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What the eye does not see, the mind cannot reject: Can call center location explain differences in customer evaluations?

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ABSTRACT

Moving call centers offshore may be an effective way to increase service productivity by lowering costs, yet recent research suggests that customers associate offshore call centers with lower service quality. This study clarifies customer evaluations of call centers with a field study that examines how customer perceptions of a foreign accent, call center location, and the agent's customer orientation relate to nonmonetary performance outcomes. Multivariate analysis of data collected from more than 800 customers using call centers located in three countries suggests that neither accent detection nor call center location relates to customer satisfaction, trust, or word-of-mouth communication; only perceived customer orientation has an effect on these outcomes. These findings suggest offshore call center locations are not necessarily associated with lower performance outcomes and that service firms should place a higher priority on ensuring call center agents have a strong customer orientation, rather than on avoiding the use of call centers abroad.

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1. Introduction

Many firms have moved call centers and service operations to lower cost locations in other countries in an attempt to achieve their strategic goals of improving their cost structure or increasing their profitability (Bunyaratavej, Hahn, & Doh, 2007; Kedia & Lahiri, 2007; Miozzo & Grimshaw, 2008; Tate, Ellram, & Brown, 2009). If the same service can be provided at lower labor costs, *ceteris paribus*, the firm should employ the less costly resource. Service outsourcing driven by cost-reduction motives does not necessarily involve the internationalization of business activities, but very often it does coincide with the internationalization of the firm (e.g., Massini & Miozzo, *in press*). Despite a continued trend towards internationalization of service firms, recent management research focusing on offshore call centers (OSCs) suggests that service firms may benefit in the long term if they resist earning short-term profits from offshoring, because those profits come at the expense of customer satisfaction and loyalty (Stringfellow, Teagarden, & Nie, 2008; Whitaker, Krishnan, & Fornell, 2008). Both popular and academic press imply that consumers disapprove of OSCs on the grounds of fairness (i.e., they substantially undercut domestic call centers' wages), ethics (e.g., lax labor laws), and service quality (Musico, 2008; Stringfellow et al., 2008; Thelen, Thelen, Magnini, & Honeycutt, 2009). The latter point is particularly common as an

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explanation of consumer resentment toward and dwindling acceptance of OSCs (Hayward, 2004; Raiborn, Butler, & Massoud, 2009), and reports of increased customer dissatisfaction levels with OSCs have led many firms to relocate centers closer to home. For example, in 2011, the computer backup firm Carbonite moved its customer service call center from India back to the United States, citing a desire to increase customer service levels (Isidore, 2011).

Previous studies also show that customers evaluate OSCs less favorably than domestic call centers, regardless of whether they are aware (Roggeveen, Bharadwaj, & Hoyer, 2007) or unaware (Bharadwaj & Roggeveen, 2008) of which type of call center (domestic or offshore) they encountered. These findings appear to corroborate the notion that services delivered by OSCs are inferior to those delivered by domestic call centers. However, findings in relation to the reasons for customers' varying perceptions of the services delivered by OSCs are equivocal. Some studies refer to customer attributions of poorer competence and skills (Bharadwaj & Roggeveen, 2008; Pontes & O'Brien Kelly, 2000; Rafaeli, Ziklik, & Doucet, 2008), but others suggest that customers' evaluations of OSCs are shaped less by actual service levels than by customers' resentment toward offshore services in general (Kwak, Jaju, & Larsen, 2006; Thelen et al., 2009; Thelen, Yoo, & Magnini, 2011). It appears that customer-related performance outcomes may relate as much to a call center agent's (CCA's) ability to help the customer achieve his or her goals as they do to the OSC's location. In a call center context, the ability to help the customer depends on the CCA's ability to communicate effectively and a willingness to respond to customer needs. However, no study has simultaneously examined the relationship of the CCA's accent and the call center location, together with the CCA's customer orientation (as perceived by the customer), to key performance outcomes.

In investigating these relationships, we draw on and extend previous research. For example, Bharadwaj and Roggeveen (2008) find that customers associate poorer communication skills with the CCA when the call center is located abroad versus domestically; we predict that customers are more likely to perceive an accent when interacting with a CCA based abroad than one based domestically. An accent likely coincides with generally poorer communication skills and therefore may relate negatively to customer-related performance outcomes for OSCs (Munro & Derwing, 1995; Weil, 2003). In addition, customers calling customer service centers expect their issues to be addressed effectively (i.e., resolution on the first call) and courteously (Feinberg, Kim, Hokama, de Ruyter, & Keen, 2000). The agent behavior and action that is best suited to meet customer expectations (i.e., customer orientation) should therefore have more predictive power than the actual location of the call center or the agent's perceived accent. Although customer orientation, defined here as the extent to which employee behavior meets customer needs, drives customer outcomes (e.g., Hennig-Thurau, 2004; Homburg, Müller, & Klarmann, 2011) and has been studied in relation to CCAs (Dean, 2007), it remains largely absent from the literature on customer-related performance outcomes for OSCs. Dean (2007) investigates the effect of CCAs' customer orientation on three downstream variables (perceived service quality, customer loyalty, and commitment) but does not distinguish between domestic and offshore CCAs. In investigating the relationships among CCA-related variables (i.e., accent and customer orientation), call center location, and the three performance outcomes, we thus attempt to close several research gaps.

Moreover, we apply insights from homophily and attribution theory when designing our study of customers exposed to OSCs. We demonstrate that customers are more likely to perceive foreign accents when interacting with OSCs compared with domestic call centers. However, unlike perceived customer orientation, call center location and an agent's accent are not related to the three performance outcomes. In addition to being theoretically interesting, this research thus is relevant for international managerial practice, because we investigate performance outcomes that can be linked easily to profitability (Guo, Kumar, & Jiraporn, 2004), and our findings offer guidance to firms considering where to locate front-office operations (i.e., sales and customer service).

2. Literature and hypotheses

With the liberalization of service markets worldwide and increasing levels of disposable income in emerging economies, many service firms have advanced their internationalization efforts. International services refer to deeds, performances, and efforts conducted across national boundaries, as well as any type of engagement with a foreign culture at an offshore location (Clark, Rajaratnam, & Smith, 1995). Offshore call centers provide services to customers, most of whom are located in countries other than the call center's home country. Customer reactions to offshore service providers have received increased research attention in recent years as firms continue to outsource their core or auxiliary services to offshore providers (Amiti & Wie, 2006; Blinder, 2006; Colquhoun, Edmonds, & Goodger, 2004). For example, using a student sample, Roggeveen et al. (2007) study customers' prior expectations toward interactions with call centers, based on a call center's location. Their experimental design, in which they measure anticipated satisfaction with a hypothetical scenario rather than actual post-encounter satisfaction, shows that call center location does not influence customers' preencounter expectations if the firm is reputable, but for lesser known firms, customers expect to be less satisfied if the call center is located in a country culturally dissimilar from their own. Sharma, Tam, and Kim (2009) similarly indicate in qualitative work that a low cultural distance between the customer and service provider enhances the customer's interaction comfort and satisfaction.

Sharma, Mathur, and Dhawan (2009) also propose attitude toward OSCs as a potential moderator of the service quality-satisfaction link. Using a mall intercept design and surveying shoppers about hypothetical voice-to-voice service encounters, they find that negative attitudes toward OSCs lead to customers' dissatisfaction with customer service, increased complaints, and decreased repeat purchase intentions. These findings support the notion that customers evaluate call center services unfavorably when they know their call has been routed to an OSC (Roggeveen et al., 2007).

In addition, Whitaker et al.'s (2008) longitudinal analysis of 150 North American firms during 1998–2006 reveals that front-office offshoring is associated with a decrease in customer satisfaction, partly attributable to language and cultural issues. However, they also report a decrease in customer satisfaction when front-office services are outsourced domestically (i.e., within the same country). Although these findings are very interesting, they may require some caution, because of the specificity of their longitudinal data. Longitudinal data can be informative, but knowing exactly what happens between data collection points (and which events may have affected respondents' behaviors) is difficult.

In a more recent study, Thelen et al. (2011) investigate consumer sentiment toward offshored services by examining data security, free trade resentment, customer-foreign worker disconnect, communication, and foreign worker enmity. They find that each of these sentiments is associated positively with an intent to boycott a firm and engage in negative word-of-mouth communication; they are associated negatively with commitment toward the firm. These findings are consistent with previous research that shows that customers who harbor negative feelings toward firms that use offshore locations to serve domestic customers evaluate the service received less favorably, which in turn negatively affects other performance outcomes. Bharadwaj and Roggeveen (2008) also use field data to investigate customer satisfaction with call centers with varying locations (U.S. versus offshore). Their study, conducted in a business-to-business context, included respondents who responded to a survey five days after interacting with a CCA and were unaware of the call center's location. Drawing on homophily theory – namely, that people prefer to interact with others with similar sociocultural and sociodemographic characteristics (Kossinets & Watts, 2009; McPherson, Smith-Lovin, & Cook, 2001) – they find customer satisfaction is greatest when both the customer and the agent are from the same country. Bharadwaj and Roggeveen (2008) interpret this finding as evidence that customers unconsciously sense the nationality (or “foreignness”) of call agents, which influences their evaluation of the interaction. However, it is unclear whether their finding, which is based on a U.S. computer manufacturer's call center, generalizes to different customer service contexts. The reason the generalizability of their findings may not hold true for customer service contexts is that they studied interactions in a business-to-business context where firms tend to better understand the needs of individual accounts/customers, where individual customers have a greater value (compared to business-to-consumer context), and where agents are presumably better trained as a result of the higher customer value.

Furthermore, Bharadwaj and Roggeveen (2008) (p. 15) posit that the agent's “accent, use of different words and sentence structures, and inability to understand culturally derived nuances of words will impair his/her ability to communicate effectively and assist the customer in resolving their technical problems.” This reasoning implies that homophily theory may be particularly applicable to voice-to-voice (versus face-to-face) service encounters between domestic/offshore agents and customers if those customers detect a (dis-)similarity between themselves and the CCA, perhaps through a foreign (common) accent. That is, homophily theory suggests people use salient cues to ascertain the similarity between themselves and others. In voice-to-voice service encounters, the agent's accent is one such salient cue that the customer can use to ascertain similarity—or the lack thereof. To deepen understanding of performance outcomes of OSCs, we therefore examine the relationships among perceived customer orientation, customers' perception of accent, (actual) call center location, and three key performance outcomes (Hennig-Thurau, Gwinner, & Gremler, 2002): customer satisfaction, trust, and word-of-mouth communication. These performance outcomes are managerially relevant because they have been shown to drive firm profitability (e.g., Anderson, Fornell, & Lehmann, 1994; Sirdeshmukh, Singh, & Sabol, 2002; von Wangenheim & Bayón, 2007). Next, we propose hypotheses for the predicted relationships.

Flège, Munro, & MacKay (1995) report that people with great fluency in a foreign language and who have lived in a foreign-language environment for years still tend to speak with an accent discernible to native speakers. Listeners can detect accents especially well in the absence of face-to-face communication. During a face-to-face interaction, customers typically become aware of a customer service employee's demographic characteristics, such as approximate age, gender, and race, as well as facial expressions, which provide them with cues of similarity. Because telephone-mediated service interactions are devoid of these cues, customers assess their level of similarity on the basis of the few cues that are available, such as the agent's indigenous or foreign accent. Although language proficiency generally is a mandatory skill for those working in an OSC, and CCAs often speak the language of customers with near native proficiency (van Gorp, 2008), customers still can detect a foreign accent when interacting with the CCA.

H1. During an interaction with a call center agent, customers are more likely to perceive a foreign accent when the call center is located abroad.

By applying attribution theory (Weiner, 2004), we also consider an alternative to homophily theory for explaining customers' perceptions of voice-to-voice service encounters. Attribution theory states that people interpret behavior according to its causes, and these interpretations then determine their reactions (Kelley & Michela, 1980). Any event or behavior can be viewed as an effect that has some cause, and the cause people attribute (e.g., CCA's foreignness, lack of experience, lack of motivation) will likely influence the meaning of the event or behavior and how people might respond to it. During a face-to-face service encounter, customers can base their service evaluations (e.g., attributions) on several salient cues (e.g., physical environment, employee actions); for example, a service employee's physical features or race could activate racial stereotypes (Greenwald & Banaji, 1995; Nesdale & Rooney, 1996) that prompt less favorable service evaluations. Furthermore, employee gender or age become salient traits that activate categorization (in- or out-group) and attributions (e.g., “the poor service is the employee's fault”). However, in voice-to-voice service encounters, the agent's voice (from which the customer can often infer the agent's gender), accent, and the degree to which a customer's service expectations are met (i.e., customer orientation) are the only salient cues the customer has.

The actual location of the call center is far less salient and represents information that CCAs are discouraged (by service scripts) from divulging to customers; the actual location thus should not relate strongly to the three performance outcomes. Moreover, though customers likely perceive foreign accents when interacting with CCAs in OSCs, this perception may not play a significant role in performance outcomes. Although [Bharadwaj and Roggeveen \(2008\)](#) find significant differences in customer evaluations of CCAs' communication skills across three types of call centers (nine-point scale, 1 = "extremely dissatisfied" to 9 = "extremely satisfied"; domestic company-owned $M = 5.99$; offshore company-owned $M = 5.19$; offshore outsourced $M = 5.06$), the evaluations of communication skills of CCAs based abroad remained quite similar to those of agents based domestically. Thus accent, even when perceived, may not affect the service quality perceptions of customers significantly. The customer's satisfaction, trust, and word of mouth (in terms of recommending the service firm to others) instead should be based mainly on the agent's customer orientation and to a lesser degree on the call center's location or CCA's accent, which the customer may or may not perceive.

H2. Customer perceptions of the call center agent's customer orientation relate more strongly than the call center location (i.e., domestic or abroad) to customer (a) satisfaction, (b) trust, and (c) word-of-mouth communication.

H3. Customer perceptions of the call center agent's customer orientation relate more strongly than perceived accent to customer (a) satisfaction, (b) trust, and (c) word-of-mouth communication.

3. Method

3.1. Data collection

Germany serves as the location for the data collection for two main reasons: (1) the high prevalence of offshoring customer service activities among German firms, among the highest of the industrial countries ([Roland Berger, 2005](#)) and (2) the multitude of German firms that operate OSCs ([Lurweg & Westermeier, 2009](#)). The sample consists of customers located in Germany of two service providers – a telecommunications provider and a mail order firm that offers a range of product categories, such as home furnishings, textiles, and hard goods. These two service providers were chosen because the telecommunications and retail (including mail-order) sector are among the German service sectors that make most use of offshore call centers ([Schaaf, 2004](#)). Customers might call the service hotline to order, inquire about billing and shipment details, or complain.

Inbound calls to each firm's customer service hotlines are routinely routed to one of three call centers located in Germany (i.e., domestic), Turkey, or Poland (i.e., offshore), three culturally diverse countries ([Hofstede, 2001](#)). Poland and Turkey differ considerably from Germany on the four Hofstede (2001) dimensions: power distance (PDI), individualism (IDV), masculinity (MAS), and uncertainty avoidance (UA). Specifically, Germany's PDI score is 35, well below the world average of 55 and the scores of Poland (68) and Turkey (66). Similar differences appear for the other three dimensions for Germany, Poland, and Turkey, respectively: IDV 67, 60, and 37; MAS 66, 64, and 45; and UA 65, 93, and 85.

After customers called the service hotline, these customers were contacted by an independent market research firm via telephone and asked to participate in a survey. Rather than leaving a gap of several days between the service encounter and data collection, which has been a limitation of previous studies ([Bharadwaj & Roggeveen, 2008](#)), customers in this study were surveyed within 24 h of their interaction with the CCA to ensure the interaction was fresh in their memory. In fact, many of the surveys (>50%) were conducted within 3 h of the interaction. During the call, customers did not receive any explicit cues regarding the call center's location and therefore did not know its location (i.e., whether they spoke to a CCA located in Germany or an OSC). Thus we achieved a quasi-experimental design (i.e., the study design resembles an experiment, but it is not possible to control for internal validity) ([Cook & Campbell, 1979](#)). Approximately 2000 customers were contacted over a three-week period, and 865 agreed to participate (response rate = 43%). The mean age of the sample is 40.4 years and 56.2% of respondents are female (see sample characteristics in [Appendix A](#)). The mean age of the mail order customers is 50.1 years and is 34.1 years for the telecommunications customers. Also, considerably more females are in the mail order customers sub-sample (80.8%) compared to the telecommunications customers sub-sample (40.4%). Of the 865 respondents, 62% spoke to German customer service agents ($n = 539$), and 38% spoke to OSC agents ($n = 142$ calls to the Turkish call center, $n = 182$ to the Polish call center). Overall, 61% of the respondents are from the telecommunications provider and 39% from the mail order firm.

Efforts were undertaken to assess non-response bias. The questionnaire was relatively short which minimizes the likelihood that respondents refuse to participate due to time constraints or inconvenience. In addition, following [Armstrong and Overton \(1977\)](#), we compared the three dependent variables across early- and late respondents (i.e., group 1: within 3 h; group 2: greater than 3 h), with no statistically significant differences detected.

3.2. Measures

To test H1, the survey asked customers about their perceptions of the accent of the CCA with whom they had interacted with one item: "The agent spoke without an accent or foreign pronunciation." The measure of perceived customer orientation of the firm included six items adapted from [Dean \(2002, 2004\)](#). (The scale items appear in [Appendix B](#)). To assess

overall customer satisfaction with the service, we adapted one item from [Feinberg et al. \(2000\)](#). Word-of-mouth communication and trust used one item each, taken from [Kantsperger and Kunz \(2005\)](#). These single-item measures are consistent with [Bergvist and Rossiter's \(2007\)](#) proposition that constructs consisting of one object can use single-item measures. All items use five-point rating scales (1 = “strongly agree” and 5 = “strongly disagree”).

3.3. Results and analysis

H1 predicts that customers perceive differences in accents when interacting with a domestic rather than an offshore call center. A Levene test indicates significant heterogeneity of variance among the three call center locations, $F(2, 862) = 198.28$; $p < 0.001$. Thus we used an adapted one-way analysis of variance (ANOVA; [Welch, 1951](#)) that does not assume variance homogeneity ([Gastwirth, Gel, & Miao, 2009](#)) to test for differences in customer perceptions of accents (dependent variable) among the service employees of the three call center locations (independent variable). Perceptions of employee accents differ significantly across locations, $F(2,864) = 113.86$; $p < 0.001$; $\eta^2 = 0.201$. As large sample sizes affect the results of significance tests, we report the relative measure of effect size. The partial eta squared is 0.201, which indicates a strong relationship between variables in the analysis ([Cohen, 1988](#)). Post-hoc comparisons, based on a procedure introduced by [Games and Howell \(1976\)](#) that accepts heterogeneity of variance among tested groups, indicate that customer perceptions of an employee's accent are weaker (at $p < 0.001$) for the domestic than the offshore call centers ($M_{\text{Germany}} = 4.88$, $M_{\text{Poland}} = 4.07$, $p < 0.001$; $M_{\text{Germany}} = 4.88$, $M_{\text{Turkey}} = 4.18$). We find no differences with regard to the service employees' accents between the two OSC ($M_{\text{Turkey}} = 4.18$, $M_{\text{Poland}} = 4.07$, n.s.).

The result that customers are more likely to perceive a foreign accent when interacting with the OSCs rather than the German call center supports H1. This result is consistent with previous applications of homophily theory ([Bharadwaj & Roggeveen, 2008](#)) which posits that people from the same group recognize similarity among one another and that similarity among people breeds connections ([McPherson et al., 2001](#)).

In H2 we predict that perceptions of the CCA's customer orientation are related more strongly than the location of the call center to overall customer satisfaction (H2a), trust (H2b), and word-of-mouth communication (H2c). We conduct separate regression analyses for each outcome variable to examine the effects of call center location and perceived customer orientation. We mean centered the continuous independent variable, perceived customer orientation of the CCA, and created two dummy variables for the three call center locations ([Aiken & West, 1991](#)). The domestic call center (Germany) served as the baseline location (i.e., equal to 0 for all dummy variables) for OSCs located in Poland (dummy 1) and Turkey (dummy 2). The descriptive statistics and correlations for the variables in the regression analysis are reported in [Table 1](#).

The main effects for each of the variables and the two way interaction terms of the independent variables were entered into the regression equation simultaneously. The overall regression model is significant for all dependent variables, and 15% of the variance in customer satisfaction can be explained by the independent variables, $F(5, 864) = 29.74$, $p < 0.001$, as can 11% of the variance in trust, $F(5, 864) = 19.90$, $p < 0.001$, and 16% of the variance in word-of-mouth communication, $F(5, 864) = 33.46$, $p < 0.001$. The separate analyses of the independent variables' regression coefficients reveal that the only significant effect for all three dependent variables is the customer orientation of the firm; at greater levels of customer orientation of the firm, customer satisfaction, trust, and word-of-mouth communication also are significantly greater (see [Table 2](#)). Neither the dummy variables comprising the call center locations nor the interaction terms affect the dependent variables strong enough to reach significance. This finding supports H2a, H2b, and H2c.

To test the prediction in H3, namely, that perceptions of the CCA's customer orientation relate more strongly than the CCA's accent to overall customer satisfaction (H3a), trust (H3b), and word-of-mouth communication (H3c), we again conduct separate regression analyses for the outcome variables. Similar to the preceding procedure, we mean centered the continuous independent variables (perceived employee accent and perceived customer orientation) ([Aiken & West, 1991](#))

Table 1
Descriptive statistics and intercorrelations of analyzed variables.

Variable	Mean (SD)	1	2	3	4	5	6	7
1. Germany, dummy	–							
2. Poland, dummy	–	–0.72**						
3. Turkey, dummy	–	–0.55**	–0.19**					
4. Perceived employee accent	4.63 (0.79)	0.46**	0.35**	–0.22**				
5. Perceived customer orientation of the firm	4.77 (0.43)	0.10**	0.09*	–0.04	0.38**			
6. Customer satisfaction	4.54 (0.65)	–0.05	–0.02	–0.05	0.22**	0.38**		
7. Trust	4.02 (0.94)	0.12**	–0.11**	–0.04	0.22**	0.31**	0.31**	
8. Word-of-mouth communication	4.61 (0.65)	0.05	–0.03	–0.03	0.17**	0.40**	0.34**	41**

Notes: $n = 865$. The three dummy variables represent the call center locations are incorporated in the table for comprehensiveness. For each dummy variable, the name indicates the condition coded 1 (e.g., for the Germany dummy, the call center located in Germany is 1, and Poland and Turkey are 0). The correlations among the three dummy variables are redundant, as they share similar groups (i.e., Germany is represented by a 0 in the dummy for Poland and for Turkey). The correlations between the three dummy variables and the outcomes do not take the full design into account, leading to slightly different results than the regression analysis. Five-point scales (1 = strongly disagree, 5 = strongly agree) were used.

* $p < 0.05$.

** $p < 0.01$.

Table 2Analysis for H2: regression coefficients, standard errors, and adjusted R^2 .

Independent variables	Dependent variables					
	Customer satisfaction (H2a)		Trust (H2b)		Word-of-mouth communication (H2c)	
	β	(SE)	β	(SE)	β	(SE)
Dummy call center location 1 Comparison of Germany = 0 and Turkey = 1	-0.06	(0.06)	-0.11	(0.10)	-0.04	(0.06)
Dummy call center location 2 Comparison of Germany = 0 and Poland = 1	0.01	(0.05)	-0.02	(0.08)	0.01	(0.05)
Perceived customer orientation of the firm	0.56**	(0.06)	0.65**	(0.91)	0.61**	(0.06)
Adjusted R^2	0.16		0.11		0.16	

Notes: $n = 865$. Because none of the interactions terms yielded significance, only main effects of the independent variables are displayed. Five-point scales (1 = strongly disagree, 5 = strongly agree) were used. SE = standard error.

** $p < 0.01$.

Table 3Analysis for H3: regression coefficients, standard errors, and adjusted R^2 .

Independent variables	Dependent variables					
	Customer satisfaction (H3a)		Trust (H3b)		Word-of-Mouth communication (H3c)	
	β	(SE)	β	(SE)	β	(SE)
Dummy call center location 1 Comparison of Germany = 0 and Turkey = 1	0.04	(0.07)	-0.01	(0.11)	-0.01	(0.07)
Dummy call center location 2 Comparison of Germany = 0 and Poland = 1	0.05	(0.06)	-0.08	(0.10)	0.01	(0.06)
Perceived employee's accent	0.12	(0.85)	0.12	(0.13)	-0.02	(0.09)
Perceived customer orientation of the firm	0.51**	(0.07)	0.64**	(0.10)	0.61**	(0.07)
Adjusted R^2	0.16		0.11		0.16	

Notes: $n = 865$. Because none of the interactions terms yielded significance, only main effects of the independent variables are displayed. Five-point scales (1 = strongly disagree, 5 = strongly agree) were used. SE = standard error.

** $p < 0.01$.

and created two dummy variables for the three call center locations. Again the domestic call center (Germany) served as the baseline location. The descriptive statistics and correlations for the variables in this regression analysis are given in Table 1. The main effects for each of the variables and their product terms for all two-way interactions and the three-way interaction were entered into the regression equation simultaneously. The overall regression model is significant for all dependent variables, with 17% of the variance in customer satisfaction explained by the independent variables, $F(11, 864) = 15.55$, $p < 0.001$, along with 12% of the variance in trust, $F(11, 864) = 10.09$, $p < 0.001$, and 17% of the variance in word-of-mouth communication, $F(11, 864) = 15.99$, $p < 0.001$. The only significant effect for all three dependent variables is customer orientation; greater levels of customer orientation lead to higher levels of customer satisfaction, trust, and word-of-mouth communication. Neither the dummy variables comprising the call center locations, the CCA's accent, nor the interaction terms affect the dependent variables strong enough to reach significance. This finding supports H3 (see Table 3).

The findings in relation to H2 and H3 are in agreement with the tenet of attribution theory (Kelley, 1967; Kelley & Michela, 1980). In evaluating the service delivery (that drives performance outcomes) provided by a CCA, the customer tries to attribute one or more causes to the behavior of the CCA. Our findings suggest that an evaluation of the service delivery causes customers to ascribe more importance to CCAs' customer orientation than to the call center location and CCA's accent.

4. Discussion

Even as offshore call centers have become more commonplace (Metters, 2008), a growing number of firms are severing their ties with OSCs (Aundhe & Mathew, 2009). Such decisions may be influenced by research that implies customers are more comfortable interacting with domestic rather than offshore service centers, even when they are unaware of the call center location (Bharadwaj & Roggeveen, 2008). However, our research suggests that CCA's customer orientation is related to customer-related performance outcomes and that call center location and the perceived accent of CCAs are unrelated to customer-related performance outcomes. This divergence in findings (i.e., that call center location does not explain performance outcomes, as suggested in previous studies) may be attributable to the different study contexts or because previous studies do not simultaneously consider accent, location, and customer orientation as independent variables. In this study, location and accent emerge as less important to customers than customer orientation in terms of performance

outcomes (i.e., customer satisfaction, trust, word of mouth); therefore, customers appear to evaluate the service encounter on the basis of salient cues that relate directly to the service experience (i.e., CCA's customer orientation) rather than according to salient cues that may not detrimentally affect the service experience such as the CCA's accent. In other words, call center location has no meaningful effect on performance outcomes when the CCA's customer orientation is taken into account.

4.1. Theoretical implications

Our research provides some clarity about the the relevance—or lack thereof—actual call center location as an information cue for call center service evaluations. We find that call center location is not related to customer-related performance outcomes. Furthermore, many prior findings about customer attitudes toward OSCs have come from U.S. customers, usually those who are aware of the call center location (e.g., because they were told by researchers to imagine an interaction with an OSC). Instead, we use a sample of German customers whose calls were routed to various call centers, two of which are OSCs. Taken together, the results contradict the findings from previous studies: OSCs, long a symbol of outsourcing, do not lead to negative customer-related performance outcomes *per se*.

Extant research into customer evaluations of call center services also tends to be premised on the assumption that when customers know or sense a call center is located abroad, they evaluate the service less favorably. For example, [Bharadwaj and Roggeveen \(2008\)](#) suggest that customers perceive call agents' foreignness, which prompts their negative attributions. However, we find that neither a customer's perception of a foreign accent nor the location of the call center brings about a negative relationship with performance outcomes. Thus, as an important theoretical contribution, this research improves understanding of evaluations of domestic versus offshore call centers and shows they are mainly based on customer perceptions of an agent's customer orientation.

These results are inconsistent with previous findings in that call center location does not relate to service evaluations in terms of customer satisfaction, trust, or word-of-mouth communication. In contrast, [Roggeveen et al. \(2007\)](#) report that when customers buy a product from a lesser known firm, they expect to be less satisfied if the call center is located in an offshore location. In this sense, our study demonstrates that homophily theory may not explain actual performance outcomes associated with OSCs. Even if customers can ascertain the degree of their similarity to CCAs during voice-to-voice service encounters, perceived similarity does not necessarily affect customer-related performance outcomes. We instead apply attribution theory to propose that more salient service encounter attributes, namely the CCA's customer orientation, are more influential in customers' service evaluations than less salient service encounter attributes such as the call center's location.

A theoretical implication that follows from this point is the continued need to understand the mechanisms underlying customers' evaluation of OSCs better. The lack of social information in the case of telephone-based services, such as a CCA's age or facial expressions, may reduce the impact of affective components such as smiling ([Dean, 2007](#); [Rafaeli et al., 2008](#)). The extent to which customers compensate for the lack of social information by attaching greater weight (when evaluating the service) to more salient cues (e.g., the CCA's pitch of voice, gender) could be explored in future studies. Prior literature also suggests customers use cues, such as the quality of the telephone connection and the agent's communication skills, to infer the call center's location ([Roggeveen et al., 2007](#)). Although customer perceptions of CCAs' accents is weaker for the domestic center compared with the two OSCs in our study, the average accent detection level across all three locations is above the midpoint; that is, respondents indicate that most CCAs do not speak with a discernible accent. Perhaps a well-trained agent in an OSC can be as proficient in the required language as an agent in a domestic call center, which may explain why perceived accent does not influence customer service evaluations.

4.2. Managerial implications

Any profit-oriented organization worries about costs, and labor is expensive. Therefore, cost-cutting opportunities have motivated firms to consider offshoring their customer service activities; before making this decision though, a firm must ensure that the benefits of offshoring outweigh its costs. In particular, the firm needs to assess the cost benefits in comparison with customer expectations. Firms faced with a decision about offshoring or re-shoring their call centers need to understand their customers' evaluation of those call centers. Some research suggests that offshoring front-office services negatively affects customer satisfaction and loyalty levels ([Whitaker et al., 2008](#)) for diverse reasons, including poor (telephone) connection quality, poor communication skills of agents, and cultural differences ([Bharadwaj & Roggeveen, 2008](#); [Metters, 2008](#); [van Gorp, 2008](#)). This study shows that services delivered by an offshore service center do not have to be associated with less favorable performance compared with services delivered by a domestic service center, as long as CCAs appear customer oriented.

In this sense, cost benefits and high-quality services are not mutually exclusive. Our findings suggest that a call center's offshore location does not hurt the firm's business, in terms of key customer-related performance outcomes, if the firm does not make its location clear. Our results also indicate that an agent's accent does not affect customer service evaluations, suggesting companies can focus employee training resources on improving employee customer orientation.

Our results clearly indicate that customer orientation pays off in terms of important marketing outcomes. Service firms relying on call centers to deliver customer service should invest in their CCAs' customer orientation by offering more and better training or developing service scripts that emphasize customer satisfaction rather than high customer throughput. Service firms using OSCs often do so to pursue cost and efficiency goals, but these goals cannot come at the expense of a

customer orientation. Dean (2007) points out that to behave in a customer-oriented way, CCAs must be equipped with the skills required to address customer needs. Hennig-Thurau and Thurau (2003) distinguish two basic kinds of customer-orientation skills – technical skills and social skills. The former refer to the knowledge service employees need to be able to interact with the customer in a high quality way, such as knowledge about the firm's service offers and prices, and product and service compatibility. The latter essentially involve the service employee developing adequate solutions for a customer's needs or problems by taking on the customer's perspective (i.e., trying to understand how the customer thinks and his/her feelings).

Such skills therefore need to be conveyed through training and practice and embedded in a corporate culture that emphasizes customer orientation rather than productivity. In addition, employee customer orientation can be increased by embedding customer orientation in service scripts. Service scripts include formal descriptions of the way employees are expected to behave during interactions with customers (Smith & Houston, 1983). Service scripts are intended to increase the quality of service delivered through standardizing employee behavior and thereby reducing the level of service heterogeneity. For example, a service script for CCAs could include questions (directed at the customer) that help to quickly identify customer needs and define how much leeway (i.e., empowerment) employees have in dealing with customer requests. By embedding customer orientation in service scripts, the service firm will not only improve employees' capabilities to respond to customer requests during service interactions, it will also show that customer orientation is anchored in the corporate culture (Kelley, 1992; Slater & Narver, 1995). A customer-oriented corporate culture should reward exemplary customer-oriented behavior (e.g., "going the extra mile" to solve a customer problem), and senior management members might make a point of working in frontline jobs on a regular basis.

Furthermore, our findings suggest OSCs do not have to engage in national identity management practices, such as not disclosing or lying about locations, imitating different accents, or adopting names from different cultures (Musico, 2008; Poster, 2007). Such tactics are not advisable, mainly because of their unethical dimension; firms should not encourage or force their employees to lie to customers (Poster, 2007). Instead, firms must understand that high levels of customer orientation will be positively associated with performance outcomes, even when the CCA speaks with an accent or is located abroad. If there are customer complaints about the expertise or accent of offshore service agents, firms should invest more in the agents' language skills. Language training should work to minimize agents' accents but also should aim at improving their eloquence.

Finally, because of the important role of customer orientation in driving key outcomes, service firms should pinpoint sources of inadequate service delivery in call centers, especially as they face an increasing number of technology-mediated service encounters and amount of customer engagement in the co-creation of value (Payne, Storbacka, & Frow, 2008). The dominant view holds that customer dissatisfaction with call center services results from shortcomings in front-office services and failures by CCAs. Yet Ren and Zhou (2008) find that call center outsourcing contracts tend to be poorly drafted, lacking any incentives for service providers to deploy adequate capacity or exert sufficient effort to achieve high service quality. Our finding that call center location does not explain differences in performance outcomes suggests that firms should allocate their resources to manage agent–customer interactions in a way that results in higher levels of perceived customer orientation. We find no evidence that the location of the call center poses a problem for OSCs, so firms considering sending their customer services offshore should not be too concerned about communication problems. Rather, they need to focus on managing customer service provision effectively, because that factor has a greater effect on customers' service evaluations. Better management could mean not routing more calls to OSCs at any given time than their CCAs can handle or equipping CCAs with the skills necessary to ensure they are perceived as customer oriented (i.e., technical know-how, social skills such as empathy).

4.3. *Limitations and further research*

Several limitations and research opportunities related to our research deserve mention. We did not measure the language and communication skills of customers interacting with CCAs. It would be interesting to explore if customers who detect an accent during the service interaction are native Germans, fluent in German themselves. Perhaps nonnative Germans (approximately 15% of the population) find it more difficult to understand agents in OSCs, which might prompt negative service evaluations. Such negative evaluations would conflict with the predictions of the similarity-attraction paradigm (e.g., Graves & Powell, 1995), which states that people from the same in-group (e.g., two immigrants) evaluate each other more favorably than would someone from an out-group. However, with our study design, we could not measure whether the respondents spoke with discernible foreign accents. Such accents might produce positive or negative attribution biases among customers (DeShields, Kara, & Kaynak, 1996). Further research should investigate, at the individual customer level, the extent to which customers who speak with an accent can detect foreign accents in agents and whether that detection leads to negative or positive inferences.

Furthermore, the data collection for this study took place in Germany and focused on three call centers located in Germany, Poland, and Turkey that serve telecommunications and mail-order customers. The inclusion of additional countries, as well as other service contexts, could help confirm the generalizability of findings. For example, researchers might examine the extent to which our findings hold in customer service contexts characterized by complex information (e.g., computer manufacturer, financial services). In service contexts that demand the exchange of complex information, a CCA's accent may be a greater impediment to the delivery of customer-oriented services.

In addition to these research directions, additional research might improve firms' understanding of potential barriers to the use of OSCs. Hahn and Bunyaratavej (2010) argue that specific cultural attributes align more closely with successful service provision. Perhaps a greater cultural fit between the OSC location and a customer's home country equates to less friction between agents and customers and would result in more favorable service evaluations. It thus would be worthwhile

to consider the level of training (e.g., amount spent per agent) and whether CCAs receive customer service training to learn techniques to deal effectively with customers from other cultures. Further research also could study the service scripts used in different OSCs. It is conceivable that a German customer calling a service hotline on several occasions would be routed to a German, a Polish, and a Turkish call center. If the three call centers use different service scripts, this difference might explain the variation in perceived service quality. In other words, perhaps the different service scripts, not cultural differences, might explain variations in customers' service evaluations.

4.4. Conclusion

Intense competition in many service industries and the pressure to reduce costs has prompted service firms to move operations to lower cost locations in other countries in the last few decades. However, recent research suggests a customer backlash owing to offshore call centers' challenge to meet customer expectations. The reasons why customers evaluate OSCs less favorably than domestic call centers are of relevance to managers and business research. The present study examines the extent to which accent detection (in the CCA's voice), call center location, and the CCA's customer orientation relate to three key performance outcomes – customer satisfaction, trust, and word-of-mouth communication. We find CCAs' customer orientation is most important to customers in regards to the three performance outcomes, suggesting that offshore call center locations are not necessarily associated with lower performance outcomes. The results in this study elaborate on several issues of managerial relevance and highlight issues that need scholarly investigation. The present study may provide an impetus for further research on this important topic.

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Appendix A. Sample characteristics

	Overall (<i>n</i> = 865)	Telecommunications	Mail order
Mean age (SD)	40.4 (14.4) years	34.1 (11.7) years	50.1 (13.5) years
Gender			
Female	56.2%	40.4%	80.8%
Male	43.8%	59.6%	19.2%

Appendix B. Independent and outcome variable statistics

Independent variable	Mean (SD)	Factor loadings (from CFA)
Customer orientation of agent ($\alpha = 0.82$, CR = 0.87; AVE = 0.54)	1.48 (0.70)	
The call-center agent was dedicated		0.83
The call-center agent was friendly		0.80
The call-center agent created a pleasant atmosphere during the call		0.75
The call-center agent took her/his time talking to me		0.72
The call-center agent paid heed to my wishes and needs		0.64
The agent took the call immediately		0.64
Outcome variables		
Customer satisfaction		
I was satisfied with how my call was handled.	1.47 (0.66)	
Word-of-mouth communication		
I will recommend this service hotline to others.	1.40 (0.66)	
Trust		
I trust this service hotline.	1.22 (0.51)	

Notes: α = Cronbach's alpha, CR = composite reliability, AVE = average variance extracted; CFA = confirmatory factor analysis [model fit: goodness-of-fit index (GFI) = 0.98, confirmatory fit index (CFI) = 0.99, root mean square residual (RMR) = 0.005, root mean squared error of approximation (RMSEA) = 0.050, and $\chi^2/df = 3.21$; $p < 0.001$]. (1 = strongly agree, 5 = strongly disagree).

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