsibilities I have.					
11	The praise I receive here makes me feel valued.					
12	The way I am rewarded here reflects my skills and abilities.					
13	I am able to improve my customer service performance by making changes to my core tasks.					
14	I find the way that I am rewarded here motivating.					
15	Fair and consistent means are used here to assess customer service performance.					
16	The amount I earn is linked to the quality of customer service I provide.					
17	I am able to improve my customer service performance by changing my behaviour.					
18	The praise I receive here is meaningful to me.					

If you feel you have any comments to make, please do so in the box provided below.

Thank you.

The Institute of Customer Service and Chartered Institute of Personnel and Development

Reward and Recognition Research Project

If your organisation has made any recent changes to the ways in which your staff are rewarded and recognised, please contact .... on .... ext .... or e-mail ....

What type of pay structure/s does your organisation use?

	Please tick appropriate box/es	Customer Service Managers	Customer Service Staff
1	Graded pay structure		
2	Broad-banded pay structure		
3	Individual job ranges		
4	Pay curve		
5	Pay spine		
6	Job families		
7	Spot rates or fixed base rates		

Does your organisation use contingent pay?   Yes   No
(eg performance related pay, skills-based pay, commission)

If yes, what types of contingent pay does your organisation use?

	Please tick appropriate box/es	Customer Service Managers	Customer Service Staff
1	Service-related pay		
2	Competence-related pay		
3	Individual performance-related pay		
4	Skill-based pay		
5	Contribution-related pay (skills and performance)		
6	Individual bonuses		
7	Team-based rewards and bonuses		
8	Commission		
9	Incentive scheme/s		
10	Profit-sharing scheme		
11	Profit-related pay		
12	Gain sharing		

Approximately, what percentage of total annual income is derived from		
Please tick appropriate box/es	**Customer Service Managers**	**Customer Service Staff**
1 Basic pay/salary?		
2 Contingent pay?		

Please detail in the box provided below any non-financial rewards or employee recognition schemes that your organisation uses, such as suggestion schemes, employee of the month, etc.

To what extent are the following elements of customer services *managers'* reward linked to the factors linked below?

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

To no extent → To a moderate extent → To a very great extent

Please insert your numerical rating	Salary levels	Salary increases	Individual bonuses	Collective bonuses	Recognition awards	Share awards/ grants
Customer satisfaction						
Quality						
Productivity						
Sales						
Lead generation						

To what extent are the following elements of customer services *staff's* reward linked to the factors linked below?

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

To no extent → To a moderate extent → To a very great extent

Please insert your numerical rating	Salary levels	Salary increases	Individual bonuses	Collective bonuses	Recognition awards	Share awards/ grants
Customer satisfaction						
Quality						
Productivity						
Sales						
Lead generation						

To what extent do staff and managers enjoy the following benefits?

1	2	3	4	5	6	7

To no
extent

To a moderate
extent

To a very great
extent

	Please insert your numerical rating	Customer Service Managers	Customer Service Staff
1	Company sick pay		
2	Nationally/professionally-recognised training		
3	External/off-site training courses		
4	In-house training courses		
5	Non-contributory pension		
6	Contributory pension		
7	Transferable pension		
8	Medical insurance		
9	Career counselling		
10	Relocation packages		
11	Retail vouchers		
12	Workplace nurseries and crèches		
13	Restaurant facilities		
14	Sports facilities		
15	Social facilities		
16	Work–life balance policies		
17	Career development programmes/policies		

To what extent does your organisation pursue the following business strategies?

1	2	3	4	5	6	7

To no
extent

To a moderate
extent

To a very great
extent

	Please insert your numerical rating	
1	Cost-reduction strategies	
2	Service differentiation (cutting-edge service provision)	
3	Product differentiation (service support of cutting-edge products)	
4	Quality differentiation	
5	Niche marketing	

Background Details

Contact Name	
Organisation	
Address	
E-mail	
Telephone	
Mobile	
Industry sector	
Type of outlet (call centre, retail, etc)	
Number of employees	
Percentage full-time	
Percentage part-time	
Percentage permanent	
Percentage temporary/casual	

Appendix 3

Details of participating organisations

Table 8 | Details of the organisations that participated*

Media plc	Media plc is an international media and education company providing management and information systems to the UK education market. It deals with the distribution, marking and storage of examination papers. These are scanned and stored electronically, giving teachers, markers and students easier access and retrieval. Many schools in the UK use its systems to manage and analyse school and pupil performance data. The customer service department consists of telephone helplines. They provide support to educational organisations in relation to ordering and general enquiries. The number of customer service staff is 100+.
Telephone plc	Telephone plc provides an extensive range of mobile telecommunication services internationally, including voice and data communications. It is a large telecommunications company, with a significant presence in continental Europe, the United Kingdom, the United States and the Far East, through the company's subsidiary undertakings, associated undertakings and investments. The customer service department is divided into different skill groups. Customer contact is *via* telephone helplines. Calls are routed to groups of customer service staff with the technical knowledge to deal with specific customer enquiries. The number of customer service staff is 650.
Scottish Water	Scottish Water is a publicly-owned business, answerable to the Scottish Parliament and the people of Scotland. It provides water and waste water services 365 days per year to 2.2 million customers and 130,000 business customers, across an area one-third the size of Britain. The customer service department consists of a telephone call centre, customer accounts and billing, emergency planning and a department responsible for liaison with communities and local authorities. Customer service staff deal with all enquiries, from members of the public notifying the organisation of leaking pipes, to complaints and sales enquiries. The number of customer service staff is 360. Overall Scottish Water has 4,000 employees.
Brick Co	Brick Co is the UK's leading manufacturer of high quality bricks and paving. Brick Co offers a diverse range of products ranging from large clay terracotta blocks, through to traditional, hand-made and clamp-fired bricks. Brick Co has two teams of telephone customer advisers in each of their sites; a team of design advisers to provide customers with solutions to their design briefs, and a technical support team to provide information on the properties and performance of the products. The company employs 1,960 employees across the UK and 90 customer service staff.

*Generic titles are included for reasons of confidentiality.

Kent County Council – call centre	The call centre is the first point of contact for members of the general public for the Council. Customer service staff deal with a multitude of questions, *via* telephone, concerning all council services, varying from renewing library books to refuse collection. It is an open-plan call centre environment. Open 24 hours a day, seven days a week. The number of customer service employees is 80+.
Consortium Adult Educational Centres	The adult education centres provide a multitude of various part-time education courses. These vary from language courses to culinary courses. There is a small team of three to four staff in each centre, who work flexibly to cover the evening shifts. The customer service staff are available whenever the centre is open for general enquiries, payment or booking. There is an extremely busy period during each enrolment period. Each centre is in a different location and has different customer groups, for example, 'Oakwood' AEC has a large student population of foreign nationals learning English. The customer service staff work mostly face-to-face with customers. There are 30 customer service staff, employed across seven locations.
Kent County Council receptions	There were three locations for the Kent County Council receptions. As these were small reception settings that carried out the same duties of directing visitors and answering telephones, they were considered as one team. The receptions were located in each of the main county council offices. There are 10 customer service staff working throughout the reception areas.
Torfaen – Call Torfaen	Torfaen County Borough Council has customer service staff working in diverse environments. Call Torfaen customer service staff are employed in a call centre environment. As the first point of contact for a large number of county council customers, they respond to a multitude of queries. These range from simple queries such as balance of council tax bills, to complicated issues surrounding eviction notices. Staff have the autonomy to follow enquiries through to completion, whether this involves calling other agencies, or asking other customer services advisers for assistance.

Torfaen also has an advice centre This is a face-to-face customer service centre. They answer all queries about the council and its services. Customer service staff can assist members of the public in dealing with anything from abandoned cars to disabled parking badges. The Centre is also used by agencies including the Inland Revenue, Age Concern, Shelter, The Pension Service and Citizens Advice Bureau. It is managed on a 'first-come, first-served' basis. The customer service staff have the autonomy to complete interactions, either by forwarding customers to other agencies, or by contacting other organisations for the customer.

Torfaen is also responsible for the provision of customer service staff for the county's libraries. As part of the Torfaen County Borough Council service it provides services to the local community, not only through the loan of books, but offering a computer suite with Internet access and meeting rooms. Customer service staff offer a face-to-face and telephone service. Over 6,500 staff are employed by Torfaen County Borough Council. The number of customer service staff is 37. |

Recruitment Co	Recruitment Co is a large independent recruitment company. It provides temporary and permanent recruitment services for commercial office staff, senior management, sales and marketing, accountancy and finance, industrial and technical and HR professionals.
	As a recruitment agency the company provides customer service both to aspiring workers and to organisations requiring temporary and permanent employees. Staff deal with customers both face-to-face and by telephone. They employ 45 customer service staff.
Hotels Co	Hotels Co is an independently-owned and operated group of four hotels in London and the South of England. The hotels all pride themselves on their individuality. One of these hotels participated in this research project.
	There are two distinct customer service roles: one face-to-face, the other telephone-based. The face-to-face customer service staff work at the reception and in the bar/restaurant and deal with any public enquiries. The telephone customer service staff are divided into two groups, one making reservations and the other booking conference facilities. The number of staff employed by his hotel is 100.
Financial Services Co	Financial Services Co is an insurance-based financial services provider with an international network. Its key markets are North America and Europe. It provides investments, protection, insurance, pensions, mortgage services, financial advice and private banking to business customers, brokers and personal customers.
	The customer service department is based in a call centre; customer service staff have the responsibility of answering any level of query concerning their products. The organisation employs 62,000 staff in the UK.
Impulse Leisure	Impulse Leisure is a distribution organisation offering a range of facilities and activities, including three leisure centres, an 18-hole golf course and an entertainments venue.
	Customer service staff interact with customers face-to-face in a number of different situations, from reception staff greeting customers and answering queries, to instruction staff in the gymnasium and pool attendants. There are 199 customer service staff employed by Impulse Leisure.
Unite Group	Unite is the UK's leading provider of accommodation services for students. Originally a property developer, this organisation acquires and develops student schemes in prime locations and goes on to retain, market and manage the accommodation.
	It employs two different types of customer service staff. The front-line face-to-face staff work within the student accommodation buildings, taking bookings and general enquiries from students, as well as fixing problems within the buildings. The other customer service staff work within a call centre. They deal with customers by telephone; they can inform customers of available properties and book rooms. They also deal with emergency calls from tenants. There are 600 employees.

City Housing Association	City Housing Association provides housing support for the local community. As well as providing thousands of homes for rent, they provide homes with extra support.
	Customer service staff are employed either as telephone advisers or face-to-face advisers. The roles and responsibilities for each are similar. They both provide information concerning the availability of their properties and support for tenants of their properties. Customer service staff are also involved in conducting monthly telephone surveys and tenant advisory groups. There are 250 employees.
Charitable Trust	The Charitable Trust finds work placements for disabled people in an effort to introduce or reintroduce customers into employment. These customers have been excluded from work, due either to disability, or through injury or accident. People entering workplaces and employers offering work placements are customers.
	The customer service staff work with customers by telephone and in person. Staff will visit potential workplaces, initially, to determine suitability and, once a customer is in work, will visit them regularly to check progress. The customer service staff are available for both sides of the employment relationship to deal with any difficulties that may arise. The number of employees within the UK is 250.
Life Insurance Co	Life Insurance Co is a large UK mutual life insurer, offering a range of financial services such as pensions, life assurance, savings and investment products, protection insurance and investment management, *via* a number of subsidiary brands. The Company has a huge customer base and currently manages investment funds of many billions of pounds.
	The customer service staff provide information on the Life Insurance Co's products (investments and insurance); this is a telephone- and Internet-based service. The organisation has 1,000 customer service staff, based in two UK locations.
Building Society Co	Building Society Co was founded in the 19th century, offering a range of financial services (mortgages, loans, savings, and insurance).
	The customer service department deals with any enquiries by telephone concerning any of the products supplied by the company. The organisation has 325 staff at its Head Office, and has many network branches.

Appendix 4

Harmonisation of rewards, contingent pay and benefits

Table 9 | Harmonisation of rewards, contingent pay and benefits

Harmonisation %*		Participating organisations															
	1	2	3	4	5–8	9	10	11	12	13	14	15	16	17	18	19
Rewards	100	100	100	67	100	100	100	100	100	50		100	100	100	0	100
Contingent pay	100			100	100		100	67	100	100		100	100	100	43	
Benefits	100	88	63	54	91	88	92	33	85	55		93	100	88	50	100

The five best organisations are highlighted. Organisations 5–8 are separate departments in one organisation.

Key

3	Scottish Water
5–8	Kent County Council
13	Impulse Leisure
15	Unite Group
19	Torfaen County Borough Council

*100 represents complete harmonisation; 0 represents no harmonisation at all.

Appendix 5

Hierarchical regressions predicting satisfaction with pay and praise, and organisational commitment

Table 10 | Hierarchical regression predicting employee satisfaction with pay and praise

	Pay	Praise
1 Positive affect	.106***	.225***
Performance		
2 Monitoring	.070	.155***
Employee welfare	.350***	.259***
Quality supervision	.053	.224***
Autonomy	.019	.041
Participation	.113**	.025
Reflexivity	.149***	.088*
Customer service	-.022	-.040
R^2	.429	.525
Change R^2	.269***	.260***
F change	37.16 (7,552)	43.15 (7,552)

*p≤.05   **p≤.01   ***p≤.001

Hierarchical regression is used to establish the strength of relationships between culture variables and satisfaction with pay and praise.

Figures shown represent standardised beta co-efficients.

Table 11 l Hierarchical regression predicting employee organisational commitment

	Pay	Praise
1 Positive affect	0.308***	0.265***
Performance		
2 Monitoring	0.023	-0.006
Employee welfare	0.163***	0.069
Quality supervision	0.032	-0.001
Autonomy	0.008	0.000
Participation	-0.057	-0.081
Reflexivity	0.006	-0.032
Customer service	0.092*	0.100**
3 Pay		0.190***
Praise		0.104**
R^2	0.212	0.250
Change R^2	0.039***	0.033***
		11.982
F change	3.882 (7,552)	(2,550)

*p≤.05   **p≤.01   ***p≤.001

Hierarchical regression is used to establish the strength of relationships between culture variables and employee organisational commitment.

Figures shown represent standardised beta co-efficients.

Appendix 6

Analyses of variations in staff attitudes

Table 12 | Variations in staff attitudes with type of contract

	Permanent	Temporary	F Value	Significance
Performance monitoring	3.58	3.39	2.58	0.11
Employee welfare	3.06	3.40	5.65	0.02
Quality supervision	3.82	3.84	0.01	0.91
Autonomy	3.34	3.23	1.06	0.30
Participation	2.49	2.61	0.89	0.34
Reflexivity	3.11	3.21	0.84	0.36
Customer service	3.70	3.67	0.16	0.69
Commitment	2.95	2.92	0.25	0.62
Positive affect	2.95	3.17	3.22	0.07
Negative affect	1.53	1.46	0.64	0.42
Satisfaction with pay	2.55	2.62	0.28	0.59
Satisfaction with praise	3.16	3.11	0.15	0.70

Where significance is less than 0.05, there is a significant difference between permanent and temporary staff in their views of their work conditions.

Table 13 | Variations in staff attitudes with full-time *vs* part-time employment

	Full-time	Part-time	F Value	Significance
Performance monitoring	3.59	3.46	2.35	0.13
Employee welfare	3.09	3.09	0.00	0.99
Quality supervision	3.81	3.84	0.10	0.75
Autonomy	3.31	3.36	0.35	0.56
Participation	2.50	2.48	0.07	0.79
Reflexivity	3.13	3.04	1.29	0.26
Customer service	3.70	3.69	0.00	0.96
Commitment	2.95	2.92	0.38	0.54
Positive affect	3.00	2.83	3.51	0.06
Negative affect	1.57	1.32	21.87	0.00
Satisfaction with pay	2.57	2.50	0.63	0.43
Satisfaction with praise	3.14	3.18	0.14	0.71

Where significance is less than 0.05, there is a significant difference between full-time and part-time staff in their views of their work conditions.

Table 14 l Variations in staff attitudes with gender

	Male	Female	F Value	Significance
Performance monitoring	3.51	3.58	1.07	0.30
Employee welfare	2.97	3.14	3.40	0.07
Quality supervision	3.72	3.87	3.96	0.05
Autonomy	3.27	3.35	1.31	0.25
Participation	2.43	2.53	1.78	0.18
Reflexivity	3.10	3.13	0.18	0.67
Customer service	3.65	3.71	2.03	0.15
Commitment	2.89	2.97	0.69	0.11
Positive affect	3.06	2.93	2.75	0.10
Negative affect	1.59	1.49	4.32	0.04
Satisfaction with pay	2.46	2.59	2.84	0.09
Satisfaction with praise	3.06	3.19	2.82	0.09

Where significance is less than 0.05, there is a significant difference between men and women in their views of their work conditions.

Table 15 l Variations in staff attitudes with age

	16–20	21–30	31–40	41–50	51–65	F Value	Significance
Performance monitoring	3.86	3.64	3.56	3.53	3.28	4.00	0.00
Employee welfare	3.53	3.17	2.97	3.06	2.95	2.84	0.02
Quality supervision	4.06	3.93	3.69	3.84	3.66	3.18	0.01
Autonomy	3.22	3.32	3.36	3.28	3.38	0.42	0.79
Participation	2.67	2.51	2.50	2.53	2.38	0.72	0.58
Reflexivity	3.32	3.23	2.99	3.13	2.90	4.07	0.00
Customer service	3.95	3.68	3.65	3.71	3.74	2.91	0.02
Commitment	3.11	2.93	2.91	3.00	2.94	1.16	0.33
Positive affect	3.32	2.94	2.87	3.11	2.98	2.37	0.05
Negative affect	1.56	1.56	1.47	1.56	1.44	1.26	0.29
Satisfaction with pay	2.86	2.63	2.54	2.51	2.30	3.08	0.02
Satisfaction with praise	3.41	3.20	3.08	3.14	3.10	1.14	0.34

Where significance is less than 0.05, there is a significant difference between age groups in their views of their work conditions.

Table 16 | Hours worked and staff attitudes

	Up to 10 hrs	11–20 hrs	21–30 hrs	31–40 hrs	41+ hrs	F Value	Significance
Performance monitoring	3.17	3.45	3.54	3.57	3.83	2.94	0.02
Employee welfare	3.17	3.09	3.04	3.06	3.42	1.56	0.18
Quality supervision	3.83	3.88	3.80	3.82	3.83	0.05	0.99
Autonomy	3.48	3.18	3.37	3.30	3.57	2.20	0.07
Participation	2.42	2.64	2.43	2.47	2.81	2.02	0.09
Reflexivity	2.97	3.00	3.08	3.12	3.33	1.27	0.28
Customer service	3.68	3.75	3.69	3.69	3.75	0.30	0.88
Commitment	2.74	2.88	2.98	2.94	3.06	1.70	0.15
Positive affect	2.97	2.76	2.85	2.96	3.35	2.99	0.02
Negative affect	1.52	1.20	1.33	1.56	1.61	5.80	0.00
Satisfaction with pay	2.43	2.51	2.52	2.57	2.59	0.22	0.93
Satisfaction with praise	2.93	3.16	3.25	3.16	3.16	0.55	0.70

Where significance is less than 0.05, there is a significant difference between groups of staff working for different numbers of hours in their views of their work conditions.

Table 17 l Organisational culture

	Mean	Minimum	Maximum	Std. Dev.
Performance monitoring	3.29	2.17	4.04	0.49
Employee welfare	3.15	1.63	4.36	0.71
Quality supervision	3.77	3.33	4.38	0.34
Autonomy	3.33	2.85	3.75	0.29
Participation	2.57	1.75	3.54	0.53
Reflexivity	3.06	1.94	3.85	0.49
Involvement	3.31	2.97	4.00	0.29
Customer service	3.74	3.29	4.12	0.22

Table 18 l Commitment, affect and satisfacton with reward and recognition

	Mean	Minimum	Maximum	Std. Dev.
Commitment	2.95	2.59	3.21	0.18
Positive affect	3.04	2.42	3.74	0.36
Negative affect	1.53	1.28	1.92	0.18
Satisfaction with pay	2.58	1.74	3.64	0.46
Satisfaction with praise	3.13	2.42	3.91	0.42

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