Modeling multicultural service incidents and the role of ethnocentrism

Abstract

The service industry has become the largest single business industry in the global economy. In Taiwan, the service sector has seen explosive growth, and Taiwan's consumers have participated widely in the global service sector through their travels overseas. Wide success of total quality management programs in production of goods has lead to its application in the service sector. While the different aspects of what makes a service encounter successful or not have been well researched, the characteristics of what a service failure is, and how to recover from it, have not.

This research proposes to extend existing research to investigate the details of what makes a service failure and what is the most effective recovery technique within an international setting. While a native of Taiwan may have a set of service expectations that do not change, when overseas, service a delivery that does not meet his/her expectations may obtain a modified reaction. Ethnocentrism is proposed to also play a central role in the consumer's cognitive process and modify ratings of failure and recovery.

CIT (Critical Incident Technique) is the basis of the multiple stage research project, which attempts to validate CIT as a basis for Internet-based CIT interviewing. Once validity is confirmed, Internet-based CIT data will be incorporated into online simulations, which will then be run by international survey participants over the Internet. The numerous combinations of foreign and domestic service incidents will be tested, as well as the role of ethnocentrism.

Results of this project will supply information for managers on just what type of recovery strategies are most effective for different failures. Additionally, service providers who deal with multinational service situations, will be able to apply results in knowing just what to avoid and how to respond in service incidents. A second group of results will prove extremely useful to marketing researchers—the application of marketing research on the Internet. Such applications will allow marketing researchers to gain access to truly international sampling at a fraction of the time traditional sampling requires. Effective techniques for using CIT-type methodologies in non-personal interview settings has to potential to greatly expand the useful research method.

Introduction/Background

Growth of the service industries in the U.S. economy has been widely reported in the popular media. Rather than a special case, growth of the service sector may be viewed as a natural outcome of general economic development of a nation. The Republic of China on Taiwan has followed the pattern first set by Japan, of an export driven economy where the work force has little private time and few domestic services to spend their savings on. Accumulation of wealth then led to a rapid growth in the domestic economy, including all types of service-based products. Total quality management and the strive for zero defects places issues of quality at the center of management's attention. This is no different in Asia where the service sector is now central to economic growth.

When a service failures take place, the responses to customer complaints often reinforce negative feelings created by the incident (Hart, Heskett and Sasser, 1990). Thus a service failure can assure that a customer will not return. It may be impossible to ever eliminate errors in the service context or even

reach a level of errors even approaching zero defect, yet understanding the most common errors in a given service context, and the most effective responses may moderate such negative repercussions. If customers can be retained, after a service failure, the firm will benefit as retaining customers may be a less painful way for a firm to improve profits than by cost cutting (Power, 1991).

A recovery is the action taken by the by the firm in response to defects or failures (Gronross, 1988). In fact, a failure event may present an opportunity to obtain higher ratings from customers than if the failure had never happened, if the recovery is effective (Etzel and Silverman, 1981; McCollough and Bhradwaj, 1992).

Research into different aspects of satisfaction has been dominated by the prevailing confirmation/disconfirmation paradigm (Oliver, 1980). This strand of research includes variations and extensions into such areas as contrast theory (Cardozo, 1965); assimilation theory (Anderson, 1973), and equity theory (Oliver and Swan, 1989). The role of trust in buyer-seller relationships has been found to play a role in reducing transaction costs (Noordewier, John and Nevin, 1990) and as a prerequisite for even being considered as a product source (Doney and Cannon, 1997).

Thus the sources of satisfaction/dissatisfaction and the importance of satisfied customers is well established. Quantification of service failures in specific service settings and industries has examined failures from both the customer perspective as well as the service employee perspective (Bitner, Booms and Tetreault, 1990; Bitner, Booms and Mohr, 1994; Hoffman, Kelley and Rotalsdy, 1995; Kelley, Hoffman and Davis, 1993). Recent work has attempted to examine service failures from an exchange perspective, employing theories from resource exchange, prospect theory, and mental accounting (Smith, Bolton and Wagner, 1999).

Clearly the research trend is towards an integrated understanding of what service failures are, how they are overcome and how they impact the customer and the firm. The cross-cultural robustness of these findings has not yet been tested.

CIT Technique

The critical incident technique is an inductive research method that draws out categories of incidents from interview data. Developed during World War II, the United States Army Air Forces used the technique in selecting aircrews (Flanagan, 1954). The process involved interviewing participants of the specific activity of interest. By allowing large number of participants to freely describe important events that lead to success or failure, classifications could be developed that captured the most vital elements of the activity. This far surpassed the exhaustive list of important factors, which by its nature treated all elements with equal importance. The critical incident technique got straight to the most important elements, which were found by the people involved, rather than outside experts with little or no actual experience.

Kelley et al. (1993) successfully employed the Bitner et al. (1990) classification system through a CIT data collection and classification method. In that study, recovery methods were rated for effectiveness with a discount response receiving the highest score and a response of nothing receiving the lowest score. Bitner et al. (1994) have also employed the CIT method successfully when examining service encounters from the service employee's perspective. The steps used in CIT include: (1) identify and classify failures; (2) identify and classify recovery strategies used in response to the failures; (3) measure customer satisfaction with the recovery; and (4) measure post-incident purchase behaviors.

Quality

Although economic change may occur rapidly, cultural change may not keep pace. In the West, the importance of monitoring the service encounter, as a method to inform management about needed changes, was pointed out during the rapid growth of the U.S. service sector (Parasuraman, Zeithaml and Berry, 1985; Shostack, 1987; Solomon et al., 1985; Surprenant and Solomon, 1987; Bitner et al., 1990). A firm's culture has been recognized as having an influence on the service encounter (Bowen and Schneider, 1988), which itself is a product of the culture its employees are drawn from.

Service quality is an elusive construct because of three features unique to services: intangibility, heterogeneity, and inseparability of production and consumption (Parasuran, Zeithaml and Berry, 1985). Researchers (Holbrook and Corfman, 1985; Olson and Dover, 1979; Zeithaml et al., 1993) have emphasized the difference between objective and perceived quality. If the "product" is intangible, satisfaction is a perception about performance, rather than the utilization of an object (Berry, 1987). A distinction exists between service satisfaction and service quality (Parasuraman et al., 1988). The key to distinguishing satisfaction from attitude is that satisfaction assessments relate to individual transactions whereas attitudes are more general (Swan, 1983). Thus disconfirmation studies explore the gap between the general attitude towards a service and the specific experience of the service.

Service Failures

Gap research clearly informs managers that wider gaps are bad and that specific attributes should be improved in order to increase consumer's satisfaction with the firm's service quality. However, such an emphasis does not inform managers how to deal with incidents when they do occur. Additionally, it may not be the case that all types of incidents are equally bad. Bitner et al. (1990) examined specific events and behaviors in order to explore the dimensions of satisfaction in the service encounter. Across three industries, hotels, restaurants, and airlines, Bitner et al. (1990) classified all satisfactory and dissatisfactory incidents into three groups, which are used in the present study. An important finding was that responses to failure incidents, such as apologies, compensatory actions, and explanations, could help lessen the dissatisfaction of customers. Hoffman et al. (1995) applied the CIT method, as well as Bitner et al.'s (1990) classification schema to the restaurant industry in the U.S.

This study replicates the Hoffman et al. (1995) study in an Asian context in order to test the validity of its failure and recovery categories across cultures. In a wider context, the present study applies the techniques developed by Bitner et al. (1990) in order to better understand the most common service failures in Taiwan and what recovery methods are most effective.

R.O.C. Previous Findings

This research project will use the findings from our recent study (1999) to form the basis of the CIT methodology. Findings included that while some unique situations may accompany different cultural settings, the core categories of failures and recoveries found by Bitner et al. (1990) and Hoffman et al. (1995) were confirmed in an Asian setting. Product defects or employee behavior combined with blaming the customer or doing nothing, are the most extreme combinations found by this study. Such a situation is likely to be perceived by the customer as a very serious failure and nearly always leads to an unsatisfactory outcome. Outside of these fatal combinations, customers are likely to find the critical incident resolution satisfactory. Within this context, any constructive recovery strategy proves useful, including the simple act of an apology. Implementing more costly recovery strategies does not significantly impact the satisfaction level, nor does it change the customer's view of the failure. When fatal failures occur, the recovery strategy is judged much more harshly. In such a case, the customer is unlikely to leave with an impression that the outcome is satisfactory. This does not mean that the

restaurant should simply give up on the customer. Constructive recovery strategies can lower a customer's perception of the failure seriousness, as well as increase the satisfaction level. More costly strategies, such as free food, are helpful to this end, but even this strategy will not overcome the impression made by the failure. However, no attempt to correct such a situation will lead to a customer who is even more dissatisfied. These results fit well within the context of previous applications of the catastrophe model to satisfaction.

Figure 1. Cusp catastrophe model of satisfaction with failure, recovery, and retention axis & results from recent findings in Taiwan
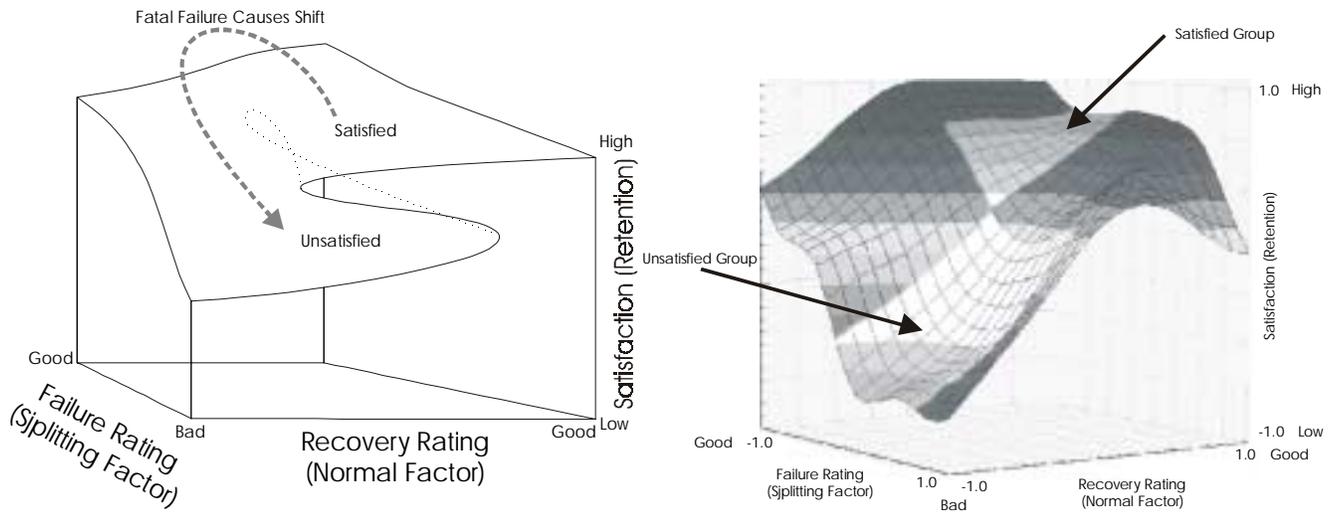
The exact nature of the cusp catastrophe model should be explored within the context of different service failure environments and even different cultures. While such details could be helpful in developing response models to service failures, it is clear that there is a benefit to addressing failures constructively. Customers who suffer fatal failures actually require more attention in the response phase than customers who do not view the failure as extremely serious. The payoff for the service firm, in expending resources, is a less dissatisfied customer. Such a customer may consider patronizing the firm in the future, at which time expectations may be lowered, opening an opportunity for increases in satisfaction levels. The alternative is an extremely dissatisfied customer who is certain to not patronize the firm again and may go out of his/her way to spread negative information about the firm.

Quantification the most serious service failures can alert firms to the need for special training of service employees. Avoiding such fatal failures will not eliminate service failures, but can contain such events to those that can be handled and result in satisfactory outcomes for the customers. Along the same lines, the non-constructive recoveries can be avoided, and such simple actions as the apology emphasized.

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Research Design/Methodology

Model

While understanding of service satisfaction has developed well over the previous two decades, insight into how to deal with service failures has lagged behind. There is little understanding about what constitutes a failure for consumers within the context of their own cultures, since previous research has been mostly undertaken in the U.S. Beyond this, there is nearly no understanding of the dynamic role played by culture in either service failures or their corresponding recoveries. Trends pointing towards the increasing importance of understanding such issues include:

1) The raise of the service economy in Taiwan specifically and Asia in general (Zeithaml and Bitner).

2) Increasing importance of internationalism and the corresponding need for services.

3) Increasing transfer of concepts such as zero defects and TQM from manufacturing to the service sector.

Our model examines the influence of cultural variables along four axis of service failure, failure recovery, customer retention, and firm's goodwill. This model assumes that the line separating a positive result from a negative one, in any of the four axis, has the potential to change, depending on the moderating variables of culture (Stauss and Mang, 1999).

Figure 2. Research model
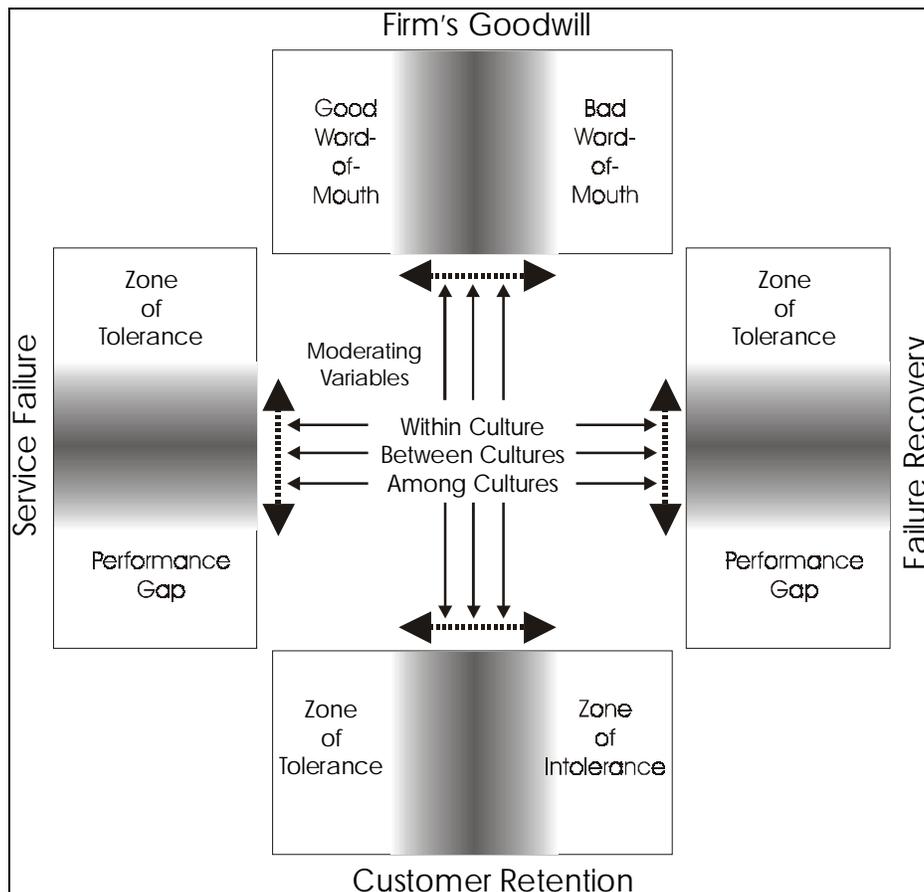
Not only is it possible that cultural variables moderate the service failure experience (even to the point of making up the criteria of what constitutes a failure), the consumer's level ethnocentrism should play a

central role. Therefore, the modified model shows ethnocentrism being mediated by the cultural variables. Consumers with high or low ethnocentrism would exhibit consistent perceptions of service failure and recovery when experiencing situations within their own culture. However, when the cultural settings are modified, ethnocentrism should be the starting point for understanding what difference will arise. Higher levels of ethnocentrism may create larger levels of intolerance when failures occur in inter cultural settings. However, recoveries may be rated higher, as the expectation of such a consumer may be low. Many interesting combinations are possible, including such as within culture experience, but in a different country (here labeled as *among cultures*), for example, a Taiwan citizen experiencing service at a Chinese food restaurant in the United States.

Figure 3. Modified research model
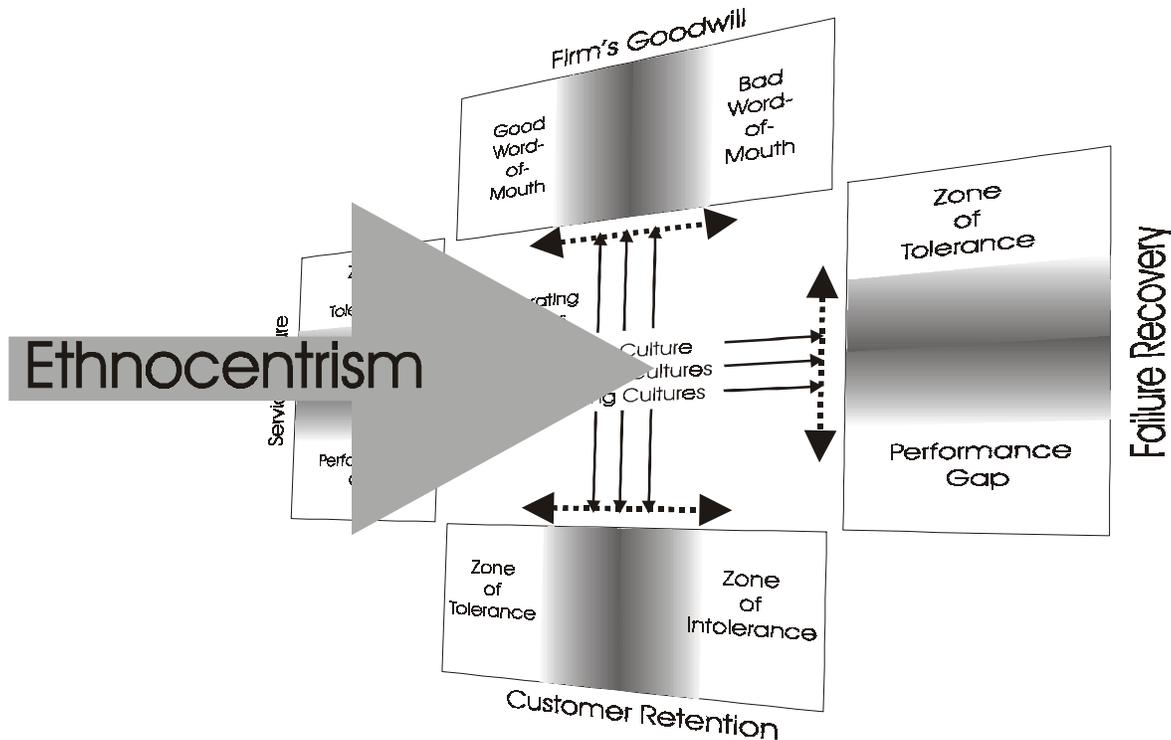
Propositions

From the research model, a number of propositions can be derived which will direct this research project:

P1: Cultural variables moderate the size of acceptable and unacceptable zones in the area of service failures.

P2: Cultural variables moderate the size of acceptable and unacceptable zones in the area of failure recoveries.

P3: Cultural variables moderate the size of acceptable and unacceptable zones in the area of customer retention.

P4: Cultural variables moderate the size of acceptable and unacceptable zones in the area of the customer's perception of the firm's goodwill.

P5: Consumer ethnocentrism's is a primary influence on all four axis, but is mediated by the cultural variables.

P6: Ethnocentrism effects may be minimized or exaggerated by differing combinations of the cultural variables.

Stage 1

The beginnings of this project were completed in 1999 and include a CIT survey technique to find differences and similarities between previous research in the U.S. Restaurants were chosen as the service sector under study, and form the basis of this proposal's plan. Baseline measures were established that included unique service failures not found in previous studies. These findings will act as the guideline for construction of the online CIT survey.
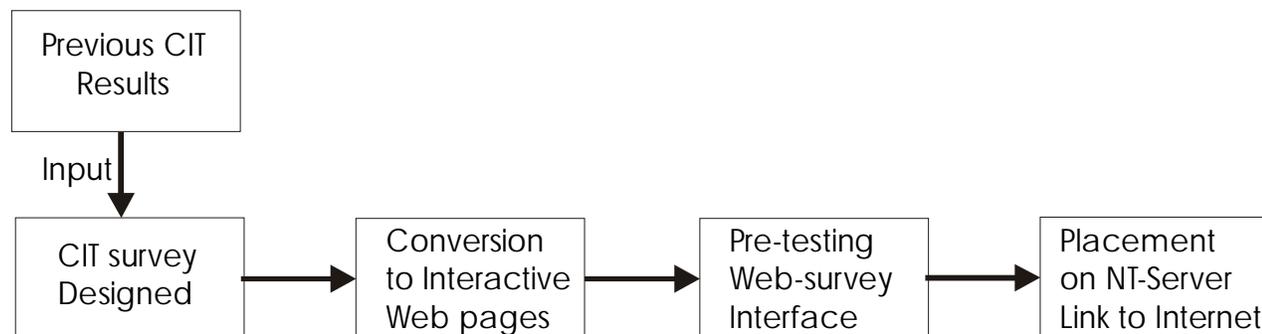
Stage 2

Due to the multi-cultural context of this study's, a wide spread sample population will be needed, including the opportunity to capture data of people outside of Taiwan. Web-based surveying techniques, while still very new, have been developed by the researchers during previous NSC research. An issue that must first be addressed, however, is the validity of such a technique when combined with CIT. In order to confirm the validity of using Web-based CIT as a data collection process, findings from the previously completed interview-based CIT investigation will act as input to the construction of a Web site questionnaire. The process will use techniques established in previous NSC projects when collecting data over the Internet.

Web-Based CIT

Interactive Web pages will be created using the HTML language along with Java programming to link users' responses to a database which can save the information for later analysis. After the CIT survey has been converted, a pre-test series will be undertaken that refine the computer application. When completed, a Web site will be established on a Web server, that can be accessed by anyone around the world, on the Web, at any time, 24 hours a day.

Figure 4. Steps in creation of Web-based CIT survey

Taiwan Consumers' Domestic/International Experiences

At this stage, we will attempt to gather CIT data through the Web-based CIT survey site, for comparison with previous findings. For this purpose, only Taiwan residents will be required (the earlier survey was limited to domestic experiences of Taiwan residents). At the same Web site, a parallel CIT survey will be run that is similar to the first, but centers on Taiwan residents' service experiences while overseas. This data can then be compared directly with the Web-based data on CIT incidents within Taiwan to discover any special or unique characteristics which need to be designed into the stage 3 of the research.

Figure 5. Web-based survey data collection
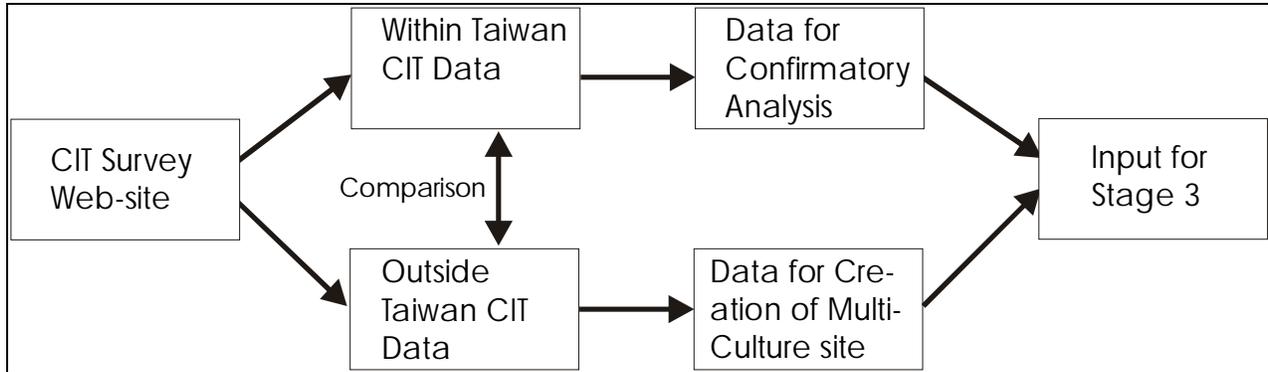
Confirmatory Analysis

The resulting data from the Web-based CIT survey of Taiwan residents experiencing domestic failures will be run through a rigorous confirmatory analysis to find where the method differs from the traditional intercept method. Similarities and differences will form the basis of the Web-based simulation design in stage 3 of the experiment. Most importantly, this stage will supply important data, with a multi-method, multi-measure approach, on the validity of Web-based CIT surveying. Without this step, directly moving to stage 3 would present serious questions about the basic assumptions surrounding the constructs' and manipulations' validity.

Figure 6. Confirming Web-based CIT method
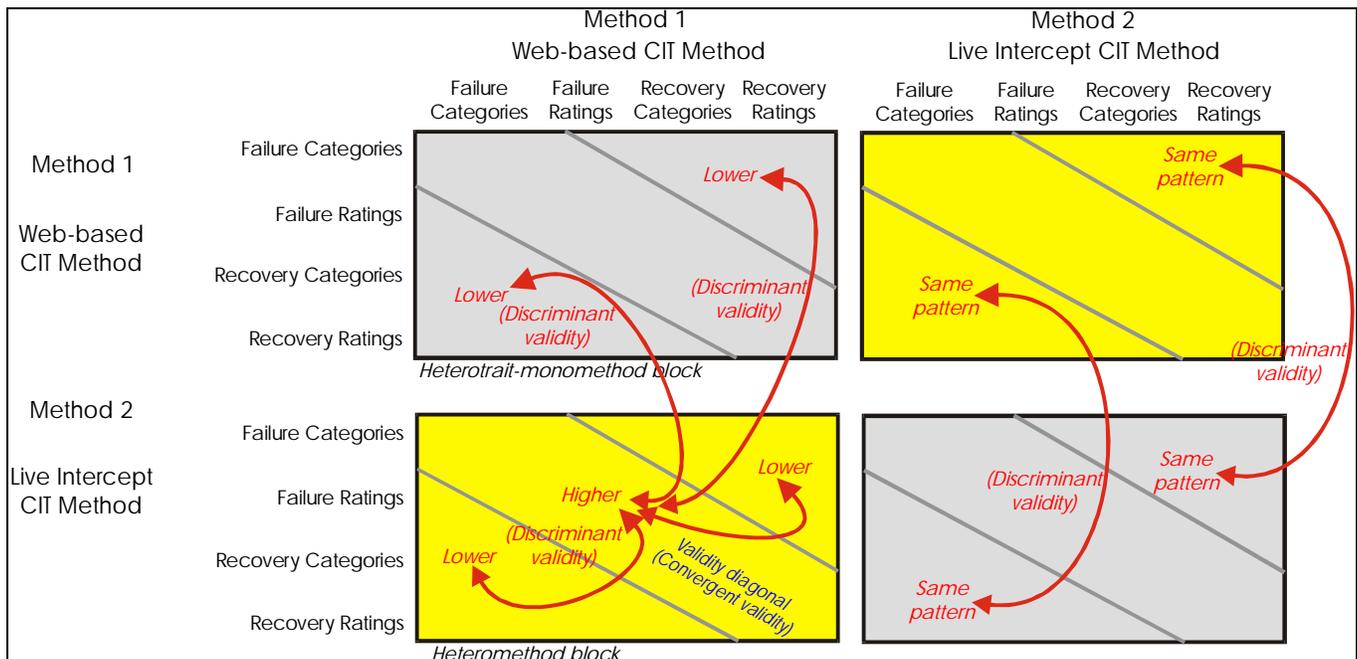
## *Stage 3*

Web-Based Simulation Experiment

In order to capture the numerous cultural possibilities presented in this plan, a simulation will be undertaken, where respondents are asked to react to pre-programmed service situations. Including in the situations numerous cultural contexts, as well as attracting numerous nationalities for testing, will result

in a robust experiment with wide application and strong external validity. Key to the ability to attract a wide spread of respondents is the continued use of the Web-based surveying method.

To this end, the simulations will be set up on the Web site, with numerous possibilities of service encounters, including within culture, between culture, and among cultures. Ethnocentric survey questions will also be prepared and tested for Web-applications (traditional ethnocentric scales are well suited for the Web interface, as they are text-based and have been widely used in the marketing literature).

Pre-testing will be employed to confirm the validity of the simulations. Once satisfied with the service failure simulations, this design will be combined with the findings from stage 2 to create the complete Web site. Service failures, recoveries, goodwill, and retention designs will be drawn from the previous experiments in order to complete the survey site. Again, pre-testing will be used to confirm the usability and technical competency of the interface and data collection. After satisfactory results are obtained, the simulation site will be posted on the Web through the use of an NT server, and opened for both domestic and international participation.

Figure 7. Creation of multi-cultural simulation Web site
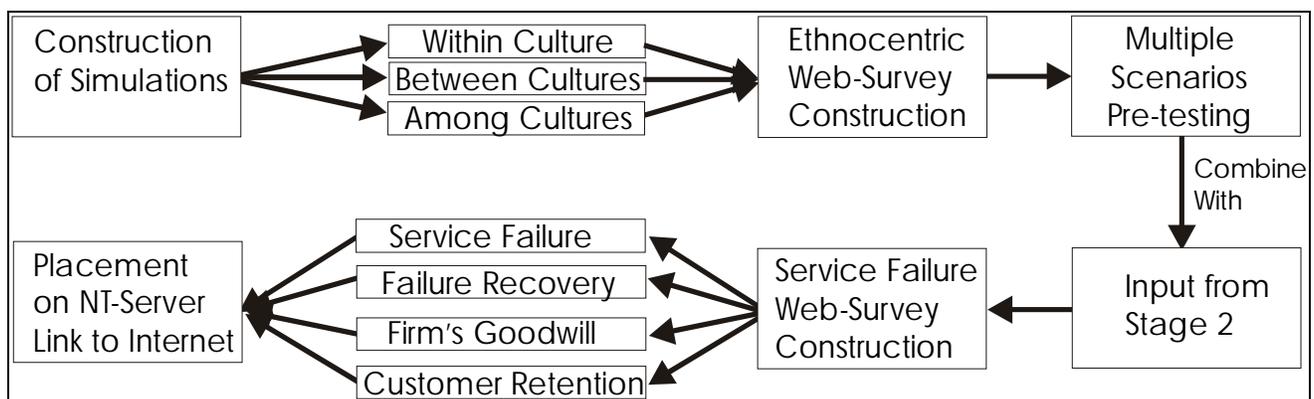
Taiwan/International Consumers' Service Failure/Recover Simulation

The completed Web-site will draw participants, both domestic and international, by placing click through advertisements on popular Web locations, such as search engines. A free gift will be promised to those who choose to participate. Clicking on the advertisement will take the subject directly to the site of the experiment. Once inside, instructions will be presented, using a range of languages (the user can choose which language to run the simulation in). Random selection will choose which of the cultural situations the participant will enter. Before beginning, data used to determine level of ethnocentrism will be completed. Once this is done, the simulation will begin. Text, graphics, video and sound are all possible parts of the simulation, during which the participant is asked to put him/herself into the scenario presented, and then answer questions about it.

Upon completion of the simulation and the accompanying questions, personal data will be collected and the gift promised to be sent by mail, or an electronic based gift (such as credit towards an online purchase at a retailer such as Amazon.com) will be issued.

Figure 8. Completed Web-based experiment steps
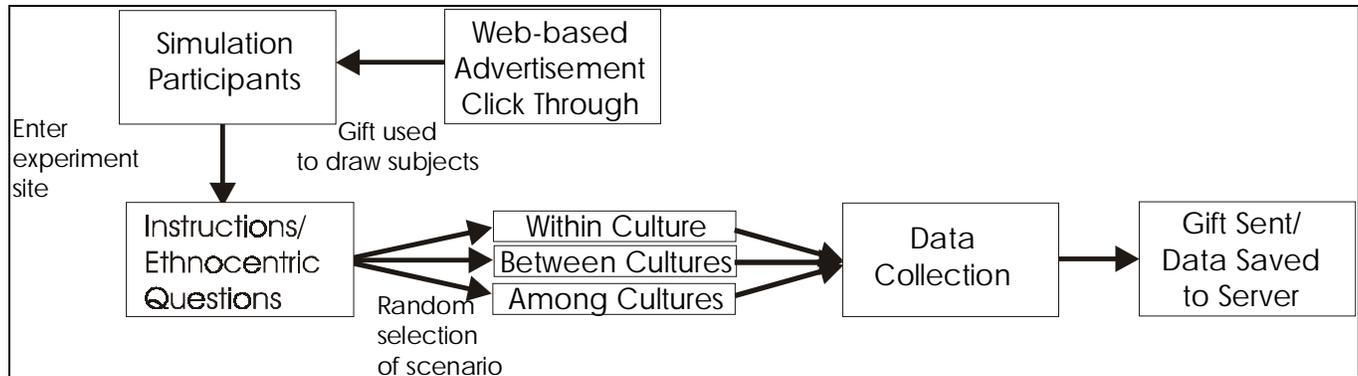
Data Analysis

This approach, while very new and cutting edge, will be well supported by a step-by-step development which analyzes validity at each stage. If successful, the amount of data collected will be large, but well organized, due to the database link, into which all respondents' data is entered automatically while the running the simulation. Data analysis can include all normal approaches, such MANOVA for comparisons between the different cultural settings. Categorical analysis can also be applied to the different failure categories discovered.

Expected Results

New Web-based Surveying Techniques

This project will enable the further development of research techniques that take advantage of the new ecommerce technologies, as well as allowing accurate research over the medium being researched. Within the business research community, the opportunity of the Web is large, yet the academic community has very few tools to study this phenomena.

Service Failures & Culture

Insight into the multiple influences on intercultural service failures and recoveries will provide practical information for service providers around the world. With such detailed data, cost/revenue analysis can be applied to find under what conditions, cross-cultural encounters can, and even if, they should be addressed for maximum benefit to both the consumers and the service provider.