

An analysis of the interaction effect between employee technical and emotional competencies in emotionally charged service encounters

Interaction effect between ETC and EEC

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Received 24 December 2015
Revised 29 June 2016
16 September 2016
Accepted 20 September 2016

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Abstract

Purpose – Customers often experience negative emotions during service experiences. The ways that employees manage customers' emotions and impressions about whether the service provider is concerned for them in such emotionally charged service encounters (ECSEs) is crucial, considering the criticality of the encounter. Drawing on cognitive appraisal theory, this study proposes that two key competencies – employee emotional competence (EEC) and employee technical competence (ETC) – affect negative customer emotions and customer satisfaction with employee response in ECSEs.

Design/methodology/approach – This study relies on a video-based experiment that depicts a customer involved in an ECSE as a service provider delivers bad news to him. The hypothesis tests use a two-way independent analysis of covariance.

Findings – Both emotional and technical competencies must be displayed to improve the customer experience in an ECSE. When EEC is low, ETC does not decrease negative customer emotions or increase customer satisfaction with employee response. When EEC is high, ETC instead has a significant impact on both customer outcomes.

Practical implications – Managers must train employees to develop both technical and emotional competencies. Employees who demonstrate only one type cannot temper customers' emotions or enhance their perceptions of the employees' response as well as can those strong in both competencies.

Originality/value – Using a video-based experiment, this study examines the moderating role of EEC in the relationship between ETC and two key aspects of the customers' experience in an ECSE (negative customer emotions and customer satisfaction with employee responses) following the delivery of bad news.

Keywords Cognitive appraisal theory, Emotionally charged service encounters, Employee emotional competence, Employee technical competence, Negative customer emotions

Paper type Research paper

Customers often experience high levels of negative emotions in service encounters. Such emotionally charged service encounters (ECSEs) are prevalent for (1) negative services (Spanjol *et al.*, 2015) (e.g. medical service encounters such as when a patient with a



cardiovascular disease meets her physician); (2) complex and high-involvement services (e.g. when a young couple meets a real estate agent to purchase their first house); (3) services for which bad news is often delivered to customers (e.g. a repair technician who must tell customers that an appliance is beyond repair); and (4) services subject to frequent failures (e.g. a restaurant delivering cold food to a customer). These ECSEs in turn can have substantial effects, in that they likely elicit strong negative emotions among customers, which require dedicated employee attention (Price, Arnould and Deibler, 1995), are memorable for customers (Baumeister *et al.*, 2001), and determine customers' perceptions of the service provided. Service organizations in turn need to understand these encounters, to anticipate and thus manage them better, yet scarce service research examines the extent to which employee competencies influence customer perceptions of whether the firm is really concerned for him or her in such aversive situations. A poorly managed ECSE can lead customers to suffer from confusion, stress, and resentment, which in turn can be highly detrimental to a constructive interaction (Fallowfield and Jenkins, 2004). In contrast, if employees manage ECSEs well, customers may be inclined to understand the issue and adjust better to the emotionally charged situation (Fallowfield and Jenkins, 2004).

An ECSE is a crucial moment of truth for not only customers but also service providers. For contact employees, being involved in an ECSE and creating favourable impressions among customers can be emotionally exhausting, requiring them to resort to emotional labour techniques (Price, Arnould and Tierney, 1995). In an ECSE, employees likely engage in impression management (Schlenker, 1980) to create and maintain the customer impressions they seek (Grove and Fisk, 2013) by displaying behaviours that help control the impressions that customers form about them (Tedeschi and Reiss, 1981; Wayne and Kacmar, 1991). Managing customer impressions is particularly important at the beginning of the ECSE, to avoid miscommunication or misunderstanding between the customer and the employee (Manzoni, 2002), which could produce a downward spiral of negativity – that is, a “self-perpetuating and damaging [cycle] that can be triggered by negative emotions” (Garland *et al.*, 2010, p. 851).

Drawing on cognitive appraisal theory, this paper proposes that both employee technical competence (ETC) and employee emotional competence (EEC) are crucial for creating a positive evaluation of the service provider among customers in ECSEs. This study focusses on ECSEs, in which customer emotions are intense and managing impressions is crucial, because customers' thoughts, feelings, and actions can be damaged by their strong negative emotions. Specifically, the focus is on customer outcomes (emotions and satisfaction with employee response) right after the delivery of bad news, which produces several notable contributions. From an academic perspective, this study examines customers' outcomes in ECSEs by investigating the moderating role of EEC – a construct recently introduced in service literature (Delcourt *et al.*, 2013, 2016). With better understanding of the role of EEC relative to ETC on two key aspects of the customer experience in an ECSE (i.e. negative customer emotions and customer satisfaction with employee responses), this paper extends knowledge about the role of emotions in services. From a managerial perspective, the findings of this research better equip service managers to reduce the level of negative customer emotions and enhance customer satisfaction with employee responses in ECSEs.

The next section addresses ECSEs and their importance in service contexts. Following an introduction of cognitive appraisal theory, as the overarching framework for this research, this paper presents the impact of the central concepts, EEC and ETC, on negative customer emotions and customer satisfaction with the employee's response. The resulting hypotheses are tested with a two-way, independent analysis of covariance. Finally, this paper presents the key findings, as well as some theoretical and managerial implications.

Emotionally charged service encounters (ECSEs)

In marketing literature, the concept of an ECSE implies “service encounters with high affective content [for the customer]” (Price, Arnould and Tierney, 1995, p. 87), which can be positive, such as when they involve river rafting. Mattila (1999, p. 385) also uses the term “emotionally-laden service encounter” to characterize encounters during which customers look for experiences with contact employees to feel (positive) emotions. Such studies (see also Arnould and Price, 1993; Söderlund and Rosengren, 2008) assume ECSEs are encounters in which customers experience intense positive emotions.

When examining ECSEs with a negative tone, marketing and service literatures refer to such concepts as a “negative encounter” (e.g. Mittal *et al.*, 2008), “bad encounter” (Lemmink and Mattsson, 1998), “negative experience” (Shankar *et al.*, 2003), or “bad experience” (Swinyard, 1993). However, they do not use or examine the concept of ECSE. In contrast with marketing literature, medical literature considers ECSEs as negative only. Described ECSEs usually involve high levels of negative emotions, such that studies in this literature stream use the term “emotionally charged encounter” exclusively to refer to difficult clinical interactions between a patient and a health care provider (e.g. Gelinas, 1997; Lorenzetti *et al.*, 2013; Rosenbaum *et al.*, 2004). The difficulties might arise due to factors associated with the physician (e.g. poor communication skills), patient (e.g. multiple, poorly defined symptoms), situation (e.g. time pressures during visits), or some combination (Lorenzetti *et al.*, 2013). In general though, ECSEs leave the physician feeling frustrated and the patient dissatisfied, because of unmet needs, unfulfilled expectations, and unresolved medical issues (Lorenzetti *et al.*, 2013). Accordingly, medical literature tends to regard ECSEs as difficult, critical encounters that lead to high levels of negative emotions for both patients and professionals. For the purposes of the present study, an ECSE is defined as “any critical interaction between a customer and a service provider regarding an issue that invokes or has the potential to invoke high levels of emotions for the customer”.

Cognitive appraisal theory

To understand how customers react to an ECSE, this study relies on cognitive appraisal theory, which posits that people evaluate whether, first, a particular situation is critical and could affect their well-being (i.e. primary appraisal) and, if so, second if anything can be done to overcome or prevent harm resulting from newly discovered facts (i.e. secondary appraisal) (Folkman *et al.*, 1986; Lazarus, 1991b). When customers are involved in an ECSE, they automatically engage in primary appraisal. Customers may appraise such an encounter as stressful, because it generates, first, harm or loss to the customer (referring to damage that has already occurred), or, second, a threat to the customer (referring to damage that has not yet occurred) (Folkman and Lazarus, 1980). With this definition, an ECSE is inherently critical to the customer, due to the potential for harmful effects on the customer’s well-being.

During the primary appraisal, if customers consider the encounter critical to their well-being, they engage in a secondary appraisal, relying on available clues during the service encounter to determine if they can do anything to overcome or cope with the situation (see Figure 1). The strategies customers can implement to cope with the critical encounter are generally either problem-focussed coping (i.e. management of the source of the issue) or emotion-focussed coping (i.e. management of stressful emotions) (Folkman *et al.*, 1986). Researchers find that both forms of coping are present in most (over 98 per cent) stressful encounters reported by middle-aged men and women (Folkman and Lazarus, 1980) and in 96 per cent of the stressful examinations reported by college students (Folkman and Lazarus, 1985). Thus, according to the cognitive appraisal theory, managing: the problem or the source of the issue; and customer emotions resulting from the problem both are necessary to ensure a smooth customer experience. Employees can use their technical competence to manage the problem or source of the issue and their emotional competence to manage customer emotions.

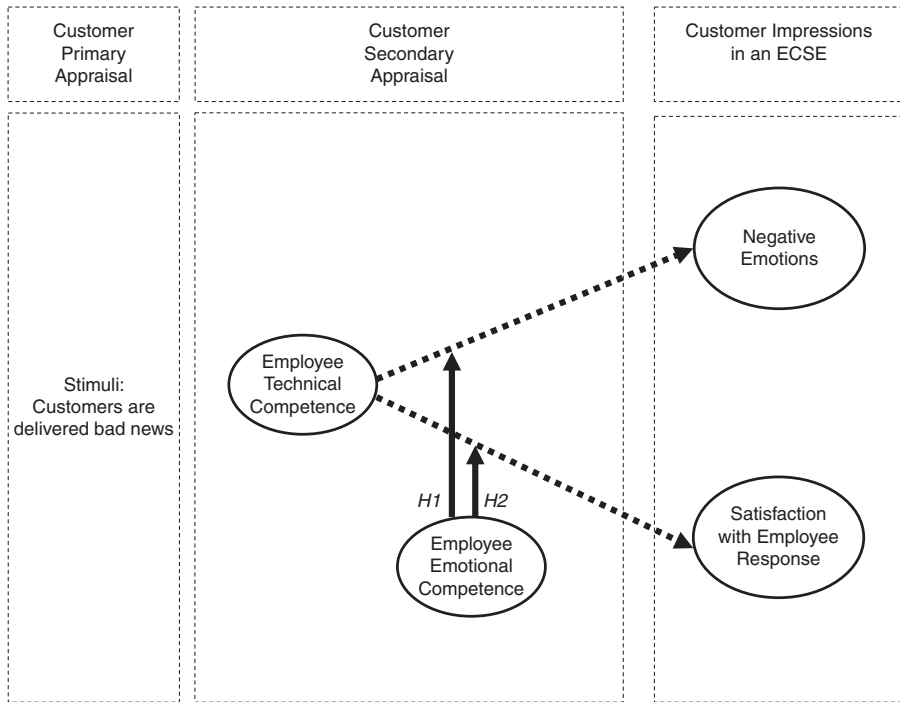


Figure 1.
Conceptual model

Note: This study tests and reports on only the thick (and non-dotted) arrows

In service settings, the most salient clues are functional (e.g. service employee’s technical performance) and humanic (e.g. employee concerns about customer emotions), so customers likely rely on these clues to evaluate an employee’s ability to deal with the ECSE situation (Berry *et al.*, 2006)[1]. Thus, during the secondary appraisal, when evaluating coping resources and options available to regulate: the cause of the stressful situation (problem-focussed coping); and their emotions (emotion-focussed coping), customers examine ETC (as an indicator of functional clues) to help them manage the source of the issue and EEC (as an indicator of humanic clues) to help them manage their emotions. This paper suggests that ETC, defined as the employee’s ability to solve customer problems efficiently, accurately, and knowledgeably (Parasuraman *et al.*, 1985, 1991), represents a good proxy of functional clues, or “the reliability and competence of the service” (Berry *et al.*, 2006, p. 44). Functional clues support the core of any service because they address the problem of customers (Berry *et al.*, 2006). The second set of clues, humanic clues, “emerge from the behavior and appearance of service providers” (Berry *et al.*, 2006, p. 45) and “are most salient for labor-intensive, interactive services” (Berry *et al.*, 2006, p. 49). Humanic clues include interpersonal employee behaviours such as kindness and caring, so this paper regards EEC as a good proxy measure for them. Humanic clues play an important role in how customers perceive they are being treated by the employee (Berry *et al.*, 2006).

During customers’ secondary appraisal, both functional and humanic clues are important. Functional clues are usually the most important in meeting customer expectations, because functionality offers the core solution customers buy, whereas – and especially for labour-intensive, interactive services – humanic clues typically are critical for exceeding customer expectations, because the treatment of the customer is central to those

services (Berry *et al.*, 2006). Thus, functional clues alone are insufficient, in that functionality rarely results in customer expectations being exceeded (Berry *et al.*, 2006).

Conversely, if the service provider manages humanic clues well but not functional clues, customers are likely to be dissatisfied. They have not received the core solution they were looking for, even if the employee demonstrated kindness and care. Accordingly, if customers perceive that the employee exhibits high levels of both emotional and technical competencies, they should feel reassured about their capacity to overcome the potentially difficult situation. If the employee only demonstrates one competence, customers should believe the critical situation cannot be addressed sufficiently. For example, if the employee demonstrates high ETC but low EEC, customers may feel that the employee is not concerned enough with meeting their emotional needs, so they may not sense that they will be able to overcome the criticality of the situation.

Employee competencies

When addressing customer emotions and problems in ECSEs, contact employees often must deal with both technical service aspects, such as finding a solution to the problem (e.g. determining why a car has broken down and fixing the problem), and emotional aspects, such as managing customer emotions (e.g. dealing with a stressed customer who faces costly repairs and lack of access to a car) (Berry *et al.*, 2006; Dallimore *et al.*, 2007). Therefore, firms should regard ETCs and EECs as important employee traits, considering that: these employees must manage both technical and emotional aspects in ECSEs; and customers are likely to evaluate both ETCs and EECs when engaging in a secondary appraisal of ECSEs when determining if they can cope with the ECSE.

When employees “complete the tasks in their areas of expertise successfully” (Madhavan and Grover, 1998, p. 6), they influence customer experiences. They demonstrate technical competence by solving customer problems efficiently, accurately, and knowledgeably (Parasuraman *et al.*, 1985, 1991) or demonstrating that they are organized and methodical in their approach (van Dolen *et al.*, 2004). In ECSEs (e.g. when an employee announces that no data can be retrieved from a computer’s hard drive), customers expect (or hope) that the employee has sufficient technical competence to provide advice and information (e.g. how to avoid future hard drive crashes, which software to download to back up files), as well as to make acceptable alternative arrangements (e.g. provide a courtesy computer while the customer waits for delivery of a new computer) (Johnson and Zinkhan, 1991; Madhavan and Grover, 1998; Moorman *et al.*, 1993)[2].

When customers experience negative emotions, they expect the employee to address those emotions (Menon and Dubé, 2000, 2004), such that EEC reflects an employee’s demonstrated ability to perceive, understand, and regulate customer emotions in a service encounter (Delcourt *et al.*, 2016). Customers who learn that the data on their computer’s hard drive are lost are likely to be very upset. If they believe that the employee has perceived that they are upset, understands why, and does her or his best to tactfully temper their negative emotions by listening to them vent their frustration, those customers likely achieve a more favourable emotional state. In contrast, if the employee ignores customers’ emotions and does not attempt to reassure or comfort them, customers might be very frustrated by this response. In summary, responding to customer emotions is a highly challenging aspect of ECSEs for employees.

Customer responses in ECSEs

In ECSEs, firms generally expect their employees to sooth negative customer emotions to improve customer evaluations of the service encounter. Accordingly, this study focusses on two elements of the customer experience: negative customer emotions and satisfaction with the employee’s response. After engaging in a primary appraisal (i.e. the extent to which the

customer perceives the situation as critical) in an ECSE and secondary appraisal (i.e. the extent to which the customer perceives the critical situation can be managed based on his or her perceptions of ETC and EEC), the customer is likely to experience (negative) emotions and develop impressions of satisfaction with the adequacy of the employee response (Folkman *et al.*, 1986; Lazarus, 1991b).

Negative customer emotions

Emotions reflect “a mental state of readiness that arises from appraisals of events” (Bagozzi *et al.*, 1999, p. 184) and often induce action. Emotions are crucial to investigate because of their impact on attitudes and behaviours (Mattila and Enz, 2002; Miller *et al.*, 2009; Smith and Bolton, 2002). Negative customer emotions arise when the customer considers an event harmful (e.g. a negatively emotionally charged encounter) (Nyer, 1997). Lazarus (1991a) contends that emotions occur as a result of the cognitive appraisal of the stressful encounter in terms of the event’s significance for a person’s well-being (primary appraisal) as well as his or her potential to cope with the event (secondary appraisal). Thus, the characteristic of the event is not as important as the customer’s subjective appraisal of the encounter in the context of his or her needs and coping potential in determining the customer’s emotional response (Nyer, 1997). During the cognitive appraisal of the stressful encounter, the customer is likely to experience high negative emotions if the event is incongruent with his or her wants or desires and if the customer perceives low coping potential in dealing with the stressful encounter.

In ECSEs, tempering negative customer emotions is important because research suggests that these emotions influence customer evaluations of the encounter (Bagozzi *et al.*, 1999; Mattila and Enz, 2002) and how customers interact with employees (Puccinelli *et al.*, 2009). Customers in a good mood are more likely to evaluate their service experience more favourably, whereas a bad mood prompts them to evaluate the experience more negatively (Puccinelli *et al.*, 2009). Customer emotions provide employees with crucial information about the customer’s emotional needs (Mattila and Enz, 2002), and research suggests that employee behaviours – such as positive emotional displays – are critical in tempering negative customer emotions (Du *et al.*, 2011). Van Kleef and colleagues have introduced the model of emotions as social information (EASI model) that refers to the phenomenon during which emotional expressions displayed by one individual provide strategic information to observers, which may influence their behaviour (Van Kleef, 2009; Van Kleef *et al.*, 2010). A series of experiments in turn shows that observers adapt their own behaviour according to the emotions of their counterpart; for example, negotiators concede more to an angry opponent than to a happy one (Van Kleef *et al.*, 2004). Accordingly, the current study focusses on negative emotions, which are salient in ECSEs and likely to have strong influences on customers’ service experiences.

Satisfaction with employee response

After engaging in (primary and secondary) cognitive appraisal and examining coping options, customers are likely to judge the extent to which the stressful encounter was resolved successfully (Folkman *et al.*, 1986; Lazarus, 1991b). Therefore, the current study focusses on customer satisfaction with the employee response to the critical issue that triggered the ECSE.

Customer satisfaction is a central construct in marketing research (Luo and Homburg, 2007) and widely studied in services marketing (e.g. Noone *et al.*, 2009). Researchers define customer satisfaction for a specific transaction as “a post-choice evaluative judgment of a specific purchase occasion” (Anderson *et al.*, 1994, p. 54). Thus, customer satisfaction for a discrete transaction is the result of a cognitive assessment of a customer’s emotional experience, in which customers consider whether product, service, and process needs are addressed during that specific transaction (Hennig-Thurau *et al.*, 2006; van Dolen *et al.*, 2004).

Herein, this study focusses on customer satisfaction with the employee's response, defined as the customer's judgement about a discrete interaction with an employee that results from the evaluation of the events and behaviours occurring during that definable period of time (adapted from van Dolen *et al.*, 2008). When bad news is delivered, ensuring customer satisfaction with the way the employee handles the interaction is crucial, because ECSEs are critical moments of truth during which the employee must manage customers' impressions throughout the encounter but also maintain a strong focus on the beginning of the interaction to create a positive impression.

Interaction effect between ETC and EEC

This study predicts a significant interaction between ETC and EEC on the customer's experience in ECSEs. An in-role vs extra-role behaviour framework (Katz, 1964) helps clarify this potential interaction. In a service encounter, in-role behaviours refer to the employee's performance of formal job requirements (e.g. task performance, technical competence); extra-role behaviours entail employee activities that help the customer and organization but are not explicitly required (e.g. interpersonal competence). Previous studies show that employee task performance (i.e. in-role behaviour) interacts with employee interpersonal facilitation (i.e. extra-role behaviour), such that interpersonal facilitation has more impact on supervisors' assessments of employees' overall job performance when they are technically effective rather than technically ineffective (Kiker and Motowidlo, 1999). Thus, if employees fail to reach a minimum level of technical effectiveness, their interpersonal effectiveness may have little impact on their performance overall. In contrast, if they perform the technical aspects effectively, higher levels of interpersonal effectiveness should be recognized as useful (Kiker and Motowidlo, 1999). In a sales setting, Verbeke *et al.* (2008) demonstrate that social competence (extra-role behaviour) moderates the relationship between cognitive ability (in-role behaviour) and sales performance; Kidwell *et al.* (2011) also show that emotional intelligence (extra-role behaviour) moderates the relationship between cognitive ability (in-role behaviour) and sales performance.

According to these arguments, EEC should interact with ETC, such that ETC has a positive, direct effect on customers' impressions of the service provider, and this relationship is likely stronger when EEC levels are higher. Specifically, EEC is expected to moderate the relationship between ETC and customer outcomes. Service employees with greater ETC may easily understand technical problems and provide technical solutions during ECSEs, but without at least minimal levels of EEC, they cannot perceive or understand the emotional information available in the interaction. Thus, a weak relationship between ETC (in-role behaviour) and customer outcomes is expected when EEC (extra-role behaviour) is low. In summary, EEC affects the likelihood that ETC can enhance customer outcomes. When EEC increases, ETC relates more strongly to customer outcomes. Formally:

- H1. EEC moderates the relationship between ETC and negative customer emotions, such that the influence of ETC on negative emotions is stronger at higher levels of EEC.
- H2. EEC moderates the relationship between ETC and customer satisfaction with the employee response, such that the influence of ETC on customer satisfaction with the employee response is stronger at higher levels of EEC.

These hypotheses are depicted in the model portrayed in Figure 1.

Research design

Method

A video-based experiment was used to test the hypotheses in Figure 1. The 2×2 between-subjects full factorial design relied on videotaped, enacted service encounters that

represented four different conditions. In each scenario, the degree of EEC (high vs low) and ETC (high vs low) was manipulated, and participants were randomly assigned to one of the four experimental conditions: high EEC/high ETC ($n = 51$), high EEC/low ETC ($n = 54$), low EEC/high ETC ($n = 60$), or low EEC/low ETC ($n = 58$). Video-based methods offer the advantage of being methodologically rigorous and allowing the examination of a dynamic environment (Dallimore *et al.*, 2007; Luong, 2005; Victorino *et al.*, 2012), without requiring respondents to experience high levels of negative emotions personally.

Stimuli development

An airport check-in scenario was used as the focal ECSE. In the video, a check-in agent announces that a flight is postponed due to poor weather conditions so that the respondents, who assumed the role of a customer in this scenario, are likely to engage into a primary appraisal considering the potential harm, loss, threat, and challenge of the situation for customers. The setting for such an encounter is an appropriate context for four main reasons: the airline industry frequently involves situations in which customers suffer service failures, whether due to weather issues, missed connections, or cancelled flights; such situations can create an ECSE (Folkes *et al.*, 1987); managing customers' impressions of the service provider's concern for the customer is crucial to avoid a potentially negative (downward) spiral that perpetuates customers' experience of (even more) intense negative emotions; and employees' interpersonal and technical skills are particularly important in this industry (Bitner *et al.*, 1990).

The recording of the four simulated service encounters took place at the check-in desk of an international airport, during working hours, in a location that did not interfere with the airport's functioning. By filming the scenarios in an actual airport, an authentic servicescape was created (e.g. background noises, equipment, physical facilities) to help increase the ecological validity of the results (McKechnie, 1977). The actor playing the check-in agent wore an appropriate uniform (i.e. white collared shirt and red tie) to reinforce the scenario's realism (Grandey *et al.*, 2005).

For all scenes, the script includes the following events: the employee greets the customer, asks for an ID, and retrieves the reservation in the computer system (see Appendix 1). The employee then announces an unexpected issue: the flight is postponed indefinitely due to bad weather conditions, and no further information about rescheduling is available. The customer in the video then asks questions about what will occur next, and the employee answers him. Then, the employee asks the customer to wait in a nearby lounge for additional information. In all four conditions, the process of delivering the negative information (i.e. delayed flight) and the outcome (i.e. customer must wait for additional information) are the same; the way the employee deals with the customer varies, according to different demonstrations of emotional and technical competencies. As mentioned previously, when customers are involved in a critical encounter that could threaten their well-being, they are likely to engage in a secondary appraisal. In this respect, customers are likely to appraise both ETC and EEC. Both competencies are salient clues available to customers when evaluating the extent to which the situation can be managed during the secondary appraisal.

In constructing the video clips, initiatives were taken to minimize the potential for procedural confounds. Two professional actors – one playing the role of the employee and the other playing the customer – appeared in all four scenes. The dialogue and length of the video clips were similar in all conditions. To minimize the influence of the customer's traits (Grandey *et al.*, 2005; Victorino *et al.*, 2012), the customer's facial expressions are not visible, because the video is captured from behind the customer, showing only his shoulder and the back of his head. In addition, the customer's script in all four conditions is similar and brief, to limit any vocal cues.

Competence manipulations

The actor playing the employee received guidelines pertaining to the behaviours to display for each condition. For the high EEC conditions, the actor was to think of the situation as a chance to help someone in deep trouble – someone who would likely be very upset with the delivery of this news. He also was charged with making the customer feel better. In particular, the actor was asked to show explicitly that he: perceived the customer's emotions (e.g. tells the customer he realizes the customer is upset and that it is normal to be upset); understood the customer's emotions (e.g. tells the customer that he understands why the customer is upset); and attempted to regulate the customer's emotions (e.g. using an appropriate, reassuring tone and speed of speech) (Delcourt *et al.*, 2016). For the low EEC conditions, the actor was instructed to do nothing to make the customer feel better, ignore the customer's emotions, and put no effort into perceiving, understanding, or regulating these emotions. In the high ETC conditions, the employee was to appear organized and efficient in finding the customer's reservation and to provide the customer with precise answers to his questions, so as to be perceived as knowledgeable and competent (e.g. quickly finds the reservation and adequately answers the customer's questions about what to do if the customer misses the flight connection). In the low ETC condition, the employee was to appear unorganized, be slow in retrieving the reservation, and provide the customer with vague answers. The actors rehearsed the scenes until these performances were smooth and authentic.

Participants and procedures

The participants, 223 students from the business school of a medium-sized European university enrolled in a marketing class, did not receive any credit or compensation in return for their participation. A student sample is appropriate in this study because these respondents have sufficient experience with the focal service: They took 2.5 round trips by airplane during the previous year on average (ranging from 0 to 10), and 82 per cent had travelled by plane in the previous 12 months. The average age of the respondents was 22 years (ranging from 20 to 30), and 50 per cent were women.

The participants were randomly assigned to the four treatment conditions and viewed the videos in groups of about 30. In each group, participants were seated, to minimize eye contact or interactions (Grandey *et al.*, 2005), and they were told they would watch a video simulating an airline check-in for a study on customer-employee interactions. The instructions indicated that they were to observe the encounter from the customer's perspective. To set the scene and achieve consistent service expectations, the introduction also stated, "You just arrived at the airport to begin your travel for the holidays", which represented a realistic situation for these participants. Respondents were told to imagine they were flying alone to Argentina (via two flights with a short flight connection in Madrid) to meet friends who were waiting in Argentina for the respondent to visit. To measure the perceived realism of the videos, respondents were asked to respond to the following item: "I believe that such an incident can happen in real life", on a seven-point scale (1 = "strongly disagree" and 7 = "strongly agree") (Schoefer and Ennew, 2005). The mean score of 5.97 suggests respondents perceived the scenarios as highly realistic.

Measures

After watching the video, respondents received a questionnaire to evaluate their impression of the service provider's concern about the situation that the scenario created for the customer. The measures involved negative customer emotions and satisfaction with the employee's response, along with demographic and behavioural variables (e.g. frequency of airline service usage in the past 12 months). Four items measuring anger (Schoefer and Diamantopoulos, 2008; van Dolen *et al.*, 2004) served to capture negative emotions, because

anger is a frequently experienced emotion for airline customers (McColl-Kennedy *et al.*, 2009; Menon and Dubé, 2004); the Cronbach's α was 0.88 for this set of items. To measure satisfaction with the employee response, four items from Tax *et al.* (1998) and Schoefer (2008) were adapted, for which the Cronbach's α was 0.95. All items were measured with seven-point Likert scales (1 = "strongly disagree" and 7 = "strongly agree") [3]. Appendix 2 contains the complete list of items used.

Findings

Manipulation checks

To check the success of the manipulations, EEC was measured by asking respondents to report the extent to which they agreed with a 13-item measure (Cronbach's $\alpha = 0.94$) of the display of emotionally competent behaviours by the employee (Delcourt *et al.*, 2016). ETC was also measured with a three-item scale (Price, Arnould, and Deibler, 1995) that captures the extent to which the employee is perceived as efficient, capable, and organized during the encounter (Cronbach's $\alpha = 0.91$).

Analyses of covariance (ANCOVAs) show that the manipulation of EEC had a significant effect on customer perceptions of EEC[4] ($M_{\text{highEEC}} = 3.83$, $M_{\text{lowEEC}} = 2.41$; $F(1, 219) = 102.77$, $p < 0.001$, $\eta^2 = 0.319$) [5]. However, the significant main effect of the ETC manipulation on customer perceptions of EEC ($M_{\text{highETC}} = 3.43$, $M_{\text{lowETC}} = 2.72$; $F(1, 219) = 30.45$, $p < 0.001$, $\eta^2 = 0.122$) and the interaction effect between the manipulations of EEC and ETC ($F(1, 219) = 19.15$, $p < 0.001$, $\eta^2 = 0.080$) suggested potential confounds in the manipulations, which is not uncommon for similar experimental designs (see Grandey *et al.*, 2005; Hennig-Thurau *et al.*, 2006). According to Perdue and Summers (1986), when the effect size for the unintended variable (i.e. ETC) is much smaller than the effect size for the intended variable (i.e. EEC), concern about the unintended effect is negligible. Because the EEC manipulation had a much larger influence ($\eta^2 = 0.319$) on customer perceptions of EEC than did the ETC manipulation ($\eta^2 = 0.122$) or the interaction effect ($\eta^2 = 0.080$), the validity of the experimental manipulation of EEC is confirmed.

Next, the manipulation of ETC was tested, and these ANCOVA results indicate a significant effect on customer perceptions of ETC ($M_{\text{highETC}} = 4.53$, $M_{\text{lowETC}} = 1.77$; $F(1, 219) = 369.52$, $p < 0.001$, $\eta^2 = 0.628$) (see rationale footnote 5). The main effect of the EEC manipulation ($M_{\text{highEEC}} = 3.41$, $M_{\text{lowEEC}} = 2.91$; $F(1, 219) = 15.18$, $p < 0.001$, $\eta^2 = 0.065$) and the interaction effect between the manipulations of EEC and ETC ($F(1, 219) = 25.24$, $p < 0.001$, $\eta^2 = 0.103$) are also significant, though the ETC manipulation has a much greater effect ($\eta^2 = 0.628$) on customer perceptions of ETC than does the EEC manipulation ($\eta^2 = 0.065$) or the interaction effect ($\eta^2 = 0.103$). Thus, support for the validity of the experimental manipulation of ETC was obtained.

Reliability and validity assessments of dependent variables

Table I reports the means, standard deviations, composite reliability, Cronbach's α coefficients, correlations, and square root of average variances extracted (AVEs) for the dependent variables. In support of convergent validity among the measures of the constructs, the t -values for the constructs are significant at $p < 0.01$ (Anderson and Gerbing, 1988). Also, in support of discriminant validity, the correlation between any two constructs is smaller than the square root of their AVE (Fornell and Larcker, 1981).

Two-way independent ANCOVA

A two-way, independent ANCOVA examines the effects of the levels of EEC and ETC on negative customer emotions and satisfaction with the employee response (see Table II). Gender and respondent familiarity with the service served as covariates, because previous

research suggests these variables can influence respondents' perceptions of the encounter (Grandey *et al.*, 2005). Gender has a small but significant effect on negative emotions ($F(1, 216) = 3.955, p < 0.05, \eta^2 = 0.018$), such that women are more likely than men to experience negative emotions ($M_{\text{women}} = 5.40, M_{\text{men}} = 4.90$). Respondent familiarity with the service has no impact on the dependent variables.

Moderating role of EEC in the relationship between ETC and negative customer emotions. The interaction effect between EEC and ETC on negative customer emotions is significant ($F(1, 216) = 22.06, p < 0.001, \eta^2 = 0.093$), in support of *H1* (see Figure 2(a)). Aiken and West (1991) suggest using *post hoc* tests to test for slope differences for a two-way interaction, by computing simple slopes to clarify the interaction effects. Those *post hoc* tests reveal that the *p*-value for the slope of low EEC is not significantly different from 0 ($p = 0.831$), but that for the slope of high EEC is significant ($p = 0.004$). Thus, according to this *post hoc* test, ETC has an influence on negative emotions only when EEC is high ($M_{\text{highETC-highEEC}} = 2.83, M_{\text{lowETC-highEEC}} = 5.38, p < 0.001$), in support of *H1*. However, ETC has no mitigating effect on negative emotions when EEC is low ($M_{\text{highETC-lowEEC}} = 5.97, M_{\text{lowETC-lowEEC}} = 6.11, p > 0.05$). The results therefore suggest that employees must demonstrate emotional competence in addition to technical competence, if they want to affect negative customer emotions, because the influence of ETC on negative customer emotions is significant only when employees also demonstrate high EEC. When EEC is low, the influence of ETC on customer emotions is non-significant.

Moderating role of EEC in the relationship between ETC and customer satisfaction with the employee response. The interaction effect between EEC and ETC on satisfaction with the employee response is also significant ($F(1, 216) = 83.12, p < 0.001, \eta^2 = 0.278$), in line with *H2* (see Figure 2(b)). Again, *post hoc* tests of slope differences for the two-way interaction reveal that the *p*-value for the slope of low EEC is not significantly different from 0 ($p = 0.284$), though that for the slope of high EEC is significant ($p = 0.002$). Thus, the

	Number of items	Mean	SD	CR	α	1	2	3	4
1. EEC	–	–	–	–	–				
2. ETC	–	–	–	–	–	–0.02			
3. Negative emotions	4	5.15	2.38	0.92	0.88	–0.40	–0.26	<i>0.86</i>	
4. Satisfaction with employee response	4	2.38	1.57	0.96	0.95	0.43	0.53	–0.63	<i>0.93</i>

Notes: CR, composite reliability; α , Cronbach's α . The square root of the AVE is reported in italic. All correlations are significant at the 0.001 level (except EEC and ETC, which are uncorrelated). EEC and ETC are dichotomous manipulations (0 = low, 1 = high), and therefore, figures (items, means, SD, CR, α) are not available as they cannot be computed

Table I. Descriptive statistics, reliability, and correlations

	High ETC Means	Low ETC Means	ANCOVA <i>F</i> -values		
			EEC	ETC	EEC \times ETC
Negative emotions			48.98	25.96	22.06
Low EEC	5.97 (2.13)	6.11 (1.97)			
High EEC	2.83 (1.75)	5.38 (2.15)			
Satisfaction with employee response			108.19	174.03	83.12
Low EEC	2.01 (1.10)	1.46 (0.69)			
High EEC	4.60 (1.35)	1.67 (0.64)			

Notes: Standard deviations are reported in parentheses. All *F*-values from the ANCOVA are significant at $p < 0.001$

Table II. Descriptive statistics and ANCOVA results

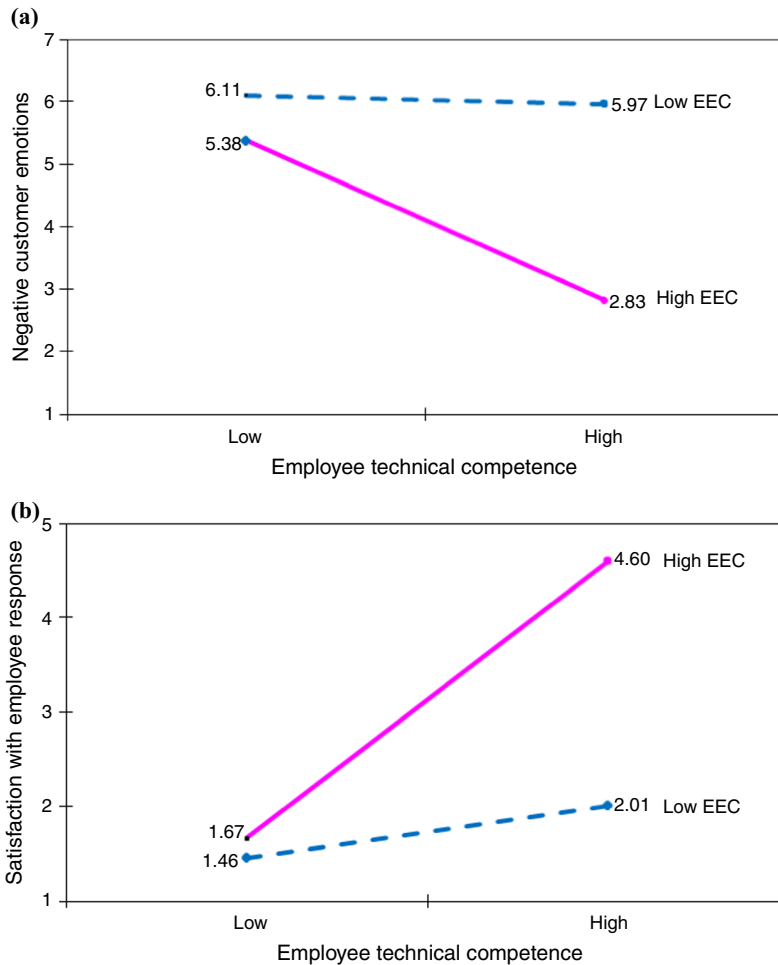


Figure 2.
Interaction effect
between EEC
and ETC

Notes: (a) Negative customer emotions; (b) satisfaction with employee response

post hoc tests show that the positive influence of ETC on satisfaction with the employee response is significant only when EEC is high ($M_{\text{highETC-highEEC}} = 4.60$, $M_{\text{lowETC-highEEC}} = 1.67$, $p < 0.001$). Accordingly, employees must demonstrate emotional competence in addition to technical competence to affect satisfaction with the employee response favourably. When EEC is low, the influence of ETC on satisfaction is non-significant.

Discussion

This study examines customer impressions of a service provider's concern by investigating the impact of ETC and EEC on customer reactions just after bad news has been delivered. Drawing on cognitive appraisal theory – which contends that people evaluate if anything can be done to overcome or prevent harm when they consider a particular situation critical and threatening to their well-being – the impact of EEC and ETC on customers was tested using a video experiment. This choice of ETC and EEC reflects the notion that customers

likely rely on functional and humanic clues when forming impressions in ECSEs (Berry *et al.*, 2006). The results of the 2×2 ANCOVA suggest that both EEC and ETC reduce the negative effects of bad news communicated to customers. These results are in line with impression management literature (Schlenker, 1980), which suggests employees create and maintain desired customer impressions by displaying behaviours that control the impressions customers form about them (Tedeschi and Reiss, 1981; Wayne and Kacmar, 1991). By displaying both technical and emotional competencies, employees can create favourable impressions among customers right after the delivery of bad news.

However, ETC does not temper negative customer emotions when EEC is low. Thus, when customers experience strong negative emotions, a high level of ETC does not decrease negative customer emotions if EEC is low. It is crucial that employees demonstrate EEC in addition to ETC if they hope to lower those strong customer emotions and avoid a spiral of negativity that perpetuates the experience of (even more) intense negative customer emotions.

Finally, EEC and ETC interact, such that the positive effect of ETC on customer outcomes is significantly greater when EEC is high. This result is in line with in-role vs extra-role behaviour theory (Katz, 1964), which suggests that in-role behaviours (i.e. ETC) and extra-role behaviours (i.e. EEC) interact: Extra-role behaviours strengthen the impact of in-role behaviours on various dependent variables (i.e. negative customer emotions and customer satisfaction with employees' responses).

Theoretical implications

Although ECSEs are common, prior research has not considered customers' impressions of the service provider's concern or how employee competencies might shape impressions formed right after the delivery of bad news. This study focusses on ECSEs, in which customer emotions are intense, because customers have strong emotional needs that employees must address (Menon and Dubé, 2000). Although this study focusses on situations in which employees explicitly convey the bad news to customers, these results likely would apply to other ECSEs as well (e.g. encounters in complex or high-involvement services).

According to cognitive appraisal theory (Folkman *et al.*, 1986; Lazarus, 1991b), customers should engage in primary appraisal when involved in ECSEs, because this critical event might threaten their well-being, and then undertake a secondary appraisal to evaluate whether they can cope with the situation. This study demonstrates that during the secondary appraisal, both ETC and EEC are important for reassuring customers and enabling them to cope with the critical event, lower their negative emotions, and increase their satisfaction with the employee's response right after the bad news has been delivered.

This study also finds that EEC moderates the relationship between ETC and its influence on the customer's impressions. Specifically, EEC moderates the effect of ETC; when EEC is high, the impact of ETC on negative emotions with the employee response becomes significant. This important finding reveals that ETC alone is not sufficient to mitigate the detrimental effect on customer emotions right after bad news has been delivered. High ETC does not temper negative customer emotions in ECSEs when EEC is low.

Finally, this study reveals that EEC moderates the relationship between ETC and customer satisfaction with employee response. When EEC is low, ETC does not have an impact on customer satisfaction, but it does affect customer satisfaction when EEC is high. Thus, to ensure customer satisfaction with the employee response, employees must demonstrate both ETC and EEC. Examining how ETC and EEC interact is crucial to understanding their impact on customer outcomes.

Managerial implications

An ECSE can elicit high levels of dissatisfaction if the employee manages the interaction poorly (Mattila and Ro, 2008). Even if an ECSE seems routine to employees (e.g. announcing a flight delay), it rarely feels like a routine event to the customer (Price, Arnould and Tierney, 1995). The findings suggest several important actions that managers can take to respond to customers who experience intense negative emotions due to ECSEs. First, managers should encourage employees to display both emotional and technical competencies to foster positive customer impressions in ECSEs and improve the customer's experience. One of these competences alone is not sufficient to temper negative customer emotions or elicit customer satisfaction with the employee's response. If managers want to minimize the level of negative customer emotions and maximize the level of customer satisfaction, they must encourage their employees to display both ETC and EEC.

Second, this study suggests that service providers can apply the idea of cognitive appraisal theory in ECSEs to manage customers' impressions after such an issue. Contact employees and their supervisors need to realize that when customers are involved in ECSEs, those customers consider the encounter critical and sense a threat to their well-being, and they also evaluate the extent to which the situation is manageable by relying on clues available in the environment. In this respect, employees must demonstrate to customers that they can fix the problem (ETC) by, for example, regularly informing customers of what is being done to resolve the situation. Employees must also demonstrate that they are able to perceive, understand, and regulate customers' emotions (EEC), by reassuring them as they engage in their secondary appraisal of the situation. If employees fail to demonstrate technical and emotional competencies, negative customer emotions likely become salient and can provoke a downward spiral of negativity that perpetuates the experience of (even more) intense negative customer emotions.

Third, these findings suggest that recruitment and selection procedures for customer contact employees should feature evaluations of both ETC and EEC. Tests of ETC are common for job applicants (Hunter and Schmidt, 1998), but tests of EEC are not. Service managers might assess a candidate's EEC through role playing, such as by asking an applicant to assume the role of an employee serving a customer who is experiencing negative emotions. Both the "customer" (e.g. current employee) and observers then can evaluate the applicant's EEC. If managers want to evaluate both ETC and EEC simultaneously, they could expand the role play to feature an issue that demands both technical and emotional competencies. In particular, they might observe an applicant's reactions when faced with a common situation in that job setting, such that, for example, a candidate for a sales job at an appliance repair service should be tasked with a role play in which she or he must explain to a customer that data from a hard disk cannot be retrieved.

Fourth, though not a primary focus of the research, this study finds that female customers are more likely to experience negative emotions than male customers. Thus, when engaging in cognitive appraisal theory, women are more likely to appraise the ECSEs as critical for their well-being and experience more intense negative emotions than men. This finding suggests that managers may want to encourage their contact employees to be even more careful and sensitive to the emotions of female customers than to those of male customers.

Limitations and further research

This study has several limitations. This research relies on an experimental study, which provides high internal validity but relatively low external validity. Thus, further research should capture actual ECSE situations. In addition, this paper focusses on a specific aspect of the ECSE in the experiment: the period right after the receipt of bad news, when the customer's impression of the firm's concern is forming. This choice was designed to reveal customer perceptions in such circumstances, because customers likely remember such specific episodes well, considering the threat that the news represents to their well-being.

However, in examining the period right after the receipt of bad news, this study cannot provide a full view of the overall process of service delivery and the resulting outcomes. Also, focussing solely on the delivery of bad news to customers excludes a wide range of ECSEs. Additional research examining not only the service process but also the service outcome (positive vs negative) of the service delivery in the context of various ECSEs in different service sectors thus could be undertaken.

Another potential limitation is the use of a student sample, which might reduce the generalizability of the results to a more general population. However, the sample makes sense in this setting, because the students had sufficient experience with air travel and found the scenario highly realistic. Such samples also have been widely accepted in experimental designs (Dallimore *et al.*, 2007; Hennig-Thurau *et al.*, 2006; Luong, 2005; Mattila *et al.*, 2003). Still, additional studies could include a more general, more representative sample of the general population (e.g. more senior adults).

Finally, only one service industry is examined (i.e. airline industry), so continued research could investigate other services to test the extent to which the impact of EEC and ETC interact differently. When choosing service sectors, researchers should consider under-examined sectors in which emotions may be salient (e.g. auto repair services, legal services).

Notes

1. The difference between functional and humanic clues can be subtle. A check-in agent who answers a customer's question about a flight connection produces both functional and humanic clues. The accuracy of the information and the speed at which it is delivered is a functional clue; the agent's tone of voice, choice of words, and body language are humanic clues (Berry *et al.*, 2006). A third type of clue, mechanic clues, relates to tangible elements, but because this study focuses on service employee behaviours, mechanic clues are not included.
2. This article uses the term technical competence (Madhavan and Grover, 1998; Moorman *et al.*, 1993) to establish the contrast with emotional competence, whereas most service literature refers simply to competence (e.g. van Dolen *et al.*, 2004) or technical skills (e.g. Hennig-Thurau, 2004).
3. Before the actual data collection, a pretest with 68 customers assessed the adequacy of the study design and ensured that the videos manipulated EEC and ETC as intended. As expected, significant differences arose between high and low EEC ($M_{highEEC} = 3.76$, $M_{lowEEC} = 2.64$; $F(1,64) = 18.577$, $p < 0.001$, $\eta^2 = 0.225$), as well as between high and low ETC ($M_{highETC} = 5.01$, $M_{lowETC} = 2.15$; $F(1,64) = 99.412$, $p < 0.001$, $\eta^2 = 0.608$). The respondents also reported the extent to which the announcement that the flight was delayed was very bad news (= 1) or very good news (= 7). The mean score of 2.10 suggested that the respondents considered the announcement of the flight delay bad news, as intended.
4. These values are mean scores of the responses to the 13-item EEC scale.
5. Although the difference in means is significant, customer perceptions of EEC are not very high, even in the high EEC condition. When customers receive bad news, they are in a negative affective state, which tends to make them very critical of employee behaviours (Forgas, 1995). Even if the employee demonstrates high EEC, customers are affected by the bad news, which influences their perceptions and evaluations negatively.
6. See the rationale in footnote 5.

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(The Appendix follows overleaf.)

Appendix 1. Service Encounter Script

- (1) As soon as the customer comes to the check-in counter, the employee makes eye contact with the customer and greets him.
- (2) The employee asks for the customer's passport and the number of bags.
- (3) The employee announces to the customer that the flight is delayed, with an indefinite postponement for an undetermined time due to poor weather. The employee adds that at this stage, he does not know for how long the flight will be postponed.
- (4) After this point, the four scripts differ:

High EEC

The employee says to the customer that he realizes the customer is in trouble, recognizes that it is normal to be upset, and understands why the customer is upset: the situation is really problematic. He mentions that information will be communicated with the objective of reassuring the customer. He asks the customer to be attentive to information that is communicated through the public address system

High ETC

The employee quickly finds the reservation. The employee precisely and directly answers the customer's questions about what to do if the customer misses the flight connection. He mentions to the customer that information will be quickly communicated. He mentions to the customer that the company is well prepared to deal with this kind of situation

Low EEC

The employee does not react or say anything after telling the customer of the flight delay. (That is, he does not say that he perceives that the customer is in trouble, does not recognize that it is normal to be upset, and does not say that he understands why the customer is upset.) He mentions that information will be communicated. He asks the customer to be attentive to information that will be communicated through the public address system or he could easily miss the plane

Low ETC

The employee takes quite a bit of time to find the reservation. The employee does not precisely or directly answer the customer's questions about what to do if the customer misses the flight connection. He mentions to the customer that information will be communicated. He tells the customer that he cannot do anything about this kind of situation

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- (5) The employee gives the tickets and passport back to the customer and asks the customer to wait in a nearby lounge for additional information.

Appendix 2. Questionnaire items

Realism of the videos (Schoefer and Ennew, 2005)

- (1) I believe that such an incident can happen in real life.

Employee emotional competence (Delcourt *et al.*, 2016)

Perception of customer emotions

- (1) The employee was altogether capable of recognizing that I was upset.
- (2) The employee was altogether capable of perceiving how I was feeling.
- (3) The employee was altogether capable of identifying the emotional state I was in.
- (4) The employee was fully aware of my emotional state.
- (5) The employee perfectly interpreted my emotions.

Understanding of customer emotions

- (1) The employee perfectly understood the reasons why I was upset.
- (2) The employee perfectly understood the reasons for my feelings.
- (3) The employee perfectly understood why I was bothered.

Regulation of customer emotions

- (1) The employee had a very positive influence on me.
- (2) The employee did everything to make me feel well.
- (3) The employee behaved tactfully to make me feel better.
- (4) The employee positively influenced the way I was feeling.
- (5) By his behaviour, the employee calmed me down.

Employee technical competence (adapted from Price, Arnould, and Deibler, 1995)

During the service encounter, the contact employee was:

- (1) Capable
- (2) Efficient
- (3) Organized

Negative customer emotions at the end of the encounter (adapted from Schoefer and Diamantopoulos, 2008; van Dolen *et al.*, 2004).

To what extent would you experience those emotions at the end of the encounter (i.e. when invited to wait for further information about the weather and the flight schedule in the nearby lounge)?

- (1) Enraged
- (2) Angry
- (3) Disgusted
- (4) Mad

Satisfaction with the employee response (adapted from Schoefer, 2008; Tax *et al.*, 1998)

- (1) The handling of the encounter was done as well as it should have been.
- (2) The contact employee did all I expected.
- (3) I was happy with the handling of the encounter.
- (4) I was pleased with the manner in which the contact employee dealt with the encounter.

About the authors

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