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Helping Employees Deal With Dysfunctional Customers: The Underlying Employee Perceived Justice Mechanism

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Abstract

While considerable research explores job stress interventions for employees dealing with legitimate customer complaint behavior, managerial interventions relating to illegitimate, unreasonably dysfunctional customer behavior have been largely overlooked. Drawing on justice theory and using survey and experimental data, this study investigates perceived justice as the underlying mechanism through which managerial interventions affect satisfaction and loyalty among employees exposed to dysfunctional customer behavior. In addition, this study explores the contingency factors that affect this relationship. The findings offer managerial insights into how to protect employees from detrimental consequences of highly negative interactions with dysfunctional customers. This research suggests that managers should continually reinforce employees' perceptions of fairness through interventions such as social support, participation, empowerment, and reward. Results also indicate that managers particularly need to direct intervention efforts to employees who are exposed to frequent and seriously negative interactions with dysfunctional customers.

Keywords

dysfunctional customer behavior, intervention, employee satisfaction, employee loyalty

In recent years, studies have increasingly focused on dysfunctional customer behavior, such as incivility, aggression, and psychological victimization (Harris and Reynolds 2003). Although these behaviors cause problems for firms and other customers, they are especially likely to engender employee stress. Empirical studies show that dysfunctional customer behavior is positively related to negative employee affect (Dallimore, Sparks, and Butcher 2007), burnout (Ben-Zur and Yagil 2005), absenteeism (Grandey, Dickter, and Sin 2004), and turnover (Yagil 2008). Regrettably, dysfunctional customer behavior is prevalent in numerous service settings (Grandey, Kern, and Frone 2007). For example, one study reveals that call center employees handle seven calls from abusive customers each day (Grandey, Dickter, and Sin 2004). A more recent study shows that 1 in every 10 employees in the United Kingdom report that they are intentionally and verbally abused by customers (Daunt and Harris 2012).

Unfortunately, in conformity with the maxim that the customer is always right, firms tend to tolerate excessively negative dysfunctional customer behavior. The reality, however, is that the customer is *not* always right, and the unequal power relationship between customers and employees renders the latter vulnerable to the former's dysfunctional behavior (Grandey, Dickter, and Sin 2004). In addition, the belief in customer sovereignty leads firms to ignore the damage inflicted on employees and require the employees to remain courteous even in the face of customer incivility (Yagil 2008). As customers

are aware of these policies, they are more likely to exhibit dysfunctional behaviors.

In this study, dysfunctional customer behavior refers to interpersonal customer behaviors perceived as illegitimate by employees in that the company and employees are not responsible for such customer behaviors. Given the central role employees play in providing superior customer service and thereby contributing to firms' success, managers must help employees recover from the damage (e.g., mental stress) customers' dysfunctional behavior inflicts.

However, much previous research implicitly assumes that dealing with negative customer behavior is a part of service employees' job (e.g., Grandey, Dickter, and Sin 2004; Grandey, Kern, and Frone 2007; Yagil 2008). According to Yagil (2008), customers are given the official right to reclaim the value they deserve by complaints, which employees perceive as normal. Customer complaint behavior is a set of

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multiple behavioral responses triggered by customer dissatisfaction. It includes public or private action such as seeking remedies from employees, communicating dissatisfaction to employees, and even discontinuing service from employees (Singh 1988). Since employees have to attend to these functional customer behaviors, managers carefully screen employee candidates as to whether they have the ability to cope with these behaviors, as this ability minimizes employee burnout and stress. Furthermore, managers try to help employees deal with job stress by developing an effective system for leader-member exchange, regularly checking whether employees and work environment characteristics are well matched and maintaining a climate for employees that effectively reduces stress.

Although employees are expected to address those customer complaints and legitimate demands, they are not responsible for dealing with customer dysfunctional behaviors, because these behaviors are unwarranted (Reynolds and Harris 2005). Thus, handling dysfunctional customer behaviors is not within the typical service employees' role. While employees might face dysfunctional customers in a service encounter, interacting with them is not automatically or legitimately a part of their job and employees comprehend such a situation as inherently unfair. Consequently, employees expect the organization to help them deal with dysfunctional customers, and if adequate support is not provided in the face of such excessively negative interactions, they perceive the situation as unfair (Grandey, Kern, and Frone 2007). For this reason, restoring justice should be the central concern in managing employees who experience negative interactions with dysfunctional customers. From the perspective of justice theory, employees feel that expecting them to deal with dysfunctional customers exceeds the inducement they receive for their work (Vermunt and Steensma 2001).

Importantly, negative interactions with dysfunctional customers are more damaging to service employees than to salespeople. Although like service employees salespeople operate at the boundary of an organization (Singh 1993), they focus more on increasing productivity (e.g., sales volume) than on delivering service to customers. That is, firms concentrate on the quantity effects of sales behaviors rather than on the quality effects of service behaviors. As salespeople devote their time and effort to sales performance rather than to customer service, they are not expected to fulfill service requests from customers and can avoid or minimize negative interactions with dysfunctional customers. As a result, interactions with dysfunctional customers in a sales context are less common than those in a service context (Jasmand, Blazevic, and de Ruyter 2012; Yu, Patterson, and de Ruyter 2012).

Although dysfunctional behaviors may occur within the firm, organizational research has shown that customer dysfunctional behaviors toward employees are more frequent and damaging than such behaviors by managers or other employees, because customers are more likely to feel anonymous, disregard future interactions, and engage in retaliation than employees' managers or coworkers (Grandey, Kern, and Frone 2007). In addition, dysfunctional customers' incivility has a

greater impact than that of coworkers because customers are a greater source of aversion than are coworkers (Sliter, Sliter, and Jex 2012).

The current research thus examines when employees have to deal with dysfunctional customer behaviors, how managerial interventions work, whether perceived justice is the underlying mechanism, and what contingency factors affect employee loyalty and satisfaction. This study differs from previous research on perceived justice and service climate in that it focuses on very specific incidents of dysfunctional customer behavior and related managerial interventions. The purpose of the current research is therefore to identify ways to reduce negative employee outcomes caused by dysfunctional customer behaviors, with special attention to managerial intervention and perceived justice. We focus on the superior because supervisors or managers have authority to allocate resources to subordinates (Vermunt and Steensma 2001, 2005). They can instill coping abilities and provide social support, both of which can reduce stress caused by dysfunctional customer behaviors. Through a survey, Study 1 tests the impact of four types of managerial intervention on perceived justice as well as intervention satisfaction and employee outcomes. As the findings of Study 1 raise the question of intervention effectiveness, in Study 2, we examine the effects of two boundary conditions using a scenario-based experiment.

Theoretical Underpinnings and Hypotheses Development

Employee Perceived Justice as an Intervening Mechanism

When handling customer complaints, employees often encounter customers who may yell, threaten, behave rudely, and even physically harm them. These negative experiences result in high levels of stress and burnout as well as reduced employee performance and lower financial outcomes for firms (van Jaarsveld, Walker, and Skarlicki 2010). According to emotional labor theory, dysfunctional customer behaviors result in psychological tension among employees because they have to adhere to the firm's rules for emotional display, which mandate the expression of positive emotions (Grandey 2003). The effort expended in suppressing negative feelings like anger tends to induce burnout, depression, diminished self-esteem, and emotional exhaustion (Brotheridge and Grandey 2002; Groth, Hennig-Thurau, and Walsh 2009).

The present study explores the underlying mechanisms through which managerial interventions related to dysfunctional customer behavior affect various employee outcomes. To this end, we focus on employee-perceived justice because employees perceive that dealing with dysfunctional customer behaviors is not a part of their job and inherently unfair (Reynolds and Harris 2005). Employees thus expect to be helped by management, and will consider lack of support to be an unfair treatment (Vermunt and Steensma 2001, 2005). If firms take no action to address these negative interactions, employees may feel unfairly treated and dissatisfied, engage

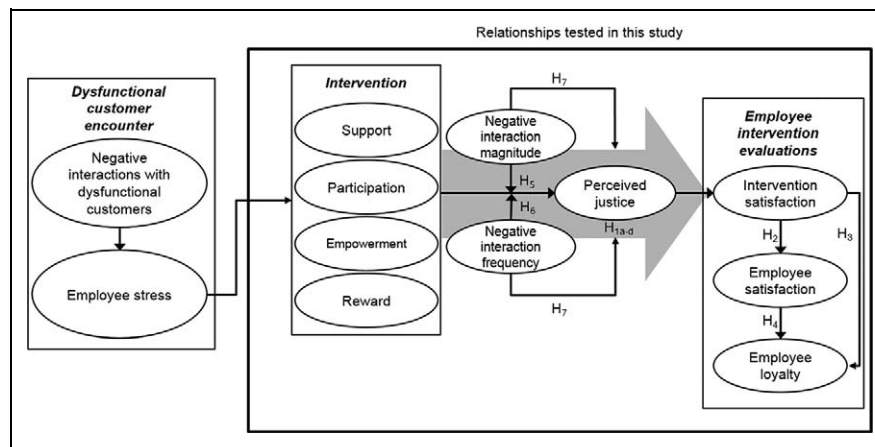


Figure 1. Framework and constructs.

in deviant behaviors such as sabotage, and show retaliatory behaviors toward customers or the organization (Bowen and Johnston 1999). Therefore, the current research examines employees' perception of the fairness of the procedural or decision-making processes in handling the problems caused by dysfunctional customer behavior.

Justice theory offers a theoretical framework for understanding the intervention process. If employees experience resource loss owing to interactions with dysfunctional customers, they expect fair resolution in the form of intervention that compensates for their loss. Failure to provide such an intervention leads to perceived injustice and negative evaluations of the firm, whereas positive fairness evaluations engender cognitive and affective responses in the form of intervention satisfaction (Vermunt and Steensma 2001, 2005). Intervention satisfaction refers to the degree to which an employee is satisfied with a firm's intervention efforts following negative interactions with dysfunctional customers.

In this study, we propose that interventions targeted at employees suffering from dysfunctional customer behavior may promote intervention satisfaction and other employee outcomes by enhancing employee justice perceptions. In examining the managerial interventions, we adopt a conceptual framework based on four types of managerial interventions: social support, participation in decision making, empowerment, and reward (Bowen and Johnston 1999). Figure 1 summarizes the theoretical framework, which suggests that intervention affects intervention satisfaction indirectly through perceived justice. Also, intervention satisfaction is expected to influence employee satisfaction and ultimately employee loyalty to the company.

Social Support

Social support refers to the emotional assistance managers provide when employees experience stress from interacting with dysfunctional customers. Research shows that social support helps individuals redefine the potential harm posed by the stressful event and bolsters their perceived ability to cope with

it (Greenberg 2006). The cognitive appraisal theory of stress also states that emotional support attenuates stress by facilitating employees' belief that they can successfully reduce dysfunctional customer behavior or even avoid it entirely (Greenberg 2006). By providing support such as empathy, managers can help employees to lower stress caused by dysfunctional customer behavior (Lewin and Sager 2008).

Social support from managers communicates respect, courtesy, and empathy to employees, which should enhance employees' fairness evaluations of the interaction (Liao 2007). Employees who receive managerial support are more likely to experience better communication with and feedback from managers, leading to the perception of being treated fairly (Smith, Bolton, and Wagner 1999). This justice perception should result in intervention satisfaction. Thus, social support is likely to enhance intervention satisfaction by generating justice perceptions with respect to organizational efforts to aid employees who have to deal with dysfunctional customers.

Hypothesis 1a: Perceived justice will mediate the relationship between social support and intervention satisfaction.

Participation in Decision Making

Employee participation takes the form of expressing views and/or preferences about alternatives regarding how to cope with dysfunctional customer behavior (i.e., voice) and then making the final decision or selecting a specific option (i.e., choice; Roberson, Moye, and Locke 1999). By involving employees in decision making, managers can better understand how to improve procedures for handling dysfunctional customer behaviors. Participation may help employees develop and apply additional coping strategies (Bowen and Johnston 1999). Similarly, consistent with Herzberg's motivation-hygiene theory, participation in decision making satisfies employees' higher order needs such as self-actualization, achievement, and independence, leading to greater employee satisfaction and less anxiety at having to engage with dysfunctional customers (Pereira and Osburn 2007).

According to the voice effect of justice theory, participation in decision making leads to perceived justice through instrumental and noninstrumental mediating processes (Shapiro and Brett 2005). The instrumental process explanation states that the voice effect arises when people value a process because it gives them an indirect influence over the outcome of a decision. In contrast, the noninstrumental process explanation states that expressing one's views leads to positive affect such as catharsis as well as a sense of connection with group members and authorities, which strengthens the perception of justice (Elovainio, Kivimaki, and Helkama 2001; Shapiro and Brett 1993). Thus, employees excluded from decision-making processes will judge the decision procedure as unfair (Folger and Bies 1989). Therefore, employees who participate in decisions related to dealing with dysfunctional customers will perceive a greater level of justice regarding intervention, leading to intervention satisfaction.

Hypothesis 1b: Perceived justice will mediate the relationship between participation in decision making and intervention satisfaction.

Empowerment

Empowerment is the act of granting, transferring, and sharing power. Thus, it provides employees with the authority to address problems such as dysfunctional customer behavior as they occur (Niehoff et al. 2001). Empowerment is a potential buffer against stress from dysfunctional customers because it increases employees' control of interpersonal encounters and enhances their ability to cope with stressful encounters (de Ruyter, Wetzels, and Feinberg 2001; Yagil 2006). The job strain model holds that having the authority to address the problems of dysfunctional customers by themselves should enhance employees' sense of control and self-efficacy beliefs, thus improving the ability to cope with stress and thereby reducing frustration and strain from dysfunctional customer behavior (Jackson 1983; Karasek 1979).

Attribution theory explains why empowerment enhances perceived justice. According to the theory, individual behaviors are influenced by their causal inferences (Folkes 1984). Attribution theory predicts that highly empowered employees infer that unfavorable outcomes, such as suffering from dysfunctional customer behaviors, mostly result from their own actions and that they have the power to rectify the situation (Weiner 2000). Thus, empowered employees are likely to attribute the cause of negative interactions with dysfunctional customers to themselves and feel more responsible for as well as capable of dealing with the situation, which should promote their justice perception regarding the intervention process (Hess, Ganesan, and Klein 2003). We therefore propose that perceived justice explains the link between empowerment and intervention satisfaction.

Hypothesis 1c: Perceived justice will mediate the relationship between empowerment and intervention satisfaction.

Reward

The effort-reward imbalance model (Siegrist 1996) explains the way rewards reduce employee stress. A core premise of this model is that an imbalance of high levels of effort and low levels of reward causes emotional distress in employees, because the imbalance violates their expectations of reciprocity between costs and gains. In other words, employees who are exposed to uncivil customers and who have low pay or poor promotion prospects perceive a stress-creating effort-reward imbalance. In this case, managers can help employees by offering additional incentives to remedy the imbalance (Boshoff and Allen 2000; Bowen and Johnston 1999).

The experience of an effort-reward imbalance violates core expectations of reciprocity, leading to adverse perceptions of justice (Siegrist 1996). Thus, offering proper rewards for employees experiencing negative interactions with dysfunctional customers should produce favorable outcomes, because effort- or stress-equivalent rewards should restore positive justice perceptions, which are directly responsible for intervention satisfaction.

Hypothesis 1d: Perceived justice will mediate the relationship between reward and intervention satisfaction.

Intervention Satisfaction and Employee Outcomes

To establish a causal chain between intervention and its ultimate outcome, our model examines the effects of intervention satisfaction on employee satisfaction and loyalty. More specifically, intervention satisfaction is expected to affect employee satisfaction. Because employee satisfaction reflects overall satisfaction with the job and the company, a particular instance of intervention satisfaction should positively affect employees' overall satisfaction. Furthermore, loyalty is a salient consequence of employee satisfaction. Employee loyalty refers to the likelihood that an employee wants to remain at the company and recommends the firm as a good place to work. Individuals satisfied with intervention are expected to tell others about their experience. The present study therefore posits that both intervention satisfaction and employee satisfaction will directly influence employee loyalty.

Hypothesis 2: Intervention satisfaction will have a positive effect on employee satisfaction.

Hypothesis 3: Intervention satisfaction will have a positive effect on employee loyalty.

Hypothesis 4: Employee satisfaction will have a positive effect on employee loyalty.

Study I

Sample and Data Collection

The hypotheses were tested by surveying employees of call centers in the telecommunication industry in South Korea. Three locations of the firm were visited as part of the data

collection. The unit of analysis is the individual employee, who spends most of his or her time responding to and resolving customer problems over the telephone. Managers are responsible for supporting and mentoring employees. Within this industry, employees often encounter dysfunctional customers, making this sample ideal for this study (Grandey, Dickter, and Sin 2004; van Jaarsveld, Walker, and Skarlicki 2010).

To reach respondents, research assistants personally visited office locations and distributed questionnaires to employees during regularly scheduled meetings. Respondents were asked to recall an incident of customer dysfunctional behavior within the last 6 months that they actually reported to the manager, thus inviting managerial intervention to the incident. The 6-month recall time frame is usually adopted in the literature (Bitner, Booms, and Mohr 1994; Keaveney 1995). To stimulate the memory of the incident and to allow a better understanding of it, respondents were first asked to record what kinds of dysfunctional behavior the customer exhibited and whether and how the problem was resolved with the help of managerial intervention. Under the assurance that their responses would be kept confidential, respondents were then asked to complete the questionnaire based on the specific event. While one of the items on intervention satisfaction was not specific to a particular recalled encounter, respondents answered all the questions with reference to a particular recalled encounter. Consequently, the generality of that item should not affect the substantive results of the study. Furthermore, when we tested the current hypotheses excluding that specific item from our analysis, the results were identical to the original findings. Thus, we conclude that the one general item on intervention satisfaction was not a major issue.

In total, 133 respondents provided data suitable for analysis. Respondents' average age was 33.2 years and 56.4% were female. More than 70% had been employed by their organization for 1 year or more, with a median length of employment of 24 months. To assess the representativeness of the sample, we performed a series of *t*-tests to compare the respondents with the population from which the sample was drawn. Using the demographic profile of the customer service employees of the firm in regard to age, gender, and organizational tenure, we found no significant differences.

Measure Development

In assessing the constructs, we employed existing measures, adapting the wording as necessary to suit the context of this study. All scales used a 7-point Likert-type scale with anchors of *strongly disagree* (1) and *strongly agree* (7). A full list of scale items and their sources appears in the Appendix.

Social support was measured using a 4-item scale adapted from Rosenbaum (2006). Participation in decision making was measured with 4 items based on the work of Teas, Wacker, and Hughes (1979). Empowerment was measured with 4 items adapted from Boshoff and Allen (2000), and reward was measured with 4 items from Boshoff and Allen. Perceived justice was assessed by modifying items used by Homburg and Fürst (2005), and intervention

satisfaction was measured with 3 items adopted from Maxham and Netemeyer (2002). Employee satisfaction was assessed with 4 items adapted from Rich (1997) and Homburg and Stock (2004). Employee loyalty was assessed with three newly developed items reflecting the intention to remain with the company and willingness to recommend the company as a good place to work.

Results

SmartPLS version 2.0 M3 software was used to validate the measurement model and test the hypotheses (Ringle, Wende, and Will 2005). The composite reliabilities for all variables exceed the cutoff value of .70, and the average variance extracted for all focal variables exceeds the .50 level, demonstrating that each construct has acceptable psychometric properties. The convergent validity of the scales is supported as all indicators load significantly ($p < .001$) and substantially ($> .70$) on their hypothesized factors. Furthermore, the square root of the average variance extracted for each construct exceeds the correlations of the construct with other constructs (see Table 1), supporting discriminant validity of the constructs (Fornell and Larcker 1981).

Because we use only one source of data in this study, common method bias is potentially an issue. To assess the effects of common method variance on the results, the procedure recommended by Williams and Anderson (1994) was used. A method factor was added, with all indicators for all latent variables loading on this factor and on their respective latent variables. Several indicators loaded significantly on the method factor, but the structural results were completely consistent with the results reported in the structural model (see Table 2). Liang et al.'s (2007) procedure was also employed. In this approach, if method factor loadings are insignificant and items' substantive variances are substantially greater than their counterpart method variances, common method bias is not a serious concern. The results indicate that the average substantive variance of the items is .82, whereas the average method variance is .009. The ratio of substantive variance to method variance is about 96:1, and most method loadings are insignificant. These results indicate that common method bias is not a serious threat in the present data. We also examined the effects of demographic profiles of participants such as work experience, gender, and age. None of these demographic variables exhibits a significant influence on the relationships between variables in the model.

The percentages of explained variance (R^2) for perceived justice, intervention satisfaction, employee satisfaction, and employee loyalty are .65, .68, .58, and .56, respectively. The Stone-Geysler criterion (Q^2) values for these outcomes are .52, .57, .44, and .50, respectively, suggesting that the model has reasonable predictive relevance (Henseler, Ringle, and Sinkovics 2009). Table 2 shows the results from the structural model.

Following the guidelines suggested by Zhao, Lynch, and Chen (2010), we tested mediation hypotheses using bootstrapping analyses. We computed the *t* values on the basis of 1,000

Table 1. Means, Standard Deviations, Correlations, and Square Root of the Average Variance Extracted.

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8
1. Support	4.95	1.31	.87							
2. Participation	4.64	1.35	.68	.89						
3. Empowerment	4.49	1.41	.43	.57	.91					
4. Reward	4.12	1.67	.53	.51	.44	.93				
5. Perceived justice	4.29	1.42	.58	.57	.51	.75	.92			
6. Intervention satisfaction	4.60	1.34	.63	.61	.47	.65	.82	.92		
7. Employee satisfaction	4.60	1.19	.61	.61	.52	.52	.71	.77	.87	
8. Employee loyalty	4.69	1.57	.54	.62	.51	.49	.66	.66	.73	.96

Note. Square root of the average variance extracted is on the diagonal.

Table 2. Hypotheses Testing.

Path	Hypotheses Test Results		Methods Test Results	
	Path Estimate	Bootstrap <i>t</i> Value	Path Estimate	Bootstrap <i>t</i> Value
Support → perceived justice	.15	1.72*	.15	2.02*
Participation → perceived justice	.12	1.27	.12	1.38
Empowerment → perceived justice	.13	1.84*	.13	2.01*
Reward → perceived justice	.56	9.37***	.55	10.69***
Perceived justice → intervention satisfaction	.83	30.30***	.83	36.62***
Intervention satisfaction → employee satisfaction	.77	20.70***	.76	25.04***
Intervention satisfaction → employee loyalty	.24	2.63**	.24	3.10***
Employee satisfaction → employee loyalty	.55	6.01***	.55	7.06***
Endogenous construct	<i>R</i> ²	<i>Q</i> ²	<i>R</i> ²	<i>Q</i> ²
Perceived justice	.65	.52	.64	.52
Intervention satisfaction	.68	.57	.68	.57
Employee satisfaction	.58	.44	.58	.44
Employee loyalty	.56	.50	.56	.50

Note. One-tailed tests for hypothesized effects were used.

**p* < .05.

***p* < .01.

****p* < .001.

bootstrapping runs. Hypothesis 1a, which states that perceived justice will mediate the relationship between social support and intervention satisfaction, is supported because the indirect effect via perceived justice is significant ($\beta = .09, p < .05$). However, Hypothesis 1b, which states that perceived justice will mediate the relationship between participation in decision making and intervention satisfaction, is not supported, as the effect of participation in decision making on intervention satisfaction via perceived justice is not significant ($\beta = .07, p > .05$). Hypothesis 1c that perceived justice will mediate the relationship between empowerment and intervention satisfaction is supported ($\beta = .09, p < .05$). Hypothesis 1d, which states that perceived justice will mediate the relationship between reward and intervention satisfaction, is also supported ($\beta = .37, p < .05$).

Hypothesis 2 posits a positive relationship between intervention satisfaction and employee satisfaction, and our analysis supports this hypothesis ($\beta = .77, p < .001$). Similarly, in line with Hypothesis 3, intervention satisfaction is a positive predictor of employee loyalty ($\beta = .24, p < .001$). Finally, as

Hypothesis 4 predicts, employee satisfaction has a positive and significant effect on employee loyalty ($\beta = .55, p < .001$).

Study 1 Discussion

Consistent with our hypotheses, perceived justice significantly mediated the relationship between the attributes of intervention and intervention satisfaction. Furthermore, intervention satisfaction was significantly related to employee satisfaction and employee loyalty. Taken together, these findings indicate that employees evaluate the intervention through the lens of perceived justice. In other words, perceived justice plays a pivotal role in translating the intervention into positive employee reactions and outcomes.

Contrary to Hypothesis 1b, participation in decision making was not significantly related to perceived justice. A possible explanation for this finding lies in the character of the call center sampled in this study. Like any other big organization, the call center has a large number of employees and a centralized decision-making process, which may systematically preclude

individual employees from expressing their opinions during decision-making processes. Given these findings, the question emerges of when the intervention becomes more effective. Study 2 explores the effects of two boundary conditions that may shape the effects of the intervention: magnitude and frequency of negative interactions with dysfunctional customers.

Study 2

Moderating Roles of Magnitude and Frequency of Negative Interactions

Building on the findings of Study 1, in Study 2, we attempt to identify boundary conditions of the intervention effects. Specifically, we focus on the magnitude and frequency of negative interactions with dysfunctional customers, because employees with different degrees of exposure to such customers should exhibit different levels of susceptibility to stress-reducing interventions. Negative interactions vary in degree. For instance, incivility may cause minor damage to employees (Sliter et al. 2010), whereas customer aggression that causes physical harm or damages property can be classified as a severely negative interaction (Harris and Reynolds 2003; Yagil 2008).

Justice is often defined as the discrepancy between what one deserves and what one gets. Thus, justice can be based on the evaluation of how an authority (such as a manager) allocates resources to a recipient (such as an employee; Vermunt and Steensma 2005). When employees have to cope with dysfunctional customers, they count on managers to reduce job stress because they believe that the manager, as the authority, is responsible for resource allocation. Therefore, the more employees experience strong negative interactions with dysfunctional customers, the more they rely on resource allocation such as intervention and the more sensitive they become about perceived justice. Thus, we posit that the more intense the interactions, the more employees need intervention and the more likely they are to view the intervention as effective and fair. In other words, the value of intervention is expected to increase as the magnitude of negative interactions increases. We formally posit the following:

Hypothesis 5: The magnitude of negative interactions moderates the relationship between the intervention and perceived justice, such that the relationship is more positive when the magnitude of negative interactions is high than when it is low.

As employees have a history of interactions with the firm, their justice perceptions related to the intervention should reflect multiple experiences over time. Therefore, an employee's prior experience with the firm can influence the effectiveness of the intervention in achieving perceived justice. Attribution theory suggests that when employees experience repeated interactions with dysfunctional customers, they are more likely to attribute the cause of those negative events to the firm and believe that the firm is responsible for the problems causing dysfunctional customer behavior (Liao 2007; Maxham and Netemeyer 2002). In such cases, employees identify the authority (the manager) as being responsible for

addressing such problems, and thus focus on the authority's allocation decisions and become sensitive to them, so that the effectiveness of managerial responses will increase (Vermunt and Steensma 2005). Thus, we hypothesize the following:

Hypothesis 6: The frequency of negative interactions moderates the positive relationship between the intervention and perceived justice, such that the relationship is more positive when the frequency of negative interactions is high than when it is low.

Frequent and/or intense encounters with dysfunctional customers will exceed the adaptive resources of the individual, leading to stress as well as injustice because a discrepancy arises between what one deserves and what one gets as well as between demands of the environment (stress) and capacities of the individual (Vermunt and Steensma 2005). In this case, employees will suffer from severe and chronic stress and injustice, which induces a strong desire for the superior's fair allocation of resource to restore justice. As a result, the role of perceived justice is likely to increase. Given Hypotheses 1a and 1b, a logical derivation is that the mediating role of perceived justice will be stronger when the magnitude or the frequency of negative interactions is higher. We thus predict the following:

Hypothesis 7: The higher the magnitude or the frequency of negative interactions, the more strongly perceived justice mediates the effect of the intervention on intervention satisfaction.

Overview

The objective of Study 2 is to gain insights into the relationship between the intervention and perceived justice by examining the roles of magnitude and frequency of negative customer encounters. Furthermore, Study 2 attempts to replicate the findings from Study 1 in a laboratory setting for the internal validity and causality of the conceptual model. The scenario-based experiment employed in Study 2 also contributes to overcoming the shortcomings of the retrospective method used in Study 1, which may result in recall bias and memory lapses (Gremier 2004).

Method

A $2 \times 2 \times 2$ between-subjects factorial design was employed, with two levels of intervention (high and low), two levels of magnitude of negative interactions (high and low), and two levels of frequency of negative interactions (high and low). For the sake of parsimony, four attributes of intervention were collapsed into one attribute and manipulated accordingly. The focus of Study 2 is to establish causality and examine the boundary conditions for the effectiveness of intervention and not the individual effects of the four attributes of these interventions. Furthermore, conducting a study with more than four factors or interactions would produce results that are too complex to interpret (Keppel and Wickens 2004).

Participants of Study 2 were 200 part-time graduate students from a university in South Korea who had experiences working

full-time as customer service representatives in various service industries (e.g., health care, hotel, banking, traveling services, etc.) They volunteered to participate in the study in return for extra credit in marketing class. They were randomly assigned to one of the eight groups, ranging in size between 20 and 30 people. The average age of participants was 27.02 and 64% were male. On average, participants had 2.23 years of full-time work experience.

Participants first read a scenario about an employee who works at a department store and sells clothing to customers. They were asked to imagine how they would feel as the employee in this situation. After reading this introductory scenario, they read one of the eight hypothetical follow-up scenarios involving specific service encounters. Employees in actual work settings may respond differently from the participants in our scenario-based study even though the current participants have work experiences as service agents. Nevertheless, studies based on scenarios could still produce valuable information applicable to actual work settings. In fact, the use of scenarios is well established in service research. A widely accepted advantage of using scenarios is that the method allows researchers to control and manipulate variables to achieve internal validity, and it also offers considerable external validity (Bendapudi and Leone 2003). Furthermore, “research has shown that having participants imagine themselves in a situation can serve to elicit the same reactions as they would have had they actually experienced the situation in real life” (Montes and Zweig 2009, p. 1253). Therefore, a reasonable expectation is that participant reactions to the current scenarios closely reflect reactions they experience in an actual job situation.

In the high magnitude of negative interactions scenario, the employee meets customers who swear, shout for unwarranted refunds for apparent customer mistakes, and destroy the store property. In the low magnitude scenario, dissatisfied customers treat the employee in an uncivil manner, act rudely, and speak in a disrespectful or insulting way. In the high frequency of negative interactions scenario, participants were told that they had to frequently deal with the same type of dysfunctional customers, whereas in the low frequency scenario, participants were told that this was the first time they had encountered such a dysfunctional customer in the store.

In the high-intervention scenario, the employee receives emotional assistance from the manager and gets helpful advice on how to cope with such dysfunctional customers. Furthermore, the employee is encouraged to suggest various ways of dealing with dysfunctional customers, most of which the manager accepts. In addition, the employee is given power, control, and authority, so that he or she can address the problem on the spot when things go wrong. Finally, the employee is rewarded for dealing with dysfunctional customers through recognition and bonuses. In the low-intervention scenario, the manager is unable to understand or listen to the difficulties of dealing with dysfunctional customers, and the employee has to solve the problem alone without any support, reward, or power.¹

To eliminate any possible order effect, the order of presenting magnitude and frequency scenarios was counterbalanced.

After reading the scenarios, participants responded to items assessing perceived justice, intervention satisfaction, employee satisfaction, and employee loyalty. The measures were the same as those used in Study 1. The questionnaire also included manipulation and realism check items.

Manipulation and Realism Checks

To ensure that manipulations were effective, Maxham and Netemeyer's (2002) magnitude scale was used: “In your opinion, the customer problem you experienced in this case is a major problem,” with response choices ranging from *strongly disagree* (1) to *strongly agree* (7). An analysis of variance (ANOVA) supports the effectiveness of the manipulation, $M_{\text{high magnitude}} = 5.69$, $M_{\text{low magnitude}} = 2.80$; $F(1, 198) = 410.58$, $p < .001$. The frequency manipulation was tested using the following item (Liao 2007): “According to this scenario, this is the first time you have experienced the customer problem,” with responses ranging from *strongly disagree* (1) to *strongly agree* (7). An ANOVA supports the effectiveness of the manipulation, $M_{\text{high frequency}} = 1.73$, $M_{\text{low frequency}} = 6.54$; $F(1, 198) = 1,312.22$, $p < .001$. The intervention manipulation was tested using the following item: “The manager helps the employee recover from possible negative feelings associated with dealing with dysfunctional customers,” with responses ranging from *strongly disagree* (1) to *strongly agree* (7). Again, results show that the manipulation was effective, $M_{\text{high intervention}} = 6.03$, $M_{\text{low intervention}} = 1.60$; $F(1, 198) = 1,633.90$, $p < .001$. No other main or interaction effects were significant.

The realism of the experimental design was checked using 2 items—“I could imagine an actual workplace situation like the one described in the scenario,” and “I believe that the described situation could happen in a real workplace”—with 7-point scales ranging from *very unlikely* (1) to *very likely* (7). The results suggest that participants perceived the experimental design as realistic ($M_{\text{composite score}} = 5.98$, $SD = 1.12$, $p < .001$).

Results

A full factorial ANOVA with intervention, magnitude, and frequency as independent variables and perceived justice as the dependent variable showed a significant main effect for intervention, $F(1, 192) = 137.50$, $p < .001$, for magnitude, $F(1, 192) = 19.52$, $p < .001$, and for frequency, $F(1, 192) = 26.28$, $p < .001$. More central to our interest, the Magnitude \times Intervention, $F(1, 192) = 7.44$, $p < .01$, and Frequency \times Intervention, $F(1, 192) = 4.07$, $p < .05$, interaction effects were significant, supporting Hypotheses 5 and 6. The means corresponding to the two-way interaction effects are plotted in Figures 2 and 3. As Table 3 reports, the effect patterns remained the same when the hypotheses were tested using the multivariate analysis of variance procedure.

As Figures 2 and 3 show, the positive effect of intervention on perceived justice is greater following negative interactions of greater magnitude and frequency. As can be expected based on

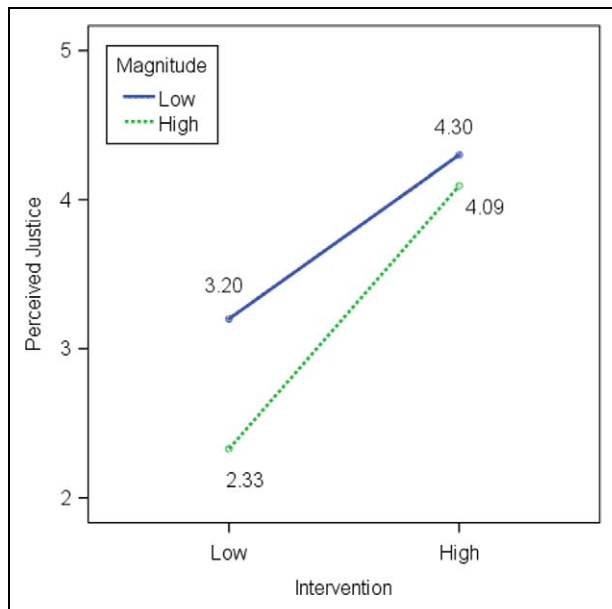


Figure 2. Interactive effects of negative interaction magnitude and intervention on perceived justice.

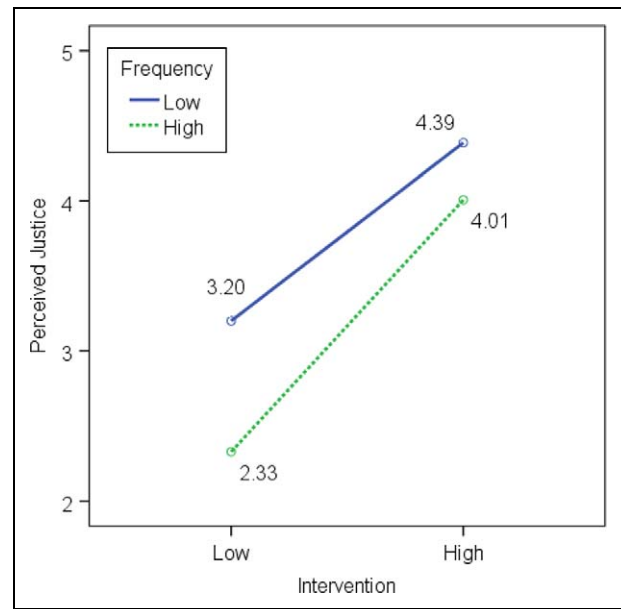


Figure 3. Interactive effects of negative interaction frequency and intervention on perceived justice.

Table 3. MANOVA and ANOVA Results for the Dependent Variable in Study 2.

Independent Variables	MANOVA Results		Univariate <i>F</i> values
	Wilks's λ	<i>F</i> value	Employee Justice
Magnitude	.81	10.80***	19.52***
Frequency	.81	10.94***	26.28***
Intervention	.22	163.49***	137.50***
Magnitude \times Intervention	.87	6.92***	7.44**
Frequency \times Intervention	.92	4.07**	4.07*

Note. ANOVA = analysis of variance; MANOVA = multivariate analysis of variance.

* $p < .05$.

** $p < .01$.

*** $p < .001$.

the significant main effect of intervention, participants reported a greater level of perceived justice in response to the high-intervention scenario. Nevertheless, intervention enhanced perceived justice more in the high magnitude negative interaction condition (the mean difference between high- and low-intervention conditions or the effect size: $d = 1.84, p < .001$) than in the low magnitude condition ($d = 1.20, p < .001$; see Figure 2). Similarly, the positive effect of intervention on perceived justice was greater in the high-frequency condition ($d = 1.96, p < .001$) than in the low-frequency condition ($d = 1.18, p < .001$; see Figure 3). Figures 2 and 3 demonstrate that participants felt more severe injustice when their managers did not offer any responses while they were exposed to frequent and serious problems caused by dysfunctional customers. For this group of "high-risk" participants, intervention was highly effective in improving the situation by promoting justice perceptions.

Test of Moderated Mediation Hypothesis. To test Hypothesis 7, we adopted a structural equation modeling approach to moderated

mediation analysis that builds on Muller, Judd, and Yzerbyt (2005) and Zhao, Lynch, and Chen (2010). To establish a moderated mediation effect, we must test whether the indirect effect is significant. We applied the bootstrapping procedure to evaluate the significance of the path coefficient. In support of Hypothesis 7, the indirect moderation effects of magnitude ($\beta = .25, p < .001$) and frequency ($\beta = .24, p < .001$) were significant. These patterns suggest that the mediation effect of perceived justice in the relationship between intervention and intervention satisfaction is stronger when the magnitude or the frequency of negative interactions is high than when it is low.

Replication of Study 1 Hypotheses. Using Study 2 data, we replicated the hypotheses tested in Study 1. Mediation analysis was conducted to determine whether the effect of intervention on intervention satisfaction was mediated by perceived justice. The bootstrap estimate of this indirect effect (effect size = .60) and its 95% confidence interval (CI; lower bound 95% CI [.38] and upper bound 95% CI [.87]) based on 5,000

replications show that the mediation effect is significant (Preacher and Hayes 2008; Zhao, Lynch, and Chen 2010), supporting Hypothesis 1.

A series of bivariate regression analyses confirmed the other hypotheses. Intervention satisfaction was positively related to employee satisfaction ($\beta = .91, p < .001$) and employee loyalty ($\beta = .39, p < .001$), confirming Hypotheses 2 and 3, respectively. In addition, employee satisfaction had a positive effect on employee loyalty ($\beta = .42, p < .001$), supporting Hypothesis 4.

Study 2 Discussion

The findings from Study 2 confirm that high levels of negative interaction magnitude and frequency can increase the effectiveness of intervention. Our analysis reveals that the positive impact of intervention on perceived justice is more pronounced when the magnitude or frequency of negative interactions is high. In other words, intervention is needed more and is more effective in inducing favorable employee outcomes when employees encounter negative interaction frequently and in serious forms, such as aggression and violence from customers.

This finding is interesting because common sense suggests that executing an effective managerial intervention is tricky when employees face serious and frequent dysfunctional customer behaviors. According to justice theory, more extensive managerial intervention efforts are needed to counter greater detrimental consequences of recurrent negative interactions, thus making the intervention more effective for employees exposed to less severe stress-inducing events who might react to it more positively and immediately. Generally speaking, the more severe and frequent the negative interactions, the greater the need for extensive managerial interventions and the less satisfied employees are with the interventions. From those perspectives, the results from Study 2 may be interpreted as quite counterintuitive.

In addition, the findings of Study 2 replicate the results of Study 1. Therefore, we provide convergent evidence for our contention that employee-perceived justice accounts for the effect of intervention on its corresponding satisfaction and other outcomes.

General Discussion

This investigation underscores the importance of managerial intervention to alleviate stress from dysfunctional customer behavior in the service setting and supports a justice theory perspective in encouraging such intervention to improve employee outcomes. Two empirical studies confirm the mediating role of perceived justice in predicting intervention satisfaction, employee satisfaction, and employee loyalty. The experimental simulation in Study 2 reveals contingency factors that strengthen the relationships under consideration, and the results indicate that managerial intervention is desperately needed for service employees who encounter dysfunctional customers frequently and with great intensity. Below, we highlight our investigation's implications for theory and practice, discuss its limitations, and suggest directions for further studies.

Theoretical Implications

As the first attempt to investigate how managerial interventions work when employees handle illegitimate dysfunctional customer behavior, this study contributes to the literature in several ways. The first contribution lies in the explanation of how managerial intervention improves employee outcomes following a specific case of dysfunctional customer behavior. It is widely recognized that management can reduce employee stress in a service encounter. However, how justice can be used to manage this stress is less known, especially when negative interactions occur between employees and dysfunctional customers. We add to the growing service management literature on employee stress by classifying the source of employee stress into two types: behavior that is acceptable to employees (e.g., customer complaint behavior) and behavior that is not acceptable to employees (e.g., dysfunctional customer behavior). We focus on the latter and employ the justice mechanism to theorize the effect of manager intervention on employee outcomes. Specifically, managerial intervention can reduce stress and ultimately restore employee satisfaction and loyalty through perceived justice. The results of Studies 1 and 2 offer reasonably strong support for the mediating role of perceived justice.

A second contribution of this study is that it identifies contingency factors that strengthen the relationships under consideration. This study is the first to address theoretically and show empirically that the links between job stress intervention and perceived justice are not equally strong in every situation. In other words, this relationship is embedded in its context, which in this study comprises the magnitude and frequency of negative interactions. The results indicate that the magnitude and frequency of negative interactions affect the relationship between intervention and perceived justice as well as the indirect effect of intervention on intervention satisfaction. This pattern offers a contextualized understanding of the intervention process in that the magnitude and frequency of interactions shape employee reactions to intervention, leading to different intervention outcomes.

Finally, consistent and convergent evidence from a field survey and a controlled laboratory experiment contributes to the confidence in and generalizability of the findings. Moreover, a structural equation modeling approach to mediation and moderated mediation analysis further enhances the robustness of our results, because this procedure considers measurement errors of constructs in estimating the effect parameters (Zhao, Lynch, and Chen 2010).

Managerial Implications

This investigation also has a number of important implications for managers. One implication is that practitioners need to reconsider the maxim that "the customer is always right." This widely held belief is partially true at best, because at times the customer may not in fact be king (Homburg, Müller, and Klarmann 2011). Frontline employees or boundary spanning employees repeatedly have to deal with dysfunctional customers, and these

negative experiences are likely to produce high levels of stress. The findings of this study suggest how to help these employees cope with the negative feelings experienced during interactions with dysfunctional customers. The manager should identify employees who chronically endure negative interactions with dysfunctional customers and provide them with appropriate interventions, so that they can perceive justice.

Generally, organizations may benefit from developing intervention practices or a supportive climate between supervisors and subordinates.² Toward this end, job descriptions for service managers might include job stress intervention and explicitly outline these role expectations. Additionally, decisions with respect to performance evaluations, promotions, and salary increases should be based on how effectively managers have intervened for employees. In this vein, by employing various methods (e.g., role-playing scenarios, videotaped sessions, and field notes) to improve managers' intervention capacity, management could provide concrete behavioral indicators to help detect problems and conduct appropriate interventions. Such efforts are beneficial because well-prepared and knowledgeable managers will not only understand the problems employees experience but also provide timely and adequate interventions (e.g., Homburg and Fürst 2007; Skarlicki, van Jaarsveld, and Walker 2008; Yang and Chang 2012).

Regarding social support, the more managers foster close and trustworthy relationships with employees, the more likely they are to provide high levels of social support such as counseling, guidance, and encouragement. Thus, management needs to develop programs for continuous improvement in leaders' empathy and emotional intelligence (George 2000). With respect to empowerment, management needs to create a workplace environment that encourages employee empowerment by job redesign and process reengineering. To this end, managers need to receive suitable professional development training on how to empower employees.

The results of this study show the relative impact of the four facets of interventions on perceived justice. On the basis of the parameter estimates and statistical significance, reward has the strongest impact on perceived justice (see Table 2). As reward is the most important intervention, managers should pay more attention to reward than to other interventions. For example, managers need to make sure that employees are rewarded in direct proportion to the level of stress caused by interactions with dysfunctional customers. Intangible rewards might include acknowledgment, public recognition, challenging assignments, and promotion. Tangible rewards can include advancement, additional pay, and better job prospects (Aguinis and Pierce 2008). Applying expectancy theory to this context (Vroom 1964), management needs to establish an intervention system in which employees suffering from dysfunctional customers will definitely (expectancy) be given corresponding rewards in the form they prefer (valence or the attractiveness of rewards). These principles can be applied to all other intervention facets as well.

In addition, managers need to encourage employees to actively seek intervention from the company when confronted with negative customer interactions. Some employees might ignore their

problems, talk with other employees for emotional support, or try to cope with negative encounters with dysfunctional customers by themselves. However, eventually they will most likely want to exit the company, because they find that dealing with these customers is beyond their ability and duty. If managers inform employees that they can offer various interventions, employees will rely more on them for help to reduce stress.

The study underscores the critical role of perceived justice in the intervention process. Employees' justice perception accounted for more than 70% of the variance in their intervention satisfaction. Therefore, employees' overall evaluation of or satisfaction with the intervention depends to a great extent on whether they feel they have been treated fairly. Given that the nature of justice is subjective, managers need to regularly survey employees to determine the current level of perceived justice of intervention and subsequently set and adjust goals of intervention. Furthermore, as increased manager-employee communication enables managers to better understand the level of employee perceived justice, the organization could offer communication training programs designed to promote two-way communication between managers and employees (Johlke and Duhan 2000). Through two-way communication, managers can actively solicit employees' feedback regarding perceived justice and are more likely to acknowledge and respond in a timely manner.

Our results also reveal that intervention is more effective for employees who experience serious and/or frequent interactions with dysfunctional customers and that the indirect effect of perceived justice is stronger for these employees. Therefore, to maximize the effectiveness of interventions, managers should direct their efforts to employees who face high risks in interacting with customers. Although effective intervention contributes to perceived justice, intervention satisfaction, employee satisfaction, and employee loyalty, the fundamental problem is that negative interactions with dysfunctional customers still increase employee stress. Therefore, management should strive to prevent such negative encounters. Although managers may view the occurrence of such customer behaviors as uncontrollable, recent research shows that firms can in fact control these behaviors in the service environment (Huang, Lin, and Wen 2010; Sliter, Sliter, and Jex 2012). For example, signage, commercial advertisements, verbal instructions from the manager and employees, or even strong legal deterrents can put customers on notice that the firm will act to prevent dysfunctional customer encounters. Managers can blacklist customers who routinely exhibit dysfunctional behavior toward employees and decline to serve them. Appropriate policies and procedures can reduce the recurrence of negative interactions, so that employees do not become victims of dysfunctional customer behaviors. With these preventive efforts in place, intervention following negative interactions will work even more effectively.

Limitations and Future Research

Although this study provides significant empirical and theoretical insights, several limitations are worth noting. Most significantly, Study 1 relied on a cross-sectional survey, which limits

strong causal claims based on the results. For instance, employee loyalty may lead to perceived justice and thus also act as an intervention. Consequently, the results of this study do not support with certainty the claim that intervention causally affects employee outcomes. Although the scenario-based experiment employed in Study 2 partly overcomes such a limitation, future research should directly address causality issues by using longitudinal data in the field setting.

A second limitation is that all variables were measured using self-reports, increasing the likelihood that common method variance may have artificially inflated the observed relationships. Although our analysis demonstrates that common method bias is not a serious concern, future research should replicate this study using other sources of data with respect to intervention (e.g., managers' reports or objective data) as well as employee outcomes (e.g., customer, peer, or supervisor reports and objective data).

Third, in contrast to Study 1, Study 2 focused on intervention in general. Focus on individual dimensions of intervention

separately would have yielded more implications in terms of theory and practice. The implication from Study 2 is that managers should do everything well, which is less helpful to practice than dimension-based analyses. Given that decision making with respect to resource allocation to intervention should be based on priority, future research should analyze the relative contributions of individual dimensions of intervention to employee outcomes.

Finally, Study 1 focused on the telephone customer service representative context. Future studies could investigate other contexts, such as interpersonal, face-to-face, and even new technological means (e.g., social networks such as Facebook) that offer a context for dysfunctional customer behavior. Previous literature points out that in public contexts, customers are less willing to display dysfunctional behaviors (Harris 2013). The characteristics and nature of managerial intervention and justice-based mechanisms might fundamentally differ depending on the medium of the dysfunctional behavior (Reynolds and Harris 2005).

Appendix

Table A1. Scale Items for Construct Measures.

Construct	Items	CR/AVE
Social support (based on Rosenbaum 2006)	<i>Please indicate the degree to which you agree with the following statements concerning the behaviors of a manager who handled your stress caused by having to deal with dysfunctional customers</i> The manager sympathizes with me The manager is warm and affectionate to me The manager makes me feel at ease The manager gives me advice in the right direction	.93/.77
Participation in decision making (based on Teas, Wacker, and Hughes 1979)	<i>Please indicate the degree to which you agree with the following statements concerning the behaviors of a manager who handled your stress caused by having to deal with dysfunctional customers</i> I have influence on what goes on in my work regarding dealing with dysfunctional customers I can influence the decisions of the manager regarding dealing with dysfunctional customers The manager asks my opinion often when a problem comes up that involves my work regarding dealing with dysfunctional customers It is easy to get my job improvement idea regarding dealing with dysfunctional customers across to the manger	.94/.78
Empowerment (based on Boshoff and Allen 2000)	<i>To what extent do you agree with the following statements?</i> I have the authority to correct dysfunctional customer-related problems when they occur I am encouraged to handle dysfunctional customer-related problems by myself I am allowed to do almost anything to solve dysfunctional customer-related problems I have control over how I solve dysfunctional customer-related problems	.95/.82
Reward (based on Boshoff and Allen 2000)	<i>To what extent do you agree with the following statements?</i> The rewards I receive are based on the extent to which I react well to dysfunctional customers Employees in this company are rewarded for dealing with dysfunctional customers well Employees of this company are rewarded for dealing effectively with dysfunctional customer-related problems I am rewarded for solving dysfunctional customer-related problems	.96/.87
Perceived justice (based on Homburg and Fürst 2005)	<i>To what extent do you agree with the following statements?</i> Overall, the manager's handling procedure for the problems caused by dysfunctional customers is fair Overall, the manager's handling behavior for the problems caused by dysfunctional customers is fair Overall, the compensation I received from the company due to the problems caused by dysfunctional customers is fair	.95/.85

(continued)

Table A1. (continued)

Construct	Items	CR/AVE
Intervention satisfaction (based on Maxham and Netemeyer 2002)	<i>To what extent do you agree with the following statements?</i>	.94/.84
	In my opinion, the manager provides a satisfactory resolution to my problems caused by dysfunctional customers	
	I am satisfied with the manager's handling of this particular problem caused by dysfunctional customers	
	Regarding this particular event (most recent problem) caused by dysfunctional customers, I am satisfied with the manager	
Employee satisfaction (based on Rich 1997; Homburg and Stock 2004)	<i>To what extent do you agree with the following statements?</i>	.93/.76
	All in all, I'm satisfied with my job	
	In general, I like working at my company	
	In general, I like my job	
Employee loyalty (newly developed)	<i>To what extent do you agree with the following statements?</i>	.97/.84
	I intend to remain loyal to this company in the future	
	It is very likely that I will remain an employee of this company	
	I am willing to recommend the company as a good place to work	

Note. AVE = average variance extracted; CR = composite reliability.

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Notes

1. All scenarios used in Study 2 can be requested from the first author.
2. The discussion in this paragraph is outside the empirical results of our study, because it is based on our speculative thinking. We thank an anonymous reviewer for pointing this out.

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