

**Conflict Management Approaches, Customer Expectation  
Evaluation, and Customer Satisfaction: An Empirical Investigation**

Ebrahim Mazaheri-Khorzani

Bachelor of Engineering  
Amir Kabir University of Technology  
(Tehran Polytechnic)  
Tehran, Iran  
2002

A Research Project  
Submitted to the School of Graduate Studies  
of the University of Lethbridge  
in Partial Fulfillment of the  
Requirements for the Degree

**Master of Science in Management**

**Faculty of Management  
The University of Lethbridge  
LETHBRIDGE, ALBERTA, CANADA**

© Ebrahim Mazaheri-Khorzani, 2004

## **Abstract**

This study investigates the potential impacts of different conflict management approaches and expectation evaluation on customer satisfaction. Using three approaches of conflict management theory and three possibilities for customers' expectation evaluation, nine scenarios have been developed. The results of this experiment-based study suggest that the interaction of customer expectation evaluations and conflict management approaches do not have a significant effect on customer satisfaction. However, the study also suggests that both the style of conflict management and expectation evaluation have a significant, direct impact on customer satisfaction.

## **Acknowledgments**

Completing this study was an exciting, challenging, and rewarding experience. I would like to thank a number of people without whom this successful experience would not have been happened.

First and foremost I would like to thank my family, my parents for supporting me emotionally and financially, my wife, Kazhal, for being with me throughout the process and always helping and encouraging me, and my parents in law for supporting me.

I would like to extend my warmest gratitude to my supervisor, Dr. Zoltan Daroczi, for his immense amount of support, advice, and guidance throughout the process. Acknowledgement needs to be extended to my co-supervisor, Dr. Debra Basil, for her constant help and continued support. I couldn't have done any of this without their support.

My special thanks also to the members of my defense committee, Dr. Zoltan Daroczi, Dr. Debra Basil, Dr. Dean Tjosvold, and Dr. Mike Basil, for their valuable comments, suggestions, and corrections.

I am grateful to Dr. Abdie Kazemipour for his helpful conversations and valuable suggestions. His help is greatly appreciated.

# Table of contents

<b>Abstract.....</b>	<b>ii</b>
<b>Acknowledgments .....</b>	<b>iii</b>
<b>Table of contents .....</b>	<b>iv</b>
<b>List of Tables .....</b>	<b>vi</b>
<b>List of Figures.....</b>	<b>vii</b>
<b>CHAPTER 1. INTRODUCTION AND IMPORTANCE OF STUDY .....</b>	<b>1</b>
<i>1.1- Introduction .....</i>	<i>1</i>
<i>1.2- Importance of the Study .....</i>	<i>2</i>
<i>1.3-Research Questions .....</i>	<i>3</i>
<b>CHAPTER 2. LITERATURE REVIEW, THEORETICAL FRAMEWORK, AND HYPOTHESE.....</b>	<b>4</b>
<i>2.1- Literature Review.....</i>	<i>4</i>
<i>2.2- Theoretical Framework.....</i>	<i>10</i>
<i>2.2.1- Conflict management .....</i>	<i>10</i>
<i>2.2.2-Expectation Evaluation and Customer Satisfaction .....</i>	<i>16</i>
<i>2.3- Expected Findings and Hypotheses .....</i>	<i>19</i>
<b>CHAPTER 3. RESEARCH METHODOLOGY .....</b>	<b>24</b>
<i>3.1- Pre-test.....</i>	<i>27</i>
<i>3.1.1-Pre-test 1 .....</i>	<i>27</i>
<i>3.1.2-Pre-test 2.....</i>	<i>29</i>
<i>3.1.3-Interview .....</i>	<i>30</i>
<i>3.1.4-Pre-test 3.....</i>	<i>31</i>
<i>3.1.5-Pre-test 4.....</i>	<i>32</i>
<i>3.2- Sampling and Data Collection .....</i>	<i>33</i>
<i>3.2.1-Subjects and Procedure .....</i>	<i>33</i>
<i>3.3- Analysis and Results .....</i>	<i>36</i>
<i>3.3.1- Satisfaction Scales and General Data .....</i>	<i>36</i>
<i>3.3.2- Assumptions of ANOVA .....</i>	<i>37</i>
<i>3.3.3-Results.....</i>	<i>40</i>
<i>H1a, H1d, H1g .....</i>	<i>41</i>
<i>H1b, H1e, H1h .....</i>	<i>42</i>
<i>H1c, H1f, H1i.....</i>	<i>42</i>
<i>H2a, H2d, H2g.....</i>	<i>43</i>

<i>H2b, H2e, H2h</i> .....	44
<i>H2c, H2f, H2i</i> .....	44
<i>H3</i> .....	45
3.3.4- <i>Summary of Findings</i> .....	47
<b>CHAPTER 4. CONSLUSION, LIMITATIONS, AND FUTURE STUDIES .....</b>	<b>48</b>
<b><i>4.1. Conclusion</i></b> .....	<b>48</b>
<i>4.1.1-Conflict Management Approaches</i> .....	48
<i>4.1.2-Customer Expectation Evaluation</i> .....	50
<i>4.1.3- Interaction Effect</i> .....	50
<b><i>4.2-Limitations</i></b> .....	<b>52</b>
<b><i>4.3- Future Studies</i></b> .....	<b>53</b>
<b>References</b> .....	<b>56</b>
<b>Appendix 1: <i>Customer Satisfaction Scale 1.</i></b> .....	<b>62</b>
<b>Appendix 2: <i>Customer Satisfaction Scale 2.</i></b> .....	<b>63</b>
<b>Appendix3: <i>Questionnaire for Pre-test 1.</i></b> .....	<b>64</b>
<b>Appendix 4: <i>Pre-tested Scenarios.</i></b> .....	<b>65</b>

## List of Tables

Table 1. Partial Hypotheses For First Hypothesis .....	22
Table 2. Partial Hypotheses For Second Hypothesis .....	23
Table 3. Results of Pre-test 1 .....	28
Table 4. Results of Pre-test 3 .....	31
Table 5. Results of Pre-test 4 .....	32
Table 6. Frequencies of Respondents For Each Cell .....	35
Table 7. Factor Analysis For Satisfaction Items .....	37
Table 8. ANOVA for SRSAT1 .....	40
Table 9. ANOVA for SRSAT2 .....	41
Table 10. Summary of the Results .....	47

## List of Figures

Figure 1. Thomas (1976) and Rahim (1983) Conflict Management Theory .....	12
Figure 2. Deutsch (1973) and Tjosvold (1986) Conflict Management Theory .....	13
Figure 3. Proposed Model.....	21
Figure 4. Research Design .....	27
Figure 5. Normality of Square Root Satisfaction1.....	38
Figure 6. Normality of Square Root Satisfaction2.....	39
Figure 7. Interaction Effect of Conflict Management and Expectation Evaluation on Customer Satisfaction .....	46
Figure 8. Interaction Effect of Conflict Management and Expectation Evaluation on Customer Satisfaction .....	46

# Chapter 1

## *Introduction and Importance of the Study:*

### *1.1- Introduction*

Proactive understanding of customers and investigating customer experiences are both listed as top research priorities by the Marketing Science Institute (MSI, 2002). Such priorities are established by surveying leading North American corporations about potential contributions from academic research. This study attempts to contribute to those literature streams targeting a deeper understanding of customers. Evaluating customer reactions to conflict situations in their contact with a service provider (i.e., business-to-customer conflicts), and, in particular, analyzing customer reactions to different conflict management approaches according to their expectation evaluation, may provide meaningful insights to both researchers and practitioners.

One can observe conflict situations everyday in marketing activities. Conflicts may arise within a business, between two businesses or between a business and its customers.

Within business conflicts occur among employees and/or managers within an organization. It is seemingly an important issue because many studies have worked on conflict among employees within organizations and found its effect on different variables such as organizational performance and employee satisfaction (Barki and Hartwick, 2001; Montoya-Weiss, Massey, and Song, 2001; Song, Xie, and Dyer, 2000).

Business to business (or B-to-B) conflicts, would take place between any two or more organizations in a marketing channel. The emerging trends of globalization and networking as potential sources of competitive advantage have generated a great number

of research studies on B-to-B conflicts. For instance, establishing and managing international joint ventures were extensively researched topics (Lin and Germain, 1998; Morris et al., 1998; Baek, 2003). The analysis of conflict management has produced numerous results in interorganizational relationship literature as well (Daroczi, 2003; Eckert, 1997; Gaski and Nevin, 1985).

The third possible situation is the conflict between a business and its customers. This type of conflict takes place between the customer and the company which has some form of personal interaction with customers. Personal interaction is actualized through sale representatives or more generally, through contact employees. Several studies have worked on this type of conflict from the employees' point of view (e.g. Chung and Schneider, 2002; Weatherly and Tansik, 1993). Only a few articles have addressed the conflict management in consumer behavior context (e.g., Selnes, 1998).

### *1.2- Importance of the Study:*

In the highly competitive business environment where companies attempt to gain or create competitive advantages, using an effective approach for conflict management may provide such advantages. Also, customers often compare the perceived service performance to their expectations. Perceived service performance may exceed, meet, or fail to meet customers' expectations and it has an observable impact on customer satisfaction (Oliver, 1980). Given the importance of customer satisfaction, companies, especially service providers, may use the findings of this study to review and perhaps improve company policies for managing conflict between contact employees and customers and to train their employees. Considering the different levels of customers'

expectation evaluation, determining the conflict management style which creates the highest level of customer satisfaction would be desirable.

*1.3-Research Questions:*

This study will attempt to investigate the main and interactive effects of different conflict management styles and customer expectation evaluation on the level of customer satisfaction. Specifically, the study attempts to find the preferred style of conflict management at different expectation evaluation levels by the customer.

Evaluating these relations may provide meaningful insights into customer service operations in general, and it may also provide support to managers in training contact employees who work in customer service positions.

## Chapter2

### *Literature Review, Theoretical Framework, and Hypotheses*

#### *2.1- Literature Review:*

Customer relationship management (CRM) is a relatively new concept in management and has become a very important issue for improving profitability, much like “having loyal customers” or retaining customers (Bohte, 1998). Galbreath and Rogers (1999) define CRM as “activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time and the right cost” (p.162). As a result, CRM facilitates relationships between stakeholders such as customers, employees, and suppliers. Therefore managing conflict situations between a customer and an employee appears to be a significant dimension of CRM (see Widmier and Jackson Jr., 2002).

One can see different ways of categorizing conflict management approaches in the publications. However, two categorizations are the most widely used in research papers. First, Deutsch (1973) and Tjosvold (1986) state that conflict can be managed in three ways: cooperative, competitive, and avoiding. In the other categorization, Thomas (1976) and Rahim (1983) introduced five conflict management styles such as: avoidance, accommodation, competition, collaboration, and compromise for managing conflict.

Using competitive and cooperative theories to explain within business conflict, Tjosvold and Weicker (1993) have found that entrepreneurs who develop cooperative goals coordinate more successfully with people in their network than those managers who use competitive of independent goals. In another study in 1999, Tjosvold et al. found that

a supervisor and an employee who see their goals as cooperative goals, compared to those who see their goals as competitive ones, are more likely to manage their conflict in an open minded discussion and find the solution which promotes both parties' interests. A cooperative goal is defined as a situation in which the parties understand that one's goal attainment helps the other party reach their goal, or, in other words, these are win-win situations (Tjosvold et al., 1999). However, a competitive goal is a win-lose situation, in which if one wins, the other party loses. In this situation if one party attains its goal, the other will most likely not reach its goal, or at least the probability of that is very low (Tjosvold, 1986).

Xie et al. (1998), in a study in four countries, used six styles for conflict management. They add "hierarchical resolution" to the five categories that Thomas (1976) and Rahim (1983) have proposed. Xie et al.(1998) have found that using avoidance style for conflict management among different functions has negative results on new product success whereas using accommodation, competition, collaboration, compromise, and hierarchical styles in managing conflict increase new product success. In a study about group work in organizations, Montoya-Weiss et al. (2001) found that avoiding and compromising styles for managing conflict has a negative effect on virtual team performance whereas competitive and collaborative conflict management has a positive effect on it. Contrary to their expectation, Montoya-Weiss et al. (2001) found that accommodation conflict management does not affect team performance.

Conflict is also observable among businesses in a channel. Eckert (1997) called power and conflict key constructs in channel research. Many studies have examined channels in order to find the effect of conflict on the organizations. For example, Hebert

(1996) found that by increasing the level of conflict in an international joint venture, the business performance will decrease. However, many others have referred to a reversed-U shaped curve to show conflict-performance relationship (Daroczi 2003; Rahim and Bonoma, 1979). Tjosvold et al. (2001) used the cooperative-competitive theory in their investigation of conflict management between suppliers and contractors in the construction industry in Asia. They found that subcontractors in Korea, Japan, and Hong Kong, who used a cooperative conflict management approach, can manage conflicts with contractors significantly more constructively than those firms who used avoiding or competitive conflict management approaches. Constructive conflict, in turn, has a significant effect on the contribution of subcontractors to the main contractor (i.e., on their performance).

The next place where conflict would take place is between a business and its customers. Contact employees who are the representatives of the service providers, play an important role here. Chung and Schneider (2002) have called contact employees boundary spanners. Contact employees are often caught between the demands of legitimate authority which come from the organization policy and the demands of customers with whom they usually identify psychologically (Weatherly and Tansik, 1993). Weatherly and Tansik (1993) state that customers, contact employees themselves, and the organization all seek to control the service encounter. Customers seek to control the encounter as “they not only consume the service, but also help to produce the service” (p.6). At the same time, as a means of guarding their own mental and physical health, contact employees seek to control the service encounter. Finally, through its policies and supervision, the organization seeks to control the service encounter (Weatherly and

Tansik, 1993). In other words, contact employees should satisfy both internal and external demands (Chung and Schneider, 2002). When they cannot satisfy both demands, role conflict arises.

Many studies have worked on role conflicts to find the consequences for employees (Chebat and Kollias, 2000; Chung and Schneider, 2002; Weatherly and Tansik, 1993). Also, Hurley (1998) worked on the effect of contact employee personality on providing customer service. Sparks, Bradley, and Gallan (1997) have found that the more the contact employee is empowered, the more the customers are satisfied with the service. However, only a few studies have investigated the effect of managing conflict between the contact employee and the customer on the level of customer satisfaction (e.g. Selnes, 1998).

All service providers should expect occasional service failures. Mattila (2001) mentioned that the service provider deals with more demanding customers when a failure arises. In this situation, “the company can make things better with the customer- at least to some extent- or make things worse” (Berry et al.,1994, p.38). Hart et al. (1990) have suggested that proper recovery of failure may result in higher customer satisfaction than if the service had been performed correctly in the first place. At the same time, the ability to deal with customer problems is also related to employee satisfaction and loyalty (Tax and Brown, 1998).

Nevertheless, Tax and Brown (1998) found that the majority of customers are not happy with the way that companies resolve failures and most customers have negative feeling about the service providers after going through the service recovery process. One

of the main reasons of these findings might be that sales managers are unaware of the significance of this issue.

Smith et al. (1999) found that “customers prefer to receive recovery resources that match the type of failure they experience in amounts that are commensurate with the magnitude of the failure that occurs” (p. 356). In the same fashion, Mattila (2001) found that service managers should adapt the recovery efforts according to the customer’s perception of the seriousness of failure.

Tjosvold (1986) described conflict as incompatible activities. In the relationship between the customer and the contact employee, this incompatibility may arise when a service failure occurs. Many studies have supported the importance of handling the failure, recovery, and its sequences (e.g. Hess Jr. et al., 2003; Lorenzoni and Barbara, 2004; Swanson and Kelly, 2001). One can see a conflict between a customer and a contact employee as a service failure and the conflict management approach as the recovery process. It is important for the service provider to find the proper approach of conflict management to face with this situation.

Customer satisfaction is one of the most widely studied constructs in marketing. Over the past two decades, academic journals have published more than 15,000 articles about satisfaction (Peterson and Wilson, 1992). The main reason behind this interest is that customer satisfaction seems to be associated with key research constructs, such as loyalty (Anderson and Sullivan, 1993; Fornell, 1992; Rust and Zahorik, 1993; Taylor and Baker, 1994; Soderlund, 1998), word-of-mouth (Hartline and Jones, 1996; Parasuraman et al., 1988; Selnes, 1993; Sederlund 1998), profitability (Anderson et al., 1994; Bohte, 1998; Eklof et al., 1999; Fornell, 1999; Ittner & Larcker, 1996; Kristensen, 1997;

Reichheld & Sasser, 1990), and trust (Bloemer and Schroder, 2002; Garbarino and Johnson 1999; Morgan and Hunt 1994). Innis and La Londe (1994) state that: “a satisfied customer will be more likely to repurchase, leading to increased sales and market share for the firm” (p.2).

Many research studies have been conducted to examine the differences in satisfaction between male and female customers. However, there is no consensus among researchers. Carmel (1985) and Linn (1982) found satisfaction to be unrelated to gender. Many other studies have found women to be more satisfied with a situation than men (Buller and Buller, 1987; Weiss, 1988; Carlson et al., 2000). On the other hand, Tucker and Kelly (2000) have identified male patients as being more satisfied than female ones and Oyewole (2001) found that male passengers are more satisfied with the 20 retained elementary services in the airline industry than females. Interestingly, Ross et al. (1999) found that women generally have higher expectations in regard to the importance of service delivery issues than men, but they did not find a significant difference between the overall satisfaction levels of men and women. The literature appears to be greatly divided on the relationship between customer satisfaction and gender. It is not a primary objective of this study to investigate gender related differences; however, such comparison might provide a meaningful contribution to the currently debated issue.

The approach companies select to manage conflict between a customer and a sales representative may be a decisive factor in retaining the specific customer. Given the explanation above, this study focuses on the effects of the actually applied conflict management method (cooperative, competitive, or avoiding) on the perceived level of customer satisfaction in the airline industry. In other words, the author attempts to

uncover the link between conflict management and customer satisfaction and to find out which conflict management approach between the contact employees and the customer results in the higher level of customer satisfaction. This study also investigates the interaction effect of customer expectation evaluation and the conflict management approach on customer satisfaction.

## *2.2- Theoretical Framework:*

### *2.2.1- Conflict management:*

Deutsch (1973) defines conflicts as incompatible activities by two parties. In line with Deutsch (1973), Tjosvold (1986) states that “conflict occurs when one person’s behavior obstructs, interferes with, blocks, or in some other way makes another’s behavior less effective” (p. 115). Aldrich (1977) noted that conflict is an “inherent element” of a relationship. As a result, conflict exists wherever relationships exist and it is very difficult to completely avoid conflict. This is an obvious reason why conflict management has become very important and many books and studies have investigated alternative ways of dealing with conflicts (e.g., Tjosvold, 1986).

Traditionally, studies talked about conflict as a construct that is avoidable and detrimental to organizational performance and conflict situations should be minimized or eliminated. However, researchers now look at conflict as a necessary occurrence within an organization or between organizations and believe that it should be managed in a way that maximizes benefits for the organization (Dyck et al., 1996).

Pondy (1967) provided valuable insights into the nature of conflict situations, and identified three major types of conflict: bargaining, bureaucratic, and systems conflict.

Bargaining conflict occurs among members of any organization where members have differing interests. Bureaucratic conflict is among parties who are in a superior-subordinate relationship. Finally, systems conflict is among parties in an ongoing working relationship. From a different point of view, Dyck et al. (1996) categorized conflict as “relationship conflict” and “task conflict”. Task conflict is defined similarly to systems conflict and mostly used in management research referring to perceived differences in ideas regarding managerial tasks (Daroczi, 2003). On the other hand, relationship conflict exists when interpersonal rather than task related incompatibilities exist among group members.

As we have seen, conflict cannot be prevented in human relationships but it certainly can be managed (Deutsch, 1973). Researchers have proposed different styles for conflict management.

Thomas (1976) and Rahim (1983) have identified five possible styles of conflict management based on two dimensions (Figure 1). Their first dimension is assertiveness (or concern for self), which is defined as “the extent to which the party attempts to satisfy his or her own concerns”. The second dimension is cooperativeness (or concern for other), which is defined as “the extent to which the party attempts to satisfy the other’s concern” (Thomas 1992, p.668).

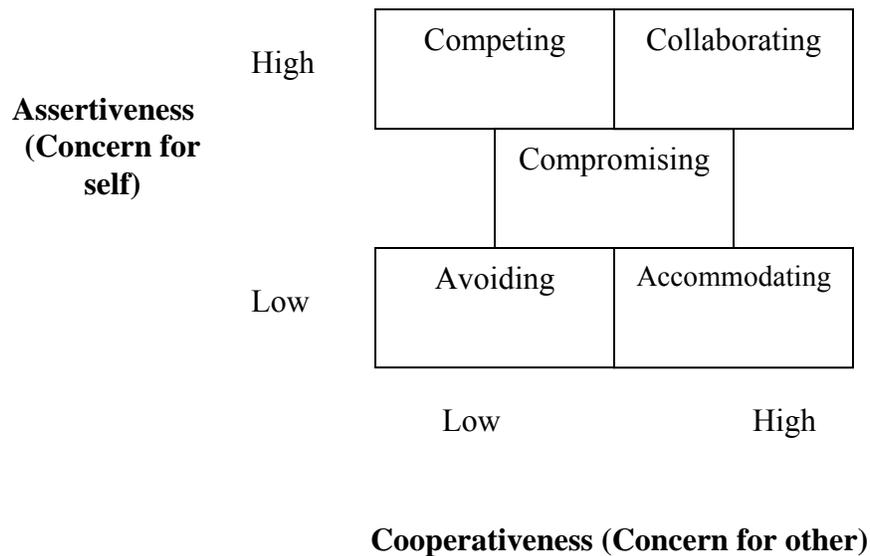


Figure 1. Thomas (1976) and Rahim (1983) Conflict Management Theory

Deutsch (1973), and Tjosvold (1986) have categorized conflict management into three major approaches: cooperative, competitive, and avoidance (Figure 2). In cooperative conflict, there is an open-minded discussion between parties and protagonists express interest in understanding opposing arguments, integrating opposing ideas, creating quality solutions, and strengthening the relationship. On the other hand, in competitive conflict, protagonists defend their position vigorously and try to pursue their own interest even at the expense of others. The third approach to conflict is to avoid expressing the other party's ideas and deemphasize any disagreement in which people remain unaware of opposing needs, interests, and ideas.

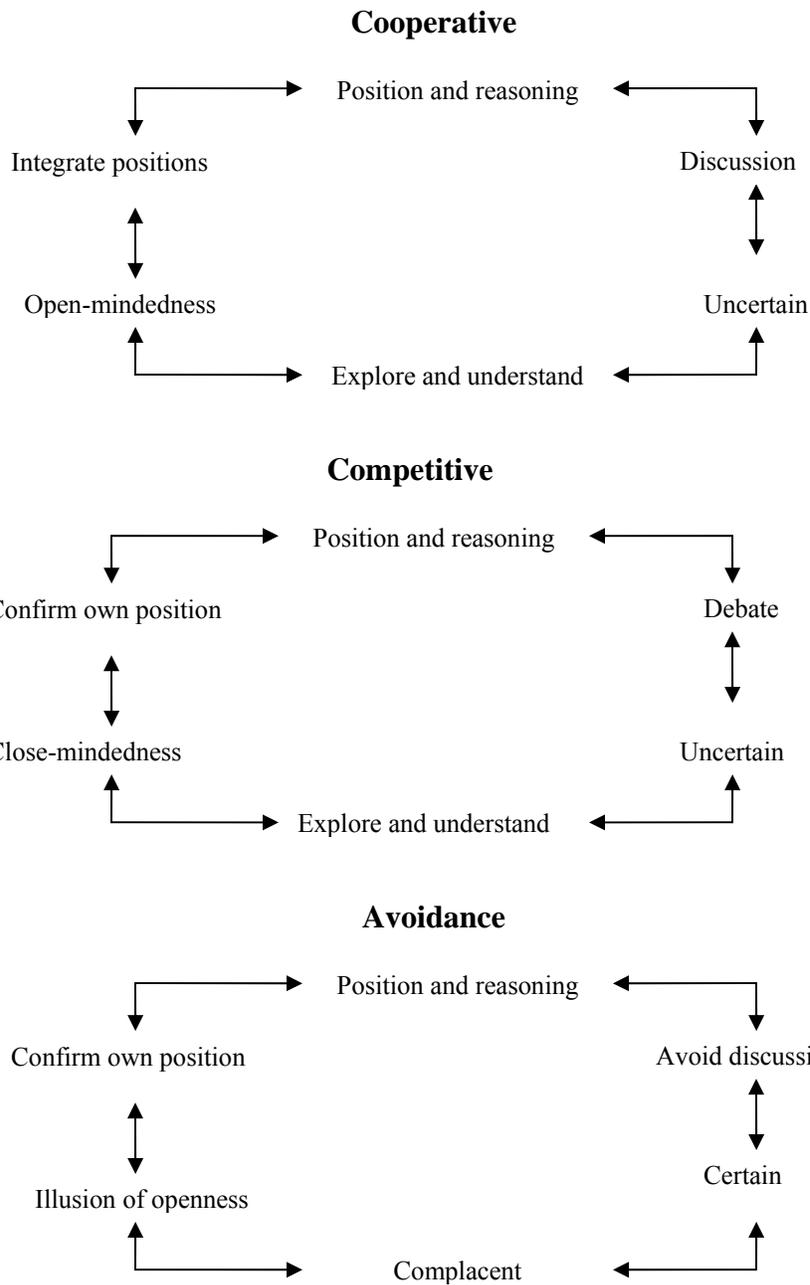


Figure 2. Deutsch (1973) and Tjosvold (1986) Conflict Management Theory

*Source: Tjosvold (1986), p. 116*

The three categories developed by Deutsch (1973) and Tjosvold (1986) theoretically seem to cover the five styles that Thomas (1976) and Rahim (1983)

proposed. Both theories have defined competitive and avoidance conflict in a similar way. The term of cooperative conflict in Deutsch's theory includes the main characteristics of collaborating, accommodating and compromising styles in Thomas's theory (Song et al., 2000). In the sense of customer-business conflict, Deutsch's theory fits better to analyze such situations. The three different styles are more likely to occur between a contact employee and a customer. Compromising, collaborating and accommodating styles do not occur very often in the customer-business relationships because customers usually do not have the opportunity to provide concessions. In turn, due to the breadth of Deutsch's (1973) definition, one can use cooperative style to cover all three categories mentioned by Thomas (1976). Therefore, in line with Tjosvold, this study employs Deutsch's (1973) theory of conflict management as it is more applicable to the assumptions of this study (Daroczi, 2003; Tjosvold, 1986; Tjosvold et al. 2001).

Using Deutsch's framework for conflict management in group working, Alper et al. (2000) have found that cooperative conflict has a positive association with conflict efficacy whereas competitive conflict has a negative association with it. They defined conflict efficacy as beliefs of team members about how successfully they can manage different conflict situations. In turn, Alper et al. (2000) found that conflict efficacy has a direct relationship with team productivity.

In terms of actual business situations, the example of Nordstrom shows the advantages of using a cooperative conflict strategy to deal with customers. The strategy of Nordstrom can be characterized by their slogan: "Respond to Unreasonable Customer Request" (Strategy and Leadership, 1994, p. 17). Examples of such unreasonable requests are: "hand delivering items purchased by phone to the airport for a customer going on a

last-minute business trip,..., or paying a customer's parking ticket when a line at the gift wrapping counter delayed the customer's departure until the parking meter ran out" (p. 17). In this sense, the employees have to listen to customers' concerns and try to find the best solution even for their unreasonable requests. In regards to the different styles of conflict management, Nordstrom's style fits within cooperative conflict management where the protagonist (i.e., the employee) is supposed to enter into an open-minded discussion and tries to understand the other party's (i.e., the customer) arguments and finally, creates a quality solution to the concern and, as a result, strengthens the relationship between the company and its customer.

The approach that Nordstrom uses is the practical application of the theory that Deutsch suggested in 1973. Nordstrom employees are carefully monitored and promoted according to the quality of their customer service. Nordstrom obviously emphasizes the cooperative goals between employees and customers. As one moves toward goal achievement, the other party also moves toward it. So, both parties tend to view the conflict as a mutual problem, knowing that "they can pursue their interests as they pursue the interests of others" (Alper et al., 2000, p. 628). Practicing conflict management in a cooperative way helps make Nordstrom a successful specialty department store in a highly competitive industry in United States (Strategy and Leadership, 1994).

Although many studies have found the effects of conflict management within and between organizations, only a few researchers have addressed conflict management in the customer behavior context. For example, in a qualitative research study, Selnes (1998) has found a positive association between constructive conflict management and

satisfaction among Norwegian customers. However, his definition of constructive conflict management is somewhat ambiguous as his study did not focus on conflict.

### *2.2.2-Expectation Evaluation and Customer Satisfaction:*

Woodruff et al. (1983) stated that customers form expectations for the performance of a brand prior to purchase. Rust and Oliver (2000) noted that “expectations are known to track performance observation” (p. 88). Parasuraman et al. (1994) have used the disparity between customers’ expectations and perceptions in order to measure service quality. Many researchers have used the concept of expectation in customer satisfaction theories (e.g. Churchill and Suprenant, 1982; Oliver, 1980).

Many other studies have found links between customer satisfaction, loyalty and profitability (Anderson et al., 1994, Fornell, 1999; Ittner and Larcker, 1996; Reichheld and Sasser, 1990). Therefore, researchers generally regard customer satisfaction as a central concept in the marketing literature (Bloemer and Odekerken, 2002; Erevelles and Leavitt, 1992; Oliver 1997). Szymanski and Henard (2001) claimed that in the 50 empirical studies which they used for their meta-analysis, they found 517 correlations involving customer satisfaction and related variables.

Customer satisfaction tends to increase loyalty (Fornell, 1992; Tylor and Baker, 1994; Zeithmal et al., 1996) which can help a company survive even in times of a tough economic disaster (Kiger, 2002). One example is Southwest Airlines, which customers constantly rank as the best among airlines in customer satisfaction. While most other airlines have been struggling, Southwest has not only survived, but also was consistently profitable even after September 11, 2001.

Different theories have conceptualized satisfaction. First theoretical view is the confirmation/disconfirmation theory. This view supports expectations as anticipation for satisfaction, but in a different way (Bloemer and Odekerken, 2002; Churchill and Suprenant, 1982; Oliver, 1980). According to this theory, customers compare their expectations to the actual service they receive (Bloemer and Odekerken, 2002; Churchill and Suprenant, 1982; Oliver, 1980). This comparison may result in one of three potential outcomes: confirmation, positive disconfirmation, and negative disconfirmation. When the perceived service quality exactly meets prior customer expectation, confirmation occurs. Positive disconfirmation, however, will be the result of exceeding the perceived service over the expectation. On the other hand, when expectation exceeds the actual service, negative disconfirmation occurs. Satisfaction is achieved in the confirmation and positive disconfirmation situations. Negative disconfirmation will result in dissatisfaction (Bloemer and Odekerken, 2002; Churchill and Suprenant, 1982; Oliver, 1980).

Some other studies have addressed expectations as an anticipation of customer satisfaction (LaTour and Peat, 1979). In this view consumers' expectations have a direct influence, without any assessment or comparison of actual performance, on satisfaction levels (Szymanski and Henard, 2000).

The third approach to define satisfaction is based on the equity or distributive justice theory. According to this theory, equity or fairness is perceived when individuals who invest the same type of input receive the same kind of output as well (Swan and Oliver, 1991). For example, two workers expect to gain the same amount of money per hour if their tasks are equivalent. Nevertheless, in sale situations, equity theory can be interpreted as confirmation/disconfirmation theory. In this sense, each person has

expectation of the other's role. When actual performance meets that expectation, feelings of equity or fairness arise (Swan and Oliver, 1991). Of the above explanations the most prevalent theory in marketing research is the confirmation/disconfirmation theory (e.g. Bettman, 1986; Myers, 1991; Oliver and Swan, 1989; Tse and Wilton, 1988).

Furthermore, some researchers have found that having merely satisfied customers is not sufficient to the success of companies (e.g., Deming, 1986). For example, Xerox's customers who gave the highest score of "5" (in a 5-point scale) for their level of satisfaction, were six times more likely to repurchase again than those giving the second best score of "4" (Zeithmal, 2000). Rust and Oliver (2000) discussed the practice of surprising customers by providing unexpected levels of service or quality of products, a technique called delighting the customers. They distinguished between "musts" (product or service features that must always be present) and "delighters" (product or service features that are unexpectedly and surprisingly pleasant) and found that delighting the customer is a profitable business practice in some circumstances. In actual managerial terms, Nordstrom surprises their customers by responding to their unreasonable requests. Also, Saturn has successfully introduced customer service strategies that lead to customer enthusiasm that goes beyond customer satisfaction (Strategic Direction, 1996).

When customers are dissatisfied, their expectations exceed perceived service, and their complaints may create a conflict situation for the contact employees. The conflict approach that the employees choose to manage the situation and meet the customer's expectation is crucial.

### ***2.3- Expected Findings and Hypotheses:***

A main effect for conflict management style on customer satisfaction is expected. Using the definition by Tjosvold (1986) about cooperative approach in the business-customer relationship, the contact employee, in a cooperative conflict management situation, tries to integrate the customer's ideas and develop a fresh view point that responds reasoning and needs of the customer (p. 117). As a result, we expect to see customers are more satisfied with a cooperative management approach than the competitive and avoidance approach. Also, according to Tjosvold (1986), in a competitive conflict management situation in a business- customer relationship, the contact employee tries to pursue his/her company interests by discussing with the customer. Furthermore, the Hawthorne Effect holds that being asked and recognized is important and valuable for people (e.g., in Murphy, 1999). So, customers are expected to slightly prefer a competitive style compared to an avoidance style as they might perceive that somebody cares about their concerns. An avoiding style should be least preferred, as customers may feel completely ignored.

Based on these assumptions we propose the following hypothesis:

H1: In the same level of expectation evaluation, it is expected that customers are more satisfied with a cooperative approach than a competitive approach; and they would be the least satisfied with an avoidance approach by customer service employees.

A main effect on customer satisfaction is also expected for expectation evaluation condition. Specifically, as many studies have shown, we expect to see customers are more satisfied when the perceived service exceeds their expectations (Rust and Oliver, 2000; Westbrook and Oliver, 1991). Also, customers are expected to prefer the condition

when their expectations are met rather than when their expectations are unmet. So the second hypothesis is:

H2: Customer expectation evaluation is expected to directly effect satisfaction. Using the same approach for managing the conflict situation, the customer would be more satisfied if the perceived service exceeds his/her expectations.

Finally, an interaction effect between these two variables is expected. The author believes that final outcome tends to be more important for the customers than the actual behaviour of the customer service employee. If the perceived service exceeds the customer's expectation, the approach that a company chooses for conflict management is not as important as it may be in other cases. However, if the perceived service does not meet the customer's expectation, the approach that the service provider chooses to deal with the conflict situation becomes highly important for the customers. In the third possible case, when the perceived service meets customer's expectation, the impact of conflict management approach is expected to be moderate.

H3: The approach that companies choose to manage conflict is more important for the customer when their expectations are not met. When the perceived service exceeds their expectations, the conflict management approach is less important for the customers.

As a result the following diagram (Figure 3) is proposed:

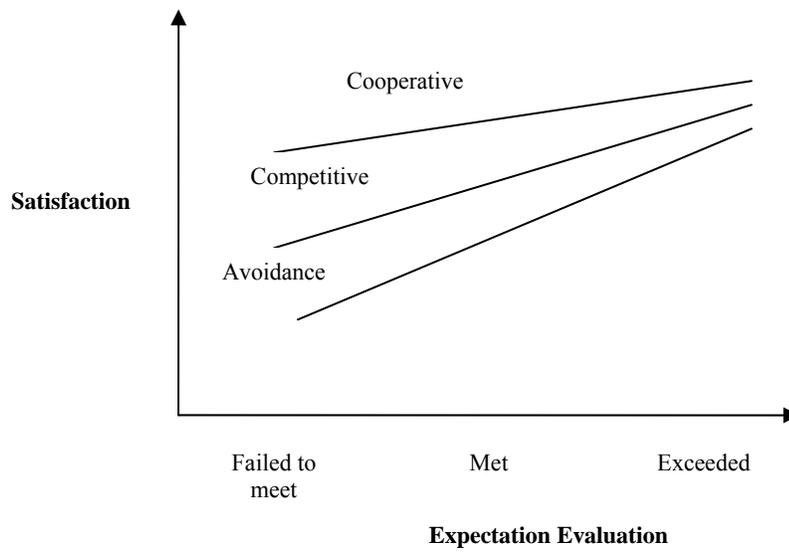


Figure 3. Proposed Model

For the purpose of analysis, first two hypotheses are broken down to partial hypotheses (Table 1 and Table 2).

	Expectation Evaluation	Conflict Management Approach	Hypotheses
H1a	Fail to meet	Avo-Cop	When the service producer fails to meet the customer's expectation, the customer is more satisfied with the cooperative conflict management approach than with the avoiding approach.
H1b		Avo-Com	When the service producer fails to meet the customer's expectation, the customer is more satisfied with the competitive conflict management approach than with the avoiding approach.
H1c		Com-Cop	When the service producer fails to meet the customer's expectation, the customer is more satisfied with the cooperative conflict management approach than with the competitive approach.
H1d	Meet	Avo-Cop	When the service producer meets the customer's expectation, the customer is more satisfied with the cooperative conflict management approach than with the avoiding approach.
H1e		Avo-Com	When the service producer meets the customer's expectation, the customer is more satisfied with the competitive conflict management approach than with the avoiding approach.
H1f		Com-Cop	When the service producer meets the customer's expectation, the customer is more satisfied with the cooperative conflict management approach than with the competitive approach.
H1g	Exceed	Avo-Cop	When the service producer exceeds the customer's expectation, the customer is more satisfied with the cooperative conflict management approach than with the avoiding approach.
H1h		Avo-Com	When the service producer exceeds the customer's expectation, the customer is more satisfied with the competitive conflict management approach than with the avoiding approach.
H1i		Com-Cop	When the service producer exceeds the customer's expectation, the customer is more satisfied with the cooperative conflict management approach than with the competitive approach.

Table 1. Partial hypotheses for first hypothesis

	Expectation Evaluation	Conflict Management Approach	Hypotheses
H2a	Fail-Exceed	Avoiding	In avoiding conflict management approach, the customer is more satisfied when the perceived service exceeds his/her expectation than when fails to meet it.
H2b	Fail-Meet		In avoiding conflict management approach, the customer is more satisfied when the perceived service meets his/her expectation than when fails to meet it.
H2c	Meet-Exceed		In avoiding conflict management approach, the customer is more satisfied when the perceived service exceeds his/her expectation than when meets it.
H2d	Fail-Exceed	Competitive	In competitive conflict management approach, the customer is more satisfied when the perceived service exceeds his/her expectation than when fails to meet it.
H2e	Fail-Meet		In competitive conflict management approach, the customer is more satisfied when the perceived service meets his/her expectation than when fails to meet it.
H2f	Meet-Exceed		In competitive conflict management approach, the customer is more satisfied when the perceived service exceeds his/her expectation than when meets it.
H2g	Fail-Exceed	Cooperative	In cooperative conflict management approach, the customer is more satisfied when the perceived service exceeds his/her expectation than when fails to meet it.
H2h	Fail-Meet		In cooperative conflict management approach, the customer is more satisfied when the perceived service meets his/her expectation than when fails to meet it.
H2i	Meet-Exceed		In cooperative conflict management approach, the customer is more satisfied when the perceived service exceeds his/her expectation than when meets it.

Table 2. Partial hypotheses for second hypothesis

## Chapter 3:

### *Research Methodology:*

This study was conducted in two major stages. First, pre-test studies of the experimental scenarios were conducted. The objective was to develop the measures, by manipulating three conflict management approaches and three possible levels of expectation evaluation (see Figure 4 for the experimental design). In a similar experimental environment, Soderlund (1998) used two scenarios about the airline industry to manipulate satisfaction. In this study, the author used Soderlund's (1998) core story to build the scenarios and improved them in order to meet the objectives of this study. Five separate quantitative and one qualitative pre-test were conducted to develop scenarios that are the closest to real life situations.

Then, with the newly developed scenarios, the second stage was the main study which consisted of potential conflict situations in an airline industry including the manipulation of outcomes. This study utilized a 3x3 between subjects experiment design (Figure 4). The nine scenarios, in this study, are based on conflict situations for employees of an airline. Three approaches to manage the conflict and three expectation evaluations level, independent variables, are manipulated in the scenarios.

In this study, expectation evaluation defines in terms of outcome of the service. The service provider is an airline company. The airline representative may fail to meet, meet, or exceed the customers' expectation. By honoring a ticket that the customer reserved, the representative meets customer expectations. By upgrading the customer ticket from "economy class" to "business class", the customer's expectation is exceeded. Finally, by failing to honor a ticket reservation at the specified time, the customer's

expectation is unmet. The reason is, when a customer books a ticket, he/she expects to take a flight at the specific time that he/she has booked. If, for any reason, an airline fails to provide the ticket that the customer has bought, the customer's expectation is unmet. Obviously, by upgrading the ticket without extra charge, the airline and its contact employee can exceed the customer's expectation.

Participants answered questions about their previous experience with the airline industry and their level of satisfaction. Then, they read a short, randomly assigned scenario about the conflict situation with an air-line representative about an overbooked ticket. After that, the respondents were asked to indicate their perceived satisfaction, the dependent variable, with the help of two customer satisfaction scales. After satisfaction questions, the participants were asked to answer to some questions about their general conflict management style, as a control variable. Finally, they answered selected demographic questions. All aspects of this study have been reviewed and approved by the Human Subjects Research committee at The University of Lethbridge.

Two different measures were used to measure the dependent variable, customer satisfaction. The first one was 3 items 7-point scale measure, which was developed by Soderlund (1998) (Appendix 1). This type of measurement was used because Soderlund (1998) developed and used it successfully for a scenario based study about air-line industry. As a control for the results, another measurement for customer satisfaction, developed by Westbrook and Oliver (1981), was also employed. It is a bipolar 6-item measure with the reliability of 0.95 (Appendix 2). To adjust this measurement for the domain of this study, one non-applicable item was left out.

The author has chosen the airline industry in this study for several reasons. First, conflict management and expectation evaluation, the core focus of this study, could be manipulated in this industry more meaningfully than in others. Second, the airline industry significantly contributes to the country's economics and mostly, there is tough competition in it. Ramamurti and Sarathy (1997) reported that airline industries employ more than 3 million employees worldwide, more than 1.25 billion people use airlines as a mode of transportation every year, and the annual sales of the industry have been estimated to be around \$220 billion (US). As Oyewole (2001) mentioned, “[airline] industry contributes remarkably to the world GDP, generates employment, and promotes globalization of other industries” (p. 62). In addition, Prokesch (1995) called the airline industry “brutally competitive” (p.101) and Appiah-Adu et al (1999) described it as “highly dynamic and competitive” (p.49). Finally, “the greatest challenges for the airlines are managing its employees, how managers treat employees and the service they provide to customers” (Ohanessian and Kleiner, 1999, p. 51).

The method of scenario-based experiment was chosen because it allows potentially expensive and difficult manipulations to be more easily operationalized, providing the researcher with control over variables, which are unmanageable in a real situation, and facilitates the compression of time, by summarizing events that might take days or weeks in the real world (Binter, 1990). Furthermore, the use of scenarios avoids the expenses and ethical considerations associated with observing the actual conflict management situation (Smith and Bolton, 1998).

		Conflict Management Style		
		Cooperative	Competitive	Avoidance
Expectation Evaluation	Exceeded			
	Met			
	Failed to meet			

Figure 4. Research Design

### 3.1- Pre-test

#### 3.1.1-Pre-test1:

The most important step for experiment based research is pre-testing. In this study the author manipulates two independent variables in the scenarios as it is shown in Figure 4. The study employs nine scenarios with three different conflict management approaches, namely: cooperative, competitive and avoiding types of behavior by the contact employees of an airline. The three approaches are investigated at each of the three possible levels of customer expectation evaluation, namely, when the expectations are not met, when they are met, and finally, when they are exceeded by the perceptions of the customer.

It is vital to know if the scenarios are actually able to communicate the right message to the participants. Given that requirement, the author used several different

ways to pre-test the scenarios. Thirty eight students participated in the first paper and pencil pre-test. They were asked to read nine scenarios and answer 13 questions after each scenario. Nine questions were developed to measure 3 different conflict management styles that consisted of statements toward which respondents indicated their agreement or disagreement on 7-point Likert scales (Appendix 3). Three questions were asked to measure expectation evaluation (exceed, meet, or fail to meet). Finally, after each scenario there was an open-ended question which asked participants to describe the behavior of the representative in three words.

The reliability analysis shows that coefficient alpha for all constructs are higher than 0.80. Alpha for avoiding questions is 0.85, for competitive items is 0.80, and for cooperative items is 0.93. However, as you can see in Table 3, the mean value for avoiding questions in avoiding scenarios is not significantly different than the mean for avoiding questions in competitive scenarios. In other words, the respondents found that the representative tries to avoid discussion with them in both sets of scenarios at the same level.

Paired Samples Test		T	Df	Sig. (2-tailed)
Pair 1	Avo* Questions in Avo Scenarios- Avo Questions in Others	7.19	37	0.000
Pair 2	Avo Questions in Avo Scenarios- Avo Questions in Com** Scenarios	0.39	37	0.697
Pair 3	Com Questions in Com Scenarios-Com Questions in Others	7.47	37	0.000
Pair 4	Com Questions in Com Scenarios-Com Questions in Avo Scenarios	7.04	37	0.000
Pair 5	Cop*** Questions in Cop Scenarios- Cop Questions in Others	12.16	37	0.000

\*Avo=Avoiding, \*\* Com=Competitive, \*\*\*Cop=Cooperative

Table 3. Results of Pre-test 1

Many participants used the word “rude” for describing competitive scenarios which was not the intention at the creation of those scenarios. Also, the pre-test data show that the final outcome of the scenarios has a great impact on the respondents. The behavior of the representative is the same in all three avoiding scenarios. However, the representative in the avoiding scenario with the positive outcome (i.e., the service exceeds the expectation) was seen as “cooperative” and “helpful” whereas in the same scenario with the negative outcome, the representative was seen as “helpless”.

Given these results, the author introduced modifications in the scenarios, by making the competitive scenarios more acceptable and emphasizing the differences between avoiding and competitive scenarios more, in order to make them clearly distinguishable by the respondents.

### *3.1.2-Pre-test2:*

The new scenarios were given to 25 undergraduate students who did not participate in the previous pre-test. Instead of giving all 9 scenarios, the author decided to separate the first part of the scenarios, which manipulates the conflict management approaches, from the second part, which manipulates the expectation evaluations. Therefore, the students were asked to read three scenarios which focus on conflict management and then answer 10 questions, nine of which were developed for measuring the three conflict management approaches and one open-ended question. After three scenarios in which the conflict management approaches were manipulated, respondents read three short scenarios in which outcomes were manipulated.

Results show that the questions were still not completely reflecting the objectives of the study. Alpha for avoiding questions was 0.53, for competitive items was 0.20, and

0.26 for cooperative questions. The reliability of the multi-item measures was not found to be sufficient. Interviews were then conducted in order to identify any potential sources of confusion among respondents before proceeding with further quantitative pretesting.

### *3.1.3-Interview*

In the next step, depth interviews with 5 students (3 males and 2 females) were conducted. Each interview took approximately 45 minutes and subjects were asked to read each scenario, then to summarize them, and to answer several control questions. The interviewer also employed probe questions as they were needed.

These interviews identified the key points that the readers had noticed which were not the intentions of the author. For example, in the competitive scenarios, the interviewees inferred that the customer should also be blamed because he/she went to the airport late. Also, the interviewees mentioned that in competitive scenarios, there was a statement at the back of the ticket saying that if the customers arrive to the airport late, they lose their ticket. As a result, the customer should have paid more attention. This sentence was added to the competitive scenarios to show that the representative is trying to convince the customer by explaining the rules and it was not repeated in the other scenarios. The interviews revealed several points that were not the intention of the researcher and therefore had to be either eliminated or changed within the scenarios.

On the other hand, the interviews confirmed that the interviewees were able to distinguish among the scenarios clearly and without any confusion. The interviewees were asked to summarize each scenario in their words. The summary of all interviewees carried the same message and were consistent with the purpose of the author. Also, at the end of the interview, the researcher explained each conflict management approach for the

interviewees and asked them to find which scenario is representative of each approach. Without exception, all interviewees found the right scenario for each approach. With the help of these interviews the researcher was able to purify the scenarios and minimize the respondents' confusion about the three conflict management approaches.

### 3.1.4-Pre-test 3:

After these interviews, the scenarios were modified and the pretest was posted online at the university website. Forty four students and staff, who did not participate in previous pre-tests, at The University of Lethbridge responded to this internet-based pre-test. The reliability for avoiding questions was 0.58, for competitive questions was 0.53, and for cooperative was 0.64. The mean for different approaches was significantly different across scenarios (Table 4).

Paired Samples Test		T	df	Sig. (2-tailed)
Pair 1	Avo* Questions in Avo Scenarios- Avo Questions in Com** Scenarios	6.00	41	0.000
Pair 2	Avo Questions in Avo Scenarios- Avo Questions in Cop*** Scenarios	13.58	42	0.000
Pair 3	Com Questions in Com Scenarios- Com Questions in Avo Scenarios	5.18	42	0.000
Pair 4	Com Questions in Com Scenarios- Com Questions in Cop Scenarios	3.73	42	0.000
Pair 5	Cop Questions in Cop Scenarios- Cop Questions in Avo Scenarios	14.90	40	0.000
Pair 6	Cop Questions in Cop Scenarios- Cop Questions in Com Scenarios	10.17	39	0.000

\*Avo=Avoiding, \*\* Com=Competitive, \*\*\*Cop=Cooperative

Table 4. Results of Pre-test 3

Because the alphas were still not sufficiently high for the multi-item measures, the third pre-test was repeated with a single, comprehensive item for each conflict

management approach. So, one comprehensive question for each approach besides the questions from pre-test 3 was asked.

*3.1.5-Pre-test 4:*

As a final step, the author verified once more that respondents were able to perceive the major differences among the three scenarios. Twelve students and staff participated in the last pre-test. The means for all questions were consistent with the previous pre-test, and the means for all new questions were significantly different across the three scenarios (Table 5). So, at this stage the scenarios were ready for the final step.

Paired Samples Test		T	df	Sig. (2-tailed)
Pair 1	Avo* Question in Avo Scenarios- Avo Question in Com** Scenario	2.46	11	0.032
Pair 2	Avo Question in Avo Scenarios- Avo Question in Cop*** Scenario	4.89	11	0.000
Pair 3	Com Question in Com Scenarios- Com Question in Cop Scenario	3.55	11	0.005
Pair 4	Com Question in Com Scenarios- Com Question in Avo Scenario	-2.88	11	0.015
Pair 5	Cop Question in Cop Scenarios- Cop Question in Avo Scenario	-7.15	11	0.000
Pair 6	Cop Question in Cop Scenarios- Cop Question in Com Scenario	-3.22	11	0.008

\*Avo=Avoiding, \*\* Com=Competitive, \*\*\*Cop=Cooperative

Table 5. Results of Pre-test 4

### ***3.2- Sampling and Data Collection:***

The hypotheses were tested by a series of randomly assigned scenarios. The pre-tested scenarios (Appendix 4) and questionnaires were given to 223 students, who took management courses, in the summer semester at The University of Lethbridge.

To control for potential sources of respondent bias, and also to control for the length of bios, no details about the name of the air line company and the gender of representative were mentioned in the scenarios. To control for other variables, we asked respondents, before reading a scenario, how often they fly and how satisfied are they with their most often selected airline. Also, nine questions were included to find about the respondents' personality in terms of conflict management.

#### ***3.2.1-Subjects and Procedure:***

A 3x3 experiment design was used to collect data from undergraduate students at a major university in southern Alberta. In total 223 university students participated in this study. Courses ranged from second year to senior year classes. None of the subjects had participated in the pre-tests.

Professors were asked to allow 15 minutes of their class time for the survey. With the prior permission from the instructors, the main researcher went to the classes and asked the students who are willing to participate, to complete the survey. Participation in this survey was completely voluntary and not a requirement of the courses. The students who participated in the survey had a chance of winning \$10 gift certificates. In the cover letter, the researcher provided information about the purpose of the study, the main

researcher and committee members, anonymity of the responses, and the fact that participating in the survey is completely voluntary. Also, contact information of the main researcher was given in the cover letter and at the end, the students was asked to write a statement of “I UNDERSTAND” without writing their name to indicate that they really understood what was asked and as confirmation of their consent. The complete process of data collection was within a three week period in June 2004.

One hundred ninety five responses, out of 223, were found to be valid and used in the analysis. Some students did not answer the questions and some wrote comments about the specific airlines. These responses were not included in the study. As a result, the response rate was 87%. Completing the survey took less than 7 minutes for most students. Participants were randomly assigned to one of the nine scenarios. Fifty one percent of respondents were female and 49% were male. The age range was between 19 and 40 with the mean of 23.30.

About 97% of respondents had taken a flight before and 64% had taken a flight at least once in the last 12 months. In a 7 point scale (1: strongly dissatisfied, 7: strongly satisfied), 19% of the respondents claimed that they are not satisfied (by choosing 1, 2, or 3), about 21.5% choose 4 which shows they neither satisfied nor dissatisfied, and 59.5% stated that they are satisfied with the most frequently used air line (by choosing 5, 6, or 7).

Frequencies of male and female respondents are shown in Table 6 for each cell. The cell sizes exhibit a high similarity with a minimum of 19 and maximum of 24.

			Expectation Evaluation			Total	
			Fail to Meet	Meet	Exceed		
Conflict Management Approaches	Cooperative	Male	7	9	12	28	
		Female	17	11	11	39	
	Competitive	Male	10	12	14	36	
		Female	10	7	8	25	
	Avoiding	Male	10	6	15	31	
		Female	13	14	8	35	
	Total:			67	59	68	194

Table 6. Frequencies of respondents for each cell

### ***3.3- Analysis and Results:***

For the data analysis the statistical package SPSS version 11.5 was used. The purpose of this study was to compare the mean of customer satisfaction, the dependent variables, across 9 different scenarios. Factor analysis and reliability tests were used to test respondents' personality in terms of conflict management and satisfaction measurement scales. It was an attempt to control for respondents' personality as well, however, the reliability and factor loadings for this measure were not sufficient enough to be used in analysis. The reliability data and factor loadings were quite high for both satisfaction scales. It will be discussed in detail in the next section.

As Hair et al (1995) suggested, using t-tests for multiple comparisons inflates the overall type I error rate. "ANOVA avoids this type I error inflation across comparisons of a number of treatment groups by determining whether the entire set of sample means suggests that the samples were drawn from the same general population" (Hair et al., 1995, p 262). As a result, the major analytical tool used to analyze the hypotheses was ANOVA. Having two categorical independent variables, conflict management and expectation evaluation, and an interval dependent variable, customer satisfaction, two-way ANOVA was used (see Wright, 1997). The method of two-way ANOVA allows the researcher to see not only the main effect of each independent variable on the dependent variable, but also the interaction of independent variables on the dependent variable.

#### ***3.3.1- Satisfaction Scales and General Data:***

In total, 195 usable questionnaires were completed with almost equal cell sizes across the nine scenarios. To verify the satisfaction scales, a factor analysis and a

reliability analysis were conducted on both satisfaction measures. Factor analysis shows that all items in both measures load together as expected (Table 7), and all items measure the same construct, satisfaction.

		Component Matrix
		Component
		1
	P2_1	0.824
	P2_2	0.744
SAT1	P2_3	0.823
	P2_4	0.904
	P2_5	0.892
	P2_6	0.914
	P2_7	0.844
SAT2	P2_8	0.797
Extraction Method: Principal Component Analysis.		
a 1 components extracted.		

Table 7. Factor analysis for satisfaction items

The reliability analysis shows  $\alpha = 0.89$  for the first satisfaction measure and  $\alpha=0.93$  for the second measure. The results of the factor analysis and reliability analysis were quite high for both measures. Thus both scales were employed in analysis.

### 3.3.2- Assumptions of ANOVA

Normality tests, Q-Q plots and Histograms, showed that neither of the satisfaction variables (SAT1 and SAT2) have a perfectly normal distribution. As a result, a square root transformation (see Hair et al., 1995) was used to generate normality in the dataset

(Figure 5, 6). It is important that satisfaction is a continuous variable here, with integer values between 1 and 7, so neither negative values nor any numbers between 0 and 1, that would represent a problem for this transformation, are present (Osborne, 2002).

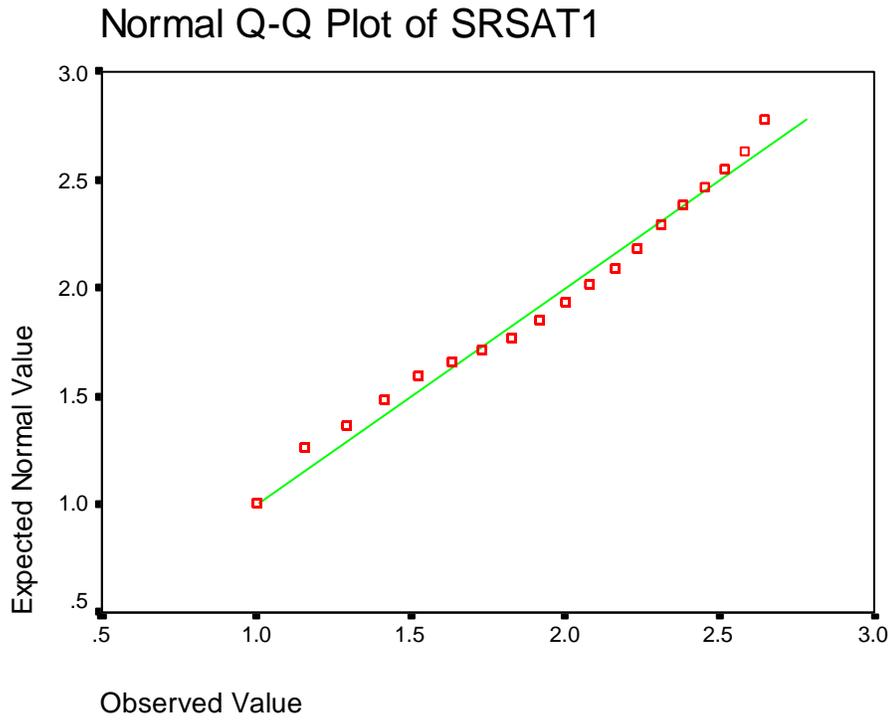


Figure 5. Normality of Square Root Satisfaction1

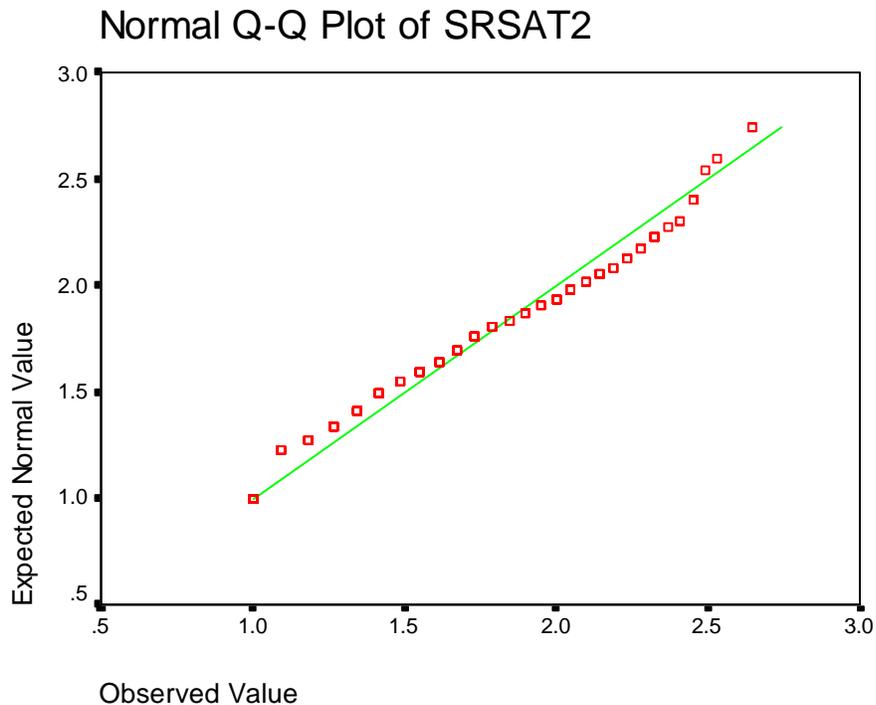


Figure 6. Normality of Square Root Satisfaction2

After several transformations, SRSAT1 and SRSAT2 still do not exhibit a perfectly normal distribution curve. However, ANOVA is generally regarded as a very robust statistical test except in extreme cases (Hair et al., 1995); therefore, it was deemed appropriate to use these variables for analyzing the data.

Another assumption for running ANOVA is equality of the variances, assumption of homogeneity (Wright, 1997). Different tests are available for comparing multiple groups. The one that SPSS uses is Levene's test. Levene's test revealed that both SRSAT1 ( $F=1.208$ ,  $Sig=0.297$ ) and SRSAT2 ( $F=1.729$ ,  $Sig=0.095$ ) meet this assumption.

Two of the most common tests for comparison are the Scheffe' test and Tukey's HSD (honest significant difference) test (Wright, 1997). For testing the hypotheses and comparing means of different situations, Tukeys test was used in this study. The reason

for choosing the Tukey post-hoc test was the large number of groups to be compared. Many researchers prefer to use the Tukey test, which is a very conservative test, to control inflation of Type I error.

### 3.3.3-Results:

ANOVA shows that there was not a significant interaction effect between conflict and expectation ( $F = .59, p = .67$ ). However, the main effects of conflict management ( $F = 22.35, p = .00$ ) and expectation evaluation ( $F = 15.69, p = .00$ ) were significant (Table 8 and 9).

Tests of Between-Subjects Effects			
Dependent Variable: SRSAT1			
Source	Mean Square	F	Sig.
Corrected Model	1.06	6.58	0.000
Intercept	5.60	34.79	0.000
CONFLICT	3.59	22.35	0.000
EXP	2.52	15.69	0.000
P1_1	0.00	0.00	0.987
P1_2	0.25	1.58	0.210
P1_3	0.05	0.33	0.564
D1	0.21	1.31	0.254
D2	0.46	2.86	0.093
CONFLICT * EXP	0.09	0.59	0.671
Error	0.16		
A	R Squared = .323 (Adjusted R Squared = .274)		

Table 8. ANOVA for SRSAT1

Tests of Between-Subjects Effects			
Dependent Variable: SRSAT2			
Source	Mean Square	F	Sig.
Corrected Model	1.45	11.71	0.000
Intercept	7.63	61.41	0.000
CONFLICT	1.98	15.91	0.000
EXP	6.31	50.73	0.000
P1_1	0.00	0.02	0.891
P1_2	0.25	2.01	0.158
P1_3	0.11	0.91	0.343
D1	1.35	10.88	0.001
D2	0.56	4.47	0.036
CONFLICT * EXP	0.03	0.26	0.900
Error	0.124297		
A	R Squared = .461 (Adjusted R Squared = .422)		

Table 9. ANOVA for SRSAT2

The results of comparing the means of satisfaction scales for hypotheses are as follow:

*H1a, H1d, H1g:*

H1a assumed that when the customers' expectations were unmet, they will be significantly more satisfied with a cooperative conflict management approach rather than avoiding approach.

H1d and H1g stated the same assumption for the situation when the customers' expectations were met, and exceeded by service provider respectively.

As it was expected, the customer is more satisfied with the cooperative conflict management approach than with the avoiding approach at the same expectation evaluation level. All three hypotheses are supported by both satisfaction scales ( $\alpha=0.05$ ). Results show that when the service provider failed to meet customer expectation (H1a),

when the provider met the customer expectation (H1d), and when the provider exceeded customer expectation (H1g), the customer is more satisfied with the cooperative style than with the avoiding style, so all three hypotheses were supported by the data.

*H1b, H1e, H1h:*

H1b assumed that when the customers' expectations were unmet, they will be significantly more satisfied with a competitive conflict management approach rather than avoiding approach.

H1e and H1h stated the same assumption for the situation when the customers' expectations were met, and exceed by the service provider respectively.

Although it was expected that a customer would be more satisfied with the competitive approach rather than with the avoiding approach, the results from neither of the satisfaction scales support these hypotheses. In the three scenarios when the outcome failed to meet (H1b), met (H1e), or exceeded (H1h) customer expectation, there was no significant difference between customer satisfaction means when the representative used competitive versus avoiding conflict management approaches.

*H1c, H1f, H1i:*

H1c assumed that when the customers' expectations were unmet, they will be significantly more satisfied with a cooperative conflict management approach rather than competitive approach.

H1f and H1i stated the same assumption for the situation when the customers' expectations were met, and exceed by the service provider respectively.

The comparison between cooperative and competitive conflict management approaches at different expectation evaluation levels reveals that the customer was more satisfied with the cooperative approach than with the competitive one. Hypothesis H1c, when the provider failed to meet customer expectations, was supported by data from both satisfaction scales. However, H1f, when the provider met the customer expectation, and H1i, when the provider exceeded the customer expectation, were supported by data from one satisfaction scale only ( $\alpha=0.05$ ).

Results from the above detailed first group of hypotheses demonstrate that regardless of the level of customer expectation evaluation, using cooperative style for managing a conflict situation would make the customer more satisfied than using the other two styles. In a service failure situation, the representative needs to deal with the customer cooperatively, in order to make the customer more satisfied. Results show that a simple explanation is not good enough for the typical customer, in other words, the customer wants to be convinced that the contact employee really wants to help him/her.

Simply explaining the company's rules and policies is not sufficient and often not even acceptable for the customer and it is not likely to increase the level of customer satisfaction. From the customer's point of view, both avoiding and competitive styles for dealing with the conflict situation resulted in the same, lower level of satisfaction.

*H2a, H2d, H2g:*

H2a assumed that customers will be significantly more satisfied with an avoiding conflict management approach when their expectations were exceeded, compared to a situation when those expectations were unmet by the service provider.

H2d stated the same assumption for a competitive conflict management method, while H2g had the same assumption in case a cooperative conflict management approach is employed.

Data from both satisfaction scales (at a significance level of  $\alpha=0.05$ ) show strong support for all three hypotheses. It is seemingly not a decisive issue what approach the representative chooses to deal with the conflict situation, if, at the end, the outcome exceeds the customer expectation, he/she tends to be more satisfied than when the outcome fails to meet the expectation.

*H2b, H2e, H2h:*

H2e assumed that customers will be significantly more satisfied with a competitive conflict management approach when their expectations were met, compared to a situation when those expectations were unmet by the service provider.

H2h stated the same assumption for a cooperative conflict management method, while H2b had the same assumption in case an avoiding conflict management approach is employed.

Interestingly, while H2e and H2h were supported by the data, H2b was not. It may refer to the possibility that customers place some weight on the dialogue or interaction with contact employees when they evaluate their level of satisfaction.

*H2c, H2f, H2i:*

H2c assumed that customers will be significantly more satisfied with an avoiding conflict management approach when their expectations were exceeded, compared to a situation when those expectations were met by the service provider.

H2f stated the same assumption for a competitive conflict management method, while H2i had the same assumption in case a cooperative conflict management approach is employed.

These hypotheses were all supported by data from one of the satisfaction scales at  $\alpha=0.05$ . Using any conflict management approach, the customer was more satisfied when the perceived service exceeded the customer expectation than when it met the expectation.

Results from the second group of hypotheses were what the author expected to observe. In those scenarios where the representative used the same conflict management approach, the customer is the most satisfied when the perceived service exceeded the expectation and least satisfied when the perceived service failed to meet the expectation.

*H3:*

Results of ANOVA from both scales did not support this hypothesis. So, based on data, there seems to be no significant interaction between the selected conflict management approach and the level of expectation evaluation. It was assumed that when the outcome exceeds the customer's expectation, then the approach the company uses for conflict management is not as important for customers as if the outcome failed to meet the expectation. However, the results indicate that the conflict management approach the service provider selects is as important to the customer as the expectation evaluation (Figures 7 and 8).

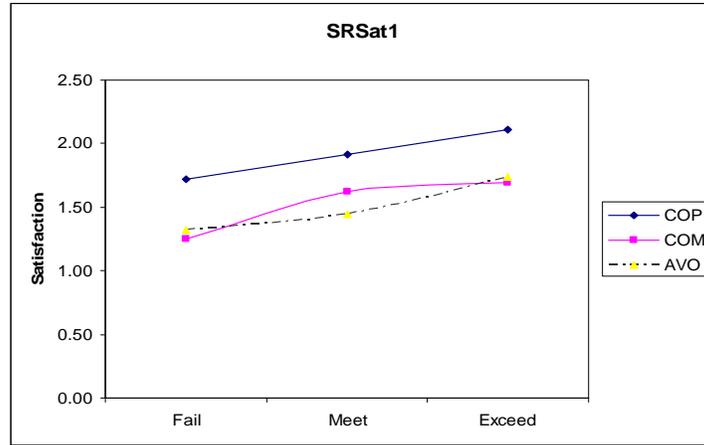


Figure7. Interaction Effect of Conflict Management and Expectation Evaluation on Customer Satisfaction

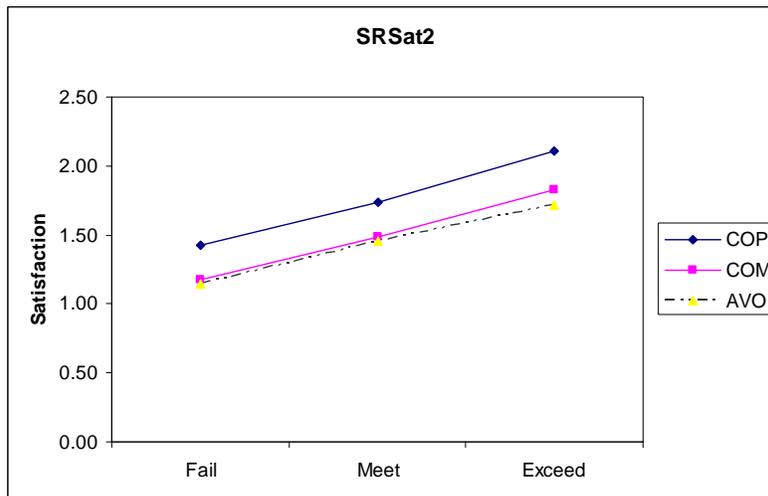


Figure8. Interaction Effect of Conflict Management and Expectation Evaluation on Customer Satisfaction

3.3.4- Summary of Findings:

In the previous section, the findings of this study were explained. Table 10 provides a complete overview of the results for all hypotheses in this study.

	Expectation Evaluation	Conflict Management Approach	SRSat1	SRSat2
H1a		Avo-Cop	Supported	Supported
H1b	Fail to meet	Avo-Com	Not Supported	Not Supported
H1c		Com-Cop	Supported	Supported
H1d		Avo-Cop	Supported	Supported
H1e	Meet	Avo-Com	Not Supported	Not Supported
H1f		Com-Cop	Supported	Not Supported
H1g		Avo-Cop	Supported	Supported
H1h	Exceed	Avo-Com	Not Supported	Not Supported
H1i		Com-Cop	Supported	Not Supported
H2a	Fail-Exceed		Supported	Supported
H2b	Fail-Meet	Avoiding	Not Supported	Not Supported
H2c	Meet-Exceed		Not Supported	Supported
H2d	Fail-Exceed		Supported	Supported
H2e	Fail-Meet	Competitive	Supported	Supported
H2f	Meet-Exceed		Not Supported	Supported
H2g	Fail-Exceed		Supported	Supported
H2h	Fail-Meet	Cooperative	Not Supported	Supported
H2i	Meet-Exceed		Not Supported	Supported
H3	Interaction		Not Supported	Not Supported

Table 10. Summary of the results

## Chapter 4

### *Conclusion, Limitations, and Future Studies:*

#### *4.1. Conclusion:*

The main goal of this study was an attempt to bridge the gap between conflict management and customer satisfaction research. The primary research question focused on the main and interaction effects of (a) the conflict management approach used by a service provider (and its representatives), and (b) the level of customer expectation evaluation on the construct of customer satisfaction. Although most of the hypotheses were supported by the data, some surprising results were seen as well. The data revealed the main preferences of the customers and highlighted several opportunities for further research in this topic.

Potential conflict management approaches were investigated due to the fact that service failure and conflict frequently exist in customer and contact employee relations. Furthermore, in a conflict situation, customer expectation evaluation seemingly plays an important role in determining the level of perceived customer satisfaction. So, conflict management approach and customer expectation evaluation are employed as independent variables here, while a key concept in marketing, customer satisfaction was the dependent variable in proposed model.

#### *4.1.1-Conflict management approaches:*

The first group of hypotheses compared different styles of managing a conflict situation. By comparing the results from the scenarios where the level of expectation evaluation was the same, one can interpret that customers prefer a cooperative style rather

than avoiding or competitive styles, as expected. Interestingly, there was not a significant difference between avoiding and competitive approaches. This finding may suggest that customers can distinguish between situations where the contact employee is indeed willing to solve their problem from situations when the employee uses a “fake attempt” to help or from situations where the employee tries to convince the customer that the conflict is the customer’s fault. Although, as predicted, the customer appreciates the time and energy the contact employee spends on the problem, in order to explain to him/her the situation or the corporate policies, the results illustrated that it is not a primary concern for the customer.

In conclusion, the customers definitely tend to be more satisfied, when they see that the contact employee or the representative tries really hard to solve the problem. The contact employees should not only use logical arguments to explain why the conflict or failure has happened, they should also show the customer that they are working hard to solve the specific problem even if they know that they probably cannot meet the customer’s expectation at the end. Customers appreciate the characteristics of employees who see the conflict situation as a mutual problem and attempt to solve it as if it is his/her own problem as well. From a company’s point of view, managers should monitor employee performance from that aspect, and, preferably, set performance goals for contact employees in a way that they should perceive the customer’s objectives as their own objectives.

#### *4.1.2-Customer Expectation Evaluation:*

As it's been seen before, the construct of expectation evaluation in this study was focused on the final evaluation of the outcome in different conflict situations. When the author talks about meeting the customer's expectation, it means providing the service level that the customer expected to receive beforehand.

The results revealed that customers tend to be more satisfied when the perceived service exceeded their expectations than when it simply met the same expectations. Also, again, as expected, when the perceived service meets their expectations they show a higher level of satisfaction than in situations when the provider fails to meet those expectations. Interestingly, these results were true for both cooperative and competitive scenarios and found not to be true in the case of avoiding scenarios. When the contact employee uses an avoiding style for handling a conflict situation, it does not seem to matter to the customers if their expectations were met or failed to meet. Avoiding behavior by contact employees exhibits the highest risk for service providers (or brands, or corporations) to lose a customer forever. So, if the contact employees dealing with the customer use an avoiding style, for any possible reason, the company should provide a quality service that exceeds the customer expectation.

#### *4.1.3- Interaction effect:*

Although it was expected that the interaction effect between conflict management approach and customer expectation evaluation would be significant, the results did not support this expectation. It was hypothesized that the approach used by the representative in a conflict situation would be somewhat more important for customers when their

expectations were not met than when their expectations were exceeded. However, the results show that the way that the representative deals with the conflict situation is highly important for the customer regardless of the expectation evaluation level (Figure 7 and 8). Therefore, even in conflict situations, where the actual service exceeds the customer's expectations the style of the representative is seemingly very important for the customer.

Customer retention is a powerful marketing tool to contribute to profitability. In turn, satisfaction has been shown as the most important factor in predicting customer retention (e.g. Coyne, 1989; Fornell et al., 1996; Soderlund, 1998). Training contact employees to respond to customer complaints, and any other conflict situation, appropriately is a key managerial approach to customer retention. Personnel management is crucial for service firms because customers may see contact employees as the only tangible facet of the service.

Providing the right approach for conflict management and, at the same time, meeting the customers' expectations may be an effective way to gain a competitive advantage, in particular for service companies. Marketing and human resource managers may use the findings of this study to adjust company policies for training their contact employees to meet the customers' expectations. Also, among the available conflict management styles, it would be desirable to encourage and train employees to follow the cooperative style, which achieves higher levels of customer satisfaction. If that customer-oriented philosophy can be instilled into the corporate culture, the more benefits, the higher number of retained customers, and the higher potential competitive advantage may be gained from the findings of this study.

#### *4.2-Limitations:*

Like most studies, some characteristics in study may limit the generalizability of the results. Attempts were made to address some possible limitations in the research design, some were not doable. Limitations may restrict the validity of a study; however, they may also provide useful suggestions and opportunities for further investigations in this area.

The first limitation is probably the concept of customer satisfaction itself. There is no apparent consensus about this concept in the reviewed literature. Some researchers have measured satisfaction by asking a single item question to get the overall satisfaction (e.g. Andreasen and Best, 1977; Oliver, 1977). Many others see satisfaction as a complicated concept that needs to be found by a multi-item measure (Churchill and Surprenant, 1982; Rust and Zahoril, 1993). By using two parallel measures for the construct, the author tried to address this problem; however, some differences in the results support the assumption that satisfaction is not an easy construct to measure.

Secondly, respondents' previous experiences may have affected their answers. Respondents commented about their bad experience with a specific airline, they may not have actually answered the study questions with the given scenarios in mind. They might have been thinking about their real experience and how the representative handled the problem at that time and answered the questions according to their story. Not using the name of the airline and representative's gender, the author tried to reduce this potential bias.

The third limitation is the manipulation of conflict management approaches. Tjosvold's (1986) definition of different styles was used for manipulation. However, it

depends on the respondents to see the styles in the same way that the author intended.

Although role-playing scenarios have been used extensively in previous studies, reading a scenario may not affect the participant the same way as the real situation does. The emotions like anger may be stronger in a real-life situation.

The fourth characteristic that might limit the generalizability of the results is the use of a student sample for this study. Many studies have used students to represent different populations. There is no consensus, but many do agree that students can sometimes be used as a representative sample for consumers. In this study, the students were asked to imagine themselves as a customer who wants to take a flight. Ninety seven percent of the students, who participated in this study, have taken a flight before. Nevertheless, it would enhance the results of this study to repeat it with a sample of real air line customers.

The other limitation is this study looked at only one service, the airline industry, which was chosen to make the role play more realistic and to ensure the participants had experience with the service. The airline industry was chosen in this study primarily because the independent variables could be manipulated more meaningfully than many other industries. Results from the airline industry; however, may or may not be the same with other service industries.

#### *4.3- Future Studies:*

Most hypotheses in this study have been supported; however, some interesting questions have arisen that require further research. Further research can be conducted to

analyze differences between male and female behavior. Also, age can be another factor that affects customer satisfaction.

Future studies may look at this phenomenon in other industries and compare the results with this study. The conflict between the business and the customer may occur wherever there is a relationship. As a result, other service industries such as banks and insurance companies can be studied.

In this study, experimental scenarios were employed as a research method. Although the costs and many extraneous variables might represent difficulties for researchers, further studies in real business situations should be encouraged in order to improve the external validity of the findings, and also to provide guidelines for theory development.

This study employed Deutsch's (1973) conflict management theory. Other conflict management theories, e.g. Thomas's (1976) theory, also can be used in order to find out more about customer preferences. Comparison of studies following the two different approaches may provide new insights for the researchers and practitioners.

Finally, other variables that are shown to be tied to customer satisfaction should be included in further investigations. For instance, the constructs of trust and loyalty should be analyzed in terms of their relationships to conflict and conflict management as well.

Overall, this study represents a small step in connecting two major areas of business research; conflict management and customer behavior. This study attempted to introduce conflict management theory into the field of consumer behavior, and to develop a framework for further studies in the field with both researchers and practitioners in

mind. As conflict is a highly significant issue in most service industries, the concept of conflict management is certainly worthy of investigation in future studies within more specific subfields of consumer behavior.

## References:

- Aldrich, H. (1977). Visionaries and villains: The politics of designing interorganizational relations. *Organization and Administrative Science*, 8 (1), 23-40.
- Alper S., Tjosvold D, and Law K.S.(2000). Conflict management, efficacy, and performance in organizational teams. *Personal Psychology*, 53(3), 625-642.
- Anderson, E. and Sullivan, M.W. (1993). The antecedents and consequences of customer satisfaction for firms. *Marketing Science*, 12(2), 125-143.
- Anderson, E.W., Fornell, C., and Lehmann, D.R. (1994). Customer satisfaction, market share, and profitability: findings from Sweden. *Journal of Marketing*, 58(July), 53-66.
- Andreasen, A.R., and Best, A. (1997). Consumers complain- does business respond? *Harvard Business Review*, 55(July-August), 93-101.
- Appiah-Adu, K., Fyall A., and Singh S. (1999). Marketing culture and business performance in the air line industry. *Journal of Travel and Tourism Marketing*, 8(3), 47-70.
- Baek H.Y. (2003). Parent-Affiliate Agency Conflicts and Foreign Entry Mode Choice Multinational. *Business Review*, 11(2), 75-97.
- Barki H.and Hartwick J. (2001). Interpersonal conflict and its management information system development. *MIS Quarterly*, 25(2), 195-228.
- Benry L.L., Parasuraman A., and Zeithmal V.A. (1994). Improving service quality in America: Lessons learned. *Academic of Management Executive*, 8(May), 32-52.
- Bettman, J. R. (1986). Consumer psychology. *Annual Review of Psychology*, 37, 257-289.
- Binter, M.J.(1990). Evaluation service encounters: The effects of physical surroundings and employee responses. *Journal of Marketing*, 54(April), 69-82.
- Bloemer J.and Schroder G.O.(2002). Store Satisfaction and Store Loyalty Explained by Customer- And Store-Related Factors. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 15, 68-80.
- Bohte, K.R. (1998). Beyond customer satisfaction to customer loyalty. *American Management Association*, New York, NY.
- Buller, M.K. and Buller, D.B. (1987). Physicians' communication style and patient satisfaction. *Journal of Health and Social Behavior*, 28, 375-388.
- Carlson, M.J., Blustein, J., Fiorentino, N., and Prestianni, F. (2000). Socioeconomic status and dissatisfaction among HMO enrollees. *Medical Care*, 38(5), 508-516.
- Carmel, S. (1985). Satisfaction with hospitalization: a comparative analysis of three types of services. *Social Science and Medicine*, 21, 1243-1249.
- Chebat J. C. and Kollias P. (2000). The impact of empowerment on customer contact employees' roles in service organizations, *Journal of Service Research*, 3(1), 66-81.
- Chung B. G. and Schneider B. (2002). Serving multiple masters: Role conflict experienced by service employees, *The Journal of Service Marketing*, 16(1), 70-87.
- Churchill G. A. and Surprenant C.(1982). An investigation into the determinants of customer satisfaction. *Journal of Marketing Research*, 19(Nov.), 491-504.

- Coyne, K. (1989). Beyond service fads- meaningful strategies for the real world. *Sloan Management Review*, Summer, 69-76.
- Daroczi, Z. (2003). The role of conflict and conflict potential in international joint ventures. *Doctoral Dissertation*. Michigan State University, East Lansing, Michigan.
- Deming, W.E. (1986). *Out of Crisis*. Cambridge: MIT Centre for advanced engineering study.
- Deutsch, M. (1973). *The resolution of conflict*. New Haven and London: Yale University Press.
- Dyck, B., Bruning N.S., and Driedger L.(1996). Potential conflict, conflict stimulus, and organizational performance: An empirical test. *International Journal of Conflict Management*. 7(4), 295-314.
- Eckert, J.A. (1997), A Model of Constructive Conflict in Exchange Relationships. *Dissertation Proposal*, Michigan State University, East Lansing, Michigan.
- Eklof, J.A., Hackl, P., and Westlund, A. (1999). On measuring interaction between customer satisfaction and financial results. *Total Quality Management*, 10, S541-S522.
- Erevelles, S. and Leavitt, C. (1992). A comparison of current models of consumer satisfaction/dissatisfaction. *Journal of Consumer Satisfaction/Dissatisfaction and Complaining Behavior*, 5, 104-114.
- Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. *Journal of Marketing*, 56(1), 6-22.
- Fornell, C. (1999). Customer satisfaction and shareholders value. *Fourth World Congress for Total Quality Management*, June, 28-30.
- Fornell, C., Johnson M.D., Anderson E.W., Cha J, and Bryant B.E. (1996). The american customer satisfaction index: Nature, purpose, and findings. *Journal of Marketing Research*, 60(4), 7-18.
- Galbreath J., Rogers T.(1999). Customer relationship leadership: A leadership and motivation model for the twenty-first century business. *The TQM Magazine*. Bedford, 11(3), 161.
- Garbarino E. and Johnson M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. *Journal of Marketing*, 63(2), 70-87.
- Gaski, J.F., and Nevin (1985). The differential effects of exercised and unexercised power sources in a marketing channel. *Journal of Marketing Research*, 22(May), 130-142.
- Hair, J.F, Anderson R.E., Tatham, R.L., and Black W.C. (1995). *Multivariate Data Analysis*. Fourth Edition, Prentice-Hall: New Jersey.
- Hart C.W., Heskett J.L., and Sasser W.E., Jr (1990). The profitable art of service recovery. *Harvard Business Review*, 68(July-August), 148-156.
- Hartline, M.D. and Jones, K.C. (1996). Employee performance cues in a hotel service environment: Influence on perceived service quality, value, and word-of-mouth intentions. *Journal of Business Research*, 35, 205-217.
- Hebert L. (1996). Does control matter? A path model of the control-performance relationship in International joint ventures. *Management International*, 1(1), 27-40.
- Hess Jr., R.L., Ganesan, S., and Klein, N.M. (2003). Service failure and recovery: the impact of relationship factors on customer satisfaction. *Academy of Marketing Science*, 13(2), 127-145.

- Hurley R. F.(1998). Customer service behavior in retail settings: A study of the effect of service provider personality. *Academy of Marketing Science*, 26(2), 115-127.
- Innis D. E. and La Londe B.J.(1994). Customer service: The key to customer satisfaction, customer loyalty, and market share. *Journal of Business Logistics*, 15(1), 1-27.
- Ittner, C.D. and Larcker, D.F. (1996). Measuring the impact of quality initiatives on firm financial performance. *Advances in the Management of Organizational Quality*, 1, 1-37.
- Kiger P.J. (2002). Why customer satisfaction starts with HR. *Workforce*, 81(5), 26-32.
- Kristensen, K. (1997). Monitoring beyond the bottom line: productivity, time, relations and quality. *TMI World Congress*.
- LaTour, S. A. and Peat N. C.(1979). The role of situationally produced expectations, others' experiences, and prior experiences in determining consumer satisfaction. In *Advances in Consumer Research*, Vol. 7. Ed. Jerry C. Olson. Ann Arbor, MI: Association for Consumer Research, 588-592.
- Lin, X., and Germain R. (1998), Sustaining Satisfactory Joint Venture Relationships: The Role of Conflict Resolution Strategy, *Journal of International Business Studies*, 29 (1), 179-196.
- Linn, L.S. (1982). Burn patients' evaluation of emergency department care. *Annals of Emergency Medicine*, 11, 255-259.
- Lorenzoni, N., and Lewis, B.R. (2004). Service recovery in the airline industry: a cross cultural comparison of the attitudes and behaviors of British and Italian front-line personnel. *Managing Service Quality*, 14(1), 11-25.
- Mattila A.S. (2001). The effectiveness of service recovery in a multi-industry setting. *The Journal of Service Marketing*. 15(6/7), 583-596.
- Marketing Science Institute. Retrieved February 17, 2004. from: <http://www.msi.org/msi/rp0204.cfm>
- Montoya-Weiss M.M., Massey A.P., and Song M.(2001). Getting it together: Temporal coordination and conflict management in global virtual teams. *Academy of Management Journal*, 44(6), 1251-1262.
- Morgan, R.M. and Hunt, S.D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20-38.
- Morris M.W., Williams K.Y., Leung K., Larrick R., et al. (1998). Conflict management style: Accounting for cross-national differences. *Journal of International Business Studies*. 29(4), 729-748.
- Murphy, P. (1999). Service performance measurement using simple techniques actually works. *Journal of Marketing Practice*, 5(2), 56.
- Myers J. H. (1991). Measuring customer satisfaction: Is meeting expectations enough? *Marketing Research*, Chicago, 3(4), 35-44.
- Ohanessian E. and Kleiner B.H. (1999). Managing human behaviour in the airline industry. *Management Research News*, 22(2/3), 51-57.
- Oliver, R.L. (1977). Effects of expectation and disconfirmation on postexposure product evaluations: an alternative interpretation. *Journal of Applied Psychology*, 62(4), 480-486.

- Oliver, R.L. (1980). A cognitive model of the antecedents and consequences of satisfaction decision, *Journal of Marketing Research*, 14(4), 460-469.
- Oliver R. L. (1997). *Satisfaction: A behavioral perspective on the consumer*. New York: Irwin/McGraw-Hill.
- Oliver, R.L. and Swan J.E. (1989). Equity and disconfirmation perceptions and influences on merchant and product satisfaction. *Journal of Consumer Research*, 16(Dec.), 372-83.
- Oyewole, P., 2001. Consumer's socio-demographic characteristics and satisfaction with services in the airline industry. *Service Marketing Quarterly*, 23(2), 61-80.
- Osborne J. (2002). Notes on the use of data transformations. *Practical Assessment, Research & Evaluation*, 8(6). Retrieved June 29, 2004 from <http://PAREonline.net/getvn.asp?v=8&n=6>
- Parasuraman, A., Zeithmal V. A., and Berry L. L. (1988). SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40.
- Parasuraman, A., Zeithmal V. A., and Berry L. L. (1994). Reassessment of expectations as a comparison standard in measuring service quality: Implications for further research. *Journal of Marketing*, 58(1), 111-124.
- Peterson R.A. and Wilson W.R. (1992). Measuring customer satisfaction: Fact and artifact. *Journal of the Academy of Marketing Science*, 20(1), 61-71.
- Pondy, L.R. (1967). Organizational conflict: concepts and models," *Administrative Science Quarterly*, 12(September), 296-320.
- Prokesch, S.E. (1995). Competing on customer service: An interview with British Airways' sir Colin Marshall. *Harvard Business Review*, 73(6), 100-118.
- Rahim M.A.(1983). A measure of styles of handling interpersonal conflict. *Academy of Management Journal*. 26(2), 368-376.
- Rahim, A., and T.V. Bonoma (1979). Managing Organizational Conflict: A Model for Diagnosis and Intervention, *Psychological Reports*, 44, 1323-1344.
- Ramamurti, R. and Sarathy, R. (1997). Deregulation and globalization of airlines. *The International Trade Journal*, 11(3), 389-432.
- Reichheld, F.F. and Sasser, E. (1990). Zero defections: quality comes to services. *Harvard Business Review*, 68, 105-111.
- Ross, L.W., Fleming R.S., Fabes K.J., and Frankl R. (1999). Gender effects on customer satisfaction with employment service. *Career Development International*, 4(5), 270.
- Rust, R. T. and Oliver R. L. (2000). Should we delight the customer? *Academy of Marketing Science*, 28(1), 86-94.
- Rust, R.T. and Zahornik, A.J. (1993). Customer satisfaction, customer retention, and market share. *Journal of Retailing*, 69(2), 193-215.
- Selnes F. (1993). An examination of the effect of product performance on brand reputation, satisfaction and loyalty. *European Journal of Marketing*. 27(9), 19-35.
- Selnes F. (1998). Antecedents and consequences of trust and satisfaction in buyer-seller relationships. *European Journal of Marketing*, 32(3/4), 305.

Smith, A.K. and Bolton, R.N. (1998). An experimental investigation of customer reactions to service failure and recovery encounter: Paradox or peril? *Journal of Service Research*, 1(August), 65-81.

Smith A.K., Bolton R.N., and Wagner J. (1999). A model of customer satisfaction with service encounters involving failure and recovery. *Journal of Marketing Research*. 36(3), 356-372.

Soderlund M. (1998). Customer Satisfaction and its Consequences on Customer Behavior Revisited the Impact of Different Level of Satisfaction on Word-of-mouth, Feedback to the Supplier and Loyalty. *International Journal of Service Industry*, 9(2), 169-188.

Song X.M., Xie J, and Dyer B. (2000). Antecedents and consequences of marketing managers' conflict-handling behaviors. *Journal of Marketing*, 64(1), 50-66.

Sparks B.A., Bradley G.L., and Callan V.J. (1997). The impact of staff empowerment and communication style on customer evaluations: The special case of service failure. *Psychology & Marketing*, 14(5), 475-493.

Strategic Direction (1996). From customer satisfaction to customer enthusiasm with Saturn. 125(July/Aug), 26-28.

Strategy & Leadership (1994). Nordstrom: Respond to unreasonable customer request! 22(3), 17-18.

Swan, J. E. and Oliver R. L. (1991). An applied analysis of buys equity perceptions and satisfaction with automobile salespeople. *The Journal of Personal Selling and Sales Management*, 11(2), 15-26.

Szymanski D.M, and Henard D.H. (2000). Customer satisfaction: A meta-analysis of the empirical evidence. *Academic of Marketing Science*, 29(10), 16-35.

Tax S.S. and Brown S.W. (1998). Recovering and learning from service failure. *MIT Sloan Management Review*, 40(1), 75-89.

Taylor, S.A. and Baker, T.L. (1994). An assessment of the relationship between service quality and customer satisfaction in the formation of customers' purchase intentions. *Journal of Retailing*, 70(2), 163-178.

Thomas, K.W. (1976). Conflict and conflict management, in *handbook of Industrial and Organizational Psychology*, M.D. Dunnette, ed. Chicago: Rand McNally, 889-935.

Thomas, K.W. (1992). Conflict and conflict management, in *Handbook of Industrial and Organizational Psychology*, 2<sup>nd</sup> ed., Vol. 3, M.D. Dunnette and L.M. Hogh, eds. Palo Alto, CA: Consulting Psychologists Press, 651-717.

Tjosvold D. (1986). *Working together to get things done*. MA: D.C. Heath and Company.

Tjosvold D., Cho Y. H., Park H. H., Liu C. et al. (2001). Interdependence and managing conflict with sub-contractors in the construction industry in East Asia, *Asia Pacific Journal of Management*, Singapore, 18(3), 295.

Tjosvold D., Morishima M, and Belsheim J.A.(1999). Complaint handling on the shop floor: Cooperative relationships and open-minded strategies, *The International Journal of Conflict Management*, 10(1), 45-68.

Tjosvold, D. and Weicker, D. (1993). Cooperative and competitive networking by entrepreneurs: A critical incident study. *Journal of Small Business Management*, 32(1), 11.

Tse D.K. and Wilton P.C. (1988). Model of consumer satisfaction formation: An extension. *Journal of Marketing Research*, 25, 204-212.

Tucker, J.L. and Kelly, V.A. (2000). The influence of patient sociodemographic characteristics on patient satisfaction. *Military Medicine*, 165(1), 72-76.

Weatherly K. A. and Tansik D. A. (1993). Tactic used by customer-contact workers: Effects of role stress, boundary spanning and control, *International Journal of Service Industry Management*, 4(3), 4-17.

Weiss, G.L. (1988). Patient satisfaction with primary medical care: evaluation of sociodemographic and predispositional factors. *Medical Care*, 26, 383-392.

Westbrook, R.A. and Oliver R.L. (1981). Developing better measures of consumer satisfaction, in *Advances in Consumer Research*: Vol. 8, ed. Kent B. Monroe, Ann Arbor, MI: Association for consumer research, 94-99.

Westbrook, R.A. and Oliver R.L. (1991). The dimensionality of consumption emotion patterns and customer satisfaction. *Journal of Consumer Research*, 18(June), 84-91.

Widmier, S., and Jackson Jr., D.W.(2002). Examining the effect of service failure, customer compensation, and fault on customer satisfaction with salespeople. *Journal of Marketing Theory and Practice*, 10(1), 63-73.

Woodruff R. B., Cadotte E. R., and Jenkis R. L. (1983). Modeling consumer satisfaction processes using experience-based norms. *Journal of Marketing Research*, 20(3), 296-305.

Wright, D.B., 1997. Understanding statistics- An introduction for social science. Sage.

Xie J, Song X.M., and Stringfellow (1998). Interfunctional conflict, conflict resolution styles, and new product success: A four culture comparison. *Management Science*, 44(12), S192-S206.

Zeithamal V. A. (2000). Service quality, profitability, and the economic worth of customer: What we know and what we need to learn. *Academy of Marketing Science*, 28(1), 67-85.

Zeithmal V. A., Berry L. L., and Parasuraman A.(1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(2), 31-46.

**Appendix 1: Customer satisfaction scale 1.**

**As the customer, please answer the following questions (please circle).**

	<i>Strongly Disagree</i>				<i>Strongly Agree</i>		
I would be satisfied with how the airline has taken care of me.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<hr/>							
I would feel that the airline's way of dealing with the situation matches my expectations.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<hr/>							
I would feel that the airline's way of dealing with the situation is acceptable.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<hr/>							

**Appendix 2: Customer satisfaction scale 2.**

**How do you feel about this situation (please circle)?**

Displeased	1	2	3	4	5	6	7	Pleased
<hr/>								
Discontented	1	2	3	4	5	6	7	Contented
<hr/>								
Dissatisfied	1	2	3	4	5	6	7	Satisfied
<hr/>								
Unhappy	1	2	3	4	5	6	7	Happy
<hr/>								
Poor service	1	2	3	4	5	6	7	Good service
<hr/>								

**Appendix3: Questionnaire for Pre-test 1.**

**How do you feel about the behavior of the airline representative? Please give 3 words only:**

**How would you rate the behavior of the airline representative (please circle)?**

	<i>Strongly Disagree</i>						
<i>Strongly Agree</i>							
The representative really tried to be helpful	1	2	3	4	5	6	7
The representative really paid attention to my situation	1	2	3	4	5	6	7
The representative tried to avoid dealing with me	1	2	3	4	5	6	7
The representative ignored me	1	2	3	4	5	6	7
The representative took a competitive approach	1	2	3	4	5	6	7
The representative tried to prove I was at fault	1	2	3	4	5	6	7
The representative really tried to be cooperative	1	2	3	4	5	6	7
The representative seemed to be self-interested	1	2	3	4	5	6	7
The representative directly addressed the issue at hand	1	2	3	4	5	6	7

**How would you rate your feelings about the expected and the actual service you have received from the airline?**

The service exceeds my general expectations	1	2	3	4	5	6	7
This is a reasonable level of service	1	2	3	4	5	6	7
The service is below my expectations	1	2	3	4	5	6	7

#### **Appendix 4: Pre-tested Scenarios.**

##### *1) Avoiding- Exceeding Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that “Today, you are not the only passenger who is in this situation. We apologize for the inconvenience” and that “I do not have time to explain to everyone why this problem occurred”. The representative concludes that “The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money”. You really need to fly today at the time that is specified on your ticket, but the representative is not willing to hear about your concerns. You keep trying to explain your situation, but the representative just guides you to another service desk. The next representative you speak with simply repeats that your choices are the following: “You can fly tomorrow or we will refund your money.”

Finally, the representative tells you that a passenger has cancelled his ticket and there is an available spot for the same plane which your ticket specified. However, this seat is in the “special business class”. Normally, it costs 50 percent more than what you have already paid but the representative offers you the seat without extra charge.

Given that this has happened to you, please answer the following questions.

##### *2) Avoiding- Meeting Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that “Today, you are not the only passenger who is in this situation. We apologize for the inconvenience” and that “I do not have time to explain to everyone why this problem occurred”. The representative concludes that “The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money”. You really need to fly today at the time that is specified on your ticket, but the representative is not willing to hear about your concerns. You keep trying to explain your situation, but the representative just guides you to another service desk. The next representative you speak with simply repeats that your choices are the following: “You can fly tomorrow or we will refund your money.” Finally, the representative tells you that a passenger has cancelled his ticket and there is an available spot for the same plane which your ticket specified. Given that this has happened to you, please answer the following questions.

### *3) Avoiding- Failure to Meet Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that “Today, you are not the only passenger who is in this situation. We apologize for the inconvenience” and that “I do not have time to explain to everyone why this problem occurred”. The representative concludes that “The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money”. You really need to fly today at the time that is specified on your ticket, but the representative is not willing to hear about your concerns. You keep trying to explain your situation, but the representative just guides you to another service desk. The next representative you speak with simply repeats that your choices are the following: “You can fly tomorrow or we will refund your money.” Finally, the representative tells you that another seat can not be found and the only options are refunding your money or postponing your flight for tomorrow.

Given that this has happened to you, please answer the following questions.

4) *Competitive- Exceeding Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that "Today, you are not the only passenger who is in this situation. We apologize for the inconvenience". The representative concludes that "The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money". You really need to fly today at the time that is specified on your ticket. You start to explain your situation. The representative responds by stating

"Unfortunately the airline's rules of flight state that we may on occasion oversell a flight. Customers are given seats based on their check-in time. Those checking in first receive seats before those checking in later. Although you checked in 90 minutes in advance, others checked in earlier. I cannot override those rules." The representative explains "Since passengers are denied boarding based on their check-in time it is not fair to ask the other passengers who came earlier to fly on the next flights. If you had arrived earlier you would have been given a seat instead of someone else."

Finally, the representative tells you that a passenger has cancelled his ticket and there is an available spot for the same plane which your ticket specified. However, this seat is in the "special business class". Normally, it costs 50 percent more than what you have already paid but the representative offers you the seat without extra charge.

Given that this has happened to you, please answer the following questions.

5) *Competitive- Meeting Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline

representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that "Today, you are not the only passenger who is in this situation. We apologize for the inconvenience". The representative concludes that "The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money". You really need to fly today at the time that is specified on your ticket. You start to explain your situation. The representative responds by stating "Unfortunately the airline's rules of flight state that we may on occasion oversell a flight. Customers are given seats based on their check-in time. Those checking in first receive seats before those checking in later. Although you checked in 90 minutes in advance, others checked in earlier. I cannot override those rules." The representative explains "Since passengers are denied boarding based on their check-in time it is not fair to ask the other passengers who came earlier to fly on the next flights. If you had arrived earlier you would have been given a seat instead of someone else."

Finally, the representative tells you that a passenger has cancelled his ticket and there is an available spot for the same plane which your ticket specified.

Given that this has happened to you, please answer the following questions.

#### 6) *Competitive- Failure to Meet Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that "Today, you are not the only passenger who is in this situation. We apologize for the inconvenience". The representative concludes that "The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money". You really need to fly today at the time that is specified on your ticket. You start to explain your situation. The representative responds by stating "Unfortunately the airline's rules of flight state that we may on occasion oversell a flight. Customers are given seats based on their check-in time. Those checking in first receive

seats before those checking in later. Although you checked in 90 minutes in advance, others checked in earlier. I cannot override those rules." The representative explains "Since passengers are denied boarding based on their check-in time it is not fair to ask the other passengers who came earlier to fly on the next flights. If you had arrived earlier you would have been given a seat instead of someone else."

Finally, the representative tells you that another seat can not be found and the only options are refunding your money or postponing your flight for tomorrow.

Given that this has happened to you, please answer the following questions.

### *7) Cooperative- Exceeding Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that "Today, you are not the only passenger who is in this situation. We apologize for the inconvenience". The representative concludes that "The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money". You really need to fly today at the time that is specified on your ticket. You start to explain your situation. So, the representative starts calling other airlines and checks the computer screen in order to find you a seat. After the representative has spent several minutes looking at options, you are told "OK, I found you a seat on a flight that departs 6 hours later." You explain that you planned a meeting according to your flight and the next flight is too late for you. The representative again begins making phone calls and checking the computer in an effort to find you a seat. Finally, the representative tells you that a passenger has cancelled his ticket and there is an available spot for the same plane which your ticket specified. However, this seat is in the "special business class". Normally, it costs 50 percent more than what you have already paid but the representative offers you the seat without extra charge. Given that this has happened to you, please answer the following questions.

### 8) *Cooperative- Meeting Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that “Today, you are not the only passenger who is in this situation. We apologize for the inconvenience”. The representative concludes that “The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money”. You really need to fly today at the time that is specified on your ticket. You start to explain your situation. So, the representative starts calling other airlines and checks the computer screen in order to find you a seat. After the representative has spent several minutes looking at options, you are told “OK, I found you a seat on a flight that departs 6 hours later.” You explain that you planned a meeting according to your flight and the next flight is too late for you. The representative again begins making phone calls and checking the computer in an effort to find you a seat. Finally, the representative tells you that a passenger has cancelled his ticket and there is an available spot for the same plane which your ticket specified.

Given that this has happened to you, please answer the following questions.

### 9) *Cooperative- Failure to Meet Expectations*

You are going to travel to another city. You have bought an economy class airline ticket, and now the day has come for you to travel. You arrive at the airport 90 minutes in advance on the date of your flight. However, when you show your ticket to the airline representative, this person informs you that the airline has sold too many tickets for the flight you are supposed to be on. There is no seat for you on the plane.

The representative also informs you that “Today, you are not the only passenger who is in this situation. We apologize for the inconvenience”. The representative concludes that “The only thing that we can do is change your ticket so that you can fly tomorrow instead or refund your money”. You really need to fly today at the time that is specified on your

ticket. You start to explain your situation. So, the representative starts calling other airlines and checks the computer screen in order to find you a seat. After the representative has spent several minutes looking at options, you are told “OK, I found you a seat on a flight that departs 6 hours later.” You explain that you planned a meeting according to your flight and the next flight is too late for you. The representative again begins making phone calls and checking the computer in an effort to find you a seat. Finally, the representative tells you that another seat can not be found and the only options are refunding your money or flying with the next flight. Given that this has happened to you, please answer the following questions.