Towards understanding how institutional forces influence the functional service quality practices of Australian Very Large Internet Service Provider industry

STUDY BACKGROUND

Internet service is becoming an essential service for both residential and business customers in Australia. The proliferation of Internet technologies in the recent years combined with the complexity of products and services has introduced multitude of problems for Internet service providers (ISPs). One of the key challenge for providers is to manage customer expectations and perceptions in relation to customer service (CS) and complaints handling (CH) commonly referred to as Functional Service Quality (FSQ) (ACMA RTC Inquiry Report 2011). Zeithaml, Parasuraman and Berry (1998) define Functional service quality as ‘the manner in which services are delivered to customers’ (p.12). Hence the terms FSQ practices and CS/CH practices will be used interchangeably in this paper.

Several studies on FSQ in the ISP industry (ACCAN 2011; ACMA 2011; Chiou 2003; Havyatt 2010; Ng, David & Dagger 2011; Perez & Flanner 2009; Wal, Pampallis & Bond 2002) found that customer perception of ISP service quality is influenced by both factors within the ISP network (such as speed, reliability, network infrastructure) and factors outside ISP network (such as customer service, complaints handling, contracts and customer advice). In the current climate, very large ISPs (vLISPs) in Australia are under increasing pressure to meet customer expectations in relation to FSQ (ACCAN 2011; ACMA Inquiry Report 2011; Havyatt 2010; TIO Talks 2011; TIO 2011). For the purposes of this research, customer service is defined as the provision of service to customers before, during and after a purchase (ACCAN 2011) while complaints handling is an expression of dissatisfaction of an organization’s products, services or complaints handling process itself (ACMA 2011; TIO 2011).
The importance of FSQ performance for ISPs has been widely published and reported by the Telecommunications Industry Ombudsman (TIO) (TIO 2011). If a customer perceives that their ISP is not listening to their concerns, not providing a speedy response to their complaints and demonstrates poor commitment to customer service, a complaint about a problem can turn into a complaint about a company. This can lead to customers complaining about their ISP to the third party dispute resolution provider such as the TIO. If such a trend continues with a ISP and majority of the customers are frustrated about the inability of their ISP to deal with CS/CH issues, this then leads to voluminous increase in complaints recorded against the ISP with the ombudsman and such increasing complaint statistics can damage the service reputation of the ISP. When that occurs, it is difficult for providers to retain existing customers and attract new customers especially given the competitive nature of the ISP market (ACMA RTC Inquiry Report 2010; ACCAN 2011; TIO 2011). In this study, service quality is viewed as a form of customer attitude representing long term overall evaluation of an ISP functional service (Zeithaml, Parasuraman & Berry 1998). To manage the scope of this research, this study focuses on Internet service issues for residential customers of vLISPs.

The findings from the literature shows that CS and CH as the top two FSQ issues for Internet customers and that there has been an ongoing concern from stakeholders such as regulator, government department for broadband, consumer association and ombudsman about poor CS/CH performance of ISPs over the past decade (ACCAN 2011; ACMA RTC Inquiry 2010; TIO 2011). The complaints data published by the TIO over the period 2009-2011 points to a number of systemic issues involving CS/CH of vLISPs such as failure to act on customer request, incorrect or inadequate information at point of sale, failure to act on undertakings, failure to escalate complaints and failure to advise on complaint outcomes (TIO 2011).

Further, an inquiry into the FSQ practices of the Internet industry was launched by the regulator, Australian Communications and Media Authority (ACMA), in 2010 in response to a number of trigger events. Firstly, TIO complaints data showing huge volume of complaints recorded on very large ISPs in relation to CS/CH along with code breach statistics drew the attention of the
stakeholders. Secondly, ministerial intervention calling on the industry to lift its game in relation to CS/CH performance fuelled the seriousness of the issue. Thirdly, Ombudsman campaigns on FSQ and consumer association activities voicing its concerns about numerous deficiencies in the existing TCP code called for the need to tighten regulation to achieve better FSQ outcomes for customers. Finally, the profile of the problem in the media and in social networking sites such as whirlpool added more momentum to the debate surrounding the ongoing poor FSQ performance of the providers. All these events culminated into the regulator formally launching an eighteen months investigation into the FSQ practices of the industry (ACMA Inquiry Report 2011; ACMA 2011; TIO 2011; ACCAN 2011).

The ACMA inquiry findings confirm the earlier notion that the vLISPs failed to meet customer expectations in areas such as CS/CH. Additionally, the lack of strong enforcement, monitoring and compliance measures in the existing regulatory arrangements led to ISPs breaching the code, not dealing with systemic issues involving CS/CH and being able to get away with poor CS/CH performance as there were no penalties associated with non-compliance. For these reasons the existing regulatory arrangements did not drive the right behaviour in the industry and frequently led to providers not incorporating FSQ practices with a view to improve CS/CH performance and achieve better FSQ outcomes for consumers. ISP industry pioneers such as Havyatt (2010) highlight the need for more research on FSQ of ISPs. He states ‘the industry’s reputation for poor customer service has been much commented on but little analyzed’ (p.5). Given the ongoing poor FSQ performance of vLISPs over the last few years, it is important to study and understand the factors that influence the FSQ practices of the industry with a view to understand the institutional forces that operate in the Internet industry and their influence on the FSQ practices of the industry. This is an area that has not been studied holistically using multi-stakeholder perspectives. Such a gap necessitates the need for systematic academic research that captures and analyses multi-stakeholders perspectives on FSQ practices and examine those pressures that influence FSQ practices and the FSQ performance of the Internet industry.
FSQ PRACTICES OF AUSTRALIAN VERY LARGE ISPs

In Australia, the FSQ practices of vLISPs typically involve ISPs adopting the terms and conditions as stated in the Telecommunications Consumer Protection (TCP) code. The code when adopted by individual ISPs and implemented within their organization lead to corresponding FSQ performance. The TCP code is a co-regulatory code that is developed by the peak ISP industry association, Communications Alliance, in consultation with ISP industry stakeholders. For the purposes of this research, co-regulation is defined as ‘a system in which some of the responsibilities for regulatory development, implementation and/or enforcement are shared between industry groupings and governments’ (von der Heidt & Charles, 2009). Once the code is registered with the regulator, it comes into effect.

The TCP code covers information on areas such as pricing, terms and conditions, credit management, billing, customer transfer, complaints handling and contracts. The code allows providers to develop their own systems, processes and procedures to demonstrate compliance with the code as opposed to using prescribed methods of compliance. The old TCP Code (TCP Code 2007) was revised in 2011 and the revised code has been registered with the regulator ACMA and came into effect on September 1 2012. Throughout this paper, the old code refers to TCP code 2007 and the revised code refers to TCP code 2012.

Australian Bureau of Statistics classify ISPs in Australia based on subscribers numbers. vLISPs, who are the focus of this study, have a subscriber base of more than 100,000 (ABS 2012). While there are many vLISPs in Australia that fit this definition, the study focused on the top four vLISPs in Australia. Table 1 provides study information about organizations and participants’ profile.

The top four vLISPs were chosen because (1) They have an obligation under the regulatory regime to contribute to the TCP code development process. (2) They are members of the ISP industry association (3) They collectively have close to 80 per cent of the residential Internet subscriber base
(4) Their ‘visibility’ in the marketplace creates additional scrutiny of their practices as their actions are held accountable by external stakeholders due to their huge subscriber base. (5) The regulatory and corporate affairs managers of the top four very large ISPs are board members of the industry association, attend board/council meetings of the regulator and ombudsman, are part of broadband policy formulation/implementation committees of the Australian government department of broadband and are members of the TCP code review committees. They have had frequent and fateful interactions among themselves and with other industry stakeholders during recent code revision process and (6) FSQ performance of these four vLISPs have been much commented on in the media, consumer research reports, regulator inquiry and ombudsman campaigns due to their market presence and large subscriber base (ACMA 2011; Communications Alliance 2011; ACCAN 2011; TIO 2011).

KEY STAKEHOLDERS INVOLVED IN DEVELOPING FSQ PRACTICES

The key stakeholders in the ISP industry involved in developing FSQ practices include vLISPs, the regulatory agency (Australian Communications and Media Authority (ACMA)), Australian government department, (Department of Broadband, Communications and Digital Economy (DBCDE)), the Telecommunications Industry Ombudsman (TIO), ISP industry association Communications Alliance and consumer organization (Australian Communications Consumer Action Network (ACCAN)). Figure 1 shows a diagrammatic representation of the network of stakeholders (Communications Alliance 2011).

THE INSTITUTIONAL ENVIRONMENT OF VERY LARGE ISP ORGANIZATIONS

Institutional theory was used as a theoretical framework for this study because it contributes to an understanding of broader perspective on how organizations are affected by forces which lie beyond its own control (Meyer & Rowan 1977; Powell & DiMaggio 1991). A review of the organization studies literature helped to understand the institutional environment surrounding ISP organizations (Bjorck 2004; DiMaggio & 1983; Gunningham & Rees 1997; Lawrence & Suddaby 2006; Scott 2001). All
the vLISPs focused in this study have key agencies that they interact with on a regular basis. These agencies include regulator, ombudsman, consumer association, industry association and the government department for broadband. There is a need for vLISPs to build ongoing relationships with these external stakeholders in order to seek legitimacy of their practices and influence FSQ practices. Previous studies such as (DiMaggio & Powell 1983; Gunningham & Rees, 1997; Oliver 1991; Scott 2001; Suchman 1995) showed that both technical factors (thrive for technical efficiency) and institutional factors (thrive for social legitimacy) influence organizational actions. Study by Delmas & Toffel (2004), Powell & DiMaggio (1991), Hu, Hart & Cooke (2006), Oliver (1991) and Scott (2001) have shown that organizational practices are influenced by their external institutional environment and pressures exerted on them. This notion is applicable to vLISP industry.

In ISP industry, the FSQ practices are derived through interactions and collaborations of the key institutional stakeholders of various agencies. The actors from various stakeholder agencies evaluate the legitimacy of one anothers’ actions and relate organizational action with broader normative and social structures (DiMaggio & Powell 1983). The factors that bring about change within this industry are not purely efficiency driven because the institutional environment also plays a role in bringing changes to vLISP policies and practices (ACMA 2011; Aldrich 1979; Oliver 1991). This notion is true as ISP organizations not only depend upon knowledge, capital, labour for survival, but they also depend on their acceptance in the society and legitimacy among their external stakeholders and customers. It is through legitimacy that they seek active support from external stakeholders and influence policy decisions that suits their collective interests (Hu, Harte & Cooke 2006; Meyer & Rowan 1977; Suchman 1995).

DiMaggio & Powell (1983) identify three key institutional pressures that operate in an industry. They are regulatory, normative and mimetic pressures. They define regulatory pressures as ‘pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function, such pressures may be felt as force, as persuasion or as invitations to join in collusion’ (p. 146). In vLISP industry, regulatory pressures
stem primarily from regulatory agency ACMA and government agency DBCDE. In discussing mimetic pressures, DiMaggio et al. state, ‘when goals are ambiguous (or) when the environment creates symbolic uncertainty, organizations may model themselves on other organizations’ (p.146). Mimetic pressures stems from ISP competitors that excel in customer service and as a result organizations that face uncertainty in dealing with FSQ issues tend to mimic practices adopted by the market leader hoping to achieve similar success (DiMaggio & Powell 1983). Normative pressures through industry association urges ISP organizations to conform to societal norms, values and stems primarily through professionalization. Developing an understanding of these pressures in the vLISP industry is essential to determining their influence on FSQ practices of the industry. One of the key benefits of using an institutional lens for this study is that it helped to understand the interconnectedness of FSQ practices of ISP organizations and their institutional context. Gunnigham & Rees (1997) call for an institutional perspective on co-regulation as such studies provide valuable insight into how institutional pressures operate in the industry and how they manifest within the industry and influence its practices.

**RESEARCH QUESTION AND METHODOLOGY**

The main research question is: *How do Institutional forces influence the functional service quality practices of Australian very large ISPs?*

First, it is important to understand and describe institutional forces that influence FSQ practices of vLISPs. Therefore a detailed investigation that allows for exploration of different institutional actor’s perspectives on these institutional forces is critical. Second, the role of such forces in influencing FSQ practices of the industry needs to be studied in the context of institutional theory. Investigation into various research approaches showed that qualitative research approaches are best suited for this kind of problem understanding. The focus is not on measures or counts rather on in-depth insights of participants’ experiences regarding the role of institutional forces that influence very large ISP FSQ practices (Creswell 2007). Following the ethics approval for this research, semi-structured interviews
with senior executives from stakeholder organizations *(Table 1)* were conducted as it provided an opportunity for both the interviewer and interviewee to have a detailed discussion on the topic.

Each and every interview was transcribed and every line of the data was read and categorised. Thematic analysis steps were followed to derive low level categories and major categories of concepts. Eight major categories emerged. They are: 1) Customer Service issues 2) Complaints Handling issues 3) TCP Code development and review process 4) Regulatory compliance involving TCP code and its influence on FSQ practices 5) Stakeholder interactions on FSQ practices in the vLISP industry 6) Key agencies that influence the FSQ practices of the vLISP industry 7) Institutional pressures exerted by various agencies and its influence on FSQ Practices of vLISP industry and 8) FSQ in NBN (National Broadband Network) context. Four themes emerged from the analysis of these categories: **Theme 1**: Perceptions and attitudes of consumer association, ombudsman, government department, industry association and the regulator on the FSQ practices of the vLISP industry **Theme 2**: Perceptions and attitudes of regulatory and corporate affairs managers (FSQ managers) of vLISP organizations towards FSQ practices; **Theme 3**: Key agencies and collaborative efforts of institutional actors on FSQ practices; and **Theme 4**: Key institutional pressures that operate in the Australian vLISP industry and their influence FSQ practices. *Figure 2* shows the relationship between themes that have emerged in this study.

**MAJOR FINDINGS**

All the study participants acknowledged the poor FSQ performance of the vLISP industry as a whole. *Table 2* summarizes some of their key concerns in relation to CS/CH and reasons for poor FSQ performance. The study found that there are key factors that influence FSQ in vLISPs. They are: 1) TCP Code 2) Penalties and enforcement mechanisms in the code including regulatory compliance with the code 3) Complexity in products and services. 4) Competition politics 5) Organization culture and attitude towards FSQ practices.

There are key agencies (ACMA, TIO, Communications Alliance (CA) and DBCDE) and central actors (actors from TIO, CA, DBCDE, ACMA and ACCAN) that operate in the institutional
environment of Australian vLISPs who influence the development, review and revision of the industry’s TCP code for FSQ practices. The major revisions to the old TCP code occurred as a direct response to regulatory pressures and stakeholder pressures placed on vLISPs. The response to pressures was dependent on ISP regulatory and corporate affairs managers’ perception of pressures, threat of tighter regulation and their continuous exposure to customer and competitive pressures. These pressures brought all ISP industry stakeholders together and this led to increased engagement, collaboration and cooperation. Such frequent and fateful interactions amongst the institutional actors of the ISP industry led to significant improvements in the revised code (TCP code 2012) in areas such as code compliance, enforcement, point of sale matters, CH and establishment of independent body Communications Compliance (CC) to oversee the industry’s FSQ code compliance and performance. **Figure 3 shows diagrammatic representation of process of change from old TCP code to new TCP code.** This re-emphasises the notion of central actors identified in this study acting as active agents in informing FSQ practices of the vLISP industry. Therefore, FSQ practices of the vLISP industry are institutionally derived practices. The introduction of the new TCP code and its subsequent implementation has implications for FSQ outcomes (specifically in CS/CH areas) for the ISP consumers.

In understanding and analysing the institutional pressures in the vLISP industry, the analytical steps proposed by (Oliver 1991) was used. The discussion focused on answering five key questions which are: 1) Why the pressures were exerted? (Cause) 2) Who was exerting them (Constituents) 3) What these pressure are? (Content) 4) By what means they were exerted? (Control) and 5) Where they occurred? (Context). **Table 3 provides an detailed analysis of Institutional pressures (Oliver 1991).** While the regulator, government agency, consumer association and the ombudsman believe that such pressures are essential drivers, many of the vLISPs consider such pressures as secondary drivers and are of the firm belief that customer pressures are primary in influencing the ISP behaviours. History, however, shows that vLISPs have failed to pay sufficient attention to customer problems. My study found that majority of the customer complaints would have been resolved in the first place had ISPs listened to their customer complaints and directed customer to the right
area/personnel within their business. There were some participants who commented that some vLISPs were using the TIO scheme as a defacto mechanism instead of having their own effective complaints handling processes. This raises serious question about some vLISPs commitment to having a robust and effective complaints handling process.

The participation and responses of various vLISPs to ACMA inquiry, TIO Connect.Resolve campaign (campaign that was run by TIO to drive down complaints of vLISPs) and involvement in code review working committees clearly demonstrates that they operate in an institutional environment where their organizational actions on FSQ practices are held accountable by regulators, government agencies, consumer groups, customers and the ombudsman. The study participants have also indicated that regulatory pressures to incorporate most of the recommendations from the ACMA inquiry into the revised TCP code furthered the seriousness of the issue in relation to addressing CS/CH concerns as a matter of high priority. Table 4 highlights the individual and collective response to pressures by vLISPs.

The study shows that mimetic (competitive) pressures operate in the industry. For example, mimetic pressures resulted in one very large national ISP reviewing its own FSQ practices with those of another very large national ISP (O8) that has received numerous CS excellence awards. Such mimicking of practices occur because it acts as a convenient source of information for ISPs (not performing as well as another) to reduce uncertainty and improve its own CS/CH performance (Williams, Lueg, Taylor & Cook 2009). There is no clear evidence to support the role of normative pressures in influencing the FSQ practices of the industry. The study findings indicate that the current level of influence of external pressures (regulatory pressure in particular) on ISPs’ FSQ practices in a co-regulatory environment is short-lived depending on who exerts the pressure and under what circumstances they were exerted. For the pressures to work effectively it seems that a strong compliance monitoring and enforcement mechanism such as the one suggested in the revised TCP code through Communications Compliance Committee (CC) is required for the FSQ practices to be fully adopted and implemented by the ISPs and reproduced across the industry.
The study found that other factors such as customer pressure defined by Williams et al. 2009 as ‘a force.. that is applied both implicitly and explicitly by customers to which firms must respond’ (p.609) and social media pressure such as whirlpool forums also play a key role in influencing the FSQ practices of vLISPs.

One vLISP [O8] who participated in this study has won numerous CS excellence awards in recognition of their commitment to CS and willingness to adopt a ‘beyond compliance’ strategic approach. Their success is primarily attributed to CEO and senior management attitudes towards CS. Such findings emphasize that commitment to CS is dependent upon organizational culture, company ethos and organization wide accountability for customer service which views CS as a profit factor for the business rather than a cost factor.

**MAJOR CONTRIBUTIONS OF THIS STUDY**

Firstly, this study links and integrates institutional theory, FSQ and ISP industry by examining multi-stakeholder perspective on the role of institutional pressures in influencing FSQ practices of Australian vLISPs. There is scant literature on the integration of institutional perspective in understanding ISP industry co-regulation and ISP industry perspectives to understand institutional pressures that influence FSQ practices. This understanding is fundamental to achievement of appropriate FSQ outcomes for consumers, which are based on a shared understanding of the stakeholders expectations of each other in relation to FSQ practices of vLISPs. Secondly, the qualitative nature of this study provides valuable insight into what drives organizational actions of vLISPs by capturing the personal viewpoints of regulatory actors in the vLISPs. Suddaby (2010) calls for a qualitative inquiry into institutional pressures research to understand how institutional pressures operate and manifest within an industry. Finally, a systematic academic research using institutional lens providers another perpective to the problem. This is because any industry would find it to be a challenge to critically examine itself due to fear of exposing their weaknesses. The findings will assist
the industry and help them further strengthen stakeholder engagement on FSQ practices with a view to achieve better FSQ outcomes for customers and to inform future FSQ policy formulations.

LIMITATIONS OF THIS RESEARCH

This research focused on Australian vLISP industry and one aspect of Internet service provisioning namely functional service quality. It is important to acknowledge that Internet service quality is a combination of both technical as well as functional service quality. Although much of the debate in the Internet industry has been due to the poor FSQ performance (which was chosen to be the focus of this study) technical service quality has equal importance and cannot be ignored. Hence, holistic research in the future needs to consider the assessment of overall service quality in determining the performance of Internet industry.

CONCLUSION

This study interviewed senior ISP industry stakeholders to understand and analyse FSQ practices of vLISPs. It was found that increased stakeholder engagement and interactions occurred in the recent times to address deficiencies in the FSQ aspects of the old TCP code with a view to uplift the FSQ performance of the industry. It was found that regulatory pressures combined with customer pressures and competitive pressures played a major role in influencing the revisions to the code, which translate to FSQ practices when implemented by vLISPs. Some preliminary evidence suggests that the new TCP code has translated to positive FSQ outcomes for customers involving point of sale service. The long-term success of the new TCP code translating into improved CS/CH performance remains to be seen.
REFERENCES


Communications Alliance, 2011 <http://www.commsalliance.com.au>


Figure 1: Key Stakeholders in the Australian ISP Industry who influence FSQ Practices

![Diagram showing key stakeholders and their interactions]

Figure 2: Relationship between themes that have emerged in this study

- Participant response on the FSQ issues
- Customer Service, Complaint Handling
- Key agencies that influence FSQ practices, stakeholder interactions on FSQ practices in the ISP industry
- Pressures relevant to the ISP industry?
- Institutional pressures exerted by various agencies and its influence on FSQ practices; Future impact of NBN on FSQ
- Some ideas to overcome the challenges for FSQ
- TCP code development and review Regulatory compliance involving TCP code and its impact on FSQ
Institutional Actors came together

Review of TCP code – particular focus on CS/CH

Poor FSQ Practices and FSQ performance of the ISP industry

Regulator’s threat of further tighter regulation

Increasing/ unprecedented volumes of CS/CH problems and complaints

Old TCP code

Poors FSQ performance of very large ISPs that drew attention of various stakeholders

Issue based coming together in response to regulatory pressures

Detailed Code provisions; use of simple language; additional emphasis on accessibility of information for consumers in their dealings with ISPs

Review of TCP code and Stakeholder interactions 2010/2011

New requirements on ISPs for compliance reporting (Mandatory); Creation of Compliance Committee (CC); Mandatory submission of Code Compliance statement to CC; Statement of Independent Assessment to CC; Submit a compliance report in the format required by CC against a list of FSQ metrics; comply with directions from CC consistent with code obligations.

Code revisions – Stronger CS/CH focus, simple to use and follow, Mandatory reporting, Strong enforcement

Significant benefits have been achieved with respect to the relevant section of the code due to focus on addressing source of complaints and industry wide input in revising the code

New TCP Code 2012: Revised FSQ Practices expected to lead to consistency and better FSQ performance outcomes industry wide (based on preliminary evidence with O7)
Table 1: Profile of the participants interviewed in this study

<table>
<thead>
<tr>
<th>Organization Type [O]</th>
<th>Participant’s role in the organization [P]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Association [O1]</td>
<td>Senior Executive Officer of Consumer association relevant for ISPs. Has decades of experience on consumer issues in the Internet industry [P1].</td>
</tr>
<tr>
<td>Industry association member/Consultant [O2]</td>
<td>Principal of ISP industry consulting firm; 30 year Telco veteran who has worked for major ISPs in regulatory affairs area in the past [P2].</td>
</tr>
<tr>
<td>ISP Industry Association [O3]</td>
<td>Senior Executive Officer of the Industry association responsible for code development, engagement with industry members, represents views of industry members and is heavily involved in all industry related activities [P3].</td>
</tr>
<tr>
<td>Regulator [O4]</td>
<td>Senior executive in the agency assisting, facilitating development of codes, registration of codes and monitoring compliance with codes and enforcing those codes [P4].</td>
</tr>
<tr>
<td>Ombudsman [O5]</td>
<td>A senior executive involved in planning and stakeholder management. Oversees four functional teams at the Ombudsman. They include policy team, membership team, which has responsibility for dealing with inquiries from their members and giving them advice and also general communications or public affairs team. Has been with the Ombudsman for nine years [P5].</td>
</tr>
<tr>
<td>Very Large ISP1 [O6]</td>
<td>General Counsel executive who heads up the legal and also the regulatory functions of the ISP and another team member who is involved in a number of regulatory tasks and responds to submissions or participates in code review or implementing compliance throughout the business [P6].</td>
</tr>
<tr>
<td>Very Large ISP2 [O7]</td>
<td>Senior executive staff of Consumer and Compliance in the Regulatory Affairs Team of a very large national ISP. He has been working for this Telco in excess of 30 years and has extensive experience in the regulatory space but also within the industry. In his current role he is responsible for internal regulatory compliance program. - Particularly in respect of complaint handling and customer service obligations - and to ensure that they are complied with [P7].</td>
</tr>
<tr>
<td>Very Large ISP3 [O8]</td>
<td>Regulatory executive of a very Large ISP based in Western Australia. Has experience with the company for 8 years and deals with the regulatory and compliance issues for this organization. Overall, has close to forty years experience in Australian Telecommunications industry [P8].</td>
</tr>
<tr>
<td>Australian Government Department [O9]</td>
<td>Senior Government Executive who manages the Consumer Engagement section, which is, involved in a number of consumer policy issues [P9].</td>
</tr>
</tbody>
</table>

Table 2: Summary of main FSQ concerns and reasons for poor FSQ performance

<table>
<thead>
<tr>
<th>Nature of the Issue</th>
<th>Summary of main FSQ concerns by participants</th>
</tr>
</thead>
</table>
| Key Customer services concerns | 1. Inability of ISPs to deal with huge influx of calls due to shortage of staff in call centres  
2. Incorrect (or) inadequate information at point of sale  
3. Huge waiting time, misleading claims, no follow-up action by providers and customer frustration in being shifted to various departments when they call their providers to get assistance  
4. Customers lack of understanding of services they have purchased |
| Key Complaint handling concerns | 1. Failure to recognize a complaint  
2. Failure to inform customers about alternate dispute resolution avenues such as the TIO  
3. Failure to action undertakings  
4. Failure to direct customer to the right area of business to resolve complaints  
5. Failure to resolve complaints in a swift manner |
| Reasons for poor FSQ performance | 1. Inability of the old code in dealing with emerging consumer issues  
2. Complexity of products and services  
3. Rapid increase on rates of services growth  
4. Lack of strong enforcement and monitoring that did not drive the right behaviour in the industry  
5. Increased focus on technical aspects of services as opposed to CS & CH.  
6. Customer inability to understand new technologies and how best to utilize them  
7. Lack of commitment of senior management in vLISPs to prioritize customer service and adopt beyond compliance strategies  
8. Failure of ISPs to engage in activities that broaden understanding of consumer affairs  
9. Failure to focus on avoiding complaints rather than dealing with them |
### Table 3: Analysis of institutional pressures using analytical steps proposed by (Oliver 1991)

<table>
<thead>
<tr>
<th>Questions</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why the pressures were exerted?</td>
<td>The pressures came about due to ongoing concerns on poor FSQ performance of ISPs. In particular, huge increase in volume of complaints about ISPs, inability of ISPs to deal with systemic CS/CH issues, lack of consistency in delivery of services, reports by consumer organizations highlighting ongoing negative customer service experiences, high media profile of the problem and competitive pressures exerted by ISPs [O8] excelling in CS calling on other players to lift their game on CS culminated into origin of pressures.</td>
</tr>
</tbody>
</table>
| Who was exerting them?          | 1) Regulator- Australian Communications Media Authority  
2) Telecommunications Industry Ombudsman  
3) Department of Broadband, Communications and Digital Economy  
4) Competitors excelling in customer service [O8]  
5) Consumer Association- Australian Communications Consumer Action Network |
| What these pressures are?       | 1) Regulatory Pressures  
2) Customer pressures  
3) Mimetic (competitive) Pressures |
| By what means they were exerted? | 1) Regulatory pressures were exerted through regulator inquiry into FSQ practices, enforcement action, media releases from Minister’s department signalling tighter regulation if the industry failed to lift its game on CS/CH, public forums on CS organized by regulator and the ombudsman.  
2) Customer pressures came about through customer’s directly voicing their concerns to the regulator (or) consumer advocate about their FSQ concerns.  
3) Competitive pressures through ISPs such as O8 excelling in CS calling on other players to improve industry CS reputation. |
| Where they occurred?            | Very large ISPs organizational units that were responsible for regulatory and corporate affairs. |

### Table 4: Individual and collective response to pressures by very large ISPs

<table>
<thead>
<tr>
<th>Response to pressures by vLISPs</th>
<th>Description of response</th>
</tr>
</thead>
</table>
| Collective response to pressures by vLISPs | 1) All very large ISPs interviewed in this study prefer co-regulation with strong enforcement rather than direct regulation. They responded to regulator and other stakeholder concerns particularly on compliance through establishment of an independent compliance committee to oversee industry compliance in the revised code.  
2) 20 out of 21 recommendations that came out of the regulator Inquiry report were incorporated into the revised TCP code.  
3) Increased collaboration between all very large ISPs and other stakeholders in code review working committees occurred to address deficiencies in FSQ areas of the old code. |
| Individual response to pressures by vLISP | 1) Structural changes within organization with increased accountability of staff on customer service.  
2) Appointment of executive staff to bring new CS initiatives.  
3) Cultural change within organization that embraces the concept that everything that staffs do must have customer as the focus of what they do.  
4) Increased focus on avoiding CS/CH problems rather than deal with them. |
Towards understanding how institutional forces influence the functional service quality practices of Australian very Large Internet Service Provider industry

Karthik Vilapakkam Nagarajan
School of Management, University of Western Sydney, Sydney, Australia
Email: vnkarthiklallu@yahoo.com

ABSTRACT

Customer service and complaints handling referred to as Functional Service Quality (FSQ) are the top two Internet service issues that has drawn serious attention of the Australian telecommunications regulator. In the past few years, several regulatory activities, campaigns, stakeholder interactions and collaborations have occurred to improve the FSQ performance of the Australian very large ISPs (vLISPs). This paper analyses senior ISP industry stakeholders’ perspectives on institutional pressures that influence the FSQ practices of vLISPs. Major findings are (i) regulatory pressures dominate and vLISPs respond to such pressures for fear of tighter regulation and (ii) the response to such pressures have resulted in significant improvements to the Telecommunications Consumer Protection (TCP) code which has implications for FSQ practices and performance.

Keywords Organizational behaviour, customer service, organizational culture, manager decision-making, service quality, institutional forces.