

Institut für
Marktorientierte Unternehmensführung
Universität Mannheim

Postfach 10 34 62

68131 Mannheim

Reihe:
Wissenschaftliche Arbeitspapiere
Nr. W 083

Institut für Marktorientierte Unternehmensführung

Homburg, Ch. / Fürst, A.

How Organizational Complaint Handling Drives Customer Loyalty: An Analysis of the Mechanistic and the Organic Approach

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Prof. Dr. Christian Homburg ist Inhaber des Lehrstuhls für Allgemeine Betriebswirtschaftslehre und Marketing I an der Universität Mannheim, wissenschaftlicher Direktor des Instituts für Marktorientierte Unternehmensführung (IMU) an der Universität Mannheim und Vorsitzender des wissenschaftlichen Beirates der Unternehmensberatung Prof. Homburg & Partner.

Dipl.-Kfm. Andreas Fürst ist wissenschaftlicher Mitarbeiter am Lehrstuhl von Prof. Homburg sowie Projektleiter bei Prof. Homburg & Partner.

Summary

This paper addresses the question how an organization's complaint management affects customer justice evaluations and, in turn, customer satisfaction and loyalty. In delineating an organization's complaint management, we draw a distinction between two fundamental approaches, the mechanistic approach (based on establishing guidelines) and the organic approach (based on creating a favorable internal environment). The empirical analysis is based on a dyadic data set containing managerial assessments of companies' complaint management and complaining customers' assessments with respect to perceived justice, satisfaction, and loyalty. Findings indicate that while both the mechanistic and the organic approach significantly influence complaining customers' assessments, the mechanistic approach has a stronger total impact. Moreover, the study provides evidence for a primarily complementary relationship between the two approaches. Another key facet of the study relates to moderating influences of the type of business (B2B vs. B2C) and type of industry (service vs. manufacturing). The results show that the beneficial effects of the mechanistic approach are stronger in B2C (as opposed to B2B) settings and for service firms (as opposed to manufacturing firms).

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1. Introduction

Despite organizational precautions, problems can occur in the relationship between a company and a customer. Thus, firms are regularly confronted with complaining customers. At this critical stage of a relationship, complaint handling embodies the acid test of a firm's customer orientation. Whereas a poor recovery may result in "magnification of the negative evaluation" (Bitner, Booms, and Tetreault 1990, p. 80), an excellent recovery can increase customer satisfaction and loyalty even beyond the degree before the failure (e.g., Smith and Bolton 1998). The relevance of complaint management is also emphasized by studies indicating that its ROI can be very high, sometimes exceeding 100% (TARP 1986).

However, there is evidence that many companies do not handle complaints effectively. It has been reported that approximately half of the complaining customers are dissatisfied with complaint handling (e.g., Estelami 2000; Grainer 2003). This provides support for the statement by Tax, Brown, and Chandrashekar (1998, p. 60) that many "firms are not well informed [...] on how to deal successfully with [...] failures" and for the claim by Andreassen (2001, p. 47) that "companies in general must improve their complaint resolution efforts dramatically".

Whereas many complaint studies have analyzed customer behavior (e.g., Singh 1988; Smith and Bolton 1998), there is a lack of research from a company perspective. As Singh and Widing (1991, p. 30) note: "[Q]uestions such as 'What complaint resolution mechanisms are successful?' [...] have remained largely unexplored". This is also emphasized by Davidow (2003, p. 247) who identifies the following neglected research questions: "Which organizational response affects which type of justice? Which organizational factors most influence the customer's feeling of fairness?". Research that addresses these questions should use data combining the company and the customer perspective. However, we are not aware of a study in this area based on dyadic data.

Our study attempts to fill these research gaps. We analyze how a company's complaint management affects customer justice evaluations and, eventually, satisfaction and loyalty. In doing so, we introduce a distinction between two fundamental approaches to complaint management (the mechanistic and the organic approach). Our analysis of how these two approaches affect customer evaluations is based on a dyadic sample (i.e. data from companies and their customers). Unlike previous complaint research, our sample covers both the

business-to-business (B2B) context and the business-to-consumer (B2C) context and includes service and manufacturing firms. This enhances external validity and enables us to analyze the relative importance of the two approaches in different business and industry settings.

2. Theoretical Background: The Mechanistic and the Organic Approach

Our study is primarily rooted in an important theoretical perspective in organizational science that is sometimes referred to as the “behavioral theory of the firm” (e.g., Cyert and March 1992). According to this theory, human beings are characterized by bounded rationality (limited cognitive capabilities and incomplete information) so that “their actions may be less than completely rational” (March 1994, p. 9). This literature identifies several approaches for influencing employee behavior. Two of them are particularly relevant for complaint handling.

First, companies can influence individual behavior by developing guidelines (referred to as “standard operating procedures”, e.g., March and Simon 1993, p. 166) for specific activities. In doing so, a firm “does not seek to convince the subordinate, but only to obtain his acquiescence” (Simon 1997, p. 201) to act in the intended manner. The once-for-all decision “that a particular task shall be done in a particular way [...] relieves the individual who actually performs the task of the necessity of determining each time how it shall be done” (Simon 1997, p. 112) and therefore enables a more rational decision making (March and Simon 1993; Simon 1997). Following terminology in the field of organizational theory (e.g., Burns and Stalker 1994; Mintzberg 1979), we refer to this approach as the *mechanistic approach*. This approach to guide behavior is closely linked to the “organization as machine” paradigm (e.g., March and Simon 1993; Scott 1998).

Second, organizations can influence behavior by focusing on training and motivating employees and by providing them with shared values and norms. Rather than developing specific guidelines on how to behave in certain situations, this approach aims to establish “in the [...] employee himself [...] a state of mind which leads him to reach that decision which is advantageous to the organization” (Simon 1997, p. 9). Human resource management (HRM) and the design of the organizational culture ensuring the “right kind of people and behaviors” form the core of this approach. This *organic approach* is rooted in the

“organization as organism” paradigm (e.g., Burns and Stalker 1994; Scott 1998) which becomes especially visible in its description that the firm “injects into the very nervous systems of the organization members the criteria of decision that the organization wishes to employ” (Simon 1997, p. 112).

Role theory provides further support for the relevance of these two approaches. According to this theory, customer contact personnel have a strong need for clarity on how managers and customers expect them to perform their job (e.g., Bush and Busch 1981; Teas, Wacker, and Hughes 1979). A lack of role clarity has a negative impact on job performance (e.g., Churchill et al. 1985). Research shows that both the mechanistic and the organic approach can significantly contribute to role clarity. For example, Jaworski, Stathakopoulos, and Krishnan (1993) demonstrate that role clarity is highest when there is a strong focus on both standard operating procedures and a supportive cultural environment.

In general, it is accepted that firms can use both approaches simultaneously (e.g., March and Simon 1993; Simon 1997). For example, Simon (1997, p. 9) stresses that “[i]t is not insisted that these categories [for influencing employee behavior] are [...] mutually exclusive”.

3. Conceptual Framework and Constructs

3.1. Overview of Framework

Our unit of analysis is a company and its complaining customers. Following our previous discussion, our framework (see Figure 1) includes constructs related to guidelines for complaint handling (mechanistic approach) and a construct that captures how favorable the internal environment is with respect to complaint handling (organic approach). We assume that both approaches affect customer justice evaluations with respect to complaint handling. In turn, we expect these to influence customer satisfaction evaluations and, ultimately, loyalty. Davidow (2003) suggests the analysis of such a causal chain as an avenue for future research.

Furthermore, our framework includes moderating effects on the links between complaint handling guidelines and customer justice evaluations. First, we suggest that these relationships are moderated by the supportiveness of the internal environment. Second, we propose that these links are moderated by the type of business and the type of industry.

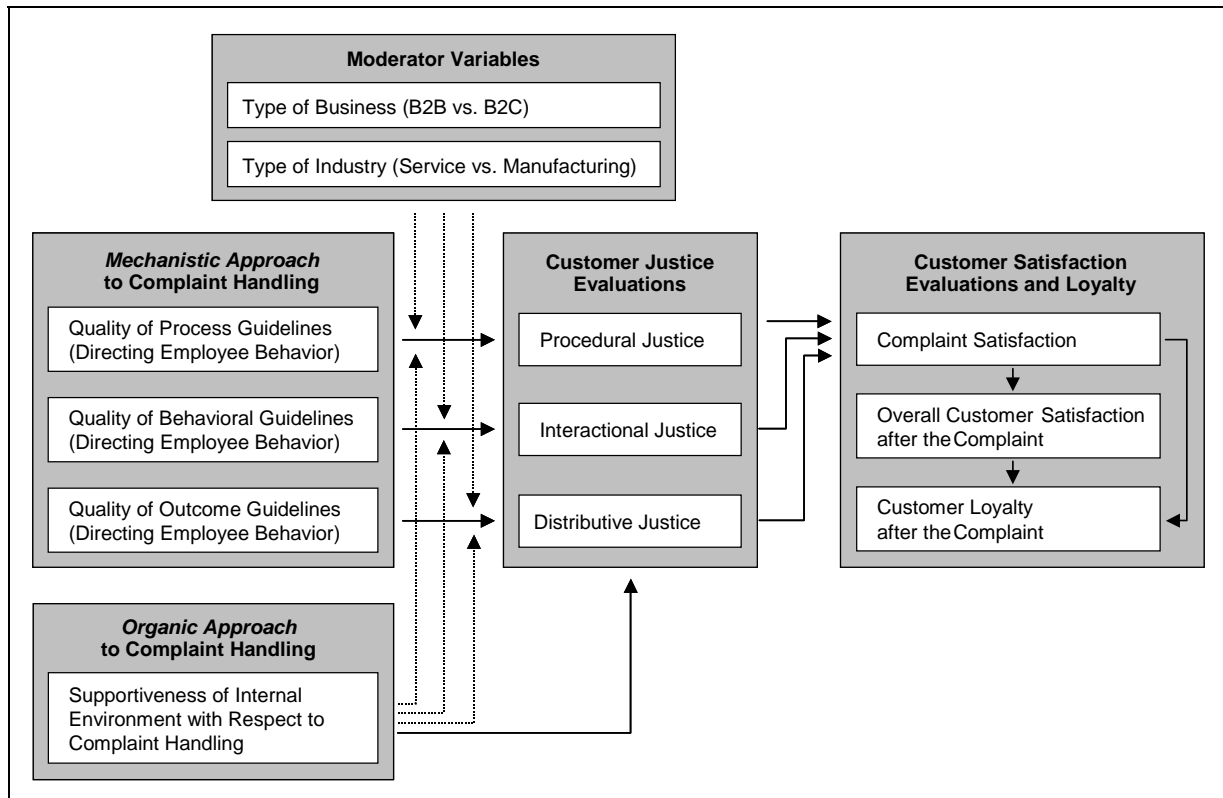


Figure 1: Framework and Constructs

3.2. Constructs Related to Organizational Complaint Handling

Mechanistic approach. As complainants base their evaluations on perceptions of the complaint process, interpersonal treatment, and complaint outcome (e.g., Smith, Bolton, and Wagner 1999; Tax, Brown, and Chandrashekar 1998), our study considers process, behavioral, and outcome guidelines. Since “institutions [...] prosper as their standard practices come to match [...] the demands [...] of the external world” (March 1994, p. 77-78), a key aspect of our conceptualization of the quality of complaint handling guidelines is related to their degree of customer orientation. Further aspects cover their clarity and simplicity (e.g., Bailey 1994; Berry 1995).

The *quality of process guidelines for complaint handling* is defined as the degree to which a formal organizational procedure for registering and processing customer complaints exists and is consistent with complainants’ needs. This construct captures whether time standards exist that ensure a fast complaint handling process (e.g., TARP 1986) and whether staff is required to inform customers about the status of their complaint within a reasonable period of

time (e.g., Andreassen 2000; Berry 1995). Moreover, it includes instructions to record and forward complaints in a quick, complete, and structured way (e.g., Bailey 1994; van Ossel and Stremersch 1998).

The *quality of behavioral guidelines for complaint handling* relates to the degree to which an explicit organizational policy for employees' behavior toward complainants exists and is consistent with complainants' needs. This construct includes directions for employees to be polite, helpful, and understanding while interacting with complainants as well as to show concern and take responsibility for customer problems (e.g., Bailey 1994; Tax and Brown 1998).

Finally, we define the *quality of outcome guidelines for complaint handling* as the degree to which a formal organizational policy for providing compensation to complainants exists and fits customers' needs. Types of compensation include correction, replacement, discount, and refund (e.g., Kelley, Hoffman, and Davis 1993). For example, the construct addresses the question whether a company gives employees who are responsible for complaint handling the decision authority that is necessary to provide outcomes in such a way that complainants are satisfied (e.g., Hart, Heskett, and Sasser 1990). Furthermore, it includes the extent to which guidelines for complaint handling allow for a generous compensation (e.g., Fornell and Wernerfelt 1987) and include instructions that the form of the outcomes should match complainants' needs (e.g., Mattila 2001).

Organic approach. The *supportiveness of the internal environment with respect to complaint handling* is defined as the degree to which HRM practices and the organizational culture favor an effective complaint handling. This construct includes the extent to which personnel-related activities (i.e. professional/technical training and leadership behavior, such as setting goals and evaluating and rewarding performance) support employees' customer orientation in general and customer orientation toward complainants in particular (e.g., Berry 1995; de Ruyter and Brack 1993; Maxham and Netemeyer 2003). Another facet relates to the customer orientation of the corporate culture (i.e. shared values, norms, and behaviors) in general (e.g., Deshpandé and Webster 1989). Moreover, this construct includes the existence of a positive attitude toward complaints (e.g., Johnston 2001) and a constructive attitude toward failures (i.e. whether failures are viewed as a chance for organizational learning) (e.g., Tax and Brown 1998).

3.3. Constructs Related to Customer Justice Evaluations

Justice theories explain people's reactions to conflict situations (e.g., Gilliland 1993; Lind and Tyler 1988). Because a problem with a company (along with a subsequent complaint) is a typical example of a conflict situation, the "concept of perceived justice offers a valuable framework for explaining customers' reactions to complaint episodes" (Blodgett, Hill, and Tax 1997, p. 186). We conceptualize perceived justice of complaint handling as a three-dimensional construct that includes procedural, interactional, and distributive justice (e.g., Clemmer 1993; Smith, Bolton, and Wagner 1999). Whereas these constructs refer to complainants' perceptions of employee behavior (thus taking a customer perspective), the constructs related to process, behavioral, and outcome guidelines as well as the internal environment capture organizational activities that aim to influence employee behavior (thus adopting a company perspective).

Procedural justice reflects the perceived fairness of the complaint handling process. This construct includes the facets of timeliness (e.g., Smith, Bolton, and Wagner 1999; Tax, Brown, and Chandrashekar 1998) and process control (i.e. customers' opportunity to express feelings about the problem and to present information relevant to the firm's decision about the complaint outcome; e.g., Goodwin and Ross 1992; Tax, Brown, and Chandrashekar 1998).

Interactional justice refers to the perceived fairness of the behavior that employees exhibit toward complainants. It includes customer perceptions of employee empathy (e.g., Tax, Brown, and Chandrashekar 1998), employee politeness (e.g., Goodwin and Ross 1989), and employee effort (i.e. the amount of energy spent to solve a problem; e.g., Smith, Bolton, and Wagner 1999).

Distributive justice describes the fairness of the complaint outcome as the customer perceives it. It includes the facets of equity (i.e. whether the firm and the complainant obtain the same outcome-to-input ratio¹; e.g., Tax, Brown, and Chandrashekar 1998), equality (i.e. whether the complainant receives the same outcome compared with prior complaint experiences with the company; e.g., Tax, Brown, and Chandrashekar 1998), and need consistency (i.e. whether the outcome meets the requirements of the complainant; e.g., Smith, Bolton, and Wagner 1999).

¹ The complainant's outcome may, for instance, include correction, replacement, discount, or refund. His or her input represents the financial and nonfinancial loss caused by the problem and the subsequent complaint statement.

3.4. Constructs Related to Customer Satisfaction Evaluations and Loyalty

We define *complaint satisfaction* as the degree to which the complainant perceives the company's complaint handling performance as meeting or exceeding his or her expectations (e.g., Gilly and Gelb 1982; McCollough, Berry, and Yadav 2000).

Overall customer satisfaction after the complaint refers to the degree to which the complainant perceives the company's general performance in a business relationship as meeting or exceeding his or her expectations (e.g., Anderson and Sullivan 1993). This type of satisfaction is cumulative in nature, whereas complaint satisfaction reflects a form of transaction-specific satisfaction (e.g., Bolton and Drew 1991; McCollough, Berry, and Yadav 2000).

Customer loyalty after the complaint describes the degree to which a customer has continued the relationship with a company after the complaint and the degree to which he or she intends to do so in the future.

4. Hypotheses Development

4.1. Hypotheses Related to Main Effects

According to the behavioral theory of the firm, guidelines can influence employees to act as the company desires them to act (e.g., March and Simon 1993; Simon 1997). Moreover, guidelines can increase role clarity by informing customer contact employees how to perform their job (e.g., Cummings, Jackson, and Olstrom 1989; Michaels, Day, and Joachimsthaler 1987). The more such guidelines are customer-oriented, the lower are employees' perceptions of incompatibility between role expectations from managers and customers, respectively, thus reducing role conflict (for empirical evidence, see Singh, Verbeke, and Rhoads 1996). High levels of role clarity and low levels of role conflict, in turn, enhance employees' ability to serve customers, thereby improving customer evaluations (Chebat and Kollias 2000; Hartline and Ferrell 1996). Thus, in line with complaint literature (Davidow 2003; Sparks and McColl-Kennedy 2001), we argue (on a general level) that the quality of guidelines for complaint handling positively affects customer justice evaluations of complaint handling by ensuring customer-oriented employee behavior.

The quality of *process guidelines* relates, for example, to time standards and thus is positively linked to the actual speed of complaint handling. Moreover, this construct includes instructions to increase the likelihood that staff will provide timely feedback to customers about the status of their complaint. Such feedback improves customers' perceptions of how quickly their complaint is handled (Gilly 1987). Together, this supports our prediction that the quality of process guidelines increases the perceived timeliness of complaint handling and thus procedural justice. This conclusion is also in line with Smith, Bolton, and Wagner's (1999) experimental findings. Furthermore, instructions to record and forward complaints in a complete and structured manner enhance the probability that staff will give complainants the opportunity to explain their problem, thereby increasing customer perceptions of process control. This conclusion is supported by empirical results showing that "voice" (i.e. customers' chance to communicate their problems to the company) enhances procedural justice (Goodwin and Ross 1992; Hui and Au 2001).

The mere existence of *behavioral guidelines* for complaint handling shows staff the high importance of their interaction style with complaining customers. Combined with a customer-oriented content, this contributes to an adequate interpersonal treatment of complainants (Bailey 1994; Berry 1995) and, in turn, to customer perceptions of empathy, politeness, and effort. In support of this view, empirical studies indicate that employees' customer-oriented interaction style enhances perceived fairness of complaint handling (Goodwin and Ross 1989; Maxham and Netemeyer 2003) and customer satisfaction (e.g., Bitner, Booms, and Tetreault 1990).

By empowering and encouraging employees to provide generous redress, *outcome guidelines* increase the probability that complainants will receive fair compensation (e.g., Berry, Zeithaml, and Parasuraman 1990). In turn, this enhances customer perceptions of equity (e.g., Smith, Bolton, and Wagner 1999). Furthermore, by adhering to outcome guidelines, staff are likely to provide similar forms and levels of compensation across complainants and over time (Sparks and McColl-Kennedy 2001), thereby increasing customers' perceived equality of the complaint outcome (Tax, Brown, and Chandrashekar 1998). Moreover, staff's decision authority to award a satisfactory compensation and the instruction to offer redress according to customers' wishes increase the likelihood that employees will fulfill complainants' requirements (Chebat and Kollias 2000; Hart, Heskett, and Sasser 1990). In turn, this leads to customer perceptions of need consistency (Smith, Bolton, and Wagner 1999). In summary, we predict:

H₁: There is a positive impact of the quality of

- a) process guidelines for complaint handling on perceived procedural justice,*
- b) behavioral guidelines for complaint handling on perceived interactional justice, and*
- c) outcome guidelines for complaint handling on perceived distributive justice.*

The behavioral theory of the firm suggests that by training and motivating employees as well as by indoctrinating them with shared values and norms, they can be influenced “to make decisions, by himself, as the organization would like [them] to decide” (Simon 1997, p. 112). In addition, by clarifying expectations about how to act as an organizational member, the internal environment increases staff perceptions of role clarity (Zeithaml, Berry, and Parasuraman 1988). Moreover, in line with Singh, Verbeke, and Rhoads (1996), we argue that the more the internal environment supports a customer-oriented complaint handling, the less likely employees are to perceive incompatibility between role expectations from the internal environment and complainants, respectively, thus reducing role conflict. In turn, high levels of role clarity and low levels of role conflict increase staff ability to serve customers thereby improving customer evaluations (Chebat and Kollias 2000; Hartline and Ferrell 1996).

More specifically, with respect to a firm’s HRM, studies show that adequate staff training and leadership behavior enhance perceived role clarity and reduce perceived role conflict (e.g., Kohli 1985; Shoemaker 1999) as well as contribute to employees’ customer-oriented behavior in general (e.g., Grönroos 2000; Jaworski and Kohli 1993) and customer-oriented handling of complaints in particular (e.g., de Ruyter and Brack 1993). In turn, this increases customer satisfaction in general (e.g., Heskett et al. 1994) and complainants’ perceptions of procedural, interactional, and distributive justice in particular (e.g., Maxham and Netemeyer 2003).

Perceptions of a firm’s culture indicate to employees what is expected of them (Grönroos 2000; Heide and John 1992), thus further contributing to role clarity (e.g., Jones, Busch, and Dacin 2003). The more that customer contact staff perceive their firm’s culture to be customer-oriented, the lower is perceived role conflict and the stronger is their customer-oriented behavior (e.g., Siguaw, Brown, and Widing 1994), resulting in higher levels of customer satisfaction (e.g., Humphreys and Williams 1996). In addition to the importance of a corporate culture’s general customer orientation (e.g., Cook and Macaulay 1997), complaint

literature also emphasizes the particular relevance of a positive attitude toward complaints (e.g., Johnston 2001) and of a constructive attitude toward failures (e.g., Tax and Brown 1998). The presence of such attitudes is likely to lead to corresponding employee behavior (e.g., Kraus 1995), which, in turn, ensures customer perceptions of a fair complaint handling process, interpersonal treatment, and complaint outcome (e.g., Maxham and Netemeyer 2003). Against this background, we hypothesize:

H₂: The supportiveness of the internal environment with respect to complaint handling has

- a) a positive impact on perceived procedural justice,*
- b) a positive impact on perceived interactional justice, and*
- c) a positive impact on perceived distributive justice.*

To establish a causal chain between the two fundamental approaches of complaint handling and their ultimate outcome (i.e. customer loyalty), our model includes several additional effects. However, because these effects are well established in the literature, we do not develop explicit hypotheses for them. Specifically, our model includes (presumably positive) effects of customer justice evaluations of complaint handling on complaint satisfaction (e.g., Smith, Bolton, and Wagner 1999), an (presumably positive) effect of complaint satisfaction on overall customer satisfaction (e.g., McCollough, Berry, and Yadav 2000) and customer loyalty (e.g., Gilly and Gelb 1982), respectively, as well as a (presumably positive) link between overall customer satisfaction and customer loyalty (e.g., Mittal, Ross, and Baldasare 1998).

4.2. Hypotheses Related to Moderating Effects

Supportiveness of internal environment. In the following, we argue that the more a firm has succeeded in establishing an internal environment that favors effective complaint handling, the less it needs customer-oriented guidelines to define how complaints should be handled.

This is consistent with writings on the behavioral theory of the firm. For example, Simon (1997, p. 311) stresses that the effectiveness of approaches to influence staff behavior, such as implementing guidelines, depends on “the training and competence of the employees” (which represents a key facet of the internal environment). More specifically, the more staff are

trained and competent, the less a firm needs specific guidelines and other forms of instructions (Simon 1997). Role theory also supports this reasoning. As we mentioned previously, in a company with an internal environment that clearly favors a customer-oriented handling of complaints, there is a high level of perceived role clarity and a low level of perceived role conflict among complaint handling staff. Therefore, in such a case, there is less of a need to implement specific guidelines to clarify that complaints should be handled in a customer-oriented way. Therefore, we predict:

H₃: The supportiveness of the internal environment with respect to complaint handling has a negative moderating effect on the relationship between the quality of

- a) process guidelines for complaint handling and perceived procedural justice,*
- b) behavioral guidelines for complaint handling and perceived interactional justice, and*
- c) outcome guidelines for complaint handling and perceived distributive justice.*

Type of business (B2B vs. B2C). Theoretical (e.g., Cooke 1986; Lilien 1987) and empirical (e.g., Avlonitis and Gounaris 1997; Coviello and Brodie 2001) work supports the notion that business markets differ from consumer markets along several dimensions, leading to various degrees of effectiveness of marketing management approaches depending on the type of business (B2B vs. B2C). Characteristics of business markets include, among others, a small number of customers, long-term business relationships, and a high degree of interaction between members of the supplier and the customer company (e.g., Nielson 1998; Webster 1978).

In line with resource dependence theory (e.g., Pfeffer and Salancik 1978), we argue that in business markets, the smaller number of customers and the prospect of a long-term relationship lead to a greater dependence of firms on individual customers. Therefore, to maintain the relationship, staff in B2B companies are likely to provide fair complaint treatment even if there are little guidelines for complaint handling. Thus, there is less of a need for firms that operate in business markets to ensure fair complaint handling by establishing specific guidelines.

Moreover, because of the intensive interaction in long-term B2B relationships, there are often established communication patterns (e.g., Hillebrand and Biemans 2003) and behavioral norms (e.g., Heide and John 1992) in these relationships. This view is supported by Campbell (1998,

p. 199), who describes interaction in B2B relationships as “shaped by accepted social guidelines or norms which have become institutionalized”. In this case, complaint handling guidelines which are relatively standardized across customers can even have detrimental effects because their content may contradict existing communication patterns and behavioral norms.

In addition, because of the smaller number of customers, the long-term character of relationships, and the higher degree of interaction, a typical “industrial company is often more knowledgeable about its customers and their needs than is the typical [...] consumer company” (Webster 1978, p. 22). Thus, in line with role theory, staff in B2B firms are typically less uncertain about how to deal with a complainant, which results in higher levels of role clarity. Thus, in a B2B context, specific guidelines are necessary to a lesser extent. Therefore, we predict:

H₄: The following effects are weaker in a B2B context than in a B2C context:

- a) the impact of the quality of process guidelines for complaint handling on perceived procedural justice*
- b) the impact of the quality of behavioral guidelines for complaint handling on perceived interactional justice*
- c) the impact of the quality of outcome guidelines for complaint handling on perceived distributive justice*

In contrast, we believe that the importance of a favorable internal environment with respect to complaint handling does not depend on the business context but rather should be the same in B2B and B2C settings. Thus, we do not find compelling arguments for why the type of business may also moderate the effect of the internal environment on perceived justice. However, we also explore this issue empirically.

Type of industry (service vs. manufacturing). In the marketing literature, the inherent differences between services and goods and the resulting implications for marketing management are widely accepted (e.g., Lovelock 1981; Zeithaml and Bitner 2000). Two characteristics of services, the inseparability of production and consumption and the high degree of heterogeneity (e.g., Zeithaml, Parasuraman, and Berry 1985), are particularly relevant for our study.

The inseparability of production and consumption implies that customers must be present during the service production process which leads to a high degree of personal interaction with service employees. Thus, in a service context, a significant part of complaints is voiced in a face-to-face situation in which frontline staff have considerable freedom in terms of how they react. In addition, the physical presence of the customer typically demands a quick reaction (e.g., Grönroos 1988). Because stress situations such as these increase the likelihood that employees make mistakes (e.g., Sales 1970), adequate guidelines for complaint handling are particularly important in a service setting. Moreover, Goodwin and Ross (1990, p. 59) show that complainants perceive that “they were treated more fairly when they believed the provider followed company procedure, as opposed to circumstances when they believed the provider’s decision was ad hoc or arbitrary”. Because service customers are more often physically present when their complaint is handled, they are more likely to notice whether employees follow specific company procedures which, in turn, leads to the stronger impact of complaint handling guidelines in a service context.

A further characteristic of services is the high degree of heterogeneity in terms of performance output. This is especially an issue for personnel-intensive services because “[m]any different employees may be in contact with an individual customer, raising a problem of consistency of behavior” (Langeard et al. 1981, p. 16). Moreover, “[p]eople’s performance day in and day out fluctuates up and down” (Knisely 1979, p. 58). Combined with customers’ need to be involved in the service delivery process, these issues enhance customers’ perception of risk associated with a problem (e.g., Guseman 1981; Murray and Schlacter 1990). Thus, in the case of a service failure, a firm’s reliability with respect to complaint handling performance is particularly relevant to customers, which is consistent with empirical research that emphasizes reliability as a key dimension of perceived service quality (e.g., Zeithaml, Parasuraman, and Berry 1990). Several authors (e.g., March 1994; March and Simon 1993) stress that guidelines can increase the reliability of employee behavior. In turn, perceptions of reliability enhance customer justice evaluations (Leventhal 1980). Thus, in line with literature that stresses the importance of task standardization in a service context (e.g., Zeithaml, Berry, and Parasuraman 1988), we expect guidelines for complaint handling to be more relevant for service companies. Thus, we put forward the following hypotheses:

H₅: The following effects are stronger for service firms than for manufacturing firms:

- a) the impact of the quality of process guidelines for complaint handling on perceived procedural justice*
- b) the impact of the quality of behavioral guidelines for complaint handling on perceived interactional justice*
- c) the impact of the quality of outcome guidelines for complaint handling on perceived distributive justice*

However, we regard a favorable internal environment with respect to complaint handling as equally important in all types of industry. Thus, in our view, there are no persuasive arguments for why the distinction between service and manufacturing firms should also moderate the effect of the supportiveness of the internal environment on perceived justice. Nevertheless, we also analyze this issue empirically.

5. Methodology

5.1. Data Collection and Sample

In the first phase, we identified a company sample (1786 firms) using data from a commercial provider. The sample covered a broad range of services and manufacturing industries and was restricted to firms with at least 200 employees and an annual revenue of at least \$50 million. For 1707 firms, we succeeded in identifying the manager with primary responsibility for complaint management. Subsequently, a questionnaire was sent to these managers. After three weeks, we followed up with telephone calls. As a result, we received 379 useable questionnaires, resulting in a reasonable response rate of 22.2%. We assessed nonresponse bias by comparing early with late respondents (Armstrong and Overton 1977). Moreover, we examined whether the firms we initially addressed and the responding firms differed in terms of size or industry. The findings provide evidence that nonresponse bias is not a problem with the data.

In the second phase, we contacted the responding 379 managers again and requested a list of ten customers who had complained to their firm within the past three months and who had

been typical with respect to the reason for complaint, importance to the company, and type of customer. Incentives for managers included a report about customer feedback (on an aggregate basis) and the free participation in a conference on complaint management. In total, 110 managers provided this information, resulting in a response rate of 29.0%. Given the high confidentiality of customer information, this can be considered a satisfactory response. Reasons for declining included legal issues, firm policies, and lack of support from top management.

In the third phase, we conducted telephone interviews with complainants. For the purpose of motivation, we assured customers that the company in question would receive their feedback in an anonymous form, which might contribute to preventing the problem they had experienced from reoccurring. We achieved our goal of obtaining responses from five complainants per company for all 110 firms. This resulted in a total of 550 interviews with customers.

For subsequent data analysis, we averaged the five customer responses for each firm². Thus, our data analysis is based on 110 dyads. Each dyad consists of a managerial assessment of the firm's complaint handling and five customer assessments related to perceived justice, satisfaction, and loyalty. Table 1 provides information about the company sample.

5.2. Measure Development and Assessment

We followed standard psychometric scale development procedures (e.g., Gerbing and Anderson 1988). We created scales based on a literature review and interviews with 12 practitioners.

² Such data aggregation may be problematic if there is high variance in judgments related to the same firm. To explore this issue, we computed the intraclass correlation coefficient (ICC) (1) for each variable measured on the customer side. This measure can be used to assess the relative consistency of responses among raters (e.g., Bartko 1976; Kozlowski and Hattrup 1992). Therefore, ICC (1) is recommended in the literature as a criterion for judging the extent to which data aggregation across respondents is adequate (e.g., James 1982). In our study, ICC (1) values range from .22 to .29, which can be considered relatively large (e.g., Bliese 2000; James 1982). Thus, these results indicate a good consistency of responses among customers reporting on the same firm. On the basis of these results and in line with previous studies that use ICC (1) as a criterion for aggregating individual responses (e.g., de Jong, de Ruyter, and Lemmink 2004), we believe that our approach of averaging the five customer responses for each company is justified.

A: Industry			C: Annual Revenues	
Manufacturing Sector	Machine Building	14%	< \$50 million	4%
	Chemicals/Pharmaceuticals	12%	\$50 - \$99 million	16%
	Automotive	12%	\$100 - \$199 million	26%
	Electronic	11%	\$200 - \$499 million	18%
	Metal Processing	11%	\$500 - \$999 million	16%
Service Sector	Banking/Insurance	16%	\$1,000 - \$2,000 million	6%
	Retailing	14%	> \$2,000 million	6%
	Transport	5%	Missing	8%
	Others	5%		
B: Position of Respondents			D: Number of Employees	
	Head of Complaint Management	23%	< 200	6%
	Head of Quality Management	23%	200 – 499	17%
	Head of Customer Service	16%	500 – 999	26%
	VP Marketing, VP Sales	15%	1,000 – 2,499	22%
	Managing Director, CEO, Head of SBU	13%	2,500 – 5,000	16%
	Others	9%	> 5,000	12%
	Missing	1%	Missing	1%

Table 1: Company Sample Composition (110 cases)

For measuring the quality of guidelines for complaint handling and the supportiveness of the internal environment with respect to complaint handling, we created new scales because of the lack of existing scales related to a firm's complaint handling. These scales compile aspects that are discussed independently in different studies. Using a seven-point rating scale, we measured each of the three constructs related to the quality of guidelines with six items. With respect to the supportiveness of the internal environment, we also used a seven-point rating scale. Originally, we intended to use 20 items for measuring this construct. However, to establish an internally consistent scale, we eliminated 1 item, which resulted in a total of 19 items. We measured the constructs related to customer justice and satisfaction evaluations as well as customer loyalty on a five-point rating scale. Building on prior research, we operationalized procedural, interactional, and distributive justice with three, five, and four items, respectively, and we assessed complaint satisfaction, overall customer satisfaction, and customer loyalty were all assessed with three items. With respect to the type of business, we asked firms to indicate the share of their business that comes from business customers. Thus, this moderator variable is continuous rather than binary. To categorize service and manufacturing companies, we used our industry measure (see Table 1). Summary statistics, including means and standard deviations of all constructs (overall and by industry), appear in Table 2.

	Range	Mean (Standard Deviation)									
		Overall	Machine Building	Chemicals/Pharmaceuticals	Automotive	Electronic	Metal Processing	Banking/Insurance	Retailing	Transport	Others
1. Quality of Process Guidelines for Complaint Handling	1-7	5.3 (1.3)	4.8 (1.5)	5.9 (.8)	5.1 (1.0)	5.1 (1.3)	5.1 (1.2)	5.8 (1.5)	5.2 (1.3)	5.9 (.70)	4.8 (1.8)
2. Quality of Behavioral Guidelines for Complaint Handling	1-7	5.4 (1.3)	5.3 (1.3)	5.6 (1.1)	5.3 (1.4)	5.3 (1.3)	4.7 (1.6)	5.8 (1.6)	5.5 (1.2)	5.7 (.8)	5.1 (1.5)
3. Quality of Outcome Guidelines for Complaint Handling	1-7	4.8 (1.3)	5.4 (.6)	5.1 (1.0)	4.9 (1.0)	4.6 (1.6)	4.8 (1.3)	4.2 (1.6)	5.2 (1.0)	4.4 (1.6)	3.8 (1.7)
4. Supportiveness of Internal Environment with Respect to Complaint Handling	1-7	4.7 (.9)	4.8 (.8)	4.9 (1.2)	4.6 (.5)	4.8 (.8)	5.0 (.9)	4.5 (1.1)	4.8 (.9)	4.2 (.9)	4.2 (1.5)
5. Procedural Justice	1-5	3.7 (.7)	3.7 (.5)	4.1 (.4)	3.8 (.7)	3.8 (.6)	3.7 (.5)	3.5 (.8)	3.7 (.6)	3.7 (.9)	3.2 (1.0)
6. Interactional Justice	1-5	4.0 (.6)	4.3 (.3)	4.2 (.7)	4.2 (.4)	4.1 (.6)	4.1 (.4)	3.8 (.6)	3.9 (.7)	4.0 (.7)	3.5 (1.0)
7. Distributive Justice	1-5	3.4 (.8)	3.5 (.4)	4.1 (.3)	3.5 (.8)	3.6 (.7)	3.6 (.5)	2.7 (1.0)	3.4 (.8)	2.9 (1.1)	2.8 (1.0)
8. Complaint Satisfaction	1-5	3.54 (.74)	3.70 (.44)	4.07 (.43)	3.50 (.86)	3.74 (.61)	3.53 (.51)	3.07 (.84)	3.62 (.77)	3.34 (.97)	3.11 (.90)
9. Overall Customer Satisfaction after the Complaint	1-5	3.90 (.62)	4.10 (.55)	4.31 (.33)	3.62 (.67)	4.01 (.51)	4.00 (.38)	3.46 (.81)	4.14 (.56)	3.62 (.39)	3.77 (.48)
10. Customer Loyalty after the Complaint	1-5	4.29 (.65)	4.58 (.38)	4.73 (.45)	4.30 (.52)	4.31 (.59)	4.47 (.39)	3.92 (.75)	3.72 (.80)	4.83 (.18)	4.14 (.43)

Table 2: Summary Statistics

Using confirmatory factor analysis, we assessed measurement reliability and validity for each factor. Overall, the results indicate acceptable psychometric properties. Each construct manifests a composite reliability greater than the recommended threshold value of .6 (Bagozzi and Yi 1988). In addition, for all constructs, the coefficient alpha values exceed .8, thus providing evidence for a high degree of internal consistency among the corresponding indicators (Nunnally 1978). For each pair of constructs, we assessed discriminant validity on the basis of Fornell and Larcker's (1981) criterion and on the chi-square difference test (e.g., Bollen 1989). The results indicate that there are no problems with respect to discriminant validity.

6. Results

6.1. Results Related to Main Effects

We estimated the main effects by using LISREL 8.54 (Jöreskog and Sörbom 1996). The overall fit measures indicate that the hypothesized model is a good representation of the structures underlying the observed data ($\chi^2/df = 1.99$, GFI = .93, AGFI = .93, CFI = 1.00, RMSEA = .096)³. Figure 2 displays the results of the hypotheses testing. Solid arrows refer to explicitly hypothesized effects, and dashed arrows represent links established in prior research.

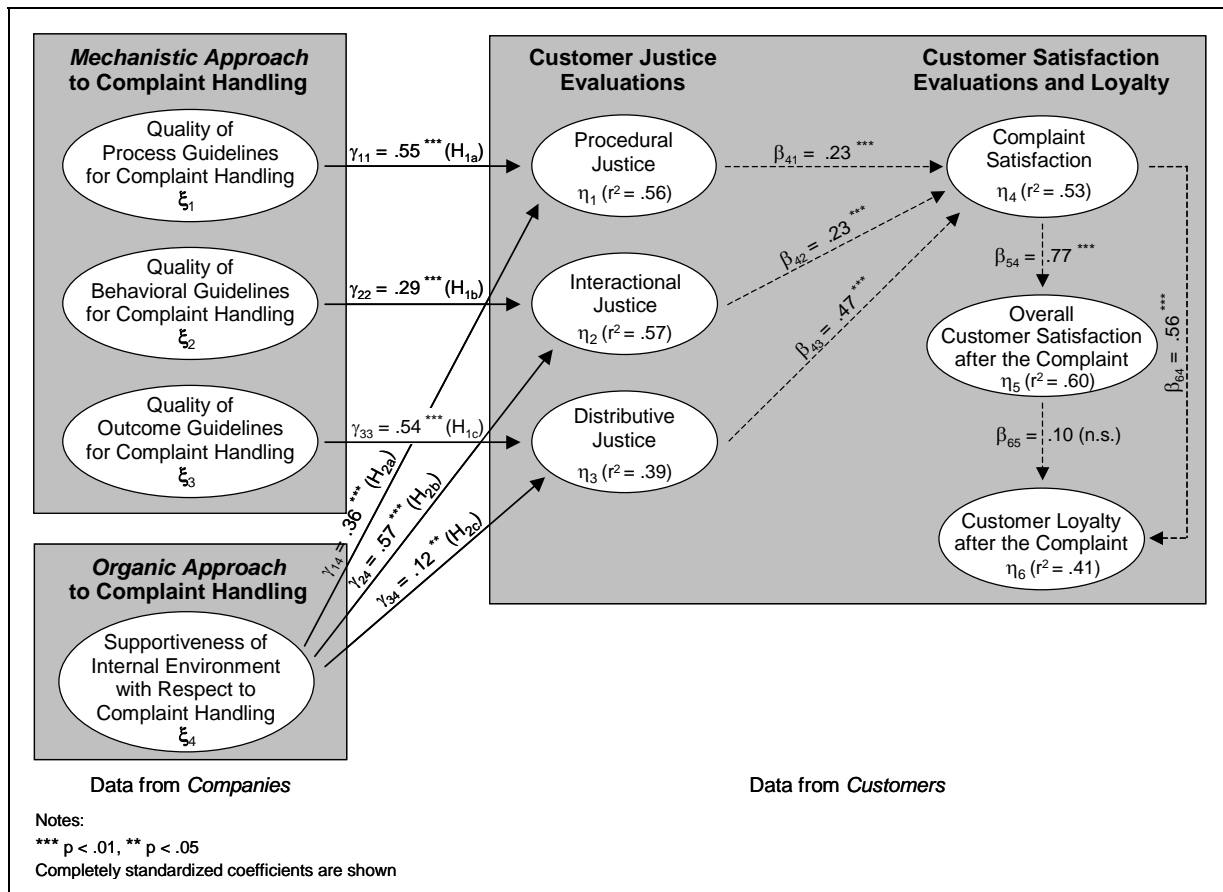


Figure 2: Results of the Hypotheses Testing (Main Effects)

³ It is worth emphasizing that, all other things being equal, the RMSEA value decreases (i.e. becomes better) as the sample size increases (e.g., Hu and Bentler 1999; Rigdon 1996). Thus, our value, which might be considered a bit high, can be largely attributed to the relatively small sample size. Because the threshold value of .08 typically suggested in the literature (e.g., Browne and Cudeck 1993) does not take into account the sample size (which is considered problematic; e.g., Rigdon 1996) and in line with studies considering values up to .10 as reasonable (e.g., MacCallum, Browne, and Sugawara 1996; Steiger 1989), we believe that our RMSEA value indicates an acceptable fit of the model.

H_{1a}, H_{1b}, and H_{1c} predict a positive effect of the quality of a company's guidelines for complaint handling on customer justice evaluations with respect to complaint handling. Each of these hypotheses is confirmed because each of the parameter estimates is positive and significant at the .01 level. From a conceptual point of view, these findings support the relevance of the mechanistic approach to complaint handling. Similarly, we find support for H_{2a}, H_{2b}, and H_{2c} which suggest a positive impact of the supportiveness of the internal environment on customer justice evaluations. All three parameter estimates are positive and significant at least at the .05 level, thus confirming the relevance of the organic approach in the context of complaint handling.

The findings we have reported so far refer to hypotheses in which we measured dependent and independent constructs on different sides of the dyad. The confirmation of these hypotheses by data that cross the boundaries of the firm provides strong empirical support for our theoretical reasoning. It is also worthwhile to note that the explanatory power of the model with respect to customer justice evaluations is fairly high (r^2 values of .39, .56, and .57). This is remarkable in the context of dyadic data because a possible common method bias has been ruled out.

With respect to the additional (not explicitly hypothesized) effects, our results confirm the presumed positive link between customer justice evaluations and complaint satisfaction ($p < .01$) and the expected positive impact of complaint satisfaction on overall customer satisfaction ($p < .01$) and loyalty ($p < .01$), respectively. However, we fail to find statistical support for the predicted positive link between overall customer satisfaction and loyalty ($p > .10$).

6.2. Results Related to Moderating Effects

Because the moderator variables supportiveness of the internal environment and type of business are continuous, we tested the hypotheses with respect to these effects using moderated regression analysis. We averaged all scales to form a composite. As several authors (e.g., Aiken and West 1993; Cohen et al. 2002) suggest, we standardized the predictor variables by mean centering. Then, we computed interaction terms by taking the product of the mean-centered predictor variables. The results of the moderator analyses appear in Table 3.

	Dependent Variable		
	Procedural Justice	Interactional Justice	Distributive Justice
Supportiveness of Internal Environment as Moderator			
<i>Main Effects</i>			
Quality of Process Guidelines	.44 ***		
Quality of Behavioral Guidelines		.17 **	
Quality of Outcome Guidelines			.47 ***
Internal Environment	.28 ***	.56 ***	.12 *
<i>Interaction Effects</i>			
Quality of Process Guidelines x Internal Environment (H _{3a})	-0.07 (n.s.)		
Quality of Behavioral Guidelines x Internal Environment (H _{3b})		-.26 ***	
Quality of Outcome Guidelines x Internal Environment (H _{3c})			-.10 *
Type of Business (B2B vs. B2C) as Moderator			
<i>Main Effects</i>			
Quality of Process Guidelines	.54 ***		
Quality of Behavioral Guidelines		.52 ***	
Quality of Outcome Guidelines			.51 ***
B2B Share	.17 **	.29 ***	.25 ***
<i>Interaction Effects</i>			
Quality of Process Guidelines x B2B Share (H _{4a})	-.13 **		
Quality of Behavioral Guidelines x B2B Share (H _{4b})		-.03 (n.s.)	
Quality of Outcome Guidelines x B2B Share (H _{4c})			-.11 *
Type of Industry (Service vs. Manufacturing) as Moderator			
Quality of Process Guidelines (Service Sector) (H _{5a})	.66 ***		
Quality of Process Guidelines (Manufacturing Sector)	.51 ***		
	(F = 4.89 ***)		
Quality of Behavioral Guidelines (Service Sector) (H _{5b})		.63 ***	
Quality of Behavioral Guidelines (Manufacturing Sector)		.49 ***	
		(F = 12.43 ***)	
Quality of Outcome Guidelines (Service Sector) (H _{5c})			.68 ***
Quality of Outcome Guidelines (Manufacturing Sector)			.37 ***
			(F = 10.56 ***)
Notes:			
*** p < .01, ** p < .05, * p < .10			
Unstandardized coefficients are shown			

Table 3: Results of the Hypotheses Testing (Moderating Effects)

H_{3a}, H_{3b}, and H_{3c} predict that the supportiveness of the internal environment negatively moderates the impact of complaint handling guidelines on perceived justice. The results show that as we expected, in all three equations, the estimates of the predictors are positive, and the interaction effects are negative. This pattern indicates an antagonistic interaction and thus a compensatory effect of the predictors on the dependent variable (e.g., Cohen et al. 2002; Neter

et al. 1996). In other words, the slopes of the three regression lines that reflect the impact of complaint handling guidelines on perceived justice are not constant across all values of the supportiveness of the internal environment. Rather, the greater the supportiveness of the internal environment, the smaller is the effect of complaint handling guidelines on perceived justice. More specifically, the greater the supportiveness of the internal environment, the smaller is the impact of the quality of behavioral guidelines on interactional justice ($p < .01$), which is consistent with H_{3b} . Moreover, the greater the supportiveness of the internal environment, the smaller is the effect of the quality of outcome guidelines on distributive justice ($p < .10$), which provides (weak) support for H_{3c} . However, there is no statistical support for H_{3a} , which predicts that the greater the supportiveness of the internal environment, the smaller is the impact of the quality of process guidelines on procedural justice ($p > .10$).

With respect to the type of business, we expected that the B2B share would negatively moderate the effect of the quality of complaint handling guidelines on perceived justice (H_{4a} , H_{4b} , and H_{4c}). Findings show that as we expected, in all three equations, the coefficients of the predictors are positive, and the interaction effects are negative. This indicates that the greater the B2B share, the smaller is the impact of complaint handling guidelines on perceived justice. Regarding H_{4a} , we find a significant interaction effect ($p < .05$), which provides statistical support for our prediction that the greater the B2B share, the smaller is the impact of the quality of process guidelines for complaint handling on procedural justice. Furthermore, our results provide (weak) support for H_{4c} ($p < .10$), thus confirming our notion that the greater the B2B share, the smaller is the effect of the quality of outcome guidelines for complaint handling on distributive justice. However, with respect to H_{4b} , we do not observe a significant interaction effect ($p > .10$). Therefore, we do not find statistical support for our prediction that the greater the B2B share, the smaller is the impact of the quality of behavioral guidelines for complaint handling on interactional justice⁴. Although we did not formulate hypotheses about the moderating effects of the type of business on the relationship between the supportiveness of the internal environment with respect to complaint handling and perceived justice, we did investigate it. As we expected, the three interaction effects were all nonsignificant ($p > .10$).

⁴ A possible explanation (suggested by an anonymous reviewer) for not finding complete support for the hypothesized moderator effects of B2B share is the following: In B2B settings, the existence of complaint handling guidelines is more likely to be known to customers than in B2C settings. It might be argued that the greater visibility of these guidelines in a B2B context would lead to a stronger impact on perceived justice. Such an effect would run counter to our hypothesized negative moderator effects of B2B share.

Regarding the type of industry, H_{5a} , H_{5b} , and H_{5c} predict a stronger impact of the quality of complaint handling guidelines on perceived justice for service firms than for manufacturing firms. Because this moderator variable is categorical, we ran separate regression analyses for both types and tested the significance of differences between corresponding parameter estimates using a Chow test (e.g., Chow 1960). As we expected, in each of the three pairs of equations, the coefficient for service firms is larger. In addition, these differences are all highly significant ($p < .01$). Thus, our results show that the quality of the three types of guidelines for complaint handling has a stronger effect on corresponding customer justice evaluations in service firms than in manufacturing firms. Although we did not put forward hypotheses regarding moderating effects of the type of industry on the link between the supportiveness of the internal environment and perceived justice, we also analyzed these effects. As we anticipated, we did not find any significant effects ($p > .10$).

7. Discussion

7.1. Research Issues

Our study advances academic understanding of a company's complaint management by introducing the distinction between the mechanistic and the organic approach. A worthwhile issue for discussion based on our study is whether the two approaches are related in a complementary or compensatory way (i.e. whether they rather supplement or exclude each other). Prior research in organizational theory (e.g., March and Simon 1993; Simon 1997) does not take a firm stand on the relationship between these two approaches for influencing staff behavior. For example, on the one hand, Simon (1997) states that “[t]o a very great extent, these [...] forms of influence are interchangeable” (p. 310). On the other hand, he stresses that “the several modes of influence by no means exclude one another” (p. 177). Thus, we believe that it is an important contribution to clarify this relationship within a specific context (i.e. complaint management).

More specifically, we provide evidence for a primarily complementary nature of the relationship between the two approaches. First, the complementary nature becomes evident by the fact that each approach significantly affects perceived justice even when we control for the use of the other approach. In other words, each approach explains variance in perceived justice that cannot be explained by the other approach. Second, the finding that procedural

and distributive justice are more strongly affected by the mechanistic approach whereas interactional justice is more strongly driven by the organic approach (see Figure 2) also emphasizes the complementary nature of the two approaches⁵.

In this context, another important issue is the relative importance of the two approaches. To analyze this issue, we computed the total effect on complaint satisfaction for each approach. Based on the estimated parameters (see Figure 2), the mechanistic approach has a total effect of $(.55*.23) + (.29*.23) + (.54*.47) = .45$, whereas the organic approach has a total effect of $(.36*.23) + (.57*.23) + (.12*.47) = .27$. Thus, the mechanistic approach is more important insofar as it has a stronger impact on complaint satisfaction⁶. This finding is particularly interesting considering that, in general, research on complaint management focuses more on HRM and cultural issues (i.e. the organic approach) than on specific guidelines for staff (i.e. the mechanistic approach). Our study indicates that research should pay more attention to the “hard factors” of complaint management (i.e. the implementation of guidelines).

Moreover, we show that the mechanistic approach is more important in the B2C marketing context than in the B2B marketing context. This result is interesting in light of studies that question the relevance of the distinction between B2B and B2C marketing (e.g., Andrus and Norvell 1990; Coviello et al. 2002). Literature points to “a lack of consistent empirical support for the consumer/B2B dichotomy” and of studies that cover both B2B and B2C settings (Coviello and Brodie 2001, p. 389). Our study clearly indicates that for a specific context (i.e. complaint management), the B2B/B2C distinction does have some relevance. In addition, we find that the relevance of the mechanistic approach is greater for service firms than for manufacturing firms. This adds to the discussion in the literature about differences between services and goods marketing (e.g., Lovelock 1981; Zeithaml and Bitner 2000) and helps redress the lack

⁵ It must be mentioned that our finding that the supportiveness of the internal environment negatively moderates the impact of guidelines on perceived justice does not contradict our conclusion that the relationship between the two approaches is essentially complementary. We find that after the inclusion of these moderator effects in the regression models, the effects of guidelines remain significant (see Table 3). Thus, the organic approach weakens the impact of the mechanistic approach but not to the extent that it disappears.

⁶ On the basis of an anonymous reviewer’s suggestion, we ran separate analyses for each approach to explore the relative importance of the two approaches further. On an aggregate level (i.e. when a single construct was built for the mechanistic approach and perceived justice, respectively), the results show that the mechanistic approach explains 38% of the variance of perceived justice, whereas the organic approach accounts for only 29%. This finding further supports our statement that the mechanistic approach is a more important driver of complainants’ evaluations.

of empirical research in this area that several authors identify (e.g., Coviello et al. 2002). For a specific context (i.e. complaint management), we provide evidence that the services/goods distinction is indeed relevant for academic understanding of marketing practice⁷. Overall, by showing that guidelines have a greater impact in a B2C and service setting, our study contributes to the debate about the circumstances under which a high formalization of organizational policies and procedures for interacting with customers is particularly appropriate.

Finally, a result that is not related to the core of this article is also worth mentioning. We find that complaint satisfaction has a strong effect on customer loyalty, but the impact of overall customer satisfaction on customer loyalty is not significant. Thus, after a complaint, loyalty depends essentially on complaint satisfaction and not as much on satisfaction that has cumulated over time. It seems that immediately following a complaint, customers' perceptions are so dominated by the way their complaint was treated that complaint satisfaction becomes the main driver of loyalty. This further emphasizes the high importance of effective complaint handling.

7.2. Limitations and Avenues for Future Research

First, although collecting data from 110 companies and their complaining customers required a lot of effort, our sample size is nevertheless relatively small. Thus, the RMSEA value of our model slightly exceeds the recommended threshold value (see also Footnote 3), and the standard errors of the coefficients estimated using moderated regression analysis are rather large resulting in two interaction effects that are significant only at the .10 level.

Second, we obtained responses from five complainants per firm. In a B2B context, this may represent a reasonably high percentage of the total number of customers, but in a B2C context, it might be considered a relatively limited sample. Therefore, future studies should try to verify our results in a B2C context by obtaining responses from a larger number of customers.

⁷ Our results regarding the moderating effects of the type of business and the type of industry indicate that the strongest impact of the mechanistic approach on perceived justice should occur when the B2C and the service context are combined (i.e. for consumer services firms). On the basis of an anonymous reviewer's suggestion, we conducted further data analyses to explore this issue. More specifically, we computed a correlation coefficient between the aggregate measure of the mechanistic and the organic approach, respectively, and the aggregate measure of perceived justice. We did this for four settings: B2C/services, B2C/goods, B2B/services, and B2B/goods. Indeed, we found that the correlation coefficient for the mechanistic approach was by far the strongest for B2C/services (.67, $p < .01$). Yet it is noteworthy that even in this context, the organic approach has a significant correlation with perceived justice (.16, $p < .10$).

Third, our study aimed to analyze the impact of the mechanistic and the organic approach to complaint handling on customer justice evaluations. In doing so, we did not explore a possible causality between the two approaches. Thus, future research should examine this issue in more detail. For example, it can be argued that the organic approach is an antecedent of the mechanistic approach because a company's culture may drive the implementation of guidelines. A longitudinal study would be the most appropriate way to address this issue.

Fourth, we believe that our differentiation between the mechanistic and the organic approach is also applicable to the study of other organizational phenomena in marketing, such as the antecedents of a company's market orientation. Therefore, future research might benefit from using this distinction between two fundamental approaches for influencing employee behavior.

Finally, we agree with Coviello and colleagues (2002, p. 36), who identify a lack of studies "that offer a comparison across consumer goods, consumer services, business goods, and business services firms". Thus more empirical research should be conducted to gain further insight into similarities and differences in different business and industry settings.

7.3. Managerial Implications

A result that we consider relevant for managerial practice is related to the high importance of effective complaint management. This high importance is illustrated by our finding that customer loyalty after a complaint essentially depends on complaint satisfaction and is largely unaffected by overall customer satisfaction. In practical terms, this means that in the case of ineffective complaint handling, there is a high risk to lose even those customers who were previously highly satisfied. In other words, previous customer satisfaction does not provide a company a buffer against the consequences of ineffective complaint handling.

Our results also provide guidance on how to design a firm's complaint handling. Given the primarily complementary relationship between the mechanistic and the organic approach, our general advice for managers is to use the two approaches in combination. In particular, managers must be aware that some types of complainants' justice evaluations (i.e. procedural and distributive) can be largely influenced by establishing guidelines, whereas interactional justice can be better influenced by designing the internal environment in terms of HRM and corporate culture.

Our finding that the mechanistic approach has a stronger impact on customer evaluations than does the organic approach is also managerially relevant. In line with other authors (e.g., Jackson 2001), we believe that it has almost become a fashion in the managerial literature to emphasize the management of the “soft factors” such as leadership and culture at the expense of the “hard factors” such as guidelines. Our study shows that at least for the field of complaint management, the “hard factors” should receive a lot of managerial attention. Conversely, some executives seem to rely almost exclusively on guidelines. Our advice for these managers is to understand that guidelines cannot cover everything. Especially for situations at the customer interface that are not (or cannot be) covered by guidelines, it is important to develop the “soft factors” that can serve as a ‘safeguard’ in such circumstances to ensure effective complaint handling.

Another important finding is related to the relevance of the mechanistic and the organic approach in different business and industry settings. Whereas the organic approach seems to be equally important across different settings, we find that the impact of the mechanistic approach is strongest for firms marketing services to consumers (see Footnote 7). Thus, for this type of company, a strong emphasis on the implementation of guidelines for complaint handling is especially recommended. However, as we mentioned previously (see Footnote 7), even for these firms, the organic approach is somewhat important because it has a significant impact on customer evaluations. On a more general level, our study indicates that firms marketing services to consumers have a particularly strong need for relatively formal policies and procedures when interacting with customers.

Our study also provides recommendations for companies that have not yet implemented guidelines for complaint handling. Because outcome guidelines have the strongest total effect on complaint satisfaction ($.54 \cdot .47 = .25$), followed by process guidelines ($.55 \cdot .23 = .13$) and behavioral guidelines ($.29 \cdot .23 = .07$), we advise managers to focus resources at the beginning on the implementation of outcome guidelines and then follow up with the development of process guidelines. This suggestion is particularly valid for firms with a highly supportive internal environment because in such a case, especially behavioral guidelines are less relevant. Beyond following these general recommendations, managers may use our scales related to complaint handling guidelines and the internal environment as a checklist to assess and improve systematically the quality of their company’s complaint management.

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