International Journal of Hospitality Management 43 (2014) 87–97

Contents lists available at ScienceDirect

International Journal of Hospitality Management

journal homepage: www.elsevier.com/locate/ijhosman

Effect of corporate social responsibility, customer attribution and prior expectation on post-recovery satisfaction

Noel Yee-Man Siu*, Tracy Jun-Feng Zhang[1], Ho-Yan Kwan[2]

Department of Marketing, School of Business, Hong Kong Baptist University, Renfrew Road, Kowloon Tong, Hong Kong

ARTICLE INFO

Keywords:
Post-recovery satisfaction
Service failure
Customer attribution
Corporate social responsibility
Customer–company identification
Prior expectation

ABSTRACT

A conceptual model is proposed to account for how customers' attributions of the cause of a service failure, their perceptions of a firm's social responsibility and their prior expectations can influence post-recovery satisfaction through the mediating effect of customer–company (C–C) identification. It was tested in the context of hospitality services. Findings from a survey of 281 restaurant patrons show that after a service failure, favorable corporate social responsibility (CSR) perception can help mitigate the negative effects of internal cause attribution on customer identification and ultimately contribute to post-recovery satisfaction. Besides, the interaction effect of CSR perception and attribution on C–C identification is particularly salient for customers with higher prior expectation. Findings also highlight that the dynamic interaction effect among attribution, CSR perception and prior expectation on customer post-recovery satisfaction is mediated by C–C identification.

1. Introduction

Maintaining customer satisfaction is crucial to hospitality firms (e.g., Andaleeb and Conway, 2006; Dominici and Guzzo, 2010; Kandampully and Suhartanto, 2000; Liu et al., 2013). However, service failures are common in hospitality because such services rely heavily on experience and involve a high degree of interaction between employees and customers. The customers may experience anger and dissatisfaction when they experience service failures (e.g., Bougie et al., 2003). The effect of service failure and the importance of recovery have been studied by business scholars interested in hospitality industries (e.g., Ha and Jang, 2009; Kim et al., 2009; Sánchez-García and Currás-Pérez, 2011; Siu et al., 2013). Yang and Mattila (2012) explored in particular the impact of different types of service failure in restaurants on consumers' behavioral intentions and found that they are more likely to voice a complaint after a core service failure rather than an interactional service failure. Kwon and Jang (2012) showed that perceived equity in any compensation for a service failure has a significant effect on behavioral intentions.

Much previous research has focused on defining the recovery tactics most likely to restore customer satisfaction following a service failure (Maxham, 2001; McCollough et al., 2000; Smith and Bolton, 2002). However, recovery is not the only and single solution in the context of service failure. Customers may not always be satisfied even when recovery is offered. Prior studies have highlighted cognitive factors such as failure attribution and customers' expectations which may constrain the effectiveness of any recovery measures. Attribution refers to a customer's belief that the service firm could have averted the failure or mitigated its effects (Weiner, 2000). Such attributions can minimize or magnify negative customer responses and satisfaction judgments following a service failure (e.g., Hess et al., 2003; Smith and Bolton, 1998; Smith et al., 1999). Customers' satisfaction is also determined to some extent by their expectations (e.g., Fornell et al., 1996; Oliver, 1980) based on the standard of comparison they use in evaluating service performance (Parasuraman et al., 1985). They are more likely to be satisfied when the actual performance confirms or exceeds their prior expectations (Yi and La, 2004). Ryanair passengers are famous for accepting service which could be considered almost abusive because they expect no better when paying a very low fare. In contrast, customers with high expectations who experience negative disconfirmation are likely to feel more dissatisfied.

Recent studies have indicated that companies in the hospitality industry introduce CSR as a strategy to develop long-term customer relationships and achieve a competitive advantage (Martínez and Bosque, 2013). CSR perceptions can be important because prior research has demonstrated that a reputation for CSR can have a

* Corresponding author. Tel.: +852 3411 7529; fax: +852 3411 5586.
E-mail addresses: nsiu@hkbu.edu.hk (N.Y.-M. Siu), junfzh@hkbu.edu.hk (T.J.-F. Zhang), yankwan.email@gmail.com (H.-Y. Kwan).
[1] Tel.: +852 3411 7524; fax: +852 3411 5586.
[2] Tel.: +852 3411 7587; fax: +852 3411 5586.

http://dx.doi.org/10.1016/j.ijhm.2014.08.007
0278-4319/

halo effect, influencing consumers' judgments in non-routine situations. Godfrey et al. (2009) found that CSR activities provide firms with an insurance-like benefit which tempers customers' negative judgments and sanctions when negative events occur. Firms that actively engage in building a reputation for CSR have been shown to be more likely to be protected when they make mistakes than those paying less attention to their reputation (Luo and Bhattacharya, 2009). Klein and Dawar (2004) have studied this halo effect and found that a reputation for CSR has a spillover effect on brand evaluation and purchase intentions. It acts as insurance to reduce the risk of adverse evaluations when damaging assertions about a firm emerge. However, scholars have not yet made a concerted effort to examine the insurance-like properties of CSR activities in the context of recovering from a service failure. This study was therefore designed to explore how CSR perception can influence customer evaluations following a service failure. Specifically, it investigated how attribution, CSR perception and prior expectation interact to affecting consumers' evaluations of a service provider after a service failure, in terms specifically of identification and post-recovery satisfaction.

Some prior studies have addressed customers' affective responses to service failures (e.g., negative emotions, anger, annoyance, etc.) and their effect on satisfaction (Smith and Bolton, 2002; Strizhakova et al., 2012). But customer–company (C–C) identification has been little studied in the context of service firms' recovery from a service failure. Understanding how C–C identification is altered by attribution, CSR perception, and prior expectation as well as their interaction is important for both service providers and academics. Customers' feelings of identification form a good basis for strong customer–company relationships (Bhattacharya and Sen, 2003), which bring subsequent benefits including customer satisfaction, positive product evaluations, and word-of-mouth support (e.g., Ahearne et al., 2005; Bhattacharya et al., 1995; Homburg et al., 2009). This study therefore set out to document any mediating effect of C–C identification in the relationships relating attribution x CSR x prior expectation on one side and customer post-recovery satisfaction on the other side.

2. Conceptual background

The cognitive-affective model (Bosque and Martín, 2008; Oliver, 1993) provides a theoretical foundation for understanding how customer satisfaction develops in a service setting. Satisfaction is considered as a joint function of cognition (confirmation or disconfirmation of expectations) and affect (Bigné et al., 2005; Oliver et al., 1997; Siu et al., 2012). Cognitive antecedents including the customer's expectation, performance and attribution play a significant role, but psychological processes are also important (Bosque and Martín, 2008). Bosque and Martin have shown how cognitive appraisals of experience can contribute to the formation of affective responses such as emotions. This research therefore considered both customers' psychological/affective evaluations (specifically, identification) and the interactive effect of cognitive judgments (CSR perception, failure attribution and customers' prior expectation) in influencing satisfaction after a service failure.

2.1. The role of corporate social responsibility

Building a reputation for CSR has now come to be considered by many a crucial practice in the hospitality industry (e.g., Kim and Kim, 2014; Martínez and Bosque, 2013; Park and Lee, 2009). CSR refers to a company's activities that are perceived to be its obligation to society or its stakeholders (Klein and Dawar, 2004; Sen and Bhattacharya, 2001). The stakeholder theory (Donaldson and Preston, 1995; Freeman, 1984) proposes that corporate management should look beyond shareholders and be concerned with other stakeholders including customers, suppliers, employees, and even the wider community (Freeman, 1984). Funding CSR activities is one popular technique for building a reputation for doing so.

A considerable amount of academic research has documented an impact of socially responsible activities on business performance, especially on financial performance (Barnett and Salomon, 2006; Brammer and Millington, 2008), as well as on customers' perceptions and behavior (Berens et al., 2005; Kwan et al., 2012; Luo and Bhattacharya, 2006). An organization's socially responsible behavior has been shown to positively influence consumers' attitudes toward the organization and its products (Ellen et al., 2000; Engelland, 2014; Green and Peloza, 2011; Sen and Bhattacharya, 2001), and to enhance customer satisfaction (Luo and Bhattacharya, 2006) and loyalty (Du et al., 2007).

In addition, CSR is found to affect customer–company identification (Martínez and Bosque, 2013; Sen and Bhattacharya, 2001). CSR initiatives build a certain corporate identity which associates a firm with an image of responsiveness to address the needs of the society for continued survival (Marin et al., 2009). Lichtenstein et al. (2004) have argued that when a firm's CSR initiatives signal to consumers that the company has traits overlapping with their own self-concepts, company-consumer identification will be stronger and the consumers will be more supportive of the company, thus developing a sense of connection. C–C identification is thus considered a key consequence of CSR investment. Du and his colleagues have argued that such identification may be more likely to bring about more relational reactions to the company and its brand over the long term than mere product purchases (Du et al., 2007).

Academic studies have also shown that consumer resistance to negative information can be induced and strengthened when the consumers perceive a firm to be socially responsible (Eisingerich et al., 2011; Klein and Dawar, 2004). Activities perceived as socially responsible help a firm generate goodwill or moral capital, which helps insure against the unfavorable impact of negative events on corporate profits (Godfrey, 2005; Godfrey et al., 2009). Such activities signal to stakeholders, especially customers, the firm's willingness to act altruistically. The goodwill generated may reduce the overall severity of sanctions and temper stakeholders' negative judgments in unfavorable situations such as when negative information emerges.

Business scholars have also previously investigated the interaction between CSR investment and a firm's abilities (such as its expertise) in influencing outside evaluations (e.g., Handelman and Arnold, 1999). A group led by Berens found that a reputation for CSR does not significantly affect people's attitudes when a firm is exceptionally able, but it can help compensate for weak corporate abilities (Berens et al., 2005). Therefore, when a service failure leads to poor perceptions of a firm's abilities, a reputation for social responsibility initiatives may help signal to the customers that the firm's efforts with respect to societal matters reflect a certain level of conscientiousness. Following a service failure, a service firm can thus benefit from its CSR investments when they help compensate for unsuccessful service delivery due to internal factors related to corporate ability. At the extreme, there may be stronger customer identification with that service firm.

2.2. The role of attribution

Negative emotions such as annoyance, disappointment, regret, anger or sadness arising from a service failure all contribute to dissatisfaction (Mattila and Ro, 2008). So the first question a customer may ask is "who's to blame?", and the answer will direct their future attitudes and actions. According to Weiner (2000), perceptions of causality can influence satisfaction and increase the likelihood of