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Article (Accepted Version)


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Abstract

This study advances current knowledge by examining how employee deviance and customer participation during a single employee-customer exchange generate favourable customer responses. This work bridges the employee deviance stream with the service encounter literature and illustrates the importance of equity theory in deviant service exchanges between customers and employees. Moreover, results add to the ongoing debate on service nepotism by canvassing the consequences from the customer’s active participation in deviant exchanges which appears to enhance customer perceptions of the exchange. A 3x2 between-subjects experimental design was adopted which manipulates three types of pro-customer deviance along with customer’s participation (or not) to the exchange. The dependent variables capture three types of perceived customer justice (cognitive outcomes) and customer’s affective state (affective outcome). Findings illustrate that customers approve employees’ deviance for their own benefit while also indicate favourable outcomes from deviant exchanges with employees such as higher perceived justice and a more positive affective state. The article concludes with a discussion of the theoretical and managerial implications, limitations and research directions that emerge from this study.

Keywords: employee deviance, perceived justice, customer participation, experimental design, citizenship behaviour.
Introduction

Service employees’ role during their exchanges with customers remains a central area of investigation in the service management literature (Wilder et al., 2014), as customers’ evaluations of the organization are shaped by the behaviour of the frontline staff (Gounaris & Boukis, 2013). A relatively unexplored but critical aspect of the employee-customer interface is associated with employees’ deviance from their job role and its consequent impact on customers (Harris & Ogbonna, 2006; Daunt & Harris, 2014). Whereas extant studies illustrate some detrimental consequences for the organization due to negative employee deviance such as reduced patronage (Harris & Ogbonna, 2012; Yagil & Luria, 2014), understanding how customers perceive different forms of employee deviance is of utmost importance, as customers often reciprocate or retaliate the company on the basis of their experience with the frontline staff (Brady, Voorhees & Brusco, 2012).

Apart from the destructive consequences of negative employee deviance (e.g. Appelbaum, Iaconi & Matousek, 2007), recent developments in the area indicate that employees can also violate organizational norms in a pro-social way with pro-organizational (Vadera, Pratt & Mishra, 2013) or pro-customer intentions (Rosenbaum & Walsh, 2012). Pro-customer deviance is one such form of pro-social behaviour which occurs when the employee deviates from organizational norms, defying organizational protocol and higher authority for the customer’s welfare (Leo & Russell-Bennett, 2014). Whereas some work on the psychological background and outcomes of pro-organizational deviance is evident (e.g. Umphress & Bingham, 2011), scant evidence exists on how pro-customer deviance acts on customers’ psychological state during service exchanges and also on their consequent behavioural responses towards the employee or the organization (Verleye, Gemmel & Rangarajan, 2015; Deng et al., 2016). Additionally, the role of customer participation in such exchanges is rarely addressed and scarce evidence exists on whether it affects customer
responses to employee deviance (Brady et al., 2012). Equally important, no studies scrutinize whether customer responses to pro-customer deviance drive customers to reciprocally respond to the organization with some form of citizenship behaviour (Hochstein, Bonne & Clark, 2015). Without shedding light on how customers experience a deviant exchange with employees, managerial efforts to eliminate these behaviours remain ineffective, as customers’ reactions remain a significant part of the recovery strategy that service firms need to design and apply.

This study aspires to bridge the pro-social deviance stream with the service encounter literature by examining how different forms of pro-customer deviance generate cognitive and affective customer responses in a single employee-customer exchange. Acknowledging the importance of customer participation in service exchanges, this works extends the customer participation literature by confirming favourable customer outcomes from their participation in deviant exchanges and sets equity theory as the theoretical underpinning between employee deviance and customer responses. To gain insights about these issues, a 3x2 experimental design is adopted, manipulating three types of pro-customer deviance (i.e. deviant service adaptation, deviant service communication and deviant use of resources) and customers’ participation (or not) to the exchange; their impact on customers’ cognitive and affective responses (as reflected on the three types of perceived justice and their affective state) is also addressed. Results deepen scholarly understanding of how perceived customer justice and affective state are affected from pro-customer deviance while clear benefits from customers’ participation in deviant exchanges are identified. A path analysis also explores the role of encounter satisfaction as the link between customer responses to a deviant exchange and two types of extra-role behaviour (i.e. customer citizenship behaviour towards the employee and customer word-of-mouth (WOM) towards the organization).
The following sections discuss the role of pro-customer deviance and customer participation for deviant exchanges and set the theoretical background of their impact on customers. The experimental design of the study is then introduced and results are presented. Finally, a discussion of the contribution and limitations of this study is provided.

**Pro-customer deviance and customer responses**

Whereas several studies address the impact of various types of negative employee deviance (e.g. van Jaarsveld, Walker & Skarlicki, 2010), extant research also identifies a number of constructive deviant behaviours (e.g. Umphress & Bingham, 2011; Appelbaum et al., 2007). The constructive deviance literature notes that employees may display harmful deviant behaviours to the organization in pro-social ways (Spreitzer & Sonenshein, 2004) and identifies behaviours that violate organizational norms which aim at the welfare of some reference group (i.e. the organization, its members or its customers) (Vadera et al., 2013; Leo & Russell-Bennett, 2012). Rosenbaum and Walsh (2012) introduce the “service nepotism” concept to describe employees who deliver benefits to customers “by virtue of his or her relationship with the customer based on shared socio-collective commonalities and without qualified substantiation” (p. 242). This unprompted, and often illegitimate, delivery of benefits to customers is not irrational, as reciprocal benefits can be reaped when employees act in a customer-oriented way (Rosenbaum, 2008). Recent work also illustrates some favourable customer consequences from constructive employee deviance (e.g. employee sweethearting inflates customer loyalty) (Brady et al., 2012).

Within this research stream, Leo and Russell-Bennett (2014) introduce pro-customer deviance as a set of deviant employee behaviours which take place for the customer’s benefit and identify three forms of deviance. *Deviant service adaptation* consists of behaviours through which employees alter the service delivery process, defying organizational rules and
norms. Their common ground is that employees modify arbitrarily service offerings to cater customers’ needs (e.g. providing unofficial discounts) (Gwinner Bitner, Brown & Kumar, 2005). *Deviant service communication* comprises behaviours through which employees disclose illegitimate information to customers about the organization and/or its products (e.g. poor quality products), faithfully representing customers' interests but against the organization’s rules (Leo & Russell-Bennett, 2012). The third facet of pro-customer deviance is the *deviant use of resources* which includes helping employee activity and takes places when employees devote organizational resources beyond their role requirements to support customers (e.g. spend excessive time listening to customers), again without conforming to organizational norms.

Despite that relevant studies explore situational, organizational and individual antecedents of pro-social deviance (e.g. Leo & Russell-Bennett, 2014), how pro-customer deviance is viewed from the customer’s side and especially whether it generates any favourable cognitive and affective customer responses has yet to be examined (Vadera et al., 2013; Yagil & Luria, 2014). In this vein, the role of cognitive (i.e. perceived justice) and affective (i.e. customer affective state) customer responses to pro-customer deviance is discussed.

*Theoretical background*

Perceived justice remains one of the most desired cognitive customer outcomes, as customers’ perceptions of fair interpersonal treatment and exchange outcome affect their post-transaction behavioural intentions (Wen & Geng-qing Chi, 2013). The literature identifies perceived customer justice as a key antecedent in customer cognitive evaluations (Siu, Zhang & Yau, 2013; Karatepe, 2006). Prior work concurs on three dimensions of perceived justice (Tax, Brown & Chandrashekaran, 1998; Chang & Hsiao, 2008). *Procedural justice* captures the perception that fair procedures were used to arrive at the specific exchange outcomes. *Interactional justice* is associated with the perceived fairness of
interpersonal treatment customers receive during the service delivery process (Blodgett, Hill & Tax, 1997); last, *distributive justice* reflects the perceived fairness of the exchange outcomes, representing a more outcome-based evaluation of the customers.

The rudiment of the association between pro-customer deviance and perceived customer justice is underpinned by the equity and social exchange theory (Adams, 1965; Blau, 1964). Although both theories are widely utilized to explain reciprocity in interpersonal interactions and exchange spirals in employee-customer interactions (e.g. Groth & Grandey, 2012), their role is also fundamental for deviant employee-customer exchanges. Based on equity theory, fairness is evident when the ratio of an individual’s inputs (benefits) to outputs (efforts) is balanced with the ratio of the other party (Adams, 1965). Applying equity theory to deviant service exchanges, customers invest inputs and receive outcomes while also compare the balance of their own inputs to the balance of the other party (Yi & Gong, 2008). Hence, when employees deviate from organizational rules for customers’ sake, customers feel as their inputs to the specific exchange are reduced for the same type of outcome, when compared to other customers’ inputs. As a result, perceived customer justice from the specific exchange is likely to be enhanced due to pro-customer deviance. Drawing from social exchange theory, which suggests that when one party provides a benefit, the other party is motivated to reciprocate by providing a benefit in return (Gouldner, 1960), customers will be more prone to reciprocate the employee and/or the organization, responding to this equity surplus they have previously received, due to employee’s illegitimate behaviour aiming at their benefit (Yi, Natarajan & Gong, 2011).

*Pro-customer deviance and different types of perceived customer justice*

Despite that customer’s interest remains the common denominator of all deviance types, each type of pro-customer deviance might affect customers in a different way. For example, procedural justice is expected to remain higher when deviant service communication is
evident, compared to other types of pro-customer deviance. The strong impact of deviant service communication might be due to the provision of open and reliable information to customers, reducing this way the information asymmetry they face (Ball, Simões Coelho & Macháš, 2004) and enabling them to reach a better purchase decision. On the contrary, one would expect deviant service adaptation to reduce customers’ perceptions of a fair exchange process, as the employee evidently disregards the existing service delivery standards. Likewise, when employees squander organizational resources to bestow the customer with illegitimate benefits, not available to other customers, as a mean to fulfil their objectives (Rosenbaum & Massiah, 2007), deviant use of resources is also anticipated to reduce perceived procedural justice.

H1a: Customer’s perception of procedural justice is expected to be enhanced when deviant service communication occurs, compared to deviant service adaptation and deviant use of resources

Perceived interactional justice is expected to be enhanced when deviant service adaptation takes place, compared to other deviance types. In the same way that customers are more satisfied with the interaction when they experience tailored treatment from employees (Coelho & Henseler, 2012), unlawfully customizing services signals the benevolence of the employee towards them. As a result, customers’ perceptions of interpersonal treatment can be enhanced. On the other hand, deviant use of resources is less likely to be perceived as highly personalized customer service due to consumer entitlement. Consumer entitlement captures the extent to which customers expect special treatment in retail settings (Boyd & Helms, 2005). As customers often hold ideal expectations for service encounters (Boulding, Kalra, Staelin & Zeithaml, 1993) and are not aware of the service delivery parameters as well as of the exact employee role specifications, they are more likely to ascribe the deviant resource use to their heightened sense of self-importance rather to employees’ pro-customer intentions.
In the case of deviant service communication, there is a disclosure of organizational intelligence to the customers (Leo & Russell-Bennett, 2012) which can enhance their decision-making ability but can also have a negative impact on customers. The disclosure of negative information about the organization and its products might stimulate some cognitive dissonance, as the info customers receive might contradict their current assessment of the organization (O’Neill & Palmer, 2004). Hence,

*H1b: Customer’s perception of interactional justice is expected to be enhanced when deviant service adaptation occurs, compared to deviant service communication and deviant use of resources*

Distributive justice is expected to be higher when deviant service communication and deviant use of resources occur. Through the provision of illegitimate info customers’ knowledge can be enhanced, enhancing their ability to meet their exchange objectives (Eisingerich & Bell, 2008). As customers associate outcome fairness from a transaction with the extent to which the promised benefits are delivered (Bowen, Gilliland & Folger, 2000), the provision of supplementary benefits would reduce customers’ uncertainty levels and enhance trust (Moorman, Deshpande, & Zaltman, 1993), enhancing their perceived outcome fairness. On the other hand, deviant service adaptation is mostly process-based deviance and employee’s departure from organizational rules unquestionably renders the exchange outcome as less fair for the customer, compared to previous exchanges and other customers.

*H1c: Customer’s perception of distributive justice is expected to be enhanced when deviant service communication and deviant use of resources occur, compared to deviant service adaptation*

*Pro-customer deviance and customers’ affective state*

Customers’ affective state during service exchanges is also crucial as their affective responses strongly affect their post-exchange evaluations (Mattila & Enz, 2002). The
cognitive appraisal framework suggests that emotions are elicited by appraisals of various situations and are tied to the situation eliciting the specific response (Lazarus, 1991). During deviant exchanges, customers may experience strong affective reactions due to unexpected and unlawful employee deviance for their benefit, such as waiving of certain charges, etc. (van Jaarsveld et al., 2010). In fact, a positive affective response is more likely to be triggered from the customer’s side, as pro-customer deviance aims at customer’s welfare. Despite affective responses are quite influential in individual consumer evaluations (Hennig-Thurau, Groth, Paul, & Gremler, 2006), scarce evidence exists when it comes to exchange-specific emotions and their role as a mechanism through which employee’s behavioural output can be translated into customer’s subsequent behaviour remains unchallenged (Schoefer & Diamantopoulos, 2008).

Deviant service adaptation is expected to have a strong influence on customer’s affective state as when service delivery is illegitimately modified accordingly to individual customer needs, customers perceive a more favourable experience (Coelho & Henseler, 2012). Likewise, deviant use of resources is also likely to strongly enhance customers’ affective state, as it will exceed their initial expectations about the exchange through the delivery of unsolicited benefits. Vice versa, the provision of illegitimate information to customers might have a dual impact on consumers. Whereas customers might appreciate employee’s transparent and honest verbal communication about the organization and its products (Rosenbaum & Massiah, 2007), pro-customer deviance might also trigger higher cognitive dissonance, as the info customers receive might contradict their existing beliefs about the organization (O’Neill & Palmer, 2004). Hence,

**H2: Customer’s affective state is expected to be enhanced in deviant service adaptation and deviant use of resources, compared to deviant service communication**
Customer participation in service exchanges

The customer participation literature investigates customers’ involvement in the production and delivery of a service (Czepiel, 1990; Dabholkar, 1996). Enacting customers as active participants in the service creation and delivery process is beneficial, in general, to both firms and customers (e.g. Gallan, Jarvis, Brown, & Bitner, 2013; Wu, 2011). For example, customer participation can help firms to reduce their costs and to customize their offerings, allowing customers to directly contribute to the delivery of the final service (Auh et al., 2007). Moreover, customer participation can result in improved service quality and increased customers’ intentions to spend (Ngo & O'Cass, 2013) while also increases the chances that consumer needs are satisfied (Bitner et al., 1997).

A parallel but distinct research stream in customer participation views the customer as a co-creator of value (Vargo & Lusch, 2004). This stream denotes that firms should mobilize their customers to create their own value from the company's service/product offerings and also encourage them to actively engage in co-creating customized experiences (Prahalad & Ramaswamy, 2004). In this context, customer participation can generate mutually beneficial outcomes for both parties from their interaction (Ramirez, 1999). Despite these insights for the role of customer participation in traditional service exchanges, limited works exists on the psychological outcomes of customer participation in other non-traditional settings and especially how customer involvement conditions their experience in deviant exchanges (Dong, Evans & Zhou, 2008).

Customer participation in deviant exchanges

This study stresses the role of customer participation during deviant exchanges and considers it as the extent to which customers are involved in producing and delivering the service, recognizing that it might benefit both customers and organizations (Wu, 2011). How customers receive relational benefits from an exchange is a function of their enactment as
partial employees during the exchange (Rosenbaum & Massiah, 2007). Based on customer socialization theory (Claycomb, Lengnick-Hall & Inks, 2001), customer participation in the service recovery process generates more favourable perceptions of the organization and their enactment as “partial employees” enhances their experience (Büttgen, Schumann & Ates, 2012) and also reduces the financial and performance risks associated with receiving inappropriate outcomes (Etgar, 2008). In analogy, customer participation in a deviant exchange is likely to enhance customers’ perceptions that the benefits they are seeking are actually attained; hence, their perceived justice is expected to be enhanced.

**H3a-H3c: When the customer participates in a deviant service exchange, higher perceived procedural (H3a), interactional (H3b) and distributive (H3c) justice are expected than when no customer participation exists.**

Customers’ engagement to service exchanges can also increase their value perceptions (Chan, Yim & Lam, 2010). When customers engage in the solution of a problem they are facing, they feel as being more fairly treated and also view the process as more candid and equitable (Gallan et al., 2013). For example, in medical services, patients involved in health care decisions obtain more realistic and appropriate treatments and experience greater satisfaction (Trede & Higgs, 2003). On the basis of equity theory, it is anticipated that the amount of perceived justice received from the customer’s active participation in a deviance exchange would increase for two reasons. First, participating customers have a more favourable experience than non-participating ones when the outcome is better than expected (Bendapudi & Leone, 2003), as the case with pro-customer deviance. The outcome of pro-customer deviance, which aims at customers’ welfare, is likely to be unforeseen and also above and beyond actual customer expectations, enhancing this way perceived customer justice. Second, employee pro-social acting is thought to positively affect customer’s
transaction-specific experience (Liao, 2007), as the receipt of relational benefits has been associated with enhanced customer reciprocal behaviour (Lee et al., 2014). On this basis,

\[ H4a-H4c: \text{ When the customer participates in a deviant service exchange, the effect of pro-customer deviance on procedural (H4a), interactional (H4b), and distributive (H4c) justice is expected to be stronger than when no customer participation exists } \]

Prior work also suggests that customers enhance their relational value through their sense of enjoyment and by building relational bonds with employees (Bendapudi & Leone, 2003). In fact, their participation in the exchange generates a more enjoyable experience (Dabholkar & Bagozzi, 2002) and they may experience delight due to the greater sense of control they have over the process and the final outcome (Schneider & Bowen, 1995). Hence, customers’ engagement to deviant exchanges that promote their own welfare is also anticipated to enhance their positive affective state. Therefore,

\[ H5a: \text{ When the customer participates in a deviant service exchange, (s)he is expected to have a more positive affective state than when no customer participation exists } \]

Positive affective consequences are expected to be further enhanced when customers participate in the exchange, as their active engagement is associated with positive emotions such as joy in other settings (Dabholkar & Bagozzi, 2002). In line with agency theory, which argues that consumers monitor employees’ delivery of the promised benefits (Chan et al., 2010), when customers can oversee and at the same time, participate to an exchange which takes place for their own benefit, a stronger positive impact of employee deviance is expected on their affective state. Thus,

\[ H5b: \text{ When the customer participates in a deviant service exchange, the effect of pro-customer deviance on customer affective state is expected to be stronger than when no customer participation exists } \]
The role of encounter satisfaction between customer responses to employee deviance and their behavioural outcomes

*Encounter satisfaction* represents customer’s satisfaction about a specific exchange that (s)he has just experienced and results from the evaluation of the events and behaviours associated with this exchange (van Dolen, De Ruyter & Lemmink, 2004). Encounter satisfaction has a central role during service recovery efforts (Siu et al., 2013) and prior work in the area illustrates that perceived justice determines satisfaction during service recovery (Kim, Kim & Kim, 2009), while also acknowledges the differential effect of various types of justice on service recovery satisfaction (Karatepe, 2006). In a deviant exchange, different types of justice are also expected to have a differential impact on customers, as the nature of the exchange and the type of the benefits delivered in such encounters alter their relative importance for customers’ experience. Hence, the following replication is proposed:

*R1a-R1c: Interactional (R1a), procedural (R1b) and distributive (R1c) justice are expected to have a positive effect on encounter satisfaction*

The broaden-and-build theory of positive emotions argues that an individual’s positive affective state has significant expanding effects on one’s behaviours (Fredrickson, 1998). As the employee acts beyond his role description for the customer’s benefit, with the aim of satisfying his needs, a positive affective state is likely to be generated which can enhance the customer’s emotional evaluations from the specific exchange. As a result, the following replication is proposed:

*R2: Customer’s positive affective state is expected to have a positive effect on encounter satisfaction*

Apart from exchange-specific consequences, encounter satisfaction can also affect customers’ behavioural intentions (van Dolen et al., 2004; Lin & Liang, 2011). As individuals appreciate the reception of benefits that are valuable to them, they may also
reciprocate through actions that contribute to the future well-being of the benefactor, on the basis of social exchange theory (Brady et al., 2012). Therefore, the impact of encounter satisfaction on two types of customer citizenship activity is explored.

First, its impact on customer citizenship behaviour (CCB) towards the employee is suggested. CCBs are pro-social actions performed by customers beyond the ones they would typically perform in an exchange relationship and favour the employee’s welfare (Yi et al., 2011; Bove et al., 2009). Prior research has identified various customer-based and employee-related determinants of CCBs (Bove et al., 2009; Zimmermann et al., 2011), but the extent to which they can be generated from exchange-specific outcomes, such as encounter satisfaction during a deviant exchange, has yet to be investigated.

Customer word-of-mouth (WOM) captures customers’ advocacy of the organization’s brand and also remains a key customer outcome for organizations (Löhndorf & Diamantopoulos, 2014). Despite pertinent studies acknowledge several employee-based determinants of customers’ WOM (e.g. Wang, 2009; Ng, David, & Dagger, 2011), scarce evidence exists on whether transaction-specific outcomes from deviant exchanges affect customers’ advocacy for the organization’s brand. Encounter satisfaction is expected to enhance customers’ WOM for the organization, as positive input from a service exchange can trigger favourable customer reactions (De Matos & Rossi, 2008). Hence, the following replication is proposed:

*R3a-R3b: Encounter satisfaction is expected to have a positive effect on CCB towards the employee (R3a) and customer word-of-mouth (R3b)*

Using a path analysis, the impact of the three types of justice and affective state on encounter satisfaction is addressed and the effect of encounter satisfaction on customer citizenship behaviour towards the employee and customer WOM are also considered.
Method, Data Collection and Measures

Experimental Design

A 3x2 experimental design was employed and two independent variables were manipulated. The conditions manipulated were three types of pro-customer deviance (i.e. deviant service adaptation, service communication and use of resources) as well as customer participation in the service exchange (or not). The scenarios were developed using a projective approach, reducing this way social desirability effects (Wirtz & Chew, 2002). This approach is applicable when there is a high congruency between the participants’ genuine experiences and the ones they experience in the study (Dabholkar, 1996). Therefore, a retail service setting was selected, as customers often deal with deviant employee activity in this setting (Van Eerde & Peper, 2008).

In the brief scenario, the participant has to travel in a very short notice. So, one arrives at a travel agency with the aim of getting some affordable tickets for a trip but the available tickets are quite expensive so the participant cannot afford them. The agent who is serving him/her displays pro-customer deviance, which is clearly denoted. In the deviant service adaptation scenario, the agent “defying the protocol, gives a ring to several airline companies for some “sneaky” tickets that are cheaper but only available for frequent flyers”. In the deviant service communication scenario, the agent “defying the protocol, informs you that there is a discount coupon that you can redeem against your flight by downloading it directly to your smartphone”. In the deviant use of resources scenario, the agent “defying the protocol, uses his own discount coupon in order to find a cheaper ticket for you”. The cases representing the three forms of pro-customer deviance are based on previous work in the area (e.g. Leo & Russell-Bennett, 2012).

The second condition manipulated is customer participation in the exchange. Either the customer participates in the service exchange (The agent listens to your needs….and then, he
discusses analytically all the alternatives with you... you select one of them and he books the one you have selected) or there is no customer participation (the agent searches for other alternatives, books the one that considers the best for you in advance and asks you whether you agree with it or not....you agree and he books the suggested one). A relatively low financial benefit was selected for customers (i.e. 5% off the ticket price), as the receipt of a high monetary gain may render their response extremely favourable towards the agent.

A survey-based experimental approach was selected, which mitigates the difficulties associated with recalling deviant episodes in the field. Respondents were pre-screened and frequent purchase experience in retail settings was the main criterion for respondents’ inclusion. Participants were recruited by invitation using an online platform and they were randomly assigned to each one of the six conditions. A convenience sampling approach was selected and the 6 scenarios were answered from 128 respondents. Regarding respondents’ demographic profile, 39.8% of them were male, 64.8% had a bachelor degree (17.2% had a master degree). Most of the respondents (29.7%) lie within the 30-40 age cohort and 22.6% are in the 40-50 age cohort. Regarding their annual income, 30.4% of them earn between £25.001 and £40.000, 25.7% earn between £12.001 and £25.000 and 25.0% of them earn between £40.001 and £65.000.

Pretesting

Both manipulations were pretested with a separate group of participants. A convenience sample of 153 respondents was recruited from university students and was used for pretesting. A between-subjects experimental design manipulated the three types of pro-customer deviance and customer participation to the exchange (or not). After reading the scenario, participants rated their agreement and indicated the realism of each manipulated variable on a single-item scale from 1 to 7. The independent variables were measured as follows; participants were asked to rate the extent to which the specific behaviour of the
agent took place for the customer’s benefit, in order to ensure that employee deviance is perceived to occur for the customer’s benefit (1= not at all – 7= very much). For the second manipulation check, participants were initially given the following definition of employee deviance (i.e. Employee deviance exists when the employee deviates from organizational norms, defying organizational protocol and higher authority) and then were asked to rate the extent to which this was a recovery effort on behalf of the agent, so to confirm that employees’ deviant behaviour is not perceived as a service recovery effort (1= service recovery effort -7= employee deviant behaviour). Regarding their participation to the deviant exchange, participants were asked to rate the extent to which they think they participated to the outcome of this exchange (1= not at all – 7= very much).

Results show that pro-customer deviance was perceived from respondents to occur significantly more for their own benefit [M_cust_benefit=5.78, M_no_cust_benefit=1.69; t= 25.925, p<.001]. Participants also perceive this exchange more as a deviant behaviour rather than a service recovery effort [M_deviance=6.59, M_service_recovery=1.47; t= -43.1, p<.001]. With respect to customer participation, respondents’ perceptions of participation in the exchange remain significantly higher than no participation [M_cust_part=6.61, M_no_cust_part=2.09; t= 28.420, p<.001].

Measures and Reliability

Encounter satisfaction was assessed based on four items adopted from Van Dolen et al.’s work (2004). Employee-oriented citizenship behaviour was based on Stock and Hoyer’s scale (2005) and customer WOM is based on three items from Löhndorf and Diamantopoulos (2014). The items for the three types of justice rely on Roggeveen, Tsiros and Grewal’s (2012) work. Customer’s positive affective state is based on three positive emotions identified from Schoefer and Ennew (2005). All responses were captured on 1 (strongly
disagree) to 5 (strongly agree) scales. Table 1 summarizes the study’s items, their reliability and also reports convergent and discriminant validity of the study’s constructs.

<Insert Table 1>

**Results**

With regards to procedural justice, results reveal a main significant effect of pro-customer deviance on procedural justice \( [M_{serv.adapt}= 4.08, M_{serv.comm}=3.75, M_{res.use}=4.20; F=4.37, p<.001] \). Following the post-hoc comparison, which indicates significant differences between two out of three deviance types, procedural justice remains significantly higher in the deviant service adaptation \( (M_{diff}=-0.34, p<.05) \) and the use of resources scenarios \( (M_{diff}=-0.45, p<.05) \), compared to deviant service communication, rejecting H1a. The 3x2 ANOVA also reveals a significant main effect of customer participation on procedural justice \( [M_{cust.part}=4.12, M_{no_cust.part} =3.89; F=4.37, p<.05] \), in support of H3a. Last, a significant two-way interaction effect is found for pro-customer deviance and customer participation \( [F=5.71, p<.01] \), confirming H4a.

A 3x2 ANOVA reveals a main significant effect of pro-customer deviance on interactional justice \( [M_{serv.adapt}=4.14, M_{serv.comm}=3.81, M_{res.use}=4.18; F=4.174, p<.01] \). The post-hoc comparison shows significant differences between two out of three pro-customer deviance types. Interactional justice remains significantly higher in the deviant service adaptation \( (M_{diff}=0.32, p<.05) \) and the deviant use of resources scenarios \( (M_{diff}=0.36, p<.05) \), when compared to deviant service communication, partially supporting H1b. Results also reveal a significant main effect of customer participation on interactional justice \( [M_{cust.part}=4.18, M_{no_cust.part} =3.90; F=6.49, p<.01] \), in support of H3b. A significant two-way interaction effect is also confirmed for pro-customer deviance and customer participation \( [F=4.61, p<.01] \), confirming H4b.

Last, with respect to distributive justice, the 3x2 ANOVA shows no significant differences among the three types of deviance \( [F=0.607, p>.05] \), rejecting H1c. Additionally,
no significant effect of customer participation on distributive justice is identified \[F=1.242, p>.05\], rejecting H3c. Likewise, no significant interaction effect for pro-customer deviance and customer participation exists \[p>.05\], rejecting H4c.

A 3x2 ANOVA reveals a significant main effect of customer participation on affective state \[M_{cust\_part}=4.13, M_{no\_cust\_part}=3.85; F=5.24, p<.05\], in support of H5a. Similarly, a significant main effect of pro-customer deviance on affective state with significant differences among the three deviance types is also affirmed \[M_{serv\_adapt}=4.09, M_{serv\_comm}=3.73, M_{res\_use}=4.15; F=4.60, p<.01\]. The post-hoc comparison shows that affective state remains significantly higher in the deviant service adaptation \(M_{diff}=0.36, p<.05\) and the deviant use of resources scenarios \(M_{diff}=0.42, p<.05\) when compared to the deviant service communication one, supporting H2. The interaction effect for customer participation and pro-customer deviance suggests that only deviant service communication is significantly higher in the customer participation scenario than in the no customer participation one \[M_{cust\_part}=4.18, M_{no\_part}=3.30; F=5.86, p<.01\], in partial support of H5b.

In order to test the hypothesized replications a path analysis was employed. First, a confirmatory factor analysis (CFA) was conducted. The fit indices were used to assess the model’s overall goodness of fit \(IFI=0.951; TLI=0.939, CFI=0.949, RMSEA=0.061\) and all values exceed the common acceptance thresholds (Hair et al., 2006), indicating that the measurement model has a relatively good fit with the data. After assessing the measurement model, investigating the fit of the structural model is appropriate. The two manipulating conditions were inserted as independent variables in the model, in line with previous studies suggesting the use of SEM on experimental data, when the data involves multiple latent variables (Halkias & Kokkinaki, 2014). The goodness-of-fit statistics revealed that the model fits the data reasonably well \(\chi^2=795.60, df=240; p<0.001\). The IFI of 0.924, the CFI of
0.922, the TLI of 0.905, and the RMSEA of 0.069 indicate that the structural model fits the sample data adequately (Hair et al., 2006).

Table 2 reports the standardized regression weights of the structural model. Interactional justice has a strong significant effect on encounter satisfaction ($\gamma=0.609 (0.078), p<.001$), verifying R1a. Procedural justice has a significant effect on encounter satisfaction ($\gamma=0.290 (0.088), p<.01$), confirming R1b. Likewise, distributive justice has a positive and significant effect on encounter satisfaction ($\gamma=0.334 (0.104), p<.01$), in support of R1c. In the same vein, positive affective state also has a strong significant effect on encounter satisfaction ($\gamma=0.577 (0.078), p<.001$), verifying R2. Finally, encounter satisfaction has a positive significant effect on both customer citizenship behavior towards the employee ($\gamma=0.748 (0.167), p<.001$) and customer WOM ($\gamma=0.841 (0.147), p<.001$), affirming R3a and R3b respectively. The squared correlations indicate that the antecedents of encounter satisfaction explain a very high amount of its overall variance (93.8%). Moreover, encounter satisfaction accounts for 39.3% of customer WOM and for 70.8% of employee-directed citizenship behavior.

<Insert Table 2>

Discussion

Prior research in the employee deviance stream discusses various organizational and individual antecedents of pro-social deviance and sheds light on the motives of employee deviance as well as on their deviance towards different reference groups (e.g. Umphress & Bingham, 2011; Vadera et al., 2013). Extending this research stream, this study explores how employee deviance is perceived from the customer’s side and especially reveals how pro-customer deviance is perceived from consumers during a discrete exchange with a deviant employee. Also, some consequences from customer participation in deviant exchanges are
also canvassed, extending scholarly understanding of the role of customers in deviant employee activity.

This study has an important theoretical contribution to the services marketing area, bridging the constructive deviance stream with the service encounter literature. Adding to existing theoretical frameworks which explain employees’ engagement to deviant activity (Umphress & Bingham, 2011), it sets equity theory as the theoretical foundation based on which customers favourably respond to the delivery of illegitimate benefits on behalf of employees and illuminates the underlying psychological mechanism through which employee deviance generates positive customer responses towards the employee and the organization. Through the provision of an illegitimate benefit which promotes customer’s welfare, pro-customer deviance bestows a value surplus to the customer, and as a result, the customer’s input-output balance is positively affected. This surplus results in increased perceptions of justice and facilitates, through encounter satisfaction, customer’s reciprocal behavioural response towards the employee and the organization.

This study also adds to the service nepotism literature which centres around how employees bestow benefits on customers on the basis of a perceived common interest. Following suggestions to explore service nepotism from the employees’ side (Rosenbaum & Walsh, 2012), the results extend the benefits that employees can illegitimately deliver to customers and also illustrate that employee deviance can be perceived as a resource to customers which enables them to meet their exchange objectives. Moreover, two reciprocal customer citizenship behaviours are identified which derive from employees’ nepotistic activity, prolonging this way the ‘bright side’ of service nepotism (Sarpong & Maclean, 2015).

This study also adds significantly by illustrating the impact of pro-customer deviance on perceived interactional and procedural justice. Whereas pertinent research mainly illustrates
individual antecedents (Siu et al., 2013) or service recovery performance (e.g. Liao, 2007) as key determinants of customer justice, results pinpoint that customers report higher interactional justice when employees use their job resources beyond their expected role requirements to support them or arbitrarily modify standardized service delivery for their sake. Customers also admit higher procedural justice when employees bend the organization’s service delivery rules or misuse organizational resources for their sake. Another intriguing finding is that illegitimate disclosure of information to customers does not seem to affect perceived customer justice; perhaps due to the fact that customers cannot easily assess employees’ motives for illegitimate firm-oriented advocacy or decide whether employees actually serve their own interest before that of the firm (Ogbonna & Harris, 2013).

The lack of significant variation among various forms of pro-customer deviance with respect to distributive justice might be associated with the fact that customers recognize, to some extent, the illegitimate benefits they receive from the employee’s side.

Results also extend scholarly knowledge in the employee deviance stream in the following ways. First, pro-customer deviance is tied with favourable customer responses at the encounter level, advancing current wisdom which mostly associates employee deviance with dysfunctional customer outcomes (e.g. Daunt and Harris, 2014). Second, pro-customer deviance has a stronger effect on customers when they participate in the deviant exchange which indicates that customer participation is important even in non-traditional service exchanges. Third, despite that employees unlawfully depart from existing service delivery standards to satisfy customers, customers perceive it as a more tailored treatment and do not dismiss this illegitimate activity.

This study also advances current knowledge in the value creation stream by affirming that customers’ vigorous engagement to deviant exchanges inflates their interactional and procedural fairness they ultimately receive. Adding to a number of studies which
acknowledge the importance of customer participation in the service encounter (e.g. Gallan et al., 2013) and the service recovery areas (e.g. Roggeveen et al., 2012), this study affirms that customers feel as being more fairly treated and also view the service delivery process as more equitable when they actively participate in a deviant exchange. As previous work rarely examines affective responses associated with customers’ participation to service exchanges (Gallan et al., 2013), results confirm that employees’ delivery of illegitimate benefits to customers has an impact upon their affective state and not solely on their cognitive evaluations of the exchange. This finding adds to the consequences deriving from employee deviance, as customer consequent evaluative judgements from a deviant exchange are not only based on the cognitive assessment of the benefits received from the other party but they also remain impulsive, as their consequent affective state strongly affects their encounter satisfaction.

Some interesting insights on encounter satisfaction in deviant exchanges also emerge. As previous studies report that not all justice dimensions have the same importance in predicting customer satisfaction and stress the role of distributive justice in several service settings (Clemmer & Schneider, 1996), it appears that the perceived fairness of interpersonal treatment that customers receive is mostly valued by customers during deviant exchanges. Customer’s affective state also surfaces as a strong predictor of encounter satisfaction, emphasizing the prevalent role of emotions in such exchanges. In fact, different types of justice and affective state account for most of the variance of encounter satisfaction in deviant exchanges. This is also one of the few studies that illustrates how a single discrete deviant exchange can generate customer citizenship outcomes (Yi, Gong & Lee, 2013). Customer citizenship behaviours can also be triggered from exchange-specific evaluations and do not necessarily derive from accumulated previous experiences with the employee and/or the organization.
Although prior work indicates that employees’ belief that they can achieve legitimate goals in illegitimate ways often underlies their engagement in deviant behavior (Mainemenelis, 2010), their deviant activity might also have a differential effect on various reference groups. In this case a paradox surfaces; the organization’s well-being might be impaired due to the misuse of organizational resources due to employee deviance, but at the same time, employee deviance is favourably perceived from customers and can lead to increased encounter satisfaction. However, it is not clear to what extent these customer outcomes favour the organization from a financial or a brand-related perspective. Moreover, there is a risk that repeating pro-customer deviant incidents might render pro-customer deviance as an integral part of expected customer service, which will generate laborious expectations from the customer’s side in the long-term.

**Managerial Implications**

The derived knowledge from this study could serve as a starting-point for retail and service organizations to understand how customers perceive and respond to employee deviance. As customers appear to welcome various types of employee deviance, managers should act proactively and give more discretionary power to their front-line staff to customize, at some extent, the service delivery process, especially in settings where deviance frequently occurs. When employees become more eligible to adjust the highly standardized procedures in most retail service settings, they will be able to better cater customer needs and also reward customers when required. At the same time, some more strict managerial controls need to be imposed. First, managers should closely oversee and evaluate how employees use their extra discretionary power during exchanges with customers, to avoid the misuse of organizational resources. Moreover, explicit standards for assessing various types of deviant activity as well as norms of ethical individual performance should be introduced and strong
signals about normative expectations should be sent to frontline staff. The counterproductive impact of wasting resources at the team level should also be communicated internally, as peer pressure can prevent employees’ from ignoring the firm’s ethical standards. For example, communicating that the waste of excessive time with customers might put some extra load on other co-workers would render frontline staff aware of the impact of deviant acting on their co-workers’ welfare.

Employees’ ability to meet these increased role demands and their alignment with ethical behaviour standards should also be reflected on their performance appraisal, monitoring this way employees’ deviance in a more formalized way. On the basis of this assessment, managers should also examine whether they should penalize employees who, regardless of their intentions, ignore higher authority and cross the line to deliver customers illegitimate benefits. Based on these managerial actions, frontline staff is more likely to become reluctant to the adoption of nepotistic behaviour while also employees will gain with a more central role in service delivery and be more involved in decision-making during their exchanges with customers. Apart from the actions directed at the frontline staff, managers should also look closer at the steps of the service delivery process with the aim of ensuring that customers receive a relatively customized treatment which seems to be the main driver of their increased encounter satisfaction from deviant exchanges.

**Limitations and directions for future research**

Several limitations should be considered when interpreting the results of this study. First, the experimental design relies on scenario-based experiments which restrict the generalization of the findings. Second, due to the relatively small sample size and the lack of a replication study, the results should be interpreted with caution. Third, the study’s design manipulates only two parameters of deviant exchanges whereas other important conditions
such as the magnitude of the benefit that the customer receives, the importance of the problem (s)he is facing or the successful outcome (or not) of the transaction are not taken into account. The three types of pro-customer deviance focus on the delivery of financial benefit and do not examine how other types of benefits (e.g. social benefits) affect customer responses. The selected setting might also limit the generalizability of the findings to other retail settings, where decision-making is more impulsive. Of course, acknowledging the managerial implications provided, empowering employees cannot be universally applied to all service settings, given the particular characteristics of some service types. Last, this design does not account for the rational underlying the display of pro-customer deviance, as customers may perceive illegitimate benefits in a different way due to some form of service failure (i.e. internal locus of responsibility), compared to when these benefits are delivered in an unprompted and unsolicited way.

Despite this evidence, a more comprehensive understanding of how managers should deal with employee deviance is required. Especially, more insights are needed on the impact of illegitimate employee behaviour on desired customer outcomes and the long-term impact of pro-customer deviance on the organization’s brand reputation, as perceived from customers, needs to be further examined. The risks from the ongoing delivery of illegitimate benefits to customers should be further explored, as it can result into customer’s anticipation of such benefits on a regular basis. Additionally, research can also investigate how organization should manage employees who engage in deviant acts with varied intentions for various stakeholders (e.g. pro-organizational, pro-customer or self-directed). Future research should also explore whether different types of deviance should be neutralized and penalized on the basis of their impact on the organization and also provide more evidence on the underlying psychological mechanisms through which they are enacted.

References


