Service Failures and Recovery Strategies from the Service Provider Perspective

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Abstract

Most of existing literature pertaining to service failures and recovery strategies, while aiming at helping service providers determine their best recovery strategies, focuses on how customers respond to service failures. The real determinants of the strategies for those providers \textit{per se} are seldom dealt with. This study proposes a framework linking service failure types and recovery strategies, and examines the moderated effects of buyer-seller relationships and the dependence structure from the service provider perspective. The analytical sample comprises 134 service failure encounters in Taiwan’s semiconductor industry. Empirical results show that a service provider’s recovery strategy decision is affected by the service failure type, and moderated by the dependence structure, but not by buyer-seller relationships. These results extend the theory of service failure and recovery strategy. This study also provides managers with insights on how to deal with different types of service failure, how to allocate organizational resources, and how to improve their performance when deciding which recovery strategy to adopt.

\textit{Keywords}: Service failure, recovery strategy, buyer-seller relationships, dependence structure

1. Introduction

Many academics and experts in the marketing field agree that it is more profitable for a firm to retain a customer than to recruit a new one (Hart et al., 1990; Maxham, 2001). However, even firms that typically display exceptional service are prone to some degree of service failure, which often leads to customer defection (Bitner et al., 1990). When a service failure occurs, the way companies recover, and the speed at which they do it, has a critical impact on subsequent customer responses. Consequently, service researchers (e.g. Gronoos, 1988; Tax et al., 1998; McCollough et al., 2000; Zhu et al., 2004) and practitioners (e.g. Brady, 2000; Metz, 2000; Quick, 2000) have shown keen interest in service failures and recovery strategies.

In the body of literature related to service failure and recovery strategies, most studies focus on helping service providers make optimal decisions by analyzing how customers respond and react to service failure encounters (e.g. Gronoos, 1988; Parasuraman et al., 1991; Smith et al., 1999; Maxham and Netemeyer, 2002; Hess et al., 2003; Mattila and Cranage, 2005). Some studies, however, analyze and integrate the perspectives of both the customers and the service provider to capture the full picture of service failure encounters. For example, Tax and Brown (1998) propose a conceptual approach to guide managers in designing an

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effective service recovery strategy based on customer responses. Maxham and Netemeyer (2002) argue that employee perceptions of shared value and organizational justice can stimulate customer-directed extra-role behavior when handling complaints, and hence, affecting customer responses. Other studies deal with the question of how service providers should face different types of service failure, determine their recovery strategies, and evaluate customer responses from the service provider perspective. Zhu et al. (2004) analyze the decision-making process of a service provider by proposing a conceptual framework of service failures and recovery strategies. Similarly, Simons and Kraus (2005) use reliability theory and a Lagrangian formulation to guide managers in allocating service recovery investments.

Most previous studies concerning service failure and recovery strategy focus on the business-to-customer (B2C) market, but some researchers extend this approach to the business-to-business (B2B) market. Lockshin and McDougall (1998) apply the critical incident technique in their B2B market study on the wine retailing business to evaluate the supplier’s recovery strategy. Durvasula et al. (2000) examine service recovery and customer satisfaction issues in the ocean freight shipping industry in Singapore, concluding that service recovery methods are associated with customer satisfaction levels in the B2B market as well. The recent study of Mendes Primo et al. (2007) examines how manufacturing firms react to supplier service failure and recovery by applying and extending the theory from the B2C to the B2B context. Even though the nature of B2B exchanges is fundamentally different from B2C exchanges (Heide and John, 1992), the rationale of this analogy is based on the fact that themes related to customer expectations and perceptions during failure and subsequent recovery experiences must be similar in both contexts because customers in buying firms are still individuals making decisions based on their perceptions and expectations as consumers (Cronin and Morris, 1989).

Collectively, these studies extend the theoretical nexus of service failures and recovery strategies. However, this literature fails to address, using empirical evidence, the issues of how a service provider faces service failure and determines its recovery strategy, especially in the B2B market. This study therefore addresses this gap in the literature by providing a framework of how recovery strategies are affected by service failure types, buyer-seller relationships, and the dependence structure from a service provider perspective. Specifically, this study chooses the semiconductor manufacturing industry as the research subject. This study therefore contributes to extend the theory of service failure and recovery strategy to the analysis using the service provider perspective in the B2B market. The results of this study provide managers with insights on how to deal with different types of service failure, how to allocate organizational resources, and how to improve their performance when deciding which recovery strategy to adopt.

The remainder of this paper is organized as follows. Section two reviews the literature related to service failure, recovery strategy, buyer-seller relationships, and the dependence structure, leading to the research hypotheses of this study. Section three introduces the research methods and the conceptual framework of this study, variable definitions and measures, and data collection. Section four provides the estimation results, and Section five offers discussion. The conclusion presents some implications of the findings, limitations, and directions for future research.

2. Literature review and hypotheses

2.1 Service failure types and recovery strategies

Researchers define service failure as the activities that occur when customer perceptions of initial service delivery behavior fall below the customer’s expectations (Zeithaml et al.,
Service recovery strategy refers to the activities which a company engages in to deal with a customer complaint when a perceived service failure occurs (Gronoos, 1988). In previous studies, most researchers adopted an outcome-process classification for service failures and recovery strategies. Outcome failure refers to a core service failure, and process failure is the inconvenience or unpleasantness experienced during service delivery (Gronoos, 1988; Parasuraman et al., 1991). The outcome-related strategy is a utilitarian strategy which includes money, goods, and time; the process-related strategy is a symbolic strategy which includes status, esteem, and empathy (Smith et al., 1999). The working assumption of these approaches is that customers place greater value on an exchange of similar resources than dissimilar resources, and they categorize economic loss (outcome failure) and social or psychological loss (process failure) into different mental accounts (Brinberg and Castel, 1982; Smith et al., 1999).

Researchers also propose the justice theory and categorize three different dimensions of justice—distributive, procedural and interactional justice—to reflect customers’ different complaint behaviors and expectations (Blodgett et al., 1997; Tax et al., 1998; Smith et al., 1999; Maxham and Netmeyer, 2003) as rooted in social psychology. Distributive justice refers to the perceived fairness of the tangible outcome of a dispute, negotiation, or decision involving two or more parties. Distributive justice emphasizes the role of equity in shaping subsequent exchanges (Blodgett et al., 1997). Typical compensation includes refunds, exchanges, repairs, discounts on future purchase, etc. (Katz et al., 1991), which is consistent with the utilitarian strategy mentioned above. Procedural justice refers to the perceived fairness of the policies, procedures, and criteria that decision makers use to determine the outcome of a dispute or negotiation (Thibaut and Walker, 1975; Lind and Tyler, 1988; Alexander and Ruderman, 1987; Blodgett et al., 1997). Clemmer (1993) identifies flexibility, waiting time or representativeness, and efficiency as dimensions of procedural justice in service failure encounters. Interactional justice refers to the manner in which people are treated during the conflict resolution process; for example, with courtesy and respect or rudely (Bies and Moag, 1986; Bie and Shapiro, 1987). Typical factors in the service failure context are acceptance of blame (Goodwin and Ross, 1989) and the offering of an apology (Goodwin and Ross, 1992; Bies and Shapiro, 1987). A combination of procedural and interactional justice is consistent with the symbolic recovery strategy mentioned above.

While many studies adopt the matching view of service failures versus recovery strategies (e.g. Parasuraman, et al., 1991; Smith et al., 1999; McColl-Kennedy and Spark, 2003), some scholars contend that an optimal recovery strategy may depend on the combination of customer evaluations and firm cost structures. Given the same level of customer evaluation, different firms may have different cost structures that allow them to choose different outcome or process recovery strategies. In this situation, the matching recovery strategy may not always be optimal for every firm (Zhu et al., 2004). Blodgett et al. (1997) note that the combination of all three dimensions of justice helps determine complainants’ overall perceptions of justice, and hence, their subsequent behaviors. Likewise, a service provider may simultaneously use both recovery strategies to amend a service failure encounter. Zhu et al. (2004) call this dual approach a mixed strategy. When service providers adopt this strategy, it means that they are willing to put more effort into failure recovery than the matching strategy.

For example, when an outcome failure happens (e.g. the company provides a customer with the wrong product), a service provider would use a utilitarian strategy (e.g. replacing the product) with an extra strategy (e.g. offering an apology or quality guarantee). That is, the company uses a mixed recovery strategy instead of just one of the strategies. This behavior is similar to the study of Blodgett et al. (1997), which shows that high levels of procedural and interactional justice may offset lower levels of distributive justice. Correspondingly, when a
process failure occurs (e.g. a first-line employee acts unpleasantly toward the customer), a service provider may not only show a symbolic strategy (e.g. offer an apology), but also use a utilitarian strategy (e.g. offer compensation). Lockshin and McDougall (1998) found that an effective recovery in the wine retailing business must focus more on service outcome failures than process failures, reinforcing a finding from Bienstock et al. (1997). The study of Yanamandram and White (2006) provides further evidence in B2B services that the service provider’s recognition of the problem and assurances that it will not happen again are more important than apologizing. Since an outcome failure often involves core services (Gronoos, 1988; Parasuraman et al., 1991) and has a crucial effect on a specific transaction, a service provider must recover from it with greater effort. Companies are more likely to adopt a mixed strategy when outcome failures occur than when process failures occur. Therefore, this study offers the following hypothesis.

**Hypothesis 1:** A service provider is more likely to adopt a mixed recovery strategy when an outcome failure occurs than when a process failure occurs.

### 2.2 Buyer-seller relationships

Maintaining customer relationships is a crucial issue in services marketing (Bendapudi and Berry, 1997). From the psychological perspective (e.g. Hinde, 1979; Duck, 1994), one party’s affective responses to a relationship determine subsequent customer behaviors. This approach suggests that affective responses such as satisfaction, identification with the partner, and attitudinal commitment influence relationship partners to stay in or leave the relationship (Moorman et al., 1992). This perspective emphasizes that the relationship continues because the customer actively desires it, which is the dedication-based relationship maintenance perspective (Bendapudi and Berry, 1997).

In previous studies, researchers regard buyer-seller relationships (or customer-organization relationships, customer-supplier relationships) as an important factor that may affect how a customer evaluates the recovery strategy of a service provider and determine subsequent responses (Hess et al., 2003; DeWitt and Brady, 2003; Jones et al., 2003; Narayandas and Rangan, 2004; Celuch et al., 2006; Furlan et al., 2006). Buyer-seller relationships determine the extent to which a customer is dedicated to maintaining the relationship. Specifically, scholars define relationships in terms of past interactions and the expectation of continued future interaction (Gutek 1995; Bendapudi and Berry, 1997; Hess et al., 2003). Similarly, buyer-seller relationships affect how business partners decide their contracting form and relational behaviors in a B2B context (Lusch and Brown, 1996). For customers and service providers, relationships can exhibit considerable inertia. A long relationship is more likely to continue than a young relationship because adjustments are made over time, unsatisfactory and unalterable dyads terminate, and surviving dyads achieve a high degree of fit (Anderson and Weitz, 1989). Business partners generally prefer to maintain long time relationships with customers because this leads to relational behaviors that positively affect their performance (Lusch and Brown, 1996).

In a service failure encounter, a service provider often considers using a matching or extra recovery strategy to cope initially with a specific type of service failure. In the meantime, buyer-seller relationships play an important role in determining the recovery strategy. As mentioned above, when an outcome failure occurs, a service provider may want to provide a utilitarian or mixed recovery strategy. If service providers perceive their relationships with customers as good, they are willing to put more effort into recovery attempts. This is because lasting relationships are more familiar and comfortable, and adjustments and accommodations have already been made (Anderson and Weitz, 1989). A mixed recovery strategy is more likely under such conditions. This situation is almost the same as when a process failure occurs, but the effect of an outcome failure is stronger because an outcome failure is a core
failure. Therefore, the risk of losing a customer is greater than in a process failure. As a result, this study offers the following hypothesis.

**Hypothesis 2:** A service provider is more likely to adopt a mixed recovery strategy when an outcome failure occurs than when a process failure occurs, and the likelihood of this adoption increases when good buyer-seller relationships exist.

2.3 Dependence structure

The buyer-seller relationship explanation accounts for why customers continue a relationship after a service failure by appealing to a genuine interest by the customers in continuing the relationship. Dependent structure analysis instead focuses on those customers who believe they have no other options (Bendapudi and Berry, 1997). From the economic perspective (e.g. Becker, 1964; Williamson, 1975), relationship maintenance can be explained in terms of the costs and benefits of staying in the relationship versus leaving it. Related literature therefore discusses dependence on the relationship partner and the attractiveness of alternative partners. Many studies on long-term relationship orientation (Anderson and Narus, 1990; Anderson and Weitz, 1989) emphasize such dependence-mediated relationship maintenance, or constraint-based relationship maintenance (Bendapudi and Berry, 1997).

The dependence structure is an asymmetric power arrangement between two parties (Lusch and Brown, 1996; Ganesan, 1994) and is synonymous with the power imbalance proposed by Anderson and Weitz (1989), noting that a power imbalance will affect mutual relationship perceptions. In fact, previous studies avoid using the term power at all and focus instead on replaceability, dependence, or interdependence magnitude and asymmetry. This is because researchers often confuse the constructs of power, communication, and control, and criticize power as having negative effects on channel relationships (Frazier, 1999). Morgan and Hunt (1994) contend that power is sick and dysfunctional to channel relationships, but is helpful in understanding relationship marketing failures. A firm’s power in a dyadic channel relationship has the potential to influence the other firm’s beliefs, attitudes, and behaviors. This potential is tied to the other firm’s dependence or need to maintain the channel relationship to achieve its desired goals (Frazier, 1983).

Lusch and Brown (1996) state that an explicit contract is a safeguard for the more powerful or dominant partner. Although the weaker party cannot be expected to be happy about the other party having a strong hand in writing an explicit contract, it will accept an explicit contract because the contract will at least set parameters on what the more powerful party can legitimately do. Both partners then make their decisions following the stipulations of the contract, and further relational efforts are not necessary. In a service failure encounter, a service provider faces a situation which is usually constrained by an explicit contract, especially in a B2B relationship. Resolving a service failure is a crucial issue stipulated in the contract, and both partners may have a standard operating procedure (SOP) to follow. In this situation, a service provider must and will deal with failure encounters according to the contract. It is therefore not necessary for a service provider to devote extra effort to recovering from the failure. This effect is more obvious in an outcome failure encounter than a process failure encounter because an outcome failure often involves the very core of a transaction, and will definitely be included in the main body of the contract. For example, a contract will describe how to compensate a flaw in a product or equipment malfunction, but it may not always describe how to deal with the unpleasant attitude of a representative. Therefore, this study offers the following hypothesis.

**Hypothesis 3:** A service provider is more likely to adopt a mixed recovery strategy when an outcome failure occurs than when a process failure occurs, and the likelihood of this adoption decreases under an asymmetric dependence structure.
3. Method

3.1 Sampling and data collection procedures

We report on data collected from Taiwanese semiconductor manufacturing suppliers. The survey method to collect data about service failures and recovery can be a supplementation or substitution with other data-collection methods such as the critical incidence technique and scenario-design methods (e.g. Bitner et al., 1990; Smith et al., 1999; Lockshin and McDougall, 1998). This study encompasses two stages of data collection. The first stage involved interviews with 15 senior product managers in charge of a service recovery strategy. This approach aids in understanding real service failure encounters in the industry. The second stage involved a survey of key informants (sales managers, product managers, or marketing executives) from companies listed as members of the Taiwan Semiconductor Industry Association. Identified by the senior product managers, these informants are responsible for service failure and recovery strategies in the semiconductor industry. The original sample consisted of 405 semiconductor manufacturing suppliers. To be eligible, a firm must have had a service failure experience in the past year. We imposed this requirement in order to avoid memory lapses on the part of our respondents (Bitner et al., 1990; Kelley et al., 1993). Emails and telephone pre-surveys filtered the sample down to 186 eligible firms, all of which had experienced a service failure during the previous year and were willing to participate in this study. Each of the informants received by mail a personalized letter explaining the purpose of the study and a questionnaire. Two weeks later, non-responders received a reminder mailing with a second questionnaire. These efforts generated 134 usable responses, creating a final useable response rate of about 72%. No significant differences exist between early (first quartile) and late (fourth quartile) respondents for the constructs used in this study (Armstrong and Overton, 1977). The final data shows that the informants all experienced at least one service failure encounter during the previous year and they were responsible for the entire recovery strategy process. Furthermore, these informants have an average of 11.2 years experience interacting with manufacturing companies. These data suggest that all of the informants in the final sample were fully qualified to answer the questions we asked them as part of the study.
3.2 Measures

This study either developed or adopted tentative measures from the literature, and then tested them for content validity with 15 senior product managers who have a comprehensive understanding of service failure encounters and recovery strategies. Since the items for service failure types and recovery strategies have not been well developed in previous studies, those items were generated by the interviews. Researchers taped, transcribed, and studied all interviews in depth. An iterative process of linking theory with empirically derived concepts enriched and refined the measures. Items with low correlation were deleted based on the results of item-to-total correlation examinations within each construct. A principal components factor analysis with varimax rotation of all measurement items reveals that items load on their respective constructs without cross loadings (eigenvalues >1 and factor loadings of 0.50 or higher). Factor analysis and Cronbach’s α statistics (Nunnally and Bernstein, 1994) reveal that both buyer-seller relationships (mean = 5.08, S.D. = 0.58, α = 0.83) and the dependence structure (mean = 4.16, S.D. = 1.02, α = 0.81) constructs are reliable. The correlation coefficient of these two variables is 0.43.

3.2.1 Service failure

Because extant scales are not available for this construct in the semiconductor industry, interviews with semiconductor suppliers helped generate items. Interview results formed the basis for measuring service failure. For analysis purposes, respondents were asked to choose only one answer even though they may have multiple experiences. Respondents identified the following failures during the previous year: (a) material flaws detected during inspection or manufacturing processes, (b) malfunctions in new or used equipment, (c) material flaws detected in a finished product, (d) delivery delays, and (e) unpleasant attitudes on the part of service representatives. Answers falling into (a) to (c) formed an outcome failure cluster (service failure type = 1); answers falling into (d) and (e) formed a process failure cluster (service failure type = 0).

3.2.2 Recovery strategy

Interview results also served as the basis for measuring recovery strategies. Respondents indicated how they dealt with the service failure they experienced. Recovery strategy options included: (a) an apology, (b) a speedy response, (c) a delivery guarantee, (d) an offer of compensation, (e) an offer to repair the equipment, and (f) an offer to replace the item with a new product (material or equipment). This was a multiple-choice question. Answers (a) to (c) formed the symbolic recovery strategy group (recovery strategy = 1); answers (d) to (f) formed the utilitarian recovery strategy group (recovery strategy = 2). When the respondents chose multiple answers falling into both types of recovery strategies, responses formed the mixed recovery strategy group (recovery strategy = 3).

3.2.3 Buyer-seller relationships

Researchers define buyer-seller relationships in terms of past interaction history and the expectation of continued future interaction (Gutek 1995; Bendapudi and Berry, 1997; Hess et al., 2003). Consistent with the literature, this measurement includes six items adapted from Hess et al. (2003) and Lusch and Brown (1996). The items include ‘The experience with this client has been exceptional,’ ‘This client often complains about our service (reverse),’ ‘We have been doing business with this client for a long time,’ ‘We expect our relationship with our client to continue a long time,’ ‘Renewal of the relationship with our client is virtually automatic,’ ‘We expect our relationship with our clients to be enduring.’ All items used a 6-point scale, ranging from “strongly disagree” to “strongly agree.” These terms help avoid any tendency by the respondents to merely select the mid-point of the scale.
3.2.4 Dependence structure

Dependence structure is an asymmetric power arrangement. Respondents evaluated the extent to which they are dependent on their customers. This measurement includes three items adapted from Lusch and Brown (1996). The items include ‘Our client is dependent on us,’ ‘Our client would find it difficult to replace us,’ ‘Our client would find it costly to lose us.’ All items used a 6-point scale, ranging from “strongly disagree” to “strongly agree.” These terms help avoid any tendency by the respondents to merely select the mid-point of the scale.

3.2.5 Control variable

The model included a control variable that might influence results. As Martin (2005) points out, large and small firms may have different abilities and resources to deal with service failure encounters. Firms may also have different abilities to deal with the consequences of losing customers from service failures. The number of employees in a firm is a proxy for firm size.

4. Results and analysis

This study uses an Ordered Logistic Regression model because the framework of this study includes both categorical variables (dependent and independent variables) and numerical variables (moderator variables). In addition, the dependent variable is ordered, which makes applying the Ordered Logistic Regression model preferable (Press and Wilson, 1978). The model determines the main effect, the impact of the type of service failure on recovery strategy (H1), and then expands to include the mean centered moderated terms of buyer-seller relationships and the dependence structure (H2, H3).

Table 1. Results of ordered logistic regression for recovery strategies.

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
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<tr>
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<td>0.03</td>
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<tr>
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<td>1.92**</td>
<td>1.96*</td>
<td>1.99***</td>
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<tr>
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<td>(25.03)</td>
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Notes: Numbers in parentheses are Wald x2 statistics. **, p < 0.05; ***, p < 0.01.
4.1 Service failure and recovery strategy

Table 1 shows the Ordered Logistic Regression results for recovery strategies. Model 1 includes the control variable, and Model 2 includes the service failure type variable. Models 3 and 4 include the moderators of buyer-seller relationships and the dependence structure on the link between service failure type and recovery strategy, respectively. Model 5 includes both moderators. The results in Model 2 show that a company is more likely to adopt a mixed recovery strategy (recovery strategy = 3) in an outcome failure than a process failure ($\beta =1.87$, $p < 0.01$), providing support for Hypothesis 1.

4.2 Moderated role of buyer-seller relationships and the dependence structure

Hypothesis 2 and 3 state that buyer-seller relationships and the dependence structure moderate the effect of service failure type on recovery strategies. Table 1 shows that Model 3 and Model 4 display the separate effects of the moderators, and Model 5 includes both moderators. To reduce or eliminate any bias resulting from multi-collinearity, this study created mean-centered product terms to replace the original moderated terms (Aiken and West, 1991). As a result, the moderated effect of the buyer-seller relationships is not significant ($\beta = -0.41$, $p > 0.05$), providing no support for Hypothesis 2. However, the dependence structure interaction term is significant and the coefficient is negative ($\beta = -0.96$, $p <0.01$), supporting Hypothesis 3 that a service provider is more likely to adopt a mixed recovery strategy when an outcome failure occurs than when a process failure occurs, and the likelihood of this adoption decreases under an asymmetric dependence structure.

5. Discussion and implications

This study proposes a framework linking service failure types and recovery strategies, and examines the moderated effect of buyer-seller relationships and the dependence structure from the service provider perspective. Unlike previous studies, this study provides empirical evidence, and its results hold important implications for theory and practice.

First, on the basis of previous theories, this study provides a more comprehensive framework for analyzing the service failure-recovery strategy relationship. Beyond the matching view of failure types versus recovery strategies, the empirical results of this study show that utilitarian and symbolic strategies may be used simultaneously, and the choice depends on which type of a service failure occurs. Echoing the work of Lockshin and McDougall (1998), Bienstock et al. (1997), and Yanamandram and White (2006), which find that businesses focus more on service outcome failures than process failures, this research further points out that an outcome failure motivates a service provider to put more effort into recovery than a process failure. This empirical finding could provide more evidence for theories related to service failures and recovery strategies.

Second, the results of this study also show that the dependence structure plays a moderated role in determining a recovery strategy. In other words, when the relationship structure is more asymmetric, a provider may not be willing to utilize another strategy because the relationship relies on formal contracts. Therefore, a provider may not need to contribute more effort. This result is consistent with the study of Lusch and Brown (1996), and is often seen in B2B relationships. Previous studies, however, are divided over whether the more powerful partner will act selfishly and pressure the other firm (Anderson and Weitz, 1989, 1992; Heide, 1994) or attempt to mold strong and effective relationships rather than pressuring associated firms to ultimately maximize selfish interest because long-term cooperation is important and norms of fairness exist in the channel system (Frazier and Summer, 1986; Ganesan, 1993; Kumar et al., 1995). The results of this study show that the issue is not whether the more powerful partners are selfish or not. Instead, the key is that they
are more willing to deal with service failures following the formal contract that has already been established. Therefore, to fully understand service provider behavior when a service failure occurs, it is necessary to analyze the dependence structure of its customers.

Third, the findings of this study suggest that buyer-seller relationships may not have a moderated effect on recovery strategy selection. This result could be further elaborated. Previous studies indicate that customer perceptions of buyer-seller relationships with the provider affect their recovery strategy expectations (Dewitt and Brady, 2003; Hess et al., 2003). However, from the service provider perspective, buyer-seller relationships may not have a moderated role. Note that this gap between customers and service providers may be the reason why even firms that typically display exceptional service may not satisfy customers all the time. To fill the gap, managers responsible for making recovery strategy decisions should pay more attention to buyer-seller relationships to understand customer expectations. In other words, they should take into account the interaction history and the expectation of continued future interaction with customers.

6. Limitations and future research

This research contributes to the service failure and recovery literature by presenting results that support a more complete understanding of how service providers actually perceive different sorts of service failures, and how they determine their recovery strategies. Inevitably, certain limitations of the study point to future research opportunities.

First, this research is an exploratory study in the B2B context, focusing only on the semiconductor industry. To generalize the results, future studies may try to examine these effects in different industries. Second, this study uses single informant reports for the variables included in the models, indicating the possibility of a common method bias. Since this study focuses on a rather narrow issue concerning service failures and recovery strategies and the informants were well qualified to report on the variables, this weakness should be able to be mitigated. To ensure that the common method bias is not a problem, however, future research could collect the measures of the dependent and independent variables from different sources with longitudinal or secondary data as a complement to mitigate the potential concern regarding the common method bias (Podsakoff et al., 2003).

Third, the framework of this study includes two often-mentioned moderators as recovery strategy determinants. Further assessment could involve other moderators. Finally, future research could gather data from both customers and service providers. Although this may be a potentially sensitive area and could trigger ethical questions (e.g. when researchers manipulate service failures in an experimental setting) (Zhu et al., 2004), the work is worthy of attempt. Hopefully, this study will inspire other scholars to pursue further research in these suggested directions, and shed additional light on the topic of service failures and recovery strategies.

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Reference


