

What Makes Customers Discontent with Service Providers? An Empirical Analysis of Complaint Handling in Information and Communication Technology Services

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ABSTRACT. The effectiveness of complaint handling and service recovery policies in customer retention has been the focus of both scholars and service organizations. In the past decade, Justice Theory has provided the basis of the dominant theoretical framework for complaint management and service recovery. However, it does not explicitly address unfair trade practices, which constitute an ethical issue. Favorable outcomes in complaint handling may not be able to restore the reputation of a company and the potential harm perceived by consumers. Using face-to-face interviews, this study applies Fairness Theory to explore the psychological responses of consumers in the post-complaint phase, particularly in ethical judgment. The findings suggest that an unfavorable outcome in the post-complaint stage leads to counterfactual thinking by the consumer about the consumer's state of well-being. The complaint must be due to the discretionary actions of the service provider whose accountability is assessed. Those harmful actions are then judged against an ethical standard. Explanations can reduce blame, and their effectiveness is moderated by outcome favorability but not ethical judgment. Favorable outcome, captured by "Would Perception," has only limited influence on Perceived Potential Harm (PPH), which is an important determinant of ethical judgment. This study makes both theoretical and practical contributions. It is the first study to validate Fairness Theory empirically and apply it to complaint handling as a complement of

Justice Theory in the information and communication technology (ICT) service context. The study indicates that customers may condemn a service provider because of PPH even though the outcome is favorable. Unfair trade practices are what make customers hate ICT service providers.

KEY WORDS: Fairness Theory, Justice Theory, complaint handling, ethical judgment, Perceived Potential Harm

Introduction

As information and communication technology (ICT) services have become indispensable tools in personal and commercial communication and entertainment in recent years, consistently high levels of consumer complaints about the telecommunications and broadcasting industries have been made to the Consumer Council of Hong Kong, with a total of 15,613 cases in 2007 (www.consumer.org.hk). The ratio of the number of complaints to the population is similar to that in the United States, where the number of ICT complaints to the Federal Communications Commission (FCC) was 204,672 cases in the first two quarters of 2007 (http://hraunfoss.fcc.gov/edocs_public). In Hong Kong, the Consumer Council, Telecommunications Authority, Broadcasting Authority, and ICT industry are very concerned about the prevalence of unfair sales practices that involve aggressive, harassing, and deceptive sales tactics. The code of practice advocated by the Authorities and trade associations appears to be ineffective. The Consumer Council has recommended the creation of

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a comprehensive trade practices statute administered by a public enforcement body in a new regulatory regime to address this long-standing problem.

The ICT sector in Hong Kong is among the most advanced in the world. According to the World Economic Forum's Networked Readiness Index 2007/2008, Hong Kong ranked second in Asia and was among the world's top 15 economies in terms of its readiness to participate in and benefit from ICT developments. The Hong Kong Special Administrative Region government has had an open competition policy since 1984 and as a result, ICT services have become part of daily life and indispensable tools for personal and commercial communication and entertainment. Hence, ICT service-related issues have an extensive impact on society. On the one hand, we enjoy the benefits of state-of-the-art technology and ubiquitous services; on the other hand, the Consumer Council of Hong Kong reports that most complaints are related to ICT services. The Council and the ICT industry are very concerned about grossly unfair and unjust trade practices. These unjust practices harm not only the reputation of legitimate service providers, but also the reputation of the ICT industry as a whole.

The total number of complaints to the Council was 38,521 cases in 2007, which is an increase of 7% compared with the previous year. Telecom services continued to draw the most complaints, with a total of 10,382 cases, while complaints about pay TV rose by 80% compared with the previous year, for a total of 5231 cases (www.consumer.org.hk). Of the 6061 cases that were deemed to be forms of deceptive, misleading (e.g., misleading claims in advertisements regarding the nature or effect of the product or service), unconscionable, and/or aggressive trade practices (e.g., coercion and harassment), 2199 cases were telecommunications and broadcasting related. The types of complaints about ICT services, which are confined in this study to mobile, Internet, and pay TV services, mainly concerned sales practices, price/charge disputes, and quality of service. Complainants claimed to have been overcharged or that misleading tariffs were applied in the charge disputes, and complained of unclear terms and conditions or no notification upon expiry in sales practice and contract disputes, misleading propaganda about the quality of products/services, and prolonged termination procedures. The number of complaints does

not take into account those who made complaints to the operator only but did not seek third party redress, or those who experienced unsatisfactory service but did not voice complaints. Seeking redress from third parties rather than from service providers almost always increases costs to society in general and the focal industry (Singh, 1989). The unfairness and injustice that consumers suffer at the hands of unscrupulous traders are of great concern to the Council. In view of the urgent need to prevent and stop these problems from occurring, the Council has recommended the expansion of the current telecommunications ordinance to expressly cover all unfair practices, as prohibited under the proposed trade practices statute, before, during, and after a transaction, and that the ordinance cover the conduct of licensees and their agents as of February 2008. Although undesirable practices damage a company's image and customer confidence and loyalty, companies can profit from customers' confusion and ignorance, misleading marketing information, and the wrong decisions of customers. These adversarial value-extracting strategies are common across industries not only in Hong Kong, but also worldwide (McGovern and Moon, 2007). Company-specific hate sites (e.g., www.hateverizon.org) generate untold amounts of bad publicity for companies. The complaint handling problem involves ethical issues related to marketing, sales practices, tariffs, and even service termination procedures. Traditional complaint handling and service recovery tactics focus on organizational responses (Davidow, 2003; Gilly and Hansen, 1992; Miller et al., 2000; Tax et al., 1998), their interactions to achieve an effective result (Miller et al., 2000), and consumer response to those responses (Gilly, 1987), but little is known about how customers evaluate the ethical judgment of service providers and the mitigating effect of certain organizational responses.

Some service providers encourage customer to make bad purchases, with the result that their profits depend on their most dissatisfied customers (McGovern and Moon, 2007). For instance, customer complained they were billed for some unused services or did not receive notification upon the expiry of a free trial period and were charged afterward. The termination of the service is time consuming and troublesome. Service providers may underestimate the costs of using deception because

they justify too readily their own use of deception (Lewicki, 1983). Also, they may rely on complaint management and service recovery tactics to provide a satisfactory outcome and thus avoid being blamed. The focus of this study is to investigate the validity of the last conviction.

Complaint handling refers to the strategies firms use to resolve and learn from service failure in order to reestablish the organization's reliability (Hart et al., 1990). Service recovery refers to the actions a service provider takes in response to a service failure, and is considered a major component of the overall service quality (Gronroos, 1988). Service recovery is successful to the extent that a complainant continues to repurchase the service and engages in positive word-of-mouth communication (Davidow, 2000). Proper complaint management can result in customer satisfaction and improved financial performance through operational improvement (Fornell and Wernerfelt, 1987; Johnston, 2001; Johnston and Mehra, 2002). Complaint satisfaction, in turn, is proven to be a major factor of repatronage intentions and customer loyalty (Andreassen, 1999; Halstead and Page, 1992; Karatepe, 2006; Maxham and Netemeyer, 2002; Wirtz and Mattila, 2004). It is also one of the affective antecedents of relative attitude contributing to customer retention (Dick and Basu, 1994; Fornell, 1992; Gerpott et al., 2001). This leads to the recovery paradox (McCullough and Bhargava, 1992), which refers to the situation in which a customer's purchases and loyalty increase as a result of satisfactory service recovery. However, service encounters are considered to be customer relationship "landmines" because customers are more sensitive to the costs/losses arising from interactions with service providers. Thus, the service encounter is an early indicator of whether the relationship is going to flourish or decline (Bolton, 1998). Firms should encourage dissatisfied customers to complain so as to recover otherwise lost customers, but most firms perceive an increase in complaints as negative and sometimes a reflection of poor performance instead of considering the opportunity cost of not receiving a complaint (Fornell and Wernerfelt, 1987). The duration of the service provider-customer relationship depends on the cumulative satisfaction with the service and whether customers experienced service failure regarding the organization's response. The effectiveness of complaint

handling and service recovery policies in customer retention has been the focus of both scholars and service organizations. Justice Theory has been the basis of the dominant theoretical framework for complaint management and service recovery in the past decade (Blodgett et al., 1997; Bowen et al., 1999; Conlon and Murray, 1996; Davidow, 2000, 2003; Karatepe, 2006; Liao, 2007; Miller et al., 2000; Smith et al., 1999; Tax et al., 1998; Wirtz and Mattila, 2004). These studies focus on the customer evaluation of the complaint experience through perceived distributive, procedural, interactional, and informational justice (Colquitt, 2001). The evaluation of unfair trade practices or the ethical judgment of the provider is seldom addressed. In fact, ethical judgment is not explicitly considered in Justice Theory, although honesty is one of the dimensions in interactional justice in the study of Goodwin and Ross (1989). In view of the astonishing number of cases of unfair trade practices [18,069 cases in Singapore in 2005 (www.ccs.gov.sg); the communications industry has topped the Attorney General's Consumer Complaint List in Washington for the past 8 years (www.atg.wa.gov)], a code of ethics should be incorporated into trade practice regulations. In fact, accounts of justice cannot be complete without reference to morality (Cropanzano et al., 2003). More recently, Fairness Theory (Folger and Cropanzano, 1998, 2001) has been found to provide useful insights in extending and explaining customer responses to complaint handling and service recovery, in particular regarding ethical judgment (Colquitt and Chertkoff, 2002; McColl-Kennedy and Sparks, 2003; Shaw et al., 2003). However, the relationship among the elements of Fairness Theory in the ICT service is unknown. The effect of explanations and the impact of outcome favorability on the relationships between the elements of Fairness Theory and explanations have to be investigated.

The purpose of the study is to investigate the determinants of ethical judgment in the ICT services complaint handling context. First, we generate a reliable measurement scales for Fairness Theory by Focus Groups and Expert Panel. Second, we then tested the relationships among the elements of Fairness Theory empirically in the ICT services complaint handling context. Third, we examined the effect of explanations on the elements of Fairness Theory. Fourth, we tested the impact of outcome

favorability on relationships between explanations and the elements of Fairness Theory. Fifth, we found out the role of Perceived Potential Harm (PPH) which is one of the components in Moral Intensity (Jones, 1991) in ethical judgment of complaint handling context.

Justice Theory and Fairness Theory

Justice Theory has been widely adopted in the study of the effectiveness of complaint handling/service recovery tactics and post-complaint behavior in service recovery. Customers' level of satisfaction and their loyalty depend on the perceived justice in the complaint handling process and outcome. Four types of justice are generally assessed in a service recovery context: procedural (the process used to resolve the problem), distributive (the outcome of the recovery process), interactional (the manner and the interaction between the operator and complainant in dealing with the problem), and informational (the candid communication with the complainant). These four factors are proven to be distinct dimensions (Colquitt, 2001). Most prior studies have posited that proper organizational responses affect perceived justice, which in turn is the major determinant of outcome satisfaction (Davidow, 2003; Karatepe, 2006; Liao, 2007; Smith et al., 1999; Tax et al., 1998). Leventhal (1980) posited that procedures are considered to be fair if (a) they are implemented consistently, (b) they are implemented without self-interest, (c) accurate information is given in the allocation process, (d) unfair decisions can be corrected, (e) all interested parties are represented, and (f) the procedures are compatible with moral and ethical values. Fairness Theory is the most appropriate tool to address the last condition which is neglected by prior studies.

Fairness Theory posits that justice is a social process in which people assign one another blame or credit. A socially unjust situation involves three elements. First is the worsening of an injury, unfavorable condition, or some state of well-being for which someone might be held accountable. Second is the attribution of someone's discretionary conduct. People make judgments about a social target, a harmdoer whose actions constitute the event being

experienced and seem to have led to it. Assessment of the target could have feasible options, and volitional control would drive the sense of injustice. If the target can give an explanation, a social account that things could have been better, but were unavoidable or uncontrollable, the target cannot be held accountable. Third is the violation of an applicable moral tenet. If the behavior or actions taken is perceived to violate a normative or ethical standard, the target can be held accountable. The social target can be a person or a corporation. The corporate personnel in the service encounter are considered representatives of the corporation.

"Victims" will mentally alter certain parameters or change certain facts by adding their own thoughts, interpretations, ideas, and imagination, which act as a frame of reference when contemplating adversity. This mental representation of alternatives to the past is called counterfactual thinking (Roese, 1997) because it is contrary to the facts. It is restricted to alternative versions of the past. There are two stages of counterfactual generation: initial activation and content. Affect is the main determinant of activation, whereas "normality" (whether the circumstances surrounding the outcome are "normal" or unusual) is the main determinant of content. Other determinants of content are action/inaction and controllability. Internal and controllable actions, with implications for avoidability and prevention, are the focus of counterfactual thinking. Negative affect signals that a problem needs to be rectified, and counterfactual thinking is thus activated to deal with the problem. Compared to positive affect, negative affect initiates greater activation. Once activated, counterfactual content recapitulates normality by altering deviations from prior norms or expected behavior back to their normal values. Counterfactual thinking involves two mechanisms: contrast effects and causal inferences. Contrast effects occur when a judgment is made in more extreme conditions against some standard while causal inferences are derived from the linkage of an antecedent to an outcome. The affective consequence of a contrast effect may be adverse but the judgment consequence of a causal inference may be beneficial for future improvement (Roese, 1997).

People compare reality with the corresponding aspects of a counterfactual scenario. Fairness Theory calls this "Would Perception" (WP). The victim

assesses what the nature of the experience would have been like if the event had not occurred or had unfolded differently. The discrepancy between the actual event and the imagined positive alternative determines the extent of the injury felt. The counterfactual processing of events includes two other elements – Could Judgment (CJ) and Should Judgment (SJ).

Discretionary conduct is the key determinant of accountability. The victim will contrast what was done with what could have been done by the harmdoer and determine accountability. If the harmdoer can successfully give a social account to explain that the situation was not under his or her discretionary control, the hurt feelings of the victim are mitigated. CJ can be interpreted as involving a “sin of commission,” that is, someone has done some harm and does not wish to accept responsibility. It can also be considered to involve a “sin of omission” if someone has withheld certain helpful acts and caused harm to others even though that individual is not the one who actually did the damage. Someone could be held accountable if the mistake resulted from a lack of knowledge but that person is reasonably expected to be knowledgeable or that person did not use his or her knowledge to solve the problem that was his or her responsibility. This is termed the “problem of ignorance.”

What should have been done is also taken into account by a victim. The counterfactual “should” involves an ethical or moral standard. However, individual moral standards may change from situation to situation. People do not make SJs unless the event is highly salient and the consequence is very negative. These represent social consensus and the magnitude of consequences, as specified by Jones (1991). These two components are found to be the most important determinants in ethical decision making in the empirical study of Frey (2000). The magnitude of consequences may depend on the type of complaint. For example, the quality of an unsatisfactory network may not have reached the threshold that makes it a moral issue, whereas a substantial charge dispute such as an unclear roaming tariff or sales malpractice may result in a very high financial cost.

Folger and Cropanzano (2001) identified two sources of should counterfactuals: normative philosophy and the psychological contract. Normative

philosophy can be classified as either deontological or teleological (Murphy and Laczniak, 1981). Deontological theories focus on the specific actions or behavior of an individual. Deontologists believe there is a “best” set of rules to live by with no exceptions or conflicts. Teleological theories focus on the consequences of the actions. Teleologists or utilitarianists believe an act is ethical if it produces a greater balance of good over evil than any available alternative. Hunt and Vitell (1986) postulated that an individual’s ethical judgment is a function of the individual’s deontological and teleological evaluations. It is unlikely that individuals are strictly deontologists or teleologists in a given situation. This argument had been empirically tested by Mayo and Marks (1990). The likelihood that an individual will engage in a particular behavior is a function of situational constraints and intentions, which in turn constitute a function of ethical judgment and teleological evaluation. Psychological contract is defined as a set of beliefs about what each party is entitled to receive, and obligated to give, in exchange for another party’s contribution (Levinson et al., 1962). Rousseau (1989) summarized the characteristics of a psychological contract as follows: (a) an individual’s beliefs regarding reciprocal obligations between that individual and another party, (b) one party has paid for or offered a consideration in exchange for a promise that the other party will reciprocate, (c) both the promise and the consideration are highly subjective, and (d) the individual holding beliefs based on assumptions of good faith, fair dealing, and trust will treat the contract as part of the larger fabric of the relationship between the parties. The relationship between a subscriber and an ICT service provider is more than transactional because there is continuous patronage of new services and a relationship develops. It is believed therefore that a psychological contract exists. Violation of a psychological contract is the perceived failure of the other party to fulfill the terms of the contract. Responses to perceived violation go beyond the perception of inequity and dissatisfaction to involve feelings of betrayal and deeper psychological distress because psychological contracts involve the element of trust, a sense of relationship, and a belief of a promise of future benefits (Bies, 1987). Morrison and Robinson (1997) identified two conditions that may give rise to violation: renegeing and incongruence. Renegeing occurs

when an agent of an organization knowingly breaks a promise because of inability or unwillingness. Incongruence occurs when the individual and the agent have different understandings about a promise. Incongruence may be due to divergent schemata, complexity and ambiguity, and communication. Either condition will lead to a perceived unmet promise depending on the salience of that discrepancy and vigilance of the individual. The perception of this discrepancy serves as a trigger for a comparison process, whereby an individual considers how well each party has upheld its respective promises. Finally, a perceived contract breach leads to violation after an interpretation process by the individual.

Fairness judgment is made according to an individual's ethical standard, and both the outcome and process can be influenced by ethical inclinations (Schminke et al., 1997). Utilitarianists tend to more concerned with the outcome, whereas formalists are more concerned with the process. If justice is defined in reference to a psychological contract, it becomes relative because a psychological contract changes across time and place. It blinds us most when it is relational rather than transactional, that is, based on economic exchange. A transactional contract is composed of specific, short-term, and monetizable obligations, whereas a relational contract entails broad, open-ended, and long-term obligations, and the exchange is based on not only monetizable elements but also social emotional elements such as loyalty and support (Rousseau and McLean Parks, 1993). People tend to worry about justice more in the context of a close group. This is consistent with the proximity component of moral intensity, which is part of the ethical decision-making process (Jones, 1991). However, people are also moved by the injustices experienced by strangers because normative philosophies tell us how people overall should be treated.

In summary, Fairness Theory involves three interrelated components which determine whether a given situation is fair. An individual develops a sense of accountability based on three judgments: the contrast of the actual unfavorable event, the conduct of the target, and the moral principle of the act against a "would, could, and should" counterfactual scenario. WP can be interpreted loosely as distributive justice while CJ and SJ are loosely related to

either procedural or interactional justice in Justice Theory.

Theoretical development

Folger and Cropanzano (2001) posited that the three elements, WP, CJ, and SJ of the Fairness Theory are co-related to each other but does not mention the casual relationship among them or any empirical study to validate the Theory. In fact, Fairness Theory is not a complete theory according to the criteria defined by Dubin (1978). There are four essential elements: "what," "how," "why," and "who-where-when" should be addressed. The research model of this study proposes a causal relationship among the elements of the Fairness Theory so as to address the "how," "why," and "who-where-when" issues with the supports of other theories and prior researches. This study emphasizes the ethical judgment of service providers who have been said to be taking advantage of their customers (McGovern and Moon, 2007). Thus, SJ in Fairness Theory is taken as the dependent variable. Figure 1 shows the research model and hypotheses with the rationale explained below.

The antecedent of Would Perception

A service failure/dispute causes the first negative state of customer well-being. Favorable outcomes in complaint handling are more positively associated with fairness and satisfaction (Goodwin and Ross, 1992). If the complaint handling cannot provide a favorable outcome, a second negative state occurs. A complainant will compare the actual experience with his or her personal expectations, understandings, or the commitment offered by the service provider to gauge the injury. This is consistent with Expectation Disconfirmation Theory. Oliver (1980) posited that expectations are influenced by the same factors as those in Adaptation Level Theory (Helson, 1964), namely, (1) the product itself, including one's prior experience, brand connotation, and symbolic elements, (2) the context, including the content of the referents' communication, and (3) individual characteristics. The degree to which the product exceeds, meets, or falls short of one's expectations

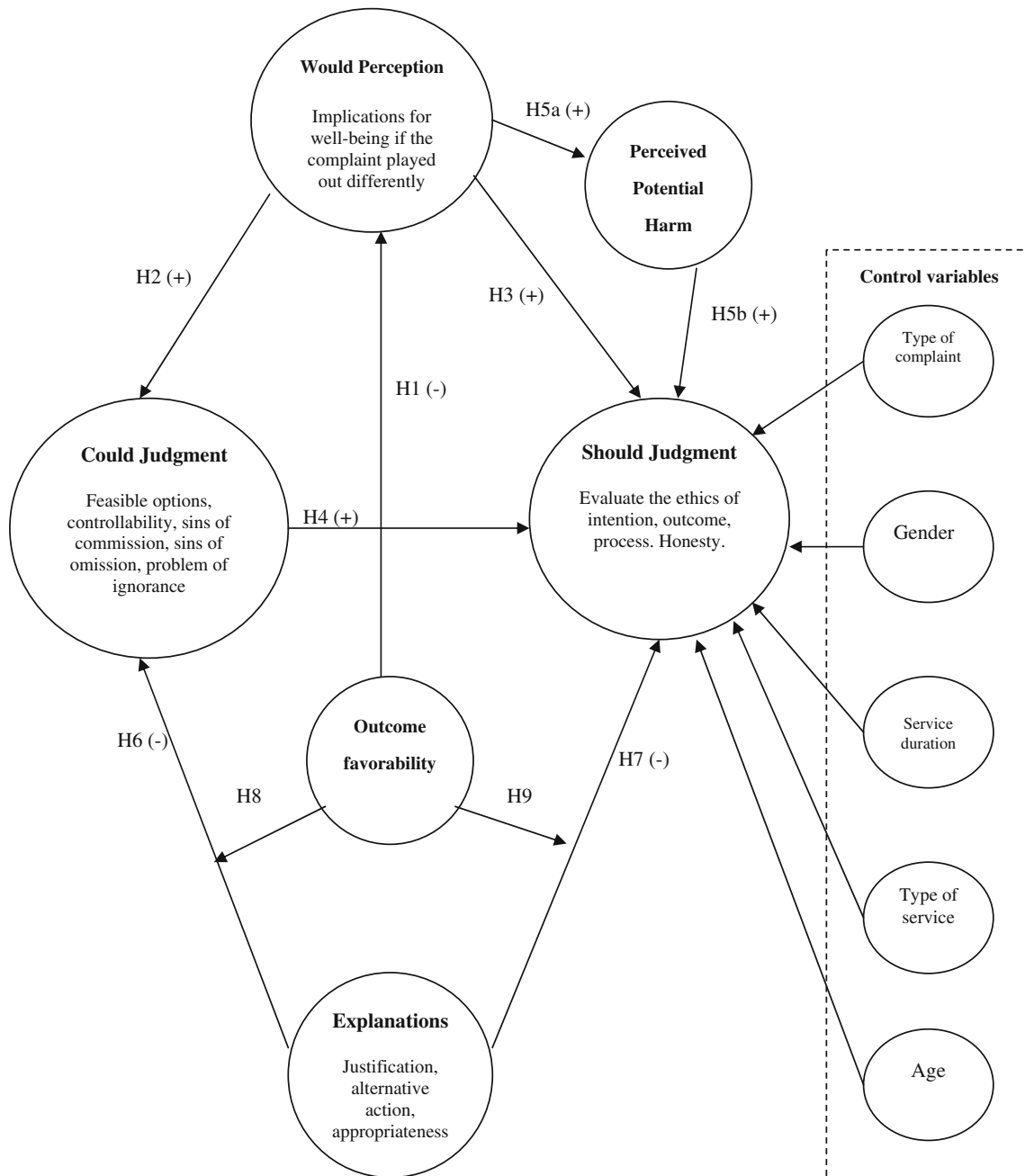


Figure 1. Research model.

(disconfirmation) causes post-decision deviations from the adaptation level. If the disparity is small enough to fall into the consumer’s latitude of acceptance, the consumer will tend to assimilate the difference over a range of actual performance, but inversely, above or below this threshold, according to Assimilation-Contrast Theory (Anderson, 1973). The deviation reflects the injury incurred and leads

to counterfactual thinking about one’s well-being if actions had played out differently (Roese, 1997). For example, say a consumer complains about the slow data rate of the Internet service. If the service provider fixes the problem immediately, the outcome will not lead to counterfactual thinking by the complainant about his or her well-being. This leads to the following hypothesis.

H1: Outcome favorability is negatively related to Would Perception in ICT service complaint handling.

Consequences of Would Perception

Helson (1964) proposed that norms are constructed *ad hoc* by the recruitment of specific representations. Events are sometimes compared to counterfactual alternatives that are constructed *ad hoc* rather than retrieved from past experience, according to Norm Theory (Kahneman and Miller, 1986). Each stimulus selectively recruits its own alternatives of what it could have been, might have been, or should have been and thus brings its own frame of reference into being. Specific anticipations that exist in advance will be compared with the actual event. The event will then appear normal if it confirms expectations, and appear abnormal or surprising if it violates them. Reasoning works not only from anticipation and hypothesis to conformation, but also backward, from the experience to what makes us think about it. Building on Referent Cognitions Theory (RCT) (Folger, 1986), which maintains that an unfair judgment will be produced if an individual is aware that a more favorable outcome would have resulted from an alternative procedure that should have been used, Folger and Cropanzano (1998, 2001) added the element of a collective moral code of fairness and developed Fairness Theory. In Fairness Theory, WP stems from an individual's imagining how his or her well-being would have been better if actual outcomes do not meet his or her standard. The greater the availability of imagined alternatives, the stronger will be the affective reaction elicited by the outcome, according to Norm Theory. It will provoke CJ and SJ if the outcome is unfavorable and well-being is disturbed. The attribution is made after the comparison of the actual event/behavior with some expectations. When the discrepancy between the actual performance and the customer's expectations exceeds a certain threshold, the customer's negative feeling is magnified and he or she is morally agitated. The complainant will consider accountability through CJ and SJ.

CJ is made based on whether the target (service provider) had other feasible options or could have

behaved differently, leading to a better feeling on the part of the perceiver. If the service provider can prove that the problem that occurred was beyond its control by giving a social account, it cannot be held accountable (McCull-Kennedy and Sparks, 2003). This is consistent with the controllability dimension of Attribution Theory (Folkes, 1984; Weiner, 1985). Customers have been found to react negatively when they believe the service provider could have easily prevented the problem from occurring (Choi and Mattila, 2007). Controllability has been found to have a significant impact on complainants' reparation intentions (Blodgett et al., 1993). This is regarded as a sin of omission in CJ of Fairness Theory. The service provider trying to locate the responsibility for the problem on the customer's side is referred to as a sin of commission. This corresponds to the locus dimension of Attribution Theory. The three dimensions – locus, stability, and controllability – jointly determine the type of cognitive, affective, and behavioral outcomes from attribution formation (Weiner, 1985). Research findings indicate that firm-related service failure (external locus) that could have been avoided (controllability) leads to complaint dissatisfaction (Bitner, 1990; Folkes, 1984). Service providers are supposed to have the skills necessary to provide a quality service, a clear and fair tariff, and professional sales practices. Failure to do so is considered a problem of ignorance, according to Fairness Theory.

Applying Equity Theory to service encounters, if consumers perceive that their investment and outcome remain proportionately equal, they are willing to tolerate some unethical behavior (Alexander, 2002). If the outcome/investment ratio is proportionately unequal to their comparison other, they may respond by switching or complaining. Extending the argument to a complaint context, if the outcome is not favorable, as manifested in WP, the complainant is less likely to tolerate unethical practices. SJ involves an ethical or moral standard, according to Fairness Theory. Research on normative philosophy suggests that individuals use formalist or utilitarian ethical frameworks. The former type of individual is more sensitive to procedural justice issues whereas the latter type is more concerned with distributive justice issues (Schminke et al., 1997). A parallel exists between organizational justice and normative ethics. Outcomes are the focus of both

utilitarian and distributive justice, while processes are the focus of both formalist and procedural justice. The allocation process must be compatible with the fundamental moral and ethical values of the perceiver according to the ethicality rule conceptualized by Leventhal (1980), who proposes six rules of procedural justice. As WP is loosely related to qualities of events classified as distributive whereas CJ/SJ are loosely related to qualities of events classified as procedural and interactional, according to Fairness Theory, and procedural justice is more positively related to individuals' reactions when outcome fairness is relatively low (Brockner and Wiesenfeld, 1996), people should look for CJ/SJ when the outcome is not favorable, which triggers WP. Although Folger and Cropanzano (1998, 2001) posited that individuals can enter the Fairness Theory model at any point among the three elements, they acknowledged that the could concerns and should concerns are less important if the would concerns are neutralized in the event of a favorable outcome. This suggests that WP provokes CJ and SJ. Put another way, if individuals cannot imagine how their well-being would have been better, there is no reason to think of could and should (Colquitt and Chertkoff, 2002). In the ICT service context, if the complainant is fully satisfied with the outcome, say the service was resumed or the dispute was settled, he or she will be less concerned with the feasible options or moral issue of the cause of the problem. Accordingly, the following hypotheses are proposed.

- H2: Would Perception in ICT service complaint handling is positively related to Could Judgment.
- H3: Would Perception in ICT service complaint handling is positively related to Should Judgment.

Relationship between Could Judgment and Should Judgment

Subscribers and service providers operate within the same cultural system of values (Hong Kong, in this context) and commonly agreed-upon standards of ethical behavior. A theory examining the ethical behavior of the service provider (seller) may provide

a basis for the examination of the subscriber's (buyer's) evaluation of that behavior (Whalen et al., 1991). Thus, Hunt and Vitell's (1986) General Theory of Marketing Ethics can be applied in the assessment of the ethical behavior of service providers in this study although their theory was originally developed to explain individual judgment concerning ethical issues in marketing. The theory posits that an individual perceives a given situation as having an ethical content, and that various possible alternatives or actions might be followed to resolve the ethical problem. CJ is assessed by the feasible options available, the controllability of the situation, responsibility, and the problem of ignorance. These four items are the situational constraints imposed on the service provider. Situational constraints provide the opportunity to adopt a particular alternative. Once the individual (the complainant, in this context) perceives a set of alternatives, the behavior of the service provider is judged by two kinds of evaluation: deontological and teleological. The former focuses on the actions or behaviors of the service provider (the process of handling the complaint) whereas the latter focuses on the consequences (the outcome of the complaint) through the intervening variable of intention. Situational factors are important determinants of the ethical decision-making process because ethical/unethical behavior in practical situations is not simply a product of fixed individual characteristics, but results from an interaction between the individual and the situation (Trevino, 1986). This is consistent with Garrett's (1966) proposal that ethical decisions consist of three components, an intention, a means (deontological), and an end (teleological), and with Barry's (1979) definition of ethics as "the study of what constitutes good and bad human conduct, including related actions and values."

Folger and Cropanzano (1998) described the should counterfactual as a key basic linking discretionary conduct with its consequence, and as a morally superior alternative in a feasible set. The clearest evidence of the importance of CJ is the causal social account, which is an explanation given by a harmdoer that the action taken by the harmdoer was beyond his or her control (external). An explanation citing external rather than internal reasons for a deception is found to be more effective in mitigating victims' negative reactions to deceit

(Shapiro, 1991). It is an indicator in CJ called locus of control. Controllability is related to credit and blame, according to Attribution Theory (Folkes, 1984), and refers to whether a cause is volitional or nonvolitional. If the service provider cannot control a problem or prevent a problem from occurring, it cannot be blamed (Swanson and Kelley, 2001), and there should not be any ethical judgment. For example, say the network quality of Internet service is affected by an earthquake, which is beyond the control of the service provider. This is accepted by the user and is not considered to be unethical. However, if the connection rate is overstated, say 100 Mbit/s, this will be considered by the subscriber as misleading. A causal account in which the service provider claims mitigating circumstances can result in a higher interactional fairness rating by customers (Bies and Shapiro, 1987). Although Folger and Cropanzano (2001) argued that an individual can enter the Fairness Theory model at any point, this implies that should issues will not be explored if the could element is not activated (Shaw et al., 2003) and leads to the following hypothesis.

H4: Could Judgment is positively related to Should Judgment.

Perceived Potential Harm

Jones (1991) posited that the four-component model (recognizing moral issues, making moral judgments, establishing moral intent, and implementing moral actions) of ethical decision making of Rest (1986) is influenced by moral intensity. Moral intensity is linked to a decision-maker's intentions. It is expected that there is a positive relationship between moral intensity and the morality of a marketer's intention (Jones, 1991). In addition, the relationship between moral intensity and moral evaluation has been empirically validated in prior research (May and Pauli, 2002; Morris and McDonald, 1995). Recognizing moral issues and making moral judgments are relevant to SJ. Instead of judging a person him- or herself, moral intensity can be considered by a complainant in making a SJ about a service provider. People must recognize that their actions affect others and recognize moral issues. Issues of high

moral intensity will be recognized as moral issues more frequently and will elicit more sophisticated moral reasoning than will issues of low moral intensity. These two components, recognizing moral issues and making moral judgments (Rest, 1986), of the ethical decision-making process are manifested in SJ of Fairness Theory. Singhapakdi et al. (1996) argued that four elements of moral intensity – magnitude of consequences, probability of effect, temporal immediacy, and concentration of effect – can be grouped together into one dimension, PPH/no harm. The two other elements – social consensus and proximity – can be grouped into another dimension, perceived social pressure. Perceived magnitude of harm is defined as the degree to which an individual perceives that the outcome of an act allows one party to benefit over another (Jones, 1991). A negative relationship between magnitude of harm and perceived ethicality is found in several streams of research (Frey, 2000; Vitell and Muncy, 1992). Singer (1996) compared managerial professionals' ethicality judgments with those made by the general public. She found that magnitude of consequences was the primary determinant of the general public's ethicality judgments, whereas social consensus was most important for managerial professionals. This was explained by the herd or follow-others mentality in the business community. This finding is consistent with Hunt and Vitell's (1986) general marketing ethics model in which probability of consequences, desirability of consequences, and importance of stakeholders are the determinants of teleological evaluation of ethical judgment. Fairness Theory posits that people do not always use terms such as "right" or "wrong" to evaluate a complaint unless the case is a very serious problem that involves cheating or intentional overcharging (Jones, 1991). WP is the counterfactual contrast between well-being and injuries such as pain or financial loss by referring to a reference standard to determine variations in magnitude. A customer will evaluate whether a service provider violated ethical standards in terms of its intention, outcomes, and process in the complaint handling stage depending on the potential harm perceived by the complainant. A pre-existing set of value judgments is not the only reference for the best ethical action. The best ethical action depends on the salient aspects of the particular setting in which the ethical event takes place

(Whalen et al., 1991). One source of SJ is the psychological contract. As discussed previously, the discrepancy between an individual's perception of a promise and what has actually been received will trigger a comparison process depending on salience and vigilance and regardless of renegeing or incongruence. This leads to a perceived breach of contract and violation after an interpretation process (Morrison and Robinson, 1997). It is proposed therefore that WP has an indirect effect on SJ through a mediator, PPH.

H5: The impact of Would Perception on Should Judgment is mediated through Perceived Potential Harm in ICT service complaint handling.

H5a: Would Perception is positively related to Perceived Potential Harm.

H5b: Perceived Potential Harm is positively related to Should Judgment.

Explanations

Greenberg (1990) classified explanations into three types: excuses, apologies, and justifications. Excuses are explanations to remove the organization from responsibility for its predicament. Apologies are confessions of responsibility for negative events which include some expressions of remorse. Justifications are accounts in which one accepts responsibility for the act in question but denies the negative quality associated with it. A complainant will express greater satisfaction with an explanation and be more likely to do future business with a company that accepts responsibility of the problem (Conlon and Murray, 1996). In the service recovery process, customers feel that they should be told why service failure occurred in the first place (Bowen et al., 1999). The perceived cause of a service failure will influence the dissatisfied consumer's response, according to Attribution Theory. Customers prefer that the offending firm accept the blame instead of attributing blame to the customer or a third party. When the information about the service problem is provided in the form of an excuse to mitigate the organization's accountability, negative feelings are generated. It is not surprising to find that almost half of complainants request written reassurance and

explanation in the double deviation scenario (Johnston and Fern, 1999). Explanation is positively related to complaint satisfaction through the mediator of perceived justice (Bies and Shapiro, 1987; Karatepe, 2006; Liao, 2007; Ployhart et al., 1999). Shaw et al. (2003) reasoned that adequate excuses, rather than justifications, that could convince complainants that no other actions were feasible would deactivate both could and should counterfactuals from the perspective of Fairness Theory, particularly in the case of unfavorable outcomes. In an excuse the content of the explanation focuses on a denial of responsibility or a claim of mitigating circumstances. In the literature, excuses are framed as causal accounts or mitigating accounts. An explanation is more powerful when it concerns an instrumental, relational, and morally charged event, such as deception or a controversial organizational decision. All these are applicable in a complaint about ICT services such as a charge dispute or contract argument, or a complaint about unfair trade practices. Explanations stating altruistic reasons for the harmdoer's deceitfulness are conceptually similar to ideological accounts (Bies, 1987) and political arguments (Shapiro, 1991). Both justify the ill effect by the need to achieve a higher goal, and the motivation is the collective interest of a group rather than self-interest. Ideological accounts are important evidence in making SJs (Folger and Cropanzano, 2001).

Gilliland et al. (2001) studied the effect of explanations on perceived justice in the context of employment rejection from the perspective of Fairness Theory. They demonstrated how WP reducing explanations provided referents with information about why the outcome was justified, CJ reducing explanations suggested that alternative actions were unfeasible, and SJ reducing explanations offered justification for the appropriateness of the decision process, to influence the outcome fairness, interpersonal treatment, and recommendation intentions in two scenario-based studies and one field study. The three-way interactions among WP, CJ, and SJ reducing explanations provided a better outcome of fairness perception, interpersonal treatment, and recommendation intention than any isolated explanation. Three explanations, however, did not produce results different from those of two explanations. In this study, as WP mainly measures counterfactual thinking after an unfavorable

outcome, the effect of explanations should concentrate mainly on CJ and SJ. The conceptualization of the combined effects of multiple explanations is provided by Fairness Theory and prompts the following hypotheses.

- H6:* Explanations are negatively related to Could Judgment in ICT service complaint handling.
H7: Explanations are negatively related to Should Judgment in ICT service complaint handling.

Moderating effect of outcome favorability

Explanations are found to be positively related to fairness judgment in some studies (Bies and Shapiro, 1987; Ployhart et al., 1999), whereas they are found to be nonsignificant in other studies (Gilliland, 1994; Schaubroeck et al., 1994). The inconsistency is explained by Bies and Moag (1986), who suggested that explanations are necessary only if outcomes are unfavorable. According to Fairness Theory, an excuse or justification has the potential to deactivate both could and should counterfactual thinking. Excuses have been classified as causal accounts or mitigating accounts, while justifications have been labeled ideological accounts by Sitkin and Bies (1993). An excuse can be a causal account describing how a decision was unavoidable because of some external cause, while a justification can demonstrate that a decision was appropriate because of some superordinate goal. An individual seems to attend less to explanations in the case of a favorable outcome. Explanations have more beneficial effects in low outcome favorability than when outcome favorability varies. Customers expect a favorable outcome whenever they make a complaint. An unfavorable outcome creates a negative affect and triggers counterfactual thinking (Roese, 1997). Expectations create a baseline that redefines the favorability of outcomes (Blau, 1964). An unexpected unfavorable outcome creates the most negative affect, and makes would counterfactual thinking strongest and the impact of explanations on CJ and SJs most critical. Colquitt and Chertkoff (2002) argued that Fairness Theory provides theoretical support for an explanation provision \times outcome favorability interaction. An explanation that provides could and should information is less necessary in a

favorable outcome. The authors manipulated outcome favorability in an experiment to demonstrate significant three-way interactions (explanation provision, outcome favorability, and outcome expectations) for both procedural fairness and task motivation but not distributive fairness. An explanation will have the most positive effect in the case of high expectations and an unfavorable outcome. It produces a negative effect in the case of high expectations with a favorable outcome. The three-way significant interactions (explanation provision \times outcome favorability \times outcome expectations) on procedural fairness but not on distributive fairness indicate that the interactions may apply for CJ and SJs but not WP because the former are loosely related to procedural and interactional justice whereas the latter is loosely related to distributive justice, according to Fairness Theory. In the complaint handling context, every complainant has high expectations prior to the service encounter and thus the effect of explanation provision depends on the outcome favorability. In addition, no complainant expects an unfavorable outcome before making a complaint, which is in contrast to the Theory of Planned Behavior (Ajzen, 1991). The mitigating effect of explanations on a negative response that was limited to adverse outcomes has been found in studies of job layoffs (Brockner et al., 1990; Mellor, 1992) and rejected job candidates (Shapiro et al., 1994). However, the interaction of explanation provision and outcome favorability was found to be significant in procedural fairness in one study (Schaubroeck et al., 1994), but not in others (Daly, 1995; Gilliland, 1994). It was also found to be significant in distributive fairness in some studies (Daly, 1995; Gilliland and Beckstein, 1996) but not in others (Gilliland, 1994). The inconsistency may be due to different types of moderators. Shaw et al. (2003) used Fairness Theory to identify three specific moderators (type of explanation, outcome favorability, and context) that could alter the strength of the explanation effect by means of a meta-analytic review of the explanation literature. The results showed that explanation provision and adequacy had beneficial effects on procedural and distributive justice and cooperation, retaliation, and withdrawal responses. Excuses had more beneficial effects than justifications on CJ and SJ. The type of explanation – excuse or justification – was not identified in this study. The researchers classified the impact of various

contexts into instrumental, relational, and moral virtue models. The context in this study is mainly charge disputes (instrumental), which are relational as most subscribers have long relationships with their service providers, and moral virtues as measured by SJ. Outcome favorability affects the level of impact, and explanations should become more important as their content becomes more multifaceted, with instrumental, relational, and moral virtue implications. Hence, the following hypotheses are made.

- H8:* Outcome favorability will moderate the effect of explanations on Could Judgment.
- H9:* Outcome favorability will moderate the effect of explanations on Should Judgment.

Control variables

Two types of complainants were excluded from this study because of potential bias. The first is the high-value customer. If the average subscription fee is over HK\$1000 per month, those customers are treated as VIPs and receive special attention from customer service. Second, the service failure and complaint has to have been made within 1 year because using a retrospective method may increase response bias due to memory lapses or rationalization after a long period (Smith et al., 1999). There are five control variables. The first is the type of complaint. As discussed previously, magnitude of consequences, which is related to different types of complaints, is negatively related to perceived fairness (Frey, 2000; Ingram et al., 2005). It also affects customer perception of social accountability and controllability. Five types of complaints are considered in this study: sales practice, price/service dispute, after sales service, network quality, and other. The second control variable is gender, and the third is age. Although it has been found that the demographic characteristics of the perceiver are for the most part unrelated to perceived justice (Cohen-Charash and Spector, 2001), some studies have found that on average women adopt a stricter ethical stance than do men (Weeks et al., 1999), while the age issue and ethical judgment have produced inconsistent results (Poorsoltan et al., 1991). The fourth control variable is the relationship duration,

that is, how long the consumer has had the same service provider. As mentioned, Hess et al. (2003) found that customers with higher expectations of relationship continuity had lower service recovery expectations after service failure and attributed that failure to a less stable cause, resulting in greater satisfaction with the service performance after the recovery. Customers who have a long relationship with a service provider weigh prior cumulative satisfaction more heavily than new information. Customers with high commitment, which has been described as the bonding of an individual to an organization or customer loyalty and involvement, are less sensitive to loss in service failure/recovery because they tend to weigh prior satisfaction heavily. Highly committed customers may forgive service failure/recovery when the perceived harm is low, but may become progressively dissatisfied when the level of perceived harm increases (Ingram et al., 2005). Customer commitment is also positively related to ethical expectations. Ethical expectations are a consumer's prediction of the extent to which a firm should behave regarding ethical issues. Their impact on consumer evaluation of ethical judgment is inconclusive. Although this study does not measure customer commitment directly, relationship duration with the same operator prior to service failure can be a good indicator. It may therefore influence SJ. The fifth control variable is the type of service: mobile, Internet, or pay TV. Although the penetration rate and user base of mobiles is the highest, followed by Internet service and pay TV service, the number of complaints received by the Consumer Council of Hong Kong is in the reverse order (around 2000 for mobile service, 3600 for Internet service, and 5000 for pay TV service in 2007). This may be due to some malpractice in sales or termination of service or another ethical issue, and thus affect SJ.

Research methodology

No empirical study of Fairness Theory in the complaint handling context exists in the literature. The detailed description of Fairness Theory by Folger and Cropanzano (1998, 2001) laid the theoretical foundation of the measurement items. However,

there is no available measurement scale for reference. We began the study to develop a useful and practical scale using a qualitative approach followed by quantitative approach that could be used to verify the proposed research model. A field survey method was employed for data collection, which provided a basis for generalization, replicability, and statistical power.

Procedure

A four-phase systematic research procedure (Churchill, 1979) was carried out in this study, and is depicted in Figure 2. In the first phase, the constructs of the proposed model and their relationships were identified through a review of the relevant literature. The measurement items of the elements of Fairness Theory were validated by an exploratory qualitative focus group. An expert panel was used to develop the scale items. In the second phase, the scale items were fine-tuned to make sure the interpretation by the complainants aligned with the measurement items by conducting two pilot tests, each with 30 people. In the third phase, a pilot test of around 130 complainants was conducted to assess the content validity and reliability of all the posited constructs using exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). Subjected to the satisfactory results in the third phase, we proceeded with the fourth phase, a field survey with around 473 complainants. After omitting 34 problematic or incomplete questionnaires, 439 valid data sets were obtained to validate the proposed model. Its reliability and construct validity were tested using EFA and CFA again. The best fit of the data in the hypothesized model was measured using AMOS 6.0. Convergent validity, which reflects the degree to which the items in a multi-item instrument measure the same construct, was evaluated by the factor loadings of the items, the composite reliabilities, and the average variance extracted (AVE) of each dimension. Discriminant validity, which is the degree to which measures of conceptually distinct constructs differ, was evaluated by showing that predictably low correlation exists between the measure of interest and other measures that are supposedly not measuring the same construct. The shared variances between factors with the AVE of

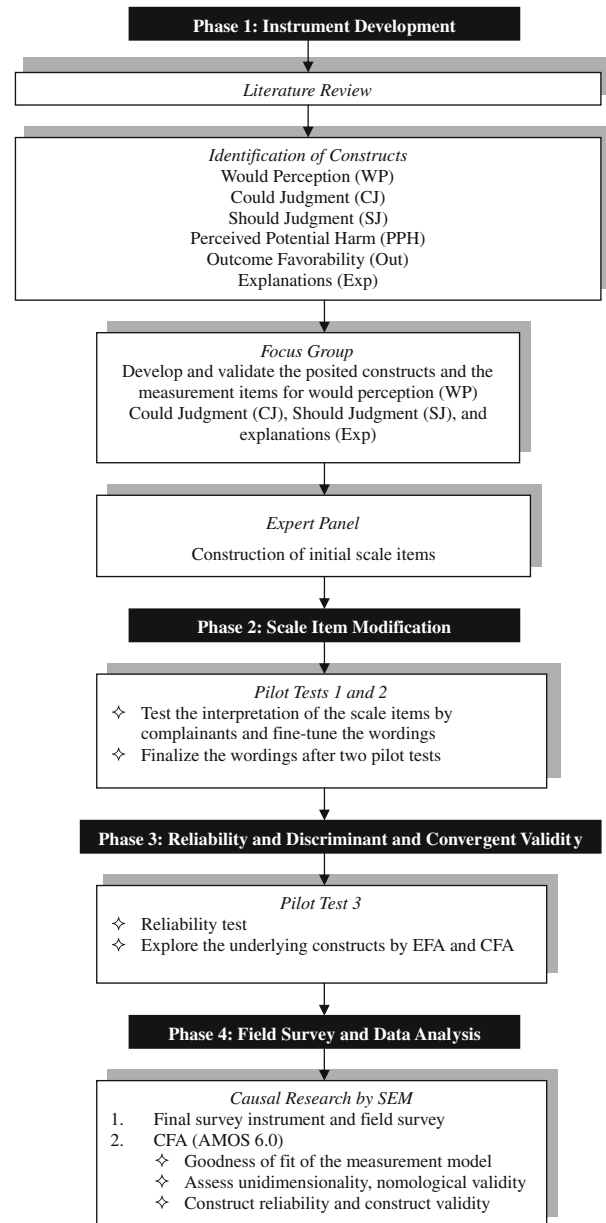


Figure 2. Research procedures.

the individual factors will be compared (Fornell and Larcker, 1981). Shared variance should be smaller than the AVE of the individual factors. The changes in the χ^2 statistics and the goodness-of-fit indices of the full model were compared with rival models for the validation of the structural model (Hair et al., 2006). The major roles and the results of research participants in developing the Fairness Theory and explanation measurement scales is shown in Table I.

TABLE I
Roles of research participants

Phase	Content	Participants	Number of participants	Roles	Results
1. Instrument development	Three focus groups Expert Delphi group	ICT service complainants	Five in each group	Generation of a list of initial items	Initial items
		Customer service supervisor	3	Operationalization of the measurement items	Initial questionnaire
		Scholar practitioner	2		
2. Scale item modification	Pilot test 1 Pilot test 2	ICT service complainants	30	Refinement of the questionnaire	Four items were modified
		ICT service complainants	30	Refinement of the questionnaire	Three items were modified
3. Reliability, discriminant and convergent validity	Pilot test 3	ICT service complainants	137	Exploratory analysis	130 valid responses for content validity and reliability
4. Field survey and data analysis	Mass survey	ICT service complainants	473	Research model validation	439 valid responses

Data collection

Based on the results of the questionnaire generated by the expert Delphi group, the initial questionnaire was used for pilot test 1. A 7-point Likert-type scale ranging from “strongly disagree” = 1 to “strong agree” = 7 was used. There were 34 items, including 10 demographic and service information items, for seven constructs. The initial 10 questions inquired into gender, type of service, duration of relationship with the service provider, and type of complaint, which are the control variables. A face-to-face survey was conducted in two mobile phone repair centers, in which there were always more than 50 customers waiting to be served by the customer service personnel. The average waiting time was around 20 min. We approached each individual to explain the intention of the survey and invited them to take part by answering the questionnaire provided that he or she had made a complaint within the past 12 months and the monthly tariff was less than HK\$1000. Each respondent was asked to think about the complaint and describe the situation, which was documented by the surveyor in a short narrative story. The narratives served the purpose of triggering respondents’ memories about the com-

plaint to provide a focal point for multi-item measures. This method can reduce the contrived nature associated with the common scenario (Ingram et al., 2005) and encourage individuals to reveal perception of satisfaction/dissatisfaction (Stern et al., 1998). This is difficult to achieve in an e-mail or an on-line questionnaire survey. Two pilot tests with 30 complainants each were conducted, and at the end of each survey the opinions of the complainants on the questions, wordings and possible modifications were solicited to improve the comprehensiveness and user-friendliness of the measurement items. With the feedback, the scale items were further tested in pilot test 3 for EFA and confirmation factor analysis before their finalization, as depicted in Table III. The mass survey was then conducted with this measurement scales. As shown in Table II, the gender split of respondents was almost even, the majority of the interviewees were under 35 (79%), and 46% of the complaints were mobile service related (Internet service, 35% of complaints; pay TV service, 19% of complaints). This finding was consistent with the penetration rate of mobile phone, Internet, and pays TV services indicating the interviewees had an equal chance to be selected. Regarding type of complaint, 14% concerned sales practice, 28% a charge dispute,

TABLE II
Demographics of the respondents

Profile	Frequency (N = 439)	Percent
Gender		
Male	218	49.7
Female	221	50.3
Age		
Under 20	96	21.9
20–24	117	26.7
25–35	132	30.1
Over 35	94	21.4
Type of service		
Mobile	201	45.8
Internet	153	34.9
Pay TV	85	19.4
Type of complaint		
Sales practice	61	13.9
Service fee dispute	124	28.2
Network quality	207	47.2
After sales service	44	10
Other	3	0.7
Relationship duration		
< 1 year	103	23.5
1–2 years	170	38.7
2–3 years	70	15.9
Over 3 years	96	21.9

47% network quality, and 10% after sales service. Although the value chain and thus the quality of ICT services is not 100% controlled or managed by one provider, the aspects include access as well as Website hosting services, content provision, hardware and software such as operating systems, servers, modems, and so forth (Maitland et al., 2002). Most consumers, however, expect that the overall quality should be assured by the provider who receives the subscription fee. The relationship duration with the service provider was between 1 and 2 years for the majority (39%) of respondents. As most incentive packages such as rebate and tariff discounts are offered in 2-year contracts, the switching cost is very low, particularly in mobile services, for which number portability is not an issue. Relationship duration of more than 2 years is an indicator of satisfactory service unless unique features are offered by another service provider and trigger switching.

This phenomenon is common in the pay TV market because its attraction is the program content.

Results and analysis

Descriptive statistics and reliability

The mean, standard deviation, and internal consistency reliability (Cronbach's α) of each variable is reported in Table IV. The Cronbach's α of each item was above the recommended level of 0.7 (Cronbach, 1951; Hair et al., 2006).

Exploratory factor analysis results

All the measurement items were evaluated to ensure convergent validity and reliability using EFA. Maximum likelihood with the varimax rotation method was employed. Three criteria were adopted. First, the eigenvalue of each factor had to be greater than 1. Second, 0.4 was used as the cutoff point for item retention. Third, an item with cross loadings on two factors smaller than 0.2 was removed to ensure discriminant validity. Six factors were identified and collectively explained 81% of the variance as shown in Table V.

Confirmatory factor analysis

CFA was employed to test the hypotheses regarding the factor structure of the data in the proposed model. The data were analyzed using AMOS 6.0 to test the relationship between the common factors and the items that were used to measure them. This also provided various indicators of fit to reveal how well the proposed model explained the sample data. The results depicted in Figure 3 accounted for all the common variance among the 24 items in the six constructs. The χ^2/DF , which suggests the discriminant validity of the model, was 2.625, which is lower than the recommended value of 3.0. The goodness-of-fit index (GFI), which measures the amount of observed variance or covariance explained by the hypothesized model, was 0.893. The adjusted goodness-of-fit index (AGFI), which is an adjusted measure of the GFI by including the degree

TABLE III
Final operational scale items

Construct	Scale item		Source/reference
Outcome favorability/ satisfaction (Out)	How satisfied you were with the outcomes	Out1	Van den Bos et al. (1997), Maxham and Netemeyer (2002), Smith et al. (1999), Goodwin and Ross (1992)
	How satisfied you were with the operator's way of handling your problem	Out2	
	The complaint outcome met my expectations	Out3	
	In resolving the problem, the operator gave me what I wanted	Out4	
Would Perception in complaint handling (WP)	My well-being would have been better if the complaint handling had played out differently	WP1	Focus group; Expectation Disconfirmation Theory (Andreassen, 2000; Oliver, 1980; Smith et al., 1999); Fairness Theory (Folger and Cropanzano, 2001)
	I would feel better if the outcomes of my complaint were different	WP2	
	There was a great discrepancy between the outcomes and my expectations	WP3	
	There was a great discrepancy between the ways my problem was solved and my standards	WP4	
Could Judgment (CJ)	I think the operator could have used a better option in resolving my problem	CJ1	Focus group; Fairness Theory (Folger and Cropanzano, 2001); Attribution Theory (Folkes, 1984; Weiner, 1985); <i>prima facie</i> duties (Fiske and Taylor, 1984; Heider, 1958; Ross, 1930)
	I felt the operator had control over the situation	CJ2	
	I think the operator did not take any action to prevent the problem from occurring	CJ3	
	I felt the operator did not like to take responsibility for my problem	CJ4	
	The operator did not use his/her knowledge and skills that he/she ought to have in solving my problem	CJ5	
Should Judgment (SJ)	I felt the intention behind that which caused the problem was ethically incorrect	SJ1	Focus group; Fairness Theory (Folger and Cropanzano, 2001; Garrett, 1966; Kohlberg, 1976; Laczniak, 1983; Rousseau, 1989)
	I felt that the outcome provided by the operator was ethically incorrect in the course of my problem	SJ2	
	I felt that the process in handling my problem by the operator was ethically incorrect	SJ3	
	I felt the service provider was dishonest	SJ4	
Perceived Potential Harm (PPH)	The overall harm (if any) done as a result of the operator's action was very great	PPH1	Singhapakdi et al. (1996)
	There was a very great likelihood that the operator's action would actually cause harm	PPH2	
	The operator's action will cause harm in an immediate future	PPH3	
	The operator's action will harm many people	PPH4	
Explanations (Exp)	I agreed with the operator's explanation of why the problem outcome was justified	Exp1	Focus group; Gilliland et al. (2001)
	After the explanation by the operator, I agreed that alternative actions were unfeasible	Exp2	
	The operator offered me justification for the appropriateness of the decision process	Exp3	

TABLE IV
Descriptive statistics and reliability of variables

	Mean	SD	Cronbach's α (standardized)
Outcome favorability (Out)	2.464		0.922
Out1	2.47	0.872	
Out2	2.47	0.901	
Out3	2.45	0.975	
Out4	2.47	0.983	
Would Perception (WP)	5.684		0.883
WP1	5.62	0.905	
WP2	5.54	0.903	
WP3	5.84	0.865	
WP4	5.74	0.908	
Perceived Potential Harm (PPH)	4.914		0.958
PPH1	4.92	1.176	
PPH2	4.91	1.230	
PPH3	4.84	1.215	
PPH4	4.99	1.151	
Could Judgment (CJ)	5.337		0.944
CJ1	5.49	1.000	
CJ2	5.46	1.037	
CJ3	5.42	1.107	
CJ4	5.17	1.273	
CJ5	5.15	1.285	
Should Judgment (SJ)	5.236		0.964
SJ1	5.33	1.146	
SJ2	5.28	1.198	
SJ3	5.28	1.212	
SJ4	5.05	1.160	
Explanations (Exp)	2.811		0.988
Exp1	2.80	1.413	
Exp2	2.83	1.387	
Exp3	2.80	1.388	

of freedom in the equation, was 0.865. The comparative fit index (CFI), which refers to an incremental fit index that uses a noncentral χ^2 distribution to assess fitness, was 0.969. The root-mean-square error (RMSEA), which measures the average difference between the observed and estimated

correlation, was 0.061. All these scores indicate an acceptable fit between the model and the sample data. The values of the other indices and the recommended standard values are reported in Table VI. The correlations and covariance estimates among the six constructs were relatively low and thus the problem of multicollinearity is unlikely to have occurred.

Common method variance

Common method variance (CMV) can have potentially serious effects on research findings, so it is crucial to understand its source and when it is especially likely to be a problem (Podsakoff et al., 2003). Exogenous and endogenous constructs rely on inputs from the same respondents; therefore, operationalization may be subject to common method bias. Also, the social desirability problem may appear in this study. Some complainants may not only be biased in their response, but also flatter themselves, particularly when the attribution of blame is considered to be on the service provider's side. To minimize CMV, Harman's single factor test was used. It includes all items from all of the constructs in the study in factor analysis to determine whether the majority of the variance can be accounted for by one general factor. In addition, a scale trimming procedure was employed to eliminate obviously overlapping items of the independent variables in the pilot test stage. The results in Table V show that the first factor accounted for only 36% of the variance whereas the total cumulative variance explained 81% of variance in the extraction sums of squared loadings. The rest of the factors still explained 45% of the variance. However, in unrotated factor solutions the first factor accounted for 46.4% of the variance whereas the total cumulative variance explained 85.5% of the variance. CMV was further tested using the marker-variable technique (Lindell and Whitney, 2001). A marker variable, which is theoretically unrelated to at least one variable in the study, is included in the study prior to data collection. CMV can be assessed based on the correlation between the marker variable and the theoretically unrelated variable (denoted by r_M in this study). As no marker variable was prepared prior to the data collection, the smallest positive value in

TABLE V
Total variance explained

Factor	Initial eigenvalues			Extraction sums of squared loadings		
	Total	% Of variance	Cumulative %	Total	% Of variance	Cumulative %
1	11.138	46.409	46.409	8.681	36.170	36.170
2	3.533	14.722	61.131	3.447	14.361	50.531
3	1.816	7.567	68.698	3.757	15.656	66.187
4	1.626	6.773	75.471	1.529	6.370	72.557
5	1.354	5.641	81.112	1.190	4.957	77.514
6	1.054	4.394	85.506	0.843	3.514	81.028

Extraction method: maximum likelihood.

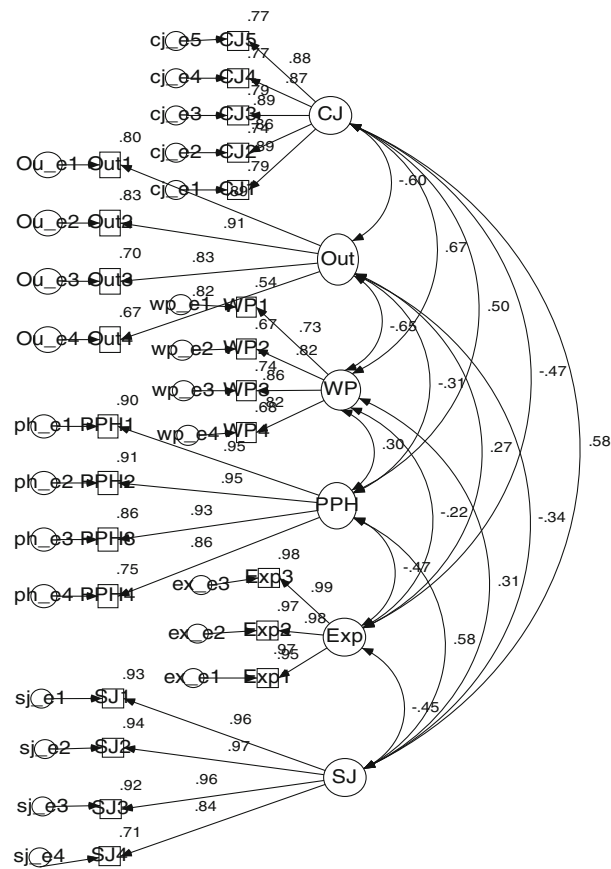


Figure 3. Results of confirmatory factor analysis. Note: All paths are significant; $p < 0.001$.

the correlation matrix was used as an estimation of r_M . With the assumption that a method factor has a constant correlation with all of the measured items, a CMV-adjusted correlation between the measured variable, r_A , can be computed by partialling out r_M

TABLE VI

Goodness-of-fit indices of confirmatory factor analysis

Goodness-of-fit index	CFA	Recommended value
χ^2	622.185	N/A
DF	237	N/A
χ^2/DF	2.625	≤ 3.0
GFI	0.893	> 0.9
AGFI	0.865	> 0.8
RMSEA	0.061	< 0.1
NFI	0.951	> 0.9
CFI	0.969	> 0.9
TLI	0.964	> 0.9

from the uncorrected correlation, r_U . Using r_A and the t statistic with a sample size n and type 1 error, the α can be calculated with the following two equations (Malhortra, et al., 2006).

$$r_A = \frac{r_u - r_M}{1 - r_M}$$

$$t_{\alpha/2, n-3} = \frac{r_A}{[(1 - r_A^2)/(n - 3)]^{1/2}}$$

Following Lindell and Whitney (2001), analysis of the data to check for CMV was carried out as follows.

1. Negative correlations were eliminated by reverse scoring (outcome favorability and explanations). The results were exactly the same as those presented in Figure 3 except

TABLE VII
Parameter estimates with CMV adjustments

Correlation	Uncorrected estimate r_U	Adjusted estimate r_A	t Value
r (OUT, WP)	0.65**	0.55*	13.76
r (WP, CJ)	0.67**	0.58*	14.7
r (WP, SJ)	0.31**	0.11*	2.38
r (WP, PPH)	0.30**	0.10*	2.10
r (PPH, SJ)	0.58**	0.46*	10.82
r (Exp, CJ)	0.47**	0.32*	7.02
r (Exp, SJ)	0.45**	0.29*	6.40

* $p < 0.05$, ** $p < 0.001$ (two-tailed).

that the negative values became positive. All the correlations were statistically significant ($p < 0.001$).

2. The smallest positive correlation was that between WP and explanations (0.22), which was then used as an estimation of r_M .
3. r_A and t values were calculated with the above equations, $N = 439$ in the mass survey, and $\alpha = 0.05$. The uncorrected and adjusted estimates of the positive factor correlations, and the t values are shown in Table VII.

With the value of the unit normal distribution, $Z\alpha = 1.96$ at $\alpha = 0.05$, all the correlations remain statistically significant even when CMV is controlled. Thus, the correlations between outcome favorability and WP, WP and CJ, WP and SJ, WP and PPH, PPH and SJ, explanations and CJ, and explanations and SJ cannot reasonably be accounted for by CMV and they still retain their practical significance in terms of explaining a meaningful amount of variance.

Convergent validity

Convergent validity is the degree of agreement among two or more measures of the same construct. It can be examined through the correlations among the measurement items of each construct and the correlation of each item to the respective construct (Anderson and Gerbing, 1988; Hair et al., 2006). The correlations among the measurement items of

each construct were close to or above 0.7. The item-to-total correlation and Cronbach's α value of each construct was above 0.7, as reported in Table VIII. Satisfactory internal validity was also indicated by the factor loadings, which ranged from 0.74 to 0.989, for the measurement items. Fornell and Larcker (1981) suggested using construct reliability (CREL) with a criterion cut-off of 0.7 to indicate an acceptable level of scale reliability. They also suggested using AVE with a recommended value of greater than 0.5 to assess the amount of variance that a construct can capture from its indicators relative to the amount due to measurement error. The results in Table VIII show that the CREL and AVE of all of the constructs exceed the recommended level and thus indicate high internal consistency, reliability, and convergent validity.

Discriminant validity

Discriminant validity is the extent to which a construct is truly distinct from other constructs. The AVE for any two constructs should be greater than the squared correlation between the two constructs (Fornell and Larcker, 1981). The squared values are depicted in the off-diagonal data of Table IX. The AVE of each construct is greater than any off-diagonal element in the same row and column.

Structural equation analysis

AMOS 6.0 was used to test the relationships among the independent variables, mediating variable, moderating variable, and dependent variable.

Mediating effect of Perceived Potential Harm on Should Judgment

There are four steps in establishing a mediator between a predictor and an outcome variable (Baron and Kenny, 1986; Judd and Kenny, 1981). The first step is to establish that there is a significant relationship between the predictor and the outcome. The second step is to show that the predictor is related to the mediator. The third step is to show that the mediator is related to the outcome. The final step is to show that the strength of the relationship between the predictor and the outcome is

TABLE VIII
Assessment of internal consistency and convergent validity

Construct/item	AMOS factor loading	Square loading	Indicator error	Construct reliability (CREL)	Variance extracted (AVE)	Cronbach's α	Item-total correlation
Could Judge (CJ)						0.944	
CJ1	0.879	0.772	0.209				0.849
CJ2	0.850	0.723	0.275				0.827
CJ3	0.875	0.766	0.263				0.859
CJ4	0.864	0.746	0.378				0.846
CJ5	0.871	0.758	0.368				0.858
CJ sum	4.339	3.765	1.4963	0.927	0.753		
Explanations (Exp)						0.988	
Exp1	0.975	0.950	0.100				0.968
Exp2	0.984	0.969	0.060				0.975
Exp3	0.989	0.978	0.042				0.979
Exp sum	2.948	2.897	0.202	0.977	0.966		
Should Judge (SJ)						0.964	
SJ1	0.957	0.916	0.094				0.939
SJ2	0.963	0.927	0.089				0.942
SJ3	0.952	0.906	0.119				0.933
SJ4	0.824	0.679	0.384				0.830
SJ sum	3.696	3.428	0.686	0.952	0.875		
Perceived Potential Harm (PPH)						0.958	
PPH1	0.949	0.900	0.138				0.922
PPH2	0.952	0.906	0.143				0.921
PPH3	0.928	0.862	0.203				0.903
PPH4	0.865	0.748	0.333				0.847
PPH sum	3.694	3.417	0.817	0.944	0.854		
Would Perception (WP)						0.883	
WP1	0.740	0.547	0.370				0.680
WP2	0.816	0.666	0.272				0.769
WP3	0.859	0.738	0.195				0.790
WP4	0.819	0.670	0.271				0.741
WP sum	3.234	2.621	1.108	0.904	0.655		
Outcome (Out)						0.922	
Out1	0.893	0.798	0.153				0.821
Out2	0.919	0.829	0.138				0.842
Out3	0.832	0.692	0.291				0.810
Out4	0.817	0.667	0.321				0.803
Out sum	3.461	2.987	0.903	0.930	0.747		

reduced or no longer significant after the introduction of the mediator. However, Kenny et al. (1998) show that step 1 is not required if steps 2 and 3 are met. The measurement model was first run without PPH as a mediator. It was found that the relationship between WP and SJ was not significant (standardized

regression weight = -0.116 , $p = 0.091$, R^2 of SJ = 0.361) as shown in Figure 4. Adding PPH as the mediator, the relationship between WP and SJ was reduced and also insignificant (standardized regression weight = -0.122 , $p = 0.087$, R^2 of SJ = 0.39). Steps 2, 3, and 4 were carried out and

TABLE IX
Results of discriminant validity testing

	CJ	Out	PPH	Exp	SJ	WP
CJ	0.753					
Out	0.361	0.744				
PPH	0.246	0.098	0.855			
Exp	0.222	0.071	0.218	0.966		
SJ	0.331	0.112	0.338	0.198	0.858	
WP	0.444	0.427	0.092	0.049	0.096	0.655

The bold number in the diagonal is the average variance extracted (AVE) of the construct while the off-diagonal data are the squared correlations among the constructs.

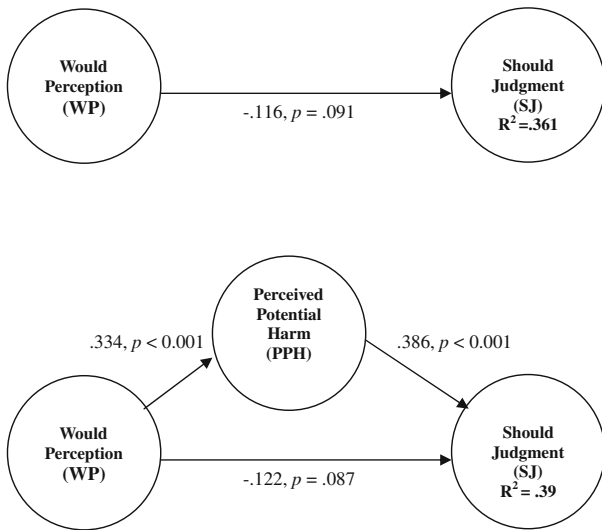


Figure 4. Relationship of WP to SJ without/with PPH as a mediator.

there was an incremental change in the SJ R^2 of 0.029. That means the mediator explains an additional 2.9% of the variance in SJ. Thus, H2 (WP is positively related to SJ) is unsupported. The impact of WP on SJ is mediated through PPH; thus, H5 is supported.

Moderating effect of outcome favorability on Could and Should Judgment

The strength of the relationship between a predictor and the dependent variable is affected by a moderator. According to Kline and Dunn (2000), to test the moderating effect in a structural equation model, there are three causal paths: the impact of the predictor on the dependent variable; the impact of the

moderator on the dependent variable, and the impact of a third “interaction” latent exogenous variable constructed from the cross-products of the deviation scores of the predictor and the moderator on the dependent variable. The scores of the predictor and the moderator have to be “centered” or put in the deviation score first so that their means are zero before the cross-multiplication (Aiken and West, 1991). The moderator hypothesis is then supported if the interaction path is significant.

The predictor of the proposed model is explanations (Exp), with three indicators (Exp1, Exp2, and Exp3) while the moderator is outcome favorability (Out), with four indicators (Out1, Out2, Out3, and Out4). There are two dependent variables, CJ and SJ. The interaction variable consists of 12 indicators generated by the cross-products of all possible centering indicators from Exp and Out. There are direct connections from Out to CJ and SJ following the testing procedure. The initial model was found to have a poor goodness of fit. The modification index (MI) provides the extent to which the hypothesized model is appropriately described and evidence of model misfit. The MI value indicates the overall χ^2 value if the parameter is allowed to be freely estimated in a subsequent test. Using the MI provided by the AMOS output of the initial model, one product indicator with the highest error variance was removed in each step; a revised model with an acceptable goodness of fit was eventually obtained. The goodness of fit for the initial and revised measurement model is summarized in Table X. All indices are above their criterion level except for the GFI index, which is slightly lower than the criterion of 0.9. Thus, the revised model shows an adequate

TABLE X
Goodness of fit of the measurement model

Goodness-of-fit index	Initial model	Revised model	Recommended value
χ^2	9555.1	1929.3	N/A
DF	888	651	N/A
χ^2/DF	10.76	2.964	≤ 3.0
GFI	0.592	0.815	> 0.9
AGFI	0.545	0.79	> 0.8
RMSEA	0.149	0.067	< 0.1
NFI	0.641	0.887	> 0.9
CFI	0.662	0.922	> 0.9
TLI	0.64	0.915	> 0.9

TABLE XI
Goodness-of-fit indices among Models

Goodness-of-fit index	Competing model A (rival)	Competing model B (W/O moderator)	Proposed model (revised model)
χ^2	1829.3	1286.77	1929.3
DF	457	454	651
$\chi^2/DF \leq 3$	4.003	2.834	2.964
GFI > 0.9	0.774	0.844	0.815
AGFI > 0.8	0.739	0.819	0.79
RMSEA < 0.1	0.083	0.065	0.067
NFI > 0.9	0.867	0.906	0.887
CFI > 0.9	0.896	0.937	0.922
TLI > 0.9	0.888	0.931	0.915
R^2 in CJ	NA	0.54	0.549
R^2 in SJ	0.364	0.388	0.39

model fit. It was found that the impact of interaction on CJ was significant, with an increased R^2 of 0.009, as shown in Table XI, whereas the impact of interaction on SJ was insignificant.

Two slopes were plotted to show the moderating effect on CJ and SJ, one for high outcome favorability (one standard deviation above the mean), and one for low outcome favorability (one standard deviation below the mean), respectively, as presented Figure 5 (Stone and Hollenbeck, 1989). The results show that outcome favorability is negatively related to CJ and SJ (indirect negative effect). Explanations have an overall negative effect on both

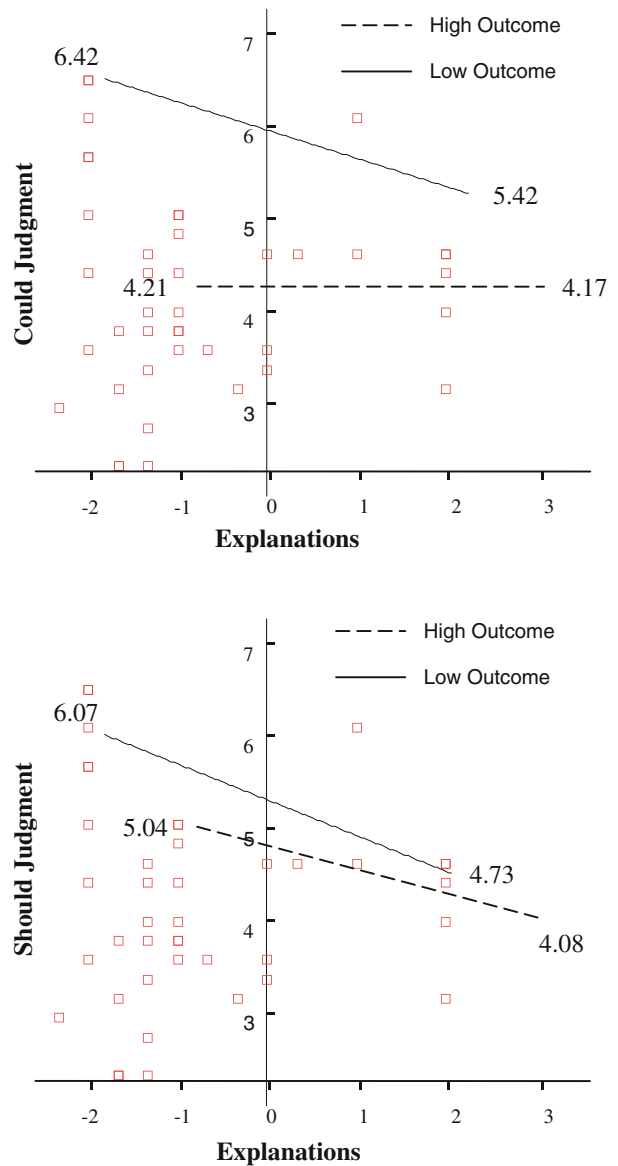


Figure 5. Could Judgment and Should Judgment scores against explanations scores: low and high outcome favorability.

CJ and SJ, as proposed in H6 and H7, respectively. However, the negative effect is diminished when the outcome is favorable in CJ but not in SJ. The two-way interactions indicating the outcome favorability moderated the CJ-explanations relationship. That means explanations of CJ are more effective when the outcome is unfavorable. However, the interaction of SJ was not significant. Explanations of SJ are effective even if the outcome is favorable.

Nomological validity of the measurement (revised) model

The path coefficients and explained variances of the model are depicted in Figure 6. The predictive power of PPH, CJ, and Exp taken together explain 39% of

the variance in SJ; 43.6% of the variance in WP is accounted for by Out; 55% of the variance in CJ is accounted for by WP and Exp; and 11.2% of variance in PPH is explained by WP. The direct effect of WP on SJ is non-significant. WP has an indirect influence

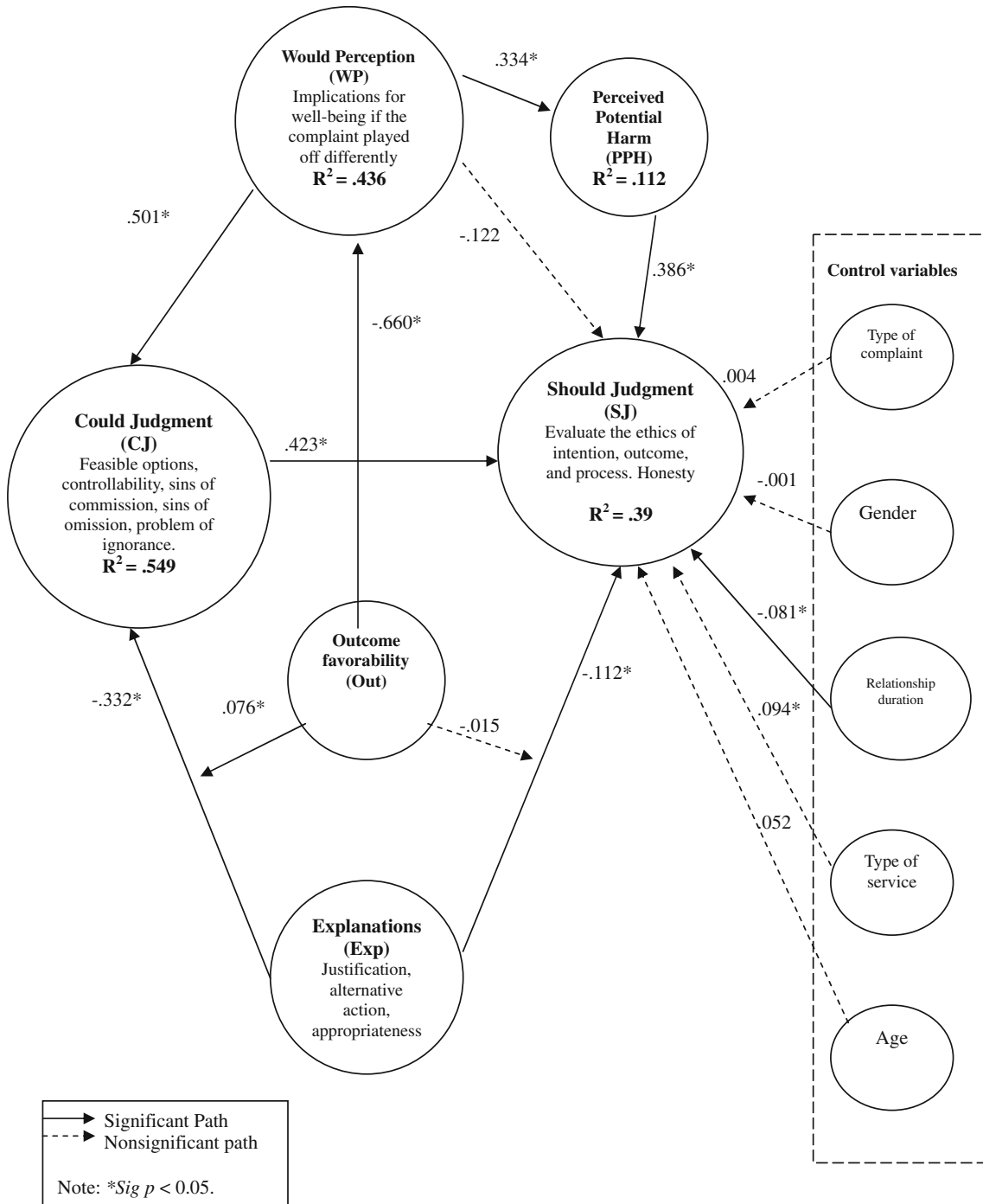


Figure 6. Path coefficients and explained variances of the measurement model.

on SJ through PPH and CJ. The indirect effect through PPH is $0.334 \star 0.386 = 0.128$ while that through CJ is $0.50 \star 0.423 = 0.211$, and thus the total indirect effect is 0.34. The direct effect of Exp on SJ is -0.112 while the indirect effect through CJ is $-0.332 \star 0.423 = -0.14$, and thus the total effect is -0.252 .

Competing model analysis

The goodness of fit of a proposed measurement model has to be compared with that of a competing model in the validation of a structural model (Hair et al., 2006). Three competing models are presented for comparison. Competing model A (rival model) is a model in which all the posited constructs have a direct effect only on the dependent variable (SJ), which is contrary to the assumptions of the proposed model. Competing model B is used to test the results without outcome favorability as a moderator between explanations (Exp) and CJ/SJ.

In competing model A (rival model), the direct relationship between all the constructs and SJ was found to be significant. This proves that they are all related to the dependent variable, but almost all the goodness-of-fit indices were below the recommended values. In competing model B, the interaction variable between Out and Exp was absent. The overall goodness of fit improved somewhat with the removal of the interaction variable. R^2 in CJ was decreased. A comparison of the goodness of fit of all the competing models is shown in Table XI.

The difference in R^2 values is a good indicator of the substantive impact of the interaction since it provides an explicit comparison of R^2 values generated for models with and without the interaction in the revised model. The size of the moderating effect can be calculated by the following formula:

$$f^2 = \frac{R^2(\text{interaction model}) - R^2(\text{baseline model})}{1 - R^2(\text{baseline model})}$$

Following Cohen (1988), when 0.02, 0.15, and 0.35 are taken as the operational definitions of small, medium, and large effect size, respectively, the effect size is

$$f^2 = \frac{0.549 - 0.54}{1 - 0.54} = 0.0196$$

which represents a small effect.

Discussion and future research

Folger and Cropanzano (2001) developed Fairness Theory to fill the gap in the literature regarding accountability, which plays a pivotal role in the feeling of injustice but has been surprisingly ignored in prior research. Researchers have mentioned different dimensions related to the three elements of Fairness Theory but have not developed measurement scales. This study developed scales based on the dimensions as discussed in the focus groups, expert panel, and validated their convergence and discriminance in the ICT service context.

The measurement items for the Would component are supported by Expectation Disconfirmation Theory (Andreassen, 2000; Smith et al., 1999) and Justice Theory (Davidow, 2000; Tax et al., 1998). The discrepancy between what really happened and what is expected or specified in an agreement or promise determines the injuries incurred. The initial measurements include the perceptions in both the service failure/dispute and recovery stages.

The measurement items for the Could component are supported by other theories as explained herein. Feasible options are duties of beneficence, which rest on the notion that actions taken can improve the intelligence, virtue, or happiness of others as posited by *prima facie* duties (Ross, 1930). Volition is related to self-attribution of freedom, which refers to an action chosen from a set of available options and not forced on one by circumstances (Fiske and Taylor, 1984). Causal accounts are aligned with controllability in Attribution Theory (Folkes, 1984; Weiner, 1985). Sins of commission and the problem of ignorance are duties of fidelity, which includes the duty to remain faithful to contracts, keep promises, tell the truth, and redress wrong acts. Sins of omission are duties of non-injury, which is equivalent to associational responsibility as postulated by Heider (1958). A person is held accountable for an action if he or she withholds certain assistance, even though he or she is not causally involved.

The measurement items for the Should component, related to normative philosophy, are consistent with the framework articulated by Garrett (1966). Garrett contended that ethical decisions consist of three components: intention, means, and end. Intention refers to the motivation behind a person's actions. The underlying intention is an important component of morality. For example, the intention behind the prolonged procedure in service termination was believed by complainants in the focus groups to be to charge a higher subscription fee. Means has to do with the process or method to bring about specific ends. The sales malpractice of misleading a consumer with the result that the consumer switches to a new service provider is an example. Ends deal with outcomes, or results of actions. Ends are properly evaluated by analyzing the intrinsic nature of the acts themselves rather than the consequences that these acts produce (Garrett, 1966). Kohlberg (1976) stated that one of the stages of moral judgment refers to a social contract and individual rights; the individual is aware of the relativity of values and upholds rules because they conform to the social contract. However, although most people stay with the same operator for more than a year, the relationship between the subscriber and service provider is mainly transactional and does not reach the level of a psychological contract. The last measurement item related to the reciprocal obligation between an individual and another party, the betrayed feeling in violation (Rousseau, 1989), may not be applicable in this study.

The high convergence of the measurement items indicates that accountability was assessed in an integrated manner that included consideration of the problem itself that caused the service failure/dispute, and the complaint handling encounter. However, multiple losses were still assessed in a segregated manner because failure and recovery occurred sequentially (Smith et al., 1999) when both stages produced unsatisfactory results. Nevertheless, measurement scales of elements of Fairness Theory in the ICT service context were operationalized in this study.

Consistent with Fairness Theory (Folger and Cropanzano, 2001), Assimilation-Contrast Theory (Anderson, 1973), Expectation Disconfirmation Theory (Oliver, 1980), and Equity Theory (Brown, 1986), an unfavorable outcome in complaint han-

dling triggers counterfactual thinking, or WP, which refers to the outcomes imagined by a complainant if the complaint handling had played out differently or had met the complainant's expectations. This argument was reflected in H1 (outcome favorability is negatively related to WP); 43.6% of the variance ($R^2 = 0.436$) was explained in WP, indicating the reasonable predictive power of outcome favorability. A complainant will contrast what was done with what could have been done by the service provider and determine accountability, which is manifested in CJ and reflected in H2 (WP is positively related to CJ); 54.9% of the variance ($R^2 = 0.549$) was explained in CJ. What should have been done is also taken into account by a complainant. SJ involves the use of ethical or moral standards. However, the direct relationship between WP and SJ was found to be non-significant. Hence, H3 (WP is positively related to SJ) was unsupported. In the ICT service context, taking the Internet data rate as an example, if the data rate is not up to the expected standard because of some external factor, such as a temporary breakdown in an international connection, which is beyond the control of the service provider, a customer may be upset but will not blame the service provider entirely and will not consider that any ethical standard has been breached. However, aggressive sales practices such as coercion or harassment are considered to be conduct that is controllable by service providers and ethically incorrect. The indirect relationship between WP and SJ is consistent with Brady's (1985) postulation that the process of resolving ethical issues involves simultaneously looking to the past (deontological), as well as to the future (teleological). In this study, as accountability assessment by a complainant was done retrospectively, after the complaint was made, the complainant employed deontological thinking and was concerned more with the conduct of the service provider in terms of feasible options, controllability, and sins of omission, and could predict the likelihood of harm created in the immediate future. Thus, outcome favorability, as captured by WP, influenced SJ through CJ (H2 and H4, respectively) and PPH (H5).

Explanations were found to have a mitigating effect on both CJ and SJ. The direct negative effect of explanations on SJ was small but significant (H7: Explanations are negatively related to SJ). The

impact was mainly through CJ. The total effect was still smaller than that of explanations on CJ (H6: Explanations are negatively related to CJ).

The measurement items of explanations are consistent with those of the study of Gilliland et al. (2001). They mainly explain the justifications of the outcome and process of the complaint handling, and feasibility of other actions. Justifications of the outcome and process are considered as ideological accounts that maintain that the ill effects are justified by the need to achieve a higher goal and thus are able to deactivate SJ directly, according to Fairness Theory. Feasible options are considered causal accounts, which explain why something aversive took place. If the complainant believes that no other actions are feasible, could counterfactual thinking is deactivated. As comparisons to ethical standards occur only for a feasible set of options, should counterfactual thinking is also deactivated (Shaw et al., 2003). The results show that the influence of explanations on SJ through CJ was more salient than the direct effect. Ideological accounts apparently are not applicable in complaint handling of unethical issues. The number of complaints about pay TV rose drastically in 2007, and most complaints were related to termination of service. Complainants had to wait and pay a month extra before termination took place. The explanation given by service providers, according to the focus group and interview findings, was that termination of service had to follow company procedure and there was no alternative. Apparently, complainants considered that this was an excuse with an unethical intention rather than an ideological account. This example illustrates that the mitigating effect of explanations follows the rationale of feasible options, with controllability measured by CJ rather than SJ directly.

In the Justice Theory approach, explanation is positively related to complaint satisfaction through the mediator of perceived justice or more specifically, interactional justice (Davidow, 2003, Karatepe, 2006; Liao, 2007). The measurements of interactional justice in prior research are mainly assessed based on the behavior of the frontline customer service personnel regarding manner, dignity, respect, and proper comments (Colquitt, 2001). Although Fairness Theory posits that CJ and SJ loosely correspond to procedural and interactional justice, the measurement items of SJ in this study concern mainly

ethical judgment of the intention underlie the problem, and the outcome and process of complaint handling. The difference in measurement scales may also explain the relatively weak relationship between explanations and SJ. As indicated in the focus group findings, most of the explanations given by a service provider about a charge dispute were to persuade the complainant that the problem was partly his or her responsibility because the complainant had overlooked the terms and conditions of the agreement. The service provider argued that it had no intention to overcharge the customer. Again, this is consistent with the findings that explanation is directed to the sins of commission or locus of control in CJ, which in turn influences SJ.

The moderating effect of outcome favorability on CJ was found to be significant (H8 is supported) but not on SJ (H9 is unsupported). The argument that explanation provision of could and should information is less necessary in the case of a favorable outcome (Colquitt and Chertkoff, 2002) is only partially supported. The correlation between outcome favorability and SJ is almost half of that between outcome favorability and CJ (-0.34 vs. -0.6 , respectively), as shown in the CFA results in Figure 3. In addition, the direct relationship between WP and SJ is not significant in the context of this study. This implies that even if the outcome is favorable, the impact on SJ is relatively small and explanations are still necessary. Colquitt and Chertkoff (2002) examined the effect of explanations on fairness in the selection of brain stormers by different groups. The results were run by the experimenter with and without explanations to test the moderating effect of outcome favorability. It was found not to be related to ethical issues. In contrast, in the ICT service context of this study, complaints about a charge dispute, sales practice, misleading promotion, or termination of service are all related to business ethics.

PPH, a construct developed by Singhapakdi et al. (1996), consists of four elements – magnitude of consequences, probability of effect, temporal immediacy, and concentration of effect – of moral intensity, which was posited by Jones (1991) to be a mediator between WP and SJ. The convergent validity of the measurement items reconfirms the dimensions (PPH and perceived social pressure) of moral intensity posited by Singhapakdi et al. (1996).

Magnitude of consequences and perceived social consensus have been found to matter more than other elements of moral intensity (Morris and McDonald, 1995). The perceived social pressure dimension, which consists of social consensus and proximity, is not included because these components should be relatively constant in a homogenous cultural and industry context as that of this study. WP gauges the magnitude of injury and was proven to be related to PPH. WP influenced SJ through two mediators, CJ and PPH. The indirect effect of the former was greater than that of the latter. This finding was reflected in the relatively low predictive power of WP on PPH ($R^2 = 0.112$). PPH may be magnified by other factors, such as an altruistic attitude toward others or a righteous attitude toward the issue, that are not included in this model. The total indirect effect of outcome favorability on SJ through CJ ($-0.66 * 0.5 * 0.423 = -0.139$) was greater than that through PPH ($-0.66 * 0.34 * 0.386 = -0.086$), which implies that even if the outcome that is captured by WP is favorable, it has a limited influence on SJ through PPH.

The focus group and interview findings, with a few exceptions, revealed that the financial damage was trivial in most of the charge disputes. However, as ICT services are part of our daily life, like transportation and food, their impact is extensive, and the total magnitude of consequences is significant to society as a whole. The normative philosophies of formalism and utilitarianism tell us how people should be treated in general. We do empathize with people whom we have never met when they have been treated unjustly. Even if a complainant's problem has a favorable outcome, for example, the complainant receives satisfactory compensation; the complainant may still condemn the unethical practice of the service provider if the PPH is great.

Different types of complaint are negatively related to perceived fairness (Frey, 2000; Ingram et al., 2005) but not to SJ. The five types of complaints, namely, sales practices, price/service dispute, after sales service, network quality, and other, were not distinguished in the complainants' ethical judgment. This may have occurred because the distribution is not even in this study (network quality occupied 47%), and thus the impact of other types of service was not significant. Second, subscribers might consider that all these categories are parts of the overall

service quality of the provider (Parasuraman et al., 1988). The type of service does not make a difference as long as the PPH is within an acceptable level.

Gender and age were found to have a non-significant impact on SJ. Table II shows that both gender and age are quite evenly distributed. The finding is in contrast to that of Weeks et al. (1999), who found that women adopt a stricter ethical stance than do men, on average. In common with most studies of ethical judgment (Hornsby et al., 1994; Wood et al., 1988), the study of Weeks et al. used scenarios or vignettes to reduce bias by having knowledgeable individuals assess the content validity of the vignette prior to any inclusion, whereas the respondents in this study were "victims." Accordingly, this may have created some bias. However, based on the argument that perception is reality, the results may reflect true feelings in real the world. The association between age and ethical judgment was found to be nonsignificant in this study, as posited by prior research (Burton and Casey, 1980; Poorsoltan et al., 1991). It seems that the demographic characteristics of the perceiver were mostly unrelated to perceived justice that leads to outcome satisfaction (Cohen-Charash and Spector, 2001).

Over 22% of the interviewees had engaged the same service provider for more than 3 years. It was found that relationship duration was negatively related to SJ. On the assumption that the longer the relationship duration was, the higher the expectations of the relationship and the higher the commitment, the results show that relationship commitment can insulate service providers from unsatisfactory complaint handling. This is in partial agreement with the findings of Hess et al. (2003) and Ingram et al. (2005). Customers with a higher expectation of relationship continuity had lower service recovery expectations after service failure and attributed that failure to a less stable cause, resulting in greater satisfaction with the service performance after the recovery. These customers are less sensitive to loss in service failure/recovery because they tend to weigh prior satisfaction heavily, but only to a degree, that is, provided the perceived harm does not exceed a certain level. It seems that the perceived harm in this study was under that level and thus relationship duration still attenuated SJ.

Type of service (mobile, Internet, or pay TV) was found to be non-significant related to SJ.

Complainants had the greatest ethical concern about pay TV, followed by Internet and then mobile services. The customer base and penetration percentages in this study were in the following order, from greatest to least: mobile, Internet, and pay TV. However, the number of complaints received by the Consumer Council was in the reverse order in 2007 (2344 cases related to mobile service, 3752 cases related to Internet service, and 5231 cases related to pay TV service), possibly because there was a major program change, which triggered a high number of termination requests for one pay TV provider in that year. The complaints were mainly about the protracted termination procedure, and some subscribers had to pay an extra subscription fee. It is not the service type but rather the trade practices of the service provider who is providing the service that influences SJ.

Theoretical contributions

The theoretical contributions of this study are evaluated based on the suggestion of Whetten (1989) – the improvement on the “what,” “how,” “why,” and “who-where-when” ingredients of the existing Theory. “What” addresses which factors (variables, constructs, and concepts) logically should be considered in the model? How are they related? Why are certain factors selected and how are the proposed causal relationships justified? “Who-where-when” are the conditions placed on the model. They are the temporal and contextual factors that set the boundaries of generalizability. The contributions of the study are summarized as follows.

First, in terms of choosing the right constructs for the model, the three elements of Fairness Theory were selected, namely, WP, CJ, and SJ. The antecedent of WP, outcome favorability, was included. A mediator, PPH, which is part of moral intensity, was added with strong theoretical and empirical support. The effect of explanations on CJ and SJ and the moderating effect of outcome favorability were investigated. The competing virtues of parsimony and comprehensiveness were well defined.

Second, measurement scales of WP, CJ, and SJ were developed with desirable psychometric prop-

erties. The measurement scale of WP was based on the counterfactual thinking on one’s well-being based on standards or expectations. The measurement items of CJ include feasible options, controllability, sins of omission, sins of commission, and the problem of ignorance. The scales were operationalized with high reliability and convergent and discriminant validity. The elements are mentioned in Fairness Theory but the relationships among them have not been tested. The measurement scales of this study can provide a foundation for future applications of Fairness Theory.

Third, the relationships among the elements of Fairness Theory were validated in the context of ICT services. Fairness Theory has been employed in the empirical study of the effect of explanations on fairness perception (Gilliland et al., 2001). It has also been used to study the moderating effect of outcome favorability on the impact of explanations on justice perception (Colquitt and Chertkoff, 2002; Shaw et al., 2003), and to study the differential effects of interactional and procedural justice in the presence of social comparison information (Collie et al., 2002). It has been applied in the qualitative study of accountability on service recovery (McColl-Kennedy and Sparks, 2003). Surprisingly, the relationships among the elements – WP, CJ, and SJ – have not been empirically tested. This study showed their relationships in the context of complaint handling in ICT service industries.

Fourth, the selection of factors and the proposed causal relationships are justified. The selection of factors was based on Fairness Theory and previous research. All the proposed hypotheses were supported by related theories and prior studies. It was found that WP had no direct influence on SJ, and that outcome favorability had a moderating but nonsignificant effect on the relationship between explanations and SJ. Hence, hypotheses 3 and 9 were not supported. All the other hypotheses were supported.

When the outcomes were perceived by the complainants to be satisfactory, explanations were less necessary for CJ but not for SJ. Shaw et al. (2003) posited that as context takes on a more multifaceted form by considering, for example, instrumental (economic), relational and moral virtue implications, explanations will be more important.

Although 28% of the complaints in this study concerned a charge dispute (instrumental), 22% of the respondents had a service relationship with their provider of more than 3 years. The measurement scale of SJ mainly concerned moral virtue implications, and service duration was one of the control variables. The results of this study show that explanations are vital in a context with instrumental, relational, and moral virtue implications, even when the outcome is favorable. As there was no direct influence of outcome favorability, which was captured by WP on SJ, it is logical to find that the moderating effect of outcome favorability on the relationship between explanations and SJ is not significant in this context.

Finally, this study extends the research into post-complaint psychological responses in terms of accountability in the case in which the outcome is unfavorable. Prior studies have postulated that complaint outcome satisfaction will lead to customer loyalty, and do not take into consideration ethical judgment. Favorable outcome did have a negative effect on would judgment, which was found not to have a direct influence on SJ (ethical judgment in this study). The influence of WP on SJ was through CJ and PPH. Other factors, such as deontological and teleological evaluations and individual factors (Tsalikis and Fritzsche, 1989), will affect ethical judgment about unfair trade practices.

A favorable outcome may mitigate but not fully resolve a customer’s adverse ethical judgment of a company. A customer may condemn the company even if the outcome of his or her complaint is favorable if the PPH is great. Such a natural, autonomous, affective, humane, and altruistic attitude toward others has been advocated by our great Confucian philosopher, Mencius, who said, “It is a feeling common to all mankind that they cannot bear to see others suffer” (Dobson, 1963). An extension of the application of Justice Theory in the complaint phase and Fairness Theory in the post-complaint phase is presented in Figure 7. The left-hand side is a conceptual model adopted in prior studies (Blodgett et al., 1997; Davidow, 2003; Karatepe, 2006; Liao, 2007; Smith et al., 1999), while the right-hand side is the research model of this study. The relationship of distributive justice to WP, and the relationships of procedural and interactional justice to CJ and SJ are posited by Fairness Theory (Folger and Cropanzano, 2001). Explanations are related to interactional justice in Justice Theory, and are found to have a mitigating effect on CJ and SJ. Outcome satisfaction is found to have a moderating effect on the relationship between explanations and CJ. The following diagram provides an integrated conceptual framework of Justice Theory and Fairness Theory in the ICT service complaint handling context.

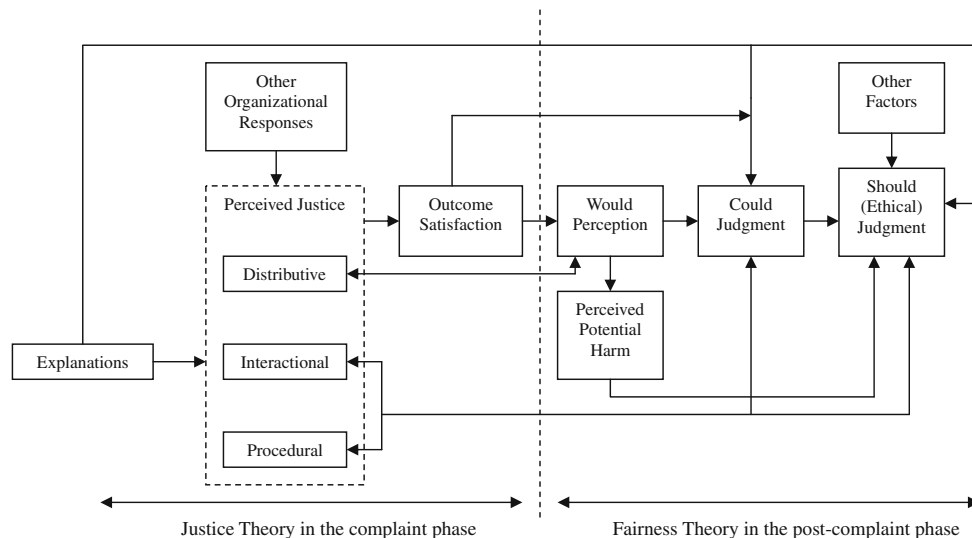


Figure 7. Psychological response of a complainant.

Generalizability

The generalizability of the research model is established in the “Who-Where-When.” Although the interviewees were selected as they waited in a mobile phone repair center, the sample subjects had an equal chance or probability to be selected (Sekaran, 2003) among the general public because of the high mobile phone penetration rate in Hong Kong. This is supported by the demographic data of the interviewees in terms of gender, age, and relationship duration with the service provider: they are quite evenly distributed. The percentages of different types of service (mobile, Internet, or pay TV) are similar to those in the general population.

The data collection was through face-to-face interviews. An interviewee was asked to recall and describe a complaint experience that had happened within the previous year. The narrative served the purpose of triggering the respondent’s memories about the complaint to provide a focal point for multi-item measures. This method can reduce the contrived nature associated with the common scenario (Ingram et al., 2005), and encourage the individual to reveal his or her perception of satisfaction/dissatisfaction (Stern et al., 1998). Each interview was considered to be almost a mini-case study. The valid sample size of 130 in the pilot test and 439 in the mass survey should ensure the statistical power of the significance testing and the generalizability of the results (Hair et al., 2006). As ethical inclinations and moral intensity perceptions may differ across cultures and economic conditions (Ahmed et al., 2003), the generalizability of the findings need to be further validated in different contexts.

Managerial contributions

This study has several practical and constructive implications for service providers from the managerial perspective. As mentioned in the literature review, complaint behavior and complaint handling/service recovery tactics have been explored in previous studies. However, research into the determinants of ethical judgment in this context is very scarce. This study has the following practical implications.

1. The common organizational responses in complaint handling and service recovery include atonement, facilitation, promptness, apology, explanation, attentiveness, and effort. All these responses have been proven to be positively related to perceived justice, which leads to outcome satisfaction (Davidow, 2003; Karatepe, 2006). Failure by the service provider to respond appropriately will produce an unsatisfactory outcome. The consequence will lead to counterfactual thinking, or WP, and then accountability assessment, or CJ. The implications of CJ can be interpreted in the following manner.

A responsible (sins of commission) service provider is obligated to prevent (sins of omission) a problem from occurring and get the situation under control (controllability). It uses knowledge (problem of ignorance) to offer the best available option (feasible options) to deal with a problem.

Adverse results in CJ will lead the complainant to evaluate the service provider’s action against some ethical standards, SJ. The implications of SJ can be interpreted in the following way.

The service provider’s actions should be consistent with basic ethical tenets. Influenced by the salient or PPH of the event, the complainant will evaluate the underlying intention that caused the problem, the process of dealing with the problem, and the outcome based on his or her ethical standards. Unless the service provider can provide an ideological account that can explain that the ill effects were justified by the need to achieve a higher goal, the complainant will not tolerate the unethical practice even if his her problem has a favorable outcome.

With the proper combination of appropriate complaint handling and service recovery tactics, a favorable outcome can be produced. CJ and SJ are less important in the event of a favorable outcome, according to Fairness Theory (Folger and Cropanzano, 1998, 2001). However, it is found that favorable outcome can only mitigate negative ethical judgment indirectly through CJ and PPH. Philosophers

call this deontic logic (*deon* = obligation), and use terms such as obligation, permission, and prohibition to refer to requirement-based reasons for action, rather than resource-based or interpersonal reasons. Deontological principles are not directly concerned with tangible benefits but are independent of the consequences produced by the behavior (Cropanzano et al., 2003). That means the customer service personnel have to accept responsibility, make their best effort, and solve the problem promptly. It seems that consumers are more inclined to subscribe to deontological rather than teleological ethics. They may condemn the unethical practice of the service provider if the conduct cannot be explained ideologically or the PPH is great. Service providers cannot rely on favorable outcomes (distributive justice or WP) when the event involves ethical issues such as unfair trade practices.

2. The number of telecommunications service complaints received by the Consumer Council (10,382 cases in 2007) has shown a downward trend since 2005 (12,029 cases). The number of players has been reduced because of mergers and acquisitions. When the number of competitors falls back to a critical value, the complaint resolution index, which is defined as the ratio of consumer complaints reported as delightfully resolved over all complaints reported within a category, is raised (Estelami, 2000). There are three major pay TV players in Hong Kong. The multi-homing (subscribe to more than one platform) cost is affordable by most people, and subscribers have strong preferences for special features or programs, so a single platform (winner-take-all) phenomenon is unlikely to happen (Eisenmann et al., 2006). Although the number of competitors has an effect on complaint resolution, it is not the type of service that influences ethical judgment; rather, it is the trade practices of individual service providers that matter. An industry code of practice, which has been advocated for years, is not effective in resolving ethical conflicts (Murphy and Laczniak,

1981). The current legislative framework is regarded piecemeal and uncoordinated, leaving gaps for unscrupulous practices. Thus, the Consumer Council has proposed a new cross-sector framework to address this long-standing problem. The future enforcement agency can take the PPH of the problem into consideration. If the harm created could affect the public at large with long-term implications, it should be prohibited, even if the dispute is trivial in terms of monetary value to individual complainants.

3. Consistent with the prior research, there is an interaction between explanation provision and outcome favorability (Colquitt and Chertkoff, 2002; Gilliland and Beckstein, 1996; Ployhart et al., 1999; Schaubroeck et al., 1994; Shaw et al., 2003). That means any knowledge gained from explanations is of limited importance if counterfactual thinking is not activated as a result of a favorable outcome; however, this only applies to CJ. Explanations are still necessary for SJ, although their impact is not great as that on CJ in the event of negative outcome.
4. Customers with a longer relationship with their current service provider may have greater tolerance for their provider's unethical practices. Nevertheless, service providers should avoid unethical trade practices used for short-term profit, as they may upset some of their long-time customers. Even if a request is made to terminate the service, an extra subscription fee cannot outweigh the bad publicity incurred.

Limitations

This study has a number of limitations. The complainant may not perceive there are feasible options available in CJ. He or she may use some sort of broad-based ethical judgment as a screening device to resolve ethical problems (Hansen, 1992). Broad-based ethical judgment dimensions include: just/unjust; on balance, tends to be good/bad; individually acceptable/unacceptable; okay/not okay if the action is justified by the results; culturally acceptable/unacceptable; acceptable/unacceptable to people I most admire; morally right/not morally right;

and acceptable/not acceptable to my family. This represents an example of other factors that influence SJ but which are not included in the model of this study. Other biases are created against the recognition of moral issues and the engagement of moral decision-making processes (Jones, 1991). Complainants may tend not to perceive themselves to be independent agents because they are the victims. Other sources of variance in ethical judgment are suggested by Hunt and Vitell (1986). First, people may have different perceptions of the available alternatives, the factual consequences of those alternatives, and the probability that certain consequences will occur. Second, people make ethical judgments based on teleological or deontological evaluations, or a combination of both types of evaluation. Another source of bias is correspondence bias (Gilert and Malone, 1995). There is a tendency to draw inferences about a person's or an organization's unique and enduring dispositions from behaviors that can be explained by the situations in which they occur. That is, when people observe the behavior of other people, they often draw conclusions about a person's behavior that correspond to his or her unique disposition, without awareness of situational constraints. Some complainants may even extend these dispositional attributions to service providers. As situational constraints are different in different contexts, and cannot be unified as they are in experimental scenario settings, correspondence bias may occur.

All of the interviewees in this study were Hong Kong Chinese. There are certain cultural elements that are unique in influencing consumers' ethical judgment although consumers in different cultures utilize similar rules to assess the ethicality of a given situation (Chan et al., 1998). The results of the study suggest that Hong Kong Chinese consumers are influenced by group norms rather than their personal inclinations in making an ethical judgment in a given situation. The relationships among the elements of Fairness Theory may be different in other cultures.

Future research directions

Although the current study examines the relationships among the elements of Fairness Theory in the context of ICT services in Hong Kong, a number of unresolved issues remain to be explored in future

research. The relationships among the elements of Fairness Theory can be further verified in other cultures, industries, and economic regions. It has been found that the level of ethical behavior tends to increase with the level of economic development of countries (Fritzsche and Becker, 1984). The first three stages of Kohlberg's Theory of moral development are hypothesized to be culturally universal, but the last three stages are proposed to have a culture component (Ma, 1988). Taking China as an example, the impact of Confucian and Taoist philosophy may no longer be significant. It would be interesting to build up and test the model in China, which is experiencing fast economic growth but which has received much criticism for unfair trade practices in recent years. An unsatisfactory outcome in complaint handling and unfair trade practices definitely has a negative impact on customer loyalty. Some customers even terminate their service relationship with the provider. Some service providers may think that customers are forgetful and will come back when new packages and attractive programs are offered. A longitudinal design or laboratory experiment to verify this notion would provide an important managerial implication.

Conclusion

The present study aimed to explore ethical judgment of unfair trade practices in ICT services by making use of Fairness Theory. It was found that complainants look for accountability in the event of unfavorable outcomes through counterfactual thinking about their state of well-being should the complaint outcome have played out differently (WP). This leads to assessment of the service provider's conduct in terms of feasible alternatives, controllability, and commission or omission of discretionary actions (CJ), which in turn affects ethical judgment in terms of the intention, process, and outcome of the problem (SJ). Ethical judgment is influenced by different factors and individual ethical inclinations. Two prominent factors identified in this study are PPH, which is affected by would judgment, and explanations. The effect of explanations on CJ is greater than that on should (ethical) judgment. In addition, outcome favorability has a moderating effect on the relationship between explanations and

CJ. In sum, if the outcome is favorable, explanation is still effective for SJ but is less effective for CJ.

Service failure and disputes are inevitable in service industries. Effective complaint handling responses can restore customer satisfaction. However, this does not necessarily apply in the case of unfair trade practices, which involve ethical issues. Unfair trade practices make customers discontent with service providers.

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