Employment Regimes for the Factories of the Future: Human Resource Management in Telephone Call Centres
by
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Working Paper Series
2003.08
<table>
<thead>
<tr>
<th>Year</th>
<th>Author(s)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003.01</td>
<td>Stephan C. M. Henneberg</td>
<td>The Conundrum of Leading or Following in Politics? An Analysis of Political Marketing Postures</td>
</tr>
<tr>
<td>2003.02</td>
<td>Richard Fairchild</td>
<td>Management’s optimal financial contracts, the degree of alignment with investors, and the ‘carrot and stick’ role of debt.</td>
</tr>
<tr>
<td>2003.04</td>
<td>Steve Brown &amp; Felicia Fai</td>
<td>Strategic Resonance Between Technological and Organisational Capabilities in the Innovation Process within Firms</td>
</tr>
<tr>
<td>2003.05</td>
<td>Paul Goodwin</td>
<td>Providing Support for Decisions based on Time Series Information Under Conditions of Asymmetric Loss</td>
</tr>
<tr>
<td>2003.06</td>
<td>Will Liddell &amp; John H Powell</td>
<td>Are you still here?: Reconciling patient access and GP effectiveness in the management of a large medical practice: a case study using QPID</td>
</tr>
<tr>
<td>2003.07</td>
<td>Felicia Fai</td>
<td>A Structural Decomposition Analysis of Technological Opportunity in Firm Survival and Leadership</td>
</tr>
</tbody>
</table>
Employment Regimes for the Factories of the Future:  
Human Resource Management in Telephone Call Centres

Introduction

Telephone call centres, or what are increasingly referred to as Contact Centres, provide unusually fertile ground on which to study variety in HR architecture in both theory and practice. Call centres are growing rapidly in the UK and according to one prediction some half a million employees (or approximately two per cent of the working population) will work in these organisations by 2001 (Datamonitor 1998). Much of this growth, either as specialist in-house business units or as independent telebureau working for commercial clients on a sub-contract basis, is in new workplaces where senior managers have to make choices about their employment regime. In some there is extensive externalisation with up to 70 per cent of staff supplied by labour market intermediaries, while in others various types of internal labour markets are encouraged and developed.

Purpose and Rationale

The purpose of this paper is to explore in theory and practice the emergence of different forms of employment regime in telephone call centres and contact centres, and to link these with competitive strategies. Apart from the rapid growth of the sector there are two particular advantages in studying employment regimes in call centres. First, call centres aim to operationalise a part of the firm’s market strategy so there is a close link between the work of the centre, especially front line employees, and the customer or the market. This allows for a close observation of what Chadwick and Cappelli call ‘a dominant organisational logic’ (1999:23) unencumbered with the need to explore generic positioning strategies of the larger,

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usually multi-divisional, company as a whole. The relatively turbulent environmental conditions of the sector can be assessed in terms of strategic, or tactically reactive, response. Variable labour market conditions or advances in technology mean that it is highly likely that employment regimes will be subject to change within relatively short periods. This allows the researcher to explore how strategies are formed, re-evaluated and modified in the light of changing circumstances. Most models of employment systems such as those put forward by Lepak and Snell (1999) or Snell, Lepak and Youndt (1999) say little about how and why organisations move from one employment regime, normally one segment of a matrix, to another.

Second, there appears to be a paradox between the pursuit of control or transactional type employment systems and the need for an emphasis on relationships with customers. Much of the recent research (Bain and Taylor, 2000; Deery et al, 1999; Taylor and Bain, 1999; Belt et al, 1999; Fernie and Metcalf, 1998; Knight and McCabe, 1998) and UK press reports have focused on the coercive employment systems adopted in the industry. Here the employment regime is portrayed as repetitive, tightly scripted, monitored and stressful, with poor terms and conditions and few opportunities for advancement. Agency and short-term contractural working is common and, not surprisingly, labour turnover is high. The combination of factory floor style layouts and electronic surveillance systems provide the ideal environment for the exercise of ‘Panoptican’ control over virtually every aspect of employee behaviour at work (Fernie and Metcalf, 1998). This type of research was mostly case study based and essentially descriptive or set in the context of particular human resource issues such as pay systems (Fernie and Metcalf, 1998), low pay and control (Bain and Taylor, 2000; Taylor and Bain 1999) or stress and the experience of work (Deery et al, 1999).
The use of surveillance control systems taken with low pay, low skill and contingent labour is indicative of a cost-minimisation, command and control employment system (Purcell and Ahlstrand, 1994) and led journalists to characterise call centres as the ‘dark satanic mills’ of the late twentieth century (Wylie, 1997; IDS, 1997). Other performance measures, however, place emphasis on the quality of customer service and therefore Customer Service Representatives (CSRs) are monitored for their tone of voice, helpfulness, enthusiasm and ‘warmth’. It is commonly asserted that these types of behaviour are crucial in a service driven company (Schlesinger and Heskett, 1991) but that to obtain this, the service company must adopt commitment orientated human resource systems (Schneider and Bowen, 1993). There appears, therefore, to be a contradiction or a paradox between the ways employees are managed and controlled as workers and the type of emotional labour required for high levels of customer service and customer satisfaction (both of which are, of course, measured).

This combination of a direct contact with the customer, an emphasis on service quality and a tightly controlled work environment places great demands on employees and can lead to emotional burnout and high labour turnover (Deery et al, 1999). Knights and McCabe (1998:182-3) highlight ‘the contradictory position in which staff are placed, being tasked as they are, with providing high quality customer service while management limit their ability to provide such service by work intensification’. They go on to argue that ‘by placing too much emphasis on quantity, and keeping staff levels to a minimum, management may directly undermine customer service’ (ibid: 188). Pfeffer also draws attention to this paradox: ‘One might wonder, in an era when there is increasing emphasis on building employee commitment, on working in teams, and on devolving responsibility … how there can be a concomitant increase in electronic and other surveillance activities - a practice that research indicates often
produces effects opposite to those being sought by the high commitment work practices so frequently discussed’ (1997: 155).

However, not all call centres are managed in this cost minimisation way and there is evidence of elements of High Commitment Management (HCM) being utilised in some call centres, especially where longer job cycles and interactive relations with customers as in relational marketing were required (Frenkel et al, 1999:102-107). Batt (1999) found that self managed teams were associated with improved sales and quality in call centres compared with traditionally supervised work groups. Similarly, Fernie and Holman (2000) examined working practices in three call centres of a UK financial institution and found that ‘levels of employee wellbeing compare favourably with (those) experienced by office workers and manufacturing shop floor workers.’

**Theorising about Human Resource Architecture in Call Centres**

There is evidence, then, that a variety of employment regimes exists in the call centre sector, but, with the exception of Frenkel et al (1998) and Batt (1999) researchers have not sought to explain why the diversity exists or whether and in what way it is related to competitive strategy. The choice of employment regimes is not straightforwardly determined by technology or driven by a customer relationship. There is a trade off between the inexorable pressure for cost minimisation in the competitive environment and achieving quality customer relationships. Employment strategy is indeterminate; strategy makers are confronted by choice (Child, 1997) especially in finding appropriate positions in an unfamiliar and changing competitive environment. This indeterminacy and the paradox of employment regimes contrasting with customer relationships poses a challenge for researchers in theory building.
One route is to study strategic decision making on a case by case basis using inductive research methods. Here the researcher can expect to find evidence for path dependency, isomorphic pressures and bounded rationality, in the context of multiple organisational objectives, as well as for strategic intent adopted to suit the prevailing competitive environment. The alternative is to theory build using deductive approaches assuming rationality and perfect information allowing for hypothesis generation. The former, inductive approach, can easily become ad hoc descriptions of practice. The latter deductive theory route can indicate circumstances when a particular employment regime should be preferred, but always with the caveat of ceteris paribus. Our preference is to use both approaches. Model building provides the benchmark against which to compare the behaviour of strategy makers in practice. We start with a proposed model of employment regimes and go on to explore four case studies.

In developing a model of employment regimes in call centres we use insights from the ‘best fit’ or ‘configurational approach’ (Delery and Doty, 1996). We operationalise the concept of business strategy by proposing that the nature of CSR jobs will be strongly related to the competitive strategy seen in the relationship between the call centre and the product market customer. We will concentrate on CSR jobs, particularly the type of interaction that these employees have with customers, using the concepts developed by Gutek (1995:7-8) who distinguished between encounters, or in this case transactions, relationships and pseudo-relationships. We can express these as propositions in which three types of customer relationships are proposed, giving illustrations of when they apply,

**Proposition 1:** Companies which see their call centres predominantly in cost, not revenue, terms and whose activities do not create customer value will seek to restrict interactions with customers to those primarily based on simple transactions. Call-time
is restricted, carefully controlled and heavily scripted. Automated systems are used where possible. Most calls are in-bound. Typical examples are brochure ordering, simple banking transactions, telephone directory enquiries and travel enquiries.

**Proposition 2:** Where a quality image is required relating the customer to a brand or the organisation as a whole, but where the type of transactions are likely to be routinised or standardised the type of CSR/customer interactions can be described as a ‘pseudo-relationship’. Here there is likely to be a mix between in-bound and out-bound calls with some cross-selling seen as an important part of an attempt to improve customer value and calls may be both short and long. Efficiency is achieved through standardisation, scripting and extensive call monitoring and surveillance.

**Proposition 3:** Call centres operating a high value revenue generating strategy with their customers will emphasise activities where their CSRs seek to build and exploit relationships with their customers, sometimes over many years. Here both in-bound and out-bound calls are likely to be unscripted and call length not overtly limited. This will typically be found in travel and holiday companies, health advice centres and among financial advisers.

We next classify employment regimes drawing on Purcell (1987) and Walton (1985) who identify control and commitment management styles and Lepak and Snell (1999) in their distinction between the uniqueness or asset specificity and value to the firm of human capital. *Three types of employment regimes can be envisaged.*
Proposition 4: Control employment systems based upon a cost minimisation style will seek to reduce the cost of employment and exercise close control through the design of jobs to limit employee discretion, routinise tasks and require rote behaviour. Selection, screening and hiring costs are minimised and training expenditure is very low. This allows for the externalisation of the employment relationship by utilising labour market agencies or by employing contingent workers and/or low skill permanent employees. Pay and conditions are typically below the median for call centre employees in the local labour market. In Lepak and Snell’s language (1999) the employment mode is one of contracting, the employment relationship is transactional and the HR configuration emphasises compliance (quadrant 3: Figure 2, p.37).

Proposition 5: Where a mix of long and short customer contact work is expected the call centre will either develop a core-peripheral employment model whereby some employees enjoy the benefits of the HCM style, typically those defined as being at the core of the organisation with unique human capital, while others on the periphery are managed by cost minimisation approaches. Alternatively, given the variety of work and the need for flexibility between jobs the call centre will seek to recruit relatively experienced staff who have the attributes of customer service but without distinctive unique firm specific knowledge. That is they are poached from other call centres. In Lepak and Snell’s terminology (quadrant 2: figure 2, p.37) the employment mode is one of acquisition, the employment relationship is symbiotic and the HR configuration is market based.

Proposition 6: High Commitment Management (HCM) will be emphasised where CSRs are required to develop unique product knowledge and firm specific competency in
order to maximise their customer value. This emphasises the closeness of the relationship between the employer and employees (Guest, 1987) involving careful recruitment and selection, extensive training and coaching, communication activities and suggestion schemes, performance based or variable at risk pay, spot prizes or rates and team working and reward. Career promotion systems are common, with job security for full-time and part-time employees with rates of pay above the labour market median. In Lepak and Snell’s terms (quadrant 1: figure 2, p.37) the employment mode is one of internal development, the employment relationship is organisation focused and the HR configuration places an emphasis on commitment.

Lepak and Snell propose a fourth category where the uniqueness of human capital is high but the value of human capital is low. They suggest here that this is typified by alliances and partnerships and collaborative relationships. It is arguable that this is essentially outside the employment relationship and relates to a form of sub-contracting. However, in this context it allows for organisations which prefer to outsource their call centre operations to a telebureau which has distinctive competence in managing call centre staff or customer relationships, can offer economies of scale to small organisations or can handle short lived marketing campaigns efficiently.

Sectoral research in manufacturing suggests a close fit between competitive strategy and HR systems and in particular indicates the competitive conditions where ‘control’ type HR is expected, and those where ‘commitment’ might be preferred (Youndt et al, 1996; Arthur, 1992, 1994; MacDuffie, 1995; Thompson, 2000). Using insight from these studies we combine the three propositions on customer relationships with those for HR architecture and develop three ideal typical forms of ‘best fit’ in call centres.
Type 1: Transactional and control/cost minimisation

Competitive strategy will be based on cost minimisation since the call centre is providing essentially non-revenue services in an in-house business unit or as part of a tightly budgeted contract in a telebureau. Tasks are simple and heavily scripted with a call lasting typically less than a minute and where the speed of service is important. Often this work is closely monitored and controlled by the use of Automatic Call Distribution (ACD) with precise performance targets which are cost driven. Jobs are designed to fragment and deskill tasks and thus to eliminate the need for firm specific knowledge, with requisite detail captured on screen based IT systems. Little or no product or organisational specific knowledge is thus required from the CSRs who are involved in the simple provision of information, for example giving details of bank balances, or train times, or capturing data and then responding, for example to brochure requests. There will be minimal recruitment criteria, training will be short, perhaps limited to a few hours, salary levels will be poor and there will often be job insecurity with virtually no career structure and little job mobility often leading to high labour turnover. There will be extensive use of agency staff for as long as labour costs plus commission payments are lower than the internal labour market costs.

Type 2: Pseudo-relational and median HR practices and core/periphery practices

These call centres are caught in the middle - typically with a mix of customer relationships and less obvious choice on the appropriate employment regime. The call centre is likely to be part of a wider organisation managed predominantly as a stand alone business unit because of the different market conditions which apply. CSRs are expected to be multi-skilled and to have good customer relational skills although not
distinctive unique product knowledge. Contact with the customer is likely to be intermittent with no expectation of future interactions, such as mail order and low value insurance sales on a one-off basis. There is little prospect of repeat business although customer retention is important and is deemed to flow from the quality of the service provided by CSRs. Here pay is at the median for the industry and there are training and development programmes for employees, for example between three and five weeks and some form of employee involvement, especially suggestion schemes for quality improvement. Training will concentrate on the quality of customer service interactions and there will be security of employment for permanent employees many of whom will have worked in call centres previously. However there will be limited career structures restricted to the call centre. Team work will be common and will be used for coaching and feedback and to enforce quality standards. In some cases, especially in independent telebureau, the core/periphery model will be adopted with a differentiation between the employment regime for different groups of employees. In all these cases the attempt is to combine all the advantages of the relationship management approach, with the routinised approach of transactional interaction where there are high economies of scale.

**Type 3: Relational and High Commitment Management**

These organisations seek to build high quality relationships with their customers and with individual members of staff. Often a personalised service is provided for example by giving customers access to their own financial adviser and CSRs are involved in cross selling and introducing new products as part of a relational marketing strategy. CSR job cycle time will be much longer (perhaps as long as 30 minutes) and there will be less emphasis on measuring performance quantitatively over short periods
of time. Call length may not be measured, but other measures such as the abandoned
call rate and the calls waiting are likely to be widely displayed in order to encourage
speedy response and quality of service. There will be limited scripting of calls and
more emphasis on developing and maintaining personal relationships with customers.
Greater stress will be placed on measuring adherence to quality standards, customer
retention and longer term sales targets by use of customer satisfaction surveys over
periods of a year. CSRs have to develop unique skills in relation to product and
organisational specific knowledge and they are expected to identify with the company
and have appropriate experience and personality. They are expected to be skilled at
interacting with named customers they, or their colleagues, have dealt with in the past,
and whose records are kept on a data base allowing them to personalise the call. In the
more sophisticated high value parts of the financial services market CSRs may take as
few as six calls per day and they will have some tasks which require them to work ‘off-
line’ away from the telephone. Typically jobs are designed for multi-task, multi-skill
variety with the intention of optimising the unique organisational focus and employee
commitment with career opportunities. HR practices will typically involve high
salaries, including in some instances highly geared performance related pay or
commission payments, together with training and development programmes which are
aimed at the softer skills of relationship management and encouraging high levels of
employee involvement. Employees may well be graduates, or those with extensive
experience, who have expectations of promotion and job security within the call centre
and beyond to the parent organisation.
The Practice of Developing Human Resource Architecture: four case histories

The theoretical model developed in the previous section suggests that the link between the competitive environment, especially the approach of the business unit, the call centre, to its customers will have an important influence on the choice of HR systems. We propose that:

the greater the extent to which there is a relational marketing strategy creating customer value through interactions between CSRs and customers using multiple electronic channels, the more HR architecture will be designed to foster high trust, high commitment employment relationships since distinctive firm specific, and product specific knowledge is required.

Conversely,

the greater the extent to which the call centre business unit minimises the interaction between customer and CSR restricting this to the provision of information or short term transactions, the more likely will HR architecture be built to enforce control, standardisation and cost minimisation. This may be achieved by externalising the employment relationship since CSR jobs are designed to require only ‘ancillary knowledge’ (Snell et al 1999: 179).

All such theorising is built on the assumption of rationality and perfect knowledge in decision making where environmental conditions are equal for all players. Since these conditions cannot apply in the real world the experience of organisations in strategically choosing and adapting employment regimes in call centres is unlikely to conform neatly to the prediction. However as a means of establishing a position, an intent, a form, such models play a
fundamental role in informing practice. As Mintzberg et al (1998: 286) have argued, ‘Few, if
any strategies are purely deliberate, just as few are purely emergent. One means no learning,
the other means no control. All real-world strategies need to mix these in some ways: to
exercise control while fostering some learning. Strategies, in other words have to form as well
as be formulated.’

We have studied HR strategy making in four call centres with the intention of trying to ‘capture’
or isolate the key features driving choice in employment regimes. It was not our intention in
carrying out this case based, inductive research to test the relational-transactional model
outlined here. Rather, our aim in extended conversations with senior managers and site
observations allowing for interviews with team leaders and line management (and in two cases
with some CSRs) was to explore strategy making in action and, as in grounded theory, to
theorise later. All case based research is selective in terms of the phenomenon studied,
particularly when the outcome of hours of observation and discussion is reduced, as in this
paper, to no more than a thousand words for each ‘story’. We have, perforce, been selective
since the aim is to highlight the key features in employment strategy making as revealed in four
cases. We first provide a case description then discuss the significance of the cases in the
penultimate section.

**Old Bank**

Old Bank demonstrates the evolution of an employment regime towards practices which were
dedicated to the call centre and away from those used in the remainder of the Bank. This was a
gradual process in which the standard bank HR practices were replaced by those which were
more suited to the operational requirements of a call centre and the labour market from which it
draws its employees.
In 1994 increased competition led the Bank to centralise some of its branch activity by establishing telephone banking centres to improve the quality and consistency of services, give customers access to 24 hour banking and reduce substantially overhead costs. This was triggered by the need to retain customers, many of whom were switching to new entrant firms exclusively using telephone banking. These changes sought to achieve the economies of scale enjoyed by new competitors, create a more aggressive sales and marketing approach and to gain and retain customers by offering a wider range of services tied to the corporate brand.

Old Bank, however, faced a number of challenges from the outset. These included an inexperienced management team, (who were mostly from the Bank and lacked call centre experience) and a centralised employment regime which was based on the existing internal labour market which proved inappropriate for the call centre working environment. Although the call centre was in a new building on a greenfield site it was badly placed because of the tight local labour market. In part this location was chosen because the initial intention was to redeploy counter staff into the centre from the branch offices, many of which were to be closed. Furthermore, despite the fact that the call centre was a flagship for the Bank’s central strategy there was no top level champion and local managers initially had little power within the organisation.

A new management structure was introduced which was unlike that elsewhere in the Bank and included team working together with the multi-skilled post of Customer Service Operator (CSO), dealing with more than one type of call. Team leaders were expected to develop their team members quickly, to coach them and keep them motivated and team members were encouraged to mix socially outside work to encourage team building. The Customer Service
Manager (CSM) was responsible for motivating team leaders and CSOs and analysing data to measure and improve their performance. A relationship management team of 80 was established to provide service and advice to key account holders. These staff, who needed detailed knowledge of financial service products, were located in a physically separate part of the building from the CSOs and were regarded as dealing with more relationship type calls whereas the CSOs concentrated on pseudo-relationship calls.

The importance of service quality was demonstrated by a series of tough service level targets which were set including an abandoned call rate of 2 per cent for routine calls, 90 per cent of calls to be answered within 15 seconds and 90 per cent of calls to be dealt with at the initial point of contact. Productivity and sales were measured daily on an individual and team basis so that CSOs had various targets, calls were monitored closely and daily sheets were displayed showing performance. For example, all multi-skilled CSOs had to adhere to 90 per cent of the ‘Top 10 standards’ which related to the call structure. Other targets included the length of the call and answering 70 per cent of calls ‘one stop’ and ensuring that 98 per cent of a CSO’s time was signed on to the phone.

Initially, Old Bank sought to use the existing HR policies and practices devised centrally by the Bank and to redeploy staff from the branches into the call centre, which was facilitated by the location decision. However, branch staff did not like call centre work and many proved not to have the outgoing personality required. Problems were soon encountered with recruitment, retention and work organisation as local managers discovered that the HR policies and practices designed for a stable branch based environment did not fit with the work organisation, the product market strategy or the labour market conditions. Rates of pay were relatively low, although some fringe benefits were good, leading to a remuneration structure
based on deferred income more appropriate for life-time employment of bank branch staff. However, immediate earnings were more likely to attract and retain the type of staff needed for the high quality service which Old Bank sought to provide. Working hours were considered inappropriate to meet the cover requirements and staff received a shift allowance despite a delay in 24 hour opening. Both of the recognised unions initially also wanted the employment regime of the call centre to replicate that of the rest of the bank values and traditions.

Changes were made gradually to HR practices after negotiations between head office and local managers who, by then, had some call centre expertise and were slowly given greater power and discretion to make decisions. These included changes to the recruitment and selection methods so that nearly all telephony staff were new to the Bank and came from a wide variety of backgrounds (for example florist, policewoman, secretary, engineer and taxi driver) which was in sharp contrast to staff with a traditional banking background.

New terms and conditions of employment for CSOs, team leaders and CSMs included spot rates, which were based largely on the local labour market and affordability, plus a variable bonus which was paid to high performers. Individual rates were introduced which depended on the level of skill and competence and the role undertaken. The rates were considered to be close to the market norm, and were reviewed regularly by local managers (through exit interviews) and the central HR function. In addition to the bonus there were experiments with low value ‘fun’ incentives such as spot prizes (at the discretion of the team leader) and themed fancy dress days. Other benefits included flexible working hours, good career prospects for some employees, variety, a friendly working environment and improving communications. The trade union representatives in the centre had also begun to work for these local flexibilities.
Training was initially co-ordinated by the Bank’s central training and development function but was handed over to the centre in August 1995 with the appointment of an in-house training manager. This led to a six week induction programme for CSOs which was followed up by monthly coaching sessions conducted by team leaders who identified any further training needs. Team leaders received training in leadership skills, team building and management by results.

Old Bank illustrates how local managers gained more power as head office managers slowly accepted that the existing HR in-house practices were grossly inappropriate for the competitive environment of telephone banking and the demands made on staff. For the HR staff in Head Office this was the first time they have learnt how the distinctive features of call centres require different HR systems.

**MAC**

Our second case, MAC⁵, illustrates the evolution of the employment regime in response to increasing competition in the product market and a tightening local labour market. This involved moving away from tightly controlled transactional jobs with extensive use of agency workers towards high commitment practices for more relational jobs with greater emphasis on directly employed workers while retaining many of the existing job controls.

MAC’s market share has been under pressure since the mid-1990s, to the extent that in 1996 they lost three quarters of a million customers out of a total of almost seven million. Service quality was seen as the key to achieving the business strategy of improving membership value and retention. The development of two integrated call centres was central to this strategy. Before this MAC had responded to increased demands for its services in an ad hoc way by simply expanding the number of people who answered the telephones in the different
departments usually by making greater use of agency workers. The response was not only non-strategic on the HR side, but also on the IT side where there was no attempt in the early days to integrate a whole series of disparate departmentally based IT systems which held customer data in different forms. Subsequent audits revealed that the organisation was not sufficiently customer focused since there were 240 external telephone numbers and 17 separate work groups dealing with different issues, for example sales, service, insurance and information, which meant that customers were often passed around the organisation. In addition overheads and labour turnover were high and there were inflexible working practices.

Therefore, towards the end of 1996 a series of objectives was set which focused on improving service quality and increasing customer satisfaction. The aim was to develop a single call centre, change the call centre culture by redesigning the management structure, increasing flexibility by introducing multi-skilling for staff and modifying their approach to managing HR. A highly visible, architecturally advanced, building located on a new business park next to a motorway junction was erected. By 2000 there were five other large call centres in the park.

A new Customer Services Director was appointed as well as a new HR manager for the call centre, both of whom had call centre experience and were to have an important influence on decision making. This led to a flatter and more integrated management structure (replacing the old hierarchical and segmented structure based on seven layers), with radically changed roles for team leaders and the new position of the customer adviser. Advances in technology meant that the different databases were pulled together so that there was a single point of access for the customer advisers. The customer adviser role could therefore become more multi-skilled and relational and replace the previous transactional roles, for example dealing only with sales. Team leaders were expected to spend 80 per cent of their time providing feedback,
coaching and identifying training needs and had to provide leadership, build motivation and morale and bring some ‘fun’ into the working environment. They encouraged teams to meet socially and introduced spot prizes (a bottle of wine or a box of chocolates) themed dressing-up days and ad hoc bonuses. One month, for example, each employee on the call centre floor received a bonus of £100 because the abandoned call rate was less than 5 per cent. A suggestion scheme, called ‘Bright Ideas’, was aimed at involving staff and encouraging them to think about ways of improving the business.

The changes in HR practices provide clear evidence of the evolution to high commitment management in response to the demands of the external environment and customer expectations. For example, responsibility for day-to-day recruitment was devolved to line managers and the HR function trained managers to select their own staff and provided a procedure for guidance and support. New more sophisticated recruitment techniques were used, including radio advertising and telescreening to fill the customer adviser roles and respond to local labour market pressures. The aim here was to improve the quality of product knowledge among CSRs and to reduce labour turnover thereby responding to both product and labour market pressures. The heavy reliance on temporary agency staff was reduced so that temps were used only for the summer peak period (when around 30 per cent extra staff were employed). Although they were employed on less favourable terms and conditions than permanent staff they were expected to abide by the new standards of performance. They received induction training but were only expected to be skilled in sales.

Training, which had been recognised as poor in the past, was improved by a new customer service training team together with the use of computer systems which allowed on-the-job training during quiet times. Training for team leaders was initially less adequate partly
because of their heavy workloads and consequently, they were slow to develop and experienced difficulties in their new roles. This issue was addressed with regular workshops and team leaders’ performance subsequently improved.

Before the re-organisation terms and conditions of employment were inappropriate for the call centre environment: salaries were low relative to the local labour market, there was no clear career progression route, there were additional payments for shiftworking and overtime was high. The changes included a new reward package which represented a 10 per cent increase in basic pay and a maximum of 30 per cent in total pay. The new pay structure for customer advisers was designed to focus on common high performance standards, integrate reward, development and performance, balance basic and variable pay and reflect market rates (and thereby assist in the retention of staff) and included incentive pay, which could be up to 20 per cent of salary, linked to various measures of performance.

Both qualitative and quantitative measures of performance were retained including: the number of calls per hour, the ratio of talk time to available time, an index of customer satisfaction, the conversion rate from calls to sales and the average revenue for sales staff. In addition there were quality standards such as close adherence to the scripted call structure and attendance. Team leaders recorded performance daily for each employee in a format agreed by the team.

A new team leader’s salary, including a bonus scheme based on team performance, was introduced alongside the new roles in July 1997 which was considerably higher than the traditional supervisory pay. They were set qualitative goals based on monitoring team members’ calls and quantitative targets dependent upon each team member achieving the
minimum standards set for them. Other changes included a reduction in working time for full
time staff from 40 to 35 hours and set rostered working hours to make better use of staff time.

In this case the HR model evolved from an ad hoc, non-strategic relatively standard call centre
approach with an emphasis on transactional roles using agency workers towards high
commitment practices and relational work while retaining close control over performance.

**Telebureau**

Our third case, Telebureau⁶, is part of a relationship management organisation and
demonstrates the ways in which the varied and changing demands of external clients influence
both directly and indirectly the employment regime adopted. We find HR practices in
Telebureau vary for different groups of employees within a single call centre and are able to
see the potential advantages and drawbacks of this approach.

Unlike MAC and Old Bank, Telebureau does not generate in-house business and occupies a
position in the middle of a supply chain and thus relies on a mixed client base with a wide
variety of contracts. Some of these are for bureau work on short contracts of between 6 weeks
and 6 months which typically involve transactional work handling the response to customers,
perhaps during a client advertising campaign. The majority of their work is, however, on
contracts which have been outsourced to them by large clients for a much longer period such as
running the financial services activities of a retail bank for three years (thus competing with
Old Bank). These contracts place a premium on the CSRs’ ability to build and manage
relationships with customers over longer periods with the aim of adding value for the client.
These differing external client needs have both a direct and indirect impact on the Telebureau employment regime. Telebureau has developed a flexible employment model which is designed to be highly responsive to each of the client product markets. Short term contracts utilise newly recruited staff as well as a proportion of agency staff because they involve transactional inbound interactions where fewer relational skills are needed. Longer outsourced contracts are allocated to permanent staff employed who are dedicated solely to the client and are highly trained at relationship building and understanding brand values. However, the most direct influence is when a client specifies the terms and conditions for the CSRs on their contract and sets minimum standards for their competence and training. Problems arise, for example, when the resulting pay rates are above those normally paid to Telebureau employees.

Telebureau are moving away from close monitoring and measurement methods of their staff for relational work, because, according to the MD of Telebureau, ‘many of these measures are fallacious and based on false averages, for us the crucial test is whether the calls generate more business for our clients.’ Call centre staff are typically in teams of ten to fifteen dependent upon the complexity and nature of the call and the brand values of the client and all teams have incentives, although not all are financial.

This flexible employment model takes place within a corporate HR strategy known as the People Development Strategy. This places a premium on balancing the needs of customers, clients and employees. For example there is a performance management procedure in which all employees are appraised every six months and have the opportunity to develop a Personal Development Plan and there is an extensive series of training programmes. This is underpinned by policy statements which stress ‘working together…mutual respect….honesty
and fairness…trust’ where working at or with Telebureau ‘should be demanding, invigorating and fun.’ The corporate aim is to be recognised as one of the top employers in the UK.

This approach to staffing has both advantages and drawbacks. One clear advantage is that Telebureau have become less dependent on the external labour market for recruitment and employees have some opportunity for career progression. Agency staff often prove to make suitable recruits to permanent staff and employees have scope to progress from transactional to relationship building jobs. This avoids having to recruit directly from the external labour market for relational contracts which is very expensive because of the terms and conditions and the training periods required. There are also some clear drawbacks especially as it is difficult to achieve the optimum balance between different types of work and employees within the call centre. Too much transactional work means that highly paid relational staff have to transfer to this work. As a result, despite good pay, there is an increase in labour turnover as job satisfaction collapses. Too much reliance on relational work means that they have difficulty in getting enough trained, skilled employees and quality suffers endangering the commercial contracts where quality standards are specified in the service level agreement. More generally, managers can find themselves at the mercy of fluctuating commercial contracts which may make it more difficult to achieve their stated aim of balancing the needs of clients, customers and employees. This can increase the tension between the client contract requirements and the People Development Strategy.

This case therefore illustrates a quite different approach compared to that of the two previous cases. Here we see a company influenced by supply chain pressures and adopting a client shaped flexible model which includes both control and commitment based practices. In particular it illustrates the inherent tensions between the external relations with clients and the
internal relations with employees. This contrasts with the tensions seen in the Old Bank between the approach to managing employees which is appropriate in a call centre and the wider in-house employment regime. This, in turn, raises questions, discussed below, about how tight the fit should be between HR and the competitive environment.

**Online Bank**

Our final case, Online Bank\(^7\), provides an example of a differentiated employment regime. Online Bank, a subsidiary of a major retail bank based in the UK, provides a variety of services, including a call centre operation to support a recently launched internet bank. However, it did not adopt the flexible model which we found originally in MAC, neither did it simply extend the traditional bank in-house employment regime initially used by Old Bank. Instead they adopted a complex flexible model in which the employment of most staff was externalised either to a managed service organisation or to an agency, while a small number of key staff were directly employed by Online Bank. This appears to have been used largely because Online Bank faced a different kind of uncertainty to that encountered by Telebureau as it was effectively an in-house operation. In this case the aim was to minimise the entry and exit risk to the parent organisation because the market they were entering was fast changing, highly competitive, the technology was developing quickly and there were different views at a senior level in the parent bank as to what competitive strategy was appropriate. However, when this is explored in detail we see that a series of contradictions exist within the employment regime which was adopted.

There are two main groups of staff: CSRs who provide services for customers and fulfilment staff who deal with the paper processing of customer applications to open accounts. Online Bank anticipates that 80 per cent of their customers will operate their accounts online and that
the remainder will contact them by telephone. CSR jobs are therefore largely relational and unscripted with few overt measures of CSR performance. CSRs have some discretion to solve customer problems on the spot because it is expected that they will be dealing with relatively sophisticated customers who will be calling because the online facility was unable to provide the service, for example a foreign currency transfer, or because there is a problem with their account. Employees were expected to have good product knowledge and to engage in cross-selling where this was possible.

There was a clear attempt to develop a high commitment model for the CSRs with competitive pay and attractive supplements for those working on shifts. Recruitment was carefully managed with a competency test followed by two interviews and all CSRs were expected to have some call centre or financial services experience. Induction for new staff lasted three days and was followed by further training lasting between three and four days. The fulfilment staff were, however, involved in much more tightly controlled transactional jobs dealing with the applications by post and were paid around 20 per cent less than the CSRs. All staff were on a fixed salary with no performance pay element. There were also budgets set aside for both the CSRs and fulfilment staff for the traditional ‘fun’ activities discussed in our earlier cases. The team structure adopted for both groups was unusual since each team leader (of which there were 10) had only one or two staff who worked shifts alongside them. The remainder of the employees were in a pool and were allocated as necessary to make up teams of ten or so.

Generally the management style was informal and approachable and there was a relaxed dress code. The physical working conditions were quiet, well lit and ventilated with plenty of space between work stations. There was a notable absence of traditional monitors giving performance data, although this information was readily available. According to one of the
team leaders who was attracted to Online Bank from a rival, ‘we’ve moved away from being
told to “get that phone” and all those flashing lights with the team leader as sergeant major’ and
this was used effectively as a recruitment device.

However, this high commitment model and the physical environment was contradicted by the
employment regime used for the CSRs and the fulfillment staff who were employed by a
managed service organisation, Peoplepower. The Managed Service Manager and the HR
Manager, who were employed by Peoplepower, were responsible for the recruitment and
selection of these staff (which was in turn handled by an agency), staff discipline and all other
HR issues. The team leaders were Online Bank employees (along with other senior managers),
and had been employed some five months before the start of trading to give time for training.
All had relevant call centre experience and were responsible for the quality of customer
service and coaching. The employment regime for the senior managers and team leaders
coupled with the high quality physical environment are in contrast to the risk minimisation
approach manifested by the use of Peoplepower as a managed service organisation.

This initial plan was, however, modified in two ways. First, Peoplepower had sought to
employ staff on fixed term, 12 month contracts since this was the length of the termination
period of their commercial contract with Online Bank. However, local labour market
pressures meant this was a big disincentive and they could not recruit people of the right
calibre. High quality staff from other financial institutions were not prepared to accept short
term contracts even if the pay was better. Online Bank managers were unhappy with this and
forced Peoplepower to offer permanent contracts. Second, there were concerns before the
launch that the level of technical support provided to customers was inadequate. Therefore
Online Bank managers decided at short notice before the call centre went live to set up an
applications team who would provide this advice to customers for 3 months after the launch.
This was staffed by 30 agency workers who were tightly scripted and kept physically separate from the CSRs. The existence of this group was also therefore at variance with the employment regime applied to other staff.

Online Bank can be seen to be adopting a differentiated, indeed we might say contradictory, employment regime in which the majority but not all employment is externalised and handled by a managed service organisation, while the team leaders and key managers remain Online Bank employees. Moreover, staff with relational jobs enjoyed a high commitment approach and those with transactional jobs have a more control based approach to their employment and work organisation.

Discussion

Following our discussion of the four cases we have the opportunity to re-evaluate the contingency model put forward earlier and to reflect on some of the key studies in the previous research discussed above. The contingency model provides a series of insights into the links between competitive strategy and employment regimes, but also has various limitations which are worthy of discussion.8

Call centres provide a searching test of the best fit model. Managers in these organisations face a complex and fast changing environment which includes a number of potentially conflicting pressures which they have to balance carefully when managing their employment relationships. It is clear that the employment regime varied within each of our cases and none of them simply adhered to one of the types that we have put forward. Instead the types provide a basis for analysing the changes in and combinations of employment regimes. Indeed, we need
to move from a relatively simple contingency model to one which takes account of the fast changing complex environment which call centres face.

There are four key points which emerge from the discussion which we believe are important in influencing future theoretical development. The first relates to the tension between ‘dominant organisational logic’ as it applies to the call centre and the logic which applies to the wider organisation. Call centres have a distinctive closeness between market conditions, operational strategies and employment regimes. If they are to be successful managers have to be responsive to the external environment and this in turn may create a conflict with in-house employment regimes, as we saw in the case of Old Bank. In particular, Head Office managers were gradually persuaded by local managers with call centre experience that the employment regime suited to the rest of the Bank was not a good fit with the call centre because of the distinctive product and labour market conditions. This is an example of strategy as a learning process shifting the dominant logic to a more differentiated, market focussed approach. HR practices evolved which were dedicated to the call centre and separate from the rest of those in Old Bank. This experience of market pressure, both product and labour, ‘forced’ changes in the employment regime and thus provides support for the contingency model. However, in another sense Old Bank complicates the typology because within the dedicated call centre regime there were differentiated approaches to managing employees. There was a relatively small group of employees providing a personalised service to a high value segment of customers and where the Type 3 approach was used (High Commitment, Relational interactions) whereas the majority of CSRs adhered to the Type 2 pattern of median HR and pseudo-relational interactions with customers. However, it is important to remember that all staff were directly employed by Old Bank. Overall, we characterise this regime as ‘Dedicated and Differentiated’.
Second, the simple dichotomy between cost control and high commitment employment systems assumes an unconstrained choice on the part of managers. It is much more likely that call centre managers will face conflicting product and labour market pressures and hence have to develop employment regimes which combine, for example, characteristics of high commitment alongside those associated with high control. In this sense they have to be expert at managing contradictions. This is well illustrated by MAC which found that its relatively traditional externalised call centre model was inadequate and was contributing towards its poor performance in the market place because of low quality service and high labour turnover. Managers in MAC decided to change the employment regime towards the high commitment approach, alongside other changes, so that it was more suited to the demands made on CSRs by customers. But critically, at the same time, they retained many of the close controls over employees’ performance in an attempt to maintain quality and efficiency. In terms of our typology MAC shifted from Type 2 (pseudo-relational and core periphery) towards Type 3 (Relational and High Commitment) while at the same time retaining the controls which are often found in Type 1 (Transactional and Control). We characterise this approach as ‘High Commitment and High Control’ (this is discussed further in Kinnie et al, 2000).

Similar points have been made in a recent study by Frenkel and his colleagues where call centre managers responded to the demands for standardisation and customisation with mass customised bureaucracy involving a combination of close IT-based controls, strong behavioural norms, referred to as ‘info-normative control’ and a series of high commitment practices (Frenkel et al, 1998:958, 967; 1999:91). They argued that the CSR ‘in our study did not fit the stereotype image of the technologically incarcerated, regimented front line worker’ (Frenkel et al, 1999:91).
Third, we have to draw a distinction between an employment regime which we refer to as ‘market driven’ and one which we characterise as ‘client shaped.’ The ‘best fit’ model suggests, for example, that high levels of customer service require a high commitment approach because as Schneider and Bowen (1993: 40-48) assert ‘what employees experience at work gets transmitted to customers’ and therefore ‘the key to managing the customer’s experience of service quality is to manage employees’ experiences within their own organisation.’

On the face of it this resolves the paradox which Pfeffer (1997) identified. However, the situation becomes much more complex when the external environment is not so much market driven as customer shaped as shown in the case of Telebureau. Here the company occupied a position in the supply chain which meant they had a relatively small number of corporate clients with whom they did business. These clients had both a direct and indirect impact on the employment regime. Unlike Old Bank or MAC which faced many thousands of customers which diluted the influence of a single customer, Telebureau’s employment regime was heavily influenced by the clients. Therefore an already unstable environment becomes even more subject to change because their business is ‘lumpy’. Moreover, this creates tensions both between the demands of different clients and with the preferred in-house employment regime. In terms of the ‘best fit’ model Telebureau adopts the core/periphery version of Type 2 as their way of matching the instability of the market with a flexible approach to their employment regime and we characterise this as ‘Client Driven, Core/periphery’. But we can also see the drawbacks of tying the employment regime too closely to the requirements of particular clients whose needs may conflict or change quickly overtime. As Chadwick and Cappelli (1999:17) note ‘This highlights the liability of external fit: the tighter the fit to external conditions, the greater the liability when terms of competition change’. This raises the crucial question of just how close should the fit be, or rather how responsive should an employment regime be to
changes in the competitive environment?

Finally, there is the problem of best fit models which overemphasise the capacity of management to model build and engage in strategic choice and underplay the forces inhibiting or constraining decision making whether they are political, economic or social. They are essentially Weberian ideal-typical abstractions premised on economic rationality, deductive reasoning and hypothesis generation to indicate circumstances when a particular employment regime or type of HR architecture should be preferred, ceteris paribus. There is little evidence from our cases of management decision makers thinking in this abstract way.

Here we bump into the problem of intentionality. As Chadwick and Cappelli note this:

presumes that organisations face decisions where optimal choices are neither obvious nor easily determined by internal consensus --- that is, where organisational actors have reasonable discretion, a condition which generates strategically significant differences across organisations. The presence of causal ambiguity, multiple organisational performance imperatives, costly information, or bounded rationality presents organisational decision-makers with multiple plausible options, each with different apparent advantages and disadvantages which are imperfectly known (1999:5).

Intentionality places emphasis on strategy making as a process whereas deductive theory building sees strategy as ‘design’ or ‘positioning’ (Mintzberg, 1994). To study the process of strategy making requires inductive research methodologies and the accumulation of qualitative data. Parsimony requires complexity, factor analysis gives way to sense making.
This process of strategy making is illustrated well by Online Bank. This organisation has only recently been established and all the choices concerning the employment regime were by definition risky because they were based on assumptions about optimal employment conditions required to service customers while containing costs through a new delivery mechanism. At the same time there was a concern in the organisation to avoid the ‘dark satanic mills’ approach to managing their call centre which, in the UK at least, had received such bad publicity. Consequently Online Bank produced a combination of internalised high commitment management for a tiny minority of its staff who were directly employed and a managed service approach for the vast bulk of staff which included a differentiated approach within this. The model suggests a Type 3 approach of relational marketing linked to high commitment management. The centre manager agreed with this analysis. Why then did Online Bank take seemingly irrational decisions about their employment regime? Looked at from the perspective of market strategies however a different organisational imperative was evident. The corporate executives were only persuaded to launch a brand new e-commerce bank if they could minimise the risk exposure. In particular the drive to reduce exit costs by externalising employment was deemed a necessary expedient. This illustrates strategy making as a political process. We expect this high commitment, externalised employment model to evolve further as the market develops and the contradictions in the HR architecture unravel.

Thus the determination of strategy is not simply a function of market forces but emerges from a complex process of decision making. This may result in an unusual combination or a hybrid approach which effectively satisfies the different ‘camps’ within an organisation who have differing values and beliefs. This sees strategy as a consequence of internal negotiation between managers within organisations who can refer to ‘external market forces’ and
isomorphic pressures as a means of rationalising the arguments and positions which they support.

**Conclusions**

In conclusion we can consider some of the implications of our discussion for the development of theory and for further research. We argue, in line with other papers in this symposium, that it is not possible to generalise about the consistent use of HR practices across the whole of an organisation or assume that these practices will not change. Large organisations encounter different market circumstances and are likely to need dedicated employment regimes that apply to different groups of staff, some of whom may be managed by apparently contradictory HR practices. In some cases these HR practices will be closely linked to the requirements of major external clients. The development of employment regimes and the wider competitive strategy is the result of an uncertain political process where decisions emerge as a result of the resolution of complex and, at times, competing interests.

The key advantage of the contingency model is that it places call centres in a competitive environment which, with the exception of Frenkel *et al* (1998) and Batt (1999) has not been done before. This provides an opportunity to explore the links between external market and client relations and internal relations with employees in the context of a political decision making process. However, variation and change in HR practices suggests we focus our attention on units of analysis restricted to groups of staff whose work is closely related to the market they serve, rather than generalise about employment regimes in organisations as a whole, especially multi product, multi divisional firms. Moreover, within this framework we need analytical tools to explain in detail how and why call centres are changing their employment regimes in different time periods relating this to changes in the competitive
environment. This would need to encompass changes in technology, product and labour markets and in regulatory mechanisms.

There are limits to the search for fit as revealed in the case studies. While some form of matching between employment regime and competitive strategy may be required, as revealed in Old Bank, too close a match may be untenable as suggested by Telebureau. Call centres, and now contact centres, are rapidly changing. There is the explosive growth of the internet; voice recognition technology holds the promise of automation of short transactions; full employment is changing the labour market behaviour of both employees and employers; numerous other changes in markets, competition, ownership and organisation can be expected to continue unabated. In these circumstances the pursuit of a fine-tuned fit between employment regimes and markets may be a chimera. The logic turns to building employment regimes which are adaptable and contribute to organisational change and transformation (Purcell, 1999). The experience of Old Bank and MAC in learning to adapt was evident. In rapidly changing market circumstances what is a source of competitive advantage can rapidly turn to being a disadvantage, as the experience of Telebureau indicated. In all three of these organisations the next challenge is to turn the call centre into a contact centre embracing e-commerce. None can forecast with any degree of certainty the impact of these changes on employment. Faced with uncertainty and incomplete information, policies designed to achieve ‘flexibility’ or ‘agility’ in HRM, rather than fixed positions, may be the most appropriate type of strategic fit to aim for. It is this organisational logic, as much as market behaviour, which drives diversity in employment regimes in these new workplaces.
REFERENCES


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1 We suggest call centres have three distinctive characteristics: (i) employees are engaged in technologies; (ii) their work is controlled by automatic systems which virtually simultaneously distribute work, control the pace of that work and monitor their performance; (iii) employees are in direct contact with the customer through dealing with in-bound calls, making out-bound calls or a combination of the two. There is a considerable debate in the industry over whether traditional stand alone call centres will survive as technologies emerge and combine. We believe it is likely that there will be a move to Contact Centres which allow the customer to communicate with businesses through a variety of means including the web, email, fax, digital television and text based mobile phone service. This also provides firms with the opportunity to develop single customer relationship databases which they can use to communicate with their customers through multiple channels.

2 This is a loose estimate as the official occupational classification only recognised call centre staff for the first time in 2000.

3 Two of the cases reported here (Old Bank and MAC) were conducted is part of a larger study sponsored by the Institute of Personnel and Development in the UK into the people management implications of leaner ways of working. Data were collected intensively in two case studies during May and June in 1997. Interviews were conducted with about 20 people in each organisation including CSRs, team leaders and senior managers. These respondents were chosen to include a cross section of functions and to ensure that the views of employees were collected and a semi-structured interview schedule was used to allow for a wide range of issues to be explored. The Call Centre Manager in each case was interviewed twice, as were many of the HR managers and officers and particular attention was paid to team leaders or
team managers and their deputies or 'coaches'. A random sample of CSRs were interviewed to assess employee reactions to working in a call centre environment and union representatives were interviewed on both sites. In addition, relevant documents were analysed and two focus groups were held involving a number of managers from six other call centres. The findings from the case studies were presented to managers in each call centre leading to further refinement. A more detailed discussion of the research methods and findings is published in Hutchinson et al., (1998). Research in the two other case studies (Online Bank and Telebureau) was carried out from 1998 until the present. Data here was collected via interviews with senior managers and directors, and team leaders, study of company documents and observation. Interviews with CSRs are planned for the near future.

The Old Bank telephone centre was established in September 1994 on a greenfield site and was considered to be the Bank’s pilot site for telephone banking in the UK. Operating on a 24 hour basis, the site employed 404 staff including 220 in the call centre. The majority of staff were full-time, with the biggest percentage of part-timers working in the call centre (where 35 per cent of the workforce were part-timers). Like MAC, the call centre is located in an area of low unemployment and rapid development in the service economy in two nearby towns.

MAC employs approximately 4,000 staff and in 1997 was Britain’s second largest motoring organisation with around 6 million members. The customer service centre at Bristol, where the research was based, was moved from a city centre location to a greenfield site in 1995 and employed approximately 200 permanent staff. Union membership in MAC as a whole is around 50 per cent, but much less than this in the call centres. This case is discussed in further detail in Hutchinson et al (2000).

Telebureau employs approximately 1,000 people engaged in a variety of relationship management activities and was founded around thirty years ago. It operates two call centres which employ around 400 people.

Online Bank has around 180 people on a single site with approximately 65 CSRs, a similar number in fulfilment and around 30 people in the applications team; the remainder being managers and team leaders.

There are various other normative assumptions which are made which are not discussed here but are dealt with in detail by Legge (1995). Perhaps the biggest assumption is that there is a business strategy with which the HR practices can be aligned. Although this may well exist in some cases, there will be others in which business strategy is nothing more than rhetoric often developed after the fact and in these cases it is impossible to achieve a best fit. Second, it is assumed that managers have a good knowledge of what is happening in the product market and that they know how to respond to changes which they identify. Even when managers are aware of changes, for example the arrival of a new competitor, it may be very difficult to evaluate the impact of such a change. The implementation of a new HR policy cannot be taken for granted. Team leaders, who are often the key to implementation, may not be sufficiently trained or rewarded for any new tasks they take on.