

Is Customer Anger Rewarded?
The Role of Anger Intensity and Power Distance

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ABSTRACT

We investigate the role of the intensity of anger displayed by customers on the tendencies of service agents to award compensation in conditions of low and high power distance (PD). We research this issue from two different perspectives using two studies. In Study 1 we implement a macro-level approach to test the impact of customer anger intensity on compensation in two countries – Singapore (high PD) and Israel (low PD). In Study 2 we adopt a micro-level approach and assess the effects of PD at the individual level. Both studies find that the cultural value of PD moderates the tendency to compensate anger intensity. Low PD relates to greater compensation of intense rather than mild anger, while high PD relates to greater compensation of mild rather than intense anger. At the macro-level (Study 1), perceptions of the inappropriateness of displaying anger mediate the influence of culture and anger intensity on compensation. At the micro-level (Study 2), among high PD individuals, the relationship between anger intensity and compensation is mediated by perceptions of respect, whereas among low PD individuals it is mediated by the perception of threat. The findings suggest the importance of considering PD and emotion intensity in customer service management.

Keywords: Anger Display, Power Distance, Emotion Intensity, Appropriateness

IS CUSTOMER ANGER REWARDED?

THE ROLE OF ANGER INTENSITY AND POWER DISTANCE

Introduction

"The squeaky wheel gets the grease" goes the old American saying, suggesting that expressing anger yields higher gains. Does it also mean that a customer's anger expressed with high intensity (an even louder squeak) leads to higher gains than low-intensity anger? Common perceptions are that this is so (Derfler-Rozin, Connealy and Rafaeli, 2016), and we test whether and when this is more likely to be a valid assumption. Because occasional mistakes in service delivery are inevitable (Maxham and Netemeyer 2003), customers' negative emotions, especially anger are unavoidable (Gelbrich 2010; Laros and Steenkamp 2005). The question we address is how employees handle customers' displayed anger, and whether and when displays of anger are rewarded. Proper handling presumably brings organizations a good reputation and repeat sales (Customer Rage Study 2015; Liao and Chuang 2004; Liao 2007; Wirtz and Mattila 2004). However, unresolved anger can escalate into customer rage, negative word-of-mouth, and in extreme cases even physical aggression (Patterson, Brady and McColl-Kennedy 2016; Surachartkumtonkun, McColl-Kennedy and Patterson 2015). Unraveling the implications of the way that anger events are handled is therefore of prime importance.

Past research made a clear distinction between expressions of anger, rage, and aggression (Berkowitz 2012); conversely, there is far less understanding of differences between mild and intense expressions of anger. Yet anger, as any other emotion, is experienced and displayed in varying intensities (Brehm 1999; Frijda, Ortony, Sonnemans and Clore 1992; Gibson, Schweitzer, Callister and Gray 2009; Miron-Spektor and Rafaeli 2009; Storbeck and Clore 2008). The intensity of displayed anger may therefore play an important role in the perceptions and reactions of employees to customer anger (Geddes and

Callister 2007; Miron-Spektor and Rafaeli 2009). However, to the best of our knowledge, service research has not examined the implications of the intensity of displayed anger.

Perceptions and reactions to anger may also vary between cultures. Extensive research has shown cultural aspects to be highly important for understanding service practices (Baker, Meyer and Chebat 2013; Chan, Yim and Lam 2010; Patterson et al. 2016; Zourrig, Chebat and Toffoli 2009). Research also demonstrates cultural differences in customers' expectations and evaluations of service quality (Dash, Bruning and Acharya 2009; Du, Fan and Feng 2010; Furrer, Liu and Sudharshan 2000; Liu, Furrer and Sudharshan 2001; Mattila and Patterson 2004; Patterson et al. 2006; Schoefer 2010; Wong 2004). Yet a third stream of work shows that the outcomes of expressed emotions vary between cultures (Adam, Shirako and Maddux 2010; Grandey, Rafaeli, Ravid, Wirtz and Steiner 2010; Kopelman 2009; Kopelman and Rosette 2008). We build on and extend these multiple streams of work by examining cultural differences in the tendencies to compensate customer anger.

To further understand the relations between culture and tendency to compensate anger we turn to additional body of literature that examines cultural differences in decision-making and negotiation through the lens of the *logic of appropriateness* of a given behavior (Kopelman 2009; Kopelman, Hardin, Myers and Tost 2016). The definition of appropriateness is the implicit response to the question: "*what does a person like me (identity) do (rules) in a situation like this (recognition) given this culture (group)?*" (Kopelman 2009, p. 161). We focus on the notion of power distance as a key cultural parameter, a notion that reflects cultural acceptance of unequal power distribution (Hofstede 1980). Empirical research shows the impact of power distance on customers' expectations (Mattila 1999; Dash et al. 2009) and emotional expressions (Grandey et al. 2010). Integrating these findings with the logic of appropriateness we suggest that high power distance cultures compensate mild (rather than intense) anger, whereas intense (rather than mild) anger is compensated in low power distance cultures. Furthermore, we propose that power distance influences the

motivation that leads to compensating anger; thus, power distance can provide an explanation on why the differences in compensation occur.

In Study 1, we examine power distance at a macro (national) level. Following the logic of appropriateness, we hypothesize that in a low power distance culture (e.g., Israel), intense anger is compensated more than mild anger; in contrast, in a high power distance culture (e.g., Singapore), mild anger is compensated more than intense anger. We test this hypothesis and the mediating role of the perceived appropriateness of displayed anger by comparing between two countries.

In Study 2, we hypothesize the same dynamics at the micro (individual) level. In addition, following the research on culture (e.g., Kopelman and Rosette 2008; Oetzel and Ting-Toomey 2003), we propose that low power distance individuals are more sensitive to the threat of intense anger, while high power distance individuals are more sensitive to the low respect communicated by intense anger. We suggest that high power distance individuals tend to compensate anger that is perceived as more respectful (i.e., mild anger), and low power distance individuals tend to compensate anger that is perceived as more threatening (i.e., intense anger).

Our paper seeks to make several theoretical contributions by integrating research on service and cultural differences with research on negotiation dynamics and outcomes. In contrast to the focus on customer perceptions and behaviors in different cultures that prevailed in previous research, we explore variations in the behavior of employees in different cultures (Study 1) and holding different cultural values (Study 2). We also examine dynamics of low and moderately intense expressions of anger, contributing to a more profound understanding of the possible consequences of customer anger. Our analyses also provide practical managerial insights by identifying the financial implications of customer anger as a juncture where organizations should adjust their service recovery process to local cultural norms and values.

Theory Development

Service failure is a frustrating event that evokes many negative feelings, including anger (Gelbrich 2010). The importance of customers to organizations, translated into the widespread philosophy of customer service as a critical goal, makes organizations sensitive to customers' anger (Fullerton and Punj 2004; Yagil 2008). Perhaps as a result of this, people seem to believe that it is appropriate to express anger toward frontline service representatives (Grandey et al. 2010), and that anger displayed by customers is rewarded (Derfler et al. 2016). Indeed, Wirtz and McColl-Kennedy (2010) found that some customers believe that aggressive and angry claiming in service recovery situations leads to more generous service recovery compensation. However, the actual tendency to compensate customer anger is yet to be adequately examined.

Negotiation research has shown that displaying anger can, but does not always, yield higher gains (Adam and Brett 2015; Friedman et al. 2004; Kopelman, Rosette and Thompson 2006; Sinaceur and Tiedens 2006; Van Kleef, De Dreu and Manstead 2004; Van Kleef, Van Dijk, Steinel, Harinck and Van Beest 2008). For instance, Friedman et al. (2004) found that displays of anger trigger corresponding displays of anger, thus reducing the likelihood of settlement (Friedman et al. 2004). Similarly, Kopelman et al. (2006) found that negotiators who strategically displayed negative emotions were less likely to extract concessions. Contrary to these findings, Van Kleef et al. (2004) showed that negotiators tend to concede more to an opponent who expresses anger. Similarly, Sinaceur and Tiedens (2006) found that the expression of anger by a negotiator increased his or her ability to claim value, and other lab studies replicated this finding (e.g., Van Kleef, De Dreu, Pietroni and Manstead 2006; Van Kleef and Côté 2007). Adam and Brett (2015) reviewed these seeming contradictions and suggested that the context of a negotiation can relate to whether or not displayed anger is rewarded. However, even this review rarely mentions monetary compensation following customer anger (see Hareli et al. 2009 for one exception).

Looking for an explanation for the inconsistent effects of expressed anger on negotiations, Van Kleef and Côté (2007) suggested the *appropriateness of displayed anger* as a moderating factor. Consistent with the logic of appropriateness (Kopelman 2009), Van Kleef and Côté (2007) showed that if and when anger display is declared as appropriate, gains in an angry condition are higher than in a neutral condition. When anger was viewed as inappropriate in this study, the gains in an angry condition were lower than in a neutral condition.

The appropriateness of anger can be related to the relative power of participants (Shields 2005; Van Kleef and Côté 2007). A more general argument, posited by Geddes and Callister (2007), is that the appropriateness of displaying anger is a function of local display norms. The Dual Threshold Model (DTM) that they theorize suggests that anger in low intensity and within accepted norms has positive consequences, and anger intensity that crosses the "impropriety threshold" (i.e., is inappropriately high) has negative consequences. Geddes and Callister (2007) describe DTM as depends on *organizational* display norm; we build on their logic to suggest that compensation behaviors depend on the norms about appropriate (and inappropriate) displays of anger by customers, which vary between cultures, along with variations in the cultural value of power distance.

Power Distance

Power distance is one of the elements of what Hofstede (1991) defined as the "software of the mind", or cultural beliefs, values, and norms. These elements define what is right and wrong, and specify general preferences (Adler 2005). Power distance defines the degree to which individuals, groups, or societies accept inequalities between people as unavoidable, legitimate, or functional (e.g., inequalities in power, status, or wealth; Hofstede 1980). Acceptance of inequalities (or power distance) is a critical aspect of culture because it shapes people's views about how individuals at different levels of power within a culture should behave and interact (Javidan and House 2001). In high power distance cultures,

individuals with power are seen as a superior elite and those with less power are expected to accept their (lower) place in society.

Daniels and Greguras (2014) reviewed the impact of power distance in organizations and found it to affect organizational processes and emotion dynamics. Research has also demonstrated cultural differences in norms about displaying emotions in general and anger in particular (Eid and Diener 2001; Matsumoto, Yoo, and Chung 2010; Safdar et al., 2009).

Tying anger display norms to power distance, Grandey and her colleagues (2010) norms in service settings in four different cultures (France, Israel, Singapore, and United States), and found Singapore (high power distance) to be the least tolerant of expressions of anger, and Israel (low power distance) to be the most tolerant of them. Similarly, Moran, Diefendorff, and Greguras (2012), reported that in Singapore the rules regarding the expression of anger at work are significantly stronger than in the United States (low power distance).

Until now, service research on power distance has mostly focused on the relation between power distance and expectations of service quality and customers' satisfaction. For instance, Donthu and Yoo (1998) measured power distance at the individual level and found that individuals high on power distance had lower expectations about the responsiveness and reliability of service quality and were more willing to tolerate poor service. Similarly, Furrer and his colleagues (2000) found that high power distance is related to higher tolerance toward service failure and higher importance of tangibles. Dash et al. (2009) examined power distance at individual and national levels by comparing Indian and Canadian banking customers, and found that on both levels high power was related to the high importance of tangibles. These studies clearly recognized the importance of power distance for customer service; however, prior service research ignored the impact of power distance on the relation between customers' anger and compensation. This paper aims to address this gap by examining the moderating role of power distance on the tendency to compensate an angry customer.

The impact of differences in power distance and anger display norms on financial outcomes is evident in negotiation research, which reports a lower tendency to concede to the expression of anger among high power distance people in comparison to low power distance negotiators. For example, Kopelman and Rosette (2008) showed that East Asian (high power distance) negotiators were more likely to accept an offer from a counterpart who expressed positive and not negative emotions. Similarly, Adam and colleagues (2010) found that anger expressions elicited larger concessions from European American (low power distance) negotiators than from Asian American (high power distance) negotiators.

Negotiation research linked the culture-dependent anger display outcomes to the differences in the importance of saving face (Kopelman and Rosette 2008; Oetzel and Ting-Toomey 2003; Okdie, Guadagno, Bernieri, Geers and McLarney-Vesotski 2011). People in cultures that value stability and harmony of power relations, such as East Asian cultures, are more concerned with gaining the respect of others that validates their own self-worth, and with avoiding a loss of face. To save face means to keep the "positive social value [that] a person effectively claims for himself" (Goffman, 1972, p. 5). When saving face is of high importance, displaying anger is perceived as a disrespectful act, and people tend to express their anger indirectly (Du et al. 2010; Matsumoto et al. 2010; Patterson et al. 2016; Ting-Toomey 1994). In contrast, people in Western low power distance cultures are less face-saving-oriented and expected to be more assertive, thus more likely to express high intensity anger (for a review of this subject see Zhang, Beatty and Walsh 2008).

Following the logic that connects power distance and anger display norms, we suggest that customer anger will be perceived as more inappropriate in a high power distance culture, such as Singapore, than in a low power distance culture, such as Israel. We further suggest that the inappropriateness of displaying anger will explain the impact of anger expressions on employees' tendency to compensate a customer who expresses anger (see Figure 1). In high power distance cultures, we assume that it is inappropriate for a customer to express anger

because it communicates disrespect. Expressing high-intensity anger by a customer is therefore expected to cross the “impropriety threshold” (Geddes and Callister, 2007) and to receive less financial compensation than expressing mild anger. In contrast, in a low power distance culture, the norms of anger expression are looser, so it may be appropriate for a customer to express anger, suggesting that customers expressing highly intense anger will receive more compensation than customers who express mild anger.

These two predictions suggest that the power distance of a culture moderates the effects of customer anger on the financial compensation offered to a customer expressing anger:

Hypothesis 1: There will be more compensation of customer expressions of intense anger than of mild anger in a low power distance culture, and more compensation of mild anger than of intense anger in a high power distance culture.

Hypothesis 2: People in a low power distance culture will perceive customer expressions of intense anger as more appropriate than people in a high power distance culture.

Hypothesis 3: Perceptions of the appropriateness of a customer expressing anger will mediate the effect of culture on the compensation of expressed anger.

--Insert Figure 1 about here --

STUDY 1: THE EFFECT OF POWER DISTANCE AT THE MACRO (CULTURE) LEVEL

Method

Sample. A sample of 160 business school students in Singapore (a high power distance culture, $n = 68$) and Israel (a low power distance culture, $n = 92$) participated in the study for partial course credit. Three participants provided incomplete responses that were not included in the analysis, yielding a final sample of 157 participants (59% female, average age

23.5). The study was designed as a two-by-two between-subjects experiment with two conditions of anger intensity (a customer expressing low-intensity anger complaint and high-intensity anger complaint) and two cultures (Israel and Singapore).

We collected data from students (rather than employees of a given organization) in order to examine an overarching cultural tendency to reward anger without running the risk of identifying a specific trait of the organizational culture that refers to the handling of angry customers. Organizations vary in their explicit or implicit rules on compensating anger, and such policies can override cultural norms for service interactions (Geddes and Callister 2007; Liao and Chuang 2004).

Overview and Procedure. The study was introduced as a "Banking Relationship Negotiation" exercise conducted in a simulated customer service environment. As background information, participants read an overview of the role of a frontline customer service employee and of the company policy, which stated explicitly that the maximum amount of compensation to a customer is \$5,520. The explanation of the employee's role included a table that showed the amount of compensation recently paid by the company to disgruntled customers. The table did not mention any reasons or causes for compensating customers. It appeared as a report of the date and amount of money paid and stated that five customers received sums ranging between \$200 and \$1,200 in the past week, and that \$5,520 was still available for compensation to other customers (Table 1). This information was identical across all the experimental conditions.

--Insert Table 1 about here--

Participants next read a short scenario describing a customer complaining to an employee, which included the anger intensity manipulation. They were then asked to rate the emotional state of the customer (manipulation check), write a brief note to the customer responding to the complaint, and decide whether to compensate the customer, and if so, by

how much.

Manipulation of Customer Anger. Participants were randomly allocated to one of two experimental conditions that differed only in the intensity of the anger that the customer in the scenario expressed. We created the manipulation of anger intensity through the written text and punctuation marks, as summarized in Table 2. To ensure item equivalence, a critical consideration in a cross-cultural study, we asked research assistants who were not aware of the research hypothesis to conduct in-depth interviews with five Israeli students and five Singapore students about these stimuli. The target of the interviews was to unravel the meaning that interviewees attribute to key concepts and phrases. The interviews confirmed a similar understanding of the instructions, the scenario, and the measures in the two groups. Participants in both groups saw the customer in both conditions as expressing anger, and saw the intended differences between low- and high-intensity anger conditions.

--Insert Table 2 about here--

Measures

Manipulation Check. Participants rated the intensity of customer anger using a five-point Likert scale of two items: (1) To what extent was the customer angry, (2) To what extent was the customer irritated (Cronbach's $\alpha = .79$).

Customer Compensation. Compensation to the customer was the amount of money participants indicated in the memo that they would give the customer in response to the complaint. Instructions explicitly asked participants to indicate whether they would give any monetary compensation to this customer, and if so, how much.

Appropriateness of Customer Expressing Anger. Participants rated the extent to which the customer in the scenario was polite, credible, and rude (R) using a five-point Likert scale (Cronbach's $\alpha = 0.73$).

Service Failure Severity. The participants' perceptions of the magnitude of the service

failure experienced by the customer served as a control variable. This was a three-item measure: (1) the extent to which the customer experienced damage, (2) the extent to which the customer has good reason to be unsatisfied, and (3) the extent to which the customer was treated badly, all rated on a five-point scale (Cronbach's $\alpha = 0.71$).

Results

To ensure that observed mean differences are due to differences in underlying constructs and not a result of different relations between latent constructs and scores, we conducted a multi-group confirmatory factor analysis (MGCFAs) (Gregorich 2006; Kline 2013). Following Kline's (2013) recommendations we assessed strong factorial invariance, which assumes full metric invariance and full scalar invariance; this analysis showed that both units (factor loadings) and origins (intercepts) are invariant over the cultures. The procedure proposed by Hirschfeld and Von Brachel (2014) evaluates the changes in approximate fit indexes and specifically in the comparative fit index (CFI). Following their procedure, we found that the change in CFI for strong factorial invariance was 0.005. According to Cheung and Rensvold (1999), a change in CFI values that is less than or equal to .01 (i.e., $\Delta\text{CFI} \leq .01$) indicates that there are no significant invariances between the samples.

A manipulation check confirmed the manipulated differences between intense and mild anger conditions ($F(1,158) = 11.92, p < .001$; $Mean_{(low)} = 3.92$; $SD = 0.91$; $Mean_{(high)} = 4.41$, $SD = 0.88$, $Cohen's d = 0.55$). Gender and age had no significant impact on compensation and were not included in further analyses.

Hypothesis 1, which predicted more compensation of customer expressions of intense anger than of mild anger in a low power culture, and more compensation of mild anger than of intense anger in a high power culture, was supported by a two-way ANOVA ($F(1,154) = 4.65, p = .004, \eta^2 = .08$). The control variable of the extent of service failure severity did not change the significance of the moderation model ($F(1,153) = 4.80, p = .001, \eta^2 = .11$). Mean

comparisons within each culture supported the predicted direction. In the low power distance culture (Israel), intense anger ($Mean = 259.07, SD = 314.44$) was compensated significantly more than mild anger ($Mean = 131.86, SD = 133.87; t(92) = 2.99, p < .001, Cohen's d = 0.53$). In contrast, in the high power distance culture (Singapore), intense anger ($Mean = 76.31, SD = 112.51$) was compensated significantly less than mild anger ($Mean = 217.77, SD = 304.36; t(66) = 2.47, p = .008, Cohen's d = 0.62$) (see Figure 2).

--Insert Figure 2 about here--

Hypothesis 2, which predicted that people in a low power distance culture will perceive customer expressions of intense anger as more appropriate than people in a high power distance culture, was also supported. A one-way ANOVA confirmed that in the low power distance culture (Israel) customer expressions of intense anger were perceived as significantly more appropriate than in Singapore ($F(1,156) = 29.98, p < .001$; Israel $Mean = 3.22; SD = 0.77$; Singapore $Mean = 2.44; SD = 0.95, Cohen's d = 0.82$).

Hypothesis 3 predicted that perceptions of the appropriateness of a customer expressing anger mediate the effect of culture on the compensation of expressed anger. See Table 3 for model details. To test the mediating role of appropriateness we followed the recommendations of Edwards and Lambert (2007) (see also Grant and Sumanth 2009, pp. 933-934). We used the R software to calculate the interaction coefficients (anger intensity x culture) and then applied bootstrapping methods to construct the bias-corrected confidence intervals based on 1,000 random samples with replacement from the full sample. Mediation is supported when the size of an indirect effect differs significantly from 0 (MacKinnon, Fairchild and Fritz, 2007). The size of the indirect effect was 4.84 and the 95% confidence interval excluded 0 (-219.8; -49.1), supporting H3. The control variable of service failure severity did not change the mediation results.

--Insert Table 3 about here--

Discussion

Study 1 demonstrated the importance of anger intensity and the cultural context in which a customer expresses anger for understanding the tendency to reward customer anger. Consistent with our hypotheses, we found that the tendencies to compensate anger intensity varied with the cultural context. In Singapore, a high power distance culture, there was a greater tendency to compensate mild over intense anger. In contrast, in Israel, a low power distance culture, there was a tendency to compensate intense over mild anger. Study 1 also supported our prediction that perceived appropriateness of expressing anger mediates the effects of culture on rewards for expressing anger.

STUDY 2: THE EFFECT OF POWER DISTANCE AT THE MICRO (INDIVIDUAL) LEVEL AND THE MEDIATING MECAHNISMS

Study 1 compares two cultures and thus leaves open the possibility that other cultural values, such as collectivism (Hofstede 1991), could be responsible for the differences we found in the tendencies to compensate angry customer. . Study 2 examines our research question regarding the specific influence of power distance on the tendency to compensate customers' anger, and introduces a different way of addressing power distance. Study 2 follows the notion that cultural values exist not only at the societal level, but also reside within personal or individual differences (Erez 2011; Maznevski, Gomez, DiStefano, Noorderhaven and Wu 2002). Thus, Study 2 tests our hypothesis on the moderating role of power distance at the individual level of analysis of power distance, and in a third culture – the USA.

Hypothesis 4: Individual differences in the value of power distance will moderate the tendency to reward customer anger; individuals with low values of power distance will compensate intense anger more than mild anger, and individuals with high values of power distance will compensate mild anger more than intense anger.

Another angle not assessed in Study 1, but explored in Study 2, is the motivation that leads people to reward anger. Building on and extending the Emotions as Information Theory (EASI) of Van Kleef (2009), we suggest that the compensation of anger depends not only on the interpretations people extract from the anger displayed by a customer, but also on the importance of these interpretations. This importance is moderated by individual values, and specifically by power distance. In other words, we propose that power distance moderates the importance of interpretations of customer displays of anger. Extending H1 through H4, this means that compensation to an angry customer varies according to the interpretation of the anger, which in turn depends on power distance. We specifically predict that low power distance individuals will be more sensitive to the perceived threat and tend to compensate a customer who they perceive as more threatening. This is because people with a low level of power distance construe anger as serving the social function of conveying a threat (Aronoff, Woike and Hyman 1992; Averill 1983; Goos and Silverman 2002; Lerner and Tiedens 2006; Marsh, Ambady and Kleck 2005). Displayed anger in a low power distance context is known to intimidate recipients (Clark, Pataki and Carver 1996), and to mediate the impact of anger on concessions in negotiations (Sinaceur, Van Kleef, Neale, Adam and Haag 2011). . Furthermore, individuals with low levels of power distance perceive power relations as unstable and interpret anger expressions as symbolizing high power (Tiedens 2001). Thus, they are likely to be sensitive to intimidation by high power people such as customers. Therefore, we suggest that for low power distance individuals, the influence of a customer's expression of anger on the compensating behavior of an employee is mediated by the employee's perception of threat.

Hypothesis 5: Among low power distance individuals, the perception of the customer as threatening mediates the impact of customer anger on compensation.

In contrast, we predict that high power distance individuals will be more sensitive to the perceptions related to saving face and respect, and therefore will tend to compensate a

customer who is perceived as more respectful. Among people high in power distance, anger is an issue of face related to the need to maintain self-respect and self-dignity (Ting-Toomay 1994). For people with high level of power distance, expressions of anger may hurt the harmony of interpersonal relations and damage “face” and are therefore less normative (Grandey et al. 2010). In a similar vein, high power distance relates to the need to maintain and respect the hierarchical status quo, a notion that anger challenges. Hence, our final prediction is that the perceived respectfulness of the customer will explain the impact of customer anger on the compensating behavior of high power distance individuals.

Hypothesis 6: For high power distance individuals, the perception of the customer as respectful mediates the impact of anger on compensation.

Method

Participants. U.S. MBA students (n= 135) participated in the study for partial course credit. Four participants provided incomplete responses and were excluded from the analysis, yielding a final sample of 131 participants (73% male, average age 28.3, 84% reported having more than three years’ working experience, and 53% had experience working in the service industry). The study was designed as a between-subjects experiment with two conditions of low-intensity and high-intensity anger.

Overview and Procedure. As in Study 1, the experiment was introduced as an exercise entitled "Banking Relationship Negotiation" conducted within the framework of a simulation of a customer service environment. More than a week before the beginning of the experiment, participants were asked for some demographic details which included an assessment of the individual values of power distance, as well as age, gender, work experience, and experience in service delivery. During the experiment, participants saw the anger manipulation, also similar to Study 1, responded to the manipulation check, and rated their perceptions of the customer as threatening and as respectful.

Measures

Compensation. Similar to Study 1, the compensation to the customer was the amount of money that participants indicated in the memo that they would give the customer in response to the complaint.

Manipulation Check of Emotion Intensity. As in Study 1, participants evaluated the intensity of customer anger by rating on a five-point scale the extent to which the customer was (1) angry and (2) irritated (Cronbach's $\alpha = 0.75$).

Power Distance. The individual's level of power distance was measured using four items of the validated scale by Dorfman and Howell (1988) (Cronbach's $\alpha = 0.76$).

Collectivism. To ensure that the identified effects resulted from power distance, we controlled for the participants' individual level of collectivism using four items of the validated scale of collectivism (Dorfman and Howell, 1988; Cronbach's $\alpha = 0.70$).

Perceived Threat of Customer. To assess the threat participants attributed to the angry customer, we asked participants to rate on a five-point scale the level to which the customer is threatening, likely to engage in negative word-to-mouth, or to complain to upper management. A sample item is "this customer is very likely to take this complaint to upper management" (Cronbach's $\alpha = 0.70$).

Perceived Respectfulness of Customer. To assess the perception of the respect the customer ascribes to the organization providing the service, participants responded to two items using a five-point scale (The customer is respectful to the service company; Cronbach's $\alpha = 0.71$).

Principal components analysis revealed five significant factors in the data ((1) manipulation check, (2) power distance, (3) collectivism, (4) perceived threat and (5) perceived respectfulness; $\lambda_1 = 3.45$, $\lambda_2 = 2.74$, $\lambda_3 = 1.60$, $\lambda_4 = 1.51$, $\lambda_5 = 1.01$, 61% variance explained. Furthermore, confirmatory factor analysis (CFA) for the five-factor model

revealed a satisfactory confirmatory fit index [CFI] = 0.98, Tucker-Lewis index [TLI] = 0.97 and Root Mean Square Error of Approximation [RMSEA] = 0.037).

Results

The manipulation check confirmed that the manipulation had worked as intended, showing a significant difference in participants' perceptions of customer anger between the intense and mild anger conditions ($F(1,129) = 54.71, p < .0001; Mean_{(low)} = 4.00, SD = 0.57; Mean_{(high)} = 4.66, SD = 0.44, Cohen's d = 1.30$).

Hypothesis 4, which proposed that individual-level power distance moderates the impact of anger intensity on compensation, was supported by a two-way ANOVA. Gender, age, previous service experience, and collectivism had no significant impact on the level of compensation and were therefore not included in further analyses. The ANOVA confirmed a statistically significant moderation model ($F(1,129) = 4.54, p = .004, \eta^2 = .10$; see Figure 3). In further support of Hypothesis 4, simple slopes analyses confirmed significant slopes for both high power distance (+1 SD; $t(125) = -2.35, p = .01$) and low power distance (-1 SD; $t(125) = 2.74, p = .004$).

--Insert Figure 3 about here--

To elucidate the results further, we created a dichotomous measure of individual power distance, based on the measured median, and examined separately the effect of anger intensity among individuals with low and high power distance. In the low power distance group, consistent with Hypothesis 4 and the results of Study 1, we found that in the intense anger condition the compensation was significantly higher than in the mild anger condition ($t(74) = 2.42; p = .01$). In the high power distance group, also consistent with the hypothesis and Study 1 results, in the mild anger condition compensation was significantly higher than in the intense anger condition ($t(51) = 2.03, p = .03$; see Figure 4).

--Insert Figure 4 about here--

The split of participants into groups of low and high power distance also allowed testing Hypotheses 5 and 6, which regarded different mechanisms (of threat and respectfulness) as leading to the different compensation patterns. To test this mediation, we used Preacher and Hayes (2008) Model 6 (see also Hayes 2013), which allows testing multiple simultaneous mediators. To test Hypothesis 5, which predicted the assessments of threat by people with low power distance as a predictor of their financial allocations, we used a bootstrap analysis of 1,000 samples. The test included two mediators (threat and respectfulness), and confirmed a significant mediation of threat CI 95 % = 42.10, SE = 19.44, LL-HL [11.10; 86.70] confidence interval, which does not include 0, (MacKinnon, Fairchild, and Fritz 2007) (~~MacKinnon, Fairchild and Fritz 2007~~), and an insignificant mediation of respectfulness CI 95% = 0.86; SE = 10.15 LL –HL [-13.67; 28.43] confidence interval, which includes 0. For further details, see Figure 5a.

--Insert Figure 5a about here--

Similarly, to test Hypothesis 6, which predicted the assessments of respectfulness by people with high power distance as a predictor of their monetary allocations, we used a bootstrap analysis of 1,000 samples. The test included both mediators and confirmed significant mediation of respectfulness CI 95% = -31.51; SE = 20.35; LL-HL [-81.14; -1.05] and insignificant mediation of threat CI 95% = 9.69; SE = 11.50; LL-HL [-9.92; 34.63]), see Figure 5b.

--Insert Figure 5b about here--

Discussion

The results of Study 2 supported Hypotheses 4, 5, and 6, and further confirmed the findings of Study 1, showing a significant effect of anger on the compensation awarded to customers in a case of service failure, and the moderating effect of power distance of the people involved in this relationship. Extending the findings of Study 1, Study 2 shows the

occurrence of the effects at the individual level of analysis, demonstrating that people who individually report low or high power distance follow different inferences in determining the amount of compensation they suggest giving to a customer. Specifically, Study 2 analyses found that low power distance individuals were more likely to base their compensation decision on the threat they associated with the customer's anger, while high power distance individuals were more likely to base the same decision on the (lack of) respectfulness they felt the customer conveyed. The Study 2 results also made it possible to rule out the possibility that a value potentially competing with power distance -- collectivism -- is responsible for the effects we found in the different responses to customer anger. Thus, our findings on power distance as a critical factor for understanding the impact of anger in customer service connect this research to the broader research stream of cross-cultural service literature (Zhang et al. 2008).

GENERAL DISCUSSION AND FURTHER RESEARCH

This paper examines the complex relationship between customers' expressions of anger and the compensation a customer receives from the service provider for a service failure. Available research on the impact of anger tends to compare anger to other emotions, such as sadness ((Sinaceur et al. 2015; Tiedens 2001) ~~Sinaceur, Kopelman, Vasiljevic and Haag 2015; Tiedens 2001; van Kleef et al. 2014~~). We suggest that there are different intensities in which anger is experienced and expressed (Frijda et al. 1992; Gibson et al. 2009), and that the effects of anger depend on the intensity of displayed anger and the cultural context in which it is expressed (Adam and Brett 2015). Such differentiation is critical for understanding the impact of customer anger on organizational profitability and on the wellbeing of frontline employees (Grandey et al. 2004; Patterson et al. 2016; Surachartkumtonkun et al. 2014). Our research helps illuminate the interdependence between customer anger expressions and attributions, as well as behaviors of frontline employees (cf. Hareli et al., 2009).

Taking the logic of appropriateness approach (Kopelman 2009), and relying on cross-cultural service and negotiation research, we proposed and tested the moderating effect of power distance on the relations between anger intensity and customer compensation. Our results confirmed the moderation proposition and demonstrated that at both macro (national culture, Study 1) and micro (individual value, Study 2) levels, high power distance was associated with larger compensation of intense anger displays compared to mild anger. In contrast, low power distance was associated with larger compensation of mild rather than intense anger.

Furthermore, we showed that this moderation is directly related to the perception of anger appropriateness (Study 1), with the high power distance culture (Singapore) being significantly less tolerant to expressions of anger expression compared to the low power distance culture (Israel). The relations between power distance and the appropriateness of expressing anger have already been examined in prior research with regards to the norms for displaying anger (for a review see Daniels and Greguras 2014). However, our paper makes an important contribution to the literature by theorizing and testing the functionality of appropriateness as mediating the moderating role of power distance on the impact of anger intensity.

In addition, contributing to the EASI theory (Van Kleef 2009), we suggested and found that power distance moderated the importance of anger display perceptions for the compensating behaviors (Study 2). Integrating the cross-cultural research on power distance and on negotiations (Grandey et al. 2010; Kopelman et al. 2016; Sinacuer et al. 2011), we theorized and demonstrated that low power distance individuals tend to offer higher compensation for customer anger that it is perceived as more threatening. In contrast, high power distance individuals tend to provide higher compensation for mild customer anger as it is perceived to be more respectful.

This paper makes several theoretical contributions. First, it contributes to the service

literature by examining the impact of customer anger on employees' compensating behaviors. The question of behavioral reaction to customers' emotional displays was rarely examined in the service research, making this important part of customer-service provider interaction akin to a black hole (Rafaeli et al. 2017). Second, we demonstrate the importance of power distance not only for customers' service expectations (Dash, Bruning, and Acharya 2009; Zhang ~~et al., Beatty, and Walsh~~ 2008), but also for the behavioral tendencies toward the customer, i.e., the willingness to pay compensation. Service research paid great attention to the factors that influence customer satisfaction during the service recovery process, including cross-cultural differences (Du et al. 2010; Krishna et al. 2011; Mattila and Patterson 2004; Morgeson et al. 2011; Schoefer and Diamantopoulos 2009; Wirtz and Mattila 2004; Zhang et al., 2008). However, it mostly ignored compensation tendencies, which are also dependent on cultural preferences, especially power distance. The integration into service theories of the tendency to respond to customers' emotional expressions could contribute to a more comprehensive understanding of employees' service recovery behaviors and lead to more successful recovery processes.

The additional theoretical contribution relates to the examination of the impact of anger intensity. Although past research realized that emotions are experienced and expressed in varying intensities (Brehm 1999; Frijda et al. 1992; Gibson et al. 2009; Miron-Spektor and Rafaeli 2009; Storbeck and Clore 2008), the impact of emotion intensity was rarely studied (Wang, Mao, Li and Liu 2016). Linking the intensity of displayed anger to its perceived appropriateness (Geddes and Callister 2007; Kopelman 2009; Van Kleef and Côté 2007), we were able to demonstrate that intensity has a significant influence on compensation tendencies. Thus, future research should further consider the intensity of the expressed emotion as a factor that may moderate the outcome of its display.

In addition, we contribute to the integration between service and organizational literatures by expanding the Dual Threshold Model that deals in the outcomes of anger

expressions within organizations (Geddes and Callister 2007) into the service context. We expand this model into the cross-organizational relations between customer and service providers, to the level of cultural values. We suggest that this interdisciplinary approach will enrich our understanding of human behavior driven by emotional expressions across different organizational and cultural contexts.

Finally, our paper has managerial implications for service-providing organizations. First, we demonstrate the relationship between individual values and beliefs regarding power distance and the tendency to compensate angry customers. Managers of service providing units should be aware of these tendencies for policy making and monitoring purposes. In addition, our findings suggest that in low power distance cultures there is a need to address customers who express mild anger, in order to minimize the customers' tendency to express intense anger purposely to obtain higher gains. In contrast, in high power distance cultures, there is a need to address intense anger that otherwise might escalate into aggression and rage (e.g., Patterson et al. 2016).

Limitations and Future Research

While our study demonstrates the relationship between power distance and tendency to compensate anger intensity across macro and micro levels of power distance, it has certain limitations that should be addressed in future research. Prior service research on power distance discussed the relative power of a customer and of service provider as an important moderator of service interactions (Zhang *et al.*, ~~Beatty, and Walsh~~ 2008). However, the relative power of the customer was beyond the scope of the current research. Future research should assess the customer's perceived power and test this factor as an additional moderator. Furthermore, it should test the relations between anger intensity and compensation under different service encounter contexts, where the relative power (status or knowledge) of both the customer and the service provider is manipulated.

Finally, our focus is limited to compensatory behaviors, while service research has demonstrated that customer satisfaction depends also on procedural aspects, like speed of recovery, and on interactional treatment, such as an apology (Liao 2007; Liao and Chuang 2004; Wirtz and Mattila 2004). When research supports the notion that compensation is highly valued in cases of monetary-related failure, the speed of service delivery is also a significant factor that should be further examined (Roschk and Gelbrich 2014). In addition, recent research has connected the display of anger to the tendency to move away from the angry counterpart (Yip and Schweinsberg 2017) and to engage in uncivil behaviors (Walker, van Jaarsveld and Skarlicki 2017). Thus, future research should examine the impact of customers' anger intensity and power distance on several other service behaviors, such as tendency to delay a response and move away, and the tendency to use apologetic versus uncivil language.

This paper provides empirical evidence on the importance of the intensity of displayed anger and the value of power distance for further comprehension of the tendency to compensate an angry customer. We find that only under low power distance conditions "The squeaky wheel gets the grease" and this is due to the perception of customer anger as threatening.

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Table 1. Table demonstrating the history of compensations paid to customers and the maximum compensation funds available

The Available Fund for Compensation Purposes	Date	Paid Compensation
\$8,390	5-July	\$200
\$8,190	7-July	\$1200
\$6,990	10-July	\$500
\$6,490	10-July	\$670
\$5,820	13-July	\$300
\$5,520		

Note. The currency fitted participants' country

Table 2. Manipulation of Customer Anger

<p>Mild Anger Condition</p>	<p>“I went through the reports you sent me and I am really angry. You charged me a 1.3% commission per quarter. This commission is too high. This is not what your representative had promised me. My friend is paying you much less. I am very displeased with the commission. Please lower it and compensate me.”</p>
<p>Intense Anger Condition</p>	<p>“I went through the reports you sent me and I am really angry! You charged me a 1.3% commission per quarter! This commission is too high!!! This is not what your representative had promised me! My friend is paying you much less! How dare you! I’m really angry about the commission! Lower it and compensate me immediately!”</p>

Table 3. Study 1: Testing the mediation of perceptions of the inappropriateness of customer anger and the moderation of culture on the effects of intensity of expressed anger on level of compensation

	Model 1				Model 2			
	<i>B</i>	<i>SE</i>	<i>t</i>	<i>p</i>	<i>B</i>	<i>SE</i>	<i>t</i>	<i>p</i>
Intercept	-349.91	175.11	-2.00	.047	-1049.77	312.49	-3.36	.001
Culture	354.56	117.09	3.03	.003	229.42	124.76	1.84	.070
Anger Intensity	395.87	113.56	3.49	.001	931.53	209.48	4.45	.000
Culture * Anger Intensity	-268.66	75.41	-3.46	.001	-176.64	80.07	-2.21	.03
Appropriateness					307.39	120.47	2.55	.011
Appropriateness * Anger Intensity					-228.25	77.21	-2.96	.004

Table 4. Study 2: Descriptive statistics and correlations

	Mean	STD	1	2	3	4	5	6	7	8
1 Manipulation check	4.33	0.60								
2. Customer's respect	2.78	0.65	-.30**							
3. Customer's Threat	3.23	0.62	.40**	-.26**						
4. Compensation	108.73	127.89	-0.17	0.12	.19*					
5. Power Distance	2.10	0.62	-0.16	-.32**	.24**	0.09				
6. Collectivism	3.29	0.53	0.08	-.23**	0.03	0.07	.20*			
7. Gender	0.27	0.45	0.05	-0.09	-0.04	-0.16	-0.07	-0.05		
8. Age	28.23	3.62	0.03	0.04	0.04	-0.01	-.19*	-0.06	-0.11	
9. Service experience	1.53	0.50	0.06	-.30**	-0.11	-0.10	.29**	0.06	-0.03	-.19*

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

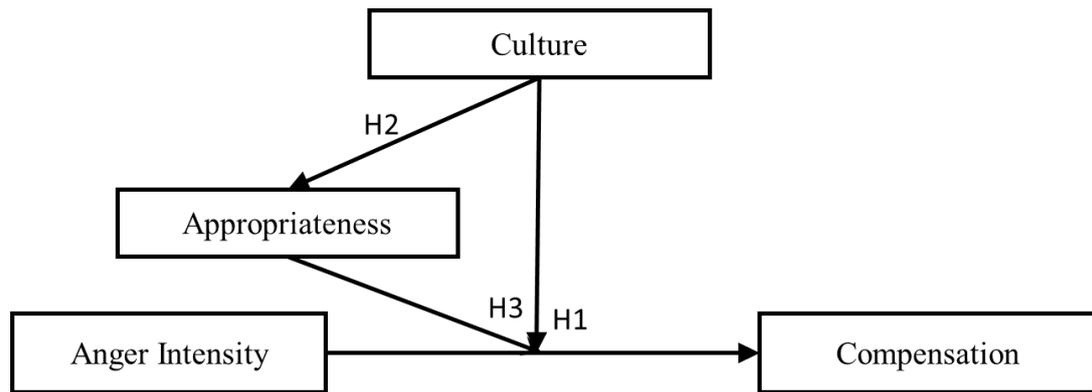


Figure 1. The proposed model of culture moderating the effect of anger intensity on compensation and (in)appropriateness mediating this effect

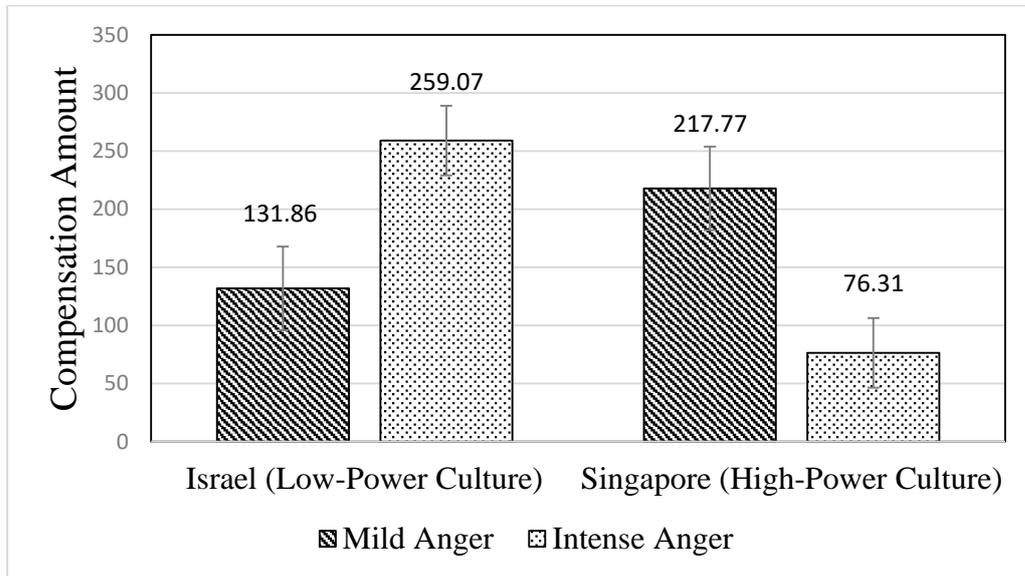


Figure 2. Study 1: Means and Standard Errors of Compensation in a Low Power Distance and a High Power Distance Culture

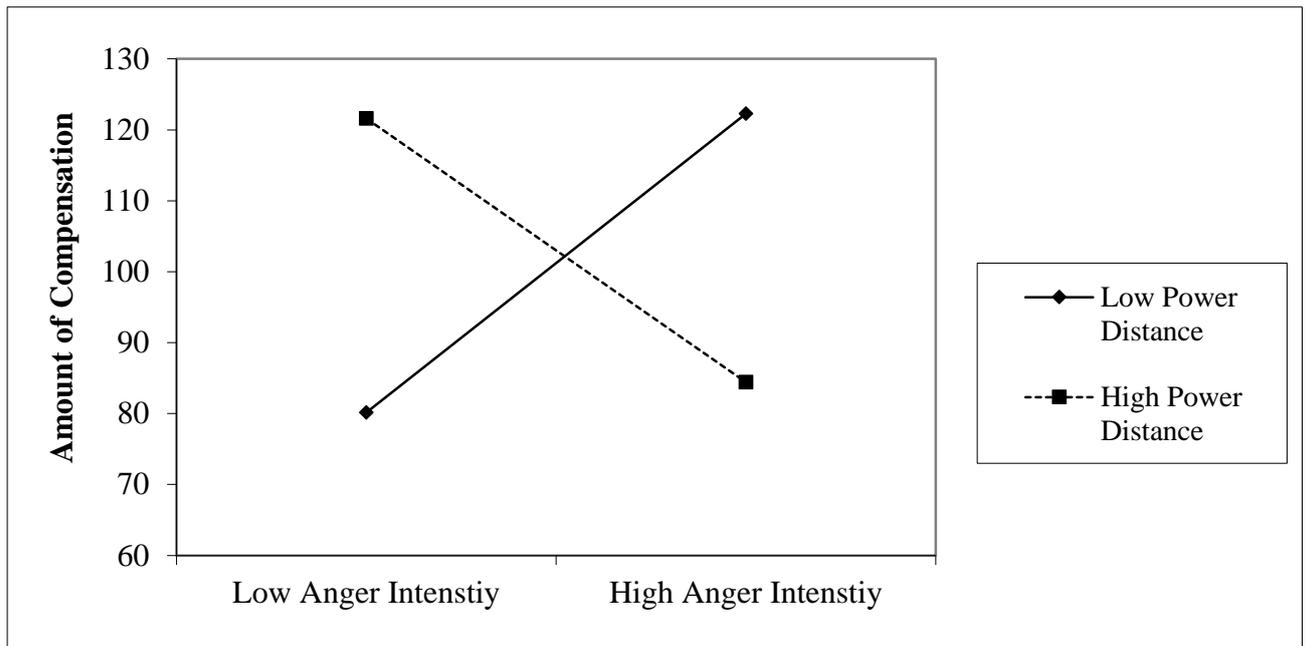


Figure 3. Study 2: Power Distance Moderating the Effects of Anger Intensity

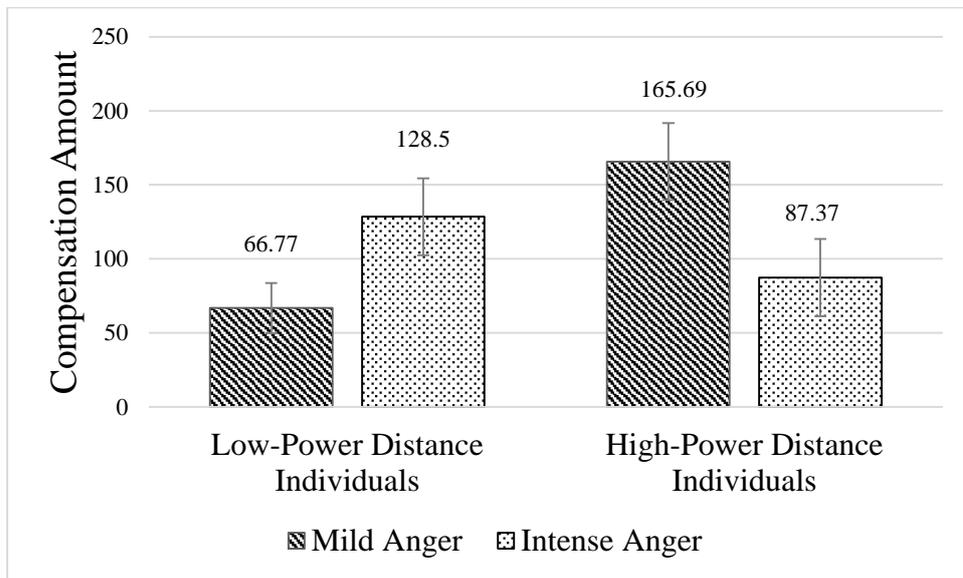


Figure 4. Study 2: Means and Standard Errors of Compensation Allotted by Participants Grouped into High and Low Power Distance.

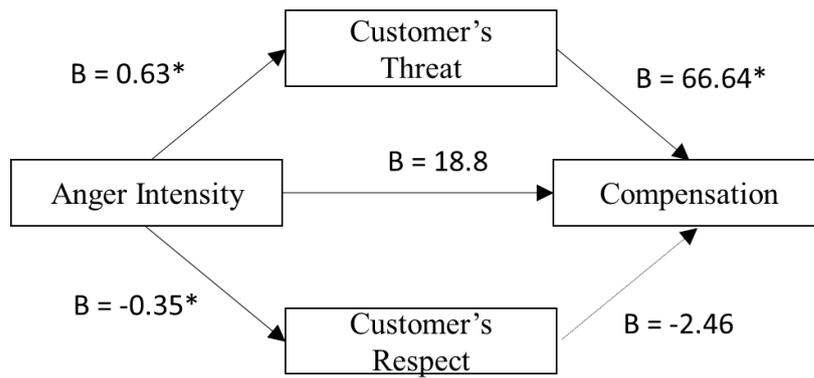


Figure 5a. Study 2: Mediation of Customer Threat Explains Compensation Decisions of Low Power Individuals

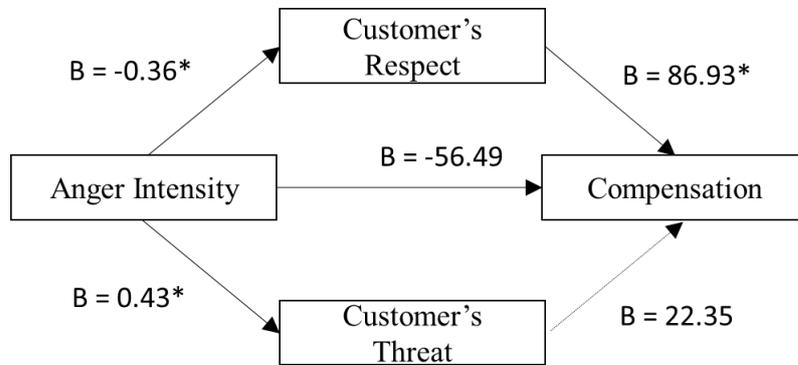


Figure 5b. Study 2: Mediation of Customer Respectfulness Explains the Compensation Decisions of High Power Individuals