



# Effect of employee incivility on customer retaliation through psychological contract breach: The moderating role of moral identity



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## ARTICLE INFO

### Article history:

Received 6 March 2015

Received in revised form 14 June 2015

Accepted 29 July 2015

### Keywords:

Employee incivility

Customer retaliation

Psychological contract breach

Moral identity

## ABSTRACT

This study investigates the effect of employee incivility on customer retaliation through psychological contract breach in the context of upscale restaurants. Results of our study ( $N=2014$ ) show that psychological contract breach mediates the positive relationship between employee incivility and three forms of customer retaliatory behaviors. Further, drawing upon the moral identity perspective, we found that customers who are high in moral identity tend to be more likely to seek revenge by engaging in vindictive complaining (but not third party complaining or negative word of mouth) subsequent to their experience of psychological contract breach. Our study yielded both theoretical contributions and practical implications.

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## 1. Introduction

Encountering rudeness and discourteous behaviors from service employees is perhaps a prevalent phenomenon that customers in many parts of the world have experienced before. Employee incivility is defined as “low-intensity deviant behavior with ambiguous intention to harm” (Andersson and Pearson, 1999, p. 457). In this study, we refer to employee incivility as the mistreatment of employees toward their customers. Such mild form of mistreatment is often associated with detrimental effects that may directly and/or indirectly harm an organization. Studies have also shown that the behaviors of frontline employees directly influence customer satisfaction and loyalty (Liao and Chuang, 2007; Schneider et al., 2005). Indeed, employee incivility has been found to not only provoke negative emotion such as anger among customers but may also lead to customer turnover and trigger a spiral effect that results in customer incivility toward employees (Andersson and Pearson, 1999; Porath et al., 2010; van Jaarsveld et al., 2010).

Numerous studies have indicated the severity of damage caused by uncivil behaviors at workplace (Cortina et al., 2001; Cortina and Magley, 2009; Kern and Grandey, 2009; Porath and Pearson, 2013). However, prior studies on incivility have mainly focused on internal stakeholders in organizations, such as coworker-to-coworker,

supervisor-to-subordinate, and subordinate-to-supervisor (Lim and Lee, 2011; Sakurai and Jex, 2012). Investigation on the effect of employee incivility on external stakeholders is relatively scarce. A key question is, for example, how may employee incivility affect customers? A recent study conducted by Lee et al. (2013) shows that customers' perception of low employee service quality is positively related to their greater desire and intention to take revenge as well as to terminate their relationship with the service provider. It could be postulated that customer retaliation is a probable consequence of employee incivility. To our knowledge, the present study pioneers an empirical investigation on the linkage between employee incivility and customers' actual retaliatory behaviors.

Despite the numerous studies on employee incivility, the issues of *how* and *when* employee incivility may negatively influence organizations have not been explored fully (Porath et al., 2010). For instance, a meta-analysis conducted by Zhao et al. (2007) on psychological contract breach shows that psychological contract provides an important framework for understanding corporate relationships with employees and customers (see also Deery et al., 2006). Previous studies have also demonstrated that psychological contract breach is associated with individuals' undesirable behavioral responses as a result of interpersonal offenses (Lee et al., 2013; Zagenczyk et al., 2014). Building upon these scholarly works, we posit that psychological contract breach is important for understanding customer reaction to service failure.

Shao and Skarlicki (2014), however, suggest that individuals vary in their propensity to take revenge (Shao and Skarlicki, 2014). Such variation could be caused by individual differences such as

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their self-importance of moral identity (Barclay et al., 2014), which is an essential self-regulatory mechanism that guides individuals' behavioral responses to their social environment, particularly in the context of interpersonal mistreatment (Aquino and Reed, 2002). As moral identity may be more chronically accessible and active for some than others, individuals may interpret moral incidents and react differently (Aquino et al., 2011). Accordingly, in this paper we propose that there is an interactive effect of psychological contract breach and moral identity on customer retaliation.

In order to account for the effect of employee incivility on customer retaliation through psychological contract breach, the following research aims were formulated prior to the study:

- (i) to identify the consequence of employee incivility on external stakeholders;
- (ii) to examine the role of psychological contract breach in the relationship between employee incivility and customer retaliatory behaviors, and
- (iii) to investigate the moderating effect of moral identity on the model.

By addressing these research issues, the present study contributes to the broader literature on employee incivility in several ways. First, the primary contribution of this study is to extend the understanding about the consequences of employee incivility on customers as external stakeholders. Previous studies have shown that simply witnessing uncivil behaviors among employees may trigger an individual's anger and their negative impression about the organizations (Porath et al., 2010; Skarlicki and Rupp, 2010). And being the direct target of employee incivility may even arouse hostility, and customer misbehaviors from customers (Andersson and Pearson, 1999; van Jaarsveld et al., 2010). Customer misbehaviors are associated with detrimental implications such as taking revenge, withdrawing from the relationship with the service provider, and damaging the reputation and public image of an organization (Grégoire et al., 2009, 2010; Harris and Reynolds, 2003; He and Harris, 2014; Lee et al., 2013). These undesirable outcomes underscore the need to further explore the potential antecedents of negative customer behaviors (Daunt and Harris, 2011; Gelbrich, 2010; Grégoire et al., 2009). Our study addresses this gap by examining employee incivility as a factor leading to both instant and subsequent retaliatory behaviors from customers. In addition, this current study responds to the call for more research on potential mediators in the relationship between incivility and customer behaviors (Porath et al., 2010). Porath et al. (2010) revealed anger as an affective response from customers when they witness uncivil interactions among employees. According to Grégoire and Fisher (2008), when customers feel betrayed, they are motivated to take actions to restore justice and such feeling and intention are partially cognitive in nature. Building upon these arguments, this present research examines psychological contract breach as a mediating mechanism that consists of both cognitive and affective components. This study asserts that even employee mistreatment toward customers with a mild intensity may result in feelings of betrayal, resulting in radical behavioral responses among customers and detrimental effects to organizations. Our study also proposes a novel integration of the research on psychological contract breach (Robinson, 1996) with social identity theory (Tajfel and Turner, 1979) that accounts for the effect of employee incivility on customers. Rooted in social exchange theory (Blau, 1964), research on psychological contract breach suggests that breach of perceived promises is a form of violation of trust, which may in turn spark "readiness for action" (Morrison and Robinson, 1997; Robinson, 1996). However, according to the social identity literature, moral identity, as a part of one's social self-schema, guides an individual's moral behaviors to be consistent with his/her self-concepts (Aquino

and Reed, 2002; Blasi, 1984; Damon and Hart, 1992). Individuals high in moral identity, as a part of one's social self-schema, generally exhibit fewer tendencies to take retaliatory actions as a result of unfair treatment and negative behaviors with retaliation (Barclay et al., 2014; Skarlicki et al., 2008). However, retaliation<sup>1</sup> may not be necessarily immoral (Bies and Tripp, 1996; Folger and Skarlicki, 1998). Skarlicki and Folger (2004) refer retaliation as "a person's orientation and motivation to make the wrongdoer pay" (p. 374). Therefore, in this study, we may also speculate that moral identity may interact with psychological contract breach to differentially moderate different forms of customer retaliatory behaviors. Finally, previous studies on incivility were predominantly conducted in Western firms, yet employee incivility is equally common in Asia (Lim and Lee, 2011). The consequences of employee incivility warrant more investigations in different national and cultural contexts.

## 2. Theoretical background and hypotheses

### 2.1. Employee incivility and psychological contract breach

Despite the low intensity and ambiguous intention associated with incivility to cause harm, it is a precursor of more serious and negative long-term consequences (Penney and Spector, 2005). Andersson and Pearson (1999) cited a few examples of workplace incivility which may be adapted to the context of hospitality: a hotel staff answered customers either on phone or face-to-face with a short response without saying thank you or please, talking to a customer regarding his/her personal issues loudly, and chatting loudly with another service representative and neglected customers' requests during service encounter. Generally, employee incivility targeted at customers may be understood as mild employee mistreatment manifested in rude comments, thoughtless less, and negative gestures toward customers (Neuman and Baron, 1997).

Psychological contract theory posits that entities in relationships are bound by their obligations to exchange and to reciprocate the resources they owe each other (Aselage and Eisenberger, 2003; Gouldner, 1960; Rousseau, 1995). One's belief about another person's failure in fulfilling his/her obligations is termed psychological contract breach (Morrison and Robinson, 1997). The concept of psychological contract breach has been widely adopted for investigating employer–employee relationships (e.g., Deery et al., 2006; Lub et al., 2012; Restubog et al., 2012), because it is an essential factor in shaping employees' attitudes and behaviors (Aselage and Eisenberger, 2003). In the context of employee–customer relationship, customers possess certain expectations on the service delivery from service employees (Ariffin and Maghzi, 2012; Limpanitgul et al., 2013; Prayag and Ryan, 2012). These expectations manifest customers' beliefs about the obligations of service providers and their employees in return for their patron and expenditure. Prayag and Ryan (2012) specified that hotel employees are crucial in delivering the 'moment-of-truth' (Urry, 1990) in order to fulfill customers' expectations on the integrity and respect associated with their services. For example, when a customer dines at a restaurant in a five-star hotel, they will expect excellent service and a considerate attitude from its staff (cf. Prayag and Ryan, 2012). Therefore, even uncivil behaviors without a clear intention to cause harm in hotels may betray customers' expectations and confidence on the professionalism and obligations of service employees.

<sup>1</sup> Retaliation is defined as "a person's orientation and motivation to make the wrongdoer pay" (Skarlicki and Folger, 2004, p. 374). Furthermore, customer retaliation refers to actions taken by customers to restore equity and perceived injustice as a result of violated norms and unfulfilled promises (Aquino et al., 2001; Bordia et al., 2008).

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