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THE EFFECTS OF FAIR TREATMENT ON CUSTOMER REACTIONS IN A
SERVICE ENCOUNTER

A Thesis

Presented to the

Department of Psychology

and the

Faculty of the Graduate College

University of Nebraska

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts, Psychology

University of Nebraska at Omaha

by

Tara Rohde

April, 2001

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THE EFFECTS OF FAIR TREATMENT ON CUSTOMER SATISFACTION IN A SERVICE ENCOUNTER

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University of Nebraska, 2001

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Given that fair treatment increases customer satisfaction (e.g., Bolton & Drew, 1991), the present study integrated consumer and organizational justice concepts by testing the interaction among distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) with respect to customers. The predicted nature of the interaction differed from that obtained in research with employees such that unfavorable outcomes, rather than favorable outcomes (Skarlicki & Folger, 1997), were expected to render PJ and IJ inconsequential. The sample included 37 male and 83 female university students ranging in age from 19 to 46 years. Participants watched a videotaped scenario depicting an encounter between a customer and a bank loan officer, in which DJ, PJ, and IJ were each either high or low. The participants answered questions about their fairness perceptions, customer satisfaction, organizational commitment, and customer discretionary behavior (CDB) intentions based on the scenario. Results revealed a PJ main effect with respect to satisfaction ($p < .05$) such that participants who had experienced high PJ indicated higher levels of satisfaction than did those who had

experienced low PJ. Results also revealed a two-way interaction between DJ and IJ with respect to both the fairness ($p < .01$) and satisfaction measures ($p < .001$) and a two-way interaction between PJ and IJ with respect to the fairness measure ($p < .01$). CDB and commitment were combined, and they yielded a significant three-way interaction ($p < .01$). Contrary to the hypotheses, high levels of IJ, rather than DJ, were typically required before the other justice aspects could influence responses. Based on the results, recommendations for future research and business application include taking a closer look at what customers find most important when making assessments about a service.

Acknowledgements

I would first like to acknowledge that this project was funded in part by both the University Committee on Research and the University Graduate Thesis Scholarship.

Appreciation is extended to my committee members: Drs. Wayne Harrision, C. Raymond Milliment, and Amy Rodie. I would like to extend my deepest gratitude to my advisor, Dr. James Thomas, for his guidance and encouragement.

I would also like to thank my friends and colleagues for their suggestions, insights, and shoulders. Erick Hill, Andrew Noon, Megan Potter, and Peter Timmerman, thank you. Finally, I want to express my gratitude to the undeniable driving force in my life. Paul Myers, thank you for your continual support, understanding, and sense of humor.

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Chapter I

Introduction

The importance of organizational justice has become clear through the proliferation of research in numerous related areas, such as selection, performance appraisal, and employee retention (e.g., Bauer, Maertz, Dolen, & Campion, 1998; Bies & Tripp, 1996; Brockner & Weisenfeld, 1996; Dobbins, Platz, & Houston, 1993; Folger & Cropanzano, 1998; Greenberg, 1996). Essentially, the study of organizational justice has evolved from the issue of distributive justice, through procedural justice and interactional justice, to the interaction of the three. The interactions among distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) have been well documented with regard to employee behavior and employee assessments of fairness and satisfaction (e.g., Bauer, et al., 1998; Brockner & Weisenfeld, 1996; Greenberg, 1996; Skarlicki & Folger, 1997). The findings of many studies suggest that fair treatment increases employees' positive attitudes and helpful behavior (Brief & Motowidlo, 1986; Folger, 1993; Greenberg, 1993; Moorman, 1991; Tansky, 1993).

Likewise, customer satisfaction, which is based at least in part on fair treatment, improves customer evaluations and helping behavior (Bolton & Drew, 1991). Following suit with the organizational justice literature, an interaction between DJ, PJ, and IJ may exist with regard to the effects on customer satisfaction and behavior. However, consideration of a relationship different from the relationship between employees and employers may yield a change in the nature of the interaction among the justice types.

As I later discuss in detail, it is likely that the relationship between employees and employers is highly interdependent, whereas the relationship between consumers and providers is less interdependent. In this sense, employees and employers typically (a) interact frequently, (b) maintain influence over the other's attitudes and behavior, (c) invest significantly into the relationship, (d) have relatively few alternatives for employment, and (e) remain in the relationship for a relatively long time. On the other hand, consumers and providers typically (a) interact infrequently, (b) do not greatly influence each other, (c) invest relatively little in the relationship (especially on the part of the customer), (d) have a relatively large number of alternatives, and (e) do not remain in the relationship for long. It is possible that the nature of the interaction between the three concepts of justice may differ when investigated in the realm of a less interdependent relationship because the individuals may focus on different things when judging the fairness of the situation.

Therefore, the purpose of the present study was to investigate the nature of the interaction between DJ, PJ, and IJ as assessed by individuals assuming the customer's role. To this end, I begin with a brief review of the organizational justice literature and customer satisfaction literature. First, a general overview of the organizational justice literature ensues. Second, a review of the consumer literature includes antecedents of customer satisfaction and their overt and covert links with organizational justice. Third, a discussion of the use of customer discretionary behavior as the primary dependent variable follows. Fourth, a discussion of the features of interdependent relationships leads to the major hypotheses and a description of the study.

Chapter II

Organizational Justice

The following overview of organizational justice includes (a) general definitions and findings, (b) a discussion about the debate regarding the proper characterization of IJ, and (c) a review of the interactions among DJ, PJ, and IJ.

Distributive Justice

In general, DJ refers to a person's interpretation of the appropriateness of his/her outcomes (Folger & Cropanzano, 1998). Early in the development of organizational justice literature, Adams (1965) discussed DJ in terms of the equity of outcome allocation. According to Adams, employees base fairness judgments on the equity ratio between their work input and output in relation to others' work input and output. The degree to which an outcome allocation is judicial/fair depends on the equity ratio. Adams explained that people who perceive the ratio as inequitable will experience anger (or guilt if they are over-benefited). When a person feels disadvantaged, he/she responds by (a) leaving the organization, (b) altering his/her inputs or outputs, (c) altering the referent other's inputs or outputs, or (d) altering his/her impression of the inputs or outputs (cognitive distortion).

Empirical research partially supports Adams' theory. For example, wage dispersion decreases employee satisfaction, productivity, and cooperation (Pfeffer & Langton, 1993). Greenberg (1990) even found evidence of increased employee theft with increased pay inequity. However, evidence suggests that, for several reasons, one cannot focus on DJ alone.

First, with Adams' equity theory one cannot predict when a given response to inequity will occur (Folger & Cropanzano, 1998). Underpaid employees might either decrease their inputs or cognitively distort their outcomes so that they believe the task is fun rather than work. Evaluation of procedural and social aspects of the situation eliminates the dilemma introduced through evaluation of DJ alone (Folger & Cropanzano, 1998).

Second, when people only evaluate the fairness of the outcome, they need a referent other for comparison (Van den Bos, Lind, Vermunt, & Wilke, 1997). Whether comparing against other people or themselves at a different time, individuals cannot judge the fairness of their outcomes without the comparison. However, the needed information is not always available. A solution stems from the fact that people can judge the fairness of the procedure and the social exchange without the need for a referent. Van den Bos et al. (1997) found that when participants did not know the outcome received by another, they based their judgments on the fairness of the procedures, thereby supplying further support for the importance of fairness assessments beyond those made regarding the outcomes received.

Finally, research suggests that DJ alone does not account for as much variance in employees' responses as does consideration of both the outcome and the procedures (Folger, 1994; Sheppard & Lewicki, 1987). The existence of fairness considerations beyond outcomes makes obvious the need for other types of organizational justice.

Procedural Justice

In general, PJ refers to the evaluation of procedures used in the decision-making regarding outcome allocation. In particular, Thibaut and Walker (1978) explained that one could increase fairness assessments through procedures by giving employees voice. Employees view both procedures and outcomes as more fair when they can participate in the development and implementation of the procedures than they do when they cannot participate (Bies & Shapiro, 1988; Cawley, Keeping, & Levy, 1998).

Leventhal (1980) extended the PJ concept by identifying six additional dimensions involved in fairness assessments. In particular, organizations can improve fairness perceptions by implementing procedures that maintain (a) consistency, (b) bias-suppression, (c) accuracy, (d) correctability, (e) representativeness, and (f) ethicality. When companies adhere to the guidelines set forth by Leventhal, employees evidence more commitment to the company, more trust in the company, less turnover, and more advantageous extra-role behavior (Cropanzano & Greenberg, 1997). Researchers have offered two primary theories regarding the importance of PJ: the instrumental model and the relational model.

Instrumental model. People tend to concern themselves with personal loss and gain. The gain/loss analyses are not constrained to the present. The instrumental model essentially suggests that people consider the future as well as the present when they make judgments about their outcomes (Cropanzano & Greenberg, 1997). If an employee receives an unfavorable outcome through the use of a fair procedure, the employee can

expect to receive a more favorable outcome in the future (Greenberg, 1990). Therefore, fair procedures create a method by which employees can predict future loss and gain.

Relational model. Lind and Tyler (1988) suggested that people make judgments beyond material rewards, beyond the gain/loss analysis. In particular, employees occupy a position within a larger group. The relational model suggests that fair treatment (i.e., fair procedures) communicates an employee's place in the group, which can influence his/her self-esteem (Lind & Tyler, 1988). For example, a valued member of the group is treated fairly. Unfair treatment, then, communicates lower standing within the group, which in turn decreases self-esteem.

Interactional Justice

The most recent conception of justice emerged from the literature as IJ (e.g., Bies & Moag, 1986; Tyler & Bies, 1990). IJ primarily refers to the level of sensitivity exhibited during the enactment of procedures (Bies & Moag, 1986). For example, respectful treatment, honesty, explanations, and actual consideration of one's opinions can improve an individual's response to an outcome or to a procedure.

Many researchers have divided the concept of IJ into two components: informational justification and social sensitivity (Cropanzano & Greenberg, 1997; Greenberg, 1993; Tyler & Bies, 1990). First, informational justification refers to the explanations provided regarding procedures and outcomes (Cropanzano & Greenberg, 1997). The explanations utilized in this first aspect of IJ are often called social accounts. Social accounts tend to increase justice perceptions regardless of outcome favorability (Bies, 1987; Bies & Shapiro, 1988; Bobocel & Farrell, 1996; Sitkin & Bies, 1993).

Second, social sensitivity refers to the dignity and respect communicated during the enactment of a procedure (Cropanzano & Greenberg, 1997). Social sensitivity can be accomplished through proper enactment of the procedure or through communication style. For example, Tyler (1987) illustrated the power of due consideration as a form of increasing social sensitivity. Specifically, even if a procedure requires the opportunity for voice, decision-makers/communicators may or may not listen to the opinions. Therefore, when a decision-maker affords an employee due consideration, he/she actually considers the employee's opinion/input. Accordingly, due consideration conveys respectful treatment. Fairness perceptions increase when employees believe that their supervisor really listens to, and gives due consideration to, their opinions.

The Debate about Interactional Justice

A debate has ensued recently regarding the role of IJ. Some researchers believe that IJ is one of two components encompassed under the heading of PJ (Cropanzano & Greenberg, 1997; Greenberg, 1993; Konovsky & Cropanzano, 1991). Others, however, have suggested that IJ constitutes its own conceptual identity within the larger picture of organizational justice (Bies, 1987; Bies & Moag, 1986; Folger & Cropanzano, 1998; Mikula, Petri, & Tanzer, 1990).

Interactional justice as a component of procedural justice. Greenberg (1993) suggested that though Bies and Moag (1986) originally conceptualized IJ as a construct separate from PJ, the distinction has become more difficult to make. The difficulty arises from the fact that “both the formal procedures and the interpersonal interactions jointly comprise the process that leads to an allocation decision” (Cropanzano & Greenberg,

1997, p. 330). In addition to their cumulative nature, research suggests that PJ and IJ are highly related (Konovsky & Cropanzano, 1991). Therefore, Greenberg (1993) and Cropanzano and Greenberg (1997) suggested that it is inappropriate to conceptualize IJ and PJ as two separate constructs.

Instead, Greenberg (1993) and Cropanzano and Greenberg (1997) considered IJ as one of two aspects of PJ. In particular, PJ encompasses both structural and social determinants of fairness perceptions. The structural determinants refer to the formal policies relating to an allocation decision, such as (a) voice, (b) consistency, (c) correctability, and (d) accuracy. The social determinants refer to the informal aspects of procedure enactment, such as (a) treating others with dignity and respect and (b) providing adequate explanations for decisions. Therefore, as is evident from the earlier discussion of IJ, what has been called IJ embodies the social aspect of PJ.

Independent concept of interactional justice. Though Cropanzano and Greenberg (1997) alluded to an acceptance of the conceptualization of IJ as the social component of PJ, other researchers have considered and measured PJ and IJ as independent constructs (Bies, 1987; Bies & Moag, 1986; Folger & Cropanzano, 1998; Mikula et al., 1990). Folger and Cropanzano (1998) and Mikula et al. (1990) argued for the use of IJ as a construct independent of PJ. They explained that some aspects of the encounter necessary for outcome allocation are not procedurally dictated.

First, Folger and Cropanzano (1998) defined PJ as “fairness issues concerning the methods, mechanisms, and processes used to determine outcomes” (p. 26). In this sense, PJ consists of institutionalized structures, such as participation. The authors said that IJ is

less formalized than PJ. Similar to the earlier discussion about IJ, the authors distinguished between the process enactment aspect (including informational justifications) and the interpersonal treatment aspect (including sensitivity) as components of IJ. In either case, IJ consists of the discretionary behavior exhibited by decision-makers/communicators, such as non-verbal communication, style, and explanation content. Since the discretionary behavior does not depend on the procedure, it constitutes a separate construct.

Second, Folger and Cropanzano (1998) explained that the decision-maker communicates information regarding the recipient's worth through his/her discretionary behavior. If this is the case, a procedure set forth by the company can be unfair while the decision-maker communicates respect for the recipient through interpersonal sensitivity. The opposite is also true, such that a procedure may be fair but communicated in a disrespectful manner. Therefore, while a decision-maker can uphold the policies and fair allocations, he/she may still represent injustice through his/her communication of the decision. Additionally, the decision-maker may not properly enact a fair procedure, thereby manifesting injustice. These distinctions support the need to consider and measure PJ and IJ as independent concepts.

Third, while they admitted that PJ and IJ often create similar consequences, Folger and Cropanzano (1998) argued that PJ and IJ do so in different ways. In particular, PJ affects fairness perceptions through its influence exerted prior to decision-making. For example, participation in the development of a procedure enhances fairness perceptions regarding both the procedure and the outcome. IJ, on the other hand, affects fairness

perceptions through the communication of the allocation after the decision has been made. For example, adequate explanations of outcomes and interpersonal sensitivity enhance fairness perceptions regarding both the procedure and the decision. The fact that many explanations focus on the decision-making process constitutes one reason for the similarity in the consequences of PJ and IJ.

Fourth, Mikula et al. (1990) explained that IJ is a broader concept than PJ. They found that when people were asked to describe circumstances in which they were treated unfairly in their daily lives, IJ issues arose more frequently than did either DJ or PJ concerns. According to the authors, the results suggested that IJ "goes beyond situations of judgment and decision-making and includes all kinds of interactions and encounters" (p. 143). In essence, DJ and PJ are narrower in their applicability than is IJ. The separation of IJ and PJ utilizes the broader scope and applicability of IJ.

My contention. I agree with Folger and Cropanzano (1998) and Mikula et al. (1990) that IJ and PJ constitute separate concepts. Cropanzano and Greenberg (1997) argued for the synthesis between PJ and IJ because of their similar consequences and correlates, and because they are highly related to one another. First, I argue that many concepts with similar consequences may be highly related to each other while still maintaining independent meaning. For example, diet and exercise can both lead to weight loss and improved health. In fact, they are undeniably related with respect to the consequences. However, diet and exercise clearly remain as two separate concepts. Additionally, DJ and PJ overlap and lead to similar consequences (Folger & Cropanzano, 1998). PJ is not distinguishable from DJ because procedures lead to outcome allocation.

From Cropanzano and Greenberg's (1997) reasoning, then, DJ and PJ would not represent separate types of justice. Even so, PJ and DJ are considered two separate concepts.

Second, measurement problems may precede the correlation between PJ and IJ. Overlap in the measurement of PJ and IJ abounds (Folger, & Cropanzano, 1998; Skarlicki & Folger, 1997). Additionally, as Folger and Cropanzano (1998) pointed out, many informational justifications (interactional justice) focus on the decision-making process (PJ). Therefore, separate operational definitions and measurement of PJ and IJ may increase the evidence of their individual nature.

Third, the interaction between the types of justice in regards to their influence on fairness perceptions and behavior makes difficult the distinction between the main effects. Since higher-order effects preclude lower-order effects, it is inappropriate to consider the effects of the independent variables individually. Even so, the independent variables can still represent different constructs. While we discuss the consequences in terms of the interactive influence of the justice types, DJ, PJ, and IJ remain separate independent variables.

Finally, in relation to the interactions among DJ, PJ, and IJ, the problem of distinction really comes down to semantics. Cropanzano and Greenberg (1997) and Folger and Cropanzano (1998) described PJ and IJ in the same manner. However, they labeled them differently. In essence, Cropanzano and Greenberg's (1997) examples of the structural aspect of PJ included voice, consistency, correctability, and accuracy. The examples were the same as those given by Folger and Cropanzano (1998) for PJ.

Likewise, Cropanzano and Greenberg described the social aspect of PJ as sensitive treatment and proper enactment of procedures. Folger and Cropanzano described IJ in the same way. The present study looked at the 3-way interaction between (a) outcomes, (b) structural rules regarding the allocation of the outcomes (procedures), and (c) treatment/proper enactment during the communication of the procedures. Therefore, regardless of their labels, the present study divided organizational justice in terms of three independent variables: DJ, PJ, and IJ.

Organizational Justice Interactions

Recent investigations of the three types of justice have illuminated their relationships (e.g., Bauer, et al., 1998; Brockner & Weisenfeld, 1996; Greenberg, 1996; Skarlicki & Folger, 1997; Van den Bos, Vermunt, & Wilke, 1997).

Two-way interaction. Through an integrative review of 45 individual samples, Brockner and Weisenfeld (1996) illustrated a two-way interaction between DJ and PJ. In particular, DJ affected fairness perceptions when PJ was low, but not when PJ was high. Similarly, PJ affected fairness perceptions when DJ was low, but not when DJ was high.

In addition, Van den Bos, Vermunt et al. (1997) found a primacy effect with respect to the types of justice presented to participants. The type of information that was available first influenced fairness perceptions more than the information that was available second. On the one hand, when participants received procedural information before they received outcome information, the procedural fairness minimized the negativity of unfavorable outcomes. Lind and Tyler (1988) labeled this the fair process effect. Many studies have replicated the fair process effect (e.g., Cropanzano & Folger,

1989; Folger & Konovsky, 1989; Van den Bos, Lind et al., 1997). On the other hand, when participants received outcome information before they received procedural information, the distributive fairness minimized the negativity of unfair procedures (Van den Bos, Vermunt, et al., 1997). The authors called this the fair outcome effect, as a parallel concept to the fair process effect.

Three-way interaction. Though the two-way interaction between PJ and DJ is well established, focusing on it leads to the neglect of IJ. Consequently, Skarlicki and Folger (1997) introduced a three-factor interaction between DJ, PJ, and IJ. In an investigation of the previously overlooked higher order effects on employee retaliatory behavior, Skarlicki and Folger (1997) asked 240 first-line employees of a manufacturing plant to evaluate (a) pay fairness (DJ), (b) decision making procedural fairness (PJ), (c) sensitivity of procedural enactment (IJ), and (d) peer retaliatory behavior. The authors posited three main hypotheses. First, they predicted that when both PJ and IJ were low, DJ would predict retaliatory behavior. Second, they predicted that PJ would moderate the relationship between DJ and retaliatory behavior only when IJ was low. Third, they predicted that IJ would moderate the relationship between DJ and retaliatory behavior only when PJ was low. In this sense, Skarlicki and Folger believed that PJ and IJ would represent substitutes for each other.

Skarlicki and Folger (1997) started by developing a behavioral observation measure of employee retaliation. They described retaliatory behavior as direct and indirect actions that employees exhibit in attempts to get even with the company for unfair treatment. Through the use of the critical incident technique, two independent

groups of seven workers identified 17 observable examples of retaliatory behavior. The authors developed a peer-rating scale of retaliatory behavior utilizing the 17 observable examples. The scale measured the frequency of each behavior and ranged from 1 (never over the past month) to 5 (6 or more times over the past month). This employee retaliation scale yielded a high internal consistency ($\alpha = .97$).

Skarlicki and Folger measured employee fairness perceptions with (a) a four-item DJ scale, (b) an eight-item PJ scale, and (c) a nine-item IJ scale. The DJ scale focused on pay (e.g., "I believe that I am being rewarded fairly here at work"). The four items were rated on a Likert-type scale from 1 (strongly disagree) to 5 (strongly agree). This scale yielded an internal consistency of .86.

For PJ, the authors selected eight items from Folger and Konovsky's (1989) measure of PJ (e.g., "Does your company have procedures that ensure information used for making decisions is accurate?"). The measure was based on Leventhal's (1980) six important procedural features (consistency, bias suppression, accuracy, correctability, representativeness, and ethicality). This scale yielded an internal consistency of .88.

The IJ measure, borrowed from Moorman (1991) and Tyler and Bies (1989), included nine items tapping into (a) procedure enactment (e.g., "Does your supervisor consider your viewpoint when making decisions?") and (b) interpersonal treatment received from supervisors (e.g., "Does your supervisor treat you with dignity and respect?"). This scale yielded an internal consistency of .94.

Results supported Skarlicki and Folger's hypotheses. Specifically, when PJ and IJ were low, DJ was related to retaliatory behavior. However, when either PJ or IJ were

high, there was no relationship between DJ and retaliatory behavior. The authors contended that the results suggested an interchangeable nature between PJ and IJ, such that organizations can decrease the likelihood of retaliatory responses to low distributions by implementing either high procedural or high interactional justice. It is interesting to note, however, that when the outcome was favorable, PJ and IJ were both inconsequential.

Skarlicki and Folger's (1997) research sparked the idea for the current study and remained as seminal to the design and hypotheses. In particular, I agreed with the need to evaluate the three-way interaction between DJ, PJ, and IJ. I found the interchangeable nature of PJ and IJ compelling when considering employee's behavior. However, customers may attend to different aspects than do employees when judging the fairness of an encounter. To investigate the possibility and to address Greenberg's (1996) call for the evaluation of fairness within specific settings, the next section reviews some customer satisfaction literature in light of justice theories and results.

Chapter III

Customer Satisfaction

Oliver and DeSarbo (1988) identified five main customer satisfaction antecedents:

(a) disconfirmation, (b) expectancy, (c) performance, (d) attributions, and (e) equity.

Though introduced as separate, the first two antecedents work together to influence customer satisfaction. In essence, research has shown that disconfirmation of expected service standards decreases customer satisfaction (Bolton & Drew, 1991; Patterson, Johnson, & Spreng, 1997). Likewise, the remaining three antecedents work together under the heading of fairness. First, customers identify the degree to which the product performance is satisfactory (i.e., favorable outcome). Second, they make judgments about the cause of the outcomes (i.e., what led to the outcome). Third, they evaluate the equity of the exchange. In short, Oliver and DeSarbo's distinctions can be limited to (a) disconfirmation and (b) fairness.

In addition to Oliver and DeSarbo's identifications, two other sets of antecedents emerge from the literature. First, courteous service and non-verbal immediacy behavior increase satisfaction (Bolton & Drew, 1991; Brown & Sulzer-Azaroff, 1994; Mittal & Lassar, 1996; Winsted, 1997). Both courtesy and non-verbal immediacy again fall under the rubric of fairness. They add to the distinction expressed by Oliver and DeSarbo because they include the aspect of interactional justice.

Second, Parasuraman, Berry, and Zeithaml (1991) illustrated five dimensions upon which customers base their satisfaction evaluations: (a) reliability, (b) tangibles, (c) empathy, (d) responsiveness, and (e) assurance. The five-dimensional model could fall

under the rubric of disconfirmation. Whereas Oliver and DeSarbo's (1988) disconfirmation concept referred primarily to expectations regarding the outcome/product, Parasuraman et al.'s disconfirmation concept referred to expectations regarding the service.

Even though the above categories are evident throughout the services literature as separate antecedents to customer satisfaction, each can be evaluated in light of organizational justice. In fact, Rust and Oliver (1994) conceptualized service quality perceptions, a relative of customer satisfaction, as the outgrowth of considerations about the physical product as well as the (a) service product, (b) service environment, and (c) service delivery. The service product refers to the intended outcome, such as a good haircut (i.e., the outcome). The service environment refers to (a) marketing and employee programs and (b) the atmosphere of the company (i.e., the procedures). The service delivery refers to the appropriateness with which the service provider interacts with the customer (i.e., service enactment and courtesy).

In addition to their distinction, Rust and Oliver (1994) called for an integration of the three aspects of service quality within future research. The current study attempted to answer the calling by evaluating the interaction between distributive justice (DJ), procedural justice (PJ), and interactional justice (IJ) with respect to customer attitudes and reactions. Recall that (a) DJ refers to outcomes, (b) PJ pertains to the procedures/policies, and (c) IJ involves the enactment and sensitivity of a procedure. IJ is discretionary and depends on the style of the presenter (Bies & Moag, 1986; Tyler & Bies, 1990). To further describe the likelihood of the interaction with respect to customer

satisfaction, the following literature review focuses on (a) fairness, (b) disconfirmation, and (c) Parasuraman et al.'s dimensions as antecedents to customer satisfaction.

Fairness

Both justice and consumer literature illustrate advantages to treating someone fairly. However, the consumer literature particularly illustrates the need for both DJ and IJ (Bolton & Drew, 1991; Bowers et al., 1994; Brown & Sulzer-Azaroff, 1994; Iacobucci & Ostrom, 1993; Iacobucci, Ostrom, & Grayson, 1995; Mikula, et al., 1990) with little emphasis placed on PJ issues (for exceptions see, Bitner & Zeithaml, 1987; Oliver & DeSarbo, 1988). The overwhelming importance of DJ and, in particular, IJ will become evident through the following discussion of the customer satisfaction literature.

PJ assessments. The relational model of PJ helps illuminate the necessity of adequate service. The group-value model indicates that treatment by group members or authorities provides information about a person's worth (Tyler & Lind, 1992), as well as information about what to expect from subsequent events (Folger & Cropanzano, 1998). Tyler, DeGoey, and Smith (1996) suggested that poor treatment violates the deservingness of a person as a member of a group. They found that fair treatment increased (a) willingness to comply with rules, (b) OCB, and (c) commitment. Furthermore, Greenberg (1996) illustrated that being treated well indicates high employee status, which instigates an increase in OCB. In connection with customer satisfaction, a customer who is treated well will likely feel as if he/she is a valued customer. Furthermore, the customer can expect to be treated well in the future.

Customers' assessments of quality and satisfaction increase when they feel valued as a customer (Iacobucci et al., 1995).

Similarly, Oliver and DeSarbo (1988) explained that customers make causal attributions about their service encounters. They attempt to determine what led up to the outcome, what they can expect in the future, and the controllability of the situation (i.e., PJ). In agreement, Bitner and Zeithaml (1987) included PJ as an important aspect of customer satisfaction. The authors explained that customers assess aspects that companies can control when deciding whether or not they received adequate service. Overall, however, the consumer literature has focused on DJ and IJ as important aspects of customer satisfaction.

PJ drops away. Oliver and DeSarbo (1988) identified equity as one of the antecedents to customer satisfaction. Recall that justice literature has shown that employees evaluate the degree to which their input to output ratio is equitable in comparison with others' ratios (Adams, 1965; Greenberg, 1990; Pfeffer & Langton, 1993). Likewise, a customer evaluates the degree to which his/her input to output ratio is equitable in comparison to the provider's input/output ratio. In short, dissatisfaction follows an inequitable exchange. Oliver and DeSarbo (1988) also explained that customers evaluate their outcomes directly. For example, when possible, customers assess the performance of the product. In short, customers are concerned with whether or not they receive a fair/favorable outcome (i.e., DJ).

Furthermore, Patterson et al. (1997) investigated the effects of DJ on customer satisfaction among business-to-business professional industries. They proposed that

customer satisfaction is based on feelings of equity regarding the provider's performance and the customer's payment. The provider's performance included both the outcome and the treatment that the client received. Their two-stage longitudinal study utilized four consultancy firms and eight clients. Of particular interest, the authors found that fairness correlated with customer satisfaction and repeat purchase intentions. The authors concluded that fairness (i.e., equity) was a direct antecedent to customer satisfaction.

Bowers et al. (1994) illustrated that most customers concern themselves with DJ and IJ. Bowers et al. (1994) determined that (a) outcomes and (b) caring constitute the two issues that concern people when they evaluate health care quality and satisfaction. The attributions made regarding the outcomes of the service refer to DJ by definition. Bowers et al. defined caring as the personal, human involvement in the service. They referred to it as service delivery. Caring easily parallels IJ. The authors further determined that the outcome of healthcare service was often unknown due to the lack of medical background, and therefore, the service delivery became the defining element in healthcare quality and satisfaction.

In agreement with Bowers et al., Iacobucci and Ostrom (1993) also noted the importance of outcomes and interpersonal contact. Through their literature review they determined that a service encounter includes both a core service component and a relationship component. Analogous to DJ, the core component referred to what people received. Analogous to IJ, the relationship component referred to the "interpersonal process by which the service is delivered" (p. 258). In addition to the interaction of the two components in reference to customers' evaluations, the relationship component was

meaningful by itself. Therefore, Bowers et al. (1994) and Iacobucci and Ostrom (1993) suggested a two-factor model involving DJ and IJ rather than a three-factor model including PJ. Furthermore, they implied that the IJ component might be more important than the outcome.

IJ makes the sweep. When customers are asked, IJ represents the most frequently mentioned satisfaction antecedent (Adelman, Ahuvia, & Goodwin, 1994). Likewise, courtesy and non-verbal behavior have emerged from the consumer literature as frequently talked-about aspects of customer satisfaction (e.g., Bolton & Drew, 1991; Brown & Sulzer-Azaroff, 1994; Mittal & Lassar, 1996; Winsted, 1997). Courtesy is a completely discretionary behavior. A person can act in a courteous manner regardless of whether or not they follow or violate company policy. In contrast, a person can be discourteous while following or violating company policy. Therefore, I equate courteous service with IJ. Research suggests that courteous service has a tremendous influence on customer satisfaction (Bolton & Drew, 1991; Brown & Sulzer-Azaroff, 1994; Mittal & Lassar, 1996; Winsted, 1997).

Mittal and Lassar (1996) asked participants to complete a questionnaire about past service encounters in a health clinic and at a car repair shop. Specifically, participants answered questions about (a) the quality of work, (b) the quality of service, (c) their overall satisfaction, (d) their willingness to recommend the organization to others, and (e) their propensity to switch to another organization. The dependent variable was personalization, which they defined as (a) politeness, (b) courtesy, (c) getting to know the customer, (d) engaging in friendly conversation, and (e) personal warmth. In effect,

personalization is a synonym for IJ. Results indicated that personalization was associated with increased (a) perceptions of quality of work, (b) perceptions of quality of service, and (c) overall satisfaction.

Winsted (1997) investigated the similarities and differences between the United States and Japan with respect to the importance of certain aspects of service encounters. In the preliminary stage, results established eight factors as possible predictors of customer satisfaction within both countries: (a) authenticity, (b) caring, (c) control, (d) courtesy, (e) formality, (f) friendliness, (g) personalization, and (h) promptness. Winsted defined personalization as “recognition of customer’s uniqueness, use of a customer’s name, and responding to customer needs” (p. 343). Again, personalization is a synonym for IJ.

Winsted (1997) administered questionnaires to 156 students about their experiences in the medical and restaurant industries. Participants expressed their level of satisfaction of past experiences and the behavior associated with the experiences. For example, students answered open-ended questions such as “What would a waiter do if he or she were being courteous or polite?” Results indicated that in the United States 80% of the variance in encounter satisfaction was accounted for by the factors previously listed. In Japan 43% of the variance was explained by the factors. Of particular interest, two new factors emerged as important in both countries: conversation and civility. Conversation represented talking and the use of humor, while civility represented the minimally acceptable behavior. Though the experimenter expected to see greater differentiation between the two countries, 87% of the desired service provider behavior

applied to both the United States and Japan. With personalization, authenticity, caring, courtesy, friendliness, conversation, and civility all influencing customer satisfaction, it is fair to conclude that IJ played a major role in this study.

The influence of non-verbal immediacy offers another example of the importance of IJ in customer evaluations. Ford (1995) described non-verbal immediacy as (a) eye-contact, (b) smiles, (c) forward leaning, (d) head nods, (e) touches, (f) body orientation, and (g) physical distance. Many researchers have evaluated the impact of non-verbal immediacy on customer satisfaction (e.g., Ashforth & Humphrey, 1993; Crusco & Wetzel, 1984; Ford, 1995; Gardner; 1985).

Gardner (1985) found that even small aspects of employee behavior influenced customer satisfaction and behavior. For example, smiling increased satisfaction, whereas long waits decreased satisfaction. Gardner further explained that the direct antecedent to satisfaction is the positive mood created by the employees.

Ashforth and Humphrey (1993) found that service provider's behavior increased customers' perceptions of product quality. Recall that the fair process effect (Lind & Tyler, 1988) and Skarlicki and Folger's (1997) findings suggested that PJ and IJ can mitigate the effects of low DJ. In support, Ashforth and Humphrey (1993) found that non-verbal immediacy (IJ) influenced customer evaluation of both the service encounter and the product (DJ).

Crusco and Wetzel (1984) tested the use of non-verbal immediacy within the restaurant industry. A waitress touched her customers after they had paid the bill but before they had tipped. The waitress either touched the customer quickly twice on the

hand, or she briefly laid her hand on the customer's shoulder. The authors measured customer satisfaction through a survey and through the tip percentage. Results indicated that both types of touching increased tips. The immediacy seemed to improve the customer's impression of the dining experience.

Similarly, Ford (1995) contended that non-verbal immediacy should decrease the psychological distance between two people and increase the positive nature of their encounter. As a test of this, she examined the influence of non-verbal immediacy on grocery store customer satisfaction and customer discretionary behavior (CDB). Recall that CDB includes (a) repeating patronage, (b) expressing a recommendation or warning to others, (c) complimenting or complaining, (d) assisting customers, and (e) picking up after oneself.

The study involved monitoring grocery checkout personnel for courtesy displays. The courtesy displays were operationally defined as leaning toward the customer, head nods, and eye contact. Results indicated that courtesy displays predicted positive customer evaluations of the store and positive customer moods. Customers who had received courtesy displays were also more likely to recommend the store to others. Furthermore, customers with positive moods were more likely to help other customers. Though there were some methodological concerns, the trend is clear: service provider immediacy (IJ) influenced the customers' satisfaction and behavior.

IJ beyond customer satisfaction. Because IJ is so important to customer satisfaction, it is informative to re-evaluate its importance for employees. From the justice literature, Greenberg (1996) supplied a great example of an advantage of IJ. In a

laboratory study, Greenberg found that participants who received verifiably correct information in a sensitive manner stole less money than did participants who were not treated fairly. Of even greater interest, sensitivity was more important to the participants than was the adequacy of the information. Evidencing the importance, high sensitivity and inadequate information led to less theft than did low sensitivity and adequate information. Of course, businesses necessarily concern themselves with theft committed by either employees or customers.

From a consumer orientation, Parasuraman et al. (1991) concluded that customers want a relationship with their service representatives. Participants of focus groups explained that the relationship should be built on fairness and sincere efforts to understand and help them. Further support for the importance of interpersonal aspects of the service experience comes from Czepiel's (1990) discussion of trust and relationship quality. In a recent literature review, Czepiel explained that the service provider acts as the link between the customer and the organization. The service provider's characteristics influence the customer's evaluation of the company. Customer loyalty is based on the trust established between the customer and the service provider. Czepiel suggested that customers seek out friendly encounters with enthusiastic and warm service providers.

Indirect Links to Organizational Justice

The above discussion of fairness as an antecedent to customer satisfaction includes direct justice links evident within the consumer literature. The following section illuminates indirect links to organizational justice. The review includes discussions of the remaining satisfaction antecedents: disconfirmation and the 5-dimensional model.

Disconfirmation. Disconfirmation indicates the difference between what a customer expects to receive and what the customer actually receives (Patterson et al., 1997). Disconfirmation decreases customer evaluations and satisfaction (Bolton & Drew, 1991; Oliver & DeSarbo, 1988; Patterson et al., 1997). In particular, Patterson et al. (1997) suggested that disconfirmation becomes the heuristic when a customer has difficulty judging his/her outcomes. When interacting with a complex business service, the customer must utilize prior knowledge as a basis for evaluation. The prior knowledge is subsequently compared to the current experience. If the comparison yields high discrepancy, the customer negatively evaluates the service and dissatisfaction follows.

The ideas of disconfirmation and heuristics are also evident in the organizational justice literature. In particular, research suggests that met expectations increase fairness perceptions, commitment, and OCB, while they decrease withdrawal intentions (Hom, Griffith, Palich, & Bracker, 1998). Brockner and Weisenfeld (1996) suggested that unexpected events evoke a search for available information that will improve one's ability to evaluate the situation. In general, people expect positive things to happen to them. Therefore, when something negative happens, such as an unfair outcome, procedure, or social interaction, the person begins an attributional search. Van den Bos and his colleagues (1997) explained further that people utilize a fairness heuristic by which they make attributions about the situation. People develop fairness heuristics to alleviate unease about allowing others to have authority over them. One searches for information upon which he/she can make a fairness judgment about the person in

authority. Those fairness judgments then act as a heuristic by which new information is evaluated.

In addition, recall that Van den Bos, Vermunt, et al. (1997) found that the type of information that was available first influenced fairness perceptions more than the information that was available second. Whereas IJ information, and often DJ information, is easily accessible to customers, I argue that most consumers are unaware of major company policies. Based on this assumption and on the consumer literature that suggests that customers form evaluations primarily on outcomes and interactions, consumers may use either DJ and/or IJ as a heuristic upon which they assess PJ and satisfaction.

The five-dimensional basis of customer satisfaction. Parasuraman et al. (1991) conducted 16 focus groups that included customers of six service industries: (a) automobile insurance, (b) commercial property and casualty insurance, (c) business equipment repair, (d) truck and tractor rental and leasing, (e) automobile repair, and (f) hotels. The authors found that customers base service and product evaluations on five dimensions: (a) reliability, (b) tangibles, (c) empathy, (d) responsiveness, and (e) assurance.

First, reliability indicated dependably and accurately delivering on promises. I equate this dimension with DJ because it focuses on the outcome. Second, tangibles referred to aspects of the service that are clear and accessible. Those aspects include the appearance of physical facilities, equipment, and personnel. Third, empathy denoted the amount of individualized attention the customer receives. Fourth, responsiveness implied prompt and enthusiastic service. Fifth, assurance represented the company's ability to

convey trust and confidence. To meet the assurance standard, the service provider had to be knowledgeable and courteous. I equate the latter three dimensions (empathy, responsiveness, and assurance) with IJ because they dealt with the way in which the service provider interacted with the customer, and because they focused on discretionary rather than policy-based provider behavior. Again, the IJ component seems more important than either the DJ or PJ components because three out of the five dimensions are interpersonally based.

In sum, it seems obvious that fairness plays a role in customer satisfaction. The compelling question is: how do the different conceptions of fairness, that is DJ, PJ, and IJ, influence customer satisfaction and behavior? To answer the question, one must first measure customer behavior in an appropriate way. The following section describes the primary measure of customer behavior used in the current study. Studies of a parallel measure of employee behavior have proved effective in illustrating the general role of justice.

Chapter IV

Employee and Customer Discretionary Behavior

Research and theory suggest that employee extra-role performance increases when employees feel they have been treated fairly (Brief & Motowidlo, 1986; Moorman, 1991; Organ, 1990; Tansky, 1993). Though this commendable behavior, known as organizational citizenship behavior (OCB), is not always mandated by the organization nor recognized by the formal reward system, it is beneficial to the company (Organ, 1988, 1997). Likewise, beneficial customer behavior increases when customers feel satisfied and treated fairly (e.g. Czepiel, 1990; Ford, 1995; Mittal & Lassar, 1996; Winsted, 1997).

Organizational Citizenship Behavior

As stated above, Organ (1988, 1997) characterized OCB as employee performance that can be, but often is not, a formal requirement of a given job. Similarly, the company may or may not formally reward employees for the performance. However, the employee action must benefit the organization to be considered OCB. The dimensions typically associated with OCB include (a) courtesy, (b) altruism, (c) conscientiousness, (d) civic virtue, and (e) sportsmanship (Organ, 1988).

Organ (1988) suggested that each of the dimensions of OCB can be influenced by (a) personal characteristics such as age, education level, and gender; (b) job-related or role-related characteristics such as job scope and role conflict; and (c) work experiences. Of particular interest, fairness is one of the work experience variables related to OCB. In fact, Organ suggested that, in addition to its direct effect on OCB, fairness moderates the

relationship between personal characteristics and OCB. Furthermore, Organ (1988) illustrated that fairness accounts for more variance in OCB than does job satisfaction.

Customer Discretionary Behavior

As a parallel to OCB, customer discretionary behavior (CDB) refers to activities that customers engage in beyond purchasing that may be helpful or harmful to the company (Ford, 1995). Ford suggested five main types of CDB: (a) repeat patronage, (b) word of mouth, (c) feedback, (d) helping other customers, and (e) picking up after oneself.

First, customers evidence CDB through *repeat patronage*, even if using the given business is inconvenient (Czepiel, 1990; Ford, 1995; Mittal & Lassar, 1996; Winsted, 1997). Recent studies have suggested that if a provider is congenial and responsive during business transactions, the relationship is likely to be stronger and the customer will return (Czepiel, 1990; Ford, 1995; Mittal & Lassar, 1996; Winsted, 1997). Businesses often desire long-term patronage because creating a loyal clientele is less expensive than gaining new business (Spechler, 1989). In general, repeat patronage increases with increased customer satisfaction (Bolton & Drew, 1991; Hennig-Thurau & Klee, 1997; Patterson et al., 1997).

Second, customers engage in *word of mouth* (Ford, 1995; Mittal & Lassar, 1996; Swan & Oliver, 1989). Word of mouth refers to people passing on information to others. It can be positive, as with recommendations; or it can be negative, as with warnings. Word of mouth is particularly important to service providers because their livelihood often depends on avoiding negative reports. For example, Swan and Oliver (1989)

illustrated that when a potential or current customer hears negative comments about a service provider, his/her general impression of the company is likely to decrease. If this happens, patronage is less likely.

Lind, Kray, and Thompson (1998) further illuminated the havoc that warnings can wreak. Investigating the effects of word of mouth within an organizational justice context, they examined the consequences of a group of people talking about the fairness or unfairness of their treatment. The results indicated that just talking about having been treated unfairly decreased participants' general impressions. The participants seemed to incorporate others' reports of fairness into their own personal perceptions. Additional research has suggested that unfair treatment and dissatisfaction decrease recommendations and increase warnings within both the employment arena (Bies & Tripp, 1996; Ployhart & Ryan, 1998) and the service arena (Ford, 1995; Mittal & Lassar, 1996; Swan & Oliver, 1989).

Third, customers can provide *feedback* (Swan & Oliver, 1989). Compliments and complaints reflect forms of feedback. Customers who compliment or complain supply valuable information to the service provider (Swan & Oliver, 1989). Obtaining feedback from customers allows a business owner to evaluate his/her current policies and personnel.

Compliments not only raise spirits but also illustrate goals for the future. Complaints, on the other hand, illustrate areas needing improvement. Additionally, complaints give a business owner the opportunity to turn a negative service encounter into a positive one (Swan & Oliver, 1989). If service providers do not know that

something is sub-standard, they cannot fix it. Furthermore, feedback allows the customer to feel involved in the service encounter, and as suggested above, participation increases assessments of fairness and satisfaction (Bies & Shapiro, 1988; Folger & Cropanzano, 1998; Greenberg, 1996; Leventhal, 1980). Again, fairness and satisfaction are associated with higher rates of praise and lower rates of complaints (Swan & Oliver, 1989).

Fourth, consumers evidence CDB by *assisting other customers* (Ford, 1995). For example, customers can assist others by helping them find things or by answering questions. Fifth, customers engaging in CDB may *pick up after themselves* (Ford, 1995). For example, in a grocery store a person may put an unwanted item back in its original place rather than just dropping it wherever it is convenient for the customer. As another example, customers often see items on the floor when walking through a store. Customers engaging in CDB would pick up the item. They may throw it away if it is garbage, put it back on the shelf if it is merchandise, or give it to an employee. Engaging in helping behavior such as assisting others and picking-up may give the customer a feeling of belonging and ownership. Helping can also eliminate some work for the employees of the company, which logically increases employee efficiency.

One way to increase the likelihood of helping is to increase self-esteem (Baumeister, 1995). As discussed in the above PJ section of the current paper, the treatment a person receives from a company provides information about him/herself, and the information influences his/her self-esteem (Lind & Tyler, 1988). Therefore, fair treatment can increase self-esteem and helping behavior.

Link between OCB and CDB

The parallel between organizational citizenship behavior and customer discretionary behavior becomes evident through consideration of the typical behavior evaluated under the guise of OCB. First, OCB is related to decreased turnover (Brief & Motowidlo, 1986) and decreased contact with unfair persons (Bies & Tripp, 1996); such behaviors are analogous to the execution or denial of repeat patronage. Second, many authors have defined OCB as verbal support for, or speaking favorably about, the company (e.g., Brief & Motowidlo, 1986; Lind et al., 1998; Organ, 1990; Thompson & Werner, 1997), which is the same as word of mouth. Third, initiative in expressing ideas for improvements (Brief & Motowidlo, 1986; Organ, 1990; Thompson & Werner, 1997) is analogous to providing feedback. Fourth, helping coworkers (Brief & Motowidlo, 1986; Organ, 1990; Thompson & Werner, 1997) directly parallels assisting other customers. Finally, engaging in extra-role behavior such as cleaning (Organ, 1990) relates to customers picking up after themselves.

Both positive OCB and positive CDB are obviously desirable for companies. Furthermore, just as employee dissatisfaction and unfair treatment decrease OCB (Greenberg, 1990), customer dissatisfaction and unfair treatment decrease CDB (Bolton & Drew, 1991; Czepiel, 1990; Ford, 1995; Mittal & Lassar, 1996; Winsted, 1997). In contrast to the obvious parallels between OCB and CDB, the final literature review illustrates the possible differences between employees and customers.

Chapter V

Relationship Interdependence

The organizational justice literature illustrates the need for awareness of employees' attitudes, as well as antecedents and consequences of the attitudes. However, customer patronage is ultimately responsible for the rise or demise of a company. Therefore, a company should not ignore the needs/perceptions of either the employees or the customers. Knowledge gained from the organizational justice literature regarding the relationship between justice and employee attitudes and behavior may not apply to consumers in an identical fashion. The relationship between employees and employers is likely to be different from the relationship between consumers and providers; therefore, researchers must re-evaluate the nature of the interaction between the types of justice in light of this difference. The following discussion illustrates the primary difference between the two relationships and their possible consequences.

Theories of Interdependence

Berscheid (1982) suggested that close relationships evidence frequent and diverse interaction between two people for long periods of time. In addition, a close relationship in which two people have strong mutual influence over each other constitutes an interdependent relationship (Berscheid, 1982). Berscheid explained that relationships are interdependent to the extent that the disruption in a routine shared by the parties creates arousal. The arousal is then labeled as either positive or negative emotion. Based on Berscheid's theory and research, Simpson (1987) measured the closeness of a relationship in terms of (a) the amount of satisfaction with the relationship, (b) the length

of association, (c) the quality of the best alternative, and (d) the ease with which a person can find an alternative relationship.

Additionally, closeness can be measured by one of its consequences: commitment. Mowday, Steers, and Porter (1979) defined commitment as (a) acceptance of organizational values, (b) intent to remain in the organization, and (c) willingness to exert effort on behalf of the organization. In studying the antecedents and consequences of commitment, Rusbult (1980) proposed that a person's commitment to a relationship is a psychological state that includes (a) a desire to maintain the relationship in the future, (b) beliefs about the relationship, and (c) feelings of emotion regarding the relationship. The antecedents to the psychological state of commitment include (a) investments into the relationship, (b) satisfaction with the relationship, and (c) few attractive alternatives. Investments into a relationship include time, effort, mutual friends, and shared memories or material possessions. Satisfaction with the relationship stems from a gain/loss analysis. If the received outcomes are equal to or greater than one thinks he/she deserves, the relationship is satisfying. If the outcomes are less than deserved, the relationship is dissatisfying.

Nevertheless, people will stay in (will be committed to) dissatisfying relationships if they have made large investments into the relationship and/or if their alternatives are not good (Rusbult, 1980). Similarly, when the person has made few investments into the relationship and the alternatives are good, it may be easy to leave a satisfying relationship (Rusbult, 1980). Such consequences of commitment are of considerable relevance to the current study. People who are committed to a relationship will feel more willing to

sacrifice for their partner (Berscheid, 1982). Perhaps more important, people committed to a relationship are more willing to overlook a partner's bad behavior (Berscheid, 1982), such as unfair treatment, procedures, or outcomes.

Employee-Employer and Consumer-Provider Relationships

Though scholars have agreed that workplace relationships are interdependent (e.g., Hackman & Wageman, 1995; Kotter, 1990; Organ, 1990; Thompson, 1967), employees and providers tend to have weak ties (Adelman et al., 1994). While illustrating the positive consequences of the relationship between customers and providers, Adelman et al. (1994) explained that the relationship is often characterized by (a) limited interdependence, (b) exchange norms, and (c) limited contact. In partial support, Gutek, Bhappu, Liao-Troth, and Cherry (1999) differentiated between types of relationships within the service industry.

The authors suggested that consumer-provider interactions represent (a) relationships, (b) encounters, or (c) pseudo-relationships. First, they defined a service relationship as one in which the members anticipate future interactions. The provider will give good service only when this anticipation exists because the relationship is self-serving. When a provider does not think the customer will come back, he/she does not feel required to give good service. Second, Gutek and her colleagues defined the service encounter as a single interaction. In this case, there is no anticipated future interaction; therefore, the consumer and provider do not cooperate. Third, the authors described the pseudo-relationship as one in which the customer will have future involvement with the company but will likely interact with a different service representative each time.

Through a series of studies, Gutek et al. (1999) determined that the pseudo-relationship represents the typical relationship between customer and provider.

Based on the above theories and the findings previously discussed, my contention is that employee-employer relationships are more interdependent than consumer-provider relationships. Typically, relationships between employees and employers endure over long periods of time, during which the actions of the employee influence the actions of the employer, and vice versa. The interdependence of the relationship between employees and employers is particularly evident by the fact that a disruption caused by either party greatly impacts the other party. For example, when an employee does not complete his/her assigned duties, the employer becomes concerned and may reprimand the employee. Likewise, if a company changes the way it does business, the employee will go through considerable adjustments. The employee may not leave the company because of the changes, but he/she will experience emotional arousal.

Berscheid (1982) suggested that arousal created by disruption of a routine could be labeled as either positive or negative emotion. Therefore, an employee will likely label the arousal described above. If labeled as negative, the arousal may represent feelings of injustice. Additionally, when an employee is forced to leave a company, for example if the company goes out of business or is downsizing, the employee's emotions, attitudes, and behavior are greatly influenced. Again, the disruption in routine leads to arousal that may be labeled as unfair treatment.

On the other hand, a change in the way the company does business does not greatly affect the consumer because (a) his/her routine is not disrupted or (b) he/she just

changes providers. Clearly, some consumer-provider relationships are more interdependent than others. Interdependent consumer-provider relationships are likely due to a lack of alternatives and/or a long history with the company (Czepiel, 1990; Hennig-Thurau & Klee, 1997). Through a literature review, Hennig-Thurau and Klee (1997) developed a model suggesting that customer satisfaction leads to perceptions of relationship quality, which is a function of (a) relative quality, (b) commitment, and (c) trust. The perception of the relationship quality, then, ultimately leads to customer retention.

However, the interdependent relationships are not the norm because most of the businesses that people patronize within a city have a comparable competitor located close by (Adelman et al., 1994). Presumably, consumers show less commitment to a company than do employees because (a) their level of investment in the relationship is lower and (b) available, good alternatives abound. The current study attempted to determine whether or not the disparity is associated with different reactions to DJ, PJ, and IJ.

Chapter VI

Hypotheses

The primary question of the current study pertained to the interaction among DJ, PJ, and IJ with respect to the prediction of customer discretionary behavior (CDB). Recall that Skarlicki and Folger (1997) found an interaction among DJ, PJ, and IJ regarding employee retaliatory behavior (i.e., negative discretionary behavior) in which either PJ or IJ could mitigate the negative effects of low DJ. In essence, PJ and IJ were interchangeable in their ability to improve employees' behavior. The current study tested for a DJ x PJ x IJ interaction with particular focus on positive discretionary behavior (CDB). Aside from the difference between measures, the present research differed from Skarlicki and Folger's (1997) research with respect to the chosen sample: customers versus employees. Given that the nature of the relationship between customers and providers can be so different from the relationship between employees and employers, I questioned whether the nature of the interaction would be the same for consumers as it was for employees.

Most of the satisfaction antecedents reviewed thus far focus on interactional aspects of the service. Additionally, the literature suggests that the service delivery often becomes the basis for evaluations (Bowers et al., 1994; Iacobucci & Ostrom, 1993). However, it seems obvious that both IJ and DJ are important areas of concern for customers.

The consumer literature suggests that courteous service increases customer satisfaction, which leads to repeat patronage, positive word of mouth, and positive

feedback. IJ is important because positive interactions keep customers coming back (Thibaut & Kelley, 1959), which costs a company five times less than getting new customers (Spechler, 1989). Likewise, the product itself must be adequate. Before a business can get a customer to come back, he/she must visit the business in the first place. Therefore, DJ is instrumental because product quality, cost, and location convenience bring new customers to a business (Thibaut & Kelley, 1959).

In contrast to DJ and IJ, the limited discussion of PJ within the consumer literature creates the impression that PJ will not greatly influence customer satisfaction and behavior. In addition, Brockner, Tyler, and Cooper-Schneider (1992) found that PJ was more strongly related to various outcomes when commitment was high. When commitment was low, the effects of PJ were lower. Therefore, if the consumer-provider relationship is indeed less interdependent than the employee-employer relationship (i.e., if the customers are less committed than employees) then PJ will have less effect on assessments and behavior.

On the other hand, it would be imprudent to ignore the importance of PJ. For example, the instrumental model of fairness suggests that people use PJ to predict the future. Recall Greenberg's (1990) explanation that fair allocation procedures allow employees to expect fair and favorable outcomes in the future. Also recall that most consumer-provider relationships are characterized as pseudo-relationships (Guttek et al., 1999). Therefore, the procedures may be important to customers because they will deal with the same company in the future but will interact with different representatives each time. If this is the case, the levels of courtesy will likely change while the procedures

should stay the same. Therefore, given the necessary procedural information, the customer may use the procedures, rather than interaction sensitivity, as a fairness heuristic.

Thus, it is likely that each type of justice (DJ, PJ, and IJ) is an important area of concern for customers. Therefore, based on the convergence of justice and consumer literature discussed throughout the above review, I tested the full three-factor model while hypothesizing three significant main effects and two significant two-way interactions. The obvious main effect hypotheses follow and apply to each of the dependent variables (i.e., fairness, satisfaction, customer discretionary behavior, and commitment).

H1: High DJ will create more favorable impressions and behavior than will low DJ.

H2: High PJ will create more favorable impressions and behavior than will low PJ.

H3: High IJ will create more favorable impressions and behavior than will low IJ.

Consideration of the differences between justice and consumer research influenced the development of the hypotheses for the two-way interactions.

Organizational justice research has suggested that a business can make up for low DJ with either high PJ or high IJ (Skarlicki & Folger, 1997). However, the consumer research has suggested that DJ and IJ cannot stand alone but rather that they both influence customer reactions (Bolton & Drew, 1991; Parasuraman et al., 1991; Patterson et al., 1997).

More specifically, Bolton and Drew (1991) found that courteous service is necessary but not sufficient for customer satisfaction. For example, Bolton and Drew (1991) determined in their study of phone service satisfaction that a faulty product decreased customer evaluations. Furthermore, even when courteous personnel resolved the problem, the impact of the poor outcomes was not entirely negated. In short, high IJ could not mitigate the effects of low DJ. Parasuraman et al. (1991) further illuminated the minimum necessity of DJ by suggesting that a favorable outcome is necessary for meeting expectations whereas superior service leads to exceeding expectations. Thus, unlike with employees, high IJ will only increase customers' reactions in the presence of adequate levels of DJ (i.e., when DJ is high).

In keeping with the justice literature and the above reasoning for inclusion of PJ, the following hypotheses recognize the possible interchangeable nature of PJ and IJ. However, they adhere to the consumer literature in terms of direction. Both hypotheses apply to each of the dependent variables (i.e., fairness, satisfaction, customer discretionary behavior, and commitment).

H4: DJ and PJ will interact such that high PJ will create more favorable impressions and behavior than will low PJ only when DJ is high.

H5: DJ and IJ will interact such that high IJ will create more favorable impressions and behavior than will low IJ only when DJ is high.

Chapter VII

Method

Pilot Tests

Prior to data collection, two pilot studies were completed. They each played a formative role with respect to the methods used in current study. The first pilot asked 15 students what they would consider to be high and low interest rates for a car loan. On average, the students indicated that 13% would be high and 6% would be low. To round off the range, the second pilot and current study utilized 15% and 6% interest rates as the low and high DJ manipulations, respectively.

The second pilot study involved measuring (a) fairness perceptions, (b) customer satisfaction, (c) commitment, and (d) customer discretionary behavior (CDB) intentions based on written scenarios. The purpose was to identify major problems with the scenarios prior to taping and to complete preliminary assessments of the measures. First, the study indicated a need for stronger PJ and DJ manipulations. To accommodate, the video-taped scenarios included more PJ manipulations, which were separated to a greater degree from the rest of the information. Additionally, the outcome manipulation changed in terms of available reference information. The pilot study utilized a loan information sheet that only indicated the participants' interest rate and payments. To strengthen the manipulation, the current study utilized loan information sheets that included payments required for a variety of interest rates. Second, the pilot test illustrated the most reliable combination of items for each of the dependent measures. For example, the use of five

commitment items did not add meaningfully to the scale, thus the commitment scale used in the current study consisted of three items. The measures are described below.

Participants

Participants were 120 undergraduate students enrolled in psychology courses at a midwestern university. They volunteered for the study and received extra-credit points for their participation. With the use of a random numbers table, I randomly assigned each participant to one of eight conditions.

The sample included 37 males and 83 females ranging in age from 19 to 46 years. The students were freshman (20), sophomores (39), juniors (35), seniors (25), and one (1) participant who was working on a second undergraduate degree. The ethnic background of the sample broke down in the following manner: 85% Caucasian, 5% African American, 5% Asian, 1.7% Hispanic, and 4.2% indicated another ethnicity. Finally, with respect to the participants' prior experience with the bank loan process, 60 participants (50% of the sample) had never applied for a bank loan, 4 participants (3.3% of the sample) had applied for a bank loan but had not received it, and 56 participants (46.7% of the sample) had received a bank loan. This indicated that the sample had some experience with a loan process.

Measures

After viewing a videotaped scenario twice, the participants completed the questionnaires from the perspective of the customer. (See Appendix A for questionnaires 1 and 2). The original dependent variables included (a) fairness perceptions, (b) satisfaction levels (c) commitment to the organization, and (d) CDB intentions. However,

psychometric analyses led to the combination of commitment and CDB as a single variable.

Organizational fairness. The fairness scale consisted of seven items with rating scales ranging from 1 (strongly disagree) to 5 (strongly agree). I measured participants' fairness assessments through the use of four overall fairness items (items 3, 5, 6, and 8) and three specific fairness items tapping into (a) the bank procedures (item 12), (b) the outcome (item 13), and (c) service (item 14). Inclusion of the individual fairness items with the composite of overall fairness items raised the internal consistency from an alpha of .8584 to .8789. Elimination of the specific distributive fairness measure raised the alpha minimally to .8817. Using either all or none of the specific items created a more understandable scale than using some of the specific items. Thus, I chose to retain all of the items. Subsequent analyses were completed on the seven-item scale, which yielded an internal consistency of $\alpha = .88$.

Customer satisfaction. The customer satisfaction scale consisted of 7 items with rating scales ranging from 1 (strongly disagree) to 5 (strongly agree). I measured participants' satisfaction assessments through the use of four overall satisfaction items (items 1, 2, 4, and 7) and three specific items tapping into satisfaction with (a) the service (item 9), (b) the outcome (item 10), and (c) the bank procedures (item 11). Internal consistency analysis of the scale yielded a weak item-to-total correlation ($r = .32$) with respect to the outcome satisfaction item. The elimination of the item from the scale raised the internal consistency from an alpha of .8956 to .9326. Further analysis illustrated that eliminating the service satisfaction item and the procedural satisfaction item along with

the outcome satisfaction item raised alpha from .9326 to .9377. Again, the difference was minimal, but in keeping with the above-mentioned reasoning (all or none of the specific items), subsequent analyses were completed on the four-item overall customer satisfaction scale, which yielded an internal consistency of $\alpha = .94$.

Organizational commitment. For the commitment measure, I used a modified version of the Pritchard, Havitz, and Howard (1999) psychological commitment instrument (PCI). The PCI includes five dimensions: (a) position involvement, (b) resistance to change, (c) loyalty, (d) volitional choice, and (e) informational complexity. I included one item from the position involvement dimension, one item from the resistance to change dimension, and one item from the loyalty dimension. I did not include the volitional choice and informational complexity dimensions because the participants did not have a choice about the bank, nor did they have any information other than what I provided.

Thus, the commitment scale consisted of three items (items 21, 22, 23) with rating scales ranging from 1 (strongly disagree) to 5 (strongly agree). The scale evidenced an internal consistency of $\alpha = .7725$. Item 22 implied that banking with the bank within the scenario reflected upon the participants. This reflection item had a low item-to-total correlation ($r = .37$). The elimination of the item increased the internal consistency to an alpha of .9021. The reflection item demonstrated less variance than all other items used on the questionnaire, $M = 1.95$ ($SD = .9775$) and variance of .9555. Furthermore, approximately 95% of the participants said they did not feel that banking at City Bank reflected upon them. Thus, item 22 was dropped from the commitment scale.

Customer discretionary behavior. I used Ford's (1995) method of measuring CDB.

The participants indicated the likelihood of their (a) remaining as customers of the bank, (b) recommending the bank to others, (c) providing feedback (compliments and complaints), and (d) assisting other customers. An interview with a car loan officer at a local bank illustrated the inapplicability of the fifth discretionary behavior identified by Ford: picking up after themselves. Therefore, I eliminated such questions. In addition to Ford's measures of CDB, I asked the participants to indicate the degree to which they considered each of the types of justice when predicting their behavior. The goal was to determine which types of justice were important to the participants.

The customer discretionary scale consisted of five items (items 24 – 28) and evidenced an internal consistency of $\alpha = .1859$. The correlation between the word of mouth item (item 24) and the repeat patronage item (item 26) was the only significant positive correlation ($r = .74$, $p = .000$). Thus, the five items obviously did not represent a cohesive scale. Possible reasons for the incoherent nature follow.

First, the helping item (item 27) did not correlate significantly with any other discretionary behavior item or variable included in the study. During an interview with the bank loan officer prior to the study, the employee expressed some reservations about the relevance of this type of item for the given situation. An evaluation of the items that tapped into the importance of the outcome, procedures, and service with respect to discretionary behavior decisions (items 31 – 48) mirrored his submission. (See Table 1 for frequencies). Specifically, the participants deemed the outcome, the procedure, and the service not at all important when considering whether they would help fellow

Table 1
CDB-Justice Importance Frequencies

<u>Decision</u>	<u>Response</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
		<u>DJ</u>		<u>PJ</u>		<u>IJ</u>	
Accept Loan							
	Not at all important	11	9.2	18	15.3	20	16.8
	Somewhat important	22	18.3	49	41.5	50	42.0
	Completely important	87	72.5	51	43.2	49	41.2
Return							
	Not at all important	17	14.2	22	18.5	9	7.6
	Somewhat important	66	55.0	43	36.1	40	33.6
	Completely important	37	30.8	54	45.4	70	58.8
Give Feedback							
	Not at all important	48	40.3	38	32.2	10	8.3
	Somewhat important	41	34.5	28	23.7	22	18.3
	Completely important	30	25.2	52	44.1	88	73.3
Provide WOM							
	Not at all important	33	27.5	27	22.7	9	7.5
	Somewhat important	48	40.0	42	35.3	30	25.0
	Completely important	39	32.5	50	42.0	81	67.5
Help Others							
	Not at all important	69	57.5	67	56.3	48	40.0
	Somewhat important	38	31.7	39	32.8	41	34.2
	Completely important	13	10.8	13	10.9	31	25.8
Give ATM Feedback							
	Not at all important	76	63.9	64	58.3	63	52.9
	Somewhat important	29	24.4	37	31.1	31	26.1
	Completely important	14	11.8	18	15.1	25	21.0

Note. N = 120; Modal responses in bold.

customers. It seems that something other than organizational justice influenced the participants' decisions about whether or not to provide help.

Furthermore, recall that Lind and Tyler (1988) explained that fair treatment increases self-esteem. Also, Baumeister (1995) explained that increases in self-esteem lead to increased helping. Given that 95% of the sample indicated that the role as a customer at the bank did not reflect upon them personally, it is possible that the lack of personal involvement influenced their likelihood to help others.

Second, the item involving feedback about automatic teller machines (item 28) did not correlate with any of the other discretionary behavior items or variables within the study. Furthermore, as with the helping item, participants deemed the outcome, the procedure, and the interaction not at all important when considering whether or not they would report problems with the ATM. Again, it is possible that something else influenced the participants' decisions to report the problems. It is also possible that the participants misunderstood the ATM item. A simple read of the item illustrates the possibility that it may have been misinterpreted as, "if they received their loan money..." instead of "if they received their requested ATM money". At any rate, elimination of the item avoided convolution of the scale.

Finally, the feedback item ("How likely is it you would report poor service to employees of City Bank") posed a particular problem. It had a low negative correlation with the total ($r = -.24$). To determine why the item posed such a considerable problem with the scale, I completed (a) a correlation matrix among the items (see Table 2),

Table 2
Intercorrelations for Customer Discretionary Behavior and Commitment Items

Items	1	2	3	4	5	6	7
1 Word of Mouth (24)	--						
2 Feedback (25)	-0.38**	--					
3 Return (26)	0.73**	-0.33**	--				
4 Help (27)	0.06	-0.00	0.17	--			
5 ATM Feedback (28)	0.01	0.11	0.06	0.16	--		
6 Defy Friends (21)	0.76**	-0.37**	0.69**	0.04	-0.01	--	
7 Other (23)	0.82**	-0.48**	0.71**	0.02	-0.00	0.75**	--

Note. N = 120.

* $p < .05$, ** $p < .01$, *** $p < .001$

(b) an evaluation of the items that tapped into the importance of the outcome, procedure, and service with respect to each of the CDB items (items 31 – 48; see Table 1), and (c) an analysis of variance with feedback as the dependent variable and DJ, PJ, and IJ as the independent variables (see Table 3).

The feedback item yielded low negative correlations with the word of mouth and repeat patronage items ($r = -.38$, $r = -.33$, respectively, $p = .000$). The low magnitude of the correlations did not seem to be due to limited variance. In fact, the feedback item was the second most variant 5-point-response-option item ($M = 3.26$, $SD = 1.50$).

Approximately 20 people (17% of the sample) responded to each of the following options regarding the likelihood that they would report poor service: 0%, 25%, 50%, 75%.

Approximately 40 people (33% of the sample) indicated 100% likelihood.

In addition to the low magnitude of the correlations, their negative nature was puzzling. Given that reverse coding of the item was inappropriate, I investigated the hypothesis that the item was not interpreted in the intended manner. Evaluation of the items that tapped into the importance of the outcome, procedure, and service with respect to each of the CDB items provided some insight. For the most part, the participants indicated that the outcome was “not at all important” when deciding whether or not to provide feedback. However, the procedures and the service were “completely important” factors in the decision.

Furthermore, the analysis of variance illustrated only a significant IJ main effect for feedback, such that participants who had experienced low IJ indicated a significantly greater likelihood of reporting poor service than those who had experienced high IJ. The

Table 3
Analysis of Variance for Intentions to Provide Feedback

Source of Variance	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>
Total	119	268.99		
DJ	1	0.41	0.41	0.25
PJ	1	1.01	1.01	0.61
IJ	1	78.41	78.41	47.69*
DJ x PJ	1	1.01	1.01	0.44
DJ x IJ	1	2.41	2.41	0.23
PJ x IJ	1	1.41	1.41	0.36
DJ x PJ x IJ	1	0.21	0.21	
Error	112	184.13	1.64	

Note. *p<.05, **p<.01, ***p<.001

result was in the opposite direction of the expectation that people would make more of an effort to help the company by providing feedback when treated with respect and dignity. With the analyses in mind, it is likely that the participants interpreted the question as “did poor service occur” rather than “would you report it *if* poor service were to occur”. Due to the possible misinterpretation of the item, its elimination was warranted.

The removal of the feedback item raised the internal consistency from an alpha of .1859 to .5009. Subsequent removal of the helping and ATM items further increased the alpha to .8467. However, this exclusion left only the word of mouth and repeat patronage items. Seeing as both the commitment scale and the CDB scale were each reduced to two items, the next step involved evaluating the four items as a scale.

Commitment and discretionary behavior together. A review of the literature suggested that the remaining customer discretionary behaviors, repeat patronage and word of mouth, could be considered manifestations of company commitment. For example, intent to remain in the organization and willingness to exert effort on behalf of the organization are each part of Mowday et al.’s (1979) definition of commitment. Thus, I combined the two remaining commitment items with the two remaining discretionary items to form the CDB-Commitment scale. All intercorrelations among the items were significant ($p = .000$), with $r = .74$ as the lowest (see Table 2), and the internal consistency evidenced an alpha of .93. Subsequent analyses were run on the four-item scale.

Demographic information. Participants provided limited demographic information, which provided description of the sample. In addition to age, gender, and

class, I asked for ethnicity identification because some cross-cultural differences in customer attributions have been found (Winsted, 1997). However, review of the limited distribution across races and of the correlation matrix illustrated that an evaluation of cross-cultural differences in the present study was inappropriate. (Correlations among the dependent variables and the demographic variables are presented in Table 4).

Design

I utilized a 2 (outcome: favorable or unfavorable) X 2 (procedure: fair or unfair) X 2 (service: courteous or discourteous) between-subjects factorial design. For the outcome manipulation, the customer received a low (6%) or high (15%) interest rate. It was stated within the scenario that the loan officer had previously explained the range within which the interest rate could fall (6% to 15%). Since DJ judgments typically require a referent (Van den Bos, Lind et al., 1997), the inclusion of the anticipated range created a referent against which the participants could compare their allotted interest rate.

Based on previous literature (e.g., Leventhal, 1980; Thibaut & Walker, 1972), I manipulated PJ through (a) timeliness, (b) voice, (c) accuracy, (d) bias suppression/arbitrariness, and (e) correctability. First, I manipulated timeliness by having the meeting either two days or 30 days after the customer filled out the application. Second, the bank did or did not take into consideration the applicant's special circumstances. Third, I manipulated accuracy by having the loan officer make recommendations based either on a careful review of the application or on a quick glance over the application. Fourth, manipulation of bias suppression involved having the interest rate itself either based on bank policy or on the arbitrary opinion of the loan

Table 4
Intercorrelations for Fairness Perceptions, Customer Satisfaction, Behavior Intentions, and Demographic Variables

Items	1	2	3	4	5	6	7
1 Satisfaction	--						
2 Fairness	0.85**	--					
3 CDB-Commitment	0.81**	0.87**	--				
4 Gender	0.12	0.20*	0.16	--			
5 Race	0.08	0.05	0.11	-0.17	--		
6 Status in School	-0.16	-0.13	-0.12	0.03	0.01	--	
7 Experience w/Loans	-0.04	-0.04	-0.02	-0.17	0.16	0.04	--

Note. N = 120.

* $p < .05$, ** $p < .01$, *** $p < .001$

officer. Finally, correctability was manipulated by having the loan officer ask or not ask the customer if he wanted to change anything on the application.

For the service (i.e., IJ) manipulation, the loan officer was or was not courteous. Courteous behavior included engaging in friendly conversation, providing undivided attention, and demonstrating non-verbal immediacy, such as smiling and nodding. For example, the discourteous loan officer engaged in a personal phone call during the meeting.

Recall that Van den Bos, Vermunt et al. (1997) found an order effect regarding the differential effect of information on fairness perceptions (i.e., the first available information becomes the basis for the heuristic involved in fairness perceptions). However, in the current study that was not likely to be an issue because the manipulations were dispersed throughout the short scenario instead of given in a particular order over long periods of time. Therefore, I did not counterbalance the order in which I presented the three types of justice.

Materials

Written scenario studies have been used effectively in consumer research (Iacobucci & Ostrom, 1993; Iacobucci et al., 1995; Menon & Johar, 1997) as well as in organizational justice research (Mikula et al., 1990; Van den Bos, Lind et al., 1997). However, to better capture the elusive IJ manipulations, I utilized a videotaped scenario (see Appendix B for a written sample of the scenario). Participants received the IJ and PJ manipulations within the videotape. In short, the scenario depicted an encounter between a male bank loan officer and a male car loan applicant. It should be noted that it was

possible that the male and female participants would react differently to the male loan officer. Likewise it was possible that the female participants would have more difficulty than the male participants when taking the role of the customer. However, random assignment into conditions should have corrected for any unintentionally introduced gender artifacts.

For ease of video development and presentation, the participants received the outcome manipulation on paper. (see Appendix C). Essentially, this allowed me to utilize four instead of eight videotapes. In addition to the outcome manipulation, the consent form, instructions, and questionnaires were presented on paper. Participants utilized number two pencils and scantron sheets to respond to the questionnaires.

Procedures

First, participants read and signed the informed consent sheet (see Appendix D). Second, the participants viewed their assigned videotaped scenario as a group. The participants did not communicate with each other once the study began. The groups ranged in number from one to ten participants. All participants watched their scenario twice. Third, the experimenter distributed the questionnaire packets. The packets included the instructions, outcome manipulation sheets, and the questionnaires.

Oral and written instructions informed the participants of the appropriate course of action with respect to their packets (see Appendix E). Specifically, participants read over the outcome manipulation sheet first. The outcome manipulation sheets indicated the interest rate offered to the participant as a customer and monthly payments for various interest rates. Distribution of the loan information sheet was random (based on a random

numbers table) such that the participants within a group could have received either the same interest rate or different interest rates. The participants did not know what interest rate the other participants received.

When they had enough time to evaluate the loan information, the experimenter collected the sheets and asked the participants to begin with the first questionnaire and to continue to the second questionnaire when they were finished. The participants completed the first questionnaire by putting their responses on a separate answer-sheet. Then, they put the questionnaire back into the envelope and took out the second questionnaire. The participants replaced the first questionnaire before completing the second questionnaire because the second questionnaire included manipulation check items. In short, I did not want them to have direct access to their answers to the first questionnaire when completing the manipulation check items.

Finally, the participants were debriefed and given their extra-credit redemption slips. The experimenter also asked the participants if they wanted to have a summary of the results of the study sent to them via e-mail. The experimenter made certain the participants clearly understood that attaining the results was strictly voluntary and that their decision would not influence their extra credit. Those participants who expressed an interest in receiving the results put their name and e-mail address on a 3x5 index card. For future reference, this was a worthwhile feature because approximately 75% of the participants requested the summary.

Analyses

I set alpha at .05 and utilized SPSS for Windows version 8.0 for all analyses. First, I completed analyses of the manipulation check items. I completed an independent samples t-test for the outcome item because it was based on a ratio scale of measurement. The procedural and interactional justice items were based on a nominal scale of measurement. Therefore, I used a chi square analysis when the expected frequencies were adequate. When more than 20% of the cells in a given analysis had expected frequencies below 5, I created a 2x2 table by combining the “I don’t know” category and the category that represented a misunderstanding of the manipulation (e.g., said the loan officer answered the phone when he had not). In such instances, I completed a Fisher’s Exact analysis to determine if there was a significant difference between the high and low groups (Siegel & Castellan, Jr., 1988).

Second, I tested the assumptions associated with analysis of variance. For normality, I obtained z-scores by dividing the skewness by its standard error and the kurtosis by its standard error (Tabachnick & Fidell, 2001). For each cell, I compared the calculated z-scores to the critical value ($z = 3.29$) suggested by Tabachnick and Fidell (2001). Levene’s test of equality of variances illustrated any violations to the assumption of homogeneity of variance. Z-scores obtained for each cell tested for univariate outliers (Tabachnick & Fidell, 2001).

Third, I obtained descriptive statistics such as means and correlations. Fourth, 2x2x2 between-factorial ANOVAs demonstrated differential effects of the three types of justice with respect to intentions of accepting the loan and to each dependent variable.

Despite the use of multiple dependent variables, I chose not to complete a multivariate analysis of variance (MANOVA). The reason for this decision lies in the high intercorrelations among the dependent variables (see Table 4), which indicated redundancy inappropriate for the use of MANOVA (Tabachnick & Fidell, 2001). All relevant simple effects were also completed.

Finally, because the current study does not exist within an established field of research, I completed an additional analysis of the data. Partial eta squared statistics provided insight into which type of justice was more important to the participants when making judgments about fairness, satisfaction, and CDB-Commitment intentions.

Chapter VIII

Results

Manipulation Checks

Manipulation check analyses were completed to determine whether or not the participants perceived the independent variables in the intended manner. As discussed below, not all of the participants accurately depicted their condition. However, all participants were used in the analyses with the understanding that the misconceptions introduced error. Please refer to Tables 5, 6, and 7 regarding responses to the manipulation check items.

Overall. All participants received the requested loan amount of \$10,000. Thus, the most basic manipulation check item asked whether or not the participants had received the requested amount of money. One hundred and three participants (85.8% of the sample) correctly indicated that they had received the requested amount of \$10,000, whereas 10 (8.3%) said that they did not receive the requested amount and 7 (5.8%) answered that they did not know. A Fisher's Exact analysis revealed independence between responses and condition, with 12 to 15 participants in each condition indicating they had received the correct amount of loan money.

Distributive justice. The outcome manipulation involved offering an interest rate of 6% to half of the sample and 15% to the other half. For those participants who received an offer for a 6% interest rate, 86.7% correctly indicated that amount. Likewise, for those who received an offer for a 15% interest rate, 83.3% correctly indicated that amount. An independent samples t-test illustrated a significant difference between the

Table 5
Manipulation Check Frequencies for Distributive Justice (DJ)

<u>Response</u>	<u>Low DJ (15%)</u> (N=60)		<u>High DJ (6%)</u> (N=60)	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
5%	0	0.00	1	1.67
6%	3	5.00	52	86.67
6.80%	0	0.00	1	1.67
7%	0	0.00	1	1.67
8%	0	0.00	2	3.33
12%	0	0.00	2	3.33
14%	3	5.00	0	0.00
15%	53	88.33	1	1.67
17%	17	28.33	0	0.00
Mean:		14.53		6.43

Table 6
Manipulation Check Frequencies for Procedural Justice (PJ)

<u>Item</u>	<u>Response</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
		<u>Low PJ</u>		<u>High PJ</u>	
<u>Basis of Interest Rate</u>					
	Company policy	10	16.6	23	38.3
	Personal Judgment	39	65.0	31	51.6
	I don't know	11	18.3	6	10.0
<u>Thorough Review</u>					
	Yes	10	16.6	44	73.3
	No	42	70.0	9	15.0
	I don't know	8	13.3	7	11.6
<u>Opportunity For Changes</u>					
	Yes	26	43.3	53	88.3
	No	30	50.0	5	8.3
	I don't know	4	6.7	2	3.3
<u>Length of Wait</u>					
	a couple of days	4	6.7	58	96.6
	a month	55	91.6	0	0.0
	I don't know	1	1.7	2	3.3

Note. N = 120; Modal responses in bold.

Table 7
Manipulation Check Frequencies for Interactional Justice (IJ)

<u>Item</u>	<u>Response</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
		<u>Low IJ</u>		<u>High IJ</u>	
Addressed by Name					
	Yes	4	6.7	50	83.3
	No	54	90.0	4	6.7
	I don't know	2	3.3	6	10.0
Personal Phone Call					
	Yes	58	3.4	0	0.0
	No	2	96.6	60	100.0
	I don't know	0	0.0	0	0.0
Personable Loan Officer					
	Yes	2	57.5	54	90.0
	No	57	31.7	5	8.3
	I don't know	13	10.8	1	1.7

Note. N = 120; Modal responses in bold.

high and low DJ groups ($t(118) = 24.43, p = .000$), with the mean interest rate for the high DJ group (6% interest rate) of $M = 6.43$ ($SD = 1.6$) and the mean interest rate for the low DJ group (15% interest rate) of $M = 14.53$ ($SD = 2.0$).

Procedural justice. The PJ manipulation involved four procedural justice issues: (a) arbitrariness, (b) accuracy, (c) correctability, and (d) timeliness. I evaluated the four PJ manipulation check items separately (see Table 6). For each of the items, the analyses revealed a significant association between group membership and participant response.

A chi square analysis revealed that participants from the high and low PJ groups differed significantly with respect to their view of whether the interest rate was based on company policy or on loan officer judgment ($\chi^2(2) = 7.51, p = .023$). However, the majority of each group felt that the decision was based on loan officer judgment, with 51% of the high PJ group and 65% of the low PJ group indicating that the loan officer, rather than bank policy, dictated the decision. In total, 28.3% of the participants chose the “I don’t know” response option to this item. Of particular interest, only approximately half of the sample, 62 participants, accurately assessed whether the interest rate was based on company policy or loan officer judgment.

A chi square analysis indicated that participants from the high and low PJ groups differed significantly with respect to their view of whether or not the loan officer thoroughly reviewed the application ($\chi^2(2) = 42.83, p = .000$). This item confirmed the intended direction, with 73.3% of the high group saying the loan officer thoroughly reviewed the application and 70% of the low group saying he did not. In total, 25% of the participants chose the “I don’t know” response option to this item.

For each of the remaining two items, a Fisher's Exact analysis illustrated a significant difference between the responses for the participants in the high PJ group and those in the low PJ group ($p = .000$). With respect to the correctability nature of the application process, 88.3% of the participants from the high PJ group indicated that changes were allowed, whereas 50% of the low PJ group indicated that changes were not allowed. In total, 10% of the participants said that they did not know if they could have changed their application. With respect to the timeliness aspect, 96.7% of the participants in the high PJ group said that they waited two days for a response, whereas 91.7% of the participants in the low PJ group said they waited for a month. In total, 5% said they did not know how long they waited.

Interactional justice. The IJ manipulation involved three properties: (a) addressing the customer by name, (b) answering a personal phone call during the meeting, and (c) acting personably (see Table 7). Each item required the use of the Fisher's Exact analysis and each revealed a significant association between group membership and participant response ($p = .000$).

More specifically, 83.3% of the high IJ group indicated that the loan officer had called the customer by name, whereas 90% of the low IJ group said he had not called the customer by name. In total, 13.3% of the participants chose the "I don't know" response option to this item. With respect to the personal phone call, 100% of the high IJ group said that the loan officer had not answered the phone, whereas 96.7% of the low IJ group said he had answered it. No one chose the "I don't know" response option for this item. With respect to the friendly nature of the loan officer, 90% of the high IJ group said he

had been nice, whereas 95% of the low IJ group said he had not been nice. Only one participant indicated that he/she did not know if the loan officer had acted in a friendly manner.

Descriptive Statistics

The seven-item fairness scale yielded a mean of $\underline{M} = 18.4$ ($\underline{SD} = 7.4$) with response composites ranging from 7 to 35. The four-item satisfaction scale yielded a mean of $\underline{M} = 9.6$ ($\underline{SD} = 5.0$) with response composites ranging from 4 to 20. The four-item CDB-Commitment scale yielded a mean of $\underline{M} = 8.6$ ($\underline{SD} = 4.5$) with response composites ranging from 4 to 20. None of the dependent variables contained outliers.

Assumption of normality. First, both loan amount acceptance and loan terms acceptance were normally distributed as a whole. The loan term acceptance scores in the low PJ/high IJ/high DJ condition were negatively skewed ($\underline{z} = 3.31$) and peaked ($\underline{z} = 4.94$). The loan term acceptance scores in the low PJ/high IJ/low DJ condition were positively skewed ($\underline{z} = 3.47$) and peaked ($\underline{z} = 4.34$).

Second, fairness, as a whole, was normally distributed. Analyzed by condition, the scale was positively skewed ($\underline{z} = 4.35$) and peaked ($\underline{z} = 7.05$) with respect to the high PJ/low IJ/high DJ condition. Third, satisfaction, as a whole, was normally distributed. Analyzed by condition, the distribution was positively skewed ($\underline{z} = 3.62$) and peaked ($\underline{z} = 4.01$) with respect to the low PJ/low IJ/low DJ condition. Finally, the CDB-Commitment scale, as a whole, was positively skewed ($\underline{z} = 3.79$) without significant kurtosis ($\underline{z} = -.84$). Analyzed by condition, the scale was positively skewed ($\underline{z} = 3.47$) and was significantly peaked ($\underline{z} = 4.13$) with respect to the high PJ/low IJ/low DJ condition.

Despite the non-normality of the score distributions, I did not perform transformations on the data prior to further analyses. The reason for using the scores as they were stems from the fact that ANOVA is robust to violations of this assumption (Tabachnick & Fidell, 2001). Additionally, the central limit theorem suggests that the sampling distribution of means will become more normal with increased sample size (Tabachnick & Fidell, 2001).

Assumption of homogeneity of variance. Levene's test of equality of variances indicated homogeneity of variance with respect to loan amount acceptance ($F(7,112) = 1.74, p = .108$), loan terms acceptance ($F(7,112) = 2.01, p = .06$), and fairness ($F(7,112) = 1.18, p = .32$). Both satisfaction ($F(7,112) = 3.67, p = .001$) and CDB-Commitment ($F(7,112) = 4.93, p = .000$) evidenced heterogeneity of variance. Again, because ANOVA is robust to violations of this assumption when the analysis has equal cell sizes (Tabachnick & Fidell, 2001), I proceeded with the subsequent analyses without further adjustment.

Correlations

As mentioned above, the dependent variables were all highly correlated. Satisfaction correlated significantly with fairness and CDB-Commitment ($r = .85, r = .81$, respectively, $p = .000$). Likewise, fairness correlated significantly with CDB-Commitment ($r = .87, p = .000$). Fairness also correlated significantly, but minimally, with gender ($r = .20, p = .03$). However, no other significant correlations arose with respect to the demographic variables (see Table 4 for correlations among the dependent and demographic variables).

Loan Acceptance: Analysis of Variance

An analysis of variance with respect to both accepting the loan and accepting the terms of the loan (i.e., interest rate) revealed only significant main effects for DJ (see Table 8 for summary table). For both 5-point response items, likelihood of acceptance was significantly higher when DJ was high ($\underline{M} = 3.68$ and $\underline{M} = 3.77$ for loan amount and terms, respectively) than when DJ was low ($\underline{M} = 1.87$ and $\underline{M} = 1.77$ for loan amount and terms, respectively).

Fairness: Analysis of Variance

An analysis of variance with respect to fairness revealed significant main effects for each of the three justice types (see Tables 9 and 10 for cell means and summary table). Thus, hypotheses 1, 2, and 3 were supported. More informative, there were two significant two-way interactions. First, in support of hypothesis 5, DJ and IJ evidenced a significant interaction, $\underline{F}(1,112) = 7.55, p = .007$ (see Table 11 for cell means and Figure 1 for interaction). Simple effects provided further support for the DJ and IJ main effects. Fairness judgments were significantly higher for high DJ than for low DJ regardless of the level of IJ, $\underline{F}(1, 112) = 54.07, p < .01, \underline{F}(1, 112) = 12.02, p < .01$, for high and low IJ respectively. Likewise, fairness judgments were significantly higher for high IJ than for low IJ regardless of the level of DJ, $\underline{F}(1, 112) = 65.42, p < .01, \underline{F}(1, 112) = 17.65, p < .01$, for high and low DJ respectively.

The second two-way interaction was not predicted. PJ and IJ interacted significantly, $\underline{F}(1, 112) = 4.48, p = .036$ (see Table 11 for cell means and Figure 1 for interaction). Simple effects revealed that fairness judgments were significantly higher

Table 8

Analysis of Variance for Loan Amount and Terms Acceptance

Item	Source	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Eta²</u>
Amount	Total	119	258.93			
	DJ	1	99.01	99.01	75.81**	0.40
	PJ	1	0.01	0.01	0.01	0.00
	IJ	1	3.01	3.01	2.30	0.02
	DJ x PJ	1	1.87	1.87	1.44	0.01
	DJ x IJ	1	4.41	4.41	3.38	0.03
	PJ x IJ	1	3.67	3.67	2.81	0.03
	DJ x PJ x IJ	1	0.68	0.68	0.52	0.01
	Error	112	146.27	1.31		
Terms	Total	119	253.47			
	DJ	1	120.00	120.00	107.01**	0.49
	PJ	1	0.53	0.53	0.48	0.00
	IJ	1	1.63	1.63	1.46	0.01
	DJ x PJ	1	0.53	0.53	0.48	0.00
	DJ x IJ	1	1.63	1.63	1.46	0.01
	PJ x IJ	1	2.70	2.70	2.41	0.02
	DJ x PJ x IJ	1	0.83	0.83	0.74	0.01
	Error	112	125.60	1.12		

Note. *p<.05, **p<.01, ***p<.001

Table 9
Mean Fairness Perceptions

Distributive Justice	Low IJ		High IJ	
	<u>M</u>	<u>n</u>	<u>M</u>	<u>n</u>
Low Procedural Justice				
Low	12.27	15	16.00	15
High	15.93	15	24.00	15
High Procedural Justice				
Low	12.33	15	19.27	15
High	17.47	15	29.93	15

Note. Maximum Score = 35.
 IJ = Interactional Justice.

Table 10
Analysis of Variance for Fairness

Source of Variance	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Eta²</u>	<u>Omega²</u>
Total	119	6490.80				
DJ	1	1414.53	1414.53	58.53***	0.34	.21
PJ	1	218.70	218.70	9.05**	0.07	.03
IJ	1	1825.20	1825.20	75.52***	0.40	.28
DJ x PJ	1	32.03	32.03	1.33	0.01	.00
DJ x IJ	1	182.53	182.53	7.55**	0.06	.02
PJ x IJ	1	108.30	108.30	4.48*	0.04	.01
DJ x PJ x IJ	1	2.70	2.70	0.11	0.00	.00
Error	112	2706.80	24.17			

Note. *p<.05, **p<.01, ***p<.001

Table 11

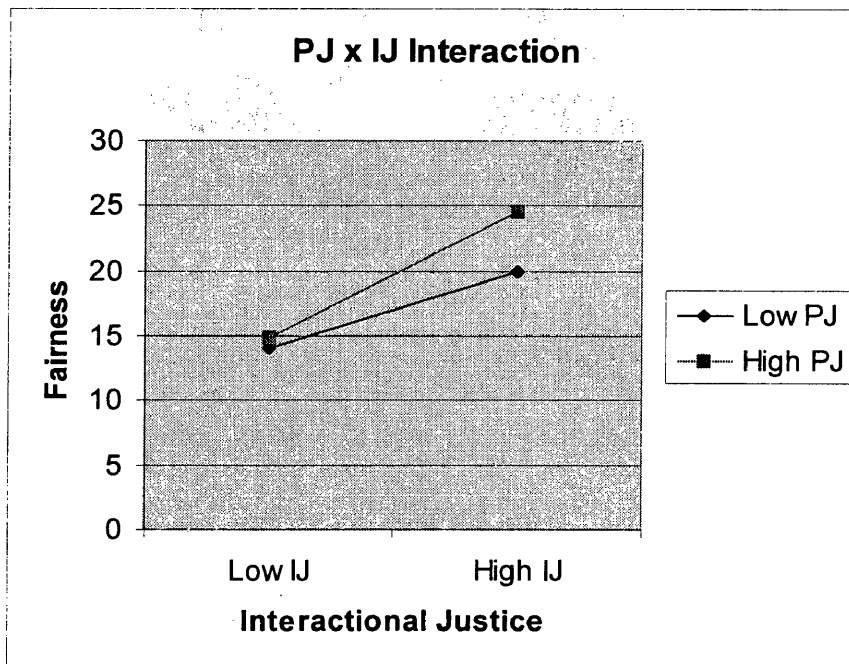
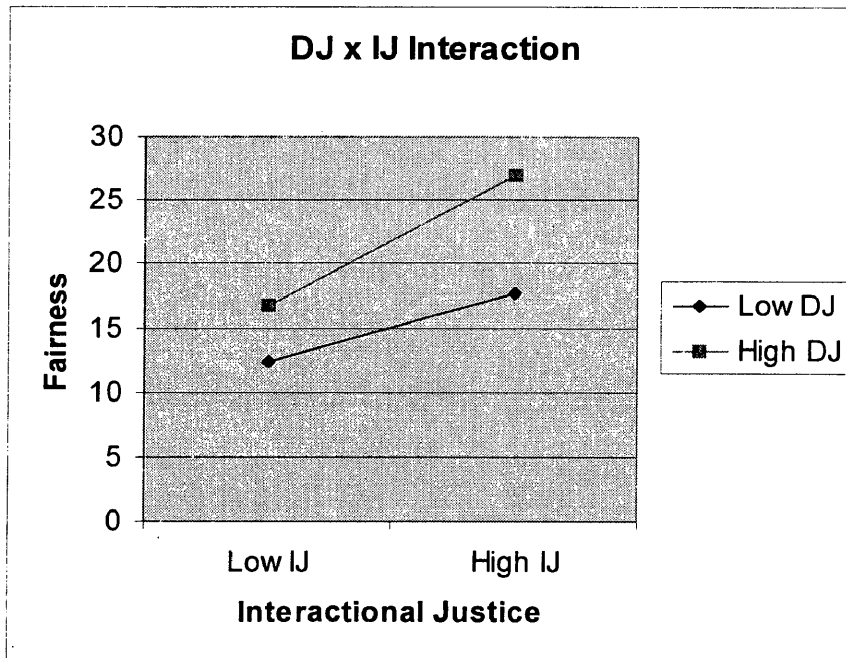
Mean Fairness Perceptions: Two-way Interactions

Distributive Justice	Low IJ		High IJ	
	<u>M</u>	<u>n</u>	<u>M</u>	<u>n</u>
Low	12.30	30	17.63	30
High	16.70	30	26.97	30
Procedural Justice				
Low	14.10	30	20.00	30
High	14.90	30	24.60	30

Note. Maximum Score = 35.

IJ = Interactional Justice.

Figure 1
Two-way Interactions on Fairness



with high PJ than with low PJ when IJ was high, $F(1, 112) = 13.13, p < .01$. However, fairness judgments did not differ significantly between high PJ and low PJ when IJ was low, $F(1, 112) = .397, ns$. On the contrary, as further emphasis on IJ main effect, fairness judgments were significantly higher for high IJ than for low IJ regardless of the level of PJ, $F(1, 112) = 58.4, p < .01, F(1, 112) = 21.61, p < .01$, for high and low DJ respectively.

Customer Satisfaction: Analysis of Variance

In support of hypotheses 1, 2, and 3, an analysis of variance with respect to customer satisfaction revealed significant main effects for each of the three justice types (see Table 12 and 13 for cell means and summary table). The significant PJ main effect ($F(1, 112) = 5.16, p = .025$) and an evaluation of the means indicated that high PJ was associated with higher levels of customer satisfaction ($M = 10.27$) than was low PJ ($M = 8.98$).

More informative with respect to IJ and DJ, a significant two-way interaction between IJ and DJ supported hypothesis 5, $F(1, 112) = 13.59, p = .000$ (see Table 14 for cell means and Figure 2 for interaction). Satisfaction levels were significantly higher with high DJ than with low DJ when IJ was high, $F(1, 112) = 38.61, p < .01$. However, satisfaction levels did not differ significantly between high DJ and low DJ when IJ was low, $F(1, 112) = 1.01, p > .05$. As further emphasis on the IJ main effect, satisfaction levels were significantly higher for high IJ than for low IJ regardless of the level of DJ, $F(1, 112) = 130.6, p < .01, F(1, 112) = 38.61, p < .01$, for high and low DJ respectively.

Table 12
Mean Customer Satisfaction Scores

Distributive Justice	Low IJ		High IJ	
	<u>M</u>	<u>n</u>	<u>M</u>	<u>n</u>
Low Procedural Justice				
Low	5.27	15	10.07	15
High	6.53	15	14.07	15
High Procedural Justice				
Low	6.14	15	11.27	15
High	6.47	15	17.20	15

Note. Maximum Score = 20.

IJ = Interactional Justice.

Table 13

Analysis of Variance for Customer Satisfaction

Source of Variance	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Eta²</u>	<u>Omega²</u>
Total	119	3034.13				
DJ	1	249.41	249.41	26.03***	0.19	.08
PJ	1	49.41	49.41	5.16*	0.04	.01
IJ	1	1491.08	1491.08	155.59***	0.58	.49
DJ x PJ	1	1.88	1.88	0.20	0.00	.00
DJ x IJ	1	130.21	130.21	13.59***	0.11	.04
PJ x IJ	1	23.41	23.41	2.44	0.02	.00
DJ x PJ x IJ	1	15.41	15.41	1.61	0.01	.00
Error	112	1073.33	9.58			

Note. *p<.05, **p<.01, ***p<.001

Table 14

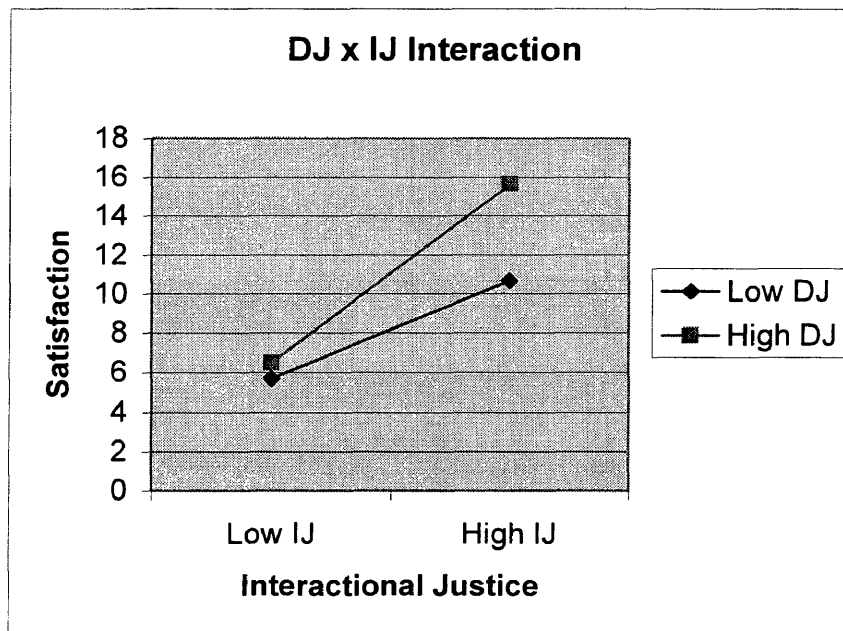
Mean Customer Satisfaction Scores: Two-way Interaction

Distributive Justice	Low IJ		High IJ	
	<u>M</u>	<u>n</u>	<u>M</u>	<u>n</u>
Low	5.70	30	10.67	30
High	6.50	30	15.63	30

Note. Maximum Score = 20.

IJ = Interactional Justice.

Figure 2
Two-way Interaction Between Distributive and Interactional Justice on Customer Satisfaction



CDB-Commitment: Analysis of Variance

Again, hypotheses 1, 2, and 3 were supported by significant main effects for each of the three justice types with respect to CDB-Commitment (see Table 15 and 16 for cell means and summary table). Furthermore, hypothesis 5 was supported by a significant two-way interaction between DJ and IJ, whereas, an unpredicted interaction between PJ and IJ again arose. More informative, there was a significant three-way interaction, $F(1,112) = 7.64, p = .007$ (see Figure 3). Simple interactions and simple-simple main effects more clearly illustrate the relationship.

Simple interactions. Simple interactions were significant only at high levels of the constant variables. Specifically, the two-way interaction between DJ and PJ was significant at high levels of IJ ($F(1, 112) = 5.25, p < .05$) but not at low levels of IJ ($F(1, 112) = 2.62, p > .05$). Likewise, the two-way interaction between DJ and IJ was significant at high levels of PJ ($F(1, 112) = 18.61, p < .01$) but not at low levels of PJ ($F(1, 112) = .16, ns$). The two-way interaction between PJ and IJ was significant at high levels of DJ ($F(1, 112) = 24.43, p < .01$) but not at low levels of DJ ($F(1, 112) = 1.07, p > .05$). Simple-simple main effects analyses illustrated the relationships among the simple interactions.

DJ x PJ interaction at high levels of IJ. First, given high levels of IJ, CDB-Commitment intentions were significantly higher with high PJ than with low PJ regardless of the level of DJ, $F(1, 112) = 33.44, p < .01, F(1, 112) = 6.46, p < .05$, for high and low DJ, respectively. Similarly, given high IJ, CDB-Commitment intentions

Table 15

Mean Customer Discretionary Behavior-Commitment Intentions

Distributive Justice	Low IJ		High IJ	
	<u>M</u>	<u>n</u>	<u>M</u>	<u>n</u>
Low Procedural Justice				
Low	4.73	15	6.40	15
High	8.33	15	10.60	15
High Procedural Justice				
Low	5.87	15	9.07	15
High	7.07	15	16.67	15

Note. Maximum Score = 20.

IJ = Interactional Justice.

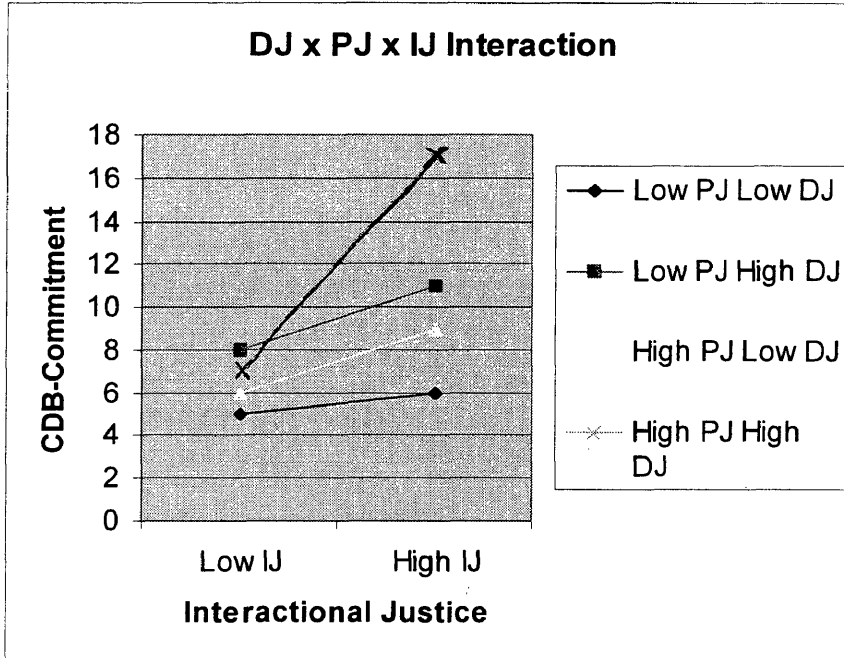
Table 16
Analysis of Variance for CDB-Commitment

Source of Variance	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Eta²</u>	<u>Omega²</u>
Total	119	2408.99				
DJ	1	516.67	516.67	62.60***	0.36	.21
PJ	1	138.67	138.67	16.80***	0.13	.05
IJ	1	525.01	525.01	63.60***	0.36	.21
DJ x PJ	1	1.87	1.87	0.23	0.00	.00
DJ x IJ	1	91.87	91.87	11.13***	0.09	.03
PJ x IJ	1	147.41	147.41	17.86***	0.14	.06
DJ x PJ x IJ	1	63.08	63.08	7.64**	0.06	.02
Error	112	924.40	8.25			

Note. *p<.05, **p<.01, ***p<.001

Figure 3

Three-way Interaction Among Distributive, Procedural, and Interactional Justice on CDB - Commitment



were significantly higher with high DJ than with low DJ regardless of the level of PJ, $F(1, 112) = 16.03, p < .01$, $F(1, 112) = 5.25, p < .05$, for high and low DJ, respectively.

DJ x IJ interaction at high levels of PJ. First, given high levels of PJ, CDB-Commitment intentions were significantly higher with high DJ than with low DJ when IJ was high, $F(1, 112) = 52.48, p < .01$. CDB-Commitment intentions did not differ significantly between high and low DJ when IJ was low, $F(1, 112) = 1.31, p > .05$. Second, intentions were significantly higher with high IJ than with low IJ regardless of the DJ level, $F(1, 112) = 83.74, p < .01$, $F(1, 112) = 9.30, p < .01$, for high and low DJ, respectively.

PJ x IJ interaction at high levels of DJ. First, given high levels of DJ, CDB-Commitment intentions were significantly higher with high PJ than with low PJ when IJ was high, $F(1, 112) = 33.44, p < .01$. CDB-Commitment intentions did not differ significantly between high and low PJ when IJ was low, $F(1, 112) = 1.46, p > .05$. Second, intentions were significantly higher with high IJ than with low IJ regardless of the PJ level, $F(1, 112) = 83.74, p < .01$, $F(1, 112) = 4.67, p < .05$, for high and low PJ, respectively.

Additional Analyses

Partial eta squared can be compared for each main effect to evaluate the degree to which each of the three types of justice influenced participants' decisions. The results mirrored the importance of IJ found within the analyses of variance. For fairness and satisfaction, IJ evidenced the greatest main effect size (see Tables 10 and 13). For CDB-Commitment, however, IJ and DJ had equal main effect sizes (see Table 16).

Chapter IX

Discussion

The primary purpose of the present study was to determine whether or not the interaction among the three types of justice seen with respect to employees would also appear when studying the reactions of customers. In addition, the current study investigated whether or not the nature of the interaction would differ when DJ, PJ, and IJ manipulations were applied in this new setting. As a secondary goal, the present study attempted to explore whether or not one type of justice prevailed as most important for customers. Both aspects of the study involved consideration of fairness perceptions, customer satisfaction, and CDB-commitment.

This final section begins with a discussion of participants' perceptions regarding the design followed by a summary and interpretation of the major results. Then, an integration of the present study and existing literature offers further explanation of the findings. Finally, note of study limitations leads to a presentation of some implications of the findings and suggestions for future research.

Manipulation Checks

For the most part, the participants accurately perceived the DJ and IJ manipulations. The PJ manipulation was less clearly received. First, the participants did not accurately perceive the level of arbitrariness built into the scenario. Instead, most participants believed that the loan officer used personal discretion when determining the interest rate. The errors may have stemmed from the wording within the scenario. The loan officer said that he had either made the decision based on bank policy or based on

his opinion of the customer. It is likely that the participants missed the subtle difference and only heard that the loan officer made the decision.

Second, participants recognized when they were offered an opportunity to make changes to the application. However, participants did not recognize when they were not offered the opportunity. For reasons discussed below, it is unlikely that the limited perceptions of the PJ manipulations posed any major problems for the current study.

Summary and Interpretation of Results

Loan acceptance. The only significant effect with respect to whether or not the participants would accept the loan and the proposed interest rate was the main effect for DJ. Participants who received a low interest rate were more likely to accept the loan and the proposed interest rate than were participants who received a high interest rate. In this sense, the outcome was the influential aspect considered for the decision.

Fairness. With respect to fairness perceptions, Hypotheses 1, 2, and 3 were supported. Favorable outcomes, the use of fair procedures, and courtesy each increased fairness perceptions. The two-way interaction between DJ and PJ predicted in Hypothesis 4 was not significant.

The significant two-way interaction between DJ and IJ partially supported Hypothesis 5, which predicted that high IJ would create more favorable impressions and behavior than would low IJ only when DJ was high. The hypothesis was supported in the sense that the interaction illustrated the need for achievement of a minimum standard, as suggested by previous consumer literature (Parasuraman et al., 1991). However, the departure stems from the fact that courtesy rather than favorable outcomes represented

the minimum standard. Courtesy increased fairness perceptions regardless of whether or not the participants received a favorable outcome. Likewise, a favorable outcome increased fairness perceptions regardless of whether or not the loan officer was courteous.

The nature of the interaction provided further emphasis of the outcome and courtesy main effects. However, it also provided further emphasis of the need for some adequate level of fair treatment. Favorable outcomes increased perceptions more at high levels than at low levels of IJ, and courtesy increased perceptions more at high levels than at low levels of DJ. One might argue that either courtesy or favorable outcomes could act as the minimum standard described by the consumer literature. However, an unexpected significant two-way interaction between PJ and IJ qualifies such a contention.

The two-way interaction between PJ and IJ indicated that courtesy reflected the standard. A fair procedure increased fairness perceptions only when the loan officer was courteous. On the other hand, courtesy increased fairness perceptions regardless of whether or not the procedures were fair. Again, the consumer literature suggested that customers require that companies meet a minimum standard; however, courtesy, rather than a favorable outcome/good product, is the standard in the present case. Additionally, the two-way interaction between DJ and PJ was not significant, further demonstrating that the outcome was not the standard in this case.

Satisfaction. With respect to customer satisfaction, Hypotheses 1, 2, and 3 were directly supported. These hypotheses predicted main effects for each type of justice. In short, favorable outcomes, the use of fair procedures, and courtesy each increased

customer satisfaction as predicted. The two-way interaction between DJ and PJ predicted in Hypothesis 4 was not significant.

The significant two-way interaction between DJ and IJ partially supported Hypothesis 5, which predicted that high IJ would create more favorable impressions and behavior than would low IJ only when DJ was high. Results indicated that a favorable outcome only increased satisfaction when the loan officer was courteous. On the other hand, courtesy increased satisfaction regardless of whether or not the participant received a favorable outcome. The hypothesis was supported in the sense that the interaction illustrated the need for achievement of a minimum standard, as suggested by previous consumer literature (Parasuraman et al., 1991). However, the departure stems from the fact that courtesy rather than favorable outcomes represented the minimum standard.

CDB-Commitment. With respect to CDB-Commitment intentions, Hypotheses 1, 2, and 3 were supported. Favorable outcomes, the use of fair procedures, and courtesy each increased intentions. The two-way interaction between DJ and IJ predicted in Hypothesis 5 was significant. Furthermore, the unpredicted two-way interaction between PJ and IJ was again significant. The interaction between DJ and PJ as predicted by Hypothesis 4 was not directly supported. However, a significant three-way interaction precludes the two-way interactions.

Though the effect size of the three-way interaction was small, the results offer compelling insight into the consumer-provider relationship. In general, visual inspection of the three-way interaction graph illustrates that participants' responded most favorably when high levels of each justice aspects were present. The use of all three types of justice

within a service encounter can provide a substantial improvement in customers' perceptions and intentions.

More specifically, evaluation of the simple-interactions illustrated the need for achievement of minimum standards. In short, the simple-interactions were only significant at high levels of the third variable. These qualifications lend further support to the PJ, DJ, and IJ main effects and to the concept that the participants wanted an adequate level of fair treatment. As with customer satisfaction and fairness perceptions, a minimum standard was required such that at least one justice aspect (i.e., courtesy, fair procedures, or favorable outcomes) had to be met before the other aspects could influence CDB-Commitment intentions.

First, favorable outcomes and fair procedures interacted to influence discretionary behavior intentions only when the loan officer was courteous (DJ x PJ at high IJ). Evaluation of the simple-simple main effects of the simple-interaction suggested that either favorable outcomes or fair procedures could increase intentions as long as the loan officer was courteous. Thus, in this case, courtesy acted as a minimum standard for the participants.

Second, favorable outcomes and courtesy only interacted to predict intentions when the procedures were fair (DJ x IJ at high PJ). Specifically, favorable outcomes increased CDB-Commitment intentions only when the loan officer was courteous and the procedures were fair. On the other hand, given fair procedures, courtesy increased CDB-Commitment intentions regardless of whether or not the outcome was favorable. The results indicated that the participants required fair procedures and courtesy. Of particular

interest, the use of fair procedures without courtesy led to the ineffectiveness of favorable outcomes. Again, courtesy represented a requirement for the participants.

Finally, fair procedures and courtesy only interacted when the outcome was favorable (PJ x IJ at high DJ). Specifically, fair procedures only increased CDB-Commitment intentions when the loan officer was courteous and the outcome was favorable. Given favorable outcomes, courtesy increased CDB-Commitment intentions regardless of whether or not the procedures were fair. Thus, favorable outcomes without courteous treatment led to the ineffectiveness of fair procedures. Again, courtesy emerged as a necessary component for the participants.

Overall. The fairness and satisfaction measures included aspects other than the outcome. The CDB-Commitment findings focused on intentions about the future. However, the basic question of loan acceptance involved a single incident and concept: Is the loan offer acceptable to you? For this basic question, participants only needed to know the favorability of the outcome. However, for the other more extensive issues, it took more than a favorable outcome to influence the participants. In fact, when considering the experience as a whole and when considering their future actions based on the experience, the level of courtesy extended played a meaningful role in the participants' responses.

Additional Analyses

Partial eta squared analyses indicated that IJ was most influential for the participants when determining their satisfaction and fairness. However, with respect to

CDB-Commitment, IJ and DJ were equally influential. A cursory look at the importance items provides further insight into the influences of the independent variables.

For example, more people indicated that DJ was important than either PJ or IJ when considering whether or not to accept the loan (see Table 1). More people indicated that IJ was important than either PJ or DJ when considering whether or not to return to the bank, give feedback to the employees, or provide word of mouth to prospective customers. Interestingly, none of the independent variables were particularly compelling when participants were considering whether or not to help other customers or provide feedback about the ATM machine.

The effect sizes and importance ratings illustrated that IJ was influential with respect to most of the judgments that were made on reliable items. These results mirror the influence noted by the ANOVAs. As explanation for the current results, the following section presents an integration between the present findings and past literature.

Integration of Findings with Past Literature

Justice literature. First, the present results substantiate previous findings in terms of the interaction between the three types of justice. Moreover, the present results allow for generalization from the use of the interactions with employees to the use of the interactions with customers. Second, as predicted, the direction of the two-way and simple-interactions contradict implications of the justice literature. For example, review of the justice literature may have led one to expect that the influence of unfavorable outcomes would decrease with the introduction of other relevant conditions (e.g., IJ and PJ). In other words, IJ and PJ could influence responses when DJ was low. Though this

has been the case when measuring responses from employees (Brockner & Weisenfeld, 1996; Skarlicki & Folger, 1997), the present study measured customers' responses. Furthermore, recall that Skarlicki and Folger (1997) found that IJ and PJ only influenced the relationship between DJ and retaliation when DJ was low. When DJ was high, IJ and PJ were inconsequential. In the present study, influences occurred only when minimum standards were met.

The fact that the nature of the interactions differs when considered in terms of customers suggests that customers and employees relate differently to businesses. In short, their standards are different. The assumed disparity between commitment levels for employees and customers created a nice foundation for the present study. However, the commitment disparity was just that: an assumption. Thus, as suggested below, future research would enhance our understanding of the reasons for the different standards. Regardless of the reason, however, companies can begin to adopt an approach in which they differentiate between the goals and standards of employees and the goals and standards of customers.

Consumer literature. The existence of minimum standards within the present study, as discussed above, represents the primary convergence with previous consumer research. The two-way and simple interactions support the contention within the consumer literature that minimal standards must be met before other conditions can influence judgments and behavior. However, Bolton and Drew (1991) and Parasuraman et al. (1991) indicated that the outcome/product represented the aspect for which

customers require minimum acceptability. The present results obviously diverge from the assertion because courtesy continually emerged as the standard.

One might argue that the disparity between the present results and the previous research stems from the fact that (a) IJ expectations were more apparent than DJ expectations for the participants, or (b) the IJ manipulations were stronger than the DJ manipulation. The scenario may have primed the IJ considerations more than the DJ considerations because participants may have assumed that the interpersonal context can change but that interest rates tend to be fairly stable across banks. In an effort to guard against this possibility, the outcome manipulation included a referent so that each participant would have an equal opportunity to develop the same expectations regarding the interest rate. In support, the manipulation checks suggest that participants were equally aware of the outcome and the courtesy built into the scenario. Nonetheless, IJ evidenced a much higher effect size with respect to satisfaction (.58) than did DJ (.19).

What's more, the divergence between the present results and previous findings are not a complete surprise. Though the theory and research foundation for the outcome standard assertion holds strong in the present consumer literature, some authors have offered dissent. Parasuraman, Zeithaml, and Berry (1985) discussed three properties of the service encounter: (a) the search properties, (b) the experience properties, and (c) the credence properties. Of particular relevance, the experience properties are those aspects that are evaluated during or after the encounter, such as courtesy and responsiveness. The authors proposed that customers rely on the experience properties more than search or credence properties when evaluating a situation because the experience properties are

most available. If this were the case, it would be fair to reason that customers would use the experience properties (i.e., IJ), and their expectations of them, as minimum standards.

Oliver (1996) indicated support for Parasuraman et al.'s (1985) proposal. In short, he cited results in which customers' repurchase intentions were higher when they received good service but a poor product (46%) than they were when they received a good product but poor service (18%). The results support the present findings that customers require courteous treatment as a bare minimum before their reactions will improve.

Limitations

All conclusions based on the present findings must be considered in light of various research limitations. The following section reviews some of the possible limitations to the current study. The limitations, relating to the (a) design, (b) external validity, (c) analyses, and (d) measurement, offer possibilities for future research.

Design. The participants did not recognize the PJ manipulations as clearly as the DJ and IJ manipulations. The PJ manipulation may have been overpowered by the DJ and IJ manipulations. The future manipulation of PJ is addressed in the implications section below.

It is also possible that the order of independent variable presentation made a difference in participants' reactions (Van den Bos, Vermunt et al., 1997). IJ information was provided first with the greeting and DJ information was presented last with the loan information sheet. IJ often emerged as more important than either DJ or PJ. However, DJ also evidenced stronger effects than did PJ, making the order effect unclear.

Nevertheless, the order effects discussed by Van den Bos, Vermunt et al. (1997) may have been more influential than I had expected.

Finally, the scenario itself may have influenced the results. For example, the bank loan scenario may have primed DJ and IJ considerations rather than PJ considerations by the simple nature of banking. Banking necessarily involves consideration of money (an outcome) and service. In addition, it may have been more telling to use a denied loan rather than a high interest rate for low DJ. Further research could address these possible influences.

External validity and generalizability. As always a researcher should consider the restrictions to external validity that accompany a laboratory study. The present study used students only. Thus, generalizing to a broader population would not be appropriate. The sample was also limited with respect to gender and race, further limiting the generalizability of the results. The generalizability was also compromised by the use of only one type of service encounter. As discussed below, future research should include different types of businesses.

Analyses. One must consider limitations related to the analyses. First, the data utilized in the present study were not normally distributed and included heterogeneity of variance. However, as explained above, the non-normality existed within only one or two cells, depending on the dependent variable, and the analysis of variance tends to be robust to such violations. Additionally, the equal cell sizes should have diminished any negative effects of the heterogeneity of variance.

Second, the possibility of an inflated alpha exists because numerous analyses of variance and simple effects were completed. Given the general exploratory nature of the study, Type I errors were not of great concern; therefore, neither a Bonferroni correction nor a decrease in alpha rates was used (Stevens, 1996).

Third, the use of summed scale scores may have clouded interpretation. The use of average scale scores rather than summed scores may have more clearly illustrated the fact that many of the scores were quite low regardless of the condition. For example, the average rating for the 7-item fairness scale was 2.6. The average rating for the 4-item satisfaction scale was 2.4. The average rating for the 4-item CDB-Commitment scale was 2.2. Given that the ratings ranged from 1 to 5, the participants apparently did not consider the service encounter particularly fair, satisfying, or compelling in terms of CDB-Commitment intentions. Still, it is meaningful to remember that the analyses of variance illustrated differences among cells with respect to participants' responses.

Fourth, some of the analyses evidenced small effect sizes. As additional analyses, the partial eta squared served its purpose. The partial eta squared analyses allowed for relative comparisons across the effects. However, the partial eta squared values refer to the effect sizes apparent within the sample data (Tabachnick & Fidell, 2001). They also do not allow for direct examination of the percentage of variance explained by an effect because they do not necessarily sum to one (Tabachnick & Fidell, 2001).

On the contrary, omega squared values allow for generalization of the effect size values to the population and allow for direct assessment of the percentage of variance explained by the effects (Tabachnick & Fidell, 2001). An evaluation of these easily

interpretable analyses evidenced small effect sizes for some of the discussed results. For the three dependent variables, the main effects generally evidenced reasonable amounts of explained variance. However, the significant two-way and three-way interactions evidenced minimal amounts of explained variance, ranging from 1% to 6%. It is good practice to keep in mind the limitations of low effect sizes, particularly with respect to results that are not predicted. Thus, the low effect sizes within the present study suggest that discussion of the interactions may be premature and that the main effects may constitute the more meaningful results.

Measurement. First, as discussed within the Methods section of the current paper, the CDB and Commitment measures did not yield internal consistency individually. The deletion of unreliable items and the combination of the remaining items created a reasonable and reliable scale. Nonetheless, the current results may be tempered by the limitations of the individual scales.

Second, the overwhelming influence of IJ with respect to customer satisfaction may have occurred because of the measure itself. The satisfaction measure used on the analyses included four items. Each item was worded in terms of the loan experience. The use of this wording could have primed the participants to think about the interaction-based aspects rather than the outcome or procedures.

Third, the use of self-report measures can limit the meaningfulness of results. In short, future research would be well served to evaluate alternative measures for the current dependent variables. Likewise, the use of observation in future research could substantiate the current findings.

Implications and Future Research

The present findings have confirmed that customers want some level of fair treatment (i.e., courtesy, fair procedures, or favorable outcomes) and that treating customers fairly with respect to each type of justice simultaneously can substantially improve customers' perceptions and intentions. Given the general findings and limitations of the current study, this final section reviews the applied and research implications of the findings. First, the disparity between the uses of IJ versus DJ as a minimum standard is further addressed followed by a possible compromise to the debate. Then, the role of PJ is addressed in greater detail than specified above. Finally, directions for future research may include (a) satisfaction versus quality distinctions, (b) individual difference variables, and (c) broader samples and situations.

IJ versus DJ standards. The participants' recurrent use of courtesy as a minimum standard for satisfaction, fairness perceptions, and CDB-Commitment intentions warrants further consideration. Taken at face value, the results imply that, as suggested by Adelman et al. (1994), customers consider first and foremost whether or not they are treated with dignity and respect. Without further research that substantiates the present findings in a variety of settings, such a statement may be too bold.

Regardless, at the very least, companies should consider the degree to which their customers evaluate their treatment versus their outcome/product. Such consideration is necessary because the companies may find that they are spending their time and money on the wrong problem. For example, a business should ask, if my employees treat a customer poorly, will a good product reverse the damage? If the customers' minimum

standards relate to the service, the answer is no. Thus, the only way a good product can enhance the situation is if the minimum amount of courtesy is first shown. Likewise, if the customers' minimum standards relate to the product/outcome, the only way for polite intercourse to enhance the situation is if the product is acceptable.

A possible compromise. The discussion of minimum standards has primarily developed as DJ versus IJ because the majority of the literature mirrors the opposition. The predictions for the present study were based in part on Parasuraman et al's (1991) declaration that outcomes are the critical component for meeting customer expectations, with procedures and interpersonal aspects critical for exceeding expectations. In addition, Bolton and Drew's (1991) results, which suggested that courtesy is necessary but not sufficient for positive customer reactions, influenced the predictions that DJ levels would have to be high before PJ or IJ could influence responses.

On the other hand, the results cited in Oliver (1996) would support the other side of the argument: IJ levels would have to be high before PJ or DJ could influence responses. In support, Ashforth and Humphrey (1993) found that IJ influenced evaluations of both service and outcomes. Close review of Parasuraman et al's (1991) discussion of customer expectations and evaluations reveals a potential compromise.

It is possible that one aspect does not win out over the other in every situation. Instead, IJ may represent the standard in one situation, whereas DJ represents the standard in another. For example, most people are unable to evaluate whether or not their doctor has done a good job (i.e., provided an acceptable product/service). On the other hand, they can determine whether or not the doctor and the staff were courteous. Thus,

the minimum standard would likely revolve around courtesy. On the other hand, when withdrawing money from an automatic teller machine, one will likely attend primarily to whether or not he/she received the money (the outcome). Future research could evaluate the situations in which the importance of one justice aspect surpasses the importance of another. The differentiation may be explained by the determination of when DJ, PJ, and IJ can be considered search, experience, or credence properties.

The role of PJ. Discussion of the interactions thus far has neglected PJ as a main topic for consideration. The reason for the omission was the limited influence PJ demonstrated. However, discussion of the limited influence is meaningful.

First, one may argue that a larger sample size could have increased the power for PJ. However, the PJ main effect for each dependent variable was already significant. Additionally, inspection of the PJ effect size values further negates the need for such an increase. In short, decreased p-values would not increase the meaningfulness of the PJ effects.

Second, one may argue that the manipulation checks reveal the source of the limited PJ influence. In truth, the participants did not recognize the PJ manipulations as clearly as the DJ and IJ manipulations. However, I question the wisdom of creating stronger PJ manipulations. As evident throughout the above literature review, consumer researchers mention PJ far less frequently than they mention IJ or DJ. The question becomes, are procedures readily apparent to customers? In other words, do company procedures represent the credence properties that customers cannot evaluate? If customers do not have easy access to PJ information, stronger manipulation of PJ within

the laboratory would only create an artifact. Thus, future research could evaluate the degree to which customers recognize PJ in daily service encounters.

Two related alternative explanations for the weaker PJ effect arise. The first explanation relates to the justice literature. Recall that Brockner et al. (1992) found that PJ had less affect than DJ and IJ when the participants were less committed to the organization. The weaker PJ effect in the current study could confirm the assumption of the weak relationship between customers and providers (Adelman et al., 1994). Support for this explanation comes from the original commitment measure.

For example, the item that asked whether or not participants felt that the bank's actions reflected upon them personally was answered with a resounding no. Additionally, the helping items were not greatly related to the other CDB items. Helping behavior, often influenced by self-esteem, may not have been applicable in the current study simply because the participants did not take any of the scenario personally.

The second, related, explanation lies within the loan scenario itself. Given that the participants only briefly experienced contact with the bank, the simulation may have created a single encounter situation. Recall that customer commitment tends to be lower with encounters than with ongoing or pseudo relationships (Guterk et al., 1999). Continued study of the justice effects in situations with varying degrees of relationship commitment may shed light on these explanations. For example, one might ask: with an ongoing or pseudo relationship would the results parallel the present results or would they parallel the results seen with the more interdependent employees, in which PJ and IJ act as substitutes for each other in mitigating negative effects of low DJ?

Satisfaction versus quality. A debate about the difference between customer satisfaction and quality judgments remains open (e.g., Iacobucci et al, 1995; Oliver, 1993; Parasuraman et al., 1985). Like people who stay in a relationship when it is unsatisfactory (Rusbult, 1980), customers may judge the quality of a product or service as high while being dissatisfied with it (Iacobucci et al., 1995; Oliver, 1993). Bitner and Hubbert (1994) expanded this concept of differentiation to include three constructs: service encounter satisfaction, overall satisfaction, and service quality. Likewise, Rust and Oliver (1994) explained that customers may judge the quality, satisfaction, and value associated with their experience.

The present study did not differentiate between customer satisfaction and quality judgments. In fact, the satisfaction measure was meant to tap into the three aspects of service quality indicated by Rust and Oliver (1994): service product, service environment, and service delivery. Thus, it is possible that the measure was mislabeled and that further differentiation is necessary. Thus, future research may evaluate whether or not a differentiation between satisfaction, quality, and value or between service quality and product quality would change the results.

Individual differences. Qualitative data given by the participants after the study but prior to debriefing indicated that relative importance of the outcome and the level of courtesy differed within a given condition. In other words, individual differences appear to influence whether people are more concerned with their experienced outcome or the level of courtesy extended by the company representative. In support, Oliver and DeSarbo (1988) found that individual differences predicted the antecedent that most

influenced a customer's satisfaction. Likewise, Organ (1988) explained that individual differences influence organizational citizenship behavior.

In relation, it is possible that PJ and IJ are not absolute judgments as assumed when designing the manipulations (Van den Bos et al., 1997). Participants received a referent for the outcome but not for the procedures or interpersonal nature of the encounter. The PJ and IJ judgments may still require expectations (Parasuraman et al., 1991) but may differ from person to person based on personal past experiences. Again, individual difference information could help businesses anticipate their customers' needs. Thus, researchers may want to identify the individual difference variables that influence satisfaction and CDB intentions.

Generalizability. Finally, based on the limitations inherent in laboratory studies, a nice direction for future research includes a more applied approach. First, data collection within a quasi-experimental design could help to substantiate the present results. Second, the use of a more varied group of participants could increase the generalizability.

Third, as suggested above, different types of service encounters should be explored. Such an exploration may substantiate generalizability of the current results or may illustrate differentiation with respect to the influence of the three types of justice. For example, the banking industry may provide a bias toward outcomes and interpersonal aspects rather than procedures, creating a situation in which PJ influences would necessarily be weaker. Evaluation of the main effects and interactions with different populations and within different situations should prove fruitful.

Chapter X

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Appendix A

Questionnaire 1

Part 1: This section asks about your general perceptions of your video loan experience.

Please use the following scale and mark your answers on the answer sheet provided.

1	2	3	4	5
strongly disagree	disagree	undecided	agree	strongly agree

To what extent do you agree or disagree with the following statements:

1. Overall, my loan experience was acceptable.
2. Overall, my loan experience was unsatisfactory.
3. Overall, my loan experience was just.
4. Overall, my loan experience was as it should be.
5. Overall, my loan experience was unfair.
6. Overall, my loan experience was favorable.
7. Overall, my loan experience was unpleasant.
8. Overall, my loan application was handled in a reasonable manner.
9. I am satisfied with the customer service that I received.
10. I am satisfied with the loan interest rate that I received.
11. I am satisfied with the loan procedures utilized by City Bank.
12. All in all, the procedures used by City Bank were fair.
13. I believe that the interest rate I received is fair.
14. The loan officer treated me with dignity and respect.

Part 2: This section asks about your perceptions about City Bank POLICIES AND PROCEDURES.

Please use the following scale and mark your answers on the answer sheet provided.

1	2	3	4	5
strongly disagree	disagree	undecided	agree	strongly agree

To what extent do you agree or disagree with the following statements concerning City Bank POLICIES AND PROCEDURES:

15. They do not require thorough consideration of applications before decisions are made.

16. They do not provide customers with the chance to challenge loan decisions.
17. They do not allow for consideration of special circumstances before decisions are made.
18. They create the opportunity for fair interest rate decisions.
19. They make sure customers receive the loan decision in a reasonable amount of time.
20. They allow the loan officer to base decisions on personal opinions.

Part 3: This section refers to your feelings about banking at City Bank.

Please use the following scale and mark your answers on the answer sheet provided.

1	2	3	4	5
strongly disagree	disagree	undecided	agree	strongly agree

To what extent do you agree or disagree with the following statements concerning City Bank:

21. Even if close friends recommended another bank, I would continue to bank at City Bank.
22. Banking with City Bank reflects the kind of person I am.
23. If I had to do it over again, I would use another bank.

Part 4: This section asks about your likely behaviors as a City Bank customer.

Please use the following probability scale and mark your answers on the answer sheet provided.

1	2	3	4	5
0%	25%	50%	75%	100%

24. How likely is it you would recommend City Bank to your friends?
25. How likely is it you would report poor service to employees of City Bank?
26. How likely is it you would use City Bank if other banks were closer?
27. How likely is it you would help other customers at City Bank when you are in a hurry (e.g., share knowledge that you have such as appropriate departments for certain transactions or how to use an on-line banking system)?

28. If you receive your requested money but notice a problem with the ATM machine such as screen difficulty, how likely is it you would report the problems to City Bank employees?

29. How likely is it that you would accept the loan offer?

30. How likely is it that you would accept the terms of the loan?

Part 5: This section asks about the information you used when making your prior judgments.

Please use the following scale and mark your answers on the answer sheet provided.

1	2	3
not at all	somewhat	completely

To what degree did you consider the *loan interest rate* when deciding:

31. If you would take the loan?

32. If you would return to the bank?

33. If you would report poor service?

34. If you would recommend City Bank to your friends?

35. If you would help other City Bank customers?

36. If you would report ATM problems at City Bank?

Please use the following scale and mark your answers on the answer sheet provided.

1	2	3
not at all	somewhat	completely

To what degree did you consider the *bank policies* when deciding:

37. If you would take the loan?

38. If you would return to the bank?

39. If you would report poor service?

40. If you would recommend City Bank to your friends?

41. If you would help other City Bank customers?

42. If you would report ATM problems at City Bank?

To what degree did you consider the *actions of the loan officer* when deciding:

43. If you would take the loan?

44. If you would return to the bank?

45. If you would report poor service?

46. If you would recommend City Bank to your friends?

47. If you would help other City Bank customers?

48. If you would report ATM problems at City Bank?

Part 6: This section asks for demographic information.

49. Please indicate on your answer sheet your gender.

- a. Male b. Female

50. Please indicate on your answer sheet your ethnicity:

- a. Caucasian b. African-American c. Hispanic d. Asian

e. Other (please specify in the space provided) _____

51. Please indicate on your answer sheet your current status as a UNO student.

- a. Freshman b. Sophomore c. Junior d. Senior

e. Other (please specify in the space provided) _____

52. Please indicate on your answer sheet your level of experience with loans.

- a. I have never applied for a loan from a bank.
b. I have applied but have never received a loan from a bank.
c. I have received a loan from a bank.

Questionnaire 2

This final section *refers to the video* that you watched *and to the paperwork* that you received.

Please answer the following questions on your answer sheet.

53. Did you receive the amount of money that you requested?
 - a. Yes
 - b. No
 - c. I don't know
54. How was your interest rate determined?
 - a. Based on company policy
 - b. Based on loan officer judgment
 - c. I don't know
55. Did the loan officer review your application thoroughly?
 - a. Yes
 - b. No
 - c. I don't know
56. Were you given an opportunity to change your application for a second review?
 - a. Yes
 - b. No
 - c. I don't know
57. How long did you wait for a response regarding your loan?
 - a. A couple of days
 - b. A month
 - c. I don't know

58. Did the loan officer address you by name?
- a. Yes
 - b. No
 - c. I don't know
59. Did the loan officer talk to someone on the phone during your meeting?
- a. Yes
 - b. No
 - c. I don't know
60. Did the loan officer act personably (e.g., smile, shake hands, etc.)?
- a. Yes
 - b. No
 - c. I don't know
61. What interest rate did you receive? (Please indicate the percentage in the "Special Codes" section of the answer sheet in columns O & P)

Appendix B

Good procedures / Nice loan officer

The customer enters the office. The loan officer stands and initiates a handshake.

Loan officer (*smiling, he gestures toward empty chair*): Thank you for coming. Please take a seat.

Customer (*sitting*): Thanks.

Loan officer (*leaning forward, smiling*): It's good to see you again, Terry. How did your test go? Were you able to take some time off of work to study for it?

Customer: It was o.k. I didn't work on Tuesday, so that gave me extra time to prepare.

Loan officer (*smiling, attentive, maintaining eye contact*): Good, glad to hear it. I'm sure your employer understands how important your education is to you. (*natural pause; opens folder*) Well, since you turned your application in a couple of days ago and bank policy requires me to respond within two business days, I wanted to meet with you today to discuss our decision. (*natural pause*) After you left last time, I thoroughly reviewed your information, as I am required to do with all loan applications. I am happy to say that your loan for \$10,000 was approved with a payment length of five years.

Customer: Good.

Phone rings: loan officer does not answer phone.

Loan officer: Let me send that to voicemail. As I recall, you were told that the average interest rate falls between 7% and 14%. Is that correct?

Customer: Yes.

Loan officer (*looks at paperwork*): According to bank policy, my decision about your interest rate was based on four things: your monthly income, your current debts, your

credit history, and your future earning potential. (*natural pause*) Also, I understand that you really need this loan because your new job requires a reliable car and that you need to keep your loan payments down because you are paying for tuition and rent. The bank allowed me to take those things into consideration when determining your interest rate. (*Handing the customer a piece of paper*) Here is a table of monthly payments based on various interest rates for a five year \$10,000 loan. I have highlighted the best interest rate and monthly payments that we can offer you at this time. (*pause for customer to look at paper*) Before you sign the papers and we solidify the terms of your loan, you should know that if you want to make any changes to your application you can do so and request reconsideration. Please take your time and look over the information I have given you and let me know if you want the loan.

Good procedures / Rude loan officer

The customer enters the office. The loan officer is typing and looks up.

Loan officer (*without smiling, gestures toward empty chair*): Sit down.

Customer (*sitting*): Thanks.

Loan officer (*leaning backward & crossing arms, distracted, not making eye contact*): I don't have much time to talk to you. (*natural pause*) So. Since you turned your application in a couple of days ago and bank policy requires me to respond within two business days, I needed to meet with you today to discuss our decision. (*natural pause*) After you left last time, I thoroughly reviewed your information, as I am required to do with all loan applications. Your loan for \$10,000 was approved with a payment length of five years.

Customer: Good

Phone rings: loan officer answers phone and engages in a personal conversation.

Loan officer: Hi. No, I'm not busy. I know. I can't believe he did that. If you say so.

Yeah. O.k., let's meet for lunch. Sure, I'll see you in about 15 minutes. (*Loan officer*

hangs up and begins tidying his desk while he speaks) As I recall, you were told that the

average interest rate falls between 7% and 14%. (*looks at paperwork*) According to bank

policy, my decision about your interest rate was based on four things: your monthly

income, your current debts, your credit history, and your future earning potential.

(*natural pause*) Also, I understand that you really need this loan because your new job

requires a reliable car and that you need to keep your loan payments down because you

are paying for tuition and rent. The bank allowed me to take those things into

consideration when determining your interest rate. (*Handing the customer a piece of*

paper) Here is a table of monthly payments based on various interest rates for a five year

\$10,000 loan. I have highlighted the best interest rate and monthly payments that we can

offer you at this time. Before you sign the papers and we solidify the terms of your loan,

you should know that if you want to make any changes to your application you can do so

and request reconsideration. So, do you want the loan or not?

Poor procedures / Nice loan officer

The customer enters the office. The loan officer stands and initiates a handshake.

Loan officer (*smiling, he gestures toward empty chair*): Thank you for coming. Please take a seat.

Customer (*sitting*): Thanks.

Loan officer (*leaning forward, smiling*): It is good to see you again, Terry. How did your test go? Were you able to take some time off of work to study for it?

Customer: It was o.k. I didn't work on Tuesday, so that gave me extra time to prepare.

Loan officer (*smiling, attentive, maintaining eye contact*): Good, glad to hear it. I'm sure your employer understands how important your education is to you. (*natural pause*)

Well, since you turned your application in about a month ago and bank policy requires me to respond within 30 days, I wanted to meet with you today to discuss our decision.

(*natural pause*) After you left last time, I glanced at your information, as I am required to do with all loan applications. I am happy to say that your loan for \$10,000 was approved with a payment length of five years.

Customer: Good.

Phone rings: loan officer does not answer phone.

Loan officer: Let me send that to voicemail. As I recall, you were told that the average interest rate falls between 7% and 14%. Is that correct?

Customer: Yes.

Loan officer (*looks at paperwork*): According to bank policy, my decision about your interest rate was based on my opinion of you. (*natural pause*) Also, I understand that you really need this loan because your new job requires a reliable car and that you need to keep your loan payments down because you are paying for tuition and rent. The bank did not allow me to take those things into consideration when determining your interest rate.

(*Handing the customer a piece of paper*) Here is a table of monthly payments based on various interest rates for a five year \$10,000 loan. I have highlighted the best interest rate

and monthly payments that we can offer you at this time. *(pause for customer to look at paper)* Before you sign the papers and we solidify the terms of your loan, you should know that if you want to make any changes you must submit a new application and start the process over. Please take your time and look over the information I have given you and let me know if you want the loan.

Poor procedures / Rude loan officer

The customer enters the office. The loan officer is typing and looks up.

Loan officer *(without smiling, gestures toward empty chair)*: Sit down.

Customer *(sitting)*: Thanks.

Loan officer *(leaning backward & crossing arms, distracted, not making eye contact)*: I don't have much time to talk to you. *(natural pause)* So. Since you turned your application in about a month ago and bank policy requires me to respond within 30 days, I needed to meet with you today to discuss our decision. *(natural pause)* After you left last time, I glanced at your information, as I am required to do with all loan applications. Your loan for \$10,000 was approved with a payment length of five years.

Customer: Good.

Phone rings: loan officer answers phone and engages in a personal conversation.

Loan officer: Hi. No, I'm not busy. I know. I can't believe he did that. If you say so. Yeah. O.k., let's meet for lunch. Sure, I'll see you in about 15 minutes. *(Loan officer hangs up and begins tidying his desk while he speaks)* As I recall, you were told that the average interest rate falls between 7% and 14%. *(looks at paperwork)* According to bank policy, my decision about your interest rate was based on my opinion of you. *(natural*

pause) Also, I understand that you really need this loan because your new job requires a reliable car and that you need to keep your loan payments down because you are paying for tuition and rent. The bank did not allowed me to take those things into consideration when determining your interest rate. (*Handing the customer a piece of paper*) Here is a table of monthly payments based on various interest rates for a five year \$10,000 loan. I have highlighted the best interest rate and monthly payments that we can offer you at this time. Before you sign the papers and we solidify the terms of your loan, you should know that if you want to make any changes you must submit a new application and start the process over. So, do you want the loan or not?

Appendix C

City
Bank



Interest Rates and Payments

Loan Amount: \$10,000

Life of loan: 5 years

<u>Interest Rate</u>	<u>Monthly Payments</u>	<u>Total Loan Amount</u>
5%	\$188.71	\$11,322.60
6%	\$193.33	\$11,599.80
7%	\$198.01	\$11,880.60
8%	\$202.98	\$12,178.80
9%	\$207.58	\$12,454.80
10%	\$212.47	\$12,748.20
11%	\$217.42	\$13,045.20
12%	\$222.44	\$13,346.40
13%	\$227.53	\$13,651.80
14%	\$232.68	\$13,960.80
15%	\$237.90	\$14,274.00
16%	\$243.18	\$14,590.80
17%	\$248.53	\$14,911.80
18%	\$253.93	\$15,235.80



Appendix D

IRB #326-00-EX
Adult Consent Form

*Consumer Justice: Discretionary Behavior as a Function of the Outcome,
Procedure, and Interaction Sensitivity*

You are invited to participate in a research study involving the perceptions of customers. The study requires approximately 20 minutes to complete. You will read/watch a videotaped interaction between a loan officer and a customer. You will be asked to take the customer's perspective and to answer questions about your opinion of the loan process.

This study contains no known potential risks or discomforts. However, potential benefits include having an opportunity to see how a research project of this type is conducted and to learn something about an area of current research interest in psychology.

Your psychology course instructor has alternatives to research participation available to you as means of earning extra credit toward your course grade. Should you choose to participate in this study, you will receive 1 extra credit point toward your psychology course grade.

Your responses during the study are recorded by participant number rather than by name. Thus, your identity will not be associated in any way with the information that you provide. In addition, your participation is voluntary. Your decision whether or not to participate will not affect your present or future relationship with the University of Nebraska. If you decide to participate, you are free to withdraw from this study at any time.

If you have any questions, you may ask them before agreeing to participate in this study. If you think of any additional questions later, please feel free to contact one of the investigators listed below. If you have any questions concerning your rights as a research participant, you may contact the University of Nebraska Institutional Review Board (IRB), telephone (402) 559-6463.

Tara L. Rohde
Investigator
343-1309

James Thomas, PhD
Investigator
554-2580

Appendix E

Loan Information Sheet

Please carefully review the loan information sheet only. The information page is a copy of the loan information that the customer receives in the scene. Based on various interest rates, you can see monthly payments and total loan payments. *The highlighted information reveals the interest rate that you, as the customer, have received.*

Please wait for your experimenter to tell you to proceed to the next step.

Questionnaire 1

Please complete Questionnaire 1, indicating your answers on the blue answer sheet. Also on the blue answer sheet, please indicate your date of birth. The space provided for date of birth is in the lower left-hand corner and is highlighted. When you have finished, please proceed to Questionnaire 2.

Questionnaire 2

As with Questionnaire 1, please indicate your answers to Questionnaire 2 on the blue answer sheet. Do not compare your answers with your answers to Questionnaire 1.