OUTSOURCING CUSTOMER SERVICE: EXAMINING ITS IMPACT ON CUSTOMER SATISFACTION

Lappeenranta–Lahti University of Technology LUT

Master's Thesis

Supply Management

2025

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ABSTRACT

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Pro gradu

2025

67 pages, 5 figures, 2 tables and 1 appendices

Examiner: Professor Katrina Lintukangas. Post-Doctoral Researcher Elina Karttunen

Keywords: Outsourcing, Transaction Cost Theory, Make or Buy, Customer Satisfaction

This study examines the impact of outsourcing customer service on customer satisfaction, with a focus on short-term and long-term effects, training and monitoring practices, and the alignment between outsourced service agents and company goals. Grounded in the Transaction Cost Theory and the Make-or-Buy framework, this research integrates findings from interviews, surveys, and performance data. This study is a case study research linking qualitative and quantitative findings.

The results indicate that while customer satisfaction initially declines due to adaptation and training challenges, it gradually improves as agents become proficient and aligned with the company's service goals. Effective training practices, proactive monitoring, and open communication between the outsourcing company and service agents were identified as critical success factors.

Tiivistelmä

Lappeenrannan teknillinen yliopisto - LUT

LUT Kauppakorkeakoulu

Supply Management

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Pro gradu

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67 sivua, 5 kuvaa, 2 taulukko ja 1 liite

Tarkastaja: Professori Katrina Lintukangas, Tutkijatohtori Elina Karttunen

Avainsanat: Ulkoistus, transaktiokustannusteoria, tee vai osta, asiakastyytyväisyys

Tämä tutkimus tarkastelee ulkoistetun asiakaspalvelun vaikutusta asiakastyytyväisyyteen keskittyen lyhyen ja pitkän aikavälin vaikutuksiin, koulutus- ja seurantakäytäntöihin sekä ulkoistettujen palveluagenttien ja yrityksen tavoitteiden yhteneväisyyteen. Tutkimus, joka perustuu transaktiokustannusteoriaan ja tee-versus-osta-kehykseen, yhdistää havaintoja haastatteluista, kyselyistä ja suorituskykytiedoista. Tämä tutkimus on case-tutkimus ja se yhdistää sekä kvalitatiiviset ja kvantitatiiviset löydökset.

Tulokset osoittavat, että vaikka asiakastyytyväisyys aluksi laskee sopeutumis- ja koulutushaasteiden vuoksi, se paranee vähitellen, kun agentit tulevat taitavimmiksi ja heidän toimintansa yhdenmukaistuu yrityksen palvelutavoitteiden kanssa. Tehokkaat koulutuskäytännöt, ennakoiva seuranta ja avoin viestintä ulkoistavan yrityksen ja palveluagenttien välillä tunnistettiin kriittisiksi menestystekijöiksi.

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AI (ChatGPT, Grammarly) is used to help with professional language and source finding.

1. Introduction

Outsourcing has become a cornerstone of modern businesses that is the key enabling companies to reduce costs, focus on core functions and thrive. According to Ohinok, Fedun and Bespaluk (2022), outsourcing is the main thing enhancing company's competitiveness by allocating resources to core activities while supplier invests it's time to non-core activities. This can lead to major benefits like scalability and profits. Also new partnerships can open new possibilities like global scaling and new concepts.

Despite all the advantages outsourcing has, it is not without any challenges. Studies such as Gay and Essinger (2000) and Devos (2007) reveal significant failure rates in outsourcing projects, with many problems to deliver customer expectations or facing large hurdles. These studies mainly focus on areas such as information systems, but their findings can be implemented all areas and sectors, since outsourcing has similar processes no matter the project. These findings underscore broader problems that effect across industries.

Customer service outsourcing is a widely used method, still it remains fragile with challenges, especially when discussing about customer satisfaction. Existing literature has plenty of studies related on customer service outsourcing but those tend to focus on the short-term effects to customer satisfaction rather than the long term. This study seeks to explore both the immediate and sustained effects of customer service outsourcing to customer satisfaction. In addition, this study aims to identify good strategies to help mitigate customer dissatisfaction, engage new service agents more effectively and ensure service quality remain a top priority.

This study is focusing on one case company, that has recently outsourced its customer service to external provider. Case company is a large company technology sector, with over 500 employees. Data is collected with qualitative and quantitative methods to ensure a coherent answer to our research questions. With all the data, we can answer how customer service outsourcing impacts customer satisfaction.

1.1 Research questions

Primary aim of this study is to explore the relationship between customer service outsourcing and customer satisfaction. By looking into short term and long-term effects, we can identify effective strategies to manage outsourced service agents properly. This study aims to provide a thorough understanding of the dynamics that are involved in customer service outsourcing.

The main research question is:

1. How does customer service outsourcing affect customer satisfaction?

To address this main question, here are following sub-questions:

1. What are the short-term and long-term effects on customer service outsourcing on customer satisfaction?

2. What are the best practices for training and monitoring service agents in outsourcing situations?

3. How can organizations and managers ensure alignment between outsourced service agents and their customer satisfaction goals?

By answering these questions, this study aims to help organizations to improve their outsourcing by offering actionable insights for managers to plan, execute and develop outsourcing projects successfully. These insights will be focused on customer service outsourcing but can also be utilized in different areas and industries also.

1.2 Literature review

Outsourcing has become a key strategy for organizations to seek reduced costs and improve service quality. As highlighted by McIvor and Ronan (2010),global outsourcing enables companies to shift responsibility for non-core activities such as human resources (HR), finances, customer service and information technology (IT), to professional vendors. Outsourcing provides many benefits like cost efficiency and access to expertise. There is also a downside, since it raises problems in maintaining operational control and ensuring consistency in quality, particularly in customer-facing functions such as customer service.

Existing literature has focused mostly on offshore outsourcing, emphasizing its advantages and problems. Sharma (2012) explores customer services offshore outsourcing, underlining the potential to gain cost savings and additional scalability. Sharma identified also that there are risks to brand image, customer happiness and hidden costs. Sharma's study highlighted a significant research gap in existing literature, the lack of addressing onshore outsourcing and its specific aspects on customer satisfaction, brand loyalty and hidden costs.

There are plenty of advice and frameworks for achieving customer service excellence. Doane and Sloat (2003) offer a practical advice for improving customer service with specific action points that can be implemented with any customer service agents. Similarly, Brewer and Holmes (2021) showcase a simple, rule-based approaches for improving customer interactions. While those studies provide valuable insights on customer service success in general, they are focusing for in-house customer service teams and leaving a total applicability of such strategies to outsource situations less understood.

While outsourcing is a well-studied phenomenon, the customer service aspect in customer satisfaction and its short-term and long-term effect is still reasonably unstudied. Sharma (2012) identifies that while outsourcing deliver immediate financial benefits, it may negatively impact customer perceptions over time. This underlines that there is a need for study that seeks answers to sustained effects on customer service outsourcing, particularly in organizations that want to maximize customer satisfaction and brand loyalty.

Existing literature provides information on the dynamics of customer service outsourcing and customer satisfaction, but some gaps exist. These include:

The limited exploration of onshore outsourcing and its impact on brand image, customer happiness, and costs (Sharma, 2012).

The lack of tailored strategies for applying customer service best practices to outsourced environments (Doane and Sloat, 2003; Sharma, 2012); (Brewer and Holmes, 2021).

A lack of studies addressing the effects of customer service onshore outsourcing on customer satisfaction.

This study aims to address these gaps by examining both short- and long-term customer satisfaction in the outsourced customer service, while identifying practical strategies to align outsourced teams with organizational goals.

1.3 Theoretical framework

The theoretical framework (Figure 1) illustrates the relationship between the core components of this study, focusing on the impact of customer service outsourcing to customer satisfaction. This framework provides a structured approach to analyze this study to gain practical actions such as training, monitoring and development.

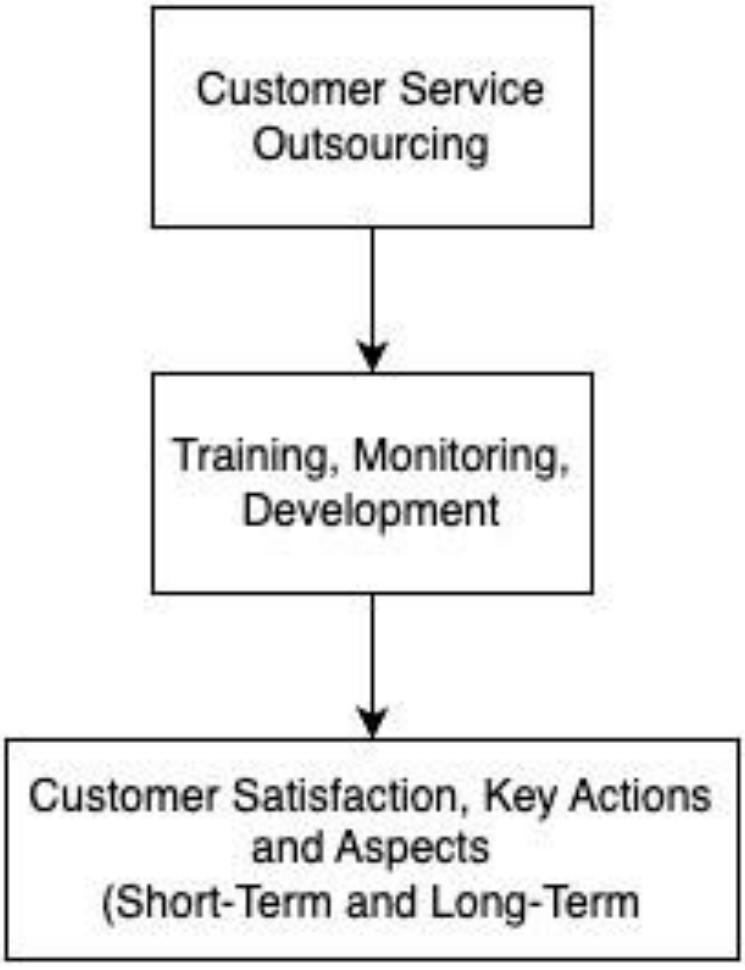

Figure 1: Theoretical framework

At the top of the framework is customer service outsourcing. This serves as the primary focus on the study. Every part of the study is somehow connected to this topic. We go through the whole outsourcing process, from its planning to implementation, all the way to maintaining and developing. Through this topic we analyze the effects of outsourcing on customer satisfaction.

The outsourcing process is analyzed by two methods, theoretical and empirical. The theoretical foundation provides knowledge of the current models and practices. Academic insights form the conceptual basis for understanding outsourcing and its implications. Empirical observations and real-world data from outsourced customer service projects provide a deeper understanding of the phenomena. These studies provide insights from organizations and customers. We have access to case companies' data to ensure the deeper understanding from real world onshore customer service outsourcing project.

The combination of theoretical insights and empirical evidence is key to understanding actionable, recommended strategies. This includes several factors like customer service agent training, monitoring and development, to achieve successful outsourcing without losing excess customer satisfaction. These actions ensure that outsourced customer service agents align with organizations' service quality goals.

At the bottom of the framework is the ultimate outcome of interest, customer satisfaction. This wraps up the key findings from earlier steps by analyzing both short-term and longterm effects of outsourced customer service on customer satisfaction. This study aims to identify key actions to have successful customer service outsourcing project, minimizing the brand image risks by keeping customer satisfaction as high as possible over time.

1.4 Definitions

Outsourcing

Outsourcing (make or buy) is defined as the procurement of products and services from external sources, allowing organizations to focus on their core activities. According to Lankford and Parsa (1999), outsourcing is the most effective for support functions that can be done more faster, cheaper or better by someone else. While it offers possibility to reduced costs, expanded services and access to professionals with expertise, outsourcing requires a lot of planning and effective supplier-buyer relationships to succeed. Non-core activities are usually outsourced, since these functions are better suited for professional, external vendors. Outsourcing allows firms to redirect resources toward their core business, enabling substantial strategic benefits.

Supplier monitoring

Supplier monitoring is a crucial part of purchasing function, designed to maintain effective and competitive buyer-supplier relationships. Traditionally it has been focusing mainly on pricing, supplier monitoring now incorporates also factors such as quality, delivery and flexibility to address evolving business demands. (Talluri and Sarkis, 2002) This process ensures that suppliers meet performance goals especially in complex and crucial business environments such as outsourced customer service, where maintaining quality and responsiveness is mandatory.

Customer satisfaction

Customer satisfaction is defined as a state of mind where a customer's needs, wants, and expectations are met or exceeded throughout the product or service lifecycle, leading to repurchase and loyalty (Hill, Roche and Allen, 2007) . This is important in evaluating the success of outsourcing strategies and creating a successful business.

1.5 Limitations

This study aims to provide an accurate overview of outsourcing and its effects on customer satisfaction, both long- and short-term. One of the challenges is that these long-term effects has not been studied much before. Long-term is obviously very subjective and this case company has been outsourcing customer service for under one and a half years now. Some might say this is a short-term observation, but it still offers quite long period of data, and we can still answer our research questions properly. Lastly, there is only a one case company in observation, therefore the perspective is not as broad as it could be. This study cannot give a generalized answers to every company, rather giving idea's how to minimise the negative effects of customer service outsourcing to customer satisfaction.

1.6 Research methodology

This study uses a qualitative research method to analyse the impact of customer service outsourcing on customer satisfaction. Unlike quantitative research that focuses on hypothesis testing and statistical analysis, qualitative research aims to understand the phenomena that is being examined (Eriksson and Kovalainen, 2008). The basics of qualitative research is to describe real life situations thoroughly and study subject as holistically as possible (Hirsijärvi, 2015). It allows us to have a combination of numerous methods simultaneously like literature review, interviews and observations to have better understanding of the subject. (Metsämuuronen 2005)

The empirical part of this research is collected from a big company in technology sector, which will remain anonymous. This study tries to unveil both short-term and long-term effects in customer service outsourcing through some semi-structured interviews and analysing customer service performance metrics and customer satisfaction survey data over time.

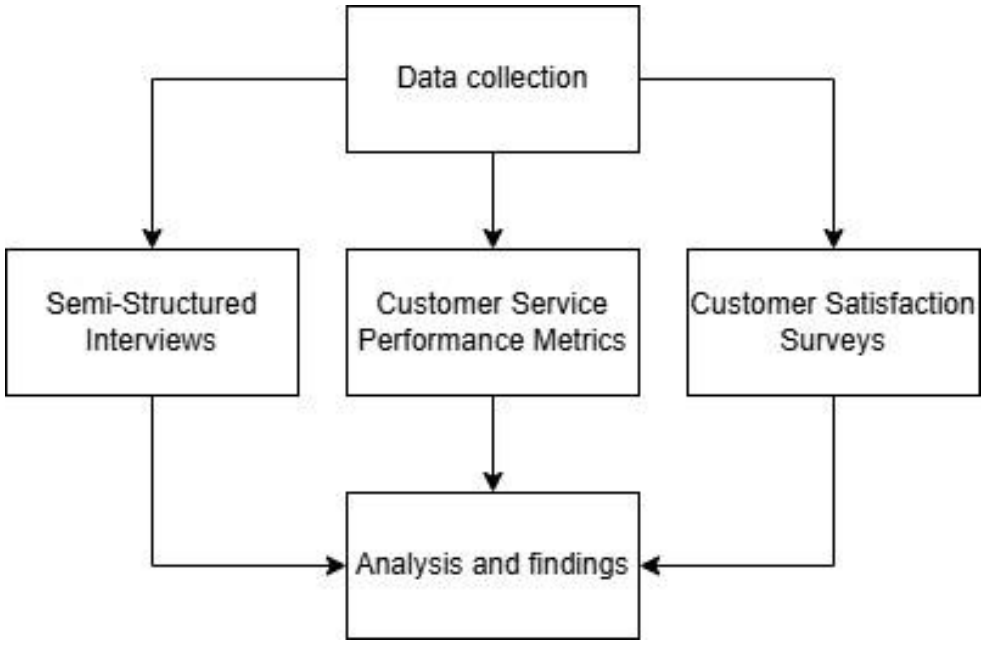

Figure 2: Data Collection

The data collection for this study involves multiple steps to ensure a broad understanding of this topic researched. Semi-structured interviews will be conducted with key stakeholders like the team lead of the outsourced customer service team and an outsourcing project manager from the buying company. These interviews and questions are structured to capture information from operational dynamics, challenges and outcomes of this outsourcing project over time.

In addition to these interviews, operational data is collected, such as customer service call lengths, answer times and first-time resolution rates. Also, there are surveys to warehouse employee and service agents. This dataset will provide valuable information about changes in service quality after the outsourcing. Case company has also collected customer satisfaction survey data from this time, and we can combine these two metrics to see if there is any correlation.

Type	Data
Qualitative	Interview with customer service team lead
Quantitative	Service reviews (N≈500)
Quantitative	After call survey:NPS, FTR, Service Attitude (N≈200)
Quantitative	Service agent survey (N≈4)
Quantitative	Warehouse manager survey

Table 1: Qualitative and quantitative data

The analysis of collected data will have thematic analysis of the interviews, allowing for the identification of recurring patterns related to the impact of outsourcing on customer satisfaction. Performance and survey data will be processed in Excel to have a holistic overview and to integrate qualitative data into quantitative data.

Ethical guidelines will be followed throughout the research. All participants in the interviews will provide informed consent and all collected data is anonymized to protect confidentiality of the case company and individuals involved. These data collection methods are used to provide a detailed understanding of how outsourcing affects customer satisfaction, addressing an important gap in existing research.

2. Transaction cost theory

Outsourcing is always affected by transaction costs. These include costs like supplier searching, negotiating, monitoring and compliance. Transaction cost theory (TCT) was developed by Coase (1937) and later expanded by Williamson (1979). It provides a foundation for understanding the economic rationale thinking behind outsourcing decisions. TCT emphasizes that the costs of managing transactions play a significant role in decision making, whether an activity should be outsourced at all.

Transaction costs are inevitable. These will always occur in outsourcing phenomena, and these can be challenging to calculate realistically. These costs come up in every phase of the outsourcing project, from selecting the right supplier to ensuring common goals are met. Williamson (2013) says that there are three key aspects within the transaction cost theory that are important especially in outsourcing decisions: asset specificity, opportunism and bounded rationality.

Asset specificity refers to the specific investments that cannot be easily transferred to supplier without losing significant value. These assets can be resources, organization structures or special skills. If asset specificity is high in particular activity, it automatically increases the transaction costs as it creates a dependence between supplier and to outsourcing party. This necessitates more monitoring and governance like contracts and service level agreements (SLA) to minimize risks associated with such investments. (Williamson, 2013)

Opportunism means acting in self-interest like hiding information to gain an advantage. This becomes an issue when other participant depends on a specific relationship and the other participant can take advantage of it. To deal with this, organizations often need to have extra safeguards to protect against renegotiating contracts and strict monitoring, which would increase costs. (Williamson, 2013)

Bounded rationality recognizes that humans are making decisions with limitations that prevent them processing all information or anticipating every outcome possible. This leads to bad contracts, because it is impossible to imagine all possible outcomes to write every important detail to the contract. In outsourcing, bounded rationality requires a flexible monitoring structure to handle all unexpected challenges effectively. (Williamson, 1979)

Empirical studies further support TCT as a great framework for outsourcing project evaluation. For example, Ellram, Tate and Billington (2008) highlighted how transaction costs, including supplier selection, staff training, and monitoring can greatly reduce the overall success of an outsourcing project. Likewise, McIvor (2009) demonstrates that through integration of TCT with other theoretical frameworks, such as resource-based view (RBV), we can enhance the understanding of outsourcing complexity and get a more solid strategy for evaluating those decisions.

While TCT is really valuable tool while rationalizing our economic perspective of a outsourcing scenario, it also has some limitations. These include overthinking about the costs and losing focus to the strategic factors like innovation and long-term value creation. (McIvor, R., 2009) Even with the limitations, we can say that TCT is a cornerstone for understanding nuances of outsourcing and it offers important insights on governance structures required to manage transaction costs effectively.

2.1 Core Competencies

Core competencies are a must to have for any company seeking growth and long-term success. These competencies represent activities where a company has a competitive advantage that brings unique value to its customers. According to Quinn and Hilmer (1994) core competencies are not simply some products or functions but a specialized skills and knowledge that allows a company to outperform other competitors in activities that are crucial to growth and customer satisfaction.

Core competencies are typically limited to a couple of key areas of activities, and these serve as a unique leverage point across the value chain. These are elements that remain important to customers over time and usually these are difficult to replicate. For example, a company's ability to invent new complex processes or its thorough understanding of customer needs are most likely their core competencies. These competencies will not only drive business profitability but also underlines the company's relevance in its market sector.

The relationship between core competencies and outsourcing lies in the strategic allocation of available resources. Outsourcing can have cost savings and operational effectiveness, but it also can have risks when deciding what activities should be outsourced. According to Quinn and Hilmer (1994), companies should never outsource its core competencies, as these are critical maintaining competitive advantages.

When outsourcing non-core competencies, the company can focus its resources on enhancing its strengths and continue developing the company with the core activities. For example, a tech company might outsource routine IT support tasks, while retaining its research and development capabilities. This ensures leverage and competitive advantage in its market area. Misjudgment in identifying what constitutes as core competency might lead to a loss of strategic edge and diminished market position.

Core competencies also link TCT in guiding the outsourcing decisions. TCT emphasizes the costs regarding the managed transactions, especially when assets are specific, or relationships are complex. Core competencies usually involve high levels of asset specificity, where investments are really integrated into the company's value chain.

Therefore, it is hard to be replicated or transferred without significant loss of value

(Williamson, 1979). This is why core competencies are unsuitable for outsourcing.

By keeping core competencies in-house, it mitigates the risks associated with TCT concept opportunism. When a company outsources its critical functions tied to its core competencies, it becomes vulnerable to supplier leverage. Suppliers might use this leverage for self-interest affecting negatively to the company's long-term goals. This risk underlines the importance of maintaining direct control of core competencies.

By integrating the aspects of TCT and core competencies, organizations can make more informative and rational decisions about outsourcing. The link between these two theories ensure that strategic assets stay in-house, while non-core activities can be outsourced to optimize efficiency and cost-effectiveness while being able to develop company even more to retain the competitive advantage.

2.2 Make or Buy

Outsourcing is purchasing products or services from external providers, and it is an important part of modern business strategy. Organizations tend to outsource functions that they believe are non-core activities and suppliers can do it faster, cheaper or better. (Lankford and Parsa, 1999) This allows companies to focus their resource on their core competencies and obtain a competitive edge on competitors. However, outsourcing is not without any risks and challenges. It requires careful decision making and planning to be successful.

One of the main drivers behind outsourcing is the cost saving potential. When companies can transfer non-core tasks or processes to suppliers, companies can reduce overhead costs and leverage economies of scale (Ketler, Willems and Prasad, 1999). Also, outsourcing is a link to access specialized expertise in new technologies and machinery that might be otherwise too expensive or inefficient to develop in-house. (McIvor, Ronan, 2010b). These benefits are even bigger in industries where fast-paced innovation and complex processes are required.

Even with all the benefits, outsourcing comes with risks. Organizations that outsource crucial activities are risking losing control over the quality and service delivery. (Saunders, Gebelt and Hu, 1997) Issues like data security, loss of in-house expertise and supplier dependency can undermine the expected benefits of outsourcing (Ketler, Willems and Prasad, 1999). Opportunistic behavior by service providers can complicate relationships more as highlighted by transaction cost theory (Williamson, 1979). Such behavior underlines the importance of detailed contract, performance monitoring and thorough governance to minimize the risks.

The decision to outsource is closely linked to the Make-or-buy framework, which integrates ideas from TCT and core competencies. TCT emphasizes the importance of transaction costs and its management. Managing transactions include supplier search, contract negotiation and performance monitoring to achieve an economically smart arrangement (Williamson, 2013). Asset specificity is a key concept TCT, and it explain why specific activities are just unsuitable for outsourcing due to the strategic importance they bring to companies. Core competencies guide the organization to identify what functions are crucial to manage in-house and what can be outsourced to have long-term success (Quinn and Hilmer, 1994).

Outsourcing decisions are also affected by the nature of the activities being outsourced. For example, routine tasks like data cleaning and IT support, are usually outsourced due to their standardized tasks and minimal strategic importance. On the other hand, tasks with high levels of customization, customer contact or regulatory compliance are likely to be outsourced due to challenges associated with the quality and maintaining control. (McIvor, Ronan, 2010b)

Well executed outsourcing requires a thorough planning. Organizations must have clear goals what they want to achieve, and they need to have robust contract management processes. Partnerships with suppliers are more likely to succeed, rather than pure transactional relationships. Companies need to have a good communication to align both party's objectives (Malik, Hassan and Tufail, 2023). In addition to this, a careful

performance measurement and continuous improvement is crucial to ensure a successful execution in outsourcing arrangements. (Saunders, Gebelt and Hu, 1997)

Outsourcing can deliver great benefits but there is no standardized solution for every case. Each step of the process should be a checkpoint to evaluate the costs, risks and strategic aspects. By combining insights from transaction cost theory and core competencies, organizations can make really successful outsourcing decisions, to enhance the probability to future competitive position.

2.3 Customer Satisfaction

Customer satisfaction vital part of successful business, since it impacts on brand image, customer lifetime value and therefore long-term profitability. It is defined as post-purchase evaluation of service or product performance to customer expectations (Anderson and Sullivan, 1993; Kotler, 1991). Customer satisfaction is an important datapoint that tells how well a company meets customer needs. There are many things that affect customer satisfaction, like expectations, perceived quality and the degree of which the expectations are confirmed or disconfirmed. (Oliver, Richard L., 1980; Yi, 1991)

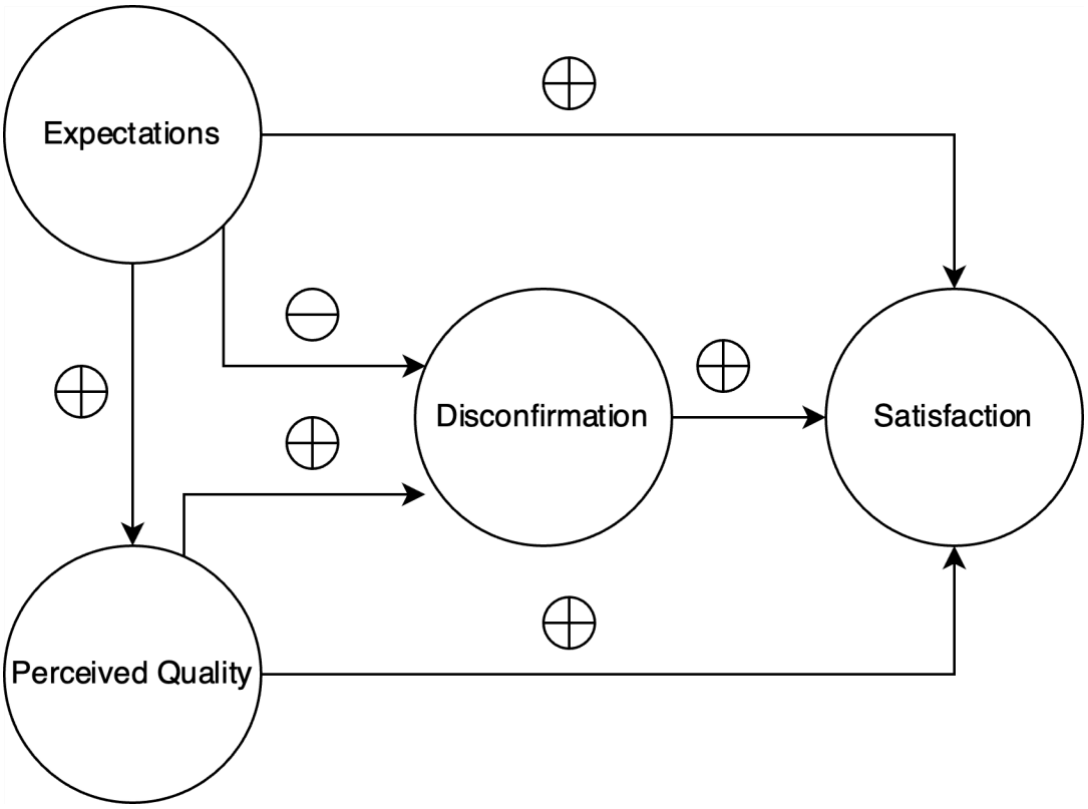

Figure 3: The expectancy-disconfirmation paradigm. (Oliver, Richard L, 1980)

We can better understand customer satisfaction by using the expectancy-disconfirmation paradigm (Figure 3) that was first introduced by Oliver (1980). This model was widely used to explain how satisfaction is formed. According to Figure 3, satisfaction level of the customer is formed from the expectations to the reality of the quality of the service or product. Expectation is the baseline for this evaluation. If the perceived quality exceeds the expectations, it will have positive disconfirmation that result to more satisfaction. On the other hand, if quality is perceived as worse than expected, it will have negative effect on customer satisfaction.

While this model has been influential, empirical studies showed that expectations may not play as significant role in satisfaction that earlier was thought. Churchill and Surprenant (1982) and Oliver, R. L. and DeSarbo (1988) found that perceived quality and disconfirmation are the most influential determinants to customer satisfaction. These findings suggest that while customers have expectations from for example brand image, websites and reviews, they are not as influential in shaping customer satisfaction than the

actual quality of the product or service. This limitation of Figure 3 model led to a development of extended model of customer satisfaction.

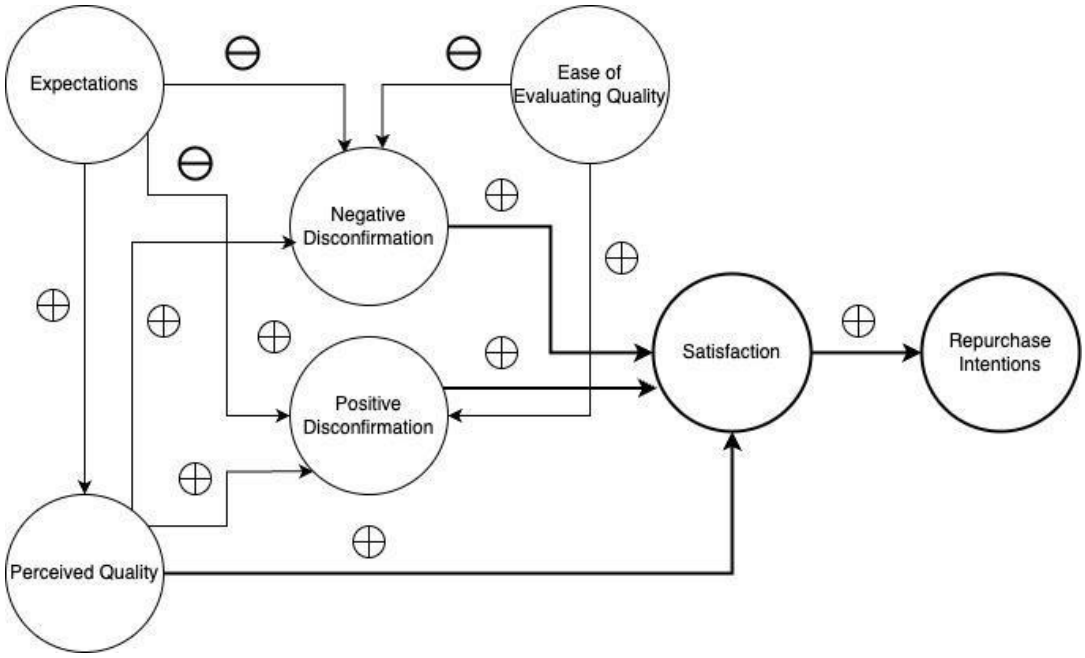

Figure 4: Extended model of customer satisfaction. (Anderson and Sullivan, 1993)

The extended model of satisfaction (Figure 4) (Anderson and Sullivan, 1993) change the focus from the expectations to perceived quality and disconfirmation as the main drivers of customer satisfaction. Expectations are still a part of this framework, although they are now in the background role. Bolded lines in (Figure 4) show the direct, and most important functions that determine the level of overall customer satisfaction. This model recognizes that customer satisfaction is primarily built from perceived quality, positive disconfirmation and negative disconfirmation. This extended model also introduces a new variable, customer retention, that strongly correlates customer satisfaction. Customer retention emphasizes that keeping quality and positive disconfirmation high, over time it creates customer loyalty, which is positive affecting the sustained business success and profits. This extended model understands the complexity of customer satisfaction and helps us understand these key functions affecting the overall satisfaction and customer retention.

Customer satisfaction affects both short- and long-term timelines. In the short-term, rising customer satisfaction often implies a response to better perceived quality of the product or the service. These can be observed by going through customer reviews, complaints, recommendations and repeated purchases. (Anderson and Sullivan, 1993). Study made by Bernhardt, Donthu and Kennett, 2000 analyzed a dataset comprising over 342 000 customer responses and 3 000 employee responses across a national fast-food restaurant chain and they found significant results about the correlation between customer satisfaction and profits. Restaurants that achieved increased customer satisfaction saw almost 10% rise in average monthly profits, compared to those restaurants that received a declining customer satisfaction, which led to much lower profit growth of only 5,6%.

While short-term changes in customer satisfaction may not immediately affect company's financial performance, the long-term impacts are undeniable. Over time, increased customer satisfaction will bring increased customer loyalty, more returning customers, positive word-to-mouth, which will drive long-term success and profitability of company.

(Bernhardt, Donthu and Kennett, 2000). This study underlines this by showing that restaurants with consistently high customer satisfaction scores enjoyed profits 30% above the chain average.

Customer satisfaction is a critical part when measuring outsourcing success. As discussed earlier, outsourcing has many complexities that can lead to a change in service quality and customer experience. Effective monitoring and clear united goals with the supplier can minimize the negative effects of outsourcing to customer satisfaction and hopefully even increase it in the long run. The findings from the study by Bernhardt, Donthu and Kennett, 2000 we can find that we need to align our outsourcing practices to meet our customer satisfaction goals. By understanding the need of the customer satisfaction presence in outsourcing conversations., we can reduce the risk of lowered customer satisfaction affecting company's profitability in the long run.

By combining the principles of Transaction cost theory, core competencies and extended model of customer satisfaction, companies can ensure that their outsourcing decisions protect the critical functions that deliver higher customer satisfaction. Through the integration of these frameworks to outsourcing strategies, firms can mitigate the risks, increase profits and preserve long-term advantageous position in the markets leveraging customer needs.

2.4 The Triadic Relationship

Outsourcing customer service creates a triadic relationship between three key stakeholders, the customer, the supplier and the focal company. In a traditional supply chain, goods typically flow from supplier to customer without any relevant interaction, but with service outsourcing, the customer is directly in contact with the supplier, which makes the supplier a significant part of customer satisfaction. This direct interaction between the supplier and customer is unique, since the outsourcing company still remain accountable for the quality of the service provided. This phenomenon is called S2CDST (supplier to customer direct service triads). (Gunawardane, 2012)

In this triad relationship it is crucial to align the goals of each party. The customer brings expectations, unique needs and perceptions of the quality of the product or service. The supplier must deliver these expectations while following the outsourcing organization guidelines. The outsourcing company needs to balance the cost efficiency with customer satisfaction goals, to ensure that the suppliers performance reflects the strategic goals and brand values (Wuyts, Rindfleisch and Citrin, 2015).

This triadic setup has several challenges. One of the most significant is the phenomenon called ‘bridge decay’, which means that the outsourcing company loses control and visibility over the direct interactions between supplier and the customer. The loss of information can negatively impact the service quality and therefore customer satisfaction. To mitigate this, companies must use strategy that includes regular performance

monitoring, continuous improvement of communication and feedback mechanisms that help both parties to actively be better. (Gunawardane, 2012)

Another major challenge is the alignment of interest between supplier and focal company. Agency theory suggests that conflict of interest can form when incentives are not properly structured. For example, contracts that have outcome-based metrics like customer satisfaction scores, show enhanced service quality and supplier accountability (Wuyts, Rindfleisch and Citrin, 2015). Collaborative relationship builds on trust and open communication helps to keep supplier committed to customer needs. (Wuyts, Rindfleisch and Citrin, 2015)

2.5 Supplier Monitoring

Supplier monitoring is a huge part of the supplier management process, that ensures that suppliers are following common goals to meet customer needs. Monitoring enables companies to evaluate suppliers based on specific metrics such as quality, delivery, reliability and flexibility (Maestrini et al., 2018). It has two major benefits that are enhancing supplier performance and minimizing risks associated with opportunism and misaligned goals.

As discussed earlier in this study, agency theory (Wuyts, Rindfleisch and Citrin, 2015) brings challenges to supplier relationships, where the supplier (agent) acts on behalf of the focal company. Monitoring is minimizing asymmetry in shared information, and it therefore reduces the risks of suppliers prioritizing their own interests. Monitoring is particularly relevant in situations where supplier could harm the focal company reputation or shut down supply chain operations (Hajmohammad and Vachon, 2016). By overseeing everything, focal companies can enforce accountability and ensure compliance with agreed standards. (Maestrini et al., 2018).

Among various monitoring methods, SLA's (service level agreements) are widely in use because of how well they are performing. Liang and Atkins, 2013 study shows that up to 91% of organizations use SLA's to set and monitor the performance metrics that are mutually agreed upon. SLA's define the key metrics such as delivery accuracy, service quality and response time, offering a structured and measurable framework to evaluate supplier compliance. The success of SLA's lies in their careful planning. Well structured SLA's include performance targets, scalable incentive and penalty mechanisms like linear fines and bonuses and reoccurring evaluation meetings. Research by Liang and Atkins (2013) highlights that linear penalties are more effective than fixed fines by promoting more optimal supplier performance. By combining well-structured SLA's to new data collection technologies and regular audits and evaluation, organizations can build more trust and long-term collaboration.

Supplier monitoring extends the operational performance, influencing also a broader strategic outcome in customer satisfaction and brand reputations. Effective monitoring is crucial in minimizing the bridge between the supplier and the outsourcing organization. This ensures that all parties are constantly meeting customer needs and standards and helping business to grow.

3. Methodology

This study is made with a qualitative research method, that aligns well with exploratory nature of our research questions. Qualitative research methods are best suited for gaining thorough information about complex subjects that lack previous knowledge (Hirsjärvi et al., 2009) This study aims to focus on experiences and processes to find all possible nuances within customer service outsourcing and its impact on customer satisfaction.

Semi-structured interviews are the primary data collection methods in this study. These interviews were chosen because of their flexibility in exploring different themes and allowing participants to provide detailed insights into their experiences (Eskola and

Suoranta, 1998). This method is effective for accessing all valuable aspects and insights of each individual that are directly involved in this outsourcing project and customer service.

Thematic content analysis is used to analyze the interviews to develop understanding.

This study follows a case study design that allows more thorough investigation with a realworld phenomenon by using multiple data sources. Case study research is useful when the topic is complex and context dependent. It helps researchers to gain a holistic understanding of the subject. (Easton, 2010)

While qualitative method is the main research method of this study, quantitative data was also collected to give us more perspective to our research questions. This quantitative data includes customer service metrics and customer satisfaction surveys. This dual approach enables us to get both subjective and objective perspectives of the phenomena. Quantitative and qualitative data was collected with such structure, that enables us to answer the research questions as best as possible. All the data sources are linked to this study's topic, so we can combie the numerous quantitative data sources with our qualitative data to achieve more trustworthy answers.

3.1 Semi Structured Interviews

The primary data for this study is collected using a semi-structured interview. This research interviews the team lead of the outsourced customer service team. This method is used because semi-structured interviews will provide a deep dive to a subject on hand, while maintaining a structured approach (Eskola & Suoranta, 1998).

In qualitative research, interviews are the most common data collection method, especially in Finland (Eskola & Suoranta, 1998). Semi structured interviews are balanced, because while you have a structure, you also have flexibility to explore additional themes that occur during the conversation. Semi structured interviews provide a room for elaboration that ensures unexpected but relevant insights from the interview. (Hirsjärvi et al., 2009).

For this study, interview was conducted via Microsoft Teams remote meeting, and it lasted approximately 45 minutes. The participant received the structured questions in advance to allow thoughtful responses and give a more relaxing conversation. The interview focused on five key themes that were:

1. Respondent Role and Responsibilities
2. Training and Onboarding of the Service Team
3. Service Team Monitoring and Performance Metrics
4. Customer Service Role to Customer Satisfaction
5. Additional Insights and Recommendations

The selection of the team lead as the respondent was based on the direct involvement of the whole outsourcing process. Respondent is the team leader of all outsourced customer service agents (4 service agents in total) and serve as a link between the outsourced customer service team and the case company. This experience provides valuable insights into the outsourcing process, revealing its benefits and challenges that all impact to overall customer satisfaction.

Even though qualitative research does not aim for generalizations in the same way as quantitative research, this interview will provide a great understanding of the experiences of the outsourced customer service team in a real-world environment. These insights are also supported by customer service performance data (200 data points), warehouse manager survey, customer service agent survey (4 survey answers) and customer reviews (over 500 data points). This way we can get a holistic perspective. (Alasuutari, 2010).

3.2 Case Company Background and Outsourcing Project

Case company is a large corporation operating in the technology sector. Case company has a small division working on a different service. This division and its product have grown rapidly. With divisions business expansion, its internal operations, including customer service, had a rising workload and pressure.

Before the outsourcing of customer service, case company handled customer service inhouse using an employee that had other operational duties besides customer service. Other operational duties were employees and the company's core activities. When customer contacts increased alongside the business growth, it became increasingly difficult to manage both customer support and essential operational tasks properly. Longer response times to customers and lower efficiency in other tasks began to negatively impact overall customer satisfaction. Hiring a new in-house customer service agent was not cost-effective at the time since the contacts were not so high it needed a full-time employee.

To address these challenges, case company made a decision to outsource its customer service operations in the fall of 2023. The outsourcing model helped case company to scale its customer service capacity and increase their core business activity resources. By partnering with an external customer service provider, case company was able to have greater future scalability, cost saving and improved customer response times. Instead of maintaining full-time in-house employees or a team, the company now only pays for customer interactions based on the volume of customer inquiries. This ensures a flexible and efficient support structure.

The outsourced customer service operations have now been active for over a year. During this period case company has supported and evaluated the customer service team closely to ensure that service agents are meeting their customer satisfaction goals. The following sections of this study will explore these outcomes. This study draws data from customer service performance metrics, customer satisfaction surveys, warehouse surveys and qualitative insights from the interview.

3.3 Data collection

This study has multiple data sources to gain a comprehensive understanding of how outsourcing affects customer satisfaction. The primary data consists of semi-structured interviews and additional insights are gathered through customer service performance metrics, post-purchase business reviews and internal feedback from the warehouse manager. Collecting data from these different sources ensures a well-rounded perspective to allow both qualitative and quantitative analysis.

The semi-structured interview with the team leader of the outsourced customer service unit was made to gather insights into the operational dynamics, challenges and overall impact of outsourcing to customer satisfaction. The interview took place remotely via Teams where the audio was recorded and transcribed using the platforms built-in transcription feature.

To enhance readability of the transcription, filler words and meaningless repetitions were removed. This was done while preserving all the original meanings of these responses. The interviewee received the questions and the structure beforehand to facilitate a more relaxed discussion. Thematic analysis was later applied to extract key themes from the responses.

To supplement the qualitative findings from the interview, this study gathered also quantitative data from multiple sources. This survey is drafted by case company to:

1. **Post-call customer satisfaction survey**

Customers were invited to rate their experience immediately after a customer service call through an SMS link that guided them to online form. This way the case company can track its NPS scores, first-time resolution and service attitude to improve customer service quality.

Three liker-scale questions (1-10) were asked:

Net Promoter Score (NPS): *"Based on this call, would you recommend this brand to others?"*

First-Time Resolution: "*Did you get a resolution to your question during this call?"*

Service Attitude: *"How would you rate the customer service agent's attitude?"*

Additionally, there was an **open-text field** that allowed customers to optionally leave qualitative feedback about their experience.

2. **Call center software metrics**

Operational metrics were extracted from the customer service software, including for example:

Call Length (total duration of each call)

After-Call Work Time (time spent on post-call tasks)

Total Contact Volume (customer interaction amount over time)

These metrics are measured to gain insights on how customer service costs are developing in the long run. These metrics can also be compared to other data points like sales and website changes to understand more where the resources should be focused to.

3. **Warehouse manager survey**

Four **Likert-scale questions** included questions about daily communication efficiency, reaction time and the relationship between the old in-house customer service and the new outsourced customer service.

Open-text field that allowed the warehouse manager to leave qualitative feedback about the outsourced customer service.

This data was collected to gain insights from the warehouse manager, that has seen the old customer service and new outsourced customer service operational. These insights we can use to determine the overall impact of customer service outsourcing.

4. Business review data

For broader insights into the impact of customer service outsourcing to customer satisfaction also overall business reviews were analyzed. Customers who made purchases from case company's website received an email survey two weeks after their transaction.

This survey included:

A star rating (1-5 scale) evaluating overall service quality

An open-text field for additional qualitative information

Business review data is used to analyze the effects of customers service outsourcing to overall customer satisfaction.

All data was collected over a short period of 25.01.2025 – 30.01.2025 to ensure consistency in observations. case company, the warehouse and the outsourced customer service team remain anonymous throughout the study to protect business confidentiality and maintain ethical research standards.

4. Findings

This study uses thematic analysis method to unveil insights from the semi-structured interview. Thematic analysis means a qualitative method that is used to identify, analyze and report patterns (themes) of the data (Braun & Clarke, 2006). It has a structured approach to organizing qualitative data while being flexible to different research contexts.

According to Braun and Clarke (2006), a theme is a recurring pattern of meaning that is relevant to the research question. Themes do not emerge but are actively identified based on their significance or frequency in the data. This method enables a systematic approach to interpreting the interview results while providing detailed insights.

4.1 Training and Onboarding

The training and onboarding process played an important role in transition to outsourced customer service. The team lead of the outsourced customer service team expressed that the orientation was clear, and it provided a good understanding case company's brand and goals. The brand guidelines and *"brand-book"* clarified how case company communicates with customers:

"I had a relatively good picture of case company's brand and goals. I think it was clear, and it was really good that we had brand guidelines and other materials to go through. In my opinion, those were quite clear in outlining the objectives and what we want to communicate externally."

The actual training process was more general and took place in Teams meetings. The respondent described this outsourcing was like "*learning while working"*. Because of the variety of different and difficult questions customers might ask, it was hard to give a thorough list of possible questions and answer to those. Respondent said it was difficult to prepare for every possible situation in advance. When asked, respondent could not mention

any development possibilities in training that would have made any significant in this outsourcing process:

"The training and onboarding happened quite generally through meetings. We started working with the idea that we would learn as we go when new situations arise. Of course, the main topics and questions were known, but there was no real way to predict what kinds of questions customers might ask."

One of the main challenges in onboarding was helping customer service agents to understand how case company's customers should be handled differently. Case company was much more relaxed and flexible towards customers, while other companies had more strict rules to service agents what they can do or say. The respondent said that the team initially felt nervous due to uncertainty about customer expectations:

"Maybe the biggest problem was getting the customer service agents to understand how case company's customers should be handled differently. They were nervous because they had no idea what kind of questions customers might ask. I tried to reassure them by saying,

'Don't worry, we'll figure it out calmly, and we'll definitely get this sorted.' Internalizing this took time."

Despite all the challenges, the respondent felt that this onboarding process was effective. A major factor in success was the continuous support from case company representatives, which ensured that the outsourced team did not feel isolated or without support:

"Overall, the onboarding process went well. Perhaps the most important aspect was that the project manager from case company was always available to help. It didn't feel like we were left to handle everything alone. In fact, all case company representatives have been supportive whenever needed."

The respondent did not feel that additional training was necessary in onboarding, as the team adapted well by openly discussing customer interactions in shared communication channels:

"I think this was a good approach, and basic customer inquiries were easily handled since there were clear instructions. It wouldn't have been possible to prepare otherwise because the cases are so different. It was really beneficial that whenever we encountered a difficult customer situation, it was handled openly in our shared Teams group so that everyone could see how such issues should be resolved."

The onboarding process for outsourced customer service was generally successful. However, there were also challenges with customer service agents adapting to case company's specific customer communication style. The team highlighted the importance of clear brand guidelines, communication instructions and open discussions. The continuous availability of case company's representatives played a significant role in making the outsourcing transition smoother.

4.2 Performance Monitoring and Evaluation

The evaluation of customer service performance relies in the structured performance metrics and regular reviewing process. The primary measurement tool is an NPS survey that is sent to customers via text message immediately after the call. The survey includes three key metrics: *Net Promoter Score (NPS), First Time Resolution (FTR) and Service Attitude.* The Customer service team lead also monitors all communication channels weekly to identify ensure consistency and identify possible improvement-areas. *"Currently, we send an NPS survey to customers via text message after every call. The survey asks customers about NPS, First Time Resolution, and Service Attitude. In addition, we regularly review interactions across all contact channels. Our customer service operates via email, chat, and phone, and we review these contacts weekly."*

When specific issues occur, customer service team lead follows a corrective process. Instead of focusing on individuals and their errors, the priority Is to update general service guidelines to prevent future problems. If there is a major issue, a one-on-one discussion is held with this employee to ensure quality in the future. However, these one-on-one discussions needs are decreased over time, because the service agents have adapted the expected service standards.

"First, we aim to update general guidelines to prevent these issues from happening again. If something goes significantly wrong, we discuss it individually, but these cases have decreased significantly. Nowadays, everyone handles all contact channels in a fairly consistent manner."

Communication between case company and the outsourced customer service team is conducted primarily over Microsoft Teams. This Teams-group stores all the service guidelines and instructions to help getting all the relevant information all the way to service agents. While there are currently no regular weekly or monthly meetings planned, the respondent noted that such meetings could enhance the goal and expectation alignment with service agents.

"We communicate everything through the Teams application. We have a dedicated case company Teams group where all guidelines are stored as files. These are updated, and new discussion threads are created as needed. Currently, we do not have regular weekly or monthly meetings, but they could be a useful addition."

This monitoring and evaluation structure ensures that customer service quality is consistent and good. This structure also gives enough flexibility for continuous improvement through regular feedback and adjustments.

4.3 Customer Satisfaction Strategies

Ensuring high customer satisfaction has been a focus for case company and its outsourced customer service team. One of the main strategies is resolving issues as quickly as possible during the first customer interaction. This approach minimizes repeated contacts and improves efficiency.

"First, we aim to resolve all customer contacts as quickly as possible during the first interaction so that customers do not need to contact us again for the same issue."

Another important aspect is exceeding customer expectations, especially in challenging situations. The customer service team takes a proactive approach in handling negative customer experiences by offering compensation before the customer even requests it. Thanks to this, the service team can create a positive surprise that improves overall satisfaction.

"We strive to exceed customer expectations in every interaction, particularly in response to negative feedback. For example, we offer compensation before the customer even asks for it, which creates a positive surprise for the customer."

The team has also adapted to case company's service standards over time, which leads to a more consistent performance. As customer service representatives become more familiar with case company's policies and practices, they can handle contacts more efficiently.
"Now that all customer service representatives have become familiar with the job and case company's practices, everything runs more efficiently."

Close collaboration is a crucial part of successful outsourcing. The ability to ask questions and receive quick responses has helped customer service team to stay aligned with case company expectations.

"The most important thing has been that case company has been present and supportive. It has been easy to ask questions and get quick answers."

By focusing on quick resolution, proactive problem solving and strong collaboration, the team has improved customer satisfaction over time. These strategies highlight the importance of adaptability and continuous learning in outsourced customer service.

4.4 Changes in Customer Satisfaction Since Outsourcing

The outsourcing of customer service led to a temporary decline in customer satisfaction. This was expected as the transition takes time for the new team to learn and adapt to case company's policies, processes and expectations.

"Customer satisfaction likely decreases initially after outsourcing. That is a fact. It always drops because there is so much new information, and the work is slower as employees need to learn and clarify many things."

Over time, customer service agents gain more experience, and they become more comfortable with their responsibilities. Then the quality of service will improve, leading to a rise in customer satisfaction. The ability to handle customer contacts more efficiently affects customer satisfaction positively also.

"However, over time, as tasks become more familiar and work improves, customer satisfaction starts to rise again."

One major benefit of outsourcing was the scalability it provided. In-house employees or team relies on a limited number of resources, unlike outsourced customer service that has plenty of employees they can reassign easily to help with sudden increases in contact amounts. This helped maintain response times and service availability.

"A major benefit of outsourcing is that we have many resources, so customer service is not dependent on just one person. It offers scalability."

The increase in efficiency in handling difficult customer cases played a huge role in improving satisfaction. The outsourced team was able to resolve complex contacts more quickly, preventing the excess frustration among customers.

"Difficult customer interactions are now handled much more quickly and efficiently, which is likely to improve customer satisfaction."

Customer satisfaction initially dropped after the outsourcing, but it offered a much better solution for case company after the training period. Now they have access to increased cost efficiency and scalability and case company can focus to their core activities rather than spending time with hiring new employees and training them.

4.5 Support and Collaboration with case company

The customer service team lead thinks that the level of support case company offered was crucial to ensuring the success of the customer service team. The respondent emphasized that the presence and availability of case company's employees significantly helped with smooth transition and overall improvement in service quality.

"The most important thing has been that case company has been present and supportive. It has been easy to ask questions and get quick answers."

Some time after the transition, most questions were directed towards case company's project manager. Even though this provided a reliable source of information, the respondent later found that case company has multiple different employees across different roles that can answer this question faster and better. This helped streamlining the communication even further and helped improving response times all the way to the customers.

"Initially, I asked everything from case company's project manager because the manager was always available. I probably could have received quicker and better answers from other employees, but luckily, the project manager was able to find out the necessary information. Now that I know more case company employees, it is not a problem even if the project manager is unavailable."

The ability to make independent decisions also contributed to better customer service. Having clear instructions and understanding what could be decided autonomously reduced the need of constant approvals, allowing for faster responses to customer inquiries.

"This has helped me quickly understand what we can and cannot do and what we have the authority to decide. The ability to make decisions independently has been beneficial."

When asked if case company could do anything different to improve support, respondents did not identify any major problems with the current strategy.

"Nothing specific comes to mind."

These answers highlighted a strong collaboration, quick support and well-made decisionmaking process. These aspects play a significant role in ensuring that customer service can effectively meet customer expectations and improve customer satisfaction.

4.6 Impact of Outsourcing on Customer Satisfaction

The transition to outsourced customer service had challenges, but over time, the service was improved as employees became more familiar with case company’s processes and expectations. The respondent acknowledged that customer satisfaction was negatively impacted during the early stages of outsourcing due to the learning curve of the new tasks.

"Customer satisfaction likely decreases initially after outsourcing. That is a fact. It always drops because there is so much new information, and the work is slower as employees need to learn and clarify many things."

The outsourced team gained experience while getting contact repetitions and that really improved their workflow. The increased efficiency of handling customer contacts led to better service and response times. This improved overall customer satisfaction. *"However, over time, as tasks become more familiar and work improves, customer satisfaction starts to rise again."*

One of the key advantages of outsourcing customer service was that case company could maintain its service levels and resources to have scalability now, and in the future. Inhouse customer service relies on limited number of employees and brings other hidden costs. Now case company has greater flexibility and focus to their core business.

"A major benefit of outsourcing is that we have many resources, so customer service is not dependent on just one person. It offers scalability."

This ability to scale resources whenever needed is a significant advantage in maintaining service levels and ensuring customer satisfaction. This advantage is especially visible during peak periods or unexpected amounts of customer inquiries. The interview findings indicate that while outsourcing initially present challenges, strategic management and proper training will lead to long-term improvements in customer satisfaction.

Quantitative data:

This study also utilizes quantitative data from the customer service surveys to give more thorough understanding of the phenomena in hand. In the next sections, this quantitative data is represented as a separate section to help the reader to categorize different data sources. Qualitative and quantitative data are brought together later in the discussion and conclusion part of the thesis.

4.7 Customer Service Agent Survey Analysis

A customer service agent survey was conducted 29.01.2025 to get insights into the agent's experiences and perspectives of the outsourced customer service team. The survey consisted of six Likert-scale questions (from 1-5) that measures how well agents understood Case company's goals, their satisfaction with training and support and their thoughts about customer satisfaction. The responses broaden our view combined to our thorough interview with the team lead.

Understanding expectations and training effectiveness

The first two survey questions focused on the clarity of case company's goals and expectations at the beginning of the outsourcing process. These responses indicate that most service agents felt quite prepared for the task but there was room to improve.

"I fully understood the expectations and goals of case company regarding customer service at the beginning of the outsourcing process"

Average response: 3.75

N=4

Reasonable understanding of case company expectations and goals, but some aspects were not entirely clear.

"The briefing and training to case company customer service was comprehensive and prepared me well for the task."

Average response: 4.0

N=4

Strong average core indicates that training process was mostly effective, with some uncertainties.

Support from case company and team lead

Essential aspect of outsourcing is ensuring that customer service agents feel supported in their roles. The survey results show that both case company employees and the team lead provided enough support to service agents.

"I feel that I am supported in case company customer service tasks by both case company employees and my own supervisor."

Average response: 4.25

N=4

High rating indicates that assisting was prioritized in this outsourcing

Motivation and perceived impact on customer satisfaction

This survey also aimed to measure how agents felt in their roles and if they see that their roles affect customer satisfaction directly. The results imply that there is a strong connection between their role and customer satisfaction. Still the motivation seems to significantly lower among service agents.

"I believe that my work has a direct and positive impact on case company customer satisfaction."

Average response: 4.5 N=4

Agents recognize their contribution to customer satisfaction, reinforcing qualitative findings of this study that the team takes ownership of their work

"I feel motivation and satisfaction when I am part of case company outsourced customer service."

Average response: 3.5

N=4

While this is a neutral positive response, it suggests that there is an opportunity to improve job satisfaction. Could there be more incentives or success recognition?

Development and goal monitoring

Finally, the survey assessed whether the service agents felt they had improved in their job and monitored while doing case company's tasks in customer service.

"I have developed over time to serve case company's customers even better, which has led to an increase in the customer satisfaction of my own customers."

Average response: 3.75 N=4

The average response indicates that their service skills improved over time but there still is some variance within the answers.

“I have clear goals for case company’s customer satisfaction, which are monitored at regular intervals.”

Average response: 3.5

N=4

While team lead monitors customer service agents’ performance regularly, some agents may feel that their personal targets and monitoring could be improved.

The survey results align with the interview insights well. This survey can confirm that the outsourced service team received a sufficient training and felt supported. The team members recognize their importance in customer satisfaction, but the motivation and person goal tracking could be improved to get even better customer satisfaction results.

These insights provide a valuable foundation for further analysis.

4.8 Customer Service Performance Metrics Analysis

This study examines quantitative customer service performance metrics to evaluate the effectiveness of outsourcing. These metrics include data like Net Promoter Score (NPS), First Time Resolution (FTR) and Service Attitude. These are measured through customer feedback that is collected via text message after a call between service agents and customers. Additionally, operational call metrics such as Average Call Length and Average After Call Work (AWC) provide insights into customer service functionality.

Customer feedback data was collected as soon as possible after outsourcing and this study tries to unveil the changes in this data over time.

Metric	Team Leader (Early)	Team Leader (After 6 months)	Service Agents (Early)	Service Agents (After 6 months)
NPS	50	40	7	15
FTR	75 %	80 %	68 %	69 %
Service Attitude	9.3	8.6	7.7	8.2

Table 2: Customer feedback over time (N≈200)

Table 2 shows that the team leader had a consistent result in all categories and outperformed service agents. This indicates that the team leader had a professional touch to customers and even the change in customer profile did not harm team lead's ability to maintain great customer satisfaction. A small drop in team lead's NPS and service attitude is not significant and might imply that training of the team shifted focus and led to lowered scores. Despite the lowered scores, team lead remains above service agents, reinforcing strong leadership.

Service agents had low Service Attitude and NPS early in outsourcing, but after 6-month monitoring period, we can see small improvements in all categories. Most significant changes are in Service Attitude and NPS with ending results of NPS 15 and Service Attitude 8.2. This feedback survey shows a narrowing gap between team lead and service agents. This indicates that team lead monitored and trained service agents properly, as we figured in the interview.

Call software metrics

To broaden our understanding, operational data was collected from the call software. This data provides insights into efficiency improvements over time. The key metrics examined are:

Average - **After Call Work (AWC)**: The time spent handling tasks after customer interaction.

Average**- Call length**: The total duration of a customer call

Call software data had many different metrics and categories that remained almost identical in the whole monitoring period. This study only refers to data that showed significant changes during the monitoring period to get only the valuable information extracted.

Data analysis revealed that Average AWC decreased by 20% over the year 2023, indicating that agents became more efficient in handling after call tasks. In addition, Average Call Length was decreased by 10%. All these changes happened while contact volumes tripled. This reinforces the fact found in the interview that outsourcing provided greater scalability while case company can focus on their core activities.

4.9 Warehouse Manager Survey Results

This section highlights the perspective of the warehouse manager. The Warehouse Manager oversees the logistics and other tasks that are assigned to the warehouse. Warehouse Manager has a team of three that reports directly to the manager. These surveys' responses suggest a strong satisfaction with the outsourcing arrangements and its impact on communication and customer satisfaction.

The survey consisted of four Likert-scale questions (from 1-5):

"The outsourced customer service of case company improved communication between the warehouse and customer service."

Response: 5 (strongly agree)

The manager shows that the communication between the warehouse and customer service improved significantly due to outsourcing arrangements. This led to better collaboration overall.

“The outsourced customer service took time to learn the operations of case company, which made handling matters more difficult.”

Response: 4 (somewhat agree)

While there was a significant learning curve that affected communication negatively at first, these challenges were only temporary and manageable.

“You feel that you receive help and support from the outsourced customer service when needed.”

Response: 5 (strongly agree)

The manager expressed complete satisfaction with the support from the outsourced customer service that indicates effective collaboration between teams.

“The outsourced customer service has a positive impact on customer satisfaction”

Response: 5 (strongly agree)

The manager recognizes a positive effect of the outsourced customer service team on overall customer satisfaction. This validates the effectiveness of the outsourcing as seen in previous sections and data

Additional comments on qualitative questions asked:

The warehouse manager did not indicate any major areas for improvement in the collaboration with outsourced customer service team. However, there were one suggestion made regarding the communication channels and the messages:

"Everything works fine. Sometimes warehouse staff are tagged in message threads for nothing, about things they can't influence. Maybe a more detailed review of the roles would help."

This indicates that customer service agents sometimes tag warehouse employees to threads without any need, wasting warehouse employees time. This can be handled differently by training service agents to only tag relevant people to threads. Overall, warehouse manager expressed high satisfaction with the current processes:

"Great job in customer service"

4.10 Business service review

Business service reviews were also collected (N≈500) from purchasing customers via email two weeks from the purchase. There were a ≈ 7% drop in business reviews shortly after the outsourcing (Figure 5), however that can't be pointed to outsourcing situation itself. Case company had other software and warehouse changes at the time that most likely affected the service reviews more than the customer service outsourcing.

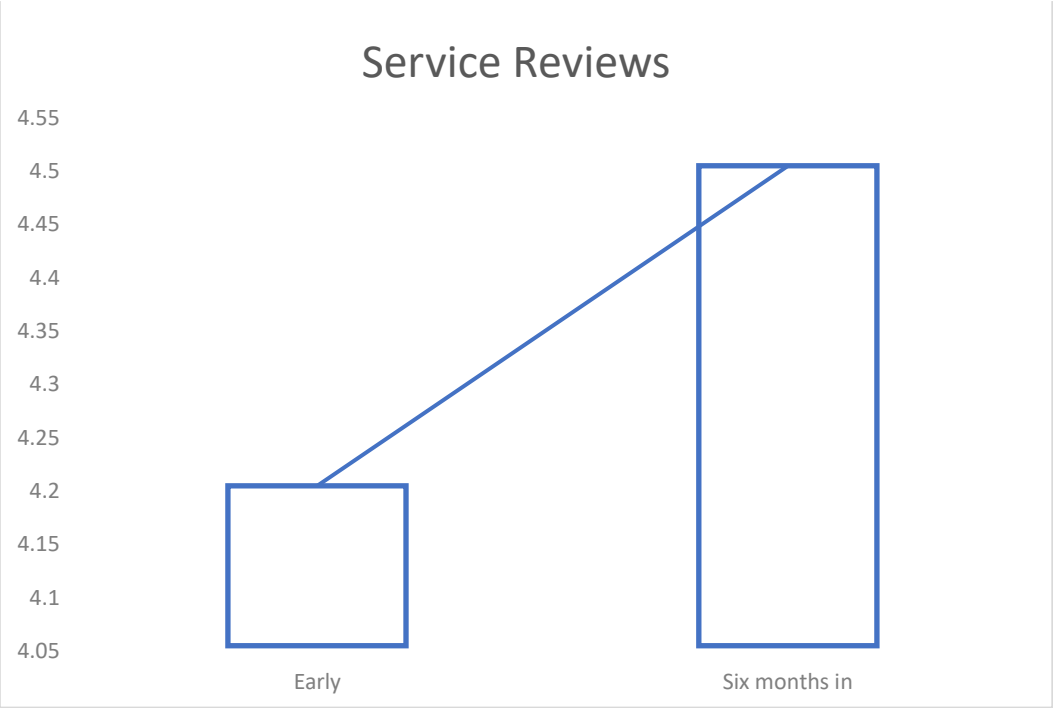

Figure 5: Service reviews

5. Discussion

This discussion chapter contextualizes the findings of this study between research questions and existing literature. By combining findings from qualitative and quantitative data, this study can give insights into how customer service outsourcing impacts on customer satisfaction. This study also discusses the effectiveness of service agent training, best monitoring practices and alignment of outsourcing company and outsourced party goals.

These findings are analyzed in a broader context of outsourcing to get insights into what and how these findings impact customer satisfaction in the short- and long-term. In addition, this discussion reflects the practical actions of these results that can be used in the future in organizations planning on outsourcing, especially in customer service context.

What are the short-term and long-term effects on customer service outsourcing on customer satisfaction?

Outsourcing customer service is a strategic decision. It impacts on customer satisfaction in both short-term and long-term. The transition from in-house employees to outsourced customer service introduces an adaptation period that includes high levels of training and monitoring, followed by long-term improvements as the outsourced team becomes more efficient and can align better with the company's service goals. The findings of this study indicate that while customer satisfaction initially declined after outsourcing, it gradually improved as the service agents became more familiar with case company and its processes.

Short-term challenges and satisfaction decline

The findings from qualitative interview highlight that during the early phase of outsourcing, customer satisfaction declined. This was due to the adaptation challenges and training process. The outsourced service agents needed time to understand case company's service philosophy and expectations. This aligns with the previous research on outsourcing where the transition costs and learning curves impact the service quality through hidden costs. The Transaction Cost Theory (TCT) suggests that outsourcing can lead to higher short-term costs because of the training efforts, contact monitoring and coordination with the buyer and service provider.(Coase, 1937; McIvor, Ronan, 2010b; Williamson, 1979). Ellram, Tate and Billington (2008) emphasises that outsourcing decisions have long-term strategic implications and companies should anticipate short-term disruptions before the efficiency gains.

Quantitative findings also support this initial decline right after outsourcing. The after-call survey showed that Net Promoter Score (NPS) for customer service agents was 7 early in outsourcing. First Time Resolution (FTR) was at 68% and Service Attitude at 7.7. This indicates a low score, because of the excellent scores of the team lead. Team lead set the bar higher showing the possibility of great service. We can assume that this gap between team lead, and service agents was because the team lead was more informed about case company's policies and expectations.

Long-term improvements and customer satisfaction recovery

A major long-term benefit was the ability to more resources that adds scalability to case company's business. Customer service is not dependent on one person alone.

The findings of Lankford and Parsa (1999) argue that oursourcing allows companies to refocus their core activities while leveraging specialized providers to handle customer interactions more efficiently. Wuyts, Rindfleisch and Citrin (2015) finds that strong relationships and communication between the buyer and supplier in a triadic relationship help companies to reach their strategic goals, like customer satisfaction.

The warehouse manager's survey also supports these claims that customer service outsourcing has a positive long-term effect to customer satisfaction. The survey shows that communication is now better between case company and warehouse, leading to better overall customer satisfaction level.

Based on the qualitative and quantitative findings, there are many factors that will affect short-term and long-term customer satisfaction. These are continuous training, monitoring and feedback, scalability and resource availability and proactive problem resolution within the service team. These findings indicate that while customer satisfaction can drop in the short-term monitoring period, the advantages of outsourcing will raise the satisfaction level higher than before in a long-term monitoring period. This is possible if the basics of outsourcing challenges are noted, and training is adequate.

Best practices for training and monitoring service agents in outsourcing situations.

The training and monitoring of service agents play an important role in outsourced customer service. Effective training helps outsourced customer service align with company's brand communication, processes and strategic goals. Continuous monitoring and development ensure service quality and consistency over time. This section discusses the best practices identified in this study and links it to relevant existing literature.

One of the key insights from this study was that case company and team lead conducted the training mainly remotely on general Teams meetings and the learning process was heavily leaning on ‘learning by doing-philosophy’. This philosophy means that no rehearsal contacts were used, service agents started working with real customers immediately. This approach has both weaknesses and strengths. On the positive side, it allowed flexibility and faster go-to-market. However, the downside was that service agents felt uncertain of their capabilities and knowledge which might have led to even more lower customer satisfaction in the beginning.

One effective training practice was the discussion of complex customer cases in shared Teams-group. This allowed everyone to see and learn how these complex customer cases should be handled and the knowledge transferred more effectively.

This is also linked to Talluri and Sarkis (2002) study that argues that modern monitoring should be focused also to quality rather than costs. This open communication between case company and the service team allowed service quality to remain good and grow effectively.

Another important element in monitoring performance was the use of surveys. case company used NPS, FTR and service attitude ratings. These metrics provide quantitative insights into customer service quality. Performance monitoring was done successfully because it was used in feedback sessions with service agents and data showed increased scores after 6-month monitoring period.

At the same time, some challenges remained in goal-setting. Not all agents felt like they had clear performance goals. This suggests that while monitoring was implemented in many ways, individual agents might have been benefitted from a more thorough walkthrough of goals in the beginning. According to Lankford and Parsa (1999), there is a risk in outsourcing of the lack of direct managerial oversight, which can lead to misalignment of goals. Service training was done by team lead and with more active training from case company could have been beneficial.

Motivating service agents was also identified as an area of improvement. Survey results showed a high recognition of impact on customer satisfaction (4.5/5) but lower motivation levels (3.5/5). This indicates that there is a need for better success recognition and performance incentives. These are also noted by Brewer and Holmes (2021) as a good practise to help with customer service development.

Overall, findings suggest that feedback, open knowledge sharing and defined evaluation metrics are important in successful training and monitoring of outsourced customer service. Also, clear goal-setting and better motivation strategies can help improving customer service effectiveness toward a better customer satisfaction and successful outsourcing.

How Can Organizations and Managers Ensure Alignment Between Outsourced Service Agents and Their Customer Satisfaction Goals?

Ensuring the alignment between customer service and organization's customer satisfaction goals is crucial. This requires structured communication, goal setting and performance monitoring. The findings from qualitative and quantitative data indicate that continuous collaboration, defined expectations and regular feedback maintains and improves the service quality of outsourced customer service.

One of the main mechanisms for alignment is communication and especially open communication. This needs also close support from buying company to succeed. The outsourced team lead's interview indicates that direct access to case company's employees helped to ensure that goals are aligned.

This aligns with McIvor and Ronan (2010) who stresses that to ensure consistency in quality, companies need to maintain operational control and oversee the outsourcing. This was done greatly by case company. Without direct communication channels, outsourced teams can struggle to adapt and develop operations to buying company's needs.

A critical factor ensuring customer service quality goals is clear measuring and performance metrics. Survey results show that while there were monitoring systems and regular feedback sessions, some agents felt like their personal goals for customer satisfaction were not clearly defined.

While the service goals were defined, there was room for improvement in personal goal setting and tracking. According to Talluri and Sarkis (2002), supplier monitoring is effective when monitoring goes beyond just the price considerations. It should incorporate also quality, delivery, and flexibility metrics to align with buying company's needs. Applying this to outsourced customer service, regular performance evaluations and feedback mechanisms can help maintaining service quality so that individual service agents remain aligned with customer satisfaction goals.

This aligns well also to the use of NPS, FTR and Service Attitude surveys. Talluri and Sarkis (2002) also emphasize ongoing supplier performance evaluation and this survey is active all the time, enabling customer service evaluation over time, so trends can easily be pointed out in the data. Ongoing service analysis helps customer satisfaction goals to remain central to outsourced operations.

Another significant factor in alignment is training and onboarding processes. The findings indicate that while agents were provided with brand guidelines and an introduction to Case company's customer service approach, their training was more reactive than proactive:

This highlights a potential gap in structured training, which could lead to inconsistencies in service delivery. According to Doane & Sloat (2003), successful customer service outsourcing requires ongoing training and reinforcement of company values to maintain quality. More structured role-playing exercises or case studies during onboarding could have helped agents internalize case company's approach more effectively.

This finding aligns with Lankford & Parsa (1999), who argue that companies must ensure that outsourced service agents are managed well to adopt the same customer interaction style as the brand they represent. The survey results also indicate that while agents

generally felt their work had a positive impact on customer satisfaction, motivation levels were not as high.

This suggests that while agents recognized their contribution, there was potential to enhance motivation through incentives, recognition, or career development opportunities. Brewer & Holmes (2021) argue that stronger engagement strategies, such as performancebased recognition and incentives, can help maintain high service quality in outsourced settings. One practice that contributed to alignment was peer learning through open discussion forums. There agents could review challenging customer interactions together.

This supports Talluri & Sarkis (2002), who emphasize that close relationships help supplier and service provider to work better together. Shared knowledge and benchmarking among service agents can improve consistency and performance in outsourced service settings.

How Does Outsourcing Customer Service Impact Customer Satisfaction?

Outsourcing customer service affects customer satisfaction in both long-term and shortterm. Companies must balance efficiency while maintaining service quality. According to Lankford and Parsa (1999), companies should only outsource non-core activities. Outsourcing core functions can lead to a loss of service control and the misalignment of customer expectations. This principle underlines the importance of managing outsourcing carefully. This way company can ensure that there is a positive impact on customer satisfaction.

Short-term challenges and hidden costs

Outsourcing is often seen as a cost saving strategy. Transaction cost theory (TCT) (Coase, 1937; Williamson, 1979) teach us that there are always hidden costs such as training, contract monitoring and knowledge transfer that can lower the customer satisfaction

eventually. The findings from this study support this as the customer satisfaction declined immediately after the outsourcing due to service agents' unfamiliarity with case company.

This adaptation period was a necessary part of outsourcing. Even with proper training and good management the service quality dropped, leading to lower satisfaction. Of course, there could have been more thorough training and instructions to help with this impact.

This aligns with Gunawardane (2012), who emphasizes that a successful outsourcing requires a strong buyer-supplier relationship and clear performance expectations.

Long-term gains: alignment and monitoring

Over time, the lowered customer satisfaction started to raise. That was mostly due to service agent's adaptations to case company policies and processes. Continuous monitoring from the team lead and case company employees helped service agents to learn and develop better methods to handle customers. With proper training, we can see NPS, FTR and Service Attitude increases after 6-month monitoring period. We can confirm that continuous support, monitoring and training plays a critical role on customer satisfaction. This aligns well with Talluri and Sarkis (2002) study, where they highlight the importance of supplier performance monitoring to get supplier aligned with buying company goals.

Additionally, direct communication between the outsourcing company and service agents proved to be crucial. McIvor and Ronan (2010) argues that organizations must maintain control over outsourced operations to ensure service quality. The ongoing support and management was key in improving quality and help customer service succeed with case company's goals.

6. Conclusion: managing the trade-offs

This study explored the short-term and long-term effects of outsourcing customer service on customer satisfaction. Findings identified key factors in training, monitoring and alignment between outsourced service agents and company goals. The findings suggest that while outsourcing can lead to short-term customer satisfaction decrease due to adaptation challenges and hidden costs, in the long run it enables scalability, resource optimization and improved customer satisfaction.

Customer service outsourcing can initially lower customer satisfaction due to training challenges, adaptation period and hidden costs. Long-term improvements are possible through continuous monitoring, training and aligned efforts. To succeed, companies should protect core competencies (Lankford and Parsa, 1999b), account the hidden costs (TCT)(Coase, 1937; Williamson, 1979), invest time and money to supplier relationship development and monitoring (Gunawardane, 2012; Talluri and Sarkis, 2002) and ensure close communication to align goals and expectations (McIvor and Ronan, 2010).

The research confirmed that proper training and continuous monitoring are critical to maintaining service quality. Training must align with company strategy to ensure that outsourced service agents have necessary skills and knowledge to meet customer needs. Monitoring mechanisms such as customer satisfaction surveys and performance reviews are essential in aligning business needs with outsourced customer service.

A significant risk in outsourcing is the hidden costs as highlighted in Transaction Cost Theory. Costs related to supplier selection, contract negotiation, training and performance must be directly managed to avoid any unnecessary decreases in customer satisfaction. Our findings from existing literature show that core competencies should remain in-house as outsourcing strategic functions could lead to a loss of customer trust and brand harm.

This study contributes on outsourcing research by providing a practical framework for companies that consider outsourcing. This study identifies best practices for training, monitoring and goal alignment. The results indicate that outsourcing can be beneficial financially and customer satisfaction wise. This study highlights that strong, open communication between buyer-supplier in crucial to be successful in outsourcing projects.

Limitations:

While this study provides valuable insights, there are still some limitations we must acknowledge. We can use these findings to help us mitigating outsourcing and partnership risks, to have more successful collaborations. This case study was just one company operating in one sector, therefore all the tools here might not be applicable in different scenarios. This study was made to broaden the perspectives of people doing strategic decisions.

One key limitation is that the scope of the study is focusing only on one company and its outsourcing project. The findings are industry specific, and they may not be directly applicable to other sectors or situations that differ on this project.

Another limitation is the studies timeframe. Customer satisfaction trends in outsourced environments may take longer to stabilize and this study only focused on over less than one and a half years timeframe. A longer observation period could bring more results and deeper insights. Future research could benefit from a longer observation period that follows customer satisfaction trends many years after the outsourcing.

While this study also had survey data and some quantitative insights, more statistical analysis with larger dataset could be more beneficial to supplement our qualitative findings.

Additionally, this study does not account for external factors like competitors service improvements or fluctuations in economic conditions. These factors could affect customer satisfaction levels independently.

Despite all the limitations, this study provides a foundation for understanding the challenges and benefits of customer service outsourcing and its effects on customer satisfaction. Future research can expand our findings from different sectors, outsourcing models and broader our insights on customer satisfaction trends.

Future research:

This study provides an overview of outsourcing customer service and its effects on customer satisfaction in long-term and short-term. There are still several areas that need further exploration.

One key for future research is longer term customer satisfaction trends in outsourced customer service. While this study captures also the ‘long-term’’ effects, it leaves us to wonder whether the service quality was already stabilized or was there potential to improve slightly more in a longer period. This would give deeper insights into how long it takes to adapt customer service agents thoroughly to the company’s brand and operations.

Future research could also focus on the role of technology in outsourced customer service. In today’s world, there are AI-drive chatbots, automated support systems and better monitoring tools that could potentially benefit the outsourcing to be more efficient. Understanding how technology can impact these situations could be beneficial because it can affect positively to customer satisfaction.

Lastly, employee motivation and retention in outsourced customer service remain areas that this study couldn’t crack. Motivation was a challenge in this study and future research could explore how performance incentives, career development opportunities and workplace culture affected outsourced employee engagement. That could reveal possibly some effects on customer satisfaction.

By addressing these research gaps, future studies could provide more understanding and guidelines for companies to follow that use outsourced services or are about to outsource.

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APPENDIX 1: INTERVIEW QUESTIONS

Role and responsibilities

- Describe you role and responsibilities?
- What is the structure of your team and how are tasks assigned?

Training and onboarding

- Did you have clear knowledge about Case company and its goals before outsourcing?
- Was the briefing clear about the expectations of Case company before outsourcing?
- How was your team trained to meet the expectations of Case company?
- What went well with the onboarding process?
- What were the key challenges during the onboarding process?
- What would you do differently with the team training?

Performance and monitoring

- How are your teams performance evaluated and what metrics are used?
- Are there specific tools or practices (for example feedback sessions, reporting) that help you align your teams goals to Case company goals?

Customer satisfaction

- What strategies do you/your team use to ensure high levels of customer satisfaction?
- Have you observed any differences in customer satisfaction from the beginning of the outsourcing to this day?
- Do you feel supported by Case company?
- Could Case company do anything different to help you achieve the customer satisfaction goals?

Insights and recommendations

- What are the main challenges you have encountered as an outsourced customer service team lead?
- What practices or strategies have been most effective in improving customer satisfaction?
- How could the relationship between you/your team and Case company be improved?
- Has the relationship changed to better or worse with Case company over time.
- Do you believe you have the tools and support to develop customer satisfaction in the future?