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# Customer Service Employees and Discretionary Service Behavior: A Psychological Contract Model

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## **CUSTOMER SERVICE EMPLOYEES AND DISCRETIONARY SERVICE BEHAVIOR: A PSYCHOLOGICAL CONTRACT MODEL**

We present a theoretical framework for explicating contact employee behavior during customer service encounters, labeled discretionary service behavior (DSB). The model takes an organizational justice perspective, incorporating psychological contracts and fairness perceptions. We define DSB, examine potential antecedents, present research propositions related to the model, and discuss potential organizational outcomes.

Key words: **Psychological contracts, fairness, service behavior.**

The behavior of employees who have contact with customers presents a management challenge, due to the importance and complexity of these employees' perceptions and roles. Customer contact employees themselves must manage relationships both within the internal organization (e.g., their immediate supervisors), and external to the organization (e.g., customers). These relationships influence contact employees' perceptions of how fairly they are treated. In their roles as boundary spanners, contact employees deliver the organization's products and services to customers, and transmit customer feedback back to the organization. These job conditions often give contact employees considerable discretion regarding their actions toward customers.

Such a combination of contact employees' perceptions and discretion leads to discretionary service behavior (DSB). DSB involves behavioral choices that are not necessarily explicitly prescribed or scripted by the organization. DSB can satisfy minimum standards of service quality that are established by organizations, but may exceed such standards as well. We argue that DSB is individually motivated and determined by contact employees' cognitive perceptions of fairness, and then exhibited during encounters with customers. As such, DSB is not standardized across all customer encounters, but rather situational depending upon the antecedent influences.

A major challenge to customer service organizations is that it may be relatively difficult to directly supervise and control contact employees whose behavior is not always directly observable. Unprompted and unsolicited employee actions, whether pleasing or displeasing to customers, are also less subject to management control (Bitner, Booms, & Tetreault, 1990). Instead, management must take control of the situational variables influencing employees to provide them with implicit direction (Bowen & Schneider, 1988). The literature on service management has not systematically addressed specific employee behaviors that influence customers' perceptions of service quality (Morrison, 1996). Effective management of the service encounter involves understanding the often complex behaviors of contact employees that can influence customers' perceptions, and then training, motivating, and rewarding employees to exhibit those behaviors (Bitner et al., 1990).

Understanding and managing some determinants of contact employee behavior, especially cognitive processes, is the focus of this paper. Specifically, we define the new construct of DSB and its antecedent influences. We draw from, and extend, previous research to develop a theoretical framework of DSB. Our model is based on psychological contracts (reciprocal agreements of perceived expectations and obligations in the job setting) that develop from relationships between contact employees and their supervisors/organizations. These

psychological contracts lead to employees' perceptions of outcome fairness, or distributive justice (the "motive" for exhibiting DSB). An important distinction of our research model is that we are looking beyond the terminal value of DSB; this departs from most previous research, which has focused on understanding different forms of employee behavior as dependent variables. The importance of DSB is as part of a sequence of employee-based factors that influences possible service management outcomes, such as customers' service quality perceptions. DSB is important because it can affect customer satisfaction, which in turn impacts the organization, as we explain.

We offer the present model as one possible explanation of cognitively-oriented employee service behavior; we do not mean to suggest that DSB encompasses all types of motivation or behavior. Our theory as it is currently articulated focuses only on the cognitive aspects involved in employees' assessment of their psychological contracts, their outcome fairness perceptions, and their discretionary choice to exhibit DSB. Certainly, there is other service behavior that is spontaneous and not cognitively determined. George and others have suggested a number of individual, group, contextual, and motivational factors that can affect employees' tendencies to exhibit spontaneous behavior, including mood (George, 1991; George & Bettenhausen, 1990; George & Brief, 1992). While such previous research has discussed affective antecedents of employee service behavior, we focus on the DSB model as a cognitively oriented behavioral process. We also look only at behavioral influences within the service work environment, aside from other factors such as individual employee differences. This is to help identify and explain employee service behavior which may be more easily understood and managed by the organization. This cognitive focus is also consistent with research in social psychology which finds that a rational-cognitive level of analysis more adequately explains premeditated behavior, such as helping, than do emotional reactions (Rabinowitz, Karuza, Jr., & Zevon, 1984).

The purpose of this article is to present a detailed conceptualization of DSB. We begin with the broad influences and dimensions of contact employee behavior. We then narrow our focus to develop a specific model of DSB and a series of propositions regarding its antecedents. Specifically, we base our propositions on the unique factors and conditions affecting contact employees in transactional service environments where short-term, routinized customer encounters are the norm. Transactional service jobs, such as retail sales, banking, and hospitality, typically are more amenable to management control of employees than are relational service jobs with longer-term customer encounters over time. In addition, the focus on transactional service environments emphasizes the relative importance of management

influences, as opposed to customer influence, on employee behavior. By restricting our discussion to classes of transactional service work with common parameters, we set boundary conditions for our model. Our model of DSB is not intended to be broadly generalizable to all service environments; for example, in some relational service environments such as hospitals and law offices there may be additional factors such as professional ethics which influence employees and inhibit their DSB. Drawing from extant literature and our own research and experience, we theorize about potential effects of DSB on customers and organizations, supported by a series of propositions and summary table of outcomes. We conclude with suggestions for future research and implications for managing DSB.

### **DISCRETIONARY SERVICE BEHAVIOR: AN EXPANDED DEFINITION**

DSB is a narrow construct specifically relating to the cognitively-oriented behavior of customer contact employees in a service management environment. Such behavior is uniquely influenced by the employees' roles as boundary spanners: these employees may mediate the organization-customer exchange so that internal organizational members never work directly with external customers. Because DSB refers only to the behavior of service employees, the generic term *employees* is meant to encompass all individuals who provide service to customers. In a customer service context, these employees have some discretion regarding their behavioral output; in a sense, they are free to choose from among a menu of service behaviors when working with customers. These behaviors can include: manipulation of product and service delivery factors within job guidelines (e.g., delivery time, presentation, information); variation of attitude and physical manner; and either voluntarily helping, withholding helpfulness from, or deliberately not helping, customers. See Table I for more detailed examples of DSB.

**TABLE 1**  
**Examples of Discretionary Service Behavior**

- Customer service representatives manipulate their demeanor and tone of voice with customers (e.g., deadpan expression and monotone voice, or large smile and cheerful voice), yet adhere to work scripts regarding technical specifications of service quality.
- Retail employees withhold or volunteer helpful customer information (e.g., an upcoming sale on desired items, or out-of-stock items can be found in another store location) and still fulfill the organization's requirements for job performance
- Food servers deliberately alter the standardization of a product (e.g., putting many or few toppings on a pizza) within a variance allowed by organizational guidelines.
- Retail employees ignore customers who are queued up (e.g., prior to store opening hours, after store opening hours, or at a closed service counter) and use rules of operation as excuse.
- Bank tellers take the time to explain bank policies to customers (e.g., regarding unrolled coins), and why they can't help customers in this situation, and then direct customers to another facility where they can be helped (e.g., with automated coin counting equipment).
- Telephone operators or receptionists invoke generic responses and technological barriers (e.g., put on hold, transfer to voicemail, give wrong number, do not offer additional help) to customers who are confused or lack full information required for efficient service transaction.
- Airline counter attendants provide assistance to customers whose luggage is lost or delayed (e.g., offering to purchase toiletries or other items, arranging for hotel to help the customers, patiently explaining the airline policies, waiting with customers as they fill out paperwork).
- Movie theater employees provide helpful assistance to delayed customers (e.g., informing customers when the movie started and the location of open seats, waiting for customers to purchase food items and then discreetly directing them to open seats, informing customers of alternate showings at this theater or other theaters).
- Restaurant employees create difficulty for customers who complain about food or service (e.g., attempt to cast doubt on validity of customer perceptions, contradict customer accounts, cast aspersions on customers' taste and standards, invoke bureaucratic barriers to customer satisfaction, resist customers' requests for refund).
- Express delivery personnel provide the service requested by customers but neglect to discuss available alternatives that better meet customers' needs (e.g., delivery in afternoon or in two days for lower price, the most cost-effective insurance that will sufficiently cover items shipped, differences among services that offer verification of receipt).

We define the contextual and behavioral dimensions of DSB through examination of the service environment and employee behavior constructs. This integration of environment and behavior suggests a possible basis for explaining employees' means (*how* they are enabled to exhibit DSB) and motives (*why* they may choose to exhibit it) with regard to DSB.

### **Service Environment Influences on DSB**

Employees often have informal autonomy in job performance by virtue of their proximity to customers and shielding from management eyes; this may be enhanced with formal policies of employee empowerment designed to better serve customers. Competitive pressures are leading to increased organizational restructuring, flattened hierarchies, and shrinking layers of middle management. Under these conditions, frontline employees are frequently being empowered with more formal decision-making authority, to complement the informal influence and control they have over customer service encounters. When managed effectively, empowered employees can achieve gains for the organization and customers, such as improving service delivery efficiency and contributing productive ideas. Bowen and Lawler's (1992) definition of empowerment accurately describes the discretion that employees have from both formal and informal characteristics of their jobs, their supervisory structure, and the actual service delivery. This definition of empowerment includes freedom of choice among different ways of doing a job, freedom to act without premeditation in meeting customer expectations, input into job design, and ability to respond if something goes wrong. Because employees are both physically and psychologically close to the customers they serve, they become impression managers whose attitudes and behavior affect customers' perceptions of service quality (Schneider & Bowen, 1985; Schneider & Bowen, 1995).

Studies have found that employees are genuinely proud of their roles and abilities to service customers (Bitner, Booms, & Mohr, 1994), in part due to their control over their jobs (Alpander, 1991; Rafaeli, 1989). Employees use a variety of discretionary tactics to manage their encounters with customers, including ignoring, avoiding, rejecting, educating, rewarding, reacting, distracting, overacting, and exerting physical control over elements of the service environment (Rafaeli, 1989; Shamir, 1980; Weatherly & Tansik, 1992). Therefore, in these types of situations employees may have more personal control or discretion over the type and extent of behavior they exhibit, as well as *how*, *when*, *where*, and at *whom* the behavior is directed. This could hold true whether or not such employee behavior is role prescribed. For example, although providing service is a basic job requirement, employees may be able to deliberately manipulate the *level* of service provided; too much service may be just as detrimental as too

little service, if it is not responsive to customers' desires (George & Jones, 1991). The combination of employee empowerment and control leads to job-based discretion which gives employees the means, or opportunity, to exhibit DSB.

### **Employee Behavioral Constructs from Management Research**

The frequently examined construct of organizational citizenship behavior (OCB) supports the character of DSB that transcends job prescribed behavior, and gives insight into some possible motivating factors. OCB includes extrarole activities that are not formally or explicitly recognized by the organization; such noncompensated, voluntary activities imply deliberate, controlled character more similar to conscious decision making than to expressive emotional behavior (Organ, 1988; Organ & Konovsky, 1989). OCB has been defined to include such role-enhancing behaviors as altruism (helping others), conscientiousness (following through), and courtesy (being nice) (Organ, 1988). The majority of OCB research to date has considered extrarole behavior directed internally by employees (towards the organization, supervisor, or coworkers) and has typically examined only positive behavior (i.e., behavior intended to benefit the recipient). In their integrative review, Van Dyne, Cummings, and Parks (1995) combine OCB and other similar employee behavior under the broader conceptual umbrella of extrarole behavior (ERB). ERB is defined as behavior which benefits the organization and/or is intended to benefit the organization, which is discretionary, and which goes beyond existing role expectations. The deliberate, discretionary aspect of OCB and ERB provides a conceptual foundation for the discretionary nature of DSB, especially with regard to focusing on antecedents internal to the organization.

Although DSB is similar in some dimensions to OCB and other extrarole behaviors, there is some difficulty in applying the commonly accepted definition of extrarole behavior to DSB, partially because the boundary between in role and extrarole work behavior is ill-defined and subject to multiple interpretations (Morrison, 1994). Companies with excellent customer service reputations have employees who engage in exceptional levels of *both* in role and extrarole behavior (Morrison, 1996). In addition, since the issue of *discretion* is the key component of DSB, the question of whether DSB involves "in role" behavior as opposed to "extrarole" behavior is not central to this construct. DSB involves *customer service behavior* only, not execution of job content or other non-customer focused employee role behavior. DSB focuses more on process than output: employees can decide *how* they deliver service, in both tangible and intangible fashion, not *what* the service delivery entails. In such situations, the service delivery output to customers may still meet standards promised by the organization, although

the service delivery process is manipulated at the discretion of employees. A more valid role distinction than that between in role and extrarole may be one between employees' self roles and work roles with regard to their chosen behavior. The discretionary aspect of DSB suggests that employees can choose to personally engage in moments of task behaviors through self-expression (Kahn, 1990).

### **Employee Behavioral Constructs from Marketing Research**

In marketing research, there are several constructs relating to employees' ability to behave in a nonroutine, or innovative, manner when interacting with customers (Hartline & Ferrell, 1993). Kelley (1993) used the term discretion to describe employee behavior involved in either selecting or developing the means for accomplishing a task. Weitz, Sujan, and Sujan (1986) defined adaptive selling as altering employee behavior during customer interaction. Suprenant and Solomon (1987) used the term personalization to discuss the importance of employee behavior that serves to individualize customer interaction; the effect of such employees' individualized behavior on customer satisfaction was noted by Bitner (1990) and Bitner et al. (1990).

These marketing constructs represent service behavior based on employees' individual choice, judgment, latitude, or ability to make responsible decisions. Organizations may find it necessary to enhance their employees' sense of discretion due to the unpredictable range of circumstances that may arise in service environments; at the same time, the uncertainty and interdependence of customer service encounters make it difficult to specifically prescribe all facets of employees' behavior (Bowen & Schneider, 1988). Such behavior may be difficult for organizations to manage (or even to be completely aware of), and could have a profound impact on organizational effectiveness if it affects customer satisfaction.

### **Synthesis of Interdisciplinary Behavioral Constructs**

Our definition of DSB synthesizes conceptual elements from both marketing and management theory to develop a new construct, which contributes to the literature through the following distinctions. DSB is performed by employees in an organizational context and is discretionary or voluntary in nature, but unlike OCB and ERB it typically includes elements of both prescribed and nonprescribed (extrarole) employee job functions. We further suggest that DSB is conceptually distinct from the OCB/ERB constructs along two major dimensions. One major distinction is that DSB is externally directed, toward outside customers. Although the *intent* of DSB is focused toward the internal organization or supervisor, the behavior itself is

exhibited during service encounters with customers. It is this employee intent (to affect the organization or supervisor), not the actual behavior or outcomes of the behavior, that distinctly defines the nature of DSB.

The second major distinction of DSB is that it can be either positively or negatively intended by employees. In other words, employees may exhibit positive DSB with the *intent* of helping their organization or supervisor, or exhibit negative DSB with the *intent* of hurting them. The behavioral outcome of DSB is not by definition primarily positive or negative. It is the *intent* -- a state of mind, plan, or volition -- which defines DSB as solely cognitive in nature. Other behavior constructs, like OCB and ERB, may have both cognitive and spontaneous antecedents. This set of important distinctions extends existing theory in a new direction and forms the foundation of our model. Since we have already addressed the issue of in role and extrarole behavior, we will now discuss the remaining two major distinctions of DSB in more detail.

### **External Direction of DSB**

Employees who choose to act upon perceived inequities generated by the organization may more likely to direct negative behavior outside the organization in many situations (Blancero, Johnson, & Lakshman, 1996). This may be especially true in a customer service context for several reasons. These employees may have more discretion and control over externally focused job characteristics and interpersonal relationships (e.g., dealing with external customers) than they have over internal job characteristics and relationships (e.g., dealing with supervisors and the organization). That is, they may be freer to exhibit both functional and dysfunctional behavior externally (directed toward customers) than they would be inside the organization (due to direct supervision, organizational culture, work group norms, written regulations/policies, etc.).

Employees directly influence and, to an extent, control external customer relationships, whereas the same employees may feel relatively powerless, anonymous or ineffectual in an organizationally dominated relationship. Robinson, Kraatz, and Rousseau (1994) note that employees may perceive themselves as powerless to effect change in their employer's behavior, and thus may cognitively adjust their own perceived obligations in order to redress the situation. For example, employees may decrease their protection of organizational assets if they perceive the organization as decreasing protection of employee job security. Such adjustment of perceived obligations in the form of redress may be regarded as premeditated remedy or compensation; this differs from mere displacement, which is defined as "the redirection of an

emotion or impulse from its original object ... to something that is more acceptable" (Merriam-Webster's Collegiate Dictionary, 1985). In other words, redress deals with planned behavior in response to cognitive perceptions, whereas displacement deals with spontaneous, reactive behavior in response to affective perceptions.

Although the concepts differ with regard to cognitive and affective influences on behavior, both redress and displacement may be part of a causal sequence that involves elapsed time between antecedent and outcome. This notion is supported by Fisher and Locke (1992), who contend that negative affect may be displaced by employees, and expressed not in reaction to when and where it occurs, but instead expressed at different times and directed toward targets which had nothing to do with initially influencing the affective reactions. *In the case of cognitively oriented psychological contract perceptions, employees are likely to believe that externally directed DSB will have more of an impact on redressing the situation.* DSB can be more easily observed and controlled by employees than can internally directed behavior. This targeted, external direction captures the unique flavor of customer service behavior in general. DSB in this sense can be conceptualized as externally directed proactive behavior intended to restore equity, rather than reactive escape from of inequitable conditions, especially if such behavior is inhibited by environmental forces from being directed internally (Greenberg, 1984).

Organizational grievance systems provide a good example of environmental forces that may encourage employees to channel their redress externally. Within an organizational context, formal grievance systems can often help employees to resolve their discontent internally and enhance their fairness perceptions (Blancero & Dyer, 1996; Olson-Buchanan, 1996). However, employees may be reluctant to use such formal systems due to personal safety concerns, such as management reprisal for filing a grievance (Blancero & Dyer, 1996). In a customer service environment there may be more attractive, informal, and safer alternatives to such formal grievance systems. For example, employees may realize that by acting on their discontent externally (through the use of DSB) they can still impact the organization and/or their supervisor without the potential conflict and hassle of filing a formal grievance. At the same time, employees may perceive any negative behavior directed internally as having less noticeable effect (on changing the organization), or taking longer to make a cumulative impact (across time or employees). With customers, the impact may be more easily noticeable and immediate. Employees then may try to retaliate against the organization by directing destructive or alienated behavior externally toward customers (Martin, 1981).

In another sense, employees may fear organizational retaliation against their voiced discontent or other negative behavior. Individuals may not opt to redress injustice through internally directed behavior in organizational contexts where threats of punishment and costs of sacrifice are high (Greenberg, 1984; Trevino, 1992). Employees may also perceive that their formal grievance or internally directed negative behavior will be punished by the organization, even though little of the intended outcome may be accomplished. These same employees may perceive DSB (which is directed toward customers) as less likely to be quickly detected, even though the impact on the organization may be greater in the long run. Thus, DSB may be an attractive alternative to any existing formal grievance system for employees in a service management environment. Although in most transactional service environments there are limits to the extent of redress that employees can "take out" on customers, there nonetheless exists the opportunity for them to affect the organization in the employee-controlled nuances of customer service delivery.

### **Intentions for Exhibiting DSB**

We suggest that employees can intend to exhibit either positive or negative DSB. In a sense, DSB intentions may be viewed as an outlet for these employees expressing appreciation and cooperation (positive) or retaliation (negative), depending upon the nature of the antecedents. Employees' intentions for exhibiting DSB are based on the perceived status of their psychological contracts: positive DSB is intended to benefit the organization when contracts are intact, and negative DSB is intended to hurt the organization when contracts are violated. These psychological contract perceptions and internally targeted outcomes define DSB regardless of external outcome (i.e., the effect on customers). For example, negatively intended DSB may have positive external outcomes, if employees attempt to hurt the organization by exhibiting beneficial behavior toward customers. Employees may also try to conceal their negative intent, as in the case of defensive behaviors, so that customers perceive a different outcome (Ashforth & Lee, 1990). We contend that employees are just as likely to exhibit either positively or negatively intended DSB in their customer interactions, depending upon the nature of the antecedents (i.e., psychological contract perceptions). This notion is discussed in more detail in the following section, in relation to employees' psychological contracts and outcome fairness perceptions.

Positively intended DSB and negatively intended DSB represent endpoints of a continuum of possible behavior, varying by intent and intensity. At either end point of the continuum, DSB is exhibited to an extreme degree; in the middle of continuum, at the zero point,

DSB is not exhibited to any noticeable degree. Thus, employees can choose to either exhibit a form of positively intended DSB, exhibit a form of negatively intended DSB, or exhibit no DSB. This three-way notion of DSB is similar to the logic in Puffer's (1987) assertion that the opposite of positive (prosocial) behavior is not negative behavior, but the absence of positive behavior. This is also consistent with research which suggests that employees will either engage in OCB, or withhold OCB, depending upon their cognitive perceptions (Robinson & Morrison, 1995). Thus, we contend that employees can choose to exhibit varying degrees of positively intended or negatively intended DSB, from maximal to minimal, or choose not to exhibit DSB.

Despite its external direction, negatively intended DSB is similar in character to extrarole constructs of anti-citizenship behavior (Ball et al., 1994), negative OCB (Greenberg, 1990; Parks & Kidder, 1994), and negative ERB (Van Dyne et al., 1995). Other types of employee responses to dissatisfying work situations may include neglect (Farrell, 1983; Hirschman, 1970), aggression (Rosse & Hulin, 1985), changes in job performance and effort (Henne & Locke, 1985), theft and pilferage (Greenberg, 1990), and noncompliant behavior (Puffer, 1987). Negatively intended DSB may also involve employees' use of discretion in ways that are unacceptable to the organization (Kelley, 1993). Ashforth and Lee (1990) describe discretionary defensive behaviors that may be directed toward customers, such as overconforming (working to rules), passing the buck, playing dumb, depersonalizing, and stalling. Bitner et al. (1990) cite possible examples of DSB such as profanity, yelling, inappropriate touching, and rudeness. Such negatively intended behavior detracts from the work-related output of employees, is detrimental to the organization, and may lead to customer dissatisfaction.

### **Distributive Justice: the Antecedent Influence on DSB**

Considerable attention in *marketing* research has been paid to the management of customer and employee interactions in service encounters (Brown, Fisk, & Bitner, 1994), and many *management* researchers have attempted to make a connection between employee satisfaction and such organizational factors as compensation, performance appraisal, and supervisory relationships. However, relatively few studies in either discipline have examined the influence of organizational factors on employee service behavior. A more fruitful area of interdisciplinary research may be the study of broader issues of employees' outcome fairness perceptions, as influences on employee satisfaction and behavior. Clemmer (1993) and others have noted the ample evidence that fairness matters in service encounters. The influence of ERM practices on employees' perceptions of fairness has been widely studied in recent years, examining such issues as complaint systems (Blancero, 1992; Blancero & Dyer, 1996;

Olson-Buchanan, 1996; Ruiz Quintanilla & Blancero, 1996), layoffs (Brockner & Greenberg, 1990), and performance appraisal and compensation (Greenberg, 1987).

Recent research findings have emphasized the influence of employees' fairness perceptions as antecedents of OCB (Eskew, 1993; Greenberg, 1993; Moorman, 1991; Moorman, Niehoff & Organ, 1993; Organ & Konovsky, 1989; Organ & Moorman, 1993). McNeely and Meglino (1994) found that employees' perceptions of reward equity (distributive justice) explained significant variance in their behavior directed at the organization. A meta-analysis by Organ and Ryan (1995) showed that attitudinal constructs, including fairness, were better predictors of OCB than were dispositional constructs, such as affectivity. These collective findings enable the development of a possible organizational justice framework in which the perceived fairness of outcomes can be viewed as antecedents to employee behavior.

Fairness perceptions can be examined in the global context of employees' psychological contracts (Robinson, et al., 1994). Psychological contracts are intact when employees perceive that employers have upheld their promises and obligations, and contracts are violated when employees perceive that such promises and obligations have been broken. Employees' cognitive assessment of the status of their psychological contract leads to evaluations of distributive justice. Distributive justice refers to the fairness perceptions based on an outcome, while procedural justice perceptions are based on the fairness of processes used to make decisions (Folger & Greenberg, 1985). Fisher and Locke (1992) suggest that the cognitive component involving equity or fairness perceptions might be a valid predictor of premeditated, rationally chosen behavior. Because such perceptions have been found to cognitively influence employee behavior (such as OCB or retaliation), they may lead directly to DSB. Research has shown that when these contracts are intact, i.e., when both parties have upheld their ends, employees perceive fairness in their relationship or interactions with supervisors or the organization (Rousseau, 1995). Just as employees will engage in OCB if they feel their organization has fulfilled or surpassed its obligations (Robinson & Morrison, 1995), so will perceived fairness lead to positively intended DSB.

Negatively intended DSB is posited to result when employees perceive inequity or a sense of injustice (i.e., when the other party breaks promises or fails to meet expectations that form the employees' psychological contracts). Employees who perceive psychological contract violations are likely to withhold positive discretionary behaviors and/or exhibit negative ones (Robinson & Morrison, 1995; Shore & Tetrick, 1994). Martin (1981) suggests that feelings of inequity may be associated with individual level behavior, in the form of adjustments in individual inputs and/or outcomes, rather than attempts to change the system. This may be

especially true when job characteristics facilitate employee discretion, and implies a kind of behavioral retaliation to perceived psychological contract violation. Retaliatory responses can include forms of employee neglect, ranging from providing customers with poor service, to vandalism, theft, and workplace violence.

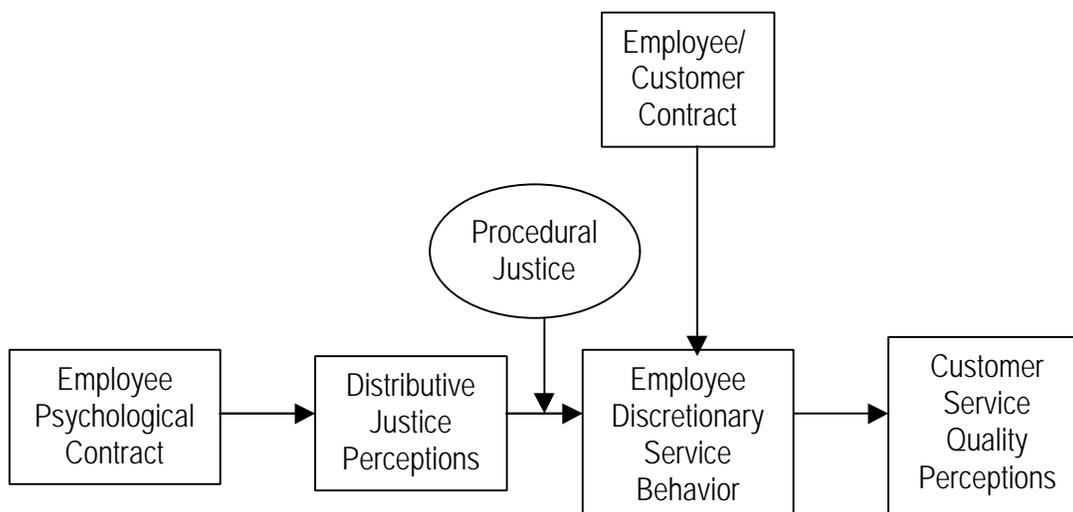
Employees may choose to exhibit externally directed negative behaviors intended to retaliate or compensate for internally generated cognitive dissonance more for their availability and cathartic value than for their direct connection to the actual cause of distress (Fisher & Locke, 1992). The targets of the employees' attitudes, or behavioral intentions, and their actual behavior may not always match. This same logic applies to employee distress caused by employees' perceptions of outcome unfairness (due to supervisors or the organization). We argue that employees may perceive that such outcome unfairness, or distributive injustice, can be redressed through negatively intended DSB: *employees' discretionary behavior directed toward external customers but intended to hurt the organization.*

### A MODEL OF DISCRETIONARY SERVICE BEHAVIOR

Research on employee roles during service delivery suggests that the most compelling and enduring influences result from the employee-customer, employee-supervisor, and employee-organization dyads (Solomon, Surprenant, Czepiel, & Gutman, 1985). The understanding that employees have with their organizations and supervisors regarding reciprocal obligations and expectations lead to psychological contracts between the parties. In turn, the status of these psychological contracts (intact or violated) influences employees' distributive justice perceptions, which form the behavioral motive for DSB (see Figure 1).

**FIGURE 1**

### The Psychological Contract Model of Service Employees' Discretionary Service Behavior



## Psychological Contract Influences

When their psychological contracts are cognitively assessed as being intact, employees will perceive a sense of outcome fairness and be more inclined to exhibit positively intended DSB. When their psychological contracts are cognitively assessed as being violated, employees will perceive a sense of outcome unfairness and be more inclined to exhibit negatively intended DSB.

Proposition 1: Employees' cognitive assessment of their psychological contracts will result in perceptions of distributive justice, leading to DSB

Proposition 1A: Intact psychological contracts will lead to positively intended DSB.  
Proposition 1B: Violated psychological contracts will lead to negatively intended DSB.

## Customer Contract Influences

The model also depicts the influence of the customers, in the form of customer contracts with employees, on DSB. In many service management environments, the influence of external customers on employee behaviors may be just as great as the influence of internal organizational members. Rafaeli (1989) notes that customer influence over contact employees is much more immediate than management influence. Factors contributing to this immediacy may include physical proximity, duration and frequency of interaction, amount of feedback and other information provided, and the importance of customers' roles versus supervisors' roles as perceived by contact employees. Contact employees whose compensation is based on customer purchases and satisfaction, for example, may likely regard customers as more influential than management over this aspect of their job.

The employee-customer relationship leads to customer contracts that are distinct from psychological contracts between employees and the organization. Customer contracts tend to be "shared", based on normative expectations between employees and customers during discrete service encounters, whereas psychological contracts are based more upon idiosyncratic expectations of formal and informal commitments and rewards in an ongoing work environment. Normative contracts can occur when *insiders* to a contract (e.g., employees and customers) have sufficient opportunity for interaction with each other to create common beliefs about the contract (Rousseau, 1995). Ways in which organizations relate to customers offer the clearest insights into the types of contracts they create (Rousseau & Wade-Benzoni, 1994). When contact employees and customers have single, episodic encounters of shorter duration (as in retail settings), their customer contracts tend to be transactional in nature (Rousseau,

1995). The terms of such contracts are based more on the generic roles of the parties involved, rather than the individual parties themselves.

Customers have multidimensional expectations of employees' behavior and interpersonal characteristics like courtesy, competence, communication, understanding, responsiveness, and fair treatment during service encounters. In large measure, this is the result of rising expectations produced by recently escalating levels of service, particularly that delivered by technological means (Heskett, Sasser, & Hart, 1990). Employees also have expectations of customers regarding their role execution during service encounters, based more on characteristics like cooperation, compliance with policies or laws, and refraining from verbal or physical abuse (Berry, Parasuraman, & Zeithaml, 1994; Bitner et al., 1994). Customers who impede the service delivery process, don't perform their roles effectively, or exhibit negative attitudes and behavior toward employees may violate their customer-employee contracts from the employees' viewpoints (Bitner et al., 1994; Zeithaml & Bitner, 1995).

Regardless of the antecedents of DSB stemming from employees' psychological contracts, the status of the customer contract (intact or violated) can influence the DSB exhibited. Employees often modify their behavior situationally based on customer feedback (Bitner et al., 1994). If their customer contract is assessed as intact, employees may have positive attitudes toward customers (e.g., showing concern for customer satisfaction, apologizing for inconveniences, etc.); if the customer contract is violated, employees may have negative attitudes toward customers (e.g., using organizational policies and procedures to limit customer service, showing no concern for customer satisfaction, etc.). DSB influenced directly by customer contracts always has congruent intentions and outcomes; in this case, positive DSB mean positive intent *and* outcome, while negative DSB means negative intent *and* outcome. Thus, employees' cognitive assessment of their customer contracts can have a direct effect on DSB independent of their psychological contracts.

Proposition 2: Intact customer contracts will lead to positively intended DSB.

Proposition 3: Violated customer contracts will lead to negatively intended DSB.

Our model depicts customer contracts as having a direct effect on DSB, but the effect is not as strong as psychological contract effects. Although customer contracts may have immediate influence on employee behavior in service encounters (Rafaeli, 1989), psychological contracts are likely to exert more enduring influences on employees, especially in a transactional service environment where employees have mostly short-term interaction with

customers. Psychological contracts are derived from employees' perceptions of expectations and reciprocal obligations of the specific individuals involved, whereas customer contracts are derived from generic role expectations and obligations. Psychological contracts between employees and employers are also largely established, and perceived as either intact or violated by employees, inside the organization and away from customer influence. Employees are likely to choose to exhibit DSB based on organizationally influenced distributive justice outcomes (outcome fairness perceptions) prior to interacting with customers. Thus the model in Figure 1 depicts the antecedents of DSB as a combination of employees' perceptions of outcome fairness regarding their psychological contracts and customer contracts.

Proposition 4: Psychological contracts will influence DSB more strongly than customer contracts.

### **Moderating Effect of Procedural Justice on DSB**

The procedures used in upholding or breaking the psychological contract and the general administration of the contract (i.e., the social relationship between the parties to the contract) may moderate the influence of employees' outcome fairness/unfairness perceptions on DSB. Some research suggests that procedural justice is important in predicting discretionary employee behaviors (Moorman, 1991; Organ & Moorman, 1993), especially for low or unfavorable outcomes. Rousseau (1995) noted that procedural justice affects the magnitude of perceived psychological contract violation, based on procedural rules of consistency, bias suppression, accuracy, correctability, representativeness, and ethicality. Thus, employees may respond to violations based on the perceived fairness of the process by which their expectations were not met as well as the outcomes which differed from their expectations. For example, perceived unjust procedures may combine with unjust outcomes to produce resentment and an inclination toward retaliation (Ball, Trevino, & Sims, 1994; Folger, 1993).

Employees' outcome fairness perceptions based on distributive justice result in two distinct DSB responses: positively intended DSB and negatively intended DSB. When procedural justice is added to the model, the moderating effect of considering the different forms of justice (i.e., fair outcomes with unfair procedures, or unfair outcomes with fair procedures) may influence employees' overall fairness perceptions regarding their psychological contracts. This may result in variation in the intensity of intended DSB, lessening the probability of strongly positively or negatively intended DSB responses. Positively intended and negatively intended DSB do exist on separate continua. The discretionary aspect of DSB means that employees can choose either to exhibit positively intended DSB, to exhibit negatively intended DSB, or not to

exhibit any DSB. In their research on helping behavior, Rabinowitz et al. (1984) suggest that psychological concerns with justice enable employees to justify the presence or absence of action on their part. The deliberate absence of DSB may result in employees' "mindlessness" in role-based interactions such as service encounters, with behavior performed according to scripts (Ashforth & Fried, 1988; Humphrey & Ashforth, 1994).

This moderating effect of procedural justice is supported by research which has found that the fairness of procedures may matter more to employees than the unfairness of outcomes (Folger & Greenberg, 1985; Greenberg, 1990). Thus, when employees perceive a violated psychological contract (i.e., an unfair outcome), but fair procedures, they may be more likely to respond with an absence of DSB than with negatively intended DSB. Because employees' perceptions are also influenced by the fairness of the procedures, they may react less negatively to the unfairness of the outcomes. Although the employees will still have the means to exhibit DSB, they may lack the motive to exhibit either positively or negatively intended DSB. The perceived outcome unfairness of the psychological contract may be canceled out or lessened by the perceived fairness of the moderators, or vice versa. These employees' DSB in this case relates to their *choice* to "work to rules". These employees will likely tend to provide service based on organizational scripts, and take little initiative to act otherwise even when deviation may be in the best interests of the organization or customers. For example, these employees may adhere to the posted hours of operation for a retail store, although customers may be lined up waiting for the store to open, or may be wanting to purchase goods after the designated closing time. In a sense, this type of employee behavior is defensive, promoting employee self-interest due to concerns that the organization may not consistently protect employee interests in the future (since there remains an element of perceived unfairness in the management decision outcome for the employee).

Proposition 5: Procedural justice moderates the relationship between employees' distributive justice perceptions and DSB, varying the intensity of DSB exhibited.

### **IMPACT OF CONTRACT INTERACTIONS ON POTENTIAL DSB OUTCOMES**

In most cases, employees' psychological contracts strongly influence their perceptions of outcome fairness, or distributive justice. We also suggest that the extraorganizational influence of employees' customer contracts will combine with the influence of their psychological contracts to produce different DSB outcomes. The two types of contract influences will affect the intensity or magnitude of DSB exhibited. If employees have a positive intent to exhibit DSB (based on an

intact psychological contract), and their customer contract is positive, then the DSB outcome will be strongly positive (to both customer and organization). If employees have a negative intent to exhibit DSB (based on a violated psychological contract), and their customer contract is violated, then the DSB outcome will be strongly negative (to both customer and organization). However, because the influence of employees' psychological contracts is stronger than that of their customer contracts, intact customer contracts will not completely counteract negatively intended DSB, nor will violated customer contracts completely counteract positively intended DSB. The overall DSB outcome will tend to conform to the DSB intent influenced by employees' psychological contracts. Nevertheless, the interactive effect of both employees' psychological contract and customer contract influences on DSB outcomes can have potentially beneficial, or potentially serious, implications for the organization (see Table 2). This is due to the varying forms and intensity of DSB that employees may choose to exhibit.

TABLE 2  
**Examples of Potential Organizational Outcomes of  
 Discretionary Service Behavior**

	<b>Intact Psychological Contract</b>	<b>Violated Psychological Contract</b>
<b>Intact Customer Contract</b>	<p><i>The Intent of DSB:</i> Strongly Positive, as employees intend to help the organization and not hurt customers.</p> <p><i>The Behavior of Employees:</i> the best possible customer service as employees go to extremes to assist customers and increase organizational performance; for example, employees may work during their breaks or beyond posted hours to serve customers during busy times.</p> <p><i>The Organizational Outcome:</i> a win/win situation for both the organization and customers (resulting in increased profitability and customer satisfaction)</p>	<p><i>The Intent of DSB:</i> Negative, as employees intend to hurt the organization but not hurt customers.</p> <p><i>The Behavior of Employees:</i> seemingly positive service that is good for customers but bad for the organization; for example, employees "give away the store" by offering additional product or discounted prices at the organization's expense.</p> <p><i>The Organizational Outcome:</i> a gain of customer satisfaction and potential short-term profits, but long-term major loss of profitability of the organization (due to inefficiency of customer service operations.)</p>
<b>Violated Customer Contract</b>	<p><i>The Intent of DSB:</i> Positive, as employees intend to help the organization and not hurt customers, because service quality is an organizational interest.</p> <p><i>The Behavior of Employees:</i> tends to promote the organization over customer interests; for example, employees provide service to prescribed organizational standards, but they don't take extra personal initiative to help customers.</p> <p><i>The Organizational Outcome:</i> optimal short-term profitability, although the long-term profitability of the organization may be negatively impacted if customer service quality is perceived as less than optimal.</p>	<p><i>The Intent of DSB:</i> Strongly Negative, as employees intend to hurt the organization and not help customers.</p> <p><i>The Behavior of Employees:</i> the worst possible customer service, as employees deliberately ignore or damage customer and organizational interests; for example, employees may exhibit destructive behavior such as sabotage, pilferage, and poor service quality.</p> <p><i>The Organizational Outcome:</i> a lose-lose situation for both the organization and customers (resulting in a major loss of organizational profitability and customer satisfaction.)</p>

### **Intact Psychological Contracts with Intact Customer Contracts**

The scenario most beneficial to organizations potentially occurs when employees perceive both their psychological contracts and customer contracts to be intact. Employees exhibit positive DSB with the intent to ensure both customer satisfaction and organizational well-being. These employees may take a personal interest and involvement with customers, to the extent that it does not detract from organizational performance. They may deviate from scripted service routines to deal with customer contingencies, and improvise when operating procedures hinder effective service, as long as such actions are in the best interests of both customers and the organization. An example is Nordstrom employees who make creative use of the organization's liberal return policy to ensure customer satisfaction (Schlesinger & Heskett, 1991). Psychological contracts and customer contracts that are favorably balanced and "in parallel" can lead to committed employees and organizational responsiveness to customers (Rousseau & Wade-Benzoni, 1994). Potentially, the interaction of these two best-case contract influences on DSB will lead to maximum organizational profitability by satisfying the needs of both employees (in terms of fairness) and customers (in terms of service quality). This is the embodiment of the service management philosophy: employee satisfaction leads to customer satisfaction (Brown, Fisk, & Bitner, 1994).

Proposition 6: The interaction of intact psychological contracts with intact customer contracts will lead to positively intended DSB.

### **Violated Psychological Contracts with Intact Customer Contracts**

Employees who perceive a violated psychological contract but an intact customer contract may respond by helping customers at the expense of the organization. These employees may tend to side with customers over the organization, which could result in "giving away the store" (providing additional goods or services beyond the level prescribed by the organization). Such actions would conceivably increase short-term customer satisfaction, but would lead to long-term loss of efficient operations and profitability: the cost of continually escalating levels of service to meet customer expectations would be too high for survival of a rational organization.

Proposition 7: The interaction of violated psychological contracts with intact customer contracts will lead to negatively intended DSB.

### **Intact Psychological Contracts with Violated Customer Contracts**

On the other hand, employees who perceive their psychological contracts as intact and fair will promote the organization's interests by exhibiting positively intended DSB even when their customer contracts are violated. In such scenarios, these employees may tend to side with the organization over customers. This may be manifested in employees' striving for high-volume customer transactions with low interpersonal contact, or their emphasizing the attainment of organizational quotas and objectives over serving the customers' best interests. One recent research perspective suggests that employees who are strongly committed to their organizations may be less committed to customers, thus lowering the quality of service they deliver (Hartline & Ferrell, 1993). A likely outcome for the organization is maximized short-term profitability due to strict adherence to organizational standards. However, long-term profitability may be negatively impacted if customer satisfaction decreases due to perceptions of lower service quality and apathy on the part of employees.

Proposition 8: The interaction of intact psychological contracts with violated customer contracts will lead to positively intended DSB.

### **Violated Psychological Contracts with Violated Customer Contracts**

Potentially, the worst scenario for the organization would be realized when employees perceive unfair decision outcomes and procedures (violated psychological contracts) and also have their customer contracts violated. This could result in employees' destructive behavior, damaging organizational profitability as well as customer satisfaction. Greenberg's (1990) research suggests that employees who perceive organizational inequity may either react with aggressive acts or attempt to adjust the balance of resources in their favor; such a sense of inequity would be exacerbated by violated customer contracts. In seeking to retaliate against perceived outcome unfairness by the organization and violation of service encounter norms by customers, employees may resort to such negative activities as pilferage, shortchanging customers, sabotage of organizational equipment or facilities, providing intentionally damaged or inferior products or services, or misrepresenting the organization in such a way as to negatively impact both organization and customers. This type of situation would result in major losses of customer satisfaction and resultant decreases in organizational profitability, both short- and long-term. Organizational reputations regarding customer service are very difficult to repair once they are damaged.

Proposition 9: The interaction of violated psychological contracts with violated customer contracts will lead to negatively intended DSB.

## **IMPLICATIONS FOR MANAGEMENT AND FUTURE RESEARCH**

Management of the interactive components of DSB is a complex and challenging process. We have attempted to help make DSB understandable by presenting a model that explicates the cognitive influences and organizational outcomes of such employee behavior. This is an important first step toward making DSB more manageable. With this information, organizations can better focus their strategies of human resources management, marketing, and operations to achieve increased organizational performance.

### **Management of DSB**

As we noted earlier in this paper, HRM tools have been frequently studied and employed to help understand and manage employee behavior. Compensation plans, performance appraisal systems, and supervisory relationships are often controlled or manipulated in attempts to increase employee satisfaction. However, the recent strong evidence that fairness matters in a service management environment suggests that managing more global employee perceptions and expectations may be a better approach. In this regard, there are several ways that managers can help to ensure perceived fairness of decision procedures and outcomes by employees. One is to apply consistent guidelines in making decisions, such as Levanthal's recommended six procedural rules, regarding management of employees (Folger & Greenberg, 1985; Rousseau, 1995). Another is to manage employee expectations by emphasizing clear and open communication (e.g., making public announcements of decisions), and providing training in this regard to both managers and employees; allowing employee input and feedback regarding management decisions may increase employee perceptions of fairness (Greenberg, 1986). Supervisors' use of social accounts (i.e., the things they say to look fair) can be an effective way to give employees explanations and rationales for decisions such as work assignments and pay raises, thus increasing their acceptance (Greenberg, 1988). An organization's selection and socialization practices can help employees learn about the expectations, obligations, knowledge, and degree of empowerment that characterize the employee-employer relationship, the basis for their psychological contract (Morrison, 1996; Shore & Tetrick, 1994). These practices can facilitate the management of DSB by emphasizing the organization's commitment to employees, employees' identification with organizational objectives, and individualized socialization (Morrison, 1996).

Finally, a very important HRM tool is the availability of an alternative dispute resolution process to provide a mechanism for employees to channel their negative reactions (Blancero & Dyer, 1996; Olson-Buchanan, 1996; Ruiz Quintanilla & Blancero, 1996). Without such an

alternative process available, employees are more likely to channel their negative reactions externally in the form of negatively intended DSB, resulting in possible damage and destruction to customer and organizational interests. Violations of psychological contracts that are perceived as compelling and enduring by employees may result in "moral outrages", more likely to lead to destructive retaliatory behavior such as negatively intended DSB (Bies, 1987).

Berry (1995) asserts that service companies need to make special efforts to be fair and to demonstrate fairness, because fairness underlies all customers' expectations. Our model underscores the need to also consider employees in the external customer satisfaction equation. Just as employee satisfaction influences customer satisfaction, so logically do employees' perceptions of fairness influence customers' perceptions of fairness. We contend that the management of employees' psychological contracts is a necessary condition for any attempt at behavioral management, and especially critical in the absence of direct control. Thus strategic HR management of employees must be fully integrated into the organization's overall strategic planning, while considering the employees' psychological characteristics, personal needs, attitudes, and perceptions (Blancero et al., 1996).

### **Future Research**

The synthesis of both internal, organizationally generated antecedents, and external, customer-generated antecedents as explanations of externally directed behavior has not been explored to great extent in previous management and marketing research. Most HR/OB research has focused on internal factors such as employee characteristics and organizational procedures (selection, training, performance appraisal), and the resultant effects on employee and organizational outcomes (satisfaction, performance). Much of the research on customer service has looked at how internal employee and organizational characteristics influence external customer attitudes, and resultant measurable outcomes such as sales and customer satisfaction. However, the relatively recent research stream of services marketing has also considered the role that customers can play in influencing employee attitudes (e.g., Bitner et al., 1994). In addition, organizational communication research has proposed a new customer behavioral construct called customer discretionary behavior, which represents any voluntary behavior by customers that may be helpful or harmful to an organization (Ford, 1995). The integration of such management, marketing, and communication issues into a broad, interdisciplinary framework of service management is helping to advance knowledge in this area. The holistic nature of service management considers the influence of employees and

customers on service quality and customer satisfaction across traditional business functions (Bowen, Chase, & Cummings, 1990).

Although the present model focuses on the influence of employee's cognitive perceptions on DSB, future research might include the study of both cognitive and affective perceptions as potential antecedents of broader service behavior. The work of Zajonc (1980) suggests that cognition and affect operate in semi-independent fashion and can be examined as separate influences. Potential frameworks for studying distinct influences of cognition and affect on the same phenomenon have been developed and tested for attitudes (Millar & Tesser, 1986), OCB (Organ & Konovsky, 1989), interpersonal trust (McAllister, 1995), and the relationship between satisfaction and OCB (Moorman, 1993). This research focus is consistent with the recommendation by Fisher and Locke (1992) to explore whether the affective component of job attitudes might predict spur-of-the-moment behavior, while the cognitive component involving equity/fairness perceptions might be a better predictor of premeditated, rationally chosen behavior. In particular, differentiated affect, such as liking that is targeted toward discrete individuals, seems reasonably aligned with the dyadic relationship between employees and customers. It is difficult to separate liking from role performance dimensions (Cardy & Dobbins, 1986), and thus it may influence employee-customer contracts. Emotional labor (Ashforth & Humphrey, 1993) is another form of affect especially relevant to service encounters, influenced by such process/outcome variables as the use of defensive behavior, customer satisfaction, and various personal adjustment factors (e.g., stress), and which promises more insight into employee behaviors.

Researchers need to understand how and why certain antecedents influence behavioral and organizational outcomes, not just the outcomes themselves. One promising methodology to learn more about the dimensions of distributive justice and discretionary behavior underlying service encounters is the critical incidents technique (CIT). This method is particularly well-suited for research designed to increase knowledge of a phenomenon about which relatively little has been documented (Bitner et al., 1990). Because respondents are asked about specific events rather than generalities, interpretation, or conclusions, this procedure meets criteria for providing valuable, reliable information about cognitive processes (Bitner et al., 1994).

We recommend collecting data from employees, customers, and supervisors who are involved with management of service encounters. The research methodology should also employ a broader multi-method perspective, such as triangulated measurement, to help overcome uncertainties derived from any single method and draw from their complementary

strengths (Brewer & Hunter, 1989). This is especially appropriate here because our model includes influences from three distinct constituents (employees, customers, and supervisors), each with unique perceptions regarding employees' DSB. We also suggest a form of direct participant observation, whereby researchers would employ "mystery shoppers" or customers to directly interact with employees and document their service behavior (this research is currently in progress by the authors). In addition, global measures of overall customer satisfaction and organizational profitability would provide another viewpoint of the impact of employee DSB on the organization.

### **CONCLUSION**

The present paper is intended to offer a possible explanation for employee behavior from an integrated perspective addressing both management and marketing issues. Our discussion of the DSB model depicts employees' behavior toward customers as a complex process whereby individuals assess their psychological contracts in the context of distributive justice, or outcome fairness perceptions. If their job characteristics facilitate employee discretion, employees' outcome fairness perceptions can lead to DSB that is either positively or negatively intended. Other forms of justice can moderate the influence of distributive justice outcomes, so that employees would likely choose not to display any DSB. In addition, psychological contracts that employees hold with their customers can interact with their psychological contracts to affect the intensity of DSB exhibited, leading to varying potential outcomes for the organization.

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