CONFLICT MANAGEMENT APPROACHES, CUSTOMER EXPECTATION EVALUATION, AND CUSTOMER SATISFACTION: AN EMPIRICAL INVESTIGATION

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EXTENDED ABSTRACT

Proactive understanding of customers and investigating customer experiences are both listed as top research priorities by the Marketing Science Institute [8]. Such priorities are established by surveying leading North American corporations about potential contributions from academic research.

Customer relationship management (CRM) is a relatively new concept in management and has become a very important issue for improving profitability, much like "having loyal customers" or retaining customers [3]. Galbreath and Rogers define CRM as "activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time and the right cost" [6, p.162]. As a result, CRM facilitates relationships between stakeholders such as customers, employees, and suppliers. Therefore managing conflict situations between a customer and an employee appears to be a significant dimension of CRM [15].

All service providers should expect occasional service failures. Mattila [9] mentioned that the service provider deals with more demanding customers when a failure arises. In this situation, "the company can make things better with the customer- at least to some extent- or make things worse" [1, p.38]. Hart et al. [7] have suggested that proper recovery of failure may result in higher customer satisfaction than if the service had been performed correctly in the first place. At the same time, the ability to deal with customer problems is also related to employee satisfaction and loyalty [13].
This study investigates the potential impacts of different conflict management approaches and expectation evaluation on customer satisfaction.

Deutsch [5] and Tjosvold [14] have categorized conflict management into three major approaches: cooperative, competitive, and avoidance. In cooperative conflict, there is an open-minded discussion between parties and protagonists express interest in understanding opposing arguments, integrating opposing ideas, creating quality solutions, and strengthening the relationship. On the other hand, in competitive conflict, protagonists defend their position vigorously and try to pursue their own interest even at the expense of others. The third approach to conflict is to avoid expressing the other party's ideas and deemphasize any disagreement in which people remain unaware of opposing needs, interests, and ideas [14].

Rust and Oliver noted that "expectations are known to track performance observation" [12, p. 88]. Parasuraman et al. [11] have used the disparity between customers' expectations and perceptions in order to measure service quality. According to confirmation/disconfirmation theory, customers compare

their expectations to the actual service they receive [2, 4, 10]. This comparison may result in one of three potential outcomes: confirmation, positive disconfirmation, and negative disconfirmation. When the perceived service quality exactly meets prior customer expectation, confirmation occurs. Positive disconfirmation, however, will be the result of exceeding the perceived service over the expectation. On the other hand, when expectation exceeds the actual service, negative disconfirmation occurs.

Using three approaches of conflict management theory (cooperative, competitive, and avoiding) and three possibilities for customers' expectation evaluation (fail to meet, meet, and exceed), nine scenarios have been developed. The hypotheses were tested in a between subjects experiment with random assignment. The pre-tested scenarios and questionnaires were given to 223 students, who took management courses, in the summer semester at a mid-sized Western university in North America. Each respondent was randomly assigned to a condition. They then read a hypothetical scenario regarding airline service and responded to series of questions.

One hundred ninety five responses, out of 223, were found to be valid and used in the analysis.
The results of this 3x3 between subjects experiment suggest that both the style of conflict management and expectation evaluation have a significant, direct impact on customer satisfaction. A cooperative conflict resolution style was preferred, as was having one's expectations exceeded. Interestingly, the results suggest that interaction of customer expectation evaluations and conflict management approaches was not significant.

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