CHAPTER 4

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4.1 INTRODUCTION

A conceptual framework based on the literature review in Chapters 2 and 3, is proposed in this chapter. The chapter begins with a discussion on service recovery and its omnipresence in the service sector particularly in the high contact and medium contact service sectors. The study deals with the impact of the recovery action on the perception of service recovery dimensions and overall satisfaction of the customer. The chapter discusses the effect of culture and the perceived relative importance of the service recovery dimensions. Lastly, the conceptual model of the study is presented.

4.2 SERVICE RECOVERY AND CUSTOMER SATISFACTION

With the increasing awareness of consumer rights, the instances of customer complaints regarding satisfaction from the service increased. Therefore, it is of utmost importance for the service providers to manage the service, and slipups in the service. This is the underlying objective of this study. Clearly, service failures are inevitable. Service is characterized by intangible, non-separated, heterogeneous, and perishable features, as well as many other ambiguous features. The distinctive features of services marketing in comparison to goods marketing have been highlighted widely [32] [91]. The hotel industry, in particular, involves a high degree of interaction between employees and guests; hence, it provides a lot of opportunities for service failures to occur. Hotels (the accommodation sector) are operational 24/7. They are characterized by continuous operations and highly varying demand, relative to constant rates of supply, which increases the probability of service failure in this industry more than any other industry [25] [77]. The service providers in the hotel industry, therefore, find it very difficult to deliver a zero-defect service [78]. Service failures can be seen as customers’ economic loss (e.g., money, time) and or social loss (e.g., status, esteem) in an exchange [133]. As a result, customers consider the failure situation as a negative inequity and will attempt to balance equity with post-purchase behavior. Service recovery refers to the action taken by a service provider in response to service failure [5]. Service recovery efforts are more often than not successful in achieving customer satisfaction. Service recovery can be implied as a “bundle of resources” that an organization can employ in response to a failure.
By treating recovery in this manner, we are able to examine the specific determinants of an effective recovery and the relative importance of individual recovery attributes in restoring customer satisfaction across a variety of service failure conditions. An effective service recovery action not only retains customers, but also enhances customer satisfaction and loyalty [15]. Service failure and failed recoveries are leading causes of customer switching to the competitor [73] and inevitably lead to the high costs of acquiring new customers [27] [3]. Keaveney’s (1995) [153] report that service failures and failed recoveries accounted for almost 60 percent of the critical behaviors by service firms that led directly to customer switching. Previous research indicates that upset customers will tell ten to twenty people about their bad experience with a service operation. Therefore the service providers should truly follow the motto “The customer is the King” and to retrieve lost customers and prevent additional losses, a proactive service organization must take up an effective service recovery strategy. Therefore, well-executed service recoveries are important for enhancing customer satisfaction, building customer relationships, and preventing customer defections [133].

The customer satisfaction is derived from the perceived fairness of exchange situations. The equity /inequity of consumers’ own inputs compared to the outputs lead to perceived justice. Then the consumer forms a satisfaction or a dissatisfaction judgment based on the level of perceived justice [146]. Previous research indicates that when applied to a service encounter, a customer will make a balance of the inputs invested and the outcomes received during the encounter and subsequently this will be traded off against the inputs and outputs of the service provider. Customer inputs may be monetary expenses, time and effort. On the other hand, customer outputs may be service performance or image building. Inputs for the service provider may be time and effort, while outcomes can be monetary gains, customer retention and positive word of mouth. Oliver and Swan [109] investigated how customers interpret equity and found that it is related to positive inequity. Thus, customers perceive higher equity when they receive relatively more outcomes from the provider. This was also affirmed by the research of good conflict handling policy, characterized by distributive and procedural justice, interactional fairness and perceived equity will help to increase customer satisfaction [1] [25] [123]

Social exchange theory highlights the role of distributive justice as it relates to the allocation of costs and benefits in achieving equitable exchange relationships [184]. In terms of service recovery, distributive justice perceptions involve the allocation of compensation (in the form
of discounts, free commodities, refunds, coupons, and so forth) by the organization in response to the inequity caused by a service failure. Researchers [133] have shown that compensation is a strategy for restoring equity to an exchange relationship when one party has been harmed by the other. Walster, Berscheid, and Walster (1973) [232] use content analysis of qualitative evaluations of service complaint experiences to show that compensation is the most important recovery dimension associated with customers’ perceptions of distributive justice. Therefore, it can be concluded that in service recovery scenario, the presence and absence of compensation will affect the overall satisfaction of the customer differently.

Monetary fairness (distributive justice) has been found to influence customer satisfaction in a variety of service recovery settings (e.g., retail, hotel, restaurant, airline, auto repair) across a number of research methods (experiments, surveys, critical incidents) However a number of research studies dealing with service recovery have confirmed that customer satisfaction is not solely based upon the ultimate outcome of the service recovery but also upon the procedures and the interactions used to arrive at the final outcome [9] [16] [6] [133].

The customer perceives satisfaction when the procedures, or criteria, used in making the decision are perceived as fair [9]. Even when a customer may be satisfied with the type of recovery strategy offered, recovery evaluation maybe poor due to the process endured to obtain the recovery outcome [158]. Procedural justice focuses on the way that the outcome is reached. Based on previous literature, there are six sub-dimensions for procedural justice, namely, flexibility, accessibility, process control, decision control, response speed and acceptance of responsibility [9] [18] [6] [46] [158][132] [180]. Several researchers have studied the role of explanation or process control to the customer during the recovery process and satisfaction [9] [6] [162]. Thus it can be concluded that that in service recovery scenario, the presence and absence of compensation will affect the overall satisfaction of the customer differently.

Effectiveness of a service recovery strategy is also dependent on the way in which the service provider handles the problem; responsiveness, empathy and understanding improve the effectiveness of the strategy [46] [27]. A responsive and speedy recovery will enhance the customer satisfaction from the service recovery interaction. Prior research has focused on failure recovery situations in which the customer has filed the complaint with the service provider [123] [9] [18].Several researchers like Johnston 1995[167], Kelley Hoffman and
Davis 1993 [15] have suggested that proactive efforts (initiated by the service provider) increase customer satisfaction than reactive efforts (initiated by customer). Thus expanding on the above discussion we can say that in service recovery scenario, the pro-activeness and re-activeness of service provider will affect the overall satisfaction of the customer differently.

4.3 CULTURE AND ITS EFFECT ON CUSTOMER SATISFACTION

The far-reaching supposition within the services literature that most types of consumer-provider interactions are relational has flowed downstream to recovery research.

Researchers argue that a satisfactory recovery varies according to a range of relational factors like consumers’ relational recovery expectations [233]. The question remains as to why one or more recovery initiatives (e.g., apology, empathy, compensation, replacement, process control, timeliness, assurance of no recurrence) are indispensable in one situation but pointless in another. The adjudicator remains out about the cause of these contradictions [9], the dissertation proposes that they are the result of the provider failing to account for consumers’ cultural models, which create unique recovery preferences and expectations after a service failure.

Culture is everything that people have and think, as members of a society [234]. With the trend of globalization, growth of transnational corporations, and the emergence of culture related issues, cultural difference reveals its significance in terms of explaining the behavior of consumers and designing efficient marketing strategies and tools [235]. The service industry especially hotel service that treats human beings as the medium for product delivery, in particular, depends heavily on service personnel and equipment. Thus, when the provider and consumer of the service belong to different cultures cross-cultural service will take place [235]. Situations like these often tend to generate cultural shock (‘‘Culture shock’’ is referred to an indicator of various difficulties experienced by people from diverse culture, [235]. Further, service performance perceptions; filtered through the lens of culture have been found to directly affect perceived service quality and satisfaction [56]. Since the consumer is the ultimate assessor of service quality, only service that complies fully with consumers’ expectations can be considered excellent [236].

In order to satisfy the expectation from service with respect to the consumers of different cultures, the service provider should recognize different needs of consumers from different cultures. Service providers should segment the markets according to different ‘‘cultures’’, serving the target consumers with the minimum
“cultural shock” [237]. Much of the research on culture is based on the work of Hofstede [68] [67]. He initially defined culture in terms of four dimensions: Power Distance, Individualism/Collectivism, Masculinity/Femininity and Uncertainty Avoidance. The fifth dimension, Long Term Orientation was later added as a result of a study in East-Asian societies [238]. In this dissertation Hofstede’s [66] [67] typology of cultural values is adapted and adopted. The Hofstede’s typology of culture also called as “a watershed conceptual foundation for many subsequent cross-national research endeavors” [227] was the most preferred choice because of the following three reasons: Hofstede’s works have been established empirically through replication [228] and has been heavily cited [229] and is regarded as the most important and popular theory of culture types [230]. Huge bodies of researchers have successfully and consistently adopted Hofstede typology of culture in cross-cultural and international studies [53] [54] [55] [80] [81]. His cultural dimensions are highly relevant to explaining cross-cultural behaviour on service recovery attributes. It is therefore found suitable to use the cultural typology of Hofstede at the individual level, as these are identified based on cultural dimensions [54]. The twenty-six item scale CVSCALE was adapted to tap the cultural orientation of individuals in the study. Hofstede’s five cultural dimensions at the individual level can be expressed successfully with this scale [54] [65]. The recently added dimensions [220] of restraint vs indulgence and Monumentalism vs. Flexumility are not included in the study.

4.3.1 CULTURE AT AN INDIVIDUAL LEVEL

Most of the management studies on the effects of culture identify culture with nation or ethnicity [239] [240] [60]. However the deviation from this school of thought was in 1994 when it was suggested that, “cultural factors are only loosely related to the nation state” [63]. Further, they propose that the identification of culture with nation may lead to systematic errors in within-nation studies [241]. This is particularly true in large countries like India which is a subcontinent and enjoys varied culture, religion and traditions. Following this new school of thought, this study measures cultural dimensions at the level of individuals, while simultaneously abiding by Hofstede’s typology on culture [68] [67] . As national boundaries need not always coincide with culturally homogeneous societies [61] [62], this study taps the cultural orientation of the individual as the unit of analysis. Empirical studies by the researchers have promulgated that there is systematic variation between countries on the national-cultural level [68] [67] [210]. In this thesis, Hofstede’s [66] [67] typology of cultural
values is adopted primarily because of its comprehensiveness in determining customer cultural values and norms. The study captures the cultural orientation of the individual as the unit of analysis. National generalizations are unable to explain individual behaviors because, similar to stereotypes, they cannot be applied to all individuals [65]. To avoid the stereotyping, cultural values should be captured at an individual level. It is therefore applicable to use the cultural typology of Hofstede at the individual level, as these are identified based on cultural dimensions (cautionary remarks that customers may not be as homogeneous as previously assumed in terms of their evaluation of the effectiveness of service recovery attempts[54] [133]. Donthu and Yoo (1998) accepted [54] the notion that culture is not necessarily identified to nation [63] and applied the concept of culture to individuals.

To build a theory based on the influence of culture value orientation, one must first link observed cultural value orientation with specific dimensions of culture that are hypothesized to have produced the differences [242]. It is contended in this thesis that the success of various service recovery tactics is influenced by an individual consumer’s cultural orientation along the dimensions of power distance, collectivism - individualism and uncertainty avoidance. Specifically, an individual customer’s cultural value orientation will impact the relative importance attributed by customers to different service recovery dimensions. This suggests that, resource allocation on different dimensions of service recovery should be dependent on the importance attached to them by customers [55].

4.4 CULTURAL ORIENTATION AND SERVICE RECOVERY ENCOUNTER

4.4.1 UNCERTAINTY AVOIDANCE

Uncertainty Avoidance is the extent to which social groups and individuals tolerate uncertainty and accept risk. High Uncertainty Avoidance is associated with intolerance for risk-taking uncertainty and [68] [67]. People with the high uncertainty avoidance orientation tend to be anxious about their career or future and they are scared of failure. They are short-tempered and easily get worried and nervous [243]. As they are not adventurous, they need a more predictable environment to safeguard against the occurrence of any uncertainty. Based upon the studies of Furrer et al. [55] and Donthu and Yoo (1998) [54], when the people in a society with high “uncertainty avoidance” enter places they are not familiar with, their
anxiety will thus be enhanced. Because of this, customers with a high score in uncertainty avoidance put emphasis on service provider ability to provide error free service, with open communication to reduce the uncertainty. Both Donthu and Yoo (1998) [54] and [55] Furrer et al. (2000) hypothesized a positive relationship between uncertainty avoidance and courteous and kind communication. However, this was not confirmed by Donthu and Yoo 1998[54].

4.4.2 MASCULINITY

The masculinity/femininity continuum reflects the extent to which the roles of genders are socially distinct. Individuals with a high values in masculinity expect men to be tough, assertive and focused on material success. At the same time, they expect women to be modest, tender, caring for others and concerned for the quality of life [68] [67]. Hofstede [68] notes that in a work setting, males value “advancement, earnings, training, up-to-datedness” while females value “friendly atmosphere, position security, physical conditions and manager cooperation”. Masculine cultures value material success and assertiveness while feminine cultures value qualities such as interpersonal relationships and concern for the weak. The country with lower value of “masculinity” means that in the society, the roles of male and female can be overlapped. Based upon Hofstede’s [66] research, “femininity”-oriented should be “collectivism”-oriented as well i.e. concerned about the benefits of the group [243]. In cultures with strong masculinity, people tend to have the entrepreneurial or adventurous spirit [67]. Since the society emphasizes achievement, independence, competition and being indifferent to others, consumers high on Masculinity values do not expect the service personnel to consider what they need from the standpoint of the customers, they do not require the service personnel to pay attention to the needs of individual customer, and do not value the relationships among people and their concern about others.

4.4.3 LONG-TERM/SHORT-TERM ORIENTATION

It is based on the philosophy of Confucius and has to do with “persistence, thrift, personal stability and respect for tradition” [244]. It describes a longer term, higher level view of life. The one who neglects time orientation would regard time as a kind of infinite and enduring resource, and thus exhibits “long-term orientation” of Hofstede [198] [238]. People with long term orientation value morality and try always to be patient. Thus, in order not to spoil their relationship with the service personnel, the consumers are not so intolerant to the service
failures. In contrast the people with short-term orientation regard time as a kind of finite resource. Consequently, they are more impatient with time and require efficiency upon everything. They do not value, and are not interested in long-term interpersonal relationships. Since they demand efficiency upon everything, they relatively would expect the service personnel to comply with the standard. In service-encounters, Furrer et al. [55] hypothesized positive relationships between long term orientation and the importance of reliability (error free service), empathetic communication. However, they were not able to confirm the hypothesized relationships of Long Term Orientation Empathy. Donthu and Yoo in 1998 [54] also proposed a positive relationship between Long Term Orientation and Responsiveness (is the amount of time for transaction or getting the service without error it should be within a stipulated or minimum time.

4.4.4 COLLECTIVISM

Collectivism captures the social behavior towards the group. Loose ties between people portray individualistic cultures, whereas strong, cohesive ties between group members describe collectivistic cultures [68] [67]. People high on “collectivism” will stress that an individual is closely connected with others and that one should be concerned about the benefits of the group [238] [218]. Since collectivists put emphasis on group benefits, they portray values like helping and caring each other and relationship with others, and respect traditions as well [53] [212]. They expect the service personnel to be bothered about individual customer’s needs; and that they should value the relationships among people. According to Donthu and Yoo [54], the self-confidence of people with a “collectivist” orientation is less than that of people with a more “individualist” orientation. Customers’ with high individualistic values are less tolerant of poor service than collectivists [55] and therefore expect the service provider to provide dependable and error free service.

4.4.5 POWER DISTANCE

In this kind of culture, people believe in the unequal distribution of power and positions and they tend to accept obvious difference in terms of the power distribution in a group. In addition, people easily obey authority [66] [67] People with a high score in Power Distance accept centralization and formalization of authority and are tolerant to the lack of autonomy, which fosters inequalities in power and wealth [68]. Besides this, they tolerate power hierarchy, vertical top-down communication and even discrimination by age, race, religion,
gender etc. [54]. In a society with strong ‘‘power distance’’, the service providers rely upon the consumers who thus obtain ‘‘superior power’’. Therefore, since they are under the culture of strong ‘‘power distance’’, the consumers would expect the service providers to have less ‘‘power’’. They thus expect to receive ‘‘excellent service’’ [55]. When strong ‘‘power distance’’ people are evaluating service quality, they strongly stress on personal contact. Thus they would require the reliability and consistency of service and the capacity of accurately offering the service they promise [55]. They expect prompt service [55]. Powerful customers with a high score in Power Distance consider that they deserve extremely well and they don’t feel the need to be assured by weaker service employees /agents [53] [55].

4.5 CONCEPTUAL FRAMEWORK

Based on the above discussion and the literature review done on service recovery and cultural values (Chapter 2 and Chapter 3 respectively) a conceptual framework for the study is presented in figure 4.1.
A Model of Conceptual Framework for the Present Study

![Cultural Orientation Diagram]

- Presence/Absence of compensation
- Presence/Absence of Explanation
- Presence/absence of Pro-activeness of service provider

Perception of dimensions of service recovery

Level of Overall Satisfaction

Fig: 4.1 Conceptual Framework